

# IBM SPSS Statistics Algorithms



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# ***Introduction to Algorithms***

Throughout much of the documentation, we avoid detailed discussion of the inner workings of procedures in order to promote readability. This algorithms document is designed as a resource for those interested in the specific calculations performed by procedures.

## ***Algorithms Used in Multiple Procedures***

For some statistics, such as the significance of a  $t$  test, the same algorithms are used in more than one procedure. Another example is the group of post hoc tests that are used in ONEWAY and GLM. You can find algorithms for these tests in the appendixes.

## ***Choice of Formulas***

Starting with the first statistics course, students learn that there are often several equivalent ways to compute the same quantity. For example, the variance can be obtained using either of the following formulas:

$$s^2 = \sum_{i=1}^N (x_i - \bar{x})^2 / (N - 1)$$
$$s^2 = \left( \sum_{i=1}^N x_i^2 - \left( \sum_{i=1}^N x_i \right)^2 / N \right) / (N - 1)$$

Since the formulas are algebraically equal, the one preferred is often the one easier to use (or remember). For small data sets consisting of “nice” numbers, the arbitrary choice of several computational methods is usually of little consequence. However, for handling large data sets or “troublesome” numbers, the choice of computational algorithms can become very important, even when those algorithms are to be executed by a computer. Care must be taken to choose an algorithm that produces accurate results under a wide variety of conditions without requiring extensive computer time. Often, these two considerations must be balanced against each other.

You may notice that the same statistic is computed differently in various routines. Among the reasons for this are the precision of the calculations and the desirability of computing many statistics in the same procedure. For example, in the paired  $t$  test procedure (T-TEST), the need to compute both the correlation coefficient and the standard error of the difference led to the selection of a different algorithm than would have been chosen for computation of only the standard error. Throughout the years of development, the personal preferences of many designers

and programmers have also influenced the choice of algorithms. Now, as new routines are added and old ones are updated, any unnecessary diversity is being replaced by a consistent core of algorithms.

## ***Missing Values***

Since similar options for treatment of missing values are available in many procedures, treatment of missing values has often not been specified in each chapter. Instead, the following rules should be used:

- If listwise deletion has been specified and a missing value is encountered, the case is not included in the analysis. This is equivalent, for purposes of following the algorithms, to setting the case weight to zero.
- If variable-wise deletion is in effect, a case has zero weight when the variable with missing values is involved in computations.
- If pairwise deletion has been specified, a case has zero weight when one or both of a pair of variables included in a computation is missing.
- If missing-values declarations are to be ignored, all cases are always included in the computation.

It should be noted again that the computer routines do not alter case weights for cases with missing data but, instead, actually exclude them from the computations. Missing-value specifications do not apply when a variable is used for weighting. All values are treated as weights.

# 2SLS Algorithms

2SLS produces the two-stage least-squares estimation for a structure of simultaneous linear equations.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$p$	Number of predictors
$p_1$	Number of endogenous variables among $p$ predictors
$p_2$	Number of non-endogenous variables among $p$ predictors
$k$	Number of instrument variables
$n$	Number of cases
$y$	$n \times 1$ vector which consists of a sample of the dependent variable
$Z$	$n \times p$ matrix which represents observed predictors
$\beta$	$p \times 1$ parameter vector
$X$	$n \times 1$ matrix with element $x_{ij}$ , which represents the observed value of the $j^{\text{th}}$ instrumental variable for case $i$ .
$Z_1$	Submatrix of $Z$ with dimension $n \times p_1$ , which represents observed endogenous variables
$Z_2$	Submatrix of $Z$ with dimension $n \times p_2$ , which represents observed non-endogenous variables
$\beta_1$	Subvector of $\beta$ with parameters associated with $Z_1$
$\beta_2$	Subvector of $\beta$ with parameters associated with $Z_2$

## Model

The structure equations of interest are written in the form:

$$y = Z\beta = [Z_1, Z_2] \begin{bmatrix} \beta_1 \\ \beta_2 \end{bmatrix} + \epsilon$$

$$Z_1 = X\gamma + \delta$$

where

$$Z = [Z_1, Z_2], \beta = \begin{bmatrix} \beta_1 \\ \beta_2 \end{bmatrix}$$

and  $\epsilon$  and  $\delta$  are the disturbances with zero means and covariance matrices  $\sigma^2 I_n$  and  $\zeta^2 I_n$ , respectively.

## Estimation

The estimation technique used was developed by Theil; (Theil, 1953), (Theil, 1953). First premultiply both sides of the model equation by  $X'$  to obtain

$$X'y = X'Z\beta + X'\epsilon$$

Since the disturbance vector has zero mean and covariance matrix  $\sigma^2(\mathbf{X}'\mathbf{X})$ , then  $(\mathbf{X}'\mathbf{X})^{-\frac{1}{2}}\mathbf{X}'\epsilon$  would have a covariance matrix  $\sigma^2\mathbf{I}_n$ . Thus, multiplying  $(\mathbf{X}'\mathbf{X})^{-\frac{1}{2}}$  to both sides of the above equation results in a multiple linear regression model

$$(\mathbf{X}'\mathbf{X})^{-\frac{1}{2}}\mathbf{X}'\mathbf{y} = (\mathbf{X}'\mathbf{X})^{-\frac{1}{2}}\mathbf{X}'\mathbf{Z}\beta + (\mathbf{X}'\mathbf{X})^{-\frac{1}{2}}\mathbf{X}'\epsilon$$

The ordinary least-square estimator  $\hat{\beta}$  for  $\beta$  is

$$\hat{\beta} = \left( \mathbf{Z}'\mathbf{X}(\mathbf{X}'\mathbf{X})^{-1}\mathbf{X}'\mathbf{Z} \right)^{-1} \mathbf{Z}'\mathbf{X}(\mathbf{X}'\mathbf{X})^{-1}\mathbf{X}'\mathbf{y}$$

## Computational Details

E 2SLS constructs a matrix  $\mathbf{R}$ ,

$$\mathbf{R} = \begin{bmatrix} \mathbf{1} & \mathbf{V}' \\ \mathbf{V} & \mathbf{M} \end{bmatrix}$$

where

$$\begin{aligned} \mathbf{M} &= \mathbf{C}_{zx}(\mathbf{C}_{xx})^{-1}\mathbf{C}'_{zx} \\ \mathbf{V} &= \mathbf{C}_{zx}(\mathbf{C}_{xx})^{-1}\mathbf{C}'_{xy} \end{aligned}$$

and  $\mathbf{C}_{zx}$  is the correlation matrix between  $\mathbf{Z}$  and  $\mathbf{X}$ , and  $\mathbf{C}_{xx}$  is the correlation matrix among instrumental variables.

E Sweep the matrix  $\mathbf{R}$  to obtain regression coefficient estimate for  $\beta$ .

E Compute sum of the squares of residuals (SSE) by

$$\mathbf{y}'\mathbf{y} - \mathbf{uZ}'\mathbf{y} - \mathbf{y}'\mathbf{Z}\mathbf{u}' + \mathbf{uZ}'\mathbf{Z}\mathbf{u}'$$

where

$$\mathbf{u} = \mathbf{y}'\mathbf{X}(\mathbf{X}'\mathbf{X})^{-1}\mathbf{X}'\mathbf{z} \left[ \mathbf{z}'\mathbf{X}(\mathbf{X}'\mathbf{X})^{-1}\mathbf{X}'\mathbf{z} \right]^{-1}$$

E Compute the statistics for the ANOVA table and for variables in the equation. For more information, see the topic "REGRESSION Algorithms".

## References

Theil, H. 1953. *Repeated least square applied to complete equation systems*. Netherlands: The Hague: Central Planning Bureau.

Theil, H. 1953. *Estimation and simultaneous correlation in complete equation systems*. Netherlands: The Hague: Central Planning Bureau.

# ACF/PACF Algorithms

Procedures ACF and PACF print and plot the sample autocorrelation and partial autocorrelation functions of a series of data.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

Table 3-1

Notation

Notation	Description
$x_i$	$i$ th observation of input series, $i=1,\dots,n$
$r_k$	$k$ th lag sample autocorrelation
$\hat{\phi}_{kk}$	$k$ th lag sample partial autocorrelation

## Basic Statistics

The following formulas are used if no missing values are encountered. If missing values are present, see “Series with Missing Values” for modification of some formulas.

### Sample Autocorrelation

$$r_k = \frac{\sum_{i=1}^{n-k} (x_i - \bar{x})(x_{i+k} - \bar{x})}{\sum_{i=1}^n (x_i - \bar{x})^2}$$

where  $\bar{x}$  is the average of the  $n$  observations.

### Standard Error of Sample Autocorrelation

There are two formulas for the standard error of  $r_k$  based on different assumptions about the autocorrelation. Under the assumption that the true MA order of the process is  $k-1$ , the approximate variance of  $r_k$  (Bartlett, 1946) is:

$$\text{var}(r_k) \cong \frac{1}{n} \left( 1 + 2 \sum_{l=1}^{k-1} r_l^2 \right)$$

The standard error is the square root (Box and Jenkins, 1976), p. 35. Under the assumption that the process is white noise,

$$\text{var}(r_k) \cong \frac{1}{n} \left( \frac{n-k}{n+2} \right)$$

## Box-Ljung Statistic

At lag  $k$ , the Box-Ljung statistic is defined by

$$Q_k = n(n+2) \sum_{l=1}^k \frac{r_l^2}{n-l}$$

When  $n$  is large,  $Q_k$  has a chi-square distribution with degrees of freedom  $k-p-q$ , where  $p$  and  $q$  are autoregressive and moving average orders, respectively. The significance level of  $Q_k$  is calculated from the chi-square distribution with  $k-p-q$  degrees of freedom.

## Sample Partial Autocorrelation

$$\hat{\phi}_{11} = r_1$$

$$\hat{\phi}_{22} = (r_2 - r_1^2) / (1 - r_1^2)$$

$$\hat{\phi}_{kj} = \hat{\phi}_{k-1,j} - \phi_{kk} \phi_{k-1,k-j} \quad k=2, \dots, j=1, 2, \dots, k-1$$

$$\hat{\phi}_{kk} = \left( r_k - \sum_{j=1}^{k-1} \phi_{k-1,j} r_{k-j} \right) / \left( 1 - \sum_{j=1}^{k-1} \phi_{k-1,j} r_j \right), \quad k=3, \dots$$

## Standard Error of Sample Partial Autocorrelation

Under the assumption that the AR( $p$ ) model is correct and  $p \leq k-1$ ,

$$\hat{\phi}_{kk} \cong N\left(0, \frac{1}{n}\right) \text{ (Quenouville, 1949)}$$

Thus

$$\text{var}\left(\hat{\phi}_{kk}\right) \cong \frac{1}{n}$$

## Series with Missing Values

If there are missing values in  $x$ , the following statistics are computed differently (Cryer, 1986).

First, define

$$\bar{x} = \text{average of nonmissing } x_1, \dots, x_n,$$

$$a_i = \begin{cases} x_i - \bar{x}, & \text{if } x_i \text{ is not missing} \\ \text{SYSMIS}, & \text{if } x_i \text{ is missing} \end{cases}$$

for  $k=0, 1, 2, \dots$ , and  $j=1, \dots, n$

$$b_j^{(k)} = \begin{cases} a_j a_{j+k}, & \text{if both are not missing} \\ \text{SYSMIS}, & \text{otherwise} \end{cases}$$

$m_k =$  the number of nonmissing values in  $b_1^{(k)}, \dots, b_{n-k}^{(k)}$

$m_0$  = the number of nonmissing values in  $x$

### Sample Autocorrelation

$$r_k = \frac{\text{sum of nonmissing } b_1^{(k)}, \dots, b_{n-k}^{(k)}}{\text{sum of nonmissing } b_1^{(0)}, \dots, b_n^{(0)}}$$

### Standard Error of Sample Autocorrelation

$$se(r_k) = \sqrt{\frac{1}{m_0} \left( 1 + \sum_{l=1}^{k-1} r_l^2 \right)} \quad (\text{MA assumption})$$

$$se(r_k) = \sqrt{\frac{m_k}{(m_0+2)m_0}} \quad (\text{white noise})$$

### Box-Ljung Statistic

$$Q = m_0(m_0 + 2) \sum_{l=1}^k \frac{r_l^2}{m_l}$$

### Standard Error of Sample Partial Autocorrelation

$$se(\hat{\phi}_{kk}) \cong \sqrt{\frac{1}{m_0}}$$

## References

Bartlett, M. S. 1946. On the theoretical specification of sampling properties of autocorrelated time series. *Journal of Royal Statistical Society, Series B*, 8, 27–27.

Box, G. E. P., and G. M. Jenkins. 1976. *Time series analysis: Forecasting and control*, Rev. ed. San Francisco: Holden-Day.

Cryer, J. D. 1986. *Time series analysis*. Boston, Mass.: Duxbury Press.

Quenouville, M. H. 1949. Approximate tests of correlation in time series. *Journal of the Royal Statistical Society, Series B*, 11, 68–68.

# AIM Algorithms

The Attribute Importance (AIM) procedure performs tests to find out if the groups are homogeneous.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

Table 4-1

### Notation

Notation	Description
$G$	Number of groups.
$C$	Number of categories in the categorical variable.
$n_{ij}$	Number of cases in the $j$ th category in the $i$ th group, $i = 1, \dots, G$ and $j = 1, \dots, C$ . Assume that $n_{ij} \geq 0$ .
$n_i$	Number of cases in the $i$ th group. $n_i = \sum_{j=1}^C n_{ij}$
$n$	Overall number of cases. $n = \sum_{i=1}^G n_i$ . Assume $n > 0$ .
$p_j$	Overall proportion of cases in the $j$ th category. $p_j = \frac{1}{n} \sum_{i=1}^G n_{ij}$
$\bar{x}_i$	Mean of the continuous variable in the $i$ th group.
$s_i$	Standard deviation of the continuous variable in the $i$ th group. Assume that $s_i \geq 0$ .
$\bar{x}$	Overall mean of the continuous variable. $\bar{x} = \frac{1}{n} \sum_{i=1}^G n_i x_i$

## Test of Homogeneity of Proportions

This test is performed only for categorical variables. The null hypothesis is that the proportion of cases in the categories in the  $i$ th group is the same as the overall proportion. If  $C > 1$ , the Chi-square statistic for the  $i$ th group is computed as follows:

$$\chi^2 = \sum_{j=1}^C \frac{(n_{ij} - n_i p_j)^2}{n_i p_j}$$

The degrees of freedom is  $C-1$ . The significance is the probability that a Chi-square random variate with this degrees of freedom will have a value greater than the  $\chi^2$  statistic.

If  $C < 1$ , the Chi-square statistic is always 0 with zero degrees of freedom, and the significance value is undefined.

## ***Test of Equality of Means***

This test is performed only for continuous variables. The null hypothesis is that the mean (of a continuous variable) in the  $i$ th group is the same as the overall mean. If  $n_i > 1$  and  $s_i > 0$ , the Student's  $t$  statistic for the  $i$ th group is computed as follows:

$$t = \frac{(\bar{x}_i - \bar{x})}{s_i / \sqrt{n_i}}$$

The degrees of freedom is  $n_i - 1$ . The significance is the probability that a Student's  $t$  random variate with this degrees of freedom will have a value greater than the  $t$  statistic.

When  $n_i > 1$  but  $s_i = 0$ , this implies that the continuous variable is constant in the  $i$ th group. In this case, the Student's  $t$  statistic is infinity with positive degrees of freedom  $n_i - 1$ , and the significance value is zero.

If  $n_i \leq 1$ , then  $s_i$  is undefined. In this case, the Student's  $t$  statistic is undefined, the degrees of freedom is 0, and the significance value is undefined.

## ***Graphical Display of Significance***

Since significance values are often very small numbers, the negative common logarithm  $-\log_{10}$  of significance values are displayed instead in the bar charts.

# ALSCAL Algorithms

ALSCAL attempts to find the structure in a set of distance measures between objects or cases.

## Initial Configuration

The first step is to estimate an additive constant  $c_k$ , which is added to the observed proximity measures (for example,  $o_{ijk}$ ). Thus,

$$o_{ijk}^* = o_{ijk} + c_k$$

such that for all triples the triangular inequality holds:

$$o_{ijk}^* + o_{jlk}^* \geq o_{ilk}^*$$

and positivity holds  $o_{ijk}^* \geq 0$

where

Table 5-1

Notation

Notation	Description
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$o_{ijk}^*$	is the adjusted proximity between stimulus $i$ and stimulus $j$ for subject $k$
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$o_{jlk}^*$	is the adjusted proximity between stimulus $j$ and stimulus $l$ for subject $k$
-------------	---

$o_{ilk}^*$	is the adjusted proximity between stimulus $i$ and stimulus $l$ for subject $k$
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The constant  $c_k$ , which is added, is as small as possible to estimate a zero point for the dissimilarity data, thus bringing the data more nearly in line with the ratio level of measurement. This step is necessary to make the  $B_k^*$  matrix, described below, positive semidefinite (that is, with no imaginary roots).

The next step is to compute a scalar product matrix  $B_k^{**}$  for each subject  $k$  by double centering  $O_k^*$ , the adjusted proximity matrix for each subject. An element of the  $B_k^{**}$  matrix  $b_{ijk}^{**}$  is computed as follows:

$$b_{ijk}^{**} = -\frac{1}{2}(o_{ijk}^{*2} - o_{i.k}^{*2} - o_{.jk}^{*2} + o_{..k}^{*2})$$

where

Table 5-2

Notation

Notation	Description
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$o_{i.k}^*$	are the row means for the adjusted proximities for subject $k$
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$o_{.jk}^*$	are the column means for the adjusted proximities for subject $k$
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$o_{..k}^*$	is the grand mean for subject $k$
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Double centering to convert distances to scalar products is necessary because a scalar products matrix is required to compute an initial configuration using the Young-Householder-Torgerson procedure.

Next the individual subject matrices are normalized so that they have the same variance. The normalized matrix  $\mathbf{B}_k^*$  is found for each subject. The elements of the matrix are

$$b_{ijk}^* = \frac{b_{ijk}^{**}}{\left[ \sum_i \sum_j (b_{ijk}^{**})^2 / (n(n-1)) \right]^{1/2}}$$

where  $n$  is the number of stimuli, and  $n(n-1)$  is the number of off-diagonal elements in the  $\mathbf{B}_k^{**}$  matrix. The denominator is both the root mean square and the standard deviation of the unnormalized scalar products matrix  $\mathbf{B}^{**}$  (It is both because  $b_{.k}^{**} = 0$ , due to double centering.)  $\mathbf{B}_k^*$  is thus a matrix with elements  $b_{ijk}^*$ , which are scalar products for individual subject  $k$ . Normalization of individual subjects' matrices equates the contribution of each individual to the formation of a mean scalar products matrix and thus the resulting initial configuration.

Next an average scalar products matrix  $\mathbf{B}^*$  over the subjects is computed. The elements of this matrix are

$$b_{ij.}^* = \frac{\sum_k b_{ijk}^*}{m}$$

where  $m$  is the number of subjects.

The average  $\mathbf{B}^*$  matrix used in the previous step is used to compute an initial stimulus configuration using the classical Young-Householder multidimensional scaling procedure

$$\mathbf{B}^* = \mathbf{X}\mathbf{X}'$$

where  $\mathbf{X}$  is an  $n \times r$  matrix of  $n$  stimulus points on  $r$  dimensions, and  $\mathbf{X}'$  is the transpose of the  $\mathbf{X}$  matrix; that is, the rows and columns are interchanged. The  $\mathbf{X}$  matrix is the initial configuration.

For the weighted ALSICAL matrix model, initial weight configuration matrices  $\mathbf{W}_k$  for each of the  $m$  subjects are computed. The initial weight matrices  $\mathbf{W}_k$  are  $r \times r$  matrices, where  $r$  is the number of dimensions. Later the diagonals of  $\mathbf{W}_k$  will form rows of the  $\mathbf{W}$  matrix, which is an  $n \times r$  matrix. The matrices  $\mathbf{W}_k$  are determined such that  $\mathbf{B}_k^* = \mathbf{Y}\mathbf{W}_k\mathbf{Y}'$ , where  $\mathbf{Y} = \mathbf{X}\mathbf{T}$  and  $\mathbf{T}\mathbf{T}' = \mathbf{I}$  and where  $\mathbf{T}$  is an orthogonal rotation of the configuration  $\mathbf{X}$  to a new orientation  $\mathbf{Y}$ .  $\mathbf{T}$  is computed by the Schönemann-de Leeuw procedure discussed by Young, Takane, and Lewyckyj (Young, Takane, and Lewyckyj, 1978).  $\mathbf{T}$  rotates  $\mathbf{X}$  so that  $\mathbf{W}_k$  is as diagonal as possible (that is, off-diagonal elements are as close to zero as possible on the average over subjects). Off-diagonal elements represent a departure from the model (which assumes that subjects weight only the dimensions of the stimulus space).

## Optimization Algorithm

The optimization algorithm is a series of steps which are repeated (iterated) until the final solution is achieved. The steps for the optimization algorithm are performed successively because disparities, weights, and coordinates cannot be solved for simultaneously.

### Distance

Distances are computed according to the weighted Euclidean model

$$d_{ijk}^2 = \sum_{a=1}^r w_{ka} (x_{ia} - x_{ja})^2$$

where

Table 5-3

Notation

**Notation**    **Description**

$w_{ka}$         is the weight for subject  $k$  on a dimension  $a$ ,

$x_{ia}$         is the coordinate of stimulus  $i$  on dimension  $a$ ,

$x_{ja}$         is the coordinate of stimulus  $j$  on dimension  $a$ .

The first set of distances is computed from the coordinates and weights found in the previous steps. Subsequently, new distances are computed from new coordinates found in the iteration process (described below).

### Optimal Scaling

Optimal scaling for ordinal data use Kruskal's least-squares monotonic transformation. This yields disparities that are a monotonic transformation of the data and that are as much like the distances (in a least squares sense) as possible. Ideally, we want the distances to be in exactly the same rank order as the data, but usually they are not. So we locate a new set of numbers, called disparities, which are in the same rank order as the data and which fit the distances as well as possible. When we see an order violation we replace the numbers that are out of order with a block of values that are the mean of the out-of-order numbers. When there are ties in the data, the optimal scaling process is changed somewhat. Kruskal's primary and secondary procedures are used in ALSICAL.

### Normalization

The disparities computed previously are now normalized for technical reasons related to the alternating least squares algorithm (Takane, Young, and de Leeuw, 1977). During the course of the optimization process, we want to minimize a measure of error called SSTRESS. But the monotone regression procedure described above only minimizes the numerator of the SSTRESS

formula. Thus, the formula below is applied to readjust the length of the disparities vector so that SSTRESS is minimized:

$$\mathbf{D}_k^{*N} = \mathbf{D}_k^* (\mathbf{D}_k' \mathbf{D}_k) (\mathbf{D}_k' \mathbf{D}_k^*)^{-1}$$

where

Table 5-4  
Notation

Notation	Description
$\mathbf{D}_k^*$	is a column vector with $\frac{n(n-1)}{2}$ elements containing all the disparities for subject $k$ ,
$\mathbf{D}_k$	is a column vector with $\frac{n(n-1)}{2}$ elements containing all the distances for subject $k$ ,
$\mathbf{D}_k' \mathbf{D}_k$	is the sum of the squared distances,
$\mathbf{D}_k' \mathbf{D}_k^*$	is the sum of the cross products.

The normalized disparities vector  $\mathbf{D}_k^{*N}$  is a conditional least squares estimate for the distances; that is, it is the least squares estimate for a given iteration. The previous  $\mathbf{D}^*$  values are replaced by  $\mathbf{D}^{*N}$  values, and subsequent steps utilize the normalized disparities.

## SSTRESS

The Takane-Young-de Leeuw formula is used:

$$SSTRESS(1) = S = \left[ \frac{1}{m} \sum_{k=1}^m \left[ \frac{\sum_i \sum_j (d_{ijk}^2 - d_{ijk}^{*2})^2}{\sum_i \sum_j d_{ijk}^{*4}} \right] \right]^{1/2}$$

where  $d_{ijk}^*$  values are the normalized disparity measures computed previously, and  $d_{ijk}$  are computed as shown above. Thus SSTRESS is computed from the normalized disparities and the previous set of coordinates and weights.

## Termination

The current value of SSTRESS is compared to the value of SSTRESS from the previous iteration. If the improvement is less than a specified value (default equals 0.001), iteration stops and the output stages has been reached. If not, the program proceeds to the next step. (This step is skipped on the first iteration.)

## Model Estimation

In ALSICAL the weights and coordinates cannot be solved for simultaneously, so we do it successively. Thus, the model estimation phase consists of two steps: (i) estimation of subject weights and (ii) estimation of stimulus coordinates.

**(i) Estimation of subject weights.** (This step is skipped for the simple, that is, unweighted, Euclidean model.)

A conditional least-squares estimate of the weights is computed at each iteration:

$$\mathbf{W} \simeq \mathbf{D}^* \mathbf{P} (\mathbf{P}' \mathbf{P})^{-1}$$

The derivation of the computational formula is as follows:

We have found disparities such that

$$d_{ijk}^* \simeq d_{ijk}^2,$$

where

$$d_{ijk}^2 = \sum_{a=1}^r w_{ka} (x_{ia} - x_{ja})^2$$

Let  $p_{ija}$  be the unweighted distance between stimuli  $i$  and  $j$  as projected onto dimension  $a$ , that is,

$$p_{ija} = (x_{ia} - x_{ja})^2.$$

Then

$$d_{ijk}^{*2} \simeq d_{ijk}^2 = \sum_{a=1}^r w_{ka} p_{ija}.$$

In matrix notation, this is expressed as  $\mathbf{D}^* = \mathbf{W} \mathbf{P}'$ , where  $\mathbf{D}^*$  is now an  $m \times \frac{n(n-1)}{2}$  matrix having one row for every subject and one column for each stimulus pair;  $\mathbf{W}$  is an  $m \times r$  matrix having one row for every subject and one column for each dimension; and  $\mathbf{P}'$  has one row for every dimension and one column for every stimulus pair.

We wish to solve for  $\mathbf{W}$ ,  $\mathbf{W} \mathbf{P}' \simeq \mathbf{D}^*$ , which we do by noting that

$$\mathbf{W} \mathbf{P}' \mathbf{P} (\mathbf{P}' \mathbf{P})^{-1} = \mathbf{D}^* \mathbf{P} (\mathbf{P}' \mathbf{P})^{-1}.$$

Therefore,

$$\mathbf{W} = \mathbf{D}^* \mathbf{P} (\mathbf{P}' \mathbf{P})^{-1}$$

and we have the conditional least squares estimate for  $\mathbf{W}$ . We have in fact minimized SSTRESS at this point relative to the previously computed values for stimulus coordinates and optimal scaling. We replace the old subject weights with the newly estimated values.

**(ii) Estimation of Stimulus Coordinates.** The next step is to estimate coordinates, one at a time, using the previously computed values for  $\mathbf{D}$  (disparities) and weights. Coordinates are determined one at a time by minimizing SSTRESS with regard to a given coordinate. Equation (2) allows us to solve for a given  $x_{le}$  coordinate :

$$\frac{\partial S}{\partial x_{le}} = \frac{1}{m} \sum_k c_k \frac{\partial S_k}{\partial x_{le}} \quad (1)$$

$$\frac{\partial S_k}{\partial x_{le}} = 4w_{ke}^2 \sum_j (x_{le}^3 - 3x_{le}^2 x_{je} + 2x_{le} x_{je}^2 - b_{ljk}^2 x_{le} + b_{ljk}^2 x_{je}) \quad (2)$$

Equation (2) can be substituted back into equation (1). This equation with one unknown,  $x_{le}$ , is then set equal to zero and solved by standard techniques. All the other coordinates except  $x_{le}$  are assumed to be constant while we solve for  $x_{le}$ .

Immediately upon solving for  $x_{le}$ , we replace the value for  $x_{le}$  used on the previous iteration with the newly obtained value, and then proceed to estimate the value for another coordinate. We successively obtain values for each coordinate of point  $l$ , one at a time, replacing old values with new ones. This continues for point  $l$  until the estimates stabilize. We then move to a new point and proceed until new coordinates for all stimuli are estimated. We then return to the beginning of the optimization algorithm (the previous step above) and start another iteration.

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# ANACOR Algorithms

The ANACOR algorithm consists of three major parts:

1. A singular value decomposition (SVD)
2. Centering and rescaling of the data and various rescalings of the results
3. Variance estimation by the delta method.

Other names for SVD are “Eckart-Young decomposition” after Eckart and Young (1936), who introduced the technique in psychometrics, and “basic structure” (Horst, 1963). The rescalings and centering, including their rationale, are well explained in Benzécri (1969), Nishisato (1980), Gifi (1981), and Greenacre (1984). Those who are interested in the general framework of matrix approximation and reduction of dimensionality with positive definite row and column metrics are referred to Rao (1980). The delta method is a method that can be used for the derivation of asymptotic distributions and is particularly useful for the approximation of the variance of complex statistics. There are many versions of the delta method, differing in the assumptions made and in the strength of the approximation (Rao, 1973, ch. 6; Bishop et al., 1975, ch. 14; Wolter, 1985, ch. 6).

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$k_1$	Number of rows (row objects)
$k_2$	Number of columns (column objects)
$p$	Number of dimensions

## Data-Related Quantities

$f_{ij}$	Nonnegative data value for row $i$ and column $j$ : collected in table $F$
$f_{i+}$	Marginal total of row $i$ , $i = 1, \dots, k_1$
$f_{+j}$	Marginal total of column $j$ , $j = 1, \dots, k_2$
$N$	Grand total of $F$

## Scores and Statistics

$r_{is}$	Score of row object $i$ on dimension $s$
$c_{js}$	Score of column object $j$ on dimension $s$
$I$	Total inertia

## Basic Calculations

One way to phrase the ANACOR objective (cf. Heiser, 1981) is to say that we wish to find row scores  $\{r_{is}\}$  and column scores  $\{c_{js}\}$  so that the function

$$\sigma(\{r_{is}\}; \{c_{js}\}) = \sum_i \sum_j f_{ij} \sum_s (r_{is} - c_{js})^2$$

is minimal, under the standardization restriction either that

$$\sum_i f_{i+} r_{it} = \delta^{st}$$

or

$$\sum_j f_{+j} c_{jt} = \delta^{st}$$

where  $\delta^{st}$  is Kronecker's delta and t is an alternative index for dimensions. The trivial set of scores ( $\{1\}, \{1\}$ ) is excluded.

The ANACOR algorithm can be subdivided into five steps, as explained below.

## Data scaling and centering

The first step is to form the auxiliary matrix  $\mathbf{Z}$  with general element

$$z_{ij} = \frac{f_{ij}}{\sqrt{f_{i+}f_{+j}}} - \frac{\sqrt{f_{i+}f_{+j}}}{N}$$

## Singular value decomposition

Let the singular value decomposition of  $\mathbf{Z}$  be denoted by

$$\mathbf{Z} = \mathbf{K}\mathbf{\Lambda}\mathbf{L}'$$

with  $\mathbf{K}'\mathbf{K} = \mathbf{I}$ ,  $\mathbf{L}'\mathbf{L} = \mathbf{I}$ , and  $\mathbf{L}$  diagonal. This decomposition is calculated by a routine based on Golub and Reinsch (1971). It involves Householder reduction to bidiagonal form and diagonalization by a QR procedure with shifts. The routine requires an array with more rows than columns, so when  $k_1 < k_2$  the original table is transposed and the parameter transfer is permuted accordingly.

## Adjustment to the row and column metric

The arrays of both the left-hand singular vectors and the right-hand singular vectors are adjusted row-wise to form scores that are standardized in the row and in the column marginal proportions, respectively:

$$r_{is} = k_{is} / \sqrt{f_{i+} / N},$$

$$c_{js} = l_{js} / \sqrt{f_{+j} / N}.$$

This way, both sets of scores satisfy the standardization restrictions simultaneously.

### **Determination of variances and covariances**

For the application of the delta method to the results of generalized eigenvalue methods under multinomial sampling, the reader is referred to Gifi (1981, ch. 12) and Israëls (1987, Appendix B). It is shown there that  $N$  time variance-covariance matrix of a function  $\phi$  of the observed cell proportions  $p = \{p_{ij} = f_{ij}/N\}$  asymptotically reaches the form

$$N \times cov(\phi(p)) \simeq \sum_i \sum_j \pi_{ij} \left( \frac{\partial \phi}{\partial p_{ij}} \right) \left( \frac{\partial \phi}{\partial p_{ij}} \right)' - \left( \sum_i \sum_j \pi_{ij} \frac{\partial \phi}{\partial p_{ij}} \right) \left( \sum_i \sum_j \pi_{ij} \frac{\partial \phi}{\partial p_{ij}} \right)'$$

Here the quantities  $\pi_{ij}$  are the cell probabilities of the multinomial distribution, and  $\partial \phi / \partial p_{ij}$  are the partial derivatives of  $\phi$  (which is either a generalized eigenvalue or a generalized eigenvector) with respect to the observed cell proportion. Expressions for these partial derivatives can also be found in the above-mentioned references.

### **Normalization of row and column scores**

Depending on the normalization option chosen, the scores are normalized, which implies a compensatory rescaling of the coordinate axes of the row scores and the column scores. The general formula for the weighted sum of squares that results from this rescaling is

$$\text{row scores:} \quad \sum_i f_{i+} r_{is}^2 = N \lambda_s (1 + q)$$

$$\text{column scores:} \quad \sum_j f_{+j} c_{js}^2 = N \lambda_s (1 - q)$$

The parameter  $q$  can be chosen freely or it can be specified according to the following designations:

$$q = \begin{cases} 0, & \text{canonical} \\ 1, & \text{row principal} \\ -1, & \text{column principal} \end{cases}$$

There is a fifth possibility, choosing the designation “principal,” that does not fit into this scheme. It implies that the weighted sum of squares of both sets of scores becomes equal to  $N \lambda_s^2$ . The estimated variances and covariances are adjusted according to the type of normalization chosen.

### **Diagnostics**

After printing the data, ANACOR optionally also prints a table of row profiles and column profiles, which are  $\{f_{ij}/f_{i+}\}$  and  $\{f_{ij}/f_{+j}\}$ , respectively.

## Singular Values, Maximum Rank and Inertia

All singular values  $\lambda_s$  defined in step 2 are printed up to a maximum of  $\min\{(k_1 - 1), (k_2 - 1)\}$ . Small singular values and corresponding dimensions are suppressed when they don't exceed the quantity  $(k_1 k_2)^{1/2} 10^{-7}$ ; in this case a warning message is issued. Dimensionwise inertia and total inertia are given by the relationships

$$I = \sum_s \lambda_s^2 = \sum_s \sum_i \frac{f_{i+} r_{is}^2}{N}$$

where the right-hand part of this equality is true only if the normalization is row principal (but for the other normalizations similar relationships are easily derived from "Normalization of row and column scores"). The quantities "proportion explained" are equal to inertia divided by total inertia:  $\lambda_s^2/I$ .

## Scores and Contributions

This output is given first for rows, then for columns, and always preceded by a column of marginal proportions ( $f_{i+}/N$  and  $f_{+j}/N$ , respectively). The table of scores is printed in  $p$  dimensions. The contribution to the inertia of each dimension is given by

$$\tau_{is} = \frac{f_{i+} r_{is}^2}{N \lambda_s^2}$$

$$\tau_{js} = \frac{f_{+j} c_{js}^2}{N \lambda_s^2}$$

The above formula is true only under the row principal normalization option. For the other normalizations, similar relationships are again easily derived from "Normalization of row and column scores") The contribution of dimensions to the inertia of each point is given by, for  $s, t = 1, \dots, p$ ,

$$\sigma_{is} = r_{is}^2 / \sum_t r_{it}^2$$

$$\sigma_{js} = c_{js}^2 / \sum_t c_{jt}^2$$

## Variations and Correlation Matrix of Singular Values and Scores

The computation of variances and covariances is explained in "Determination of variances and covariances". Since the row and column scores are linear functions of the singular vectors, an adjustment is necessary depending on the normalization option chosen. From these adjusted variances and covariances the correlations are derived in the standard way.

## Permutations of the Input Table

For each dimension  $s$ , let  $\rho(i|s)$  be the permutation of the first  $k_1$  integers that would sort the  $s$ th column of  $\{r_{is}\}$  in ascending order. Similarly, let  $\rho(j|s)$  be the permutation of the first  $k_2$  integers that would sort the  $s$ th column of  $\{c_{js}\}$  in ascending order. Then the permuted data matrix is given by  $\{f_{\rho(i|s), \rho(j|s)}\}$ .

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# ANOVA Algorithms

This chapter describes the algorithms used by the ANOVA procedure.

## Model and Matrix Computations

### Notation

The following notation is used throughout this section unless otherwise stated.

Table 7-1

Notation

Notation	Description
$N$	Number of cases
$F$	Number of factors
$CN$	Number of covariates
$k_i$	Number of levels of factor $i$
$Y_k$	Value of the dependent variable for case $k$
$Z_{jk}$	Value of the $j$ th covariate for case $k$
$w_k$	Weight for case $k$
$W$	Sum of weights of all cases

### The Model

A linear model with covariates can be written in matrix notation as

$$\mathbf{Y} = \mathbf{X}\beta + \mathbf{ZC} + \mathbf{e} \quad (1)$$

where

Table 7-2

Notation

Notation	Description
$\mathbf{Y}$	$N \times 1$ vector of values of the dependent variable
$\mathbf{X}$	Design matrix ( $N \times p$ ) of rank $q < p$
$\beta$	Vector of parameters ( $p \times 1$ )
$\mathbf{Z}$	Matrix of covariates ( $N \times CN$ )
$\mathbf{C}$	Vector of covariate coefficients ( $CN \times 1$ )
$\mathbf{e}$	Vector of error terms ( $N \times 1$ )

## Constraints

To reparametrize equation (1) to a full rank model, a set of non-estimable conditions is needed. The constraint imposed on non-regression models is that all parameters involving level 1 of any factor are set to zero.

For regression model, the constraints are that the analysis of variance parameters estimates for each main effect and each order of interactions sum to zero. The interaction must also sum to zero over each level of subscripts.

For a standard two way ANOVA model with the main effects  $\alpha_i$  and  $\beta_j$ , and interaction parameter  $\gamma_{ij}$ , the constraints can be expressed as

$$\begin{aligned} \alpha_1 = \beta_1 = \gamma_{1j} = \gamma_{i1} = 0 & \quad \text{non - regression} \\ \alpha_{\bullet} = \beta_{\bullet} = \gamma_{i\bullet} = \gamma_{\bullet j} = 0 & \quad \text{regression} \end{aligned}$$

where  $\bullet$  indicates summation.

## Computation of Matrices

$$\mathbf{X}'\mathbf{X}$$

Non-regression Model

The  $\mathbf{X}'\mathbf{X}$  matrix contains the sum of weights of the cases that contain a particular combination of parameters. All parameters that involve level 1 of any of the factors are excluded from the matrix. For a two-way design with  $k_1 = 2$  and  $k_2 = 3$ , the symmetric matrix would look like the following:

	$\alpha_2$	$\beta_2$	$\beta_3$	$\gamma_{22}$	$\gamma_{23}$
$\alpha_2$	$N_{2\bullet}$	$N_{22}$	$N_{23}$	$N_{22}$	$N_{23}$
$\beta_2$		$N_{\bullet 2}$	$0$	$N_{22}$	$0$
$\beta_3$			$N_{\bullet 3}$	$0$	$N_{23}$
$\gamma_{22}$				$N_{22}$	$0$
$\gamma_{23}$					$N_{23}$

The elements  $N_{i\bullet}$  or  $N_{\bullet j}$  on the diagonal are the sums of weights of cases that have level  $i$  of  $a$  or level  $j$  of  $\beta$ . Off-diagonal elements are sums of weights of cases cross-classified by parameter combinations. Thus,  $N_{\bullet 3}$  is the sum of weights of cases in level 3 of main effect  $\beta_3$ , while  $N_{22}$  is the sum of weights of cases with  $\alpha_2$  and  $\beta_2$ .

Regression Model

A row of the design matrix  $\mathbf{X}$  is formed for each case. The row is generated as follows:

If a case belongs to one of the 2 to  $k_i$  levels of factor  $i$ , a code of 1 is placed in the column corresponding to the level and 0 in all other  $k_i - 1$  columns associated with factor  $i$ . If the case belongs in the first level of factor  $i$ , -1 is placed in *all* the  $k_i - 1$  columns associated with factor  $i$ . This is repeated for each factor. The entries for the interaction terms are obtained as products of the entries in the corresponding main effect columns. This vector of dummy variables for a case will be denoted as  $d(i), i = 1, \dots, NC$ , where  $NC$  is the number of columns in the reparametrized design matrix. After the vector  $\mathbf{d}$  is generated for case  $k$ , the  $ij$ th cell of  $\mathbf{X}'\mathbf{X}$  is incremented by  $d(i)d(j)w_k$ , where  $i = 1, \dots, NC$  and  $j \geq i$ .

#### Checking and Adjustment for the Mean

After all cases have been processed, the diagonal entries of  $\mathbf{X}'\mathbf{X}$  are examined. Rows and columns corresponding to zero diagonals are deleted and the number of levels of a factor is reduced accordingly. If a factor has only one level, the analysis will be terminated with a message. If the first specified level of a factor is missing, the first non-empty level will be deleted from the matrix for non-regression model. For regression designs, the first level cannot be missing. All entries of  $\mathbf{X}'\mathbf{X}$  are subsequently adjusted for means.

The highest order of interactions in the model can be selected. This will affect the generation of  $\mathbf{X}'\mathbf{X}$ . If none of these options is chosen, the program will generate the highest order of interactions allowed by the number of factors. If sub-matrices corresponding to main effects or interactions in the reparametrized model are not of full rank, a message is printed and the order of the model is reduced accordingly.

### **Cross-Product Matrices for Continuous Variables**

Provisional means algorithm are used to compute the adjusted-for-the-means cross-product matrices.

#### **Matrix of Covariates $\mathbf{Z}'\mathbf{Z}$**

The covariance of covariates  $m$  and  $l$  after case  $k$  has been processed is

$$\mathbf{Z}'\mathbf{Z}_{ml}(k) = \mathbf{Z}'\mathbf{Z}_{ml}(k-1) + \frac{w_k \left( W_k Z_{lk} - \sum_{j=1}^k w_j Z_{lj} \right) \left( W_k Z_{mk} - \sum_{j=1}^k w_j Z_{mj} \right)}{W_k W_{k-1}}$$

where  $W_k$  is the sum of weights of the first  $k$  cases.

#### **The Vector $\mathbf{Z}'\mathbf{Y}$**

The covariance between the  $m$ th covariate and the dependent variable after case  $k$  has been processed is

$$\mathbf{Z}'\mathbf{Y}_m(k) = \mathbf{Z}'\mathbf{Y}_m(k-1) + \frac{w_k \left( W_k Y_k - \sum_{j=1}^k w_j Y_j \right) \left( W_k Z_{mk} - \sum_{j=1}^k w_j Z_{mj} \right)}{W_k W_{k-1}}$$

### The Scalar $\mathbf{Y}'\mathbf{Y}$

The corrected sum of squares for the dependent variable after case  $k$  has been processed is

$$\mathbf{Y}'\mathbf{Y}(k) = \mathbf{Y}'\mathbf{Y}(k-1) + \frac{w_k \left( W_k Y_k - \sum_{j=1}^k w_j Y_j \right)^2}{W_k W_{k-1}}$$

### The Vector $\mathbf{X}'\mathbf{Y}$

$\mathbf{X}'\mathbf{Y}$  is a vector with  $NC$  rows. The  $i$ th element is

$$\mathbf{X}'\mathbf{Y}_i = \sum_{k=1}^N Y_k w_k \delta_k,$$

where, for non-regression model,  $\delta_k = 1$  if case  $k$  has the factor combination in column  $i$  of  $\mathbf{X}'\mathbf{X}$ ;  $\delta_k = 0$  otherwise. For regression model,  $\delta_k = d(i)$  where  $d(i)$  is the dummy variable for column  $i$  of case  $k$ . The final entries are adjusted for the mean.

### Matrix $\mathbf{X}'\mathbf{Z}$

The  $(i, m)$ th entry is

$$\mathbf{X}'\mathbf{Z}_{im} = \sum_{k=1}^N Z_{mk} w_k \delta_k$$

where  $\delta_k$  has been defined previously. The final entries are adjusted for the mean.

## Computation of ANOVA Sum of Squares

The full rank model with covariates

$$\mathbf{Y} = \mathbf{X}\boldsymbol{\beta} + \mathbf{Z}\mathbf{C} + \mathbf{e}$$

can also be expressed as

$$\mathbf{Y} = \mathbf{X}_k \mathbf{b}_k + \mathbf{X}_m \mathbf{b}_m + \mathbf{Z}\mathbf{C} + \mathbf{e}$$

where  $\mathbf{X}$  and  $\mathbf{b}$  are partitioned as

$$\mathbf{X} = [\mathbf{X}_k | \mathbf{X}_m] \text{ and } \boldsymbol{\beta} = \begin{bmatrix} \mathbf{b}_k \\ \mathbf{b}_m \end{bmatrix}.$$

The normal equations are then

$$\begin{bmatrix} \mathbf{Z}'\mathbf{Z} & \mathbf{Z}'\mathbf{X}_k & \mathbf{Z}'\mathbf{X}_m \\ \mathbf{X}'_k\mathbf{Z} & \mathbf{X}'_k\mathbf{X}_k & \mathbf{X}'_k\mathbf{X}_m \\ \mathbf{X}'_m\mathbf{Z} & \mathbf{X}'_m\mathbf{X}_k & \mathbf{X}'_m\mathbf{X}_m \end{bmatrix} \begin{bmatrix} \hat{\mathbf{C}} \\ \hat{\mathbf{b}}_k \\ \hat{\mathbf{b}}_m \end{bmatrix} = \begin{bmatrix} \mathbf{Z}'\mathbf{Y} \\ \mathbf{X}'_k\mathbf{Y} \\ \mathbf{X}'_m\mathbf{Y} \end{bmatrix} \quad (2)$$

The normal equations for any reduced model can be obtained by excluding those entries from equation (2) corresponding to terms that do not appear in the reduced model.

Thus, for the model excluding  $\mathbf{b}_m$ ,

$$\mathbf{Y} = \mathbf{X}_k\mathbf{b}_k + \mathbf{Z}\mathbf{C} + \mathbf{e}$$

the solution to the normal equation is:

$$\begin{bmatrix} \tilde{\mathbf{C}} \\ \tilde{\mathbf{b}}_k \end{bmatrix} = \begin{bmatrix} \mathbf{Z}'\mathbf{Z} & \mathbf{Z}'\mathbf{X}_k \\ \mathbf{X}'_k\mathbf{Z} & \mathbf{X}'_k\mathbf{X}_k \end{bmatrix}^{-1} \begin{bmatrix} \mathbf{Z}'\mathbf{Y} \\ \mathbf{X}'_k\mathbf{Y} \end{bmatrix} \quad (3)$$

The sum of squares due to fitting the complete model (explained SS) is

$$R(\mathbf{C}, \mathbf{b}_k, \mathbf{b}_m) = \begin{bmatrix} \hat{\mathbf{C}}' & \hat{\mathbf{b}}'_k & \hat{\mathbf{b}}'_m \end{bmatrix} \begin{bmatrix} \mathbf{Z}'\mathbf{Y} \\ \mathbf{X}'_k\mathbf{Y} \\ \mathbf{X}'_m\mathbf{Y} \end{bmatrix} = \hat{\mathbf{C}}'\mathbf{Z}'\mathbf{Y} + \hat{\mathbf{b}}'_k\mathbf{X}'_k\mathbf{Y} + \hat{\mathbf{b}}'_m\mathbf{X}'_m\mathbf{Y}$$

For the reduced model, it is

$$R(\mathbf{C}, \mathbf{b}_k) = \begin{bmatrix} \tilde{\mathbf{C}}' & \tilde{\mathbf{b}}'_k \end{bmatrix} \begin{bmatrix} \mathbf{Z}'\mathbf{Y} \\ \mathbf{X}'_k\mathbf{Y} \end{bmatrix} = \tilde{\mathbf{C}}'\mathbf{Z}'\mathbf{Y} + \tilde{\mathbf{b}}'_k\mathbf{X}'_k\mathbf{Y}$$

The residual (unexplained) sum of squares for the complete model is

$RSS = \mathbf{Y}'\mathbf{Y} - R(\mathbf{C}, \mathbf{b}_k, \mathbf{b}_m)$  and similarly for the reduced model. The total sum of squares is  $\mathbf{Y}'\mathbf{Y}$ . The reduction in the sum of squares due to including  $\mathbf{b}_m$  in a model that already includes  $\mathbf{b}_k$  and  $\mathbf{C}$  will be denoted as  $R(\mathbf{b}_m | \mathbf{C}, \mathbf{b}_k)$ . This can also be expressed as

$$R(\mathbf{b}_m | \mathbf{C}, \mathbf{b}_k) = R(\mathbf{C}, \mathbf{b}_k, \mathbf{b}_m) - R(\mathbf{C}, \mathbf{b}_k)$$

There are several ways to compute  $R(\mathbf{b}_m | \mathbf{C}, \mathbf{b}_k)$ . The sum of squares due to the full model, as well as the sum of squares due to the reduced model, can each be calculated, and the difference obtained (Method 1).

$$R(\mathbf{b}_m | \mathbf{C}, \mathbf{b}_k) = \hat{\mathbf{C}}'\mathbf{Z}'\mathbf{Y} + \hat{\mathbf{b}}'_k\mathbf{X}'_k\mathbf{Y} + \hat{\mathbf{b}}'_m\mathbf{X}'_m\mathbf{Y} - \tilde{\mathbf{C}}'\mathbf{Z}'\mathbf{Y} - \tilde{\mathbf{b}}'_k\mathbf{X}'_k\mathbf{Y}$$

A sometimes computationally more efficient procedure is to calculate

$$R(\mathbf{b}_m | \mathbf{C}, \mathbf{b}_k) = \hat{\mathbf{b}}_m' \mathbf{T}_m^{-1} \hat{\mathbf{b}}_m$$

where  $\hat{\mathbf{b}}_m$  are the estimates obtained from fitting the full model and  $\mathbf{T}_m$  is the partition of the inverse matrix corresponding to  $\mathbf{b}_m$  (Method 2).

$$\begin{bmatrix} \mathbf{Z}'\mathbf{Z} & \mathbf{Z}'\mathbf{X}_k & \mathbf{Z}'\mathbf{X}_m \\ \mathbf{X}'_k\mathbf{Z} & \mathbf{X}'_k\mathbf{X}_k & \mathbf{X}'_k\mathbf{X}_m \\ \mathbf{X}'_m\mathbf{Z} & \mathbf{X}'_m\mathbf{X}_k & \mathbf{X}'_m\mathbf{X}_m \end{bmatrix}^{-1} = \begin{bmatrix} \mathbf{T}_c & \mathbf{T}_{ck} & \mathbf{T}_{cm} \\ \mathbf{T}_{kc} & \mathbf{T}_k & \mathbf{T}_{km} \\ \mathbf{T}_{mc} & \mathbf{T}_{mk} & \mathbf{T}_m \end{bmatrix}$$

## Model and Options

### Notation

Let  $\mathbf{b}$  be partitioned as

$$\mathbf{b} = \begin{bmatrix} \mathbf{M} \\ \mathbf{D} \end{bmatrix} = \begin{bmatrix} \mathbf{m}_1 \\ \cdot \\ \mathbf{m}_F \\ \mathbf{d}_1 \\ \cdot \\ \mathbf{d}_{F-1} \end{bmatrix}$$

where

Table 7-3

#### Notation

##### Notation Description

$\mathbf{M}$	Vector of main effect coefficients
$\mathbf{m}_i$	Vector of coefficients for main effect $i$
$\mathbf{m}^{(i)}$	$\mathbf{M}$ excluding $\mathbf{m}_i$
$\mathbf{M}^{i*}$	$\mathbf{M}$ including only $\mathbf{m}_1$ through $\mathbf{m}_{i-1}$
$\mathbf{D}$	Vector of interaction coefficients
$\mathbf{d}_k$	Vector of $k$ th order interaction coefficients
$\mathbf{d}_{k_i}$	Vector of coefficients for the $i$ th of the $k$ th order interactions
$\mathbf{D}^{(k)}$	$\mathbf{D}$ excluding $\mathbf{d}_k$
$\mathbf{D}^{k*}$	$\mathbf{D}$ including only $\mathbf{d}_1$ through $\mathbf{d}_{k-1}$
$\mathbf{d}_k^{(i)}$	$\mathbf{d}_k$ excluding $\mathbf{d}_{k_i}$
$\mathbf{C}$	Vector of covariate coefficients
$c_i$	Covariate coefficient

Notation	Description
$\mathbf{C}^{(i)}$	C excluding $c_i$
$\mathbf{C}^{i*}$	C including only $c_1$ through $c_{i-1}$

## Models

Different types of sums of squares can be calculated in ANOVA.

### Sum of Squares for Type of Effects

Table 7-4  
Sum of squares for type of effect

Type	Covariates	Main Effects	Interactions
Experimental and Hierarchical	$R(\mathbf{C})$	$R(\mathbf{M} \mathbf{C})$	$R(\mathbf{d}_k \mathbf{C}, \mathbf{M}, \mathbf{D}^{k*})$
Covariates with Main Effects	$R(\mathbf{C}, \mathbf{M})$	$R(\mathbf{C}, \mathbf{M})$	$R(\mathbf{d}_k \mathbf{C}, \mathbf{M}, \mathbf{D}^{k*})$
Covariates after Main Effects	$R(\mathbf{C} \mathbf{M})$	$R(\mathbf{M})$	$R(\mathbf{d}_k \mathbf{C}, \mathbf{M}, \mathbf{D}^{k*})$
Regression	$R(\mathbf{C} \mathbf{M}, \mathbf{D})$	$R(\mathbf{M} \mathbf{C}, \mathbf{D})$	$R(\mathbf{d}_k \mathbf{C}, \mathbf{M}, \mathbf{D}^{k*})$

All sums of squares are calculated as described in the introduction. Reductions in sums of squares ( $R(\mathbf{A}|\mathbf{B})$ ) are computed using Method 1. Since all cross-product matrices have been corrected for the mean, all sums of squares are adjusted for the mean.

### Sum of Squares Within Effects

Table 7-5  
Sum of squares within effects

Type	Covariates	Main Effects	Interactions
Default Experimental	$R(c_i \mathbf{C}^{(i)})$	$R(\mathbf{m}_i \mathbf{C}, \mathbf{M}^{(i)})$	$R(\mathbf{d}_{k_i} \mathbf{C}, \mathbf{M}, \mathbf{D}^{k*}, \mathbf{d}_k^{(i)})$
Covariates with Main Effects	$R(c_i \mathbf{M}, \mathbf{C}^{(i)})$	$R(\mathbf{m}_i \mathbf{C}, \mathbf{M}^{(i)})$	same as default
Covariates after Main Effects	$R(c_i \mathbf{M}, \mathbf{C}^{(i)})$	$R(\mathbf{m}_i \mathbf{M}^{(i)})$	same as default
Regression	$R(c_i \mathbf{M}, \mathbf{C}^{(i)}, \mathbf{D})$	$R(\mathbf{m}_i \mathbf{M}^{(i)}, \mathbf{C}, \mathbf{D})$	$R(\mathbf{d}_{k_i} \mathbf{C}, \mathbf{M}, \mathbf{D}^{(k_i)})$
Hierarchical	$R(c_i \mathbf{C}^{i*})$	$R(\mathbf{m}_i \mathbf{C}, \mathbf{M}^{i*})$	same as default
Hierarchical and Covariates with Main Effects or Hierarchical and Covariates after Main Effects	$R(c_i \mathbf{C}^{i*}, \mathbf{M})$	$R(\mathbf{m}_i \mathbf{M}^{i*})$	same as default

Reductions in sums of squares are calculated using Method 2, except for specifications involving the Hierarchical approach. For these, Method 1 is used. All sums of squares are adjusted for the mean.

## Degrees of Freedom

### Main Effects

$$df_M = \sum_{i=1}^F (k_i - 1)$$

### Main Effect $i$

$$(k_i - 1)$$

### Covariates

$$df_c = CN$$

### Covariate $i$

$$1$$

### Interactions

Interactions  $d_r$ :

$df_r$  = number of linearly independent columns corresponding to interaction  $d_r$  in  $X'X$

Interactions  $d_{r_i}$ :

$df$  = number of independent columns corresponding to interaction  $d_{r_i}$  in  $X'X$

### Model

$$df_{Model} = df_M + df_c + \sum_{r=1}^{F-1} df_r$$

### Residual

$$W - 1 - df_{Model}$$

**Total**

$$W - 1$$

**Multiple Classification Analysis****Notation**Table 7-6  
Notation

Notation	Description
$Y_{ijk}$	Value of the dependent variable for the $k$ th case in level $j$ of main effect $i$
$n_{ij}$	Sum of weights of observations in level $j$ of main effect $i$
$k_i$	Number of nonempty levels in the $i$ th main effect
$W$	Sum of weights of all observations

**Basic Computations****Mean of Dependent Variable in Level  $j$  of Main Effect  $i$** 

$$\bar{Y}_{ij} = \sum_{k=1}^{n_{ij}} Y_{ijk} / n_{ij}$$

**Grand Mean**

$$\bar{Y} = \sum_i \sum_j \sum_k Y_{ijk} / W$$

**Coefficient Estimates**

The computation of the coefficient for the main effects only model ( $b_{ij}$ ) and coefficients for the main effects and covariates only model ( $\tilde{b}_{ij}$ ) are obtained as previously described.

## Calculation of the MCA Statistics (Andrews, et al., 1973)

### Deviations

For each level of each main effect, the following are computed:

### Unadjusted Deviations

The unadjusted deviation from the grand mean for the  $j$ th level of the  $i$ th factor:

$$m_{ij} = \bar{Y}_{ij} - \bar{Y}$$

### Deviations Adjusted for the Main Effects

$$m_{ij}^1 = b_{ij} - \sum_{j=2}^{k_i} b_{ij} n_{ij} / W, \text{ where } b_{i1} = 0.$$

### Deviations Adjusted for the Main Effects and Covariates (Only for Models with Covariates)

$$m_{ij}^2 = \tilde{b}_{ij} - \sum_{j=2}^{k_i} \tilde{b}_{ij} n_{ij} / W, \text{ where } \tilde{b}_{i1} = 0.$$

### ETA and Beta Coefficients

For each main effect  $i$ , the following are computed:

$$ETA_i = \sqrt{\sum_{j=2}^{k_i} n_{ij} (\bar{Y}_{ij} - \bar{Y})^2 / \mathbf{Y}'\mathbf{Y}}$$

### Beta Adjusted for Main Effects

$$Beta_i = \sqrt{\sum_{j=2}^{k_i} n_{ij} (m_{ij}^1)^2 / \mathbf{Y}'\mathbf{Y}}$$

### Beta Adjusted for Main Effects and Covariates

$$Beta_i = \sqrt{\sum_{j=2}^{k_i} n_{ij} (m_{ij}^2)^2 / \mathbf{Y}'\mathbf{Y}}$$

### **Squared Multiple Correlation Coefficients**

Main effects model

$$R_m^2 = \frac{R(\mathbf{M})}{\mathbf{Y}'\mathbf{Y}}.$$

Main effects and covariates model

$$R_{mc}^2 = \frac{R(\mathbf{M},\mathbf{C})}{\mathbf{Y}'\mathbf{Y}}.$$

The computations of  $R(\mathbf{M})$ ,  $R(\mathbf{M},\mathbf{C})$ , and  $\mathbf{Y}'\mathbf{Y}$  are outlined previously.

### **Unstandardized Regression Coefficients for Covariates**

Estimates for the  $\mathbf{C}$  vector, which are obtained the first time covariates are entered into the model, are printed.

### **Cell Means and Sample Sizes**

Cell means and sample sizes for each combination of factor levels are obtained from the  $\mathbf{X}'\mathbf{Y}$  and  $\mathbf{X}'\mathbf{X}$  matrices prior to correction for the mean.

$$\bar{Y}_i = \frac{(\mathbf{X}'\mathbf{Y})_i}{(\mathbf{X}'\mathbf{X})_{ii}} \quad i = 1, \dots, CN$$

Means for combinations involving the first level of a factor are obtained by subtraction from marginal totals.

### **Matrix Inversion**

The Cholesky decomposition (Stewart, 1973) is used to triangularize the matrix. If the tolerance is less than  $10^{-5}$ , the matrix is considered singular.

### **References**

- Andrews, F., J. Morgan, J. Sonquist, and L. Klein. 1973. *Multiple classification analysis*, 2nd ed. Ann Arbor: University of Michigan.
- Searle, S. R. 1966. *Matrix algebra for the biological sciences*. New York: John Wiley & Sons, Inc.
- Searle, S. R. 1971. *Linear Models*. New York: John Wiley & Sons, Inc.
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# AREG Algorithms

In the ordinary regression model the errors are assumed to be uncorrelated. The model considered here has the form

$$\begin{aligned} y_t &= a + \sum_{i=1}^p b_i x_{ti} + u_t \quad t = 1, \dots, n \\ u_t &= \rho u_{t-1} + \epsilon_t \end{aligned} \quad (1)$$

where  $\epsilon_t$  is an uncorrelated random error with variance  $\sigma^2$  and zero mean. The error terms  $u_t$  follow a first-order autoregressive process. The constant term  $a$  can be included or excluded as specified. In the discussion below, if  $a$  is not included, it is set to be zero and not involved in the subsequent computation.

Two computational methods—Prais-Winsten and Cochrane-Orcutt—are described here.

## Cochrane-Orcutt Method

Note that model (1) can be rewritten in two equivalent forms as:

$$y_t - \rho y_{t-1} = a(1 - \rho) + \sum_{i=1}^p b_i (x_{ti} - \rho x_{(t-1)i}) + \epsilon_t \quad (2)$$

$$y_t - a - \sum_{i=1}^p b_i x_{ti} = \rho \left( y_{t-1} - a - \sum_{i=1}^p b_i x_{(t-1)i} \right) + \epsilon_t \quad (3)$$

Defining  $y_t^* = y_t - \rho y_{t-1}$  and  $x_{ti}^* = x_{ti} - \rho x_{(t-1)i}$  for  $t = 2, \dots, n$ , equation (2) can be rewritten as

$$y_t^* = a(1 - \rho) + \sum_{i=1}^p b_i x_{ti}^* + \epsilon_t \quad (2^*)$$

Starting with an initial value for  $\rho$ , the difference  $y_t^*$  and  $x_{ti}^*$  in equation (2\*) are computed and OLS then applied to equation (2\*) to estimate  $a$  and  $b_i$ . These estimates in turn can be used in equation (3) to update  $\hat{\rho}$  and the standard error of the estimate  $\hat{\rho}$ .

## Initial Results

An initial value for  $\rho$  can be pre-set by the user or set to be zero by default. The OLS method is used to obtain an initial estimate for  $a$  (if constant term is include) and  $b_i$ .

## ANOVA

Based on the OLS results, an analysis of variance table is constructed in which the degrees of freedom for regression are  $p$ , the number of  $X$  variables in equation (1), while the degrees of freedom for the residual are  $n - p^* - 1$  if initial  $\rho \neq 0$  and are  $n - p^*$  otherwise.  $p^*$  is the

number of coefficients in equation (1). The sums of squares, mean squares, and other statistics are computed as in the REGRESSION procedure.

## Intermediate Results

At each iteration, the following statistics are calculated:

### Rho

An updated value for  $\rho$  is computed as

$$\hat{\rho} = \frac{\sum_{t=2}^n \tilde{u}_t \tilde{u}_{t-1}}{\sum_{t=1}^n \tilde{u}_t^2}$$

where the residuals  $\tilde{u}_t$  are obtained from equation (1).

### Standard Error of rho

An estimate of the standard error of  $\hat{\rho}$

$$sc(\hat{\rho}) = \sqrt{\frac{1 - \hat{\rho}^2}{n - 1 - p^*}}$$

where  $p^* = p + 1$  if there is a constant term;  $p$  otherwise.

### Durbin-Watson Statistic

$$DW = \frac{\sum_{i=1}^{n-1} (\tilde{\epsilon}_{i+1} - \tilde{\epsilon}_i)^2}{\sum_{i=1}^n \tilde{\epsilon}_i^2}$$

where

$$\tilde{\epsilon}_1 = \sqrt{1 - \hat{\rho}^2} \tilde{u}_1$$

$$\tilde{\epsilon}_i = \tilde{u}_i - \hat{\rho} \tilde{u}_{i-1} \quad i = 2, \dots, n$$

**Mean Square Error**

An estimate of the variance of  $\epsilon_t$

$$MSE = \frac{\sum_{t=2}^n (\tilde{u}_t - \hat{\rho}\tilde{u}_{t-1})^2}{n - 2 - p^*}$$

**Final Results**

Iteration terminates if either all the parameters change by less than a specified value (default 0.001) or the number of iterations exceeds the cutoff value (default 10).

The following variables are computed for each case:

**FIT**

Fitted responses are computed as

$$\tilde{y}_1 = \hat{y}_1$$

and

$$\tilde{y}_t = \hat{y}_t + \hat{\rho}\hat{u}_{t-1} \quad t = 2, \dots, n$$

in which  $\hat{\rho}$  is the final estimate of  $\rho$  and

$$\hat{y}_t = \hat{a} + \sum_{i=1}^p \hat{b}_i x_{ti}$$

$$\hat{u}_t = y_t - \hat{y}_t \quad t = 1, \dots, n$$

**ERR**

Residuals are computed as

$$\tilde{\epsilon}_t = y_t - \tilde{y}_t \quad t = 2, \dots, n$$

$$\tilde{\epsilon}_1 = \sqrt{1 - \hat{\rho}^2}(y_1 - \tilde{y}_1)$$

**SEP**

Standard error of predicted values at time  $t$

$$SEP_1 = \sqrt{MSE} \sqrt{\left(\frac{1}{1 - \hat{\rho}^2} + \tilde{h}_1\right)}$$

and

$$SEP_t = \sqrt{MSE} \sqrt{(1 + \tilde{h}_t)} \quad t = 2, \dots, n$$

where

$$\tilde{h}_i = \mathbf{X}_i (\mathbf{X}^{*'} \mathbf{X}^*)^{-1} \mathbf{X}_i'$$

in which  $\mathbf{X}_i$  is the predictor vector at time  $i$  with the first component 1 if a constant term is included in equation (2\*).  $\mathbf{X}^*$  is a  $(n - 1) \times p^*$  design matrix for equation (2\*). The first column has a value of  $1 - \hat{\rho}$  if a constant term is included in equation (2\*).

### **LCL and UCL**

95% prediction interval for the future  $y_k$  is

$$\tilde{y}_k \pm t_{n-1-p^*;0.025} SEP_k$$

### **Other Statistics**

Other statistics such as Multiple  $R$ ,  $R$ -Squared, Adjusted  $R$ -Squared, and so on, are computed. Consult the REGRESSION procedure for details.

## **Prais-Winsten Method**

This method is a modification of the Cochrane-Orcutt method in that the first case gets explicit treatment. By adding an extra equation to (2\*), the model has the form of

$$\begin{aligned} (1 - \rho)y_1 &= a(1 - \rho) + \sum_{i=1}^p b_i(1 - \rho)x_{1i} + (1 - \rho)u_1 \\ y_t^* &= a(1 - \rho) + \sum_{i=1}^p b_i x_{ti}^* + \epsilon_t \quad t = 2, \dots, n \end{aligned} \tag{4}$$

Like the Cochrane-Orcutt method, an initial value of  $\rho$  can be set by the user or a default value of zero can be used. The iterative process of estimating the parameters is performed via weighted least squares (WLS). The weights used in WLS computation are  $w_1 = (1 - \hat{\rho}^2)/(1 - \hat{\rho})^2$  and  $w_i = 1$  for  $i = 2, \dots, n$ . The computation of the variance of  $\epsilon_t$  and the variance of  $\hat{\rho}$  is the same as that of the WLS in the REGRESSION procedure.

## Initial Results

The WLS method is used to obtain initial parameter estimates.

### ANOVA

The degrees of freedom are  $p$  for regression and  $n - p^*$  for residuals.

## Intermediate Results

The formulas for RHO, SE Rho, DW, and MSE are exactly the same as those in the Cochrane-Orcutt method. The degrees of freedom for residuals, however, are  $n - 1 - p^*$ .

## Final Results

The following variables are computed for each case.

### SEP

Standard error of predicted value at time  $t$  is computed as

$$SEP_1 = \sqrt{MSE} \sqrt{\left( \frac{1}{1 - \hat{\rho}^2} + \tilde{h}_1 \right)}$$

$$SEP_t = \sqrt{MSE} \sqrt{\left( 1 + \tilde{h}_t \right)} \quad t = 2, \dots, n$$

where  $\tilde{h}$  is computed as

$$\tilde{h}_i = \mathbf{X}'_i \left( \mathbf{X}^{*'} \mathbf{X}^* \right)^{-1} \mathbf{X}'_i$$

in which  $\mathbf{X}_i$  is the predictor vector at time  $i$  and  $\mathbf{X}^*$  is a  $n \times p^*$  design matrix for equation (4). If a constant term is included in the model, the first column of  $\mathbf{X}^*$  has a constant value of  $1 - \hat{\rho}$ , the first row of  $\mathbf{X}^*$  is  $\sqrt{w_1}(x_{11}, \dots, x_{1p})$ , and  $p^* = p + 1$

### LCL and UCL

95% prediction interval for  $y_k$  at time  $k$  is

$$\tilde{y}_k \pm t_{n-p^*;0.025} SEP_k$$

# ARIMA Algorithms

The ARIMA procedure computes the parameter estimates for a given seasonal or non-seasonal univariate ARIMA model. It also computes the fitted values, forecasting values, and other related variables for the model.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$y_t (t=1, 2, \dots, N)$	Univariate time series under investigation.
$N$	Total number of observations.
$a_t (t = 1, 2, \dots, N)$	White noise series normally distributed with mean zero and variance $\sigma_a^2$ .
$p$	Order of the non-seasonal autoregressive part of the model
$q$	Order of the non-seasonal moving average part of the model
$d$	Order of the non-seasonal differencing
$P$	Order of the seasonal autoregressive part of the model
$Q$	Order of the seasonal moving-average part of the model
$D$	Order of the seasonal differencing
$s$	Seasonality or period of the model
$\phi_p(B)$	AR polynomial of B of order p, $\phi_p(B) = 1 - \varphi_1 B - \varphi_2 B^2 - \dots - \varphi_p B^p$
$\theta_q(B)$	MA polynomial of B of order q, $\theta_q(B) = 1 - \vartheta_1 B - \vartheta_2 B^2 - \dots - \vartheta_q B^q$
$\Phi_P(B^s)$	Seasonal AR polynomial of BS of order P, $\Phi_P(B^s) = 1 - \bar{\varphi}_1 B^s - \bar{\varphi}_2 B^{s^2} - \dots - \bar{\varphi}_P B^{sP}$
$\Theta_Q(B^s)$	Seasonal MA polynomial of BS of order Q, $\Theta_Q(B^s) = 1 - \bar{\vartheta}_1 B^s - \bar{\vartheta}_2 B^{s^2} - \dots - \bar{\vartheta}_Q B^{sQ}$
$\Delta$	Differencing operator $\Delta = (1 - B)^d(1 - B^s)^D$
$B$	Backward shift operator with $BY_t = Y_{t-1}$ and $Ba_t = a_{t-1}$

## Models

A seasonal univariate ARIMA( $p,d,q$ )( $P,D,Q$ ) $_s$  model is given by

$$\Phi(B)[\Delta y_t - \mu] = \Theta(B)a_t \quad t = 1, \dots, N$$

where

$$\Phi(B) = \phi_p(B) \Phi_P(B)$$

$$\Theta(B) = \theta_q(B) \Theta_Q(B)$$

and  $\mu$  is an optional model constant. It is also called the stationary series mean, assuming that, after differencing, the series is stationary. When NOCONSTANT is specified,  $\mu$  is assumed to be zero.

An optional log scale transformation can be applied to  $y_t$  before the model is fitted. In this chapter, the same symbol,  $y_t$ , is used to denote the series either before or after log scale transformation.

Independent variables  $x_1, x_2, \dots, x_m$  can also be included in the model. The model with independent variables is given by

$$\Phi(B) \left[ \Delta \left( y_t - \sum_{i=1}^m c_i x_{it} \right) - \mu \right] = \Theta(B) a_t$$

where

$c_i, i = 1, 2, \dots, m$ , are the regression coefficients for the independent variables.

## Estimation

Basically, two different estimation algorithms are used to compute maximum likelihood (ML) estimates for the parameters in an ARIMA model:

- **Melard's algorithm** is used for the estimation when there is no missing data in the time series. The algorithm computes the maximum likelihood estimates of the model parameters. The details of the algorithm are described in (Melard, 1984), (Pearlman, 1980), and (Morf, Sidhu, and Kailath, 1974).
- A **Kalman filtering algorithm** is used for the estimation when some observations in the time series are missing. The algorithm efficiently computes the marginal likelihood of an ARIMA model with missing observations. The details of the algorithm are described in the following literature: (Kohn and Ansley, 1986) and (Kohn and Ansley, 1985).

### Initialization of ARMA parameters

The ARMA parameters are initialized as follows:

Assume that the series  $Y_t$  follows an ARMA(p,q)(P,Q) model with mean 0; that is:

$$Y_t - \varphi_1 Y_{t-1} - \dots - \varphi_p Y_{t-p} = a_t - \theta_1 a_{t-1} - \dots - \theta_q a_{t-q}$$

In the following  $c_l$  and  $\rho_l$  represent the  $l$ th lag autocovariance and autocorrelation of  $Y_t$  respectively, and  $\hat{c}_l$  and  $\hat{\rho}_l$  represent their estimates.

### Non-seasonal AR parameters

For AR parameter initial values, the estimated method is the same as that in appendix A6.2 of (Box, Jenkins, and Reinsel, 1994). Denote the estimates as  $\hat{\varphi}'_1, \dots, \hat{\varphi}'_{p+q}$ .

### Non-seasonal MA parameters

Let

$$w_t = Y_t - \varphi_1 Y_{t-1} - \dots - \varphi_p Y_{t-p} = a_t - \theta_1 a_{t-1} - \dots - \theta_q a_{t-q}$$

The cross covariance

$$\lambda_l = E(w_{t+l}a_t) = E((a_{t+l} - \theta_1 a_{t+l-1} - \dots - \theta_q a_{t+l-q})a_t) = \begin{cases} \sigma_a^2 & l = 0 \\ -\theta_1 \sigma_a^2 & l = 1 \\ \dots & \dots \\ -\theta_q \sigma_a^2 & l = q \\ 0 & l > q \end{cases}$$

Assuming that an AR(p+q) can approximate  $Y_t$ , it follows that:

$$Y_t - \phi'_1 Y_{t-1} - \dots - \phi'_p Y_{t-p} - \phi'_{p+1} Y_{t-p-1} - \dots - \phi'_{p+q} Y_{t-p-q} = a_t$$

The AR parameters of this model are estimated as above and are denoted as  $\hat{\phi}'_1, \dots, \hat{\phi}'_{p+q}$ .

Thus  $\lambda_l$  can be estimated by

$$\begin{aligned} \lambda_l &\approx E\left((Y_{t+l} - \phi_1 Y_{t+l-1} - \dots - \phi_p Y_{t+l-p}) (Y_t - \phi'_1 Y_{t-1} - \dots - \phi'_{p+q} Y_{t-p-q})\right) \\ &= \left(\rho_l - \sum_{j=1}^{p+q} \phi_j \rho_{l+j} - \sum_{i=1}^p \phi_i \rho_{l-i} + \sum_{i=1}^p \sum_{j=1}^{p+q} \phi_i \phi_j \rho_{l+j-i}\right) c_0 \end{aligned}$$

And the error variance  $\sigma_a^2$  is approximated by

$$\hat{\sigma}_a^2 = Var\left(-\sum_{j=0}^{p+q} \phi'_j Y_{t-j}\right) = \sum_{i=0}^{p+q} \sum_{j=0}^{p+q} \phi'_i \phi'_j c_{i-j} = c_0 \sum_{i=0}^{p+q} \sum_{j=0}^{p+q} \phi'_i \phi'_j \rho_{i-j}$$

with  $\hat{\phi}'_0 = -1$  .

Then the initial MA parameters are approximated by  $\theta_l = -\lambda_l / \sigma_a^2$  and estimated by

$$\hat{\theta}_l = -\hat{\lambda}_l / \hat{\sigma}_a^2 = \frac{\rho_l - \sum_{j=1}^{p+q} \hat{\phi}_j \rho_{l+j} - \sum_{i=1}^p \hat{\phi}_i \rho_{l-i} + \sum_{i=1}^p \sum_{j=1}^{p+q} \hat{\phi}_i \hat{\phi}_j \rho_{l+j-i}}{\sum_{i=0}^{p+q} \sum_{j=0}^{p+q} \hat{\phi}'_i \hat{\phi}'_j \rho_{i-j}}$$

So  $\hat{\theta}_l$  can be calculated by  $\hat{\phi}'_j, \hat{\phi}_i$ , and  $\{\hat{\rho}_l\}_{l=1}^{p+2q}$ . In this procedure, only  $\{\hat{\rho}_l\}_{l=1}^{p+q}$  are used and all other parameters are set to 0.

### Seasonal parameters

For seasonal AR and MA components, the autocorrelations at the seasonal lags in the above equations are used.

## Diagnostic Statistics

The following definitions are used in the statistics below:

$N_p$	Number of parameters.
	$N_p = \begin{cases} p + q + P + Q + m & \text{without model constant} \\ p + q + P + Q + m + 1 & \text{with model constant} \end{cases}$
$SSQ$	Residual sum of squares $SSQ = \mathbf{e}' \mathbf{e}$ , where $\mathbf{e}$ is the residual vector
$\hat{\sigma}_a^2$	Estimated residual variance. $\hat{\sigma}_a^2 = \frac{SSQ}{df}$ , where $df = N - N_p$
$SSQ'$	Adjusted residual sum of squares. $SSQ' = (SSQ) \mathbf{\Omega} ^{1/N}$ , where $\mathbf{\Omega}$ is the theoretical covariance matrix of the observation vector computed at MLE

## Log-Likelihood

$$L = -N \ln(\hat{\sigma}_a) - \frac{SSQ'}{2\hat{\sigma}_a^2} - \frac{N \ln(2\pi)}{2}$$

## Akaike Information Criterion (AIC)

$$AIC = -2L + 2N_p$$

## Schwartz Bayesian Criterion (SBC)

$$SBC = -2L + \ln(N)N_p$$

## Generated Variables

The following variables are generated for each case.

## Predicted Values

Computation of predicted values depends upon the forecasting method.

### Forecasting Method: Conditional Least Squares (CLS or AUTOINT)

In general, the model used for fitting and forecasting (after estimation, if involved) can be written as

$$y_t - D(B)y_t = \Phi(B)\mu + \Theta(B)a_t + \sum_{i=1}^m c_i \Phi(B)\Delta x_{it}$$

where

$$D(B) = \Theta(B)\Delta - 1$$

$$\Phi(B)\mu = \Phi(1)\mu$$

Thus, the predicted values  $(FIT)_t$  are computed as follows:

$$(FIT)_t = \hat{y}_t = D(B)\hat{y}_t + \Phi(B)\mu + \Theta(B)\hat{a}_t + \sum_{i=1}^m c_i \Phi(B) \Delta x_{it}$$

where

$$\hat{a}_t = y_t - \hat{y}_t \quad 1 \leq t \leq n$$

**Starting Values for Computing Fitted Series.** To start the computation for fitted values, all unavailable beginning residuals are set to zero and unavailable beginning values of the fitted series are set according to the selected method:

**CLS.** The computation starts at the  $(d+sD)$ -th period. After a specified log scale transformation, if any, the original series is differenced and/or seasonally differenced according to the model specification. Fitted values for the differenced series are computed first. All unavailable beginning fitted values in the computation are replaced by the stationary series mean, which is equal to the model constant in the model specification. The fitted values are then aggregated to the original series and properly transformed back to the original scale. The first  $d+sD$  fitted values are set to missing (SYSMIS).

**AUTOINIT.** The computation starts at the  $[d+p+s(D+P)]$ -th period. After any specified log scale transformation, the actual  $d+p+s(D+P)$  beginning observations in the series are used as beginning fitted values in the computation. The first  $d+p+s(D+P)$  fitted values are set to missing. The fitted values are then transformed back to the original scale, if a log transformation is specified.

### **Forecasting Method: Unconditional Least Squares (EXACT)**

As with the CLS method, the computations start at the  $(d+sD)$ -th period. First, the original series (or the log-transformed series if a transformation is specified) is differenced and/or seasonally differenced according to the model specification. Then the fitted values for the differenced series are computed. The fitted values are one-step-ahead, least-squares predictors calculated using the theoretical autocorrelation function of the stationary autoregressive moving average (ARMA) process corresponding to the differenced series. The autocorrelation function is computed by treating the estimated parameters as the true parameters. The fitted values are then aggregated to the original series and properly transformed back to the original scale. The first  $d+sD$  fitted values are set to missing (SYSMIS). The details of the least-squares prediction algorithm for the ARMA models can be found in (Brockwell and Davis, 1991).

## **Residuals**

Residual series are always computed in the transformed log scale, if a transformation is specified.

$$(ERR)_t = y_t - (FIT)_t \quad t = 1, 2, \dots, N$$

## Standard Errors of the Predicted Values

Standard errors of the predicted values are first computed in the transformed log scale, if a transformation is specified.

### Forecasting Method: Conditional Least Squares (CLS or AUTOINIT)

$$(SEP)_t = \hat{\sigma}_a \quad t = 1, 2, \dots, N$$

### Forecasting Method: Unconditional Least Squares (EXACT)

In the EXACT method, unlike the CLS method, there is no simple expression for the standard errors of the predicted values. The standard errors of the predicted values will, however, be given by the least-squares prediction algorithm as a byproduct.

Standard errors of the predicted values are then transformed back to the original scale for each predicted value, if a transformation is specified.

## Confidence Limits of the Predicted Values

Confidence limits of the predicted values are first computed in the transformed log scale, if a transformation is specified:

$$(LCL)_t = (FIT)_t - t_{1-\alpha/2, df}(SEP)_t \quad t = 1, 2, \dots, N$$

$$(UCL)_t = (FIT)_t + t_{1-\alpha/2, df}(SEP)_t \quad t = 1, 2, \dots, N$$

where  $t_{1-\alpha/2, df}$  is the  $(1 - \alpha/2)$ -th percentile of a  $t$  distribution with  $df$  degrees of freedom and  $\alpha$  is the specified confidence level (by default  $\alpha=0.05$ ).

Confidence limits of the predicted values are then transformed back to the original scale for each predicted value, if a transformation is specified.

## Forecasting

The following values are computed for each forecast period.

### Forecasting Values

Computation of forecasting values depends upon the forecasting method.

#### Forecasting Method: Conditional Least Squares (CLS or AUTOINIT)

$\hat{y}_t(l)$ , the  $l$ -step-ahead forecast of  $y_{t+l}$  at the time  $t$ , can be represented as:

$$\hat{y}_t(l) = D(B)\hat{y}_{t+l} + \Phi(B)\mu + \Theta(B)\hat{a}_{t+l} + \sum_{i=1}^m c_i \Phi(B) \Delta x_{i,t+l}$$

Note that

$$\hat{y}_{t+l-i} = \begin{cases} y_{t+l-i} & \text{if } l \leq i \\ \hat{y}_t(l-i) & \text{if } l > i \end{cases}$$

$$\hat{a}_{t+l-j} = \begin{cases} y_{t+l-i} - \hat{y}_{t+l-i-1}(1) & \text{if } l \leq i \\ 0 & \text{if } l > i \end{cases}$$

### **Forecasting Method: Unconditional Least Squares (EXACT)**

The forecasts with this option are finite memory, least-squares forecasts computed using the theoretical autocorrelation function of the series. The details of the least-squares forecasting algorithm for the ARIMA models can be found in (Brockwell et al., 1991).

### **Standard Errors of the Forecasting Values**

Computation of these standard errors depends upon the forecasting method.

### **Forecasting Method: Conditional Least Squares (CLS or AUTOINIT)**

For the purpose of computing standard errors of the forecasting values, the model can be written in the format of weights (ignoring the model constant):

$$y_t = \frac{\vartheta_q(B)\Theta_Q(B)}{\phi_p(B)\Phi_P(B)}a_t = \psi(B)a_t = \sum_{i=0}^{\infty} \psi_i B^i a_{t-i}$$

where

$$\psi_0 = 1$$

Then

$$\text{se}[\hat{y}_t(l)] = \{1 + \psi_1^2 + \psi_2^2 + \dots + \psi_{l-1}^2\}^{\frac{1}{2}} \hat{\sigma}_a$$

Note that, for the predicted value,  $l = 1$ . Hence,  $(SEP)_t = \hat{\sigma}_a$  at any time  $t$ .

**Computation of  $\Psi$  Weights.**  $\Psi$  weights can be computed by expanding both sides of the following equation and solving the linear equation system established by equating the corresponding coefficients on both sides of the expansion:

$$\phi_p(B)\Phi_P(B)\Delta\psi(B) = \theta_q(B)\Theta_Q(B)$$

An explicit expression of  $\Psi$  weights can be found in (Box et al., 1994).

### **Forecasting Method: Unconditional Least Squares (EXACT)**

As with the standard errors of the predicted values, the standard errors of the forecasting values are a byproduct during the least-squares forecasting computation. The details can be found in (Brockwell et al., 1991).

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# Automated Data Preparation Algorithms

The goal of automated data preparation is to prepare a dataset so as to generally improve the training speed, predictive power, and robustness of models fit to the prepared data.

These algorithms do not assume which models will be trained post-data preparation. At the end of automated data preparation, we output the predictive power of each recommended predictor, which is computed from a linear regression or naïve Bayes model, depending upon whether the target is continuous or categorical.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$X$	A continuous or categorical variable
$x_i$	Value of the variable $X$ for case $i$ .
$f_i$	Frequency weight for case $i$ . Non-integer positive values are rounded to the nearest integer. If there is no frequency weight variable, then all $f_i = 1$ . If the frequency weight of a case is zero, negative or missing, then this case will be ignored.
$w_i$	Analysis weight for case $i$ . If there is no analysis weight variable, then all $w_i = 1$ . If the analysis weight of a case is zero, negative or missing, then this case will be ignored.
$n$	Number of cases in the dataset
$N_X$	$\sum_{i=1}^n f_i I(x_i \text{ is not missing})$ , where $I(\text{expression})$ is the indicator function taking value 1 when the expression is true, 0 otherwise.
$W_X$	$\sum_{i=1}^n f_i w_i I(x_i \text{ is not missing})$
$N_{XY}$	$\sum_{i=1}^n f_i I(x_i \text{ and } y_i \text{ are not missing})$
$W_{XY}$	$\sum_{i=1}^n f_i w_i I(x_i \text{ and } y_i \text{ are not missing})$
$\bar{x}$	The mean of variable $X$ , $\frac{1}{W_X} \sum_{i=1}^n f_i w_i x_i I(x_i \text{ is not missing})$
$M_X^r$	$\sum_{i=1}^n f_i w_i (x_i - \bar{x})^r$
$\bar{y}_x$	$\frac{1}{W_{XY}} \sum_{i=1}^n f_i w_i x_i I(x_i \text{ and } y_i \text{ are not missing})$
$M_{XY}$	$\sum_{i=1}^n f_i w_i (x_i - \bar{y}_x)(y_i - \bar{y}_x)$

### A note on missing values

Listwise deletion is used in the following sections:

- “Univariate Statistics Collection ”

- “Basic Variable Screening ”
- “Measurement Level Recasting ”
- “Missing Value Handling ”
- “Outlier Identification and Handling ”
- “Continuous Predictor Transformations ”
- “Target Handling ”
- “Reordering Categories ”
- “Unsupervised Merge ”

Pairwise deletion is used in the following sections:

- “Bivariate Statistics Collection ”
- “Supervised Merge ”
- “Supervised Binning ”
- “Feature Selection and Construction ”
- “Predictive Power ”

#### ***A note on frequency weight and analysis weight***

The frequency weight variable is treated as a case replication weight. For example if a case has a frequency weight of 2, then this case will count as 2 cases.

The analysis weight would adjust the variance of cases. For example if a case  $x_i$  of a variable  $X$  has an analysis weight  $w_i$ , then we assume that  $x_i \sim N\left(\mu, \frac{\sigma^2}{w_i}\right)$ .

Frequency weights and analysis weights are used in automated preparation of other variables, but are themselves left unchanged in the dataset.

## ***Date/Time Handling***

### ***Date Handling***

If there is a date variable, we extract the date elements (year, month and day) as ordinal variables. If requested, we also calculate the number of elapsed days/months/years since the user-specified reference date (default is the current date). Unless specified by the user, the “best” unit of duration is chosen as follows:

1. If the minimum number of elapsed days is less than 31, then we use days as the best unit.
2. If the minimum number of elapsed days is less than 366 but larger than or equal to 31, we use months as the best unit. The number of months between two dates is calculated based on average number of days in a month (30.4375):  $months = days / 30.4375$ .
3. If the minimum number of elapsed days is larger than or equal to 366, we use years as the best unit. The number of years between two dates is calculated based on average number of days in a year (365.25):  $years = days / 365.25$ .

Once the date elements are extracted and the duration is obtained, then the original date variable will be excluded from the rest of the analysis.

### **Time Handling**

If there is a time variable, we extract the time elements (second, minute and hour) as ordinal variables. If requested, we also calculate the number of elapsed seconds/minutes/hours since the user-specified reference time (default is the current time). Unless specified by the user, the “best” unit of duration is chosen as follows:

1. If the minimum number of elapsed seconds is less than 60, then we use seconds as the best unit.
2. If the minimum number of elapsed seconds is larger than or equal to 60 but less than 3600, we use minutes as the best unit.
3. If the minimum number of elapsed seconds is larger than or equal to 3600, we use hours as the best unit.

Once the elements of time are extracted and time duration is obtained, then original time predictor will be excluded.

## **Univariate Statistics Collection**

### **Continuous Variables**

For each continuous variable, we calculate the following statistics:

- Number of missing values:  $N_X^{missing} = \sum_{i=1}^n f_i I(x_i \text{ is missing})$
- Number of valid values:  $N_X$
- Minimum value:  $\min_i x_i$
- Maximum value:  $\max_i x_i$
- Mean, standard deviation, skewness. (see below)
- The number of distinct values  $I$ .
- The number of cases for each distinct value  $s_i$ :  $c_i = \sum_{j=1}^n f_j I(x_j = s_i)$
- Median: If the distinct values of  $X$  are sorted in ascending order,  $s_1 < s_2 < \dots < s_I$ , then the median can be computed by  $Median(X) = \min \left\{ s_i : \frac{cc_i}{N_X} \geq 0.5 \right\}$ , where  $cc_i = \sum_{j=1}^i c_j$ .

*Note:* If the number of distinct values is larger than a threshold (default is 5), we stop updating the number of distinct values and the number of cases for each distinct value. Also we do not calculate the median.

### **Categorical Numeric Variables**

For each categorical numeric variable, we calculate the following statistics:

- Number of missing values:  $N_X^{missing} = \sum_{i=1}^n f_i I(x_i \text{ is missing})$

- Number of valid values:  $N_X$
- Minimum value:  $\min_i x_i$  (only for ordinal variables)
- Maximum value:  $\max_i x_i$  (only for ordinal variables)
- The number of categories.
- The counts of each category.
- Mean, Standard deviation, Skewness (only for ordinal variables). (see below)
- Mode (only for nominal variables). If several values share the greatest frequency of occurrence, then the mode with the smallest value is used.
- Median (only for ordinal variables): If the distinct values of  $X$  are sorted in ascending order,  $s_1 < s_2 < \dots < s_I$ , then the median can be computed by  $Median(X) = \min \left\{ s_i : \frac{cc_i}{N_X} \geq 0.5 \right\}$ , where  $cc_i = \sum_{j=1}^i c_j$ .

*Notes:*

1. If an ordinal predictor has more categories than a specified threshold (default 10), we stop updating the number of categories and the number of cases for each category. Also we do not calculate mode and median.
2. If a nominal predictor has more categories than a specified threshold (default 100), we stop collecting statistics and just store the information that the variable had more than threshold categories.

### **Categorical String Variables**

For each string variable, we calculate the following statistics:

- Number of missing values:  $N_X^{missing} = \sum_{i=1}^n f_i I(x_i \text{ is missing})$
- Number of valid values:  $N_X$
- The number of categories.
- Counts of each category.
- Mode: If several values share the greatest frequency of occurrence, then the mode with the smallest value is used.

*Note:* If a string predictor has more categories than a specified threshold (default 100), we stop collecting statistics and just store the information that the predictor had more than threshold categories.

### **Mean, Standard Deviation, Skewness**

We calculate mean, standard deviation and skewness by updating moments.

1. Start with  $N_X^{(0)} = W_X^{(0)} = \bar{x}^{(0)} = M_X^{2(0)} = M_X^{3(0)} = 0$ .
2. For  $j=1, \dots, n$  compute:  
$$N_X^{(j)} = N_X^{(j-1)} + f_j I(x_j \text{ is not missing})$$

$$\begin{aligned}
W_X^{(j)} &= W_X^{(j-1)} + f_j w_j I(x_j \text{ is not missing}) \\
v_j &= \frac{f_j w_j}{W_X^{(j)}} (x_j - \bar{x}^{(j-1)}) \\
\bar{x}^{(j)} &= \bar{x}^{(j-1)} + v_j \\
M_X^{2(j)} &= M_X^{2(j-1)} + \frac{W_X^{(j)} W_X^{(j-1)}}{f_j w_j} v_j^2 \\
M_X^{3(j)} &= M_X^{3(j-1)} - 3v_j M_X^{2(j-1)} + \frac{W_X^{(j)} W_X^{(j-1)}}{(f_j w_j)^2} (W_X^{(j)} - 2f_j w_j) v_j^3
\end{aligned}$$

3. After the last case has been processed, compute:

$$\text{Mean: } \bar{x} = \bar{x}^{(n)}$$

$$\text{Standard deviation: } sd = \sqrt{\frac{M_X^{2(n)}}{N_X - 1}}$$

$$\text{Skewness: } skew = \frac{\frac{N_X}{(N_X - 2)} \frac{1}{(N_X - 1)} M_X^{3(n)}}{sd^3}$$

If  $N_X \leq 2$  or  $sd^2 < 10^{-20}$ , then skewness is not calculated.

## Basic Variable Screening

1. If the percent of missing values is greater than a threshold (default is 50%), then exclude the variable from subsequent analysis.
2. For continuous variables, if the maximum value is equal to minimum value, then exclude the variable from subsequent analysis.
3. For categorical variables, if the mode contains more cases than a specified percentage (default is 95%), then exclude the variable from subsequent analysis.
4. If a string variable has more categories than a specified threshold (default is 100), then exclude the variable from subsequent analysis.

## Checkpoint 1: Exit?

This checkpoint determines whether the algorithm should be terminated. If, after the screening step:

1. The target (if specified) has been removed from subsequent analysis, or
2. All predictors have been removed from subsequent analysis,

then terminate the algorithm and generate an error.

## Measurement Level Recasting

For each continuous variable, if the number of distinct values is less than a threshold (default is 5), then it is recast as an ordinal variable.

For each numeric ordinal variable, if the number of categories is greater than a threshold (default is 10), then it is recast as a continuous variable.

*Note:* The continuous-to-ordinal threshold must be less than the ordinal-to-continuous threshold.

## Outlier Identification and Handling

In this section, we identify outliers in continuous variables and then set the outlying values to a cutoff or to a missing value. The identification is based on the robust mean and robust standard deviation which are estimated by supposing that the percentage of outliers is no more than 5%.

### Identification

1. Compute the mean and standard deviation from the raw data. Split the continuous variable into non-intersecting intervals:  $I_i = (\bar{x} + (i - 1) \times sd_w, \bar{x} + i \times sd_w]$ ,  $i = -3, -2, \dots, 2, 3, 4$ , where  $I_{-3} = (-\infty, \bar{x} - 3sd_w]$ ,  $I_4 = (\bar{x} + 3sd_w, +\infty]$  and  $sd_w = sd \times \sqrt{\frac{N_X - 1}{W_X}}$ .

2. Calculate univariate statistics in each interval:

$$N_{I_i} = \sum_{j=1}^n f_j I(x_j \in I_i), W_{I_i} = \sum_{j=1}^n f_j w_j I(x_j \in I_i)$$

$$\bar{x}_{I_i} = \frac{\sum_{j=1}^n f_j w_j x_j I(x_j \in I_i)}{W_{I_i}}, M_{I_i}^2 = \sum_{j=1}^n f_j w_j (x_j - \bar{x}_{I_i})^2 I(x_j \in I_i)$$

3. Let  $l = -3$ ,  $r = 4$ , and  $p = 0$ .
4. Between two tail intervals  $I_l$  and  $I_r$ , find one interval with the least number of cases.
5. If  $N_{I_l} \leq N_{I_r}$ , then  $p_{current} = \frac{N_{I_l}}{N_X}$ . Check if  $p + p_{current}$  is less than a threshold  $p_{threshold}$  (default is 0.05). If it does, then  $p = p + p_{current}$  and  $l = l + 1$ , go to step 4; otherwise, go to step 6.

Else  $p_{current} = \frac{N_{I_r}}{N_X}$ . Check if  $p + p_{current}$  is less than a threshold,  $p_{threshold}$ . If it is, then  $p = p + p_{current}$  and  $r = r - 1$ , go to step 4; otherwise, go to step 6.

6. Compute the robust mean  $\bar{x}_{robust}$  and robust standard deviation  $sd_{robust}$  within the range  $(\bar{x} + (l - 1) \times sd, \bar{x} + r \times sd]$ . See below for details.
7. If  $x_i$  satisfies the conditions:

$$\sqrt{w_i}(x_i - \bar{x}_{robust}) < -cutoff \times sd_{robust} \text{ or } \sqrt{w_i}(x_i - \bar{x}_{robust}) > cutoff \times sd_{robust}$$

where *cutoff* is positive number (default is 3), then  $x_i$  is detected as an outlier.

### Handling

Outliers will be handled using one of following methods:

- Trim outliers to cutoff values. If  $\sqrt{w_i}(x_i - \bar{x}_{robust}) < -cutoff \times sd_{robust}$  then replace  $x_i$  by  $\bar{x}_{robust} - cutoff \times sd_{robust} / \sqrt{w_i}$ , and if  $\sqrt{w_i}(x_i - \bar{x}_{robust}) > cutoff \times sd_{robust}$  then replace  $x_i$  by  $\bar{x}_{robust} + cutoff \times sd_{robust} / \sqrt{w_i}$ .
- Set outliers to missing values.

### Update Univariate Statistics

After outlier handling, we perform a data pass to calculate univariate statistics for each continuous variable, including the number of missing values, minimum, maximum, mean, standard deviation, skewness, and number of outliers.

### Robust Mean and Standard Deviation

Robust mean and standard deviation within the range  $(\bar{x} + (l - 1) \times sd, \bar{x} + r \times sd]$  are calculated as follows:

$$\bar{x}_{robust} = \frac{\sum_{i=l}^r W_{I_i} \bar{x}_{I_i}}{\sum_{i=l}^r W_{I_i}}$$

and

$$sd_{robust} = \sqrt{\frac{M_{robust}^2}{\sum_{i=l}^r N_{I_i} - 1}}$$

$$\text{where } M_{robust}^2 = \sum_{i=l}^r A_{I_i} \quad \text{and } A_{I_i} = M_{I_i}^2 W_{I_i} (\bar{x}_{robust} - \bar{x}_{I_i})^2$$

## Missing Value Handling

**Continuous variables.** Missing values are replaced by the mean, and the following statistics are updated:

- Standard deviation:  $sd \times \sqrt{\frac{N_X - 1}{N - 1}}$ , where  $N = N_X + N_X^{missing}$ .
- Skewness:  $skew \times \frac{L_1}{L_2}$ , where  $L_1 = \left(\frac{N}{N-2}\right) \left(\frac{N_X-2}{N_X}\right)$  and  $L_2 = \sqrt{\frac{N_X-1}{N-1}}$
- The number of missing values:  $N_X^{missing} = 0$
- The number of valid values:  $N_X = N$

**Ordinal variables.** Missing values are replaced by the median, and the following statistics are updated:

- The number of cases in the median category:  $c_{median} + N_X^{missing}$ , where  $c_{median}$  is the original number of cases in the median category.
- The number of missing values:  $N_X^{missing} = 0$
- The number of valid values:  $N_X = N$

**Nominal variables.** Missing values are replaced by the mode, and the following statistics are updated:

- The number of cases in the modal category:  $c_{mode} + N_X^{missing}$ , where  $c_{mode}$  is the original number of cases in the modal category.
- The number of missing values:  $N_X^{missing} = 0$
- The number of valid values:  $N_X = N$

## Continuous Predictor Transformations

We transform a continuous predictor so that it has the user-specified mean  $\bar{x}_{user}$  (default 0) and standard deviation  $sd_{user}$  (default 1) using the z-score transformation, or minimum  $\min_{user}$  (default 0) and maximum  $\max_{user}$  (default 100) value using the min-max transformation.

### Z-score Transformation

Suppose a continuous variable has mean  $\bar{x}$  and standard deviation  $sd$ . The z-score transformation is

$$x'_i = \frac{sd_{user}}{sd} \times (x_i - \bar{x}) + \bar{x}_{user}$$

where  $x'_i$  is the transformed value of continuous variable  $X$  for case  $i$ .

Since we do not take into account the analysis weight in the rescaling formula, the rescaled values  $x'_i$  follow a normal distribution  $N\left(\bar{x}_{user}, \frac{sd_{user}^2}{w_i}\right)$ .

#### Update univariate statistics

After a z-score transformation, the following univariate statistics are updated:

- Number of missing values:  $N_{X'}^{missing} = N_X^{missing}$
- Number of valid values:  $N_{X'} = N_X$
- Minimum value:  $\min(x'_i) = \frac{sd_{user}}{sd} \times (\min x_i - \bar{x}) + \bar{x}_{user}$
- Maximum value:  $\max(x'_i) = \frac{sd_{user}}{sd} \times (\max x_i - \bar{x}) + \bar{x}_{user}$
- Mean:  $\bar{x}' = \bar{x}_{user}$
- Standard deviation:  $sd(x') = sd_{user}$
- Skewness:  $skew(x') = skew(x)$

### Min-Max Transformation

Suppose a continuous variable has a minimum value  $\min x_i$  and a maximum value  $\max x_i$ . The min-max transformation is

$$x'_i = \frac{\max_{user} - \min_{user}}{\max x_i - \min x_i} \times (x_i - \min x_i) + \min_{user}$$

where  $x'_i$  is the transformed value of continuous variable  $X$  for case  $i$ .

#### Update univariate statistics

After a min-max transformation, the following univariate statistics are updated:

- The number of missing values:  $N_{X'}^{missing} = N_X^{missing}$

- The number of valid values:  $N_{X'} = N_X$
- Minimum value:  $\min(x'_i) = \min_{user}$
- Maximum value:  $\max(x'_i) = \max_{user}$
- Mean:  $\bar{x}' = \frac{\max_{user} - \min_{user}}{\max x_i - \min x_i} \times (\bar{x} - \min x_i) + \min_{user}$
- Standard deviation:  $sd(x') = \frac{\max_{user} - \min_{user}}{\max x_i - \min x_i} \times sd$
- Skwness:  $skew(x') = skew(x)$

## Target Handling

### Nominal Target

For a nominal target, we rearrange categories from lowest to highest counts. If there is a tie on counts, then ties will be broken by ascending sort or lexical order of the data values.

### Continuous Target

The transformation proposed by Box and Cox (1964) transforms a continuous variable into one that is more normally distributed. We apply the Box-Cox transformation followed by the  $z$  score transformation so that the rescaled target has the user-specified mean and standard deviation.

**Box-Cox transformation.** This transforms a non-normal variable  $Y$  to a more normally distributed variable:

$$g_i(\lambda) = g(y_i, \lambda) = \begin{cases} \frac{(y_i - c)^\lambda - 1}{\lambda} & \lambda \neq 0 \\ \ln(y_i - c) & \lambda = 0 \end{cases}$$

where  $y_i, i = 1, 2, \dots, n$  are observations of variable  $Y$ , and  $c$  is a constant such that all values  $y_i - c$  are positive. Here, we choose  $c = \min(Y) - 1$ .

The parameter  $\lambda$  is selected to maximize the log-likelihood function:

$$L(\lambda) = -\frac{N_Y}{2} \ln \left[ \frac{N_Y - 1}{N_Y} (sd(g(\lambda)))^2 \right] + (\lambda - 1) \sum_{i=1}^n f_i \ln(y_i - c)$$

where  $(sd(g(\lambda)))^2 = \frac{1}{N_Y - 1} \sum_{i=1}^n f_i w_i (g_i(\lambda_j) - \bar{g}(\lambda_j))^2$  and  $\bar{g}(\lambda) = \frac{1}{w_Y} \sum_{i=1}^n f_i w_i g_i(\lambda)$ .

We perform a grid search over a user-specified finite set  $[a, b]$  with increment  $s$ . By default  $a = -3$ ,  $b = 3$ , and  $s = 0.5$ .

The algorithm can be described as follows:

1. Compute  $\lambda_j = a + (j - 1) * s$  where  $j$  is an integer such that  $a \leq \lambda_j \leq b$ .

2. For each  $\lambda_j$ , compute the following statistics:

Mean:  $\bar{g}(\lambda_j) = \frac{1}{W_Y} \sum_{i=1}^n f_i w_i g_i(\lambda_j)$

Standard deviation:  $sd(g(\lambda_j)) = \sqrt{\frac{1}{N_Y - 1} \sum_{i=1}^n f_i w_i (g_i(\lambda_j) - \bar{g}(\lambda_j))^2}$

Skewness:  $skew(g(\lambda_j)) = \frac{\frac{N_Y}{(N_Y - 2)(N_Y - 1)} \sum_{i=1}^n f_i w_i (g_i(\lambda_j) - \bar{g}(\lambda_j))^3}{sd(g(\lambda_j))^3}$

Sum of logarithm transformation:  $\sum_{i=1}^n f_i \ln(y_i - c)$

3. For each  $\lambda_j$ , compute the log-likelihood function  $L(\lambda_j)$ . Find the value of  $j$  with the largest log-likelihood function, breaking ties by selecting the smallest value of  $\lambda_j$ . Also find the corresponding statistics  $\bar{g}(\lambda^*)$ ,  $sd(g(\lambda^*))$  and  $skew(g(\lambda^*))$ .
4. Transform target to reflect user's mean  $\bar{y}_{user}$  (default is 0) and standard deviation  $sd_{user}$  (default is 1):

$$y'_i = \frac{sd_{user}}{sd(g(\lambda^*))} \times (g_i(\lambda^*) - \bar{g}(\lambda^*)) + \bar{y}_{user}$$

where  $\bar{g}(\lambda^*) = \frac{1}{W_Y} \sum_{i=1}^n f_i w_i g_i(\lambda^*)$  and  $sd(g(\lambda^*)) = \sqrt{\frac{1}{N_Y - 1} \sum_{i=1}^n f_i w_i (g_i(\lambda^*) - \bar{g}(\lambda^*))^2}$ .

**Update univariate statistics.** After Box-Cox and Z-score transformations, the following univariate statistics are updated:

- Minimum value:  $\frac{sd_{user}}{sd(g(\lambda^*))} \times (g(\min(y_i) - c, \lambda^*) - \bar{g}(\lambda^*)) + \bar{y}_{user}$
- Maximum value:  $\frac{sd_{user}}{sd(g(\lambda^*))} \times (g(\max(y_i) - c, \lambda^*) - \bar{g}(\lambda^*)) + \bar{y}_{user}$
- Mean:  $\bar{y}_{user}$
- Standard deviation:  $sd_{user}$
- Skewness:  $skew(g(\lambda^*))$

## Bivariate Statistics Collection

For each target/predictor pair, the following statistics are collected according to the measurement levels of the target and predictor.

### Continuous target or no target and all continuous predictors

If there is a continuous target and some continuous predictors, then we need to calculate the covariance and correlations between all pairs of continuous variables. If there is no continuous target, then we only calculate the covariance and correlations between all pairs of continuous predictors. We suppose there are there are  $m$  continuous variables, and denote the covariance matrix as  $C_{m \times m}$ , with element  $c_{ij}$ , and the correlation matrix as  $R_{m \times m}$ , with element  $r_{ij}$ .

We define the covariance between two continuous variables  $X$  and  $Y$  as

$$c_{XY} = \frac{1}{N_{XY} - 1} \sum_{i=1}^n f_i w_i (x_i - \bar{x}_y)(y_i - \bar{y}_x)$$

where  $\bar{x}_y = \frac{1}{W_{XY}} \sum_{i=1}^n x_i I(x_i \text{ and } y_i \text{ are not missing})$  and  $\bar{y}_x = \frac{1}{W_{XY}} \sum_{i=1}^n y_i I(x_j \text{ and } y_j \text{ are not missing})$ .

The covariance can be computed by a provisional means algorithm:

1. Start with  $N_{XY}^{(0)} = W_{XY}^{(0)} = \bar{x}_y = \bar{y}_x M_{XY}^{(0)} = 0$
2. For  $j=1, \dots, n$  compute:

$$N_{XY}^{(j)} = N_{XY}^{(j-1)} + f_j I(x_j \text{ and } y_j \text{ are not missing})$$

$$W_{XY}^{(j)} = W_{XY}^{(j-1)} + f_j w_j I(x_j \text{ and } y_j \text{ are not missing})$$

$$v_{xj} = \frac{f_j w_j}{W_{XY}^{(j)}} (x_j - \bar{x}_y)$$

$$\bar{x}_y = \bar{x}_y + v_{xj}$$

$$v_{yj} = \frac{f_j w_j}{W_{XY}^{(j)}} (y_j - \bar{y}_x)$$

$$\bar{y}_x = \bar{y}_x + v_{yj}$$

$$M_{XY}^{(j)} = M_{XY}^{(j-1)} + (x_j - \bar{x}_y)(y_j - \bar{y}_x) \left( f_j w_j - \frac{(f_j w_j)^2}{W_{XY}^{(j)}} \right)$$

After the last case has been processed, we obtain:

$$M_{XY} = M_{XY}^{(n)} = \sum_{i=1}^n f_i w_i (x_i - \bar{x}_y)(y_i - \bar{y}_x)$$

3. Compute bivariate statistics between  $X$  and  $Y$ :

Number of valid cases:  $N_{XY}$

$$\text{Covariance: } c_{XY} = \frac{M_{XY}}{N_{XY} - 1}$$

$$\text{Correlation: } r_{XY} = \frac{c_{XY}}{\sqrt{c_{XX}} \sqrt{c_{YY}}}$$

*Note:* If there are no valid cases when pairwise deletion is used, then we let  $c_{XY} = 0$  and  $r_{XY} = 0$ .

### **Categorical target and all continuous predictors**

For a categorical target  $Y$  with values  $i = 1, 2, \dots, J$  and a continuous predictor  $X$  with values  $x_1, \dots, x_n$ , the bivariate statistics are:

Mean of  $X$  for each  $Y=i, i=1, \dots, J$ :

$$= \frac{\sum_{j=1}^n f_j w_j x_j I(y_j = i)}{\sum_{j=1}^n f_j w_j I(y_j = i)}$$

Sum of squared errors of  $X$  for each  $Y=i, i=1, \dots, J$ :

$$M_{.i}^2 = \sum_{j=1}^n f_j w_j (x_j - \bar{x}_{.i})^2 I(y_j = i)$$

Sum of frequency weight for each  $Y=i, i=1, \dots, J$ :

$$N_{.i} = \sum_{j=1}^n f_j I(y_j = i \wedge x_j \text{ is not missing})$$

Number of invalid cases

$$N_{XY} = \sum_{i=1}^J N_{.i}$$

Sum of weights (frequency weight times analysis weight) for each  $Y=i, i=1, \dots, J$ :

$$W_{.i} = \sum_{j=1}^n f_j w_j I(y_j = i \wedge x_j \text{ is not missing})$$

### **Continuous target and all categorical predictors**

For a continuous target  $Y$  and a categorical predictor  $X$  with values  $i=1, \dots, J$ , the bivariate statistics include:

Mean of  $Y$  conditional upon  $X$ :

$$\bar{y}_x = \frac{\sum_{i=1}^J \sum_{j=1}^n f_j w_j y_j I(x_j = i)}{\sum_{i=1}^J \sum_{j=1}^n f_j w_j I(x_j = i)}$$

Sum of squared errors of  $Y$ :

$$M_{X.}^2 = \sum_{j=1}^n f_j w_j (y_j - \bar{y}_x)^2$$

Mean of  $Y$  for each  $X = i, i=1, \dots, J$ :

$$\bar{y}_i = \frac{\sum_{j=1}^n f_j w_j y_j I(x_j = i)}{\sum_{j=1}^n f_j w_j I(x_j = i)}$$

Sum of squared errors of  $Y$  for each  $X = i, i=1, \dots, J$ :

$$M_i^2 = \sum_{j=1}^n f_j w_j (y_j - \bar{y}_{i.})^2 I(x_j = i)$$

Sum of frequency weights for  $X = i, i=1, \dots, J$ :

$$N_i = \sum_{j=1}^n f_j I(x_j = i \wedge y_j \text{ is not missing})$$

Sum of weights (frequency weight times analysis weight) for  $X = i, i=1, \dots, J$ :

$$W_i = \sum_{j=1}^n f_j w_j I(x_j = i \wedge y_j \text{ is not missing})$$

### **Categorical target and all categorical predictors**

For a categorical target  $Y$  with values  $j=1, \dots, J$  and a categorical predictor  $X$  with values  $i=1, \dots, I$ , then bivariate statistics are:

Sum of frequency weights for each combination of  $x_k = i$  and  $y_k = j$ :

$$N_{ij} = \sum_{k=1}^n f_k I(x_k = i \wedge y_k = j)$$

Sum of weights (frequency weight times analysis weight) for each combination of  $x_k = i$  and  $y_k = j$ :

$$W_{ij} = \sum_{k \in 1}^n f_k w_k I(x_k = i \wedge y_k = j)$$

## **Categorical Variable Handling**

In this step, we use univariate or bivariate statistics to handle categorical predictors.

### **Reordering Categories**

For a nominal predictor, we rearrange categories from lowest to highest counts. If there is a tie on counts, then ties will be broken by ascending sort or lexical order of the data values. The new field values start with 0 as the least frequent category. Note that the new field will be numeric even if the original field is a string. For example, if a nominal field's data values are "A", "A", "A", "B", "C", "C", then automated data preparation would recode "B" into 0, "C" into 1, and "A" into 2.

## Identify Highly Associated Categorical Features

If there is a target in the data set, we select a ordinal/nominal predictor if its  $p$ -value is not larger than an alpha-level  $\alpha_{selection}$  (default is 0.05). See “P-value Calculations” for details of computing these  $p$ -values.

Since we use pairwise deletion to handle missing values when we collect bivariate statistics, we may have some categories with zero cases; that is,  $N_i = 0$  for a category  $i$  of a categorical predictor. When we calculate  $p$ -values, these categories will be excluded.

If there is only one category or no category after excluding categories with zero cases, we set the  $p$ -value to be 1 and this predictor will not be selected.

## Supervised Merge

We merge categories of an ordinal/nominal predictor using a supervised method that is similar to a Chaid Tree with one level of depth.

1. Exclude all categories with zero case count.
2. If  $X$  has 0 categories, merge all excluded categories into one category, then stop.
3. If  $X$  has 1 category, go to step 7.
4. Else, find the allowable pair of categories of  $X$  that is most similar. This is the pair whose test statistic gives the largest  $p$ -value with respect to the target. An allowable pair of categories for an ordinal predictor is two adjacent categories; for a nominal predictor it is any two categories. Note that for an ordinal predictor, if categories between the  $i$ th category and  $j$ th categories are excluded because of zero cases, then the  $i$ th category and  $j$ th categories are two adjacent categories. See “P-value Calculations” for details of computing these  $p$ -values.
5. For the pair having the largest  $p$ -value, check if its  $p$ -value is larger than a specified alpha-level  $\alpha_{selection}$  (default is 0.05). If it does, this pair is merged into a single compound category and at the same time we calculate the bivariate statistics of this new category. Then a new set of categories of  $X$  is formed. If it does not, then go to step 6.
6. Go to step 3.
7. For an ordinal predictor, find the maximum value in each new category. Sort these maximum values in ascending order. Suppose we have  $r$  new categories, and the maximum values are:  $i_1 < i_2 < \dots < i_r$ , then we get the merge rule as: the first new category will contain all original categories such that  $X \leq i_1$ , the second new category will contain all original categories such that  $i_1 < X \leq i_2, \dots$ , and the last new category will contain all original categories such that  $X > i_{r-1}$ .

For a nominal predictor, all categories excluded at step 1 will be merged into the new category with the lowest count. If there are ties on categories with the lowest counts, then ties are broken by selecting the category with the smallest value by ascending sort or lexical order of the original category values which formed the new categories with the lowest counts.

**Bivariate statistics calculation of new category**

When two categories are merged into a new category, we need to calculate the bivariate statistics of this new category.

**Scale target.** If the categories  $i$  and  $i'$  can be merged based on  $p$ -value, then the bivariate statistics should be calculated as:

$$N_{i,i'} = N_i + N_{i'}$$

$$W_{i,i'} = W_i + W_{i'}$$

$$\bar{y}_{i,i'} = \bar{y}_i + \frac{W_{i'}}{W_{i,i'}} (\bar{y}_{i'} - \bar{y}_i)$$

$$M_{i,i'}^2 = M_i^2 + M_{i'}^2 + W_i (\bar{y}_{i,i'} - \bar{y}_i)^2 + W_{i'} (\bar{y}_{i,i'} - \bar{y}_{i'})^2$$

**Categorical target.** If the categories  $i$  and  $i'$  can be merged based on  $p$ -value, then the bivariate statistics should be calculated as:

$$N_{i,i'j} = N_{ij} + N_{i'j}$$

$$W_{i,i'j} = W_{ij} + W_{i'j}$$

**Update univariate and bivariate statistics**

At the end of the supervised merge step, we calculate the bivariate statistics for each new category. For univariate statistics, the counts for each new category will be sum of the counts of each original categories which formed the new category. Then we update other statistics according to the formulas in “Univariate Statistics Collection”, though note that the statistics only need to be updated based on the new categories and the numbers of cases in these categories.

**P-value Calculations**

Each  $p$ -value calculation is based on the appropriate statistical test of association between the predictor and target.

**Scale target**

We calculate an  $F$  statistic:

$$F = \frac{\sum_{i=1}^I W_i (\bar{y}_i - \bar{y}_x)^2 / (I - 1)}{\sum_{i=1}^I M_i^2 / (\sum_{i=1}^I N_i - I)}$$

$$\text{where } \bar{y}_x = \frac{\sum_{i=1}^I W_i \bar{y}_i}{\sum_{i=1}^I W_i}.$$

Based on  $F$  statistics, the  $p$ -value can be derived as

$$p = \Pr \left( F \left( I - 1, \sum_{i=1}^I N_i, - I \right) > F \right)$$

where  $F \left( I - 1, \sum_{i=1}^I N_i, - I \right)$  is a random variable following a  $F$  distribution with  $I - 1$  and  $\sum_{i=1}^I N_i - I$  degrees of freedom.

At the merge step we calculate the  $F$  statistic and  $p$ -value between two categories  $i$  and  $i'$  of  $X$  as

$$F = \frac{W_i (\bar{y}_i - \bar{y}_{i,i'})^2 + W_{i'} (\bar{y}_{i'} - \bar{y}_{i,i'})^2}{(M_i^2 + M_{i'}^2) / (N_i + N_{i'} - 2)}$$

$$p = \Pr (F (1, N_i + N_{i'} - 2) > F)$$

where  $\bar{y}_{i,i'}$  is the mean of  $Y$  for a new category  $i, i'$  merged by  $i$  and  $i'$ :

$$\bar{y}_{i,i'} = \bar{y}_i + \frac{W_{i'}}{W_i + W_{i'}} (\bar{y}_{i'} - \bar{y}_i)$$

and  $F (I - 1, N_i + N_{i'} - 2)$  is a random variable following a  $F$  distribution with  $I - 1$  and  $N_i + N_{i'} - 2$  degrees of freedom.

### **Nominal target**

The null hypothesis of independence of  $X$  and  $Y$  is tested. First a contingency (or count) table is formed using classes of  $Y$  as columns and categories of the predictor  $X$  as rows. Then the expected cell frequencies under the null hypothesis are estimated. The observed cell frequencies and the expected cell frequencies are used to calculate the Pearson chi-squared statistic and the  $p$ -value:

$$X^2 = \sum_{j=1}^J \sum_{i=1}^I \frac{(N_{ij} - \hat{m}_{ij})^2}{\hat{m}_{ij}}$$

where  $N_{ij} = \sum_{k \in D} f_k I(x_k = i \wedge y_k = j)$  is the observed cell frequency and  $\hat{m}_{ij}$  is the estimated expected cell frequency for cell  $(x_k = i, y_k = j)$  following the independence model. If  $\hat{m}_{ij} = 0$ , then  $\frac{(N_{ij} - \hat{m}_{ij})^2}{\hat{m}_{ij}} = 0$ . How to estimate  $\hat{m}_{ij}$  is described below.

The corresponding  $p$ -value is given by  $p = \Pr (\chi_d^2 > X^2)$ , where  $\chi_d^2$  follows a chi-squared distribution with  $d = (J - 1)(I - 1)$  degrees of freedom.

When we investigate whether two categories  $i$  and  $i'$  of  $X$  can be merged, the Pearson chi-squared statistic is revised as

$$X^2 = \sum_{j=1}^J \left( \frac{(N_{ij} - \hat{m}_{ij})^2}{\hat{m}_{ij}} + \frac{(N_{i'j} - \hat{m}_{i'j})^2}{\hat{m}_{i'j}} \right)$$

and the  $p$ -value is given by  $p = \Pr(\chi_{J-1}^2 > X^2)$ .

### Ordinal target

Suppose there are  $I$  categories of  $X$ , and  $J$  ordinal categories of  $Y$ . Then the null hypothesis of the independence of  $X$  and  $Y$  is tested against the row effects model (with the rows being the categories of  $X$  and columns the classes of  $Y$ ) proposed by Goodman (1979). Two sets of expected cell frequencies,  $\hat{m}_{ij}$  (under the hypothesis of independence) and  $\hat{\hat{m}}_{ij}$  (under the hypothesis that the data follow a row effects model), are both estimated. The likelihood ratio statistic is

$$H^2 = 2 \sum_{i=1}^I \sum_{j=1}^J H_{ij}^2$$

where

$$H_{ij}^2 = \begin{cases} \hat{\hat{m}}_{ij} \ln \left( \frac{\hat{\hat{m}}_{ij}}{\hat{m}_{ij}} \right) & \hat{\hat{m}}_{ij} / \hat{m}_{ij} > 0 \\ 0 & \text{else} \end{cases}$$

The  $p$ -value is given by  $p = \Pr(\chi_{I-1}^2 > H^2)$ .

### Estimated expected cell frequencies (independence assumption)

If analysis weights are specified, the expected cell frequency under the null hypothesis of independence is of the form

$$m_{ij} = \bar{w}_{ij}^{-1} \alpha_i \beta_j$$

where  $\alpha_i$  and  $\beta_j$  are parameters to be estimated, and  $\bar{w}_{ij} = \frac{W_{ij}}{N_{ij}}$  if  $N_{ij} > 0$ , otherwise  $\bar{w}_{ij} = 1$ .

Parameter estimates  $\hat{\alpha}_i, \hat{\beta}_j$ , and hence  $\hat{m}_{ij}$ , are obtained from the following iterative procedure.

1.  $k = 0, \alpha_i^{(0)} = \beta_j^{(0)} = 1, m_{ij}^{(0)} = \bar{w}_{ij}^{-1}$
2.  $\alpha_i^{(k+1)} = \frac{N_{i.}}{\sum_j \bar{w}_{ij}^{-1} \beta_j^{(k)}} = \alpha_i^{(k)} \frac{N_{i.}}{\sum_j m_{ij}^{(k)}}$
3.  $\beta_j^{(k+1)} = \frac{N_{.j}}{\sum_i \bar{w}_{ij}^{-1} \alpha_i^{(k+1)}}$
4.  $m_{ij}^{(k+1)} = \bar{w}_{ij}^{-1} \alpha_i^{(k+1)} \beta_j^{(k+1)}$

5. If  $\max_{i,j} \left| m_{ij}^{(k+1)} - m_{ij}^{(k)} \right| < \epsilon$  (default is 0.001) or the number of iterations is larger than a threshold (default is 100), stop and output  $\alpha_i^{(k+1)}, \beta_j^{(k+1)}$  and  $m_{ij}^{(k+1)}$  as the final estimates  $\hat{\alpha}_i, \hat{\beta}_j, \hat{m}_{ij}$ . Otherwise,  $k = k + 1$  and go to step 2.

**Estimated expected cell frequencies (row effects model)**

In the row effects model, scores for classes of  $Y$  are needed. By default,  $s_j^*$  (the order of a class of  $Y$ ) is used as the class score. These orders will be standardized via the following linear transformation such that the largest score is 100 and the lowest score is 0.

$$s_j = 100 \left( s_j^* - s_{\min}^* \right) / \left( s_{\max}^* - s_{\min}^* \right)$$

Where  $s_{\min}^*$  and  $s_{\max}^*$  are the smallest and largest order, respectively.

The expected cell frequency under the row effects model is given by

$$m_{ij} = \bar{w}_{ij}^{-1} \alpha_i \beta_j \gamma_i$$

where  $\bar{s} = \sum_{j=1}^J W_{.j} s_j / \sum_{j=1}^J W_{.j}$ , in which  $W_{.j} = \sum_i W_{ij}$ , and  $\alpha_i, \beta_j$ , and  $\gamma_i$  are unknown parameters to be estimated.

Parameter estimates  $\hat{\alpha}_i, \hat{\beta}_j, \hat{\gamma}_i$  and hence  $\hat{m}_{ij}$  are obtained from the following iterative procedure.

1.  $k = 0, \alpha_i^{(0)} = \beta_j^{(0)} = \gamma_i^{(0)} = 1, m_{ij}^{(0)} = \bar{w}_{ij}^{-1}$
2.  $\alpha_i^{(k+1)} = \frac{N_{.j}}{\sum_j \bar{w}_{ij}^{-1} \beta_j^{(k)} \left( \gamma_i^{(k)} \right)^{(s_j - \bar{s})}} = \alpha_i^{(k)} \frac{N_{.j}}{\sum_j m_{ij}^{(k)}}$
3.  $\beta_j^{(k+1)} = \frac{N_{.j}}{\sum_i \bar{w}_{ij}^{-1} \alpha_i^{(k+1)} \left( \gamma_i^{(k)} \right)^{(s_j - \bar{s})}}$
4.  $m_{ij}^* = \bar{w}_{ij}^{-1} \alpha_i^{(k+1)} \beta_j^{(k+1)} \left( \gamma_i^{(k)} \right)^{(s_j - \bar{s})}, G_i = 1 + \frac{\sum_j (s_j - \bar{s})(N_{ij} - m_{ij}^*)}{\sum_j (s_j - \bar{s})^2 m_{ij}^*}$
5.  $\gamma_i^{(k+1)} = \begin{cases} \gamma_i^{(k)} G_i & G_i > 0 \\ \gamma_i^{(k)} & \text{otherwise} \end{cases}$
6.  $m_{ij}^{(k+1)} = \bar{w}_{ij}^{-1} \alpha_i^{(k+1)} \beta_j^{(k+1)} \left( \gamma_i^{(k+1)} \right)^{(s_j - \bar{s})}$
7. If  $\max_{i,j} \left| m_{ij}^{(k+1)} - m_{ij}^{(k)} \right| < \epsilon$  (default is 0.001) or the number of iterations is larger than a threshold (default is 100), stop and output  $\alpha_i^{(k+1)}, \beta_j^{(k+1)}, \gamma_i^{(k+1)}$  and  $m_{ij}^{(k+1)}$  as the final estimates  $\hat{\alpha}_i, \hat{\beta}_j, \hat{\gamma}_i, \hat{m}_{ij}$ . Otherwise,  $k = k + 1$  and go to step 2.

**Unsupervised Merge**

If there is no target, we merge categories based on counts. Suppose that  $X$  has  $I$  categories which are sorted in ascending order. For an ordinal predictor, we sort it according to its values, while for nominal predictor we rearrange categories from lowest to highest count, with ties broken

by ascending sort or lexical order of the data values. Let  $c_i$  be the number of cases for the  $i$ th category, and  $N_X$  be the total number of cases for  $X$ . Then we use the equal frequency method to merge sparse categories.

1. Start with  $j_1 = j_2 = 1$  and  $g=1$ .
2. If  $j_1 > I$ , go to step 5.
3. If  $\sum_{i=j_1}^{j_2} c_i < [b\% \times N_X]$ , then  $j_2 = j_2 + 1$ ; otherwise the original categories  $j_1, j_1 + 1, \dots, j_2$  will be merged into the new category  $g$  and let  $j_1 = j_2 + 1$ ,  $j_2 = j_1$  and  $g = g + 1$ , then go to step 2.
4. If  $j_2 \geq I$ , then merge categories using one of the following rules:
  - i) If  $g = 1$ , then categories  $1, 2, \dots, I - 1$  will be merged into category  $g$  and  $I$  will be left unmerged.
  - ii) If  $g=2$ , then  $j_1, j_1 + 1, \dots, I$  will be merged into category  $g=2$ .
  - iii) If  $g>2$ , then  $j_1, j_1 + 1, \dots, I$  will be merged into category  $g - 1$ .
 If  $j_2 < I$ , then go to step 3.
5. Output the merge rule and merged predictor.

After merging, one of the following rules holds:

- Neither the original category nor any category created during merging has fewer than  $[b\% \times N_X]$  cases, where  $b$  is a user-specified parameter satisfying  $1 < b < 100$  (default is 10) and  $[x]$  denotes the nearest integer of  $x$ .
- The merged predictor has only two categories.

**Update univariate statistics.** When original categories  $j_1 + 1, \dots, j_2$  are merged into one new category, then the number of cases in this new category will be  $\sum_{i=j_1}^{j_2} c_j$ . At the end of the merge step, we get new categories and the number of cases in each category. Then we update other statistics according to the formulas in “Univariate Statistics Collection”, though note that the statistics only need to be updated based on the new categories and the numbers of cases in these categories.

## Continuous Predictor Handling

Continuous predictor handling includes supervised binning when the target is categorical, predictor selection when the target is continuous and predictor construction when the target is continuous or there is no target in the dataset.

After handling continuous predictors, we collect univariate statistics for derived or constructed predictors according to the formulas in “Univariate Statistics Collection”. Any derived predictors that are constant, or have all missing values, are excluded from further analysis.

## Supervised Binning

If there is a categorical target, then we will transform each continuous predictor to an ordinal predictor using supervised binning. Suppose that we have already collected the bivariate statistics between the categorical target and a continuous predictor. Using the notations introduced in “Bivariate Statistics Collection”, the homogeneous subset will be identified by the Scheffe method as follows:

If  $|\bar{x}_{.i} - \bar{x}_{.j}| \leq c_{critical}$  then  $\bar{x}_{.i}$  and  $\bar{x}_{.j}$  will be a homogeneous subset, where if  $c_{critical} = \max(\bar{x}_{.i}) - \min(\bar{x}_{.i}) \sqrt{N_{XY} - J}$ ; otherwise  $c_{critical} = R * C$  where  $R = \sqrt{2(J-1)F_{1-\alpha}(J-1, N_{XY} - J)}$  and  $C = MS \times \sqrt{\frac{\sum_{i=1}^J 1/W_{.i}}{J}}$ ,  $MS = \sqrt{\frac{\sum_{i=1}^J M_{.i}^2}{N_{XY} J}}$ .

The supervised algorithm follows:

1. Sort the means  $\bar{x}_{.i}$  in ascending order, denote as  $\bar{x}_{.(1)} \leq \bar{x}_{.(2)} \leq \dots \leq \bar{x}_{.(J)}$ .
2. Start with  $i=1$  and  $q=J$ .
3. If  $|x_{(q)} - \bar{x}_{.(i)}| \leq c_{critical}$ , then  $\{\bar{x}_{.(i)}, \dots, x_{(q)}\}$  can be considered a homogeneous subset. At the same time we compute the mean and standard deviation of this subset:  $\bar{x}_{.(i,q)} = \frac{\sum_{k=i}^q W_{.(k)} \bar{x}_{.(k)}}{\sum_{k=i}^q W_{.(k)}}$  and  $sd_{.(i,q)} = \sqrt{\frac{M_{(i,q)}^2}{\sum_{k=i}^q N_{.(k)} - 1}}$ , where  $M_{(i,q)}^2 = \sum_{k=i}^q A_{.(k)}$  and  $A_{.(k)} = M_{.(k)}^2 + W_{.(k)} (\bar{x}_{.(i,q)} - \bar{x}_{.(k)})^2$ , then set  $i = q + 1$  and  $q = J$ ; Otherwise  $q = q - 1$ .
4. If  $i \leq J$ , go to step 3.
5. Else compute the cut point of bins. Suppose we have  $r \leq J$  homogeneous subsets and we assume that the means of these subsets are  $\bar{x}_{.(1)}^*, \bar{x}_{.(2)}^*, \dots, \bar{x}_{.(r)}^*$ , and standard deviations are  $sd_{.(1)}^*, sd_{.(2)}^*, \dots, sd_{.(r)}^*$ , then the cut points between the  $i$ th and  $(i+1)$ th homogeneous subsets are computed as  $cut_i = \bar{x}_{(i)}^* + \frac{sd_{(i)}^* + \epsilon}{(sd_{(i)}^* + sd_{(i+1)}^* + 2\epsilon)} (\bar{x}_{(i+1)}^* - \bar{x}_{(i)}^*)$ .
6. Output the binning rules. Category 1:  $X \leq cut_1$ ; Category 2:  $cut_1 < X \leq cut_2$ ; ...; Category  $r$ :  $cut_{r-1} < X$ .

## Feature Selection and Construction

If there is a continuous target, we perform predictor selection using  $p$ -values derived from the correlation or partial correlation between the predictors and the target. The selected predictors are grouped if they are highly correlated. In each group, we will derive a new predictor using principal component analysis. However, if there is no target, we will do not implement predictor selection.

To identify highly correlated predictors, we compute the correlation between a scale and a group as follows: suppose that  $X$  is a continuous predictor and continuous predictors  $X_1, X_2, \dots, X_m$  form a group  $G$ . Then the correlation between  $X$  and group  $G$  is defined as:

$$r_{XG} = \min \{|r_{XX_i}|, X_i \in G\}$$

where  $r_{XX_i}$  is correlation between  $X$  and  $X_i$ .

Let  $\alpha_{group}$  be the correlation level at which the predictors are identified as groups. The predictor selection and predictor construction algorithm is as follows:

1. (Target is continuous and predictor selection is in effect ) If the  $p$ -value between a continuous predictor and target is larger than a threshold (default is 0.05), then we remove this predictor from the correlation matrix and covariance matrix. See “Correlation and Partial Correlation” for details on computing these  $p$ -values.
2. Start with  $\alpha_{group} = 0.9$  and  $i=1$ .
3. If  $\alpha_{group} \leq 0.1$ , stop and output all the derived predictors, their source predictors and coefficient of each source predictor. In addition, output the remaining predictors in the correlation matrix.
4. Find the two most correlated predictors such that their correlation in absolute value is larger than  $\alpha_{group}$ , and put them in group  $i$ . If there are no predictors to be chosen, then go to step 9.
5. Add one predictor to group  $i$  such that the predictor is most correlated with group  $i$  and the correlation is larger than  $\alpha_{group}$ . Repeat this step until the number of predictors in group  $i$  is greater than a threshold (default is 5) or there is no predictor to be chosen.
6. Derive a new predictor from the group  $i$  using principal component analysis. For more information, see the topic “Principal Component Analysis”.
7. (Both predictor selection and predictor construction are in effect) Compute partial correlations between the other continuous predictors and the target, controlling for values of the new predictor. Also compute the  $p$ -values based on partial correlation. See “Correlation and Partial Correlation” for details on computing these  $p$ -values. If the  $p$ -value based on partial correlation between a continuous predictor and continuous target is larger than a threshold (default is 0.05), then remove this predictor from the correlation and covariance matrices.
8. Remove predictors that are in the group from the correlation matrix. Then let  $i=i+1$  and go to step 4.
9.  $\alpha_{group} = \alpha_{group} - 0.1$ , then go to step 3.

*Notes:*

- If only predictor selection is needed, then only step 1 is implemented. If only predictor construction is needed, then we implement all steps except step 1 and step 7. If both predictor selection and predictor construction are needed, then all steps are implemented.
- If there are ties on correlations when we identify highly correlated predictors, the ties will be broken by selecting the predictor with the smallest index in dataset.

## **Principal Component Analysis**

Let  $X_1, X_2, \dots, X_m$  be  $m$  continuous predictors. Principal component analysis can be described as follows:

1. Input  $C_{m \times m}$ , the covariance matrix of  $X_1, X_2, \dots, X_m$ .
2. Calculate the eigenvectors and eigenvalues of the covariance matrix. Sort the eigenvalues (and corresponding eigenvectors) in descending order,  $\lambda_1 \geq \lambda_2 \geq \dots \geq \lambda_m$ .

- Derive new predictors. Suppose the elements of the first component  $v_1$  are  $v_{11}, v_{12}, \dots, v_{1m}$ , then the new derived predictor is  $\frac{v_{11}}{\sqrt{\lambda_1}}X_1 + \frac{v_{12}}{\sqrt{\lambda_1}}X_2 + \dots + \frac{v_{1m}}{\sqrt{\lambda_1}}X_m$ .

## Correlation and Partial Correlation

### Correlation and P-value

Let  $r_{XY}$  be the correlation between continuous predictor  $X$  and continuous target  $Y$ , then the  $p$ -value is derived from the  $t$  test:

$$p = \Pr (|t (N_{XY} - 2)| > t)$$

where  $t (N_{XY} - 2)$  is a random variable with a  $t$  distribution with  $N_{XY} - 2$  degrees of freedom, and  $t = r_{XY} \sqrt{\frac{N_{XY}-2}{1-r_{XY}^2}}$ . If  $r_{XY}^2 = 1$ , then set  $p=0$ ; If  $N_{XY} \leq 2$ , then set  $p=1$ .

### Partial correlation and P-value

For two continuous variables,  $X$  and  $Y$ , we can calculate the partial correlation between them controlling for the values of a new continuous variable  $Z$ :

$$r_{XY|Z} = \frac{r_{XY} - r_{XZ}r_{YZ}}{\sqrt{1 - r_{XZ}^2}\sqrt{1 - r_{YZ}^2}}$$

Since the new variable  $Z$  is always a linear combination of several continuous variables, we compute the correlation of  $Z$  and a continuous variable using a property of the covariance rather than the original dataset. Suppose the new derived predictor  $Z$  is a linear combination of original predictors  $X_1, X_2, \dots, X_m$ :

$$Z = a_1X_1 + a_2X_2 + \dots + a_mX_m$$

Then for any a continuous variable  $X$  (continuous predictor or continuous target), the correlation between  $X$  and  $Z$  is

$$r_{ZX} = \frac{c_{ZX}}{\sqrt{c_{ZZ}c_{XX}}}$$

where  $c_{ZX} = \sum_{i=1}^m a_i c_{X_i X}$ , and  $c_{ZZ} = \sum_{i=1}^m a_i^2 c_{X_i X_i} + 2 \sum_{i \neq j} a_i a_j c_{X_i X_j}$ .

If  $1 - r_{XZ}^2$  or  $1 - r_{YZ}^2$  is less than  $10^{-10}$ , let  $r_{XY|Z} = 0$ . If  $r_{XY|Z}$  is larger than 1, then set it to 1; If  $r_{XY|Z}$  is less than  $-1$ , then set it to  $-1$ . (This may occur with pairwise deletion). Based on partial correlation, the  $p$ -value is derived from the  $t$  test

$$p = \Pr (|t (N_{XY} - 3)| > t)$$

where  $t (N_{XY} - 3)$  is a random variable with a  $t$  distribution with  $N_{XY} - 3$  degrees of freedom, and  $t = r_{XY|Z} \sqrt{\frac{N_{XY}-3}{1-r_{XY|Z}^2}}$ . If  $r_{XY|Z}^2 = 1$ , then set  $p=0$ ; if  $N_{XY} \leq 3$ , then set  $p=1$ .

## **Discretization of Continuous Predictors**

Discretization is used for calculating predictive power and creating histograms.

### ***Discretization for calculating predictive power***

If the transformed target is categorical, we use the equal width bins method to discretize a continuous predictor into a number of bins equal to the number of categories of the target. Variables considered for discretization include:

- Scale predictors which have been recommended.
- Original continuous variables of recommended predictors.

### ***Discretization for creating histograms***

We use the equal width bins method to discretize a continuous predictor into a maximum of 400 bins. Variables considered for discretization include:

- Recommended continuous variables.
- Excluded continuous variables which have not been used to derive a new variable.
- Original continuous variables of recommended variables.
- Original continuous variables of excluded variables which have not been used to derive a new variable.
- Scale variables used to construct new variables. If their original variables are also continuous, then the original variables will be discretized.
- Date/time variables.

After discretization, the number of cases and mean in each bin are collected to create histograms.

*Note:* If an original predictor has been recast, then this recast version will be regarded as the “original” predictor.

## **Predictive Power**

### ***Collect bivariate statistics for predictive power***

We collect bivariate statistics between recommended predictors and the (transformed) target. If an original predictor of a recommended predictor exists, then we also collect bivariate statistics between this original predictor and the target; if an original predictor has a recast version, then we use the recast version.

If the target is categorical, but a recommended predictor or its original predictor/recast version is continuous, then we discretize the continuous predictor using the method in “Discretization of Continuous Predictors” and collect bivariate statistics between the categorical target and the categorical predictors.

Bivariate statistics between the predictors and target are same as those described in “Bivariate Statistics Collection”.

**Computing predictive power**

Predictive power is used to measure the usefulness of a predictor and is computed with respect to the (transformed) target. If an original predictor of a recommended predictor exists, then we also compute predictive power for this original predictor; if an original predictor has a recast version, then we use the recast version.

**Scale target.** When the target is continuous, we fit a linear regression model and predictive power is computed as follows.

- Scale predictor:  $r_{XY}^2 = \left( \frac{c_{XY}}{\sqrt{c_{XX}}\sqrt{c_{YY}}} \right)^2$

- Categorical predictor:  $1 - \frac{S_e}{S_T}$ , where  $S_e = \sum_{i=1}^I M_i^2$  and  $S_T = \sum_{i=1}^n f_i w_i (y_i - \bar{y}_x)^2$ .

**Categorical target.** If the (transformed) target is categorical, then we fit a naïve Bayes model and the classification accuracy will serve as predictive power. We discretize continuous predictors as described in “Discretization of Continuous Predictors”, so we only consider the predictive power of categorical predictors.

If  $N_{ij}$  is the of number cases where  $X = i$  and  $Y = j$ ,  $N_{i.} = \sum_{j=1}^J N_{ij}$ , and  $N_{.j} = \sum_{i=1}^I N_{ij}$ ,

$$\chi^2 = \sum_{i=1}^I \sum_{j=1}^J \frac{(N_{ij} - \hat{N}_{ij})^2}{\hat{N}_{ij}}$$

where  $\hat{N}_{ij} = \frac{N_{i.}N_{.j}}{N_{XY}}$

and Cramer’s V is defined as

$$V = \left( \frac{\chi^2}{N_{XY} (\min(I, J) - 1)} \right)^{1/2}$$

**References**

Box, G. E. P., and D. R. Cox. 1964. An analysis of transformations. *Journal of the Royal Statistical Society, Series B*, 26, 211–246.

Goodman, L. A. 1979. Simple models for the analysis of association in cross-classifications having ordered categories. *Journal of the American Statistical Association*, 74, 537–552.

## BAYES ANOVA Algorithms

### Bayesian One-WAY ANOVA Models

The model 1 can be viewed as a special case of the general multiple linear regression model:

$$\mathcal{M}_1 : \mathbf{y} = \mathbf{1}_n \alpha + \mathbf{X} \boldsymbol{\beta} + \boldsymbol{\epsilon}, \quad (1)$$

where  $\mathbf{y} = (y_{11}, \dots, y_{1n_1}, \dots, y_{k1}, \dots, y_{kn_k})^T$ ;  $n = n_1 + \dots + n_k$ ;  $\alpha = \mu_k$ ;  $\boldsymbol{\beta} = (\mu_1 - \mu_k, \mu_2 - \mu_k, \dots, \mu_{k-1} - \mu_k, 0)^T$ ; and

$$\mathbf{X} = \begin{pmatrix} \mathbf{1}_{n_1} & \mathbf{0}_{n_1} & \cdots & \mathbf{0}_{n_1} \\ \vdots & \vdots & \vdots & \vdots \\ \mathbf{0}_{n_k} & \mathbf{0}_{n_k} & \cdots & \mathbf{1}_{n_k} \end{pmatrix}. \quad (2)$$

Note that  $\boldsymbol{\epsilon} \sim \mathbf{Normal}(\mathbf{0}, \sigma^2 \mathbf{I})$ .

Let  $f_i$  denote the frequency weight for the  $i$ -th case in the  $n$  observations. A non-integer  $f_i$  is rounded to the nearest integer. For those values less than 0.5 or missing, the corresponding case will not be used. The effective sample in the data set is thus  $N = \sum_{i=1}^n f_i$ . If no weights are present,  $N = n$ . Note that the sufficient sample size to estimate is  $N > k$ .

### Using Bayes Factor

Considering the multiple linear regression model  $\mathcal{M}_1$  in Equation 1, we would like to compare this full model with a null model:

$$\mathcal{M}_0 : \mathbf{y} = \mathbf{1}_n \alpha + \boldsymbol{\epsilon}, \quad (3)$$

and test the null hypothesis  $H_0 : \boldsymbol{\beta} = \mathbf{0}$ . Note that  $\alpha$  is a common parameter in both  $\mathcal{M}_0$  and  $\mathcal{M}_1$ . We are interested in making inference on  $\boldsymbol{\beta}$ , but need to place appropriate priors on all of the unknown parameters including  $\alpha$ ,  $\boldsymbol{\beta}$ , and  $\sigma^2$ . In the following discussions, we let  $\phi = 1/\sigma^2$ , where  $\phi$  denotes a precision parameter.

Note: The following sections are the same as the sections in the ‘‘Bayesian Inference on Multiple Linear Regression Models’’ document. The only difference is substituting  $p$  with  $k - 1$ . Note that if we define

$$\mathbf{W} = \begin{pmatrix} f_1 & 0 & \cdots & 0 \\ \vdots & \vdots & \vdots & \vdots \\ 0 & 0 & \cdots & f_n \end{pmatrix}, \quad (4)$$

then under one-way ANOVA setting, we have:

$$\mathbf{X}^T \mathbf{W} \mathbf{X} = \begin{pmatrix} n_{1,f} & 0 & \cdots & 0 \\ \vdots & \vdots & \vdots & \vdots \\ 0 & 0 & \cdots & n_{k,f} \end{pmatrix}, \quad (5)$$

where  $n_{i,f} = \sum_{j=n_1+\dots+n_{i-1}+1}^{n_1+\dots+n_i} f_j$ , for  $i = 1, \dots, k$ .

### Zellner’s Method

Zellner once suggested a  $g$  prior broadly discussed under  $\mathcal{M}_1$  [Zellner, 1986]:

- $p(\alpha, \phi | \mathcal{M}_1) = 1/\phi$ .
- $\boldsymbol{\beta} | (\phi, g, \mathcal{M}_1) \sim \mathbf{Normal}\left(\mathbf{0}, \frac{g}{\phi} (\mathbf{X}^T \mathbf{W} \mathbf{X})^{-1}\right)$ , where  $g$  is fixed.

Since  $g$  is fixed, Zellner’s  $g$  prior has the computational efficiency. Under these settings, the Bayes factor suggested by Zellner between  $\mathcal{M}_1$  and  $\mathcal{M}_0$  has a closed form

$$\Delta_{10}^z = (1 + g)^{(N-k)/2} [1 + g(1 - R^2)]^{-(N-1)/2}, \quad (6)$$

where  $g > 0$ , which is fixed and preset, and  $R^2$  is the unadjusted proportion of variance accounted for by the factor which can be computed by applying the REGRESSION procedure on model 1.

### Zellner-Siow's Method

Zellner and Siow proposed a Cauchy prior [Zellner and Siow, 1980], and can be represented as a mixture of priors with an Inverse-Gamma(1/2, N/2) prior on  $g$ : Under these settings, the Bayes factor suggested by Zellner and Siow between  $\mathcal{M}_1$  and  $\mathcal{M}_0$  is

$$\Delta_{10}^s = \int_0^\infty (1+g)^{(N-k)/2} [1+g(1-R^2)]^{-(N-1)/2} \left( \frac{\sqrt{N/2}}{\Gamma(1/2)} g^{-3/2} e^{-N/(2g)} \right) dg, \quad (7)$$

where  $\Gamma(1/2) = \sqrt{\pi}$ , and  $R^2$  is defined the same as in the "Zellner's Method" section.

### Hyper- $g$ Method

Liang et al introduced a family of priors on  $g$  by specifying

$$p(g) = \frac{a-2}{2} (1+g)^{-a/2}, \quad (8)$$

where  $g > 0$  and  $a > 2$  for a proper distribution [Liang et al., 2012]: Under these settings, the Bayes factor suggested by Liang et al between  $\mathcal{M}_1$  and  $\mathcal{M}_0$  is

$$\Delta_{10}^h(a) = \frac{a-2}{2} \int_0^\infty (1+g)^{(N-k-a)/2} [1+g(1-R^2)]^{-(N-1)/2} dg \quad (9)$$

(10)

where  $a$  is preset,  $R^2$  is defined the same as in the "Zellner's Method" section.

### Rouder's Method

Under these settings, the Bayes factor suggested by Rouder and Morey between  $\mathcal{M}'_1$  and  $\mathcal{M}_0$  is

$$\Delta_{10}^r(s) = \int_0^\infty (1+g)^{(N-k)/2} [1+g(1-R^2)]^{-(N-1)/2} \left( \frac{s\sqrt{N/2}}{\Gamma(1/2)} g^{-3/2} e^{-Ns^2/(2g)} \right) dg, \quad (11)$$

where  $s > 0$ ,  $\Gamma(1/2) = \sqrt{\pi}$ , and  $R^2$  is defined the same as in the "Zellner's Method" section.

### Characterizing Posterior Distributions

The model 1 can also be viewed as another form of special case of the general multiple linear regression model:

$$\mathbf{y} = \mathbf{X}\boldsymbol{\beta} + \boldsymbol{\epsilon}, \quad (12)$$

where  $\mathbf{y} = (y_{11}, \dots, y_{1n_1}, \dots, y_{k1}, \dots, y_{kn_k})^T$ ;  $n = n_1 + \dots + n_k$ ;  $\boldsymbol{\beta} = (\mu_1, \mu_2, \dots, \mu_k)^T$ ; and

$$\mathbf{X} = \begin{pmatrix} \mathbf{1}_{n_1} & \mathbf{0}_{n_1} & \dots & \mathbf{0}_{n_1} \\ \vdots & \vdots & \vdots & \vdots \\ \mathbf{0}_{n_k} & \mathbf{0}_{n_k} & \dots & \mathbf{1}_{n_k} \end{pmatrix}. \quad (13)$$

Note that  $\boldsymbol{\epsilon} \sim \mathbf{Normal}(\mathbf{0}, \sigma^2 \mathbf{I})$ . In the following presentation, we would like to mainly discuss how to make statistical inference on  $\boldsymbol{\beta}$ , and  $\sigma^2$  by using Bayesian approaches.

We define the frequency weight  $f_i$  and the matrix  $\mathbf{W}$  the same way as in the "Using Bayes Factor" section. Thus, we still have:

$$\mathbf{X}^T \mathbf{W} \mathbf{X} = \begin{pmatrix} n_{1,f} & 0 & \dots & 0 \\ \vdots & \vdots & \vdots & \vdots \\ 0 & 0 & \dots & n_{k,f} \end{pmatrix}, \quad (14)$$

where  $n_{i,f} = \sum_{j=n_1+\dots+n_{i-1}+1}^{n_1+\dots+n_i} f_j$ , for  $i = 1, \dots, k$ .

### Using Conjugate Prior

We place a conjugate prior by assuming that

- $\sigma^2 \sim \text{Inverse-Gamma}(a_0, b_0)$ ,
- $\beta|\sigma^2 \sim \text{Normal}(\beta_0, \sigma^2 \mathbf{V}_0)$ .

**Group means  $\beta$ :** Under the setting of model 12,  $\beta = (\mu_1, \mu_2, \dots, \mu_k)^\top$  represents the means of the  $k$  groups corresponding to the  $k$  categories of the factor. With the conjugate prior, the resulting marginal posterior distribution  $\beta|\mathbf{X}, \mathbf{y}$  follows a scaled multivariate  $t$  distribution with  $\nu$  degrees of freedom, where  $\nu = 2a_0 + N$ .

Before finding the Bayes estimator of  $\beta$ , we define the following quantities:

$$\beta_1 = (\mathbf{V}_0^{-1} + \mathbf{X}^\top \mathbf{W} \mathbf{X})^{-1} (\mathbf{V}_0^{-1} \beta_0 + \mathbf{X}^\top \mathbf{W} \mathbf{y}), \quad (15)$$

$$\mathbf{V}_1 = (\mathbf{V}_0^{-1} + \mathbf{X}^\top \mathbf{W} \mathbf{X})^{-1}, \quad (16)$$

$$a_1 = a_0 + \frac{N}{2}, \quad (17)$$

$$b_1 = b_0 + \frac{1}{2} (\beta_0^\top \mathbf{V}_0^{-1} \beta_0 + \mathbf{y}^\top \mathbf{W} \mathbf{y} - \beta_1^\top \mathbf{V}_1^{-1} \beta_1). \quad (18)$$

Hence, assuming  $\nu > 4$ , the mode and posterior mean of group means are both:

$$\hat{\beta} = \mathbb{E}(\beta|\mathbf{X}, \mathbf{y}) = \beta_1, \quad (19)$$

and the variance-covariance matrix

$$\mathbb{C}(\beta|\mathbf{X}, \mathbf{y}) = \frac{\nu}{\nu - 2} \frac{b_1}{a_1} \mathbf{V}_1, \quad (20)$$

where  $\mathbf{V}_1$ ,  $a_1$ , and  $b_1$ , are defined by Equations (16)-(18), and the diagonal elements are the variances of the elements in  $\beta = (\mu_1, \mu_2, \dots, \mu_k)^\top$ . Define

$$\mathbf{B}^* \equiv \begin{pmatrix} B_{11}^* & B_{12}^* & \dots & B_{1k}^* \\ B_{21}^* & B_{22}^* & \dots & B_{2k}^* \\ \vdots & \vdots & \vdots & \vdots \\ B_{k1}^* & B_{k2}^* & \dots & B_{kk}^* \end{pmatrix} = \frac{b_1}{a_1} \mathbf{V}_1, \quad (21)$$

We may also find a  $100(1 - c)\%$  Bayesian credible interval with equal tail covering  $\mu_i$  such that

$$\mu_i \in \left( \hat{\mu}_i - \text{IDF.T}\left(1 - \frac{c}{2}, \nu\right) \sqrt{B_{ii}^*}, \hat{\mu}_i + \text{IDF.T}\left(1 - \frac{c}{2}, \nu\right) \sqrt{B_{ii}^*} \right), \quad (22)$$

with the probability of  $c$ , where  $c = 0.05$  by default,  $i = 1, 2, \dots, k$ ,  $\hat{\mu}_i$  is the  $i$ th element in  $\hat{\beta} = \mathbb{E}(\beta|\mathbf{X}, \mathbf{y})$ ,  $B_{ii}^*$  is the  $i$ th element on the diagonal of  $\mathbf{B}^*$ , and  $\text{IDF.T}(\cdot)$  is the IBM® SPSS® Statistics function for the inverse cumulative  $t$  distribution.

**Variance of error terms  $\sigma^2$ :** Under the setting of conjugate priors, the marginal posterior distribution of  $\sigma^2$  is

$$\sigma^2|\mathbf{X}, \mathbf{y} \sim \text{Inverse-Gamma}(a_1, b_1), \quad (23)$$

where  $a_1$  and  $b_1$  are defined by Equations (17) and (18), respectively.

We may find the mode and posterior estimators of  $\sigma^2$  by computing the expected value

$$\hat{\sigma}^2 = \mathbb{E}(\sigma^2|\mathbf{X}, \mathbf{y}) = \frac{b_1}{a_1 - 1}, \quad (24)$$

for  $a_1 > 1$ , and the variance of the marginal posterior distribution of  $\sigma^2|\mathbf{X}, \mathbf{y}$

$$\mathbb{C}(\sigma^2|\mathbf{X}, \mathbf{y}) = \frac{b_1^2}{(a_1 - 1)^2 (a_1 - 2)}, \quad (25)$$

for  $a_1 > 2$ . We may also find a  $100(1 - c)\%$  Bayesian credible interval with equal tail covering  $\sigma^2$  such that

$$\sigma^2 \in \left( \text{IDF.GAMMA}^{-1}\left(1 - \frac{c}{2}, a_1, b_1\right), \text{IDF.GAMMA}^{-1}\left(\frac{c}{2}, a_1, b_1\right) \right), \quad (26)$$

with the probability of  $c$ , where  $c = 0.05$  by default, and  $\text{IDF.GAMMA}(\cdot)$  is the IBM® SPSS® Statistics function for the inverse cumulative Gamma distribution.

### Using Standard Noninformative Prior

By setting  $\mathbf{V}_0^{-1} \rightarrow 0$ ,  $a_0 = -k/2$ , and  $b_0 = 0$ , it turns out that we place a reference (non-informative) prior by assuming that

$$p(\boldsymbol{\beta}, \sigma^2) \propto 1/\sigma^2. \quad (27)$$

**Group means  $\boldsymbol{\beta}$ :** Under the setting of Equation (27), the resulting marginal posterior distribution  $\boldsymbol{\beta}|\mathbf{X}, \mathbf{y}$  follows a scaled multivariate  $t$  distribution with  $\nu = N - k$  degrees of freedom. We can also find the mode and posterior estimators of  $\boldsymbol{\beta}$  by computing the expected value

$$\hat{\boldsymbol{\beta}} = \mathbb{E}(\boldsymbol{\beta}|\mathbf{X}, \mathbf{y}) = (\mathbf{X}^T \mathbf{W} \mathbf{X})^{-1} \mathbf{X}^T \mathbf{W} \mathbf{y} = (\bar{y}_1, \dots, \bar{y}_k)^T, \quad (28)$$

where  $\bar{y}_i = \frac{\sum_{j=n_1+\dots+n_{i-1}+1}^{n_1+\dots+n_i} f_j y_j}{\sum_{j=n_1+\dots+n_{i-1}+1}^{n_1+\dots+n_i} f_j}$  and the variance-covariance matrix

$$\mathbb{C}(\boldsymbol{\beta}|\mathbf{X}, \mathbf{y}) = \frac{\nu}{\nu - 2} s^2 (\mathbf{X}^T \mathbf{W} \mathbf{X})^{-1} = \frac{\nu}{\nu - 2} s^2 \begin{pmatrix} \frac{1}{n_{1,f}} & 0 & \dots & 0 \\ \vdots & \vdots & \vdots & \vdots \\ 0 & 0 & \dots & \frac{1}{n_{k,f}} \end{pmatrix}, \quad (29)$$

where

$$\begin{aligned} s^2 &= \frac{1}{\nu} (\mathbf{y} - \mathbf{X} \hat{\boldsymbol{\beta}})^T \mathbf{W} (\mathbf{y} - \mathbf{X} \hat{\boldsymbol{\beta}}) = \frac{1}{\nu} \sum_{i=1}^k \sum_{j=n_1+\dots+n_{i-1}+1}^{n_1+\dots+n_i} f_j (y_j - \bar{y}_i)^2 \\ &= \frac{1}{\nu} \left[ \sum_{i=1}^k \sum_{j=n_1+\dots+n_{i-1}+1}^{n_1+\dots+n_i} f_j y_j^2 - \sum_{i=1}^k \bar{y}_i^2 n_{i,f} \right], \end{aligned} \quad (30)$$

and the diagonal elements are the variances of the elements in  $\boldsymbol{\beta} = (\mu_1, \mu_2, \dots, \mu_k)^T$ .

We may also find a  $100(1 - c)\%$  Bayesian credible interval with equal tail covering  $\mu_i$  such that

$$\mu_i \in \left( \hat{\mu}_i - \text{IDF.T}\left(1 - \frac{c}{2}, \nu\right) \sqrt{\frac{s^2}{n_{i,f}}}, \hat{\mu}_i + \text{IDF.T}\left(1 - \frac{c}{2}, \nu\right) \sqrt{\frac{s^2}{n_{i,f}}} \right), \quad (31)$$

with the probability of  $c$ , where  $c = 0.05$  by default,  $i = 1, 2, \dots, k$ ,  $\hat{\mu}_i$  is the  $i$ th element in  $\hat{\boldsymbol{\beta}}$ .

**Variance of error terms  $\sigma^2$ :** Under the prior setting of (27), the marginal posterior distribution of  $\sigma^2$  is

$$\sigma^2|\mathbf{X}, \mathbf{y} \sim \text{Inverse-}\chi^2(\nu, s^2), \quad (32)$$

where  $\nu = N - k$ , and  $s^2$  is defined by Equation (30).

We may find the mode and posterior estimators of  $\sigma^2$ , when  $\nu > 4$ , by computing the expected value

$$\hat{\sigma}^2 = \mathbb{E}(\sigma^2|\mathbf{X}, \mathbf{y}) = \frac{\nu}{\nu - 2} s^2, \quad (33)$$

and the variance of the marginal posterior distribution of  $\sigma^2|\mathbf{X}, \mathbf{y}$

$$\mathbb{C}(\sigma^2|\mathbf{X}, \mathbf{y}) = \frac{2\nu^2}{(\nu - 2)^2(\nu - 4)} s^4. \quad (34)$$

We may also find a  $100(1 - c)\%$  Bayesian credible interval with equal tail covering  $\sigma^2$  such that

$$\sigma^2 \in \left( \text{IDF.GAMMA}^{-1}\left(1 - \frac{c}{2}, \frac{\nu}{2}, \frac{\nu}{2}s^2\right), \text{IDF.GAMMA}^{-1}\left(\frac{c}{2}, \frac{\nu}{2}, \frac{\nu}{2}s^2\right) \right), \quad (35)$$

with the probability of  $c$ , where  $c = 0.05$  by default.

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## BAYES CORRELATION Algorithms

### Bayesian Inference for Pearson Correlation

#### Basic Statistics and Quantities in Estimating Sample Correlation Coefficient

##### Notations

The following notations defined in this section will be used for the subsequent sections.

$N$ : Number of cases.

$x_i$ : Observed value of the scale variable  $X = (X_1, X_2, \dots, X_N)$  for the  $i$ -th case.

$y_i$ : Observed value of the scale variable  $Y = (Y_1, Y_2, \dots, Y_N)$  for the  $i$ -th case

$w_i$ : Weight for the  $i$ -th case. Non-integer frequency weights are rounded to the nearest integer. For values less than 0.5 or missing, the corresponding case will not be used.

$W_x$ : Sum of weights of cases used in computation of statistics for variable  $X$ .  $W_x = N$  if no weights is present.

$W_y$ : Sum of weights of cases used in computation of statistics for variable  $Y$ .  $W_y = N$  if no weights is present.

$W_{xy}$ : Sum of weights of cases used in computation of statistics for variables  $X$  and  $Y$ .  $W_{xy} = N$  if no weights is present.

##### Basic Statistics and Quantities

Suppose there are a set of  $N$  ordered pairs of observations. We assume that the pairs are independent of each other, while the observations of the same pair,  $x_i$  and  $y_i$  may be correlated. To estimate the sample correlation coefficient  $r$ , we may need to compute the following statistics.

$$\text{Estimated sample mean: } \bar{x} = \frac{1}{W_x} \sum_{i=1}^N w_i x_i. \quad (1)$$

$$\text{Estimated sample mean: } \bar{y} = \frac{1}{W_y} \sum_{i=1}^N w_i y_i. \quad (2)$$

$$\text{Estimated sample variance: } s_x^2 = \frac{1}{W_x - 1} \left[ \sum_{i=1}^N w_i x_i^2 - \left( \sum_{i=1}^N w_i x_i \right)^2 / W_x \right]. \quad (3)$$

$$\text{Estimated sample variance: } s_y^2 = \frac{1}{W_y - 1} \left[ \sum_{i=1}^N w_i y_i^2 - \left( \sum_{i=1}^N w_i y_i \right)^2 / W_y \right]. \quad (4)$$

The estimated cross-product deviation for variables  $\mathbf{X}$  and  $\mathbf{Y}$  is

$$C_{xy} = \sum_{i=1}^N w_i x_i y_i - \left( \sum_{i=1}^N w_i x_i \right) \left( \sum_{i=1}^N w_i y_i \right) / W_{xy}. \quad (5)$$

The estimated covariance is thus

$$\mathbb{C}(X, Y) = \frac{C_{xy}}{W_{xy} - 1}, \quad (6)$$

and the estimated Pearson correlation efficient is

$$r_{xy} = \frac{C_{xy}}{\sqrt{C_{xx} C_{yy}}}, \quad (7)$$

It is also convenient to define

$$S_{XX} = \sum_{i=1}^N w_i (x_i - \bar{x})^2, \quad S_{YY} = \sum_{i=1}^N w_i (y_i - \bar{y})^2, \quad \text{and} \quad S_{XY} = \sum_{i=1}^N w_i (x_i - \bar{x})(y_i - \bar{y}). \quad (8)$$

Hence, the estimated sample correlation coefficient is

$$r_{xy} = \frac{S_{XY}}{\sqrt{S_{XX}S_{YY}}}. \quad (9)$$

## Bayesian Inference on the Correlation Coefficient

### Using Bayes Factor

#### Bayes Factor Based on the JZS Prior

The Bayes factor suggested by [Wetzels and Wagenmakers, 2012] under the JZS prior is

$$\Delta_{10} = \frac{(W_{xy}/2)^{1/2}}{\Gamma(1/2)} \int_0^\infty (1+g)^{(W_{xy}-2)/2} [1+(1-r^2)g]^{-(W_{xy}-1)/2} g^{-3/2} e^{-W_{xy}/(2g)} dg, \quad (10)$$

where  $\Gamma(1/2) = \sqrt{\pi}$ , and  $r$  ( $|r| \neq 1$ ) is the sample correlation coefficient which can be estimated by either Equation (7) or Equation (9). Therefore, the Bayes factor in favor of the null hypothesis is  $\Delta_{01} = 1/\Delta_{10}$ , with  $\Delta_{10}$  defined by Equation (10). In case that the two variables have a perfect linear correlation, or  $|r| = 1$ , the integral in Equation (7) does not converge. In this scenario, we do not estimate the Bayes factor based on the JZS prior. Note that the sufficient sample size to estimate the Bayes factor is  $W_{xy} \geq 2$ .

#### Fractional Bayes Factor

The Bayes factor suggested by [Kang et al., 2001] is

$$\Delta_{01} = \frac{I_1(x, y)}{I_2(x, y)} \cdot \frac{I_2(x, y; b)}{I_1(x, y; b)}, \quad (11)$$

where

$$I_1(x, y) = \int_0^\infty (1 - \rho_0^2)^{(W_{xy}-1)/2} V^{-1} \left[ V^{-1/2} + V^{1/2} - 2r\rho_0 \right]^{-(W_{xy}-1)} dV, \quad (12)$$

$$I_2(x, y) = \int_{-1}^1 \int_0^\infty (1 - \rho^2)^{(W_{xy}-3)/2} V^{-1} \left[ V^{-1/2} + V^{1/2} - 2r\rho \right]^{-(W_{xy}-1)} dV d\rho, \quad (13)$$

$$I_1(x, y; b) = \int_0^\infty (1 - \rho_0^2)^{(bW_{xy}-1)/2} V^{-1} \left[ V^{-1/2} + V^{1/2} - 2r\rho_0 \right]^{-(bW_{xy}-1)} dV, \quad (14)$$

$$I_2(x, y; b) = \int_{-1}^1 \int_0^\infty (1 - \rho^2)^{(bW_{xy}-3)/2} V^{-1} \left[ V^{-1/2} + V^{1/2} - 2r\rho \right]^{-(bW_{xy}-1)} dV d\rho, \quad (15)$$

and  $r$  is defined by Equation (7). Note that the fraction  $b \in (0, 1)$ , which is preset and specified by users. Similar to what aforementioned in the previous section, in case that the two variables have a perfect linear correlation, or  $|r| = 1$ , we do not estimate the Bayes factor the fractional Bayes factor.

### Characterizing Posterior Distributions

The sufficient sample size to estimate the posterior distribution is  $W_{xy} \geq 2$ . Suppose  $\mathbb{E}(X) = \lambda$ ,  $\mathbb{E}(Y) = \mu$ ,  $\mathbb{V}(X) = \phi$ , and  $\mathbb{V}(Y) = \psi$ . We assume and place standard reference priors on  $\lambda$ ,  $\mu$ ,  $\phi$ , and  $\psi$ . To derive the posterior density of  $\rho$ , we use the following substitution and approximation discussed in [Fisher, 1915] by noting that

$$\Pr(\rho|X, Y) \propto p(\rho) \frac{(1 - \rho^2)^{(W_{xy}-1)/2}}{(1 - \rho r)^{W_{xy}-3/2}}, \quad (16)$$

where  $p(\rho)$  is the prior density placed on  $\rho$ . The common choice of the prior has the form

$$p(\rho) \propto (1 - \rho^2)^c, \quad (17)$$

where  $c = 0$  and  $c = -3/2$  are two popular choices. Theoretically, users are allowed to specify any arbitrary  $c \in (-\infty, +\infty)$ .

After making the hyperbolic tangent transformation

$$\rho = \tanh(\xi) \quad \text{and} \quad r = \tanh(z), \quad (18)$$

where  $\tanh(z) = \sinh(z)/\cosh(z) = (e^z - e^{-z})/(e^z + e^{-z})$  and  $|r| \neq 1$ , we will finally have

$$\xi \sim \text{Normal}(z, 1/W_{xy}) \quad \text{for large } W_{xy}. \quad (19)$$

We also suggest

$$\xi \sim \text{Normal}\left(z - \frac{5r}{2W_{xy}}, \frac{1}{W_{xy} - 1.5 + 2.5(1 - r^2)}\right), \quad (20)$$

which is a slightly better approximation when a uniform prior is placed on  $\rho$ . In practice, we can stick with Equation (20).

To find the Bayes estimators, we can simulate  $\xi$  based on Equation (19) or (20), and then transform to  $\rho$  by using  $\rho = \tanh(\xi)$ . Define

$$\rho^* = (\rho^{(1)}, \rho^{(2)}, \dots, \rho^{(I)}), \quad (21)$$

where  $I$  ( $I = 10^4$  by default) is a larger integer input from syntax, denoting the posterior samples that we finally collect. We may find the Bayes estimators of  $\rho$  by computing the mode

$$\hat{\rho} = \max_{\rho} \{\Pr(\rho|X, Y)\}, \quad (22)$$

the expected value

$$\mathbb{E}(\rho|X, Y) = \int_{\rho} \rho \Pr(\rho|X, Y) d\rho \approx \mathbb{E}(\rho^*) = \frac{1}{I} \sum_{i=1}^I \rho^{(i)}, \quad (23)$$

and the variance of the marginal posterior distribution

$$\mathbb{V}(\rho|X, Y) = \int_{\rho} \rho^2 \Pr(\rho|X, Y) d\rho - [\mathbb{E}(\rho|X, Y)]^2 \approx \frac{1}{I} \sum_{i=1}^I (\rho^{(i)})^2 - [\mathbb{E}(\rho|X)]^2. \quad (24)$$

We can compare the estimated  $\mathbb{E}(\rho|X, Y)$  and the null value to see whether there is a significant difference between them. We may also use  $\mathbb{V}(\rho|X, Y)$  to evaluate the precision of the expected value we have computed from the posterior distribution.

To maintain a more comprehensive Bayes estimator, we can construct a  $100(1 - \alpha)\%$  highest density region (HDR), which is the smallest interval with a mass of  $100(1 - \alpha)\%$  of the distribution. By definition, that is to find a Bayesian confidence interval satisfying

$$\int_{L_{\alpha/2}}^{H_{\alpha/2}} \Pr(\rho|X, Y) d\rho = 1 - \alpha, \quad (25)$$

where the length of  $(L_{\alpha/2}, H_{\alpha/2})$  is the shortest among all the candidate pairs.

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# BAYES INDEPENDENT Algorithms

## Two-Sample Bayesian Inference on Normal Distribution

### Bayes-Factor Two-Sample Inference

#### Notations

The following notations defined in this section will be used for the subsequent sections.

$k$ : Group index,  $k = 1, 2$ .

$x_{ki}$ : Observed value of variable  $X$  for the  $i$ -th case in group  $k$ .

$w_{ki}$ : Weight for the  $i$ -th case in group  $k$ . Non-integer frequency weights are rounded to the nearest integer. For values less than 0.5 or missing, the corresponding case will not be used.

$N_k$ : Number of cases in the data set for group  $k$ .

$W_k$ : Sum of weights of cases in group  $k$ ,  $W_k = \sum_{i=1}^{N_k} w_{ki}$ .  $W_k = N_k$  if no weights are present.

#### Basic Statistics for Two-Sample Unpaired $t$ -Test

The Bayes factor for one-sample  $t$ -test can be extended to a two-sample unpaired design. Correspondingly, the following statistics are computed in a conventional way.

$$\text{Sample mean } \bar{x}_k = \frac{1}{W_k} \sum_{i=1}^{N_k} w_{ki} x_{ki}. \quad (1)$$

$$\text{Group mean difference } d = \bar{x}_2 - \bar{x}_1. \quad (2)$$

$$\text{Sample variance } s_k^2 = \frac{1}{W_k - 1} \left[ \sum_{i=1}^{N_k} w_{ki} x_{ki}^2 - \left( \sum_{i=1}^{N_k} w_{ki} x_{ki} \right)^2 / W_k \right]. \quad (3)$$

$$\text{Sample standard deviation } s_k = \sqrt{s_k^2}. \quad (4)$$

#### Pooled Test Statistics

$$\text{Pooled variance of the mean difference } s_p^2 = \frac{(W_1 - 1)s_1^2 + (W_2 - 1)s_2^2}{W_1 + W_2 - 2}. \quad (5)$$

$$\text{Pooled standard deviation of the mean difference } s_p = \sqrt{s_p^2}. \quad (6)$$

$$\text{Pooled standard error of the difference } s_d = s_p \sqrt{\frac{1}{W_1} + \frac{1}{W_2}}. \quad (7)$$

$$\text{Observed } t\text{-statistic with pooled variance } t = \frac{d}{s_d}, \text{ with } (W_1 + W_2 - 2) \text{ degrees of freedom.} \quad (8)$$

$$\text{Pooled significance (2-tailed) Sig. (2-tailed) } = 2 [1 - \text{CdfT}(|t|, W_1 + W_2 - 2)]. \quad (9)$$

### Unpooled Test Statistics

$$\text{Unpooled standard error of the difference } s_d = \sqrt{\frac{s_1^2}{W_1} + \frac{s_2^2}{W_2}}. \quad (10)$$

$$\text{Observed } t\text{-statistic with unpooled variance } t = \frac{d}{s_d}, \text{ with } 1/(Z_1 + Z_2) \text{ degrees of freedom, where} \quad (11)$$

$$Z_k = \left( \frac{s_k^2/W_k}{s_1^2/W_1 + s_2^2/W_2} \right)^2 / (W_k - 1). \quad (12)$$

$$\text{Unpooled significance (2-tailed) Sig. (2-tailed)} = 2[1 - \text{CdfT}(|t|, 1/(Z_1 + Z_2))]. \quad (13)$$

### Rouder's Method

The Bayes factor for two-sample unpaired  $t$ -test under the Rouder's method is

$$r\text{BF}_{01} = \frac{\left(1 + \frac{t^2}{\nu}\right)^{-(\nu+1)/2}}{\int_0^\infty (1 + Ng)^{-1/2} \left(1 + \frac{t^2}{(1 + Ng)\nu}\right)^{-(\nu+1)/2} (2\pi)^{-1/2} g^{-3/2} e^{-1/(2g)} dg}, \quad (14)$$

where  $t$  is the pooled-variance two-sample  $t$ -statistic defined by Equation (8);  $N = W_1W_2/(W_1 + W_2)$ ;  $\nu = W_1 + W_2 - 2$ ; and  $g$  is the variable to be integrated out.

### Gönen's Method

The Bayes factor for two-sample unpaired  $t$ -test under the Gönen's method is

$$g\text{BF}_{01} = \frac{T_\nu(t|0, 1)}{T_\nu(t|\sqrt{N}\lambda, 1 + N\sigma_\delta^2)} = \frac{\text{PDF.T}(t, \nu) \sqrt{1 + N\sigma_\delta^2}}{\text{NPDF.T}\left(t/\sqrt{1 + N\sigma_\delta^2}, \nu, \sqrt{N}\lambda/\sqrt{1 + N\sigma_\delta^2}\right)}, \quad (15)$$

where  $t$  is the pooled-variance two-sample  $t$ -statistic defined by Equation (8);  $\nu = W_1 + W_2 - 2$ ;  $N = W_1W_2/(W_1 + W_2)$ ;  $\lambda$  and  $\sigma_\delta^2$  denote the prior mean and variance of  $(\mu_1 - \mu_2)/\sigma$ ;  $T_\nu(\cdot)$  denotes the noncentral  $t$  probability density function; and PDF.T( $\cdot$ ) and NPDF.T are the IBM® SPSS® Statistics probability density functions for the (noncentral)  $t$  distribution.

It is quite natural to assume that  $\lambda = 0$ . For the case where the prior mean of the effect size is assumed to be zero, Equation (15) can be reduced to

$$g\text{BF}_{01, \lambda=0} = \left( \frac{1 + t^2/\nu}{1 + t^2/[\nu(1 + N\sigma_\delta^2)]} \right)^{-(\nu+1)/2} \sqrt{1 + N\sigma_\delta^2}. \quad (16)$$

The sufficient sample size to estimate is  $W_1, W_2 > 1$ .

### Hyper-Prior Method

The Bayes factor for two-sample unpaired  $t$ -test under the hyper prior of  $\sigma_\delta^2$  is

$$p\text{BF}_{10, \lambda=0} = \int_0^\infty \left( \frac{1 + t^2/\nu}{1 + t^2/[\nu(1 + N\sigma_\delta^2)]} \right)^{(\nu+1)/2} (1 + N\sigma_\delta^2)^{-1/2} \pi(\sigma_\delta^2) d\sigma_\delta^2. \quad (17)$$

Set  $\kappa = N$  and  $b = \frac{\nu+1}{2} - a - \frac{5}{2}$ , Equation (17) can be reduced to a closed form

$$p\text{BF}_{10, \lambda=0} = \frac{\Gamma(\nu/2) \Gamma(a + 3/2)}{\Gamma((\nu+1)/2) \Gamma(a+1)} \left(1 + \frac{t^2}{\nu}\right)^{(\nu-2a-2)/2}, \quad (18)$$

where  $\Gamma(\cdot)$  denotes the Gamma function,  $t$  is the pooled-variance two-sample  $t$ -statistic defined by Equation (8);  $\nu = W_1 + W_2 - 2$ ;  $a$  is input by users ( $a = -0.75$  is the setting by default), and it is recommended that the choice of  $a \in (-1, -1/2]$  [Wang and Liu, 2016]. Note that when we output the Bayes factor estimated by using the Hyper-prior method, the value has to be in favor of  $H_1$  versus  $H_0$ .

The sufficient sample size to estimate is  $W_1, W_2 > 1$ .

## Bayesian Two-Sample Inference By Estimating Posterior Distributions

### Bayesian Two-Sample Inference Using Conjugate and Noninformative Priors

#### Notations

The following notations defined in this section will be used for the subsequent sections.

- $X$ : A random variable to be tested whose values are observed for Group 1. We assume  $X \sim \text{Normal}(z_{\mu_x}, \sigma_x^2)$ .
- $Y$ : A random variable to be tested whose values are observed for Group 2. We assume  $Y \sim \text{Normal}(z_{\mu_y}, \sigma_y^2)$ .
- $z_{\mu_x}$ : Mean parameter of  $X$ .
- $z_{\mu_y}$ : Mean parameter of  $Y$ .
- $d_\mu$ : Mean parameter of  $Y - X$ , where  $d_\mu = z_{\mu_y} - z_{\mu_x}$ .
- $\sigma_x$ : Standard deviation parameter of  $X$ .
- $\sigma_y$ : Standard deviation parameter of  $Y$ .
- $N_x$ : Number of cases in the data set for group  $X$ .
- $N_y$ : Number of cases in the data set for group  $Y$ .
- $w_{xj}$ : Weight for the  $j$ -th case in  $X$ . Non-integer frequency weights are rounded to the nearest integer. For values less than 0.5 or missing, the corresponding case will not be used.
- $w_{yi}$ : Weight for the  $i$ -th case in  $Y$ . Non-integer frequency weights are rounded to the nearest integer. For values less than 0.5 or missing, the corresponding case will not be used.
- $W_x$ : Sum of weights of cases  $W_x = \sum_{i=1}^{N_x} w_{xi}$ .  $W_x = N_x$  if no weights are present.
- $W_y$ : Sum of weights of cases  $W_y = \sum_{i=1}^{N_y} w_{yi}$ .  $W_y = N_y$  if no weights are present.

#### Diffuse Priors with Known Variances

In this section, we assume that both  $\sigma_x^2$  and  $\sigma_y^2$  are known, and place the independent diffuse priors by noting that  $p(z_{\mu_x} | \sigma_x^2) \propto 1$  and  $p(z_{\mu_y} | \sigma_y^2) \propto 1$ .

Under this setting, we are interested in drawing inference on  $d_\mu$ . Thus, the marginal posterior distribution of  $d_\mu$  is

$$d_\mu | (X, Y) \sim \text{Normal}(\mu_n, \sigma_n^2), \quad (19)$$

where

$$\mu_n = \bar{y} - \bar{x} = \frac{1}{W_y} \sum_{i=1}^{N_y} w_{yi} y_i - \frac{1}{W_x} \sum_{j=1}^{N_x} w_{xj} x_j, \quad \text{and} \quad \sigma_n^2 = \frac{\sigma_y^2}{W_y} + \frac{\sigma_x^2}{W_x}. \quad (20)$$

We may find the Bayes estimators of  $d_\mu$  by computing the mode

$$\hat{d}_\mu = \bar{y} - \bar{x}, \quad (21)$$

the expected value

$$\mathbb{E}[d_\mu | (X, Y)] = \bar{y} - \bar{x}, \quad (22)$$

and the variance of the marginal posterior distribution of  $d_\mu|(X, Y)$

$$\mathbb{V}[d_\mu|(X, Y)] = \sigma_n^2 . \quad (23)$$

We may also find a  $100(1 - c)\%$  Bayesian credible interval with equal tail covering  $d_\mu$  such that

$$d_\mu \in \left( \text{IdfNorm}\left(\frac{c}{2}, \mu_n, \sqrt{\sigma_n^2}\right), \text{IdfNorm}\left(1 - \frac{c}{2}, \mu_n, \sqrt{\sigma_n^2}\right) \right) \quad (24)$$

with the probability of  $c$ , where  $c = 0.05$  by default.

The sufficient sample size to estimate is  $W_x, W_y > 0$ .

### Normal Priors with Known Variances

In this section, we assume that both  $\sigma_x^2$  and  $\sigma_y^2$  are known, and place the independent normal priors  $z_{\mu_x} \sim \text{Normal}(\mu_{x_0}, \sigma_{x_0}^2)$  and  $z_{\mu_y} \sim \text{Normal}(\mu_{y_0}, \sigma_{y_0}^2)$ .

Under this setting, we are interested in drawing inference on  $d_\mu$ . Thus, the marginal posterior distribution of  $d_\mu$  is

$$d_\mu|(X, Y) \sim \text{Normal}(\mu_{y_n} - \mu_{x_n}, \sigma_{y_n}^2 + \sigma_{x_n}^2) , \quad (25)$$

where

$$\sigma_{y_n}^2 = \left( \frac{1}{\sigma_{y_0}^2} + \frac{W_y}{\sigma_y^2} \right)^{-1} , \quad \mu_{y_n} = \sigma_{y_n}^2 \left( \frac{\mu_{y_0}}{\sigma_{y_0}^2} + \frac{\bar{y}W_y}{\sigma_y^2} \right) , \quad (26)$$

and

$$\sigma_{x_n}^2 = \left( \frac{1}{\sigma_{x_0}^2} + \frac{W_x}{\sigma_x^2} \right)^{-1} , \quad \mu_{x_n} = \sigma_{x_n}^2 \left( \frac{\mu_{x_0}}{\sigma_{x_0}^2} + \frac{\bar{x}W_x}{\sigma_x^2} \right) . \quad (27)$$

The computation of  $\bar{x}$  and  $\bar{y}$  is the same as in Equation (20). We may find the Bayes estimators of  $d_\mu$  by computing the mode

$$\hat{d}_\mu = \mu_{y_n} - \mu_{x_n} , \quad (28)$$

the expected value

$$\mathbb{E}(d_\mu|X, Y) = \mu_{y_n} - \mu_{x_n} , \quad (29)$$

and the variance of the marginal posterior distribution of  $d_\mu|(X, Y)$

$$\mathbb{V}(d_\mu|X, Y) = \sigma_{y_n}^2 + \sigma_{x_n}^2 . \quad (30)$$

We may also find a  $100(1 - c)\%$  Bayesian credible interval with equal tail covering  $d_\mu$  such that

$$d_\mu \in \left( \text{IdfNorm}\left(\frac{c}{2}, \mu_{y_n} - \mu_{x_n}, \sqrt{\sigma_{y_n}^2 + \sigma_{x_n}^2}\right), \text{IdfNorm}\left(1 - \frac{c}{2}, \mu_{y_n} - \mu_{x_n}, \sqrt{\sigma_{y_n}^2 + \sigma_{x_n}^2}\right) \right) \quad (31)$$

with the probability of  $c$ , where  $c = 0.05$  by default.

The sufficient sample size to estimate is  $W_x, W_y > 0$ .

### Diffuse-Jeffreys Priors with Equal Variances

In this section, we assume that  $\sigma_x^2 = \sigma_y^2 = \sigma^2$ , and  $p(\sigma^2) \propto 1/\sigma^2$ . We place the diffuse priors by noting that  $p(z_{\mu_x}|\sigma^2) \propto 1$  and  $p(z_{\mu_y}|\sigma^2) \propto 1$ .

Under this setting, we are interested in drawing inference on  $d_\mu$ . Thus, the marginal posterior distribution of  $d_\mu$  is

$$d_\mu|(X, Y) \sim t_{\nu_n}(\mu_n, \sigma_n^2) , \quad (32)$$

where

$$\nu_n = W_x + W_y - 2 , \quad (33)$$

$$\mu_n = \bar{y} - \bar{x} = \frac{1}{W_y} \sum_{i=1}^{N_y} w_{yi} y_i - \frac{1}{W_x} \sum_{j=1}^{N_x} w_{xj} x_j, \quad (34)$$

and

$$\sigma_n^2 = \frac{1}{\nu_n} \left( \sum_{i=1}^{N_y} w_{yi} (y_i - \bar{y})^2 + \sum_{j=1}^{N_x} w_{xj} (x_j - \bar{x})^2 \right) \left( \frac{1}{W_y} + \frac{1}{W_x} \right). \quad (35)$$

We may find the Bayes estimators of  $d_\mu$  by computing the mode

$$\hat{d}_\mu = \bar{y} - \bar{x}, \quad (36)$$

the expected value

$$\mathbb{E}[d_\mu | (X, Y)] = \bar{y} - \bar{x}, \quad (37)$$

and the variance of the marginal posterior distribution of  $\mu_x | X$

$$\mathbb{V}[d_\mu | (X, Y)] = \frac{\nu_n}{\nu_n - 2} \sigma_n^2. \quad (38)$$

We may also find a  $100(1 - c)\%$  Bayesian credible interval with equal tail covering  $\mu_x$  such that

$$\mu_x \in \left( \mu_n - \text{IdfT}\left(1 - \frac{c}{2}, \nu_n\right) \sqrt{\sigma_n^2}, \mu_n + \text{IdfT}\left(1 - \frac{c}{2}, \nu_n\right) \sqrt{\sigma_n^2} \right) \quad (39)$$

with the probability of  $c$ , where  $c = 0.05$  by default.

The sufficient sample size to estimate is  $W_x, W_y > 1$ .

### Diffuse-Inverse Chi-Square Priors with Equal Variances

In this section, we assume that  $\sigma_x^2 = \sigma_y^2 = \sigma^2$  and  $\sigma^2 \sim \text{Inverse-}\chi^2(\nu_0, \sigma_0^2)$ , and rewrite  $X \sim \text{Normal}(z_{\mu_x}, \sigma^2)$  and  $Y \sim \text{Normal}(z_{\mu_y} + d_\mu, \sigma^2)$ . We place the diffuse priors by noting that  $p(z_{\mu_x} | \sigma^2) \propto 1$  and  $p(z_{\mu_y} | \sigma^2) \propto 1$ .

Under this setting, we are interested in drawing inference on  $d_\mu$ . Thus, the marginal posterior distribution of  $d_\mu$  is

$$d_\mu | (X, Y) \sim t_{\nu_n}(\mu_n, \sigma_n^2), \quad (40)$$

where

$$\nu_n = \nu_0 + W_x + W_y - 2, \quad \mu_n = \bar{y} - \bar{x} = \frac{1}{W_y} \sum_{i=1}^{N_y} w_{yi} y_i - \frac{1}{W_x} \sum_{j=1}^{N_x} w_{xj} x_j, \quad (41)$$

and

$$\sigma_n^2 = \frac{1}{\nu_n} \left( \nu_0 \sigma_0^2 + \sum_{i=1}^{N_y} w_{yi} (y_i - \bar{y})^2 + \sum_{j=1}^{N_x} w_{xj} (x_j - \bar{x})^2 \right) \left( \frac{1}{W_y} + \frac{1}{W_x} \right). \quad (42)$$

We may find the Bayes estimators of  $d_\mu$  by computing the mode

$$\hat{d}_\mu = \bar{y} - \bar{x}, \quad (43)$$

the expected value

$$\mathbb{E}[d_\mu | (X, Y)] = \bar{y} - \bar{x}, \quad (44)$$

and the variance of the marginal posterior distribution of  $\mu_x | X$

$$\mathbb{V}[d_\mu | (X, Y)] = \frac{\nu_n}{\nu_n - 2} \sigma_n^2. \quad (45)$$

We may also find a  $100(1 - c)\%$  Bayesian credible interval with equal tail covering  $\mu_x$  such that

$$\mu_x \in \left( \mu_n - \text{IdfT}\left(1 - \frac{c}{2}, \nu_n\right) \sqrt{\sigma_n^2}, \mu_n + \text{IdfT}\left(1 - \frac{c}{2}, \nu_n\right) \sqrt{\sigma_n^2} \right) \quad (46)$$

with the probability of  $c$ , where  $c = 0.05$  by default.

The sufficient sample size to estimate is  $W_x, W_y > 1$ .

### Diffuse Priors with Unequal Variances

In this section, we do not make any assumptions on the equality of  $\sigma_x^2$  and  $\sigma_y^2$ . We place the diffuse priors on all of the parameters by noting that  $p(z_{\mu_x}, z_{\mu_y}, \sigma_x^2, \sigma_y^2) \propto 1$ .

Define

$$\psi = \arctan \left( \frac{s_y / \sqrt{W_y}}{s_x / \sqrt{W_x}} \right), \quad (47)$$

where

$$s_y = \left( \sum_{i=1}^{N_y} w_{yi} (y_i - \bar{y})^2 / (W_y - 1) \right)^{1/2}, \quad \text{and} \quad s_x = \left( \sum_{j=1}^{N_x} w_{xj} (x_j - \bar{x})^2 / (W_x - 1) \right)^{1/2}. \quad (48)$$

Note that

$$T = \frac{d_\mu - (\bar{y} - \bar{x})}{\sqrt{s_x^2/W_x + s_y^2/W_y}} = T_y \sin \psi - T_x \cos \psi, \quad (49)$$

where

$$T_x = \frac{z_{\mu_x} - \bar{x}}{s_x / \sqrt{W_x}} \sim t_{W_x - 1}, \quad T_y = \frac{z_{\mu_y} - \bar{y}}{s_y / \sqrt{W_y}} \sim t_{W_y - 1}, \quad (50)$$

and  $\psi$  is defined by Equation (47). Hence,

$$T \sim \text{Behrens-Fisher}(W_y - 1, W_x - 1, \psi). \quad (51)$$

In practice, we have to approximate Equation (51) according to the discussions in [Patil, 1965] by finding

$$\begin{aligned} \eta_1 &= \left( \frac{W_y - 1}{W_y - 3} \right) \sin^2 \psi + \left( \frac{W_x - 1}{W_x - 3} \right) \cos^2 \psi, \\ \eta_2 &= \frac{(W_y - 1)^2}{(W_y - 3)^2 (W_y - 5)} \sin^4 \psi + \frac{(W_x - 1)^2}{(W_x - 3)^2 (W_x - 5)} \cos^4 \psi, \\ \eta_3 &= 4 + \eta_1^2 / \eta_2, \quad \text{and} \quad \eta_4 = \sqrt{\eta_1 (\eta_3 - 2) / \eta_3}. \end{aligned} \quad (52)$$

Under this setting, the marginal posterior distribution of  $d_\mu$  is

$$d_\mu | (X, Y) \sim t_{\nu_n}(\mu_n, \sigma_n^2), \quad (53)$$

where

$$\nu_n = \eta_3, \quad \mu_n = \bar{y} - \bar{x} = \frac{1}{W_y} \sum_{i=1}^{N_y} w_{yi} y_i - \frac{1}{W_x} \sum_{j=1}^{N_x} w_{xj} x_j, \quad \text{and} \quad \sigma_n^2 = \eta_4^2 (s_x^2 / W_x + s_y^2 / W_y). \quad (54)$$

We may find the Bayes estimators of  $d_\mu$  by computing the mode

$$\hat{d}_\mu = \bar{y} - \bar{x}, \quad (55)$$

the expected value

$$\mathbb{E}[d_\mu | (X, Y)] = \bar{y} - \bar{x}, \quad (56)$$

and the variance of the marginal posterior distribution of  $\mu_x | X$

$$\mathbb{V}[d_\mu | (X, Y)] = \frac{\nu_n}{\nu_n - 2} \sigma_n^2. \quad (57)$$

We may also find a  $100(1 - c)\%$  Bayesian credible interval with equal tail covering  $\mu_x$  such that

$$\mu_x \in \left( \mu_n - \text{IdfT}\left(1 - \frac{c}{2}, \nu_n\right) \sqrt{\sigma_n^2}, \mu_n + \text{IdfT}\left(1 - \frac{c}{2}, \nu_n\right) \sqrt{\sigma_n^2} \right) \quad (58)$$

with the probability of  $c$ , where  $c = 0.05$  by default.

The sufficient sample size to estimate is  $W_x, W_y > 5$ .

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## BAYES LOGLINEAR Algorithms

### Bayesian Inference for the Independence of Two Factors

#### General Notations

We desire to test the null hypothesis  $H_0$ : No association between rows and columns versus  $H_1$ : They are associated. The following notations defined in this section will be used for the subsequent sections.

$r$ :  $r = 1, 2, \dots, R$  denoting the non-empty row index, where  $R \geq 2$ , and  $R$  is an integer.

$s$ :  $s = 1, 2, \dots, S$  denoting the non-empty column index, where  $S \geq 2$ , and  $S$  is an integer.

$\mathbf{y}_{**}$ : A matrix containing all of the observed cell counts with

$$\mathbf{y}_{**} \equiv \begin{pmatrix} y_{11} & y_{12} & \dots & y_{1S} \\ y_{21} & y_{22} & \dots & y_{2S} \\ \vdots & \vdots & \vdots & \vdots \\ y_{R1} & y_{R2} & \dots & y_{RS} \end{pmatrix}, \quad (1)$$

where  $y_{rs}$  must be a nonnegative integer.

$\vec{y}$ :  $\vec{y} = (y_{11}, y_{12}, \dots, y_{RS})^T$ , a vectorized  $\mathbf{y}_{**}$  containing all of the observed cell counts.

$y_{rs}$ : Observed count data in the cell on the  $r$ -th row and the  $s$ -th column of the contingency table. Note that  $y_{rs} \geq 0$ , and  $y_{rs}$  is an integer.

$y_{r.}$ :  $y_{r.} = \sum_{s=1}^S y_{rs}$ , the marginal total of the  $r$ -th row.

$y_{.s}$ :  $y_{.s} = \sum_{r=1}^R y_{rs}$ , the marginal total of the  $s$ -th column.

$Y$ :  $Y = \sum_{r=1}^R \sum_{s=1}^S y_{rs}$ , the total count of the cells.

$\hat{y}_{rs}$ : Expected count in the cell on the  $r$ -th row and the  $s$ -th column of the contingency table.  $\hat{y}_{rs} = y_{r.}y_{.s}/Y$ .

$\mathbf{y}_{*.}$ :  $\mathbf{y}_{*.} = (y_{.1}, y_{.2}, \dots, y_{.S})^T$ , a vector containing marginal column sums, where  $S \geq 2$ .

$\mathbf{y}_{*}$ :  $\mathbf{y}_{*} = (y_{1.}, y_{2.}, \dots, y_{R.})^T$ , a vector containing marginal row sums, where  $R \geq 2$ .

#### Bayesian Inference by Using Bayes Factors

To implement the following methods, we require the two factors both have the number of categories  $\geq 2$  to formulate a valid two-way contingency table. Otherwise, we give a warning message, and do not conduct any further Bayesian analyses.

#### Bayes Factors Based on Natural Conjugate Priors

[Gunel and Dickey, 1974] proposed a unified approach when considering the association between two factors in a contingency table under the different model settings. The general idea is to assume conjugate gamma priors for Poisson models, and then extend to the other further conditioned models.

We let  $\mathbf{a}_{**}$  denote a matrix of prior shape parameters with the same dimension as  $\mathbf{y}_{**}$

$$\mathbf{a}_{**} \equiv \begin{pmatrix} a_{11} & a_{12} & \dots & a_{1S} \\ a_{21} & a_{22} & \dots & a_{2S} \\ \vdots & \vdots & \vdots & \vdots \\ a_{R1} & a_{R2} & \dots & a_{RS} \end{pmatrix}, \quad (2)$$

where  $a_{rs} > 0$ .  $a_{rs} = 1$  is the setting by default. Users can overwrite this setting by specifying different values, the number of which must match that of  $\mathbf{y}_{**}$ . We further define the following notations:

$\vec{a}$ :  $\vec{a} = (a_{11}, a_{12}, \dots, a_{RS})^T$ , a vectorized  $\mathbf{a}_{**}$  containing all of the prior shape parameters.

$A$ :  $A = \sum_{r=1}^R \sum_{s=1}^S a_{rs}$ , the total count of the cells.

$X$ :  $X = A - (R - 1)(S - 1)$ .

$\mathbf{a}_{.*}$ :  $\mathbf{a}_{.*} = (a_{.1}, a_{.2}, \dots, a_{.S})^T$ , a vector containing marginal column sums, where  $S \geq 2$ .

$\mathbf{a}_{*}$ :  $\mathbf{a}_{*} = (a_{1.}, a_{2.}, \dots, a_{R.})^T$ , a vector containing marginal row sums, where  $R \geq 2$ .

$\boldsymbol{\xi}_{*}$ :  $\boldsymbol{\xi}_{*} = \mathbf{a}_{.*} - (R - 1)$ , or subtracts  $(R - 1)$  from each element of  $\mathbf{a}_{.*}$ .

$\boldsymbol{\xi}_{*}$ :  $\boldsymbol{\xi}_{*} = \mathbf{a}_{*} - (S - 1)$ , or subtracts  $(S - 1)$  from each element of  $\mathbf{a}_{*}$ .

We also define the multivariate Beta function

$$B(\boldsymbol{\alpha}) = \frac{\prod_{r=1}^R \Gamma(\alpha_r)}{\Gamma\left(\sum_{r=1}^R \alpha_r\right)}, \quad (3)$$

where  $\alpha_r > 0$ .

### Independent Poisson Sampling Models

The Bayes factor for independence under the Poisson sampling models is

$$BF_{01} = \left(1 + \frac{1}{b}\right)^{(R-1)(S-1)} \frac{\Gamma(Y+X)}{\Gamma(X)} \prod_{r=1}^R \prod_{s=1}^S \frac{\Gamma(a_{rs})}{\Gamma(y_{rs} + a_{rs})} \frac{B(\mathbf{y}_{*} + \boldsymbol{\xi}_{*})}{B(\boldsymbol{\xi}_{*})} \frac{B(\mathbf{y}_{*} + \boldsymbol{\xi}_{*})}{B(\boldsymbol{\xi}_{*})}, \quad (4)$$

where  $R$  and  $S$  are determined by the numbers of categories found in the data sample;  $a_{rs}$  and  $b$  are specified by users. Note that  $a_{rs} = 1$  and  $b = R \times S \times \min(a_{rs})/Y$  are the settings by default.

### Joint Multinomial Sampling Models

Under this sampling scheme, the total number of observations  $Y$  is fixed. The cell counts are jointly multinomially distributed, or  $(y_{11}, y_{12}, \dots, y_{RS}) \sim \text{Multinomial}(Y, \pi_{11}, \pi_{12}, \dots, \pi_{RS})$ , where  $\sum_{r=1, s=1}^{R, S} \pi_{rs} = 1$ . The prior distribution is the conjugate Dirichlet distribution  $(\pi_{11}, \pi_{12}, \dots, \pi_{RS}) \sim \text{Dirichlet}(a_{11}, a_{12}, \dots, a_{RS})$ . The Bayes factor for independence under the joint Multinomial sampling models is

$$BF_{01} = \frac{B(\mathbf{y}_{*} + \boldsymbol{\xi}_{*})}{B(\boldsymbol{\xi}_{*})} \frac{B(\mathbf{y}_{*} + \boldsymbol{\xi}_{*})}{B(\boldsymbol{\xi}_{*})} \frac{B(\vec{a})}{B(\vec{y} + \vec{a})}, \quad (5)$$

where  $a_{rs}$  is specified by users. Note that  $a_{rs} = 1$  is the setting by default.

### Independent Multinomial Sampling Models

The Bayes factor for independence under the independent Multinomial sampling models when the row margins are fixed is

$$BF_{01} = \frac{B(\mathbf{y}_{*} + \boldsymbol{\xi}_{*})}{B(\boldsymbol{\xi}_{*})} \frac{B(\mathbf{y}_{*} + \mathbf{a}_{*})}{B(\mathbf{a}_{*})} \frac{B(\vec{a})}{B(\vec{y} + \vec{a})}, \quad (6)$$

where  $a_{rs}$  is specified by users. Note that  $a_{rs} = 1$  is the setting by default. Note that when the column margins are fixed, Equation (6) changes to

$$BF_{01} = \frac{B(\mathbf{y}_{*} + \boldsymbol{\xi}_{*})}{B(\boldsymbol{\xi}_{*})} \frac{B(\mathbf{y}_{*} + \mathbf{a}_{*})}{B(\mathbf{a}_{*})} \frac{B(\vec{a})}{B(\vec{y} + \vec{a})}. \quad (7)$$

Similarly, if  $\boldsymbol{\xi}_{*}$  contains any components  $\leq 0$ , we set  $BF_{01}$  to be missing, and give a warning message indicating that ‘‘Bayes factor cannot appropriately be estimated because at least one component for the prior is too small.’’

### Bayes Factors Based on a Mixture of Symmetric Dirichlet Distributions

The Bayes factors presented in this section are based on the methods discussed by [Good, 1976]. The work evaluated the independence in contingency tables by using a mixture of symmetric Dirichlet distributions.

In the following presentation, we define

$$\begin{aligned}\Phi(m_\nu, t, t') &\equiv \frac{Y!}{\prod_\nu m_\nu!} \int_0^\infty \frac{\Gamma(tk) \prod_\nu \Gamma(m_\nu + k)}{(\Gamma(k))^t \Gamma(Y + tk)} \phi\left(\frac{k}{t'}\right) \frac{dk}{t'} \\ &= \frac{Y!}{\prod_\nu m_\nu!} \Phi'(m_\nu, t, t'),\end{aligned}\quad (8)$$

where

$$\phi(k) = \frac{1}{k(\pi^2 + \log^2 k)}, \quad (9)$$

which is the specific log-Cauchy density function as a hyper prior suggested by [Good, 1976].

Under the null hypothesis  $H_0$ , the probabilities of the interior of a contingency table given the marginals, denoted by  $\mathcal{P}_{F-Y}$ , is

$$\mathcal{P}_{F-Y} \equiv P(\mathbf{y}_{**} | y_{r.}, y_{.s}, H_0) = \frac{\prod_{r=1}^R y_{r.}! \prod_{s=1}^S y_{.s}!}{Y! \prod_{r=1}^R \prod_{s=1}^S y_{rs}!}. \quad (10)$$

### Joint Multinomial Sampling Models

Under  $H_0$  when the total  $Y$  is fixed, the priors are Dirichlet( $R, \mathbf{1}$ ) and Dirichlet( $S, \mathbf{1}$ ) for  $\pi_{r.}$  and  $\pi_{.s}$ , respectively. Note that Dirichlet( $R, \mathbf{1}$ ) and Dirichlet( $S, \mathbf{1}$ ) are assumed to be independent. Under  $H_1$ , the prior is Dirichlet( $RS, \mathbf{1}$ ) for  $\pi_{rs}$ . The proposed Bayes factor is

$$\text{BF}_{10} = \frac{\Phi(y_{rs}, RS, 1)}{\Phi(y_{r.}, R, 1) \Phi(y_{.s}, S, 1) \mathcal{P}_{F-Y}} = \frac{\Phi'(y_{rs}, RS, 1)}{\Phi'(y_{r.}, R, 1) \Phi'(y_{.s}, S, 1)}, \quad (11)$$

where  $\Phi'$  denotes the integral part within Equation (8);  $\Phi$  and  $\mathcal{P}_{F-Y}$  are defined by Equations (8) and (10), respectively. We compute  $\text{BF}_{01} = 1/\text{BF}_{10}$  to output the Bayes factor in favor of the null hypothesis.

### Independent Multinomial Sampling Models

Under  $H_0$  when the column sums are fixed, the prior is Dirichlet( $S, \mathbf{1}$ ) for  $\pi_{.s}$ . The proposed Bayes factor is

$$\text{BF}_{10} = \frac{\Phi(y_{rs}, RS, 1)}{\Phi(y_{r.}, R, 1) \Phi(y_{.s}, S, R) \mathcal{P}_{F-Y}} = \frac{\Phi'(y_{rs}, RS, 1)}{\Phi'(y_{r.}, R, 1) \Phi'(y_{.s}, S, R)}, \quad (12)$$

where  $\Phi'$  denotes the integral part within Equation (8);  $\Phi$  and  $\mathcal{P}_{F-Y}$  are defined by Equations (8) and (10), respectively. We compute  $\text{BF}_{01} = 1/\text{BF}_{10}$  to output the Bayes factor in favor of the null hypothesis. By symmetry, if the row sums are fixed, we can switch the columns and rows in the contingency table, and apply Equation (12).

### Bayes Factors Based on Intrinsic Priors

[Casella and Moreno, 2009] proposed the Bayes factors based on intrinsic priors and posterior probabilities. Due to the computation hurdles, we only implement the methods discussed in this section for  $2 \times 2$  contingency tables with  $R = S = 2$ .

In the following presentation, we let  $\mathbf{z} = \{z_{rs}\}$  denote the possible design of a contingency table, and let the sign  $\sum_{\mathbf{z}: \sum z_{rs} = Y}$  denote the summation over  $\mathbf{z}$  with all possible designs of the contingency table of  $\sum z_{rs} = Y$ .

### Joint Multinomial Sampling Models

The Bayes factor for independence based on the intrinsic prior under the joint Multinomial sampling models is

$$\text{BF}_{10} = \frac{(Y + RS - 1)!}{(2Y + RS - 1)!} \sum_{\mathbf{z}: \sum z_{rs} = Y} \binom{Y}{\mathbf{z}} \frac{\left( \prod_{r=1}^R z_{r.}! \right) \left( \prod_{s=1}^S z_{.s}! \right)}{\left( \prod_{r=1}^R y_{r.}! \right) \left( \prod_{s=1}^S y_{.s}! \right)} \prod_{r=1}^R \prod_{s=1}^S \frac{(z_{rs} + y_{rs})!}{z_{rs}!}, \quad (13)$$

where

$$\binom{Y}{\mathbf{z}} = \binom{Y}{z_{11}, z_{12}, z_{21}, z_{22}} = \frac{Y!}{z_{11}! z_{12}! \dots z_{RS}!}. \quad (14)$$

To conquer the computation hurdle, we introduce an additional parameter  $t$  to control the training sample size, and rewrite Equation (13) to

$$\text{BF}_{10}(t) = \frac{(t + RS - 1)!}{(t + Y + RS - 1)!} \frac{\Gamma(Y + R)\Gamma(Y + S)}{\Gamma(t + R)\Gamma(t + S)} \sum_{\mathbf{z}: \sum z_{rs} = t} \binom{t}{\mathbf{z}} \frac{\left( \prod_{r=1}^R z_{r.}! \right) \left( \prod_{s=1}^S z_{.s}! \right)}{\left( \prod_{r=1}^R y_{r.}! \right) \left( \prod_{s=1}^S y_{.s}! \right)} \prod_{r=1}^R \prod_{s=1}^S \frac{(z_{rs} + y_{rs})!}{z_{rs}!}, \quad (15)$$

where we set  $t = 500$  for 2 by 2 contingency tables. If the observed grand total  $Y > t$ , we compute  $\text{BF}_{10}(t)$ , and  $\text{BF}_{10}$ , otherwise.

Finally, we compute  $\text{BF}_{01} = 1/\text{BF}_{10}$ , or  $\text{BF}_{01}(t) = 1/\text{BF}_{10}(t)$ , to output the Bayes factor in favor of the null hypothesis. In case the contingency table under analysis has the dimension exceeding 2 by 2, we will give a warning message, and compute the Bayes factor by using the method presented in the ‘‘Bayes Factors Based on a Mixture of Symmetric Dirichlet Distributions’’ section.

### Independent Multinomial Sampling Models

Under the null hypothesis, the default marginal distribution is given by

$$m_0(\mathbf{y}_{**}) = \frac{\Gamma(S)}{\Gamma(Y + S)} \prod_{r=1}^R \binom{y_{r.}}{\mathbf{y}_{r*}} \times \prod_{s=1}^S y_{.s}!, \quad (16)$$

where

$$\binom{y_{r.}}{\mathbf{y}_{r*}} = \frac{y_{r.}!}{y_{r1}! y_{r2}! \dots y_{rS}!}. \quad (17)$$

The intrinsic marginal distribution under the independent Multinomial sampling models when the row sums are fixed is

$$m_I(\mathbf{y}_{**}) = \Gamma(S) \prod_{r=1}^R \binom{y_{r.}}{\mathbf{y}_{r*}} \frac{\prod_{r=1}^R \Gamma(y_{r.} + S)}{\Gamma(Y + S)} \sum_{\substack{(\mathbf{z}_{1*}, \mathbf{z}_{2*}, \dots, \mathbf{z}_{R*}): \\ \sum_s z_{rs} = y_{r.}}} \frac{\prod_{s=1}^S z_{.s}!}{\prod_{r=1}^R \prod_{s=1}^S z_{ij}!} \prod_{r=1}^R \binom{y_{r.}}{\mathbf{z}_{r*}} \frac{\prod_{s=1}^S (z_{rs} + y_{rs})!}{\Gamma(2y_{r.} + S)}, \quad (18)$$

where

$$\binom{y_{r.}}{\mathbf{z}_{r*}} = \frac{y_{r.}!}{z_{r1}! z_{r2}! \dots z_{rS}!}. \quad (19)$$

To conquer the computation hurdle, we may consider

$$m_I(\mathbf{y}_{**}; t) = \Gamma(S) \prod_{r=1}^R \binom{y_{r.}}{\mathbf{y}_{r*}} \frac{\prod_{r=1}^R \Gamma(t_{r.} + S)}{\Gamma(t + S)} \sum_{\substack{(\mathbf{z}_{1*}, \mathbf{z}_{2*}, \dots, \mathbf{z}_{R*}): \\ \sum_s z_{rs} = t_{r.}}} \frac{\prod_{s=1}^S z_{.s}!}{\prod_{r=1}^R \prod_{s=1}^S z_{ij}!} \prod_{r=1}^R \binom{t_{r.}}{\mathbf{z}_{r*}} \frac{\prod_{s=1}^S (z_{rs} + y_{rs})!}{\Gamma(t_{r.} + y_{r.} + S)}, \quad (20)$$

where we set  $t_{r.} = 5000$ , and consider four different conditions as follows for a certain 2 by 2 contingency table design:

- When  $y_1. > t_1.$  and  $y_2. > t_2.$ , use Equation (20) by setting  $t = t_1. + t_2.$ ;
- When  $y_1. > t_1.$  and  $y_2. < t_2.$ , use Equation (20) by setting  $t = t_1. + y_2.$  and  $t_2. = y_2.$ ;
- When  $y_1. < t_1.$  and  $y_2. > t_2.$ , use Equation (20) by setting  $t = y_1. + t_2.$  and  $t_1. = y_1.$ ;
- When  $y_1. < t_1.$  and  $y_2. < t_2.$ , use Equation (18).

Thus, the desired Bayes factor is

$$\text{BF}_{01} = \frac{m_0(\mathbf{y}_{**})}{m_I(\mathbf{y}_{**})} \quad \text{or} \quad \text{BF}_{01} = \frac{m_0(\mathbf{y}_{**})}{m_I(\mathbf{y}_{**}; t)}, \quad (21)$$

depending on the setting of  $t_r.$

Note that the results are symmetrical in terms of the columns and the rows. If the column sums are fixed, we can switch the rows and columns in the contingency table, and apply Equation (21). In case the contingency table under analysis has the dimension exceeding 2 by 2, we will give a warning message, and compute the Bayes factor by using the method presented in the ‘‘Independent Multinomial Sampling Models’’ section with corresponding fixed row or column margins.

### Bayes Factors Based on Nonparametric Bayesian Models

[Quintana, 1998] proposed the Bayes factors based on nonparametric models and Dirichlet process priors. We only implement this method when  $R = 2$  (or  $S = 2$ ) with the row sums  $y_r.$  (or column sums  $y_{.s}$ ) fixed. Note that the priors are the Dirichlet processes. Under this particular situation, however, the prior probabilities cancel out, which frees users from specifying prior information on weight.

Let  $\boldsymbol{\lambda} = (\lambda_1, \lambda_1, \dots, \lambda_S)$ , where  $\lambda_s > 0$ , and we define the Dirichlet prior

$$D(\boldsymbol{\lambda}) = \frac{\Gamma\left(\sum_{s=1}^S \lambda_s\right)}{\prod_{s=1}^S \Gamma(\lambda_s)}. \quad (22)$$

Thus, the Bayes factor is

$$\text{BF}_{01} = \frac{\mathcal{L}_1(\mathbf{y}_{**})}{\mathcal{L}_2(\mathbf{y}_{**})}, \quad (23)$$

where

$$\mathcal{L}_1(\mathbf{y}_{**}) = \frac{D(\boldsymbol{\lambda})}{D(\boldsymbol{\lambda} + \mathbf{y}_{1*} + \mathbf{y}_{2*})}, \quad (24)$$

and

$$\mathcal{L}_2(\mathbf{y}_{**}) = \frac{D(\boldsymbol{\lambda})}{D(\boldsymbol{\lambda} + \mathbf{y}_{1*})} \times \frac{D(\boldsymbol{\lambda})}{D(\boldsymbol{\lambda} + \mathbf{y}_{2*})}. \quad (25)$$

Note that  $\boldsymbol{\lambda}$  is specified by users. We set  $\boldsymbol{\lambda} = \mathbf{1}$  by default. The results are symmetrical in terms of the columns and the rows. If the column sums are fixed, we can switch the columns and rows in the contingency table, and apply Equation (23).

### Bayesian Inference by Constructing Credible Intervals

In this section, we consider the model

$$\pi_{rs} = A \exp\{\alpha_j + \beta_k + \gamma_{jk}\}, \quad (26)$$

where  $j = 1, 2, \dots, R$ ,  $k = 1, 2, \dots, S$ , and  $A^{-1} = \sum_{j=1}^R \sum_{k=1}^S \exp\{\alpha_j + \beta_k + \gamma_{jk}\}$  with the restrictions  $\alpha_R = \beta_S = \gamma_{jR} = \gamma_{Rk} = 0$ . To test the independence of two factors is equivalent to make inference on  $\gamma_{jk}$ , where  $j = 1, 2, \dots, R - 1$  and  $k = 1, 2, \dots, S - 1$ .

Based on the model, [Nandram and Choi, 2007] proposed to draw a random sample from Dirichlet(1), and computed the posterior distribution of  $\gamma_{jk}$ . They finally applied the method discussed by [Besag et al., 1995] to construct the desired simultaneous credible interval region which is a hyper-rectangular credible region for  $(R - 1)(S - 1)$  interaction effects in a two-way contingency table. Inference can be made by checking whether or not each interval contains 0.

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## BAYES ONESAMPLE Algorithms

### One-Sample Bayesian Inference on Normal Distribution

#### Notations

The following notations defined in this section will be used for the subsequent sections.

$x_i$ : Observed value of variable  $X$  for the  $i$ -th case.

$y_i$ : Observed value of variable  $Y$  for the  $i$ -th case

$w_i$ : Frequency weight for the  $i$ -th case. A non-integer frequency weight is rounded to the nearest integer. For values less than 0.5 or missing, the corresponding case will not be used.

$N$ : Number of cases in the data set.

$W$ : Effective sample size  $W = \sum_{i=1}^N w_i$ .  $W = N$  if no weights are present.

$\mu_0$ : Test value specified by the null hypothesis.

#### Basic Statistics for One-Sample $t$ -Test

The Bayes factor for one-sample  $t$ -test, proposed by [Rouder et al., 2009], actually relies on the conventional  $t$ -statistic, the computation of which is discussed in this section. The following statistics are computed.

$$\text{Sample mean } \bar{x} = \frac{1}{W} \sum_{i=1}^N w_i x_i. \quad (1)$$

$$\text{Sample variance } s_x^2 = \frac{1}{W-1} \sum_{i=1}^N w_i (x_i - \bar{x})^2. \quad (2)$$

$$\text{Sample standard deviation } s_x = \sqrt{s_x^2}. \quad (3)$$

$$\text{Standard error of the mean } s_{\bar{x}} = \frac{s_x}{\sqrt{W}}. \quad (4)$$

$$\text{Mean difference } d = \bar{x} - \mu_0. \quad (5)$$

$$\text{Observed } t\text{-statistic } t = \frac{d}{s_{\bar{x}}}, \text{ with } (W-1) \text{ degrees of freedom.} \quad (6)$$

$$\text{Significance (2-tailed) Sig. (2-tailed) } = 2 [1 - \text{CdfT}(|t|, W-1)]. \quad (7)$$

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## Basic Statistics for Two-Sample Paired $t$ -Test

For Bayes factor two-sample paired  $t$ -test, the following statistics are computed.

$$\text{Sample mean } \bar{x} = \frac{1}{W} \sum_{i=1}^N w_i x_i. \quad (8)$$

$$\text{Sample mean } \bar{y} = \frac{1}{W} \sum_{i=1}^N w_i y_i. \quad (9)$$

$$\text{Difference of the sample means } d = \bar{x} - \bar{y}. \quad (10)$$

$$\text{Sample variance } s_x^2 = \frac{1}{W-1} \left[ \sum_{i=1}^N w_i x_i^2 - \left( \sum_{i=1}^N w_i x_i \right)^2 / W \right]. \quad (11)$$

$$\text{Sample variance } s_y^2 = \frac{1}{W-1} \left[ \sum_{i=1}^N w_i y_i^2 - \left( \sum_{i=1}^N w_i y_i \right)^2 / W \right]. \quad (12)$$

$$\text{Covariance between } X \text{ and } Y \quad s_{xy} = \frac{1}{W-1} \left( \sum_{i=1}^N w_i x_i y_i - \left( \sum_{i=1}^N w_i x_i \right) \left( \sum_{i=1}^N w_i y_i \right) / W \right). \quad (13)$$

$$\text{Standard deviation of the mean difference } s_D = \sqrt{s_x^2 + s_y^2 - 2s_{xy}}. \quad (14)$$

$$\text{Standard error of the mean difference } s_d = \sqrt{(s_x^2 + s_y^2 - 2s_{xy}) / W}. \quad (15)$$

$$\text{Observed } t\text{-statistic for equality of means } t = \frac{d}{s_d}, \text{ with } (W-1) \text{ degrees of freedom.} \quad (16)$$

$$\text{Significance (2-tailed) Sig. (2-tailed)} = 2 [1 - \text{CdfT}(|t|, W-1)]. \quad (17)$$

## Bayes Factor for One-Sample and Two-Sample Paired $t$ -Test with Known Variance

We can use the sufficient statistic  $\bar{X}$  to formulate the Bayes factor under this setting

$$\begin{aligned} B_{01} &= \frac{\Pr(\bar{x} | \mu = \mu_0)}{\Pr(\bar{x} | \mu \neq \mu_0)} \\ &= \frac{(2\pi\sigma_x^2/W)^{-1/2} \exp \left[ -\frac{1}{2} (\bar{x} - \mu_0)^2 / (\sigma_x^2/W) \right]}{(2\pi(\psi^2 + \sigma_x^2/W))^{-1/2} \exp \left[ -\frac{1}{2} (\bar{x} - \mu_0)^2 / (\psi^2 + \sigma_x^2/W) \right]} \\ &= \sqrt{1 + Wg} \exp \left[ -\frac{1}{2} (\bar{x} - \mu_0)^2 (\sigma_x^2)^{-1} W (1 + 1/(Wg))^{-1} \right], \end{aligned} \quad (18)$$

where  $\mu_0, \sigma_x^2 > 0$  and  $g > 0$  are specified a priori by users.

For two-sample paired  $t$ -test, we can replace  $\bar{x}$  with  $d = \bar{y} - \bar{x}$  (see Equation (10)), and  $\sigma_x^2$  with  $\sigma_d^2$  (specified by users), respectively, in Equation (18) to estimate the desired Bayes factor.

## Bayes Factor for One-Sample and Two-Sample Paired $t$ -Test with Unknown Variance

Suppose  $X_i \stackrel{\text{iid}}{\sim} \text{Normal}(\mu, \sigma_x^2)$ ,  $i = 1, 2, \dots, N$ , where  $\sigma_x^2$  is unknown, and we are interested in testing the null hypothesis  $H_0 : \mu = 0$  versus the alternative hypothesis  $H_1 : \mu \neq 0$ . We assume that  $\mu \sim \text{Normal}(\mu_0, \psi^2)$  and  $p(\sigma^2) = 1/\sigma^2$ . In addition, we further specify the relationship between  $\psi^2$  and  $\sigma_x^2$  by letting  $\psi^2 = g\sigma_x^2$ , where  $g > 0$ . Thus, the Bayes factor under this setting is

$$B_{01} = \frac{\left( 1 + \frac{t^2}{\nu} \right)^{-(\nu+1)/2}}{(1 + Wg)^{-1/2} \left( 1 + \frac{t^2}{(1 + Wg)\nu} \right)^{-(\nu+1)/2}}, \quad (19)$$

where  $t$  is defined by Equation (7);  $\nu = W - 1$ ; and  $g > 0$  is set a priori by users.

Note that Rouder et al proposed a more general approach we would like to consider here [Rouder et al., 2009]. To construct the Bayes factor, we have to choose and place priors on both  $\mu$  and  $\sigma^2$ . Let  $\delta = \mu/\sigma$ , denoting the standardized effect size. It is then equivalent to test  $H_0 : \delta = 0$ . One way to set the alternative hypothesis is to assume that  $H_1 : \delta \sim \text{Normal}(0, \sigma_\delta^2)$ , where  $\sigma_\delta^2$  is specified a priori [Gönen et al., 2005]. A couple of reasonable setting of  $\sigma_\delta^2$  may include  $\sigma_\delta^2 = 1$  or  $\sigma_\delta^2 \sim \text{Inverse-}\chi^2(1)$ . In this document, we assume that  $\delta \sim \text{Cauchy}$ , which is a  $t$  distribution with a single degree of freedom. For variance  $\sigma^2$ , we apply a standard setting of the Jeffreys prior with  $p(\sigma^2) = 1/\sigma^2$  [Jeffreys, 1998]. Such a combination of the Cauchy on effect size  $\delta$  and the Jeffreys prior on variance  $\sigma^2$  is coined JZS prior in [Rouder et al., 2009].

Thus, the Bayes factor for one-sample  $t$ -test with the JZS prior is

$$B_{01} = \frac{\left(1 + \frac{t^2}{\nu}\right)^{-(\nu+1)/2}}{\int_0^\infty (1 + Wg)^{-1/2} \left(1 + \frac{t^2}{(1 + Wg)\nu}\right)^{-(\nu+1)/2} (2\pi)^{-1/2} g^{-3/2} e^{-1/(2g)} dg}, \quad (20)$$

where  $t$  is defined by Equation (7);  $\nu = W - 1$ ; and  $g$  is the variable to be integrated out.

For two-sample paired  $t$ -test, both Equation (19) and (20) apply with the substitution of  $t$  computed by Equation (16).

## Bayesian One-Sample Inference on Mean By Characterizing Posterior Distributions

### Bayesian One-Sample Inference on Mean Using Conjugate and Noninformative Priors

#### Notations

The following notations defined in this section will be used for the subsequent sections.

- $X$ : A random variable to be tested whose values are observed. We assume  $X \sim \text{Normal}(\mu_x, \sigma_x^2)$ , where both  $\mu_x$  and  $\sigma_x^2$  are unknown.
- $\mu_x$ : Mean parameter of  $X$ , with its prior distribution assumed in later discussions.
- $\sigma_x^2$ : Variance parameter of  $X$ , with its prior distribution assumed in later discussions if unknown.
- $w_i$ : Frequency weight for the  $i$ -th case. A non-integer frequency weight is rounded to the nearest integer. For values less than 0.5 or missing, the corresponding case will not be used.
- $N$ : Number of cases in the data set.
- $W$ : Effective sample size  $W = \sum_{i=1}^N w_i$ .  $W = N$  if no weights are present.

#### Normal Prior with Known Variance

In this section, we assume that the variance parameter  $\sigma_x^2$  is known. Although this situation is not common in practice, we consider it a nice example for a teaching perspective.

We place a normal prior on  $\mu_x$  by assuming that  $\mu_x \sim \text{Normal}(\mu_0, \sigma_0^2)$ , where  $\mu_0$  and  $\sigma_0^2$  are specified by users. Under this setting, the marginal posterior distribution of  $\mu_x$  is

- $\mu_x | (X, \sigma_x^2) \sim \text{Normal}(\mu_n, \sigma_n^2)$ ,

where  $\sigma_n^2 = \left(\frac{1}{\sigma_0^2} + \frac{W}{\sigma_x^2}\right)^{-1}$ , and  $\mu_n = \sigma_n^2 \left(\frac{\mu_0}{\sigma_0^2} + \frac{W\bar{x}}{\sigma_x^2}\right)$ . We may find the Bayes estimators of  $\mu_x$  by computing the mode

$$\hat{\mu}_x = \mu_n, \quad (21)$$

the expected value

$$\mathbb{E}(\mu_x | X) = \mu_n, \quad (22)$$

and the variance of the marginal posterior distribution of  $\mu_x|X$

$$\mathbb{V}(\mu_x|X) = \sigma_n^2 . \quad (23)$$

We may also find a  $100(1 - c)\%$  Bayesian credible interval with equal tail covering  $\mu_x$  such that

$$\mu_x \in \left( \text{IdfNorm}\left(\frac{c}{2}, \mu_n, \sqrt{\sigma_n^2}\right), \text{IdfNorm}\left(1 - \frac{c}{2}, \mu_n, \sqrt{\sigma_n^2}\right) \right) \quad (24)$$

with the probability of  $c$ , where  $c = 0.05$  by default.

For two-sample paired  $t$ -test, we can repeat the procedure by replacing  $\sigma_x^2$  with  $\sigma_d^2$ , and placing the prior on the mean difference.

### Diffuse Prior with Known Variance

In this section, we assume that the variance parameter  $\sigma_x^2$  is known, and place a flat prior on  $\mu_x$  by assuming that  $p(\mu_x) \propto 1$ . Under this setting, the marginal posterior distribution of  $\mu_x$  is

- $\mu_x|(X, \sigma_x^2) \sim \text{Normal}(\bar{x}, \sigma_x^2/W)$ .

We may find the Bayes estimators of  $\mu_x$  by computing the mode

$$\hat{\mu}_x = \bar{x} , \quad (25)$$

the expected value

$$\mathbb{E}(\mu_x|X) = \bar{x} , \quad (26)$$

and the variance of the marginal posterior distribution of  $\mu_x|X$

$$\mathbb{V}(\mu_x|X) = \sigma_x^2/W . \quad (27)$$

We may also find a  $100(1 - c)\%$  Bayesian credible interval with equal tail covering  $\mu_x$  such that

$$\mu_x \in \left( \text{IdfNorm}\left(\frac{c}{2}, \bar{x}, \sqrt{\sigma_x^2/W}\right), \text{IdfNorm}\left(1 - \frac{c}{2}, \bar{x}, \sqrt{\sigma_x^2/W}\right) \right) \quad (28)$$

with the probability of  $c$ , where  $c = 0.05$  by default.

For two-sample paired  $t$ -test, we can repeat the procedure by replacing  $\sigma_x^2$  with  $\sigma_d^2$ , and placing the prior on the mean difference.

### Normal-Inverse Chi-Square Priors

In this section, we assume and place the following priors

- $\sigma_x^2 \sim \text{Inverse-}\chi^2(\nu_0, \sigma_0^2)$
- $\mu_x|\sigma_x^2 \sim \text{Normal}\left(\mu_0, \frac{1}{\kappa_0}\sigma_x^2\right)$ ,

where  $\sigma_x^2$  is conditioned on, and scaled by  $\kappa_0$  ( $\kappa_0 > 0$ , and  $\kappa_0 = 1$  by default). Note that  $\nu_0$ ,  $\sigma_0^2$ ,  $\mu_0$ , and  $\kappa_0$  are specified by users. Under this setting, the marginal posterior distributions are

- $\sigma_x^2|X \sim \text{Inverse-}\chi^2(\nu_n, \sigma_n^2)$
- $\mu_x|X \sim t_{\nu_n}\left(\mu_n, \frac{1}{\kappa_n}\sigma_n^2\right)$ ,

where  $\nu_n = \nu_0 + W$ ,  $\kappa_n = \kappa_0 + W$ ,  $\mu_n = \mu_0 \frac{\kappa_0}{\kappa_n} + \bar{x} \frac{W}{\kappa_n}$ , and  $\sigma_n^2 = \frac{1}{\nu_n} \left( \nu_0 \sigma_0^2 + \sum_{i=1}^N w_i (x_i - \bar{x})^2 + W \frac{\kappa_0}{\kappa_n} (\bar{x} - \mu_0)^2 \right)$ .

We may find the Bayes estimators of  $\mu_x$  by computing the mode

$$\hat{\mu}_x = \mu_n , \quad (29)$$

the expected value

$$\mathbb{E}(\mu_x|X) = \mu_n , \quad (30)$$

and the variance of the marginal posterior distribution of  $\mu_x|X$

$$\mathbb{V}(\mu_x|X) = \frac{\nu_n \sigma_n^2}{(\nu_n - 2) \kappa_n} . \quad (31)$$

We may also find a  $100(1 - c)\%$  Bayesian credible interval with equal tail covering  $\mu_x$  such that

$$\mu_x \in \left( \mu_n - \text{IdfT} \left( 1 - \frac{c}{2}, \nu_n \right) \sqrt{\frac{\sigma_n^2}{\kappa_n}}, \mu_n + \text{IdfT} \left( 1 - \frac{c}{2}, \nu_n \right) \sqrt{\frac{\sigma_n^2}{\kappa_n}} \right) \quad (32)$$

with the probability of  $c$ , where  $c = 0.05$  by default.

For two-sample paired  $t$ -test, we can repeat the procedure by placing the priors on the mean and the variance of the difference between the two paired variables.

### Normal-Inverse Gamma Priors

In this section, we assume and place the following priors

- $\sigma_x^2 \sim \text{Inverse-Gamma}(\alpha_0, \beta_0)$
- $\mu_x | \sigma_x^2 \sim \text{Normal}(\mu_0, \frac{1}{\kappa_0} \sigma_x^2)$ ,

where  $\sigma_x^2$  is conditioned on, and scaled by  $\kappa_0$  ( $\kappa_0 > 0$ , and  $\kappa_0 = 1$  by default). Note that  $\alpha_0$ ,  $\beta_0$ ,  $\mu_0$ , and  $\kappa_0$  are specified by users. Under this setting, we can simply set  $\nu_0 = 2\alpha_0$  and  $\sigma_0^2 = 2\beta_0/\nu_0$ . Thus,  $\sigma_x^2 \sim \text{Inverse-}\chi^2(2\alpha_0, 2\beta_0/\nu_0)$ . The same approach in the ‘‘Normal-Inverse Chi-Square Priors’’ section can be repeated to compute the posterior distributions.

For two-sample paired  $t$ -test, we can repeat the procedure by placing the priors on the mean and the variance of the difference between the two paired variables.

### Normal-Gamma Priors

In this section, we reparameterize  $\sigma_x^2$  by letting  $\tau_x = 1/\sigma_x^2$ , which denotes the precision parameter. We assume and place the following priors.

- $\tau_x \sim \text{Gamma}(\alpha_0, \beta_0)$
- $\mu_x | \tau_x \sim \text{Normal}(\mu_0, \frac{1}{\kappa_0 \tau_x})$ ,

where  $\tau_x$  is conditioned, and scaled by  $\kappa_0$  ( $\kappa_0 > 0$ , and  $\kappa_0 = 1$  by default). Note that  $\alpha_0$ ,  $\beta_0$ ,  $\mu_0$ , and  $\kappa_0$  are specified by users. Under this setting, the marginal posterior distributions are

- $\tau_x | X \sim \text{Gamma}(\alpha_n, \beta_n)$
- $\mu_x | X \sim t_{2\alpha_n}(\mu_n, \frac{\beta_n}{\alpha_n \kappa_n})$ ,

where  $\alpha_n = \alpha_0 + \frac{W}{2}$ ,  $\beta_n = \beta_0 + \frac{1}{2} \sum_{i=1}^N w_i (x_i - \bar{x})^2 + \frac{\kappa_0 W (\bar{x} - \mu_0)^2}{2(\kappa_0 + W)}$ ,  $\mu_n = \mu_0 \frac{\kappa_0}{\kappa_n} + \bar{x} \frac{W}{\kappa_n}$ , and  $\kappa_n = \kappa_0 + W$ .

We may find the Bayes estimators of  $\mu_x$  by computing the mode

$$\hat{\mu}_x = \mu_n , \quad (33)$$

the expected value

$$\mathbb{E}(\mu_x|X) = \mu_n , \quad (34)$$

and the variance of the marginal posterior distribution of  $\mu_x|X$

$$\mathbb{V}(\mu_x|X) = \frac{\beta_n}{(\alpha_n - 1)\kappa_n} . \quad (35)$$

We may also find a  $100(1 - c)\%$  Bayesian credible interval with equal tail covering  $\mu_x$  such that

$$\mu_x \in \left( \mu_n - \text{IdfT} \left( 1 - \frac{c}{2}, \nu_n \right) \sqrt{\frac{\beta_n}{\alpha_n \kappa_n}}, \mu_n + \text{IdfT} \left( 1 - \frac{c}{2}, \nu_n \right) \sqrt{\frac{\beta_n}{\alpha_n \kappa_n}} \right) \quad (36)$$

with the probability of  $c$ , where  $c = 0.05$  by default, and  $\nu_n = 2\alpha_n$ .

For two-sample paired  $t$ -test, we can repeat the procedure by placing the priors on the mean and the variance of the difference between the two paired variables.

### Normal-Chi-Square Priors

In this section, we reparameterize  $\sigma_x^2$  by letting  $\tau_x = 1/\sigma_x^2$ , which denotes the precision parameter. We assume and place the following priors.

- $\tau_x \sim \chi^2(\lambda)$
- $\mu_x|\tau_x \sim \text{Normal}(\mu_0, \frac{1}{\kappa_0\tau_x})$ ,

where  $\tau_x$  is conditioned, and scaled by  $\kappa_0$  ( $\kappa_0 > 0$ , and  $\kappa_0 = 1$  by default). Note that  $\lambda$ ,  $\mu_0$ , and  $\kappa_0$  are specified by users. Under this setting, we can simply set  $\alpha_0 = \lambda/2$  and  $\beta_0 = 1/2$ . Thus,  $\tau_x \sim \text{Gamma}(\lambda/2, 1/2)$ . The same approach in the ‘‘Normal-Gamma Priors’’ section can be repeated to compute the posterior distributions.

For two-sample paired  $t$ -test, we can repeat the procedure by placing the priors on the mean and the variance of the difference between the two paired variables.

### Jeffreys Priors

In this section, we assume and place the Jeffreys priors

- $p(\sigma_x^2) \propto \frac{1}{\sigma_x^4}$  [Yang and Berger, 1996] or  $p(\sigma_x^2) \propto \frac{1}{\sigma_x^2}$  [Kass and Wasserman, 1996]
- $p(\mu_x|\sigma_x^2) \propto 1$ ,

where there are two optional priors on  $\sigma_x^2$ , and  $\mu_x$  has a flat prior. Under this setting, the marginal posterior distributions are

- $\sigma_x^2|X \sim \text{Inverse-Gamma}(\alpha_n, \beta_n)$
- $\mu_x|X \sim t_{\nu_n}(\bar{x}, \sigma_n^2)$ ,

where

$$\text{for } p(\sigma_x^2) \propto \frac{1}{\sigma_x^4}, \alpha_n = \frac{W+1}{2}, \beta_n = \frac{2}{\sum_{i=1}^N w_i(x_i - \bar{x})^2}, \nu_n = W+1, \text{ and } \sigma_n^2 = \frac{1}{W(W+1)} \sum_{i=1}^N w_i(x_i - \bar{x})^2,$$

and

$$\text{for } p(\sigma_x^2) \propto \frac{1}{\sigma_x^2}, \alpha_n = \frac{W-1}{2}, \beta_n = \frac{2}{\sum_{i=1}^N w_i(x_i - \bar{x})^2}, \nu_n = W-1, \text{ and } \sigma_n^2 = \frac{1}{W(W-1)} \sum_{i=1}^N w_i(x_i - \bar{x})^2.$$

We may find the Bayes estimators of  $\mu_x$  by computing the mode

$$\hat{\mu}_x = \bar{x} , \quad (37)$$

the expected value

$$\mathbb{E}(\mu_x|X) = \bar{x} , \quad (38)$$

and the variance of the marginal posterior distribution of  $\mu_x|X$

$$\mathbb{V}(\mu_x|X) = \frac{\nu_n}{\nu_n - 2} \sigma_n^2 . \quad (39)$$

We may also find a  $100(1 - c)\%$  Bayesian credible interval with equal tail covering  $\mu_x$  such that

$$\mu_x \in \left( \bar{x} - \text{IdfT}\left(1 - \frac{c}{2}, \nu_n\right) \sqrt{\sigma_n^2}, \bar{x} + \text{IdfT}\left(1 - \frac{c}{2}, \nu_n\right) \sqrt{\sigma_n^2} \right) \quad (40)$$

with the probability of  $c$ , where  $c = 0.05$  by default.

For two-sample paired  $t$ -test, we can repeat the procedure by placing the priors on the mean and the variance of the difference between the two paired variables.

### Diffuse Priors

In this section, we assume and place the diffuse priors

- $p(\sigma_x^2) \propto 1$
- $p(\mu_x|\sigma_x^2) \propto 1$ , where both  $\mu_x$  and  $\sigma_x^2$  have a flat prior.

Under this setting, the marginal posterior distributions are

- $\sigma_x^2|X \sim \text{Inverse-Gamma}(\alpha_n, \beta_n)$
- $\mu_x|X \sim t_{\nu_n}(\bar{x}, \sigma_n^2)$ ,

where  $\alpha_n = \frac{W - 3}{2}$ ,  $\beta_n = \frac{2}{\sum_{i=1}^N w_i (x_i - \bar{x})^2}$ ,  $\nu_n = W - 3$ , and  $\sigma_n^2 = \frac{1}{W(W - 3)} \sum_{i=1}^N w_i (x_i - \bar{x})^2$ .

We may find the Bayes estimators of  $\mu_x$  by computing the mode

$$\hat{\mu}_x = \bar{x} , \quad (41)$$

the expected value

$$\mathbb{E}(\mu_x|X) = \bar{x} , \quad (42)$$

and the variance of the marginal posterior distribution of  $\mu_x|X$

$$\mathbb{V}(\mu_x|X) = \frac{\nu_n}{\nu_n - 2} \sigma_n^2 . \quad (43)$$

We may also find a  $100(1 - c)\%$  Bayesian credible interval with equal tail covering  $\mu_x$  such that

$$\mu_x \in \left( \bar{x} - \text{IdfT}\left(1 - \frac{c}{2}, \nu_n\right) \sqrt{\sigma_n^2}, \bar{x} + \text{IdfT}\left(1 - \frac{c}{2}, \nu_n\right) \sqrt{\sigma_n^2} \right) \quad (44)$$

with the probability of  $c$ , where  $c = 0.05$  by default.

For two-sample paired  $t$ -test, we can repeat the procedure by placing the priors on the mean and the variance of the difference between the two paired variables.

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# One-Sample Bayesian Inference on Binomial Distribution

## Using Bayes-Factor

### Notations

The following notations defined in this section will be used for the subsequent sections.

- $X$ :  $X = (X_1, X_2, \dots, X_N)$ , a realization of Bernoulli trials with  $p(X_i = 1) = \pi$  and  $p(X_i = 0) = 1 - \pi$ .  $X$  is observed by  $x = (x_1, x_2, \dots, x_N)$ , where  $x_i$  is either 0 or 1. Note that we can handle any categorical variables with two different levels, either numeric (4 and 5) or string (Yes and No), which will be recoded to 0 or 1.
- $N$ : A total fixed number of cases (trials) in the data set.
- $f$ :  $f = (f_1, f_2, \dots, f_N)$ , a frequency or replication weight for  $X$ . Non-integer frequency weights are rounded to the nearest integer. For values less than 0.5 or missing, the corresponding case will not be used.
- $N_f$ :  $N_f = \sum_{i=1}^N f_i$ . If there is no frequencies present,  $N_f = N$ .
- $Y$ :  $Y = \sum_{i=1}^N f_i X_i \sim \text{Binomial}(N_f, \pi)$ , where  $Y$  is observed by  $y$ .
- $\pi_0$ : A population proportion parameter under the null hypothesis  $H_0$ . We assume that  $\pi_0 \sim \text{Beta}(a_0, b_0)$ .
- $\pi_1$ : A population proportion parameter under the alternative hypothesis  $H_1$ . We assume that  $\pi_1 \sim \text{Beta}(a_1, b_1)$ .

### Bayes-Factor Based on Beta-Binomial Distribution

The Bayes factor based on the Beta-Binomial distribution is

$$\Delta_{01} = \frac{\Pr(Y|H_0)}{\Pr(Y|H_1)} = \frac{B(a_0 + y, b_0 + N_f - y)B(a_1, b_1)}{B(a_1 + y, b_1 + N_f - y)B(a_0, b_0)}, \quad (1)$$

where  $B$  is the beta function defined by

$$B(a, b) = \frac{\Gamma(a)\Gamma(b)}{\Gamma(a + b)}. \quad (2)$$

## Using Conjugate and Noninformative Priors

### Notations

The following notations defined in this section will be used for the subsequent sections.

- $X$ :  $X = (X_1, X_2, \dots, X_N)$ , a realization of Bernoulli trials with  $p(X_i = 1) = \pi$  and  $p(X_i = 0) = 1 - \pi$ .  $X$  is observed by  $x = (x_1, x_2, \dots, x_N)$ , where  $x_i$  is either 0 or 1. Note that we can handle any categorical variables with two different levels, either numeric (4 and 5) or string (Yes and No), which will be recoded to 0 or 1.
- $N$ : A total fixed number of cases (trials) in the data set.
- $f$ :  $f = (f_1, f_2, \dots, f_N)$ , a frequency or replication weight for  $X$ . Non-integer frequency weights are rounded to the nearest integer. For values less than 0.5 or missing, the corresponding case will not be used.
- $N_f$ :  $N_f = \sum_{i=1}^N f_i$ . If there is no weights present,  $N_f = N$ .
- $Y$ :  $Y = \sum_{i=1}^N f_i X_i \sim \text{Binomial}(N_f, \pi)$ , where  $Y$  is observed by  $y$ .
- $\pi$ : A population proportion parameter, with its prior distribution assumed in later discussions.

### Beta Prior

In this section, we place a conjugate prior placed on  $\pi$  by assuming that  $\pi \sim \text{Beta}(a, b)$ , where  $a, b > 0$ . The sufficient sample size to estimate is  $N_f \geq 1$ .

Under this setting, the marginal posterior distribution of  $\pi$  is

- $\pi|Y \sim \text{Beta}(a + y, b + N_f - y)$ .

Note that this also applies to the following two special cases:

- Uniform prior, when  $a = b = 1$ ,
- Jeffreys prior, when  $a = b = 0.5$ .

We may find the Bayes estimators of  $\pi$  by computing the expected value

$$\mathbb{E}(\pi|Y) = \frac{a + y}{a + b + N_f}, \quad (3)$$

and the variance of the marginal posterior distribution of  $\pi|Y$

$$\mathbb{V}(\pi|Y) = \frac{(a + y)(b + N_f - y)}{(a + b + N_f)^2(a + b + N_f + 1)}. \quad (4)$$

We may also find a  $100(1 - c)\%$  Bayesian credible interval with equal tail covering  $\pi$  such that

$$\pi \in \left( \text{IdfBeta}\left(\frac{c}{2}, a + y, b + N_f - y\right), \text{IdfBeta}\left(1 - \frac{c}{2}, a + y, b + N_f - y\right) \right) \quad (5)$$

with the probability of  $c$ , where  $c = 0.05$  by default.

To find the mode of  $\pi|Y$  needs a few more discussions on the parameter support.

- If  $a + y > 1$  and  $b + N_f - y > 1$ ,

$$\hat{\pi} = \frac{a + y - 1}{a + b + N_f - 2}. \quad (6)$$

- If  $a + y < 1$  and  $b + N_f - y < 1$ , the left mode is 0, the right mode is 1, and we define the anti-mode

$$\tilde{\pi} = \frac{a + y - 1}{a + b + N_f - 2}. \quad (7)$$

In the output design, we may indicate that this is the “anti-mode”.

- If  $a + y < 1$  and  $b + N_f - y \geq 1$ , or if  $a + y = 1$  and  $b + N_f - y > 1$ ,  $\hat{\pi} = 0$ .
- If  $a + y \geq 1$  and  $b + N_f - y < 1$ , or if  $a + y > 1$  and  $b + N_f - y = 1$ ,  $\hat{\pi} = 1$ .
- Note that if  $a + y = b + N_f - y = 1$ , the posterior distribution is actually a uniform distribution with the mode equal to any value in the range  $[0, 1]$ .

### Haldane's Prior

The density function of the Haldane's prior is  $p(\pi) = \pi^{-1}(1 - \pi)^{-1}$ , which is an improper prior distribution. It can be treated as a special Beta distribution with  $a = b = 0$ . The preceding statistics derived from the posterior distribution still apply. Hence, we can allow a conjugate prior placed on  $\pi$  by assuming that  $\pi \sim \text{Beta}(a, b)$ , where  $a, b > 0$ , together with a special case of  $a = b = 0$  to handle the Haldane's prior.

### Define “Success” for Variables

To include the scale variables and the categorical variables with more than two levels, we discuss several ways to define the “success” category, recode and dichotomize the variables.

**Numerical Variables**

To dichotomize a numerical variable with two or more than two values, we offer the following options to define “success”:

- Using the last value found in the category after sorted in an ascending order, which is the setting by default.
- Using the first value found in the category after sorted in an ascending order.
- Using the values  $\geq$  the midpoint which is the average of the minimum and maximum sample data.
- Using the values  $\geq$  a specified cutoff value.
- Using the specified values (can be more than 1) in the sample data.

**String Variables**

To recode a string variable with more than two levels, we offer the following options to define “success”:

- Using the last level found in the category after sorted in an ascending order, which is the setting by default.
- Using the first level found in the category after sorted in an ascending order.
- Using the specified levels (can be more than 1) in the sample data.

# One-Sample Bayesian Inference On Poisson Distribution

## Using Bayes-Factor

### Notations

The following notations defined in this section will be used for the subsequent sections.

$X$ :  $X = (X_1, X_2, \dots, X_N)$ , a random sample from Poisson distribution of mean  $\lambda$ , or  $X_i \sim \text{Poisson}(\lambda)$ .  $X_i = 0, 1, 2, \dots$ , which takes a nonnegative integer.

$N$ : A total number of cases (events) in the data set.

$f$ :  $f = (f_1, f_2, \dots, f_N)$ , a frequency or replication weight for  $X$ . Non-integer frequency weights are rounded to the nearest integer. For values less than 0.5 or missing, the corresponding case will not be used.

$N_f$ :  $N_f = \sum_{i=1}^N f_i$ . If there is no frequencies present,  $N_f = N$ .

$Y$ :  $Y = \sum_{i=1}^N f_i X_i \sim \text{Poisson}(N_f \lambda)$ , where  $Y$  is observed by  $y$ . Note that  $Y$  is a sufficient statistic.

$\lambda_0$ : A population rate parameter under the null hypothesis  $H_0$ . We assume that  $\lambda_0 \sim \text{Gamma}(a_0, b_0)$ .

$\lambda_1$ : A population rate parameter under the alternative hypothesis  $H_1$ . We assume that  $\lambda_1 \sim \text{Gamma}(a_1, b_1)$ .

### Bayes-Factor Based on Gamma-Poisson Distribution

Consider the probability density function for Gamma prior defined by

$$p(\lambda|a, b) = \frac{b^a}{\Gamma(a)} \lambda^{a-1} e^{-b\lambda}, \quad (1)$$

where  $a, b > 0$ . If  $b_0$  and  $b_1$  are rate parameters, the Bayes factor based on the Gamma-Poisson distribution is

$$\Delta_{01} = \frac{\Pr(Y|H_0)}{\Pr(Y|H_1)} = \frac{b_0^{a_0} (b_1 + N_f)^{a_1+y} \Gamma(a_0 + y) \Gamma(a_1)}{b_1^{a_1} (b_0 + N_f)^{a_0+y} \Gamma(a_1 + y) \Gamma(a_0)}, \quad (2)$$

where  $\Gamma$  is the gamma function defined by

$$\Gamma(k) = \int_0^{\infty} t^{k-1} e^{-t} dt. \quad (3)$$

### Using Conjugate and Reference Priors

#### Notations

The following notations defined in this section will be used for the subsequent sections.

$X$ :  $X = (X_1, X_2, \dots, X_N)$ , a random sample from Poisson distribution of mean  $\lambda$ , or  $X_i \sim \text{Poisson}(\lambda)$ .  $X_i = 0, 1, 2, \dots$ , which takes a nonnegative integer.

$f$ :  $f = (f_1, f_2, \dots, f_N)$ , a frequency or replication weight for  $X$ . Non-integer frequency weights are rounded to the nearest integer. For values less than 0.5 or missing, the corresponding case will not be used.

$N_f$ :  $N_f = \sum_{i=1}^N f_i$ . If there is no frequencies present,  $N_f = N$ .

$Y$ :  $Y = \sum_{i=1}^N f_i X_i \sim \text{Poisson}(N_f \lambda)$ , where  $Y$  is observed by  $y$ . Note that  $Y$  is a sufficient statistic.

$\lambda$ : A population rate or intensity parameter, with its prior distribution assumed in later discussions.

### Gamma Prior

In this section, we place a conjugate prior on  $\lambda$  by assuming that  $\lambda \sim \text{Gamma}(a_0, b_0)$ , where  $a_0, b_0 > 0$ , and  $b_0$  is the rate parameter. The probability density function of the prior is thus

$$p(\lambda|a_0, b_0) = \frac{b_0^{a_0}}{\Gamma(a_0)} \lambda^{a_0-1} e^{-b_0\lambda}. \quad (4)$$

Under this setting, the marginal posterior distribution of  $\lambda$  is

- $\lambda|Y \sim \text{Gamma}(a_N, b_N)$ ,

where  $a_N = \sum_{i=1}^N f_i x_i + a_0 = y + a_0$ , and  $b_N = N_f + b_0$ . We may find the Bayes estimators of  $\lambda$  by computing the expected value

$$\mathbb{E}(\lambda|Y) = a_N/b_N, \quad (5)$$

and the variance of the marginal posterior distribution of  $\lambda|Y$

$$\mathbb{V}(\lambda|Y) = a_N/b_N^2. \quad (6)$$

We may also find a  $100(1-c)\%$  Bayesian credible interval with equal tail covering  $\lambda$  such that

$$\lambda \in \left( \text{IdfGam}\left(\frac{c}{2}, a_N, b_N\right), \text{IdfGam}\left(1 - \frac{c}{2}, a_N, b_N\right) \right) \quad (7)$$

with the probability of  $c$ , where  $c = 0.05$  by default.

To find the mode of  $\lambda|Y$  needs a few more discussions on the parameter support.

- If  $a_N \geq 1$ ,

$$\hat{\lambda} = (a_N - 1)/b_N. \quad (8)$$

- If  $0 < a_N < 1$ , mode does not exist. The density curve forms an asymptote near  $y = 0$ .

### Uniform Prior

In this section, we place a reference prior on  $\lambda$  by assuming that  $\lambda \sim \text{Uniform}(0, 1)$ . Actually this prior follows a special case as discussed in the ‘‘Gamma Prior’’ section with  $a_0 = 1$  and  $b_0 = 0$ . Under this setting, the marginal posterior distribution of  $\lambda$  is

- $\lambda|Y \sim \text{Gamma}(a_N, b_N)$ ,

where  $a_N = \sum_{i=1}^N f_i x_i + 1 = y + 1$ , and  $b_N = N_f$ . We may find the Bayes estimators of  $\lambda$  by computing the expected value

$$\mathbb{E}(\lambda|Y) = a_N/b_N = (y + 1)/N_f, \quad (9)$$

and the variance of the marginal posterior distribution of  $\lambda|Y$

$$\mathbb{V}(\lambda|Y) = a_N/b_N^2 = (y + 1)/N_f^2. \quad (10)$$

We may also find a  $100(1-c)\%$  Bayesian credible interval with equal tail covering  $\lambda$  such that

$$\lambda \in \left( \text{IdfGam}\left(\frac{c}{2}, y + 1, N_f\right), \text{IdfGam}\left(1 - \frac{c}{2}, y + 1, N_f\right) \right) \quad (11)$$

with the probability of  $c$ , where  $c = 0.05$  by default.

Similarly, the mode of  $\lambda|Y$  depends on the parameter support.

- If  $a_N \geq 1$ ,

$$\hat{\lambda} = (a_N - 1)/b_N = y/N_f. \quad (12)$$

- If  $0 < a_N < 1$ , mode does not exist. The density curve forms an asymptote near  $y = 0$ .

### Jeffreys Prior

In this section, we place the Jeffreys prior on  $\lambda$  by assuming that  $p(\lambda) \propto \lambda^{-1/2}$ . Actually this prior follows a special case as discussed in the “Gamma Prior” section with  $a_0 = 1/2$  and  $b_0 = 0$ . Under this setting, the marginal posterior distribution of  $\lambda$  is

- $\lambda|Y \sim \text{Gamma}(a_N, b_N)$ ,

where  $a_N = \sum_{i=1}^N f_i x_i + 1/2 = y + 1/2$ , and  $b_N = N_f$ . We may find the Bayes estimators of  $\lambda$  by computing the expected value

$$\mathbb{E}(\lambda|Y) = a_N/b_N = (y + 1/2)/N_f, \quad (13)$$

and the variance of the marginal posterior distribution of  $\lambda|Y$

$$\mathbb{V}(\lambda|Y) = a_N/b_N^2 = (y + 1/2)/N_f^2. \quad (14)$$

We may also find a  $100(1 - c)\%$  Bayesian credible interval with equal tail covering  $\lambda$  such that

$$\lambda \in \left( \text{IdfGam}\left(\frac{c}{2}, y + 1/2, N_f\right), \text{IdfGam}\left(1 - \frac{c}{2}, y + 1/2, N_f\right) \right) \quad (15)$$

with the probability of  $c$ , where  $c = 0.05$  by default.

Similarly, the mode of  $\lambda|Y$  depends on the parameter support.

- If  $a_N \geq 1$ ,

$$\hat{\lambda} = (a_N - 1)/b_N = (y - 1/2)/N_f. \quad (16)$$

- If  $0 < a_N < 1$ , mode does not exist. The density curve forms an asymptote near  $y = 0$ .

## BAYES REGRESSION Algorithms

### Bayesian Inference on Multiple Linear Regression Models

#### Bayesian Inference on the Linear Regression Models

Let  $q_i$  denote the regression weight for the  $i$ -th case in the  $n$  observations. If there is no regression weight specified,  $q_i = 1$ . If  $q_i \leq 0$  or missing, the corresponding case is not used. Let  $f_i$  denote the frequency weight for the  $i$ -th case in the  $n$  observations. A non-integer  $f_i$  is rounded to the nearest integer. For  $f_i \leq 0.5$  or missing, the corresponding case will not be used. We further define  $w_i \equiv q_i f_i$ , and  $\mathbf{W} \equiv \text{diag}(w_1, w_2, \dots, w_n) = \text{diag}(q_1 f_1, q_2 f_2, \dots, q_n f_n)$ , or

$$\mathbf{W} = \begin{pmatrix} q_1 f_1 & 0 & \cdots & 0 \\ 0 & q_2 f_2 & \cdots & 0 \\ \vdots & \vdots & \ddots & \vdots \\ 0 & 0 & \cdots & q_n f_n \end{pmatrix}_{n \times n}. \quad (1)$$

Note that the effective sample is  $N = \sum_{i=1}^n f_i$ .  $N = n$  if no frequency weights are present.

#### Using Bayes Factor

##### Zellner's Method

Zellner once suggested a  $g$  prior broadly discussed under  $\mathcal{M}_1$  [Zellner, 1986]:

- $p(\alpha, \phi | \mathcal{M}_1) = 1/\phi$ .
- $\beta | (\phi, g, \mathcal{M}_1) \sim \text{Normal} \left( \mathbf{0}, \frac{g}{\phi} (\mathbf{X}^T \mathbf{W} \mathbf{X})^{-1} \right)$ , where  $g$  is fixed.

Since  $g$  is fixed, Zellner's  $g$  prior has the computational efficiency. Under these settings, the Bayes factor suggested by Zellner between  $\mathcal{M}_1$  and  $\mathcal{M}_0$  has a closed form

$$\Delta_{10}^z = (1 + g)^{(N-p-1)/2} [1 + g(1 - R^2)]^{-(N-1)/2}, \quad (2)$$

where  $g > 0$ , which is fixed and preset, and  $R^2$  is the unadjusted proportion of variance accounted for by the covariate which can be similarly computed by the REGRESSION algorithm.

##### Jeffreys-Zellner-Siow's (JZS) Method

The Bayes factor suggested by Zellner and Siow between  $\mathcal{M}_1$  and  $\mathcal{M}_0$  is

$$\Delta_{10}^s = \int_0^\infty (1 + g)^{(N-1-p)/2} [1 + g(1 - R^2)]^{-(N-1)/2} \left( \frac{\sqrt{N/2}}{\Gamma(1/2)} g^{-3/2} e^{-N/(2g)} \right) dg, \quad (3)$$

where  $\Gamma(1/2) = \sqrt{\pi}$ , and  $R^2$  is the unadjusted proportion of variance accounted for by the covariate which can be similarly computed by the REGRESSION algorithm.

##### Hyper- $g$ Method

The Bayes factor suggested by Liang et al between  $\mathcal{M}_1$  and  $\mathcal{M}_0$  is

$$\Delta_{10}^h(a) = \frac{a-2}{2} \int_0^\infty (1 + g)^{(N-1-p-a)/2} [1 + g(1 - R^2)]^{-(N-1)/2} dg \quad (4)$$

$$(5)$$

where  $a$  is preset,  $R^2$  is the unadjusted proportion of variance accounted for by the covariate which can be similarly computed by the REGRESSION algorithm.

### Rouder's Method

The Bayes factor suggested by Rouder and Morey between  $\mathcal{M}_1$  and  $\mathcal{M}_0$  is

$$\Delta_{10}^r(s) = \int_0^\infty (1+g)^{(N-p-1)/2} [1+g(1-R^2)]^{-(N-1)/2} \left( \frac{\sqrt{Ns^2/2}}{\Gamma(1/2)} g^{-3/2} e^{-Ns^2/(2g)} \right) dg, \quad (6)$$

where  $s$  ( $s > 0$ ) is specified by users,  $\Gamma(1/2) = \sqrt{\pi}$ , and  $R^2$  is the unadjusted proportion of variance accounted for by the predictors which can be similarly computed by the REGRESSION algorithm.

### Full model based Bayes factors

Although most of the approaches are based on the comparison of  $\mathcal{M}_1$  with the null model  $\mathcal{M}_0$ , it is still necessary and tractable to derive a full model based Bayes factor. The full mode can be expressed by

$$\mathcal{M}_F : \mathbf{y} = \mathbf{1}_n \alpha + \mathbf{X} \boldsymbol{\beta} + \mathbf{Z} \boldsymbol{\gamma} + \boldsymbol{\epsilon}. \quad (7)$$

The null hypothesis we desire to test is  $H_0 : \boldsymbol{\gamma} = \mathbf{0}$ . To construct the Bayes factor based on the user-defined full model, we may follow the similar procedures aforementioned in the previous sections. Thus, the Bayes factors between  $\mathcal{M}_1$  and  $\mathcal{M}_F$  by different methods are

$$\text{Zellner: } \Delta_{1F}^z(g) = (1+g)^{-(N-P-1)/2} \left[ 1 + g \left( \frac{1-R_F^2}{1-R_1^2} \right) \right]^{(N-p-1)/2}, \quad (8)$$

$$\text{JZS: } \Delta_{1F}^s(g) = \int_0^\infty (1+g)^{-(N-P-1)/2} \left[ 1 + g \left( \frac{1-R_F^2}{1-R_1^2} \right) \right]^{(N-p-1)/2} \left( \frac{\sqrt{N/2}}{\Gamma(1/2)} g^{-3/2} e^{-N/(2g)} \right) dg, \quad (9)$$

$$\text{Hyper-}g: \Delta_{1F}^h(a) = \frac{a-2}{2} \int_0^\infty (1+g)^{-(N-1-P+a)/2} \left[ 1 + g \left( \frac{1-R_F^2}{1-R_1^2} \right) \right]^{(N-p-1)/2} dg, \quad (10)$$

$$\text{Rouder: } \Delta_{1F}^r(s) = \int_0^\infty (1+g)^{-(N-P-1)/2} \left[ 1 + g \left( \frac{1-R_F^2}{1-R_1^2} \right) \right]^{(N-p-1)/2} \left( \frac{s\sqrt{N/2}}{\Gamma(1/2)} g^{-3/2} e^{-Ns^2/(2g)} \right) dg, \quad (11)$$

where  $R_1^2$  and  $R_F^2$  are the unadjusted proportion of variance accounted for by the covariate of the models  $\mathcal{M}_1$  and  $\mathcal{M}_F$ . The integrals in the Equations (8)-(11) can be numerically approximated by feeding in the correct input  $f(g)$ .

### Characterizing Posterior Distributions

In this section, we still consider Model  $\mathcal{M}_1$  represented by Equation (??). In the following discussions, we define  $\boldsymbol{\theta}^T = (\alpha, \boldsymbol{\beta}^T)$ , and

$$\mathbf{A} = [\mathbf{1}, \mathbf{X}] = [\mathbf{1}, \mathbf{X}_1, \mathbf{X}_2, \dots, \mathbf{X}_p] = \begin{pmatrix} 1 & x_{11} & x_{21} & \cdots & x_{p1} \\ 1 & x_{12} & x_{22} & \cdots & x_{p2} \\ \vdots & \vdots & \vdots & \vdots & \vdots \\ 1 & x_{1n} & x_{2n} & \cdots & x_{pn} \end{pmatrix}_{n \times (p+1)}. \quad (12)$$

Note that the columns of  $\mathbf{A}$  must be linearly independent, and  $\text{rank}(\mathbf{A}) = p+1$ . In practice, we can release this restriction. From the following presentation, we let  $(\mathbf{A}^T \mathbf{W} \mathbf{A})^{-1}$  denote the generalized inverse of  $\mathbf{A}^T \mathbf{A}$ , and do not assume that  $\mathbf{A}^T \mathbf{W} \mathbf{A}$  is nonsingular.

Recall from the conventional statistical analysis on multiple linear regression models, the unbiased estimates of the regression parameters are

$$\tilde{\boldsymbol{\theta}} = (\mathbf{A}^T \mathbf{W} \mathbf{A})^{-1} \mathbf{A}^T \mathbf{W} \mathbf{y}, \quad (13)$$

and the variance of the error terms

$$\tilde{\sigma}^2 = \frac{1}{N-(p+1)} (\mathbf{y} - \mathbf{A} \tilde{\boldsymbol{\theta}})^T \mathbf{W} (\mathbf{y} - \mathbf{A} \tilde{\boldsymbol{\theta}}). \quad (14)$$

### Using Conjugate Priors

We place a conjugate prior by assuming that

- $\sigma^2 \sim \text{Inverse-Gamma}(a_0, b_0)$ ,
- $\boldsymbol{\theta}|\sigma^2 \sim \text{Normal}(\boldsymbol{\theta}_0, \sigma^2 \mathbf{V}_0)$ .

Note that  $\mathbf{V}_0$  must be positive definite, and specified with a correct size dimension. Otherwise, the output will give a warning message, and use the identity matrix  $\mathbf{I}_{p+1}$  to continue the analysis. In case that redundant columns are identified in the design matrix, we will not do any estimating, but assign 0 to the estimated coefficients. For Bayesian prediction, we will zero out the corresponding elements in  $\boldsymbol{\theta}_0$  and, columns and rows in  $\mathbf{V}_0$ .

**Regression parameters  $\boldsymbol{\theta}$ :** Under this setting, the resulting marginal posterior distribution  $\boldsymbol{\theta}|\mathbf{X}, \mathbf{y}$  follows a scaled multivariate  $t$  distribution with  $\nu$  degrees of freedom, where  $\nu = 2a_0 + N$ .

Before finding the Bayes estimator of  $\boldsymbol{\theta}$ , we define the following quantities:

$$\boldsymbol{\theta}_1 = (\mathbf{V}_0^{-1} + \mathbf{A}^T \mathbf{W} \mathbf{A})^{-1} (\mathbf{V}_0^{-1} \boldsymbol{\theta}_0 + \mathbf{A}^T \mathbf{W} \mathbf{y}), \quad (15)$$

$$\mathbf{V}_1 = (\mathbf{V}_0^{-1} + \mathbf{A}^T \mathbf{W} \mathbf{A})^{-1}, \quad (16)$$

$$a_1 = a_0 + \frac{N}{2}, \quad (17)$$

$$b_1 = b_0 + \frac{1}{2} (\boldsymbol{\theta}_0^T \mathbf{V}_0^{-1} \boldsymbol{\theta}_0 + \mathbf{y}^T \mathbf{W} \mathbf{y} - \boldsymbol{\theta}_1^T (\mathbf{V}_0^{-1} + \mathbf{A}^T \mathbf{W} \mathbf{A}) \boldsymbol{\theta}_1). \quad (18)$$

Hence, assuming that  $\nu > 4$ , we compute the mode

$$\hat{\boldsymbol{\theta}} = \boldsymbol{\theta}_1 = (\mathbf{V}_0^{-1} + \mathbf{A}^T \mathbf{W} \mathbf{A})^{-1} (\mathbf{V}_0^{-1} \boldsymbol{\theta}_0 + \mathbf{A}^T \mathbf{W} \mathbf{y}), \quad (19)$$

the expected value

$$\mathbb{E}(\boldsymbol{\theta}|\mathbf{X}, \mathbf{y}) = \boldsymbol{\theta}_1 = (\mathbf{V}_0^{-1} + \mathbf{A}^T \mathbf{W} \mathbf{A})^{-1} (\mathbf{V}_0^{-1} \boldsymbol{\theta}_0 + \mathbf{A}^T \mathbf{W} \mathbf{y}), \quad (20)$$

and the variance-covariance matrix

$$\mathbb{C}(\boldsymbol{\theta}|\mathbf{X}, \mathbf{y}) = \frac{\nu}{\nu - 2} \frac{b_1}{a_1} \mathbf{V}_1, \quad (21)$$

where  $\mathbf{V}_1$ ,  $a_1$ , and  $b_1$ , are defined by Equations (16)-(18), and the diagonal elements are the variances of the elements in  $\boldsymbol{\theta} = (\alpha, \beta_1, \beta_2, \dots, \beta_p)^T$ . Define

$$\mathbf{B}^* \equiv \begin{pmatrix} B_{11}^* & B_{12}^* & \cdots & B_{1p+1}^* \\ B_{21}^* & B_{22}^* & \cdots & B_{2p+1}^* \\ \vdots & \vdots & \vdots & \vdots \\ B_{p+11}^* & B_{p+12}^* & \cdots & B_{p+1p+1}^* \end{pmatrix} = \frac{b_1}{a_1} \mathbf{V}_1. \quad (22)$$

We may also find a  $100(1 - c)\%$  Bayesian credible interval with equal tail covering  $\alpha$  and  $\beta_i$  such that

$$\alpha \in \left( \hat{\theta}_1 - \text{IdfT}\left(1 - \frac{c}{2}, \nu\right) \sqrt{B_{11}^*}, \hat{\theta}_1 + \text{IdfT}\left(1 - \frac{c}{2}, \nu\right) \sqrt{B_{11}^*} \right), \text{ and} \quad (23)$$

$$\beta_i \in \left( \hat{\theta}_{i+1} - \text{IdfT}\left(1 - \frac{c}{2}, \nu\right) \sqrt{B_{i+1i+1}^*}, \hat{\theta}_{i+1} + \text{IdfT}\left(1 - \frac{c}{2}, \nu\right) \sqrt{B_{i+1i+1}^*} \right), \quad (24)$$

with the probability of  $c$ , where  $c = 0.05$  by default,  $i = 1, 2, \dots, p$ ,  $\hat{\theta}_i$  is the  $i$ -th element in  $\hat{\boldsymbol{\theta}}$ , and  $B_{i+1i+1}^*$  is the  $(i + 1)$ -th element on the diagonal of  $\mathbf{B}^*$ . Note that we only need to evaluate the diagonal elements of  $\mathbf{B}^*$ .

**Error variance  $\sigma^2$ :** Under the setting of conjugate priors, the marginal posterior distribution of  $\sigma^2$  is

$$\sigma^2 | \mathbf{X}, \mathbf{y} \sim \text{Inverse-Gamma}(a_1, b_1), \quad (25)$$

where  $a_1$  and  $b_1$  are defined by Equations (17) and (18), respectively.

We may find the Bayes estimators of  $\sigma^2$  by computing the mode

$$\hat{\sigma}^2 = \frac{b_1}{a_1 + 1}, \quad (26)$$

the expected value

$$\mathbb{E}(\sigma^2 | \mathbf{X}, \mathbf{y}) = \frac{b_1}{a_1 - 1}, \quad (27)$$

for  $a_1 > 1$ , and the variance of the marginal posterior distribution of  $\sigma^2 | \mathbf{X}, \mathbf{y}$

$$\mathbb{V}(\sigma^2 | \mathbf{X}, \mathbf{y}) = \frac{b_1^2}{(a_1 - 1)^2(a_1 - 2)}, \quad (28)$$

for  $a_1 > 2$ . We may also find a  $100(1 - c)\%$  Bayesian credible interval with equal tail covering  $\sigma^2$  such that

$$\sigma^2 \in \left( 1/\text{IdfGam}\left(1 - \frac{c}{2}, a_1, b_1\right), 1/\text{IdfGam}\left(\frac{c}{2}, a_1, b_1\right) \right), \quad (29)$$

with the probability of  $c$ , where  $c = 0.05$  by default.

**Predicted Value  $\tilde{\mathbf{y}}$ :** Suppose we have observed a new  $m \times (p + 1)$  matrix of regressors  $\tilde{\mathbf{A}}$ , and we are interested in predicting the corresponding outcome  $\tilde{\mathbf{y}}$ . Given  $\boldsymbol{\theta}$  and  $\sigma^2$ , it follows that

$$\tilde{\mathbf{y}} | \tilde{\mathbf{A}}, \boldsymbol{\theta}, \sigma^2 \sim \text{Normal}\left(\tilde{\mathbf{A}}\boldsymbol{\theta}, \sigma^2 \mathbf{I}_m\right). \quad (30)$$

The marginal posterior distribution of  $\tilde{\mathbf{y}}$  is

$$\tilde{\mathbf{y}} | \tilde{\mathbf{A}}, \mathbf{y} \sim t_{2a_1}\left(\tilde{\mathbf{A}}\boldsymbol{\theta}_1, \frac{b_1}{a_1}(\mathbf{I}_m + \tilde{\mathbf{A}}\mathbf{V}_1\tilde{\mathbf{A}}^T)\right), \quad (31)$$

where  $a_1$ ,  $b_1$ , and  $\mathbf{V}_1$  are defined in Equations (17), (18), and (16), respectively. We may find the Bayes estimators of  $\tilde{\mathbf{y}}$  by computing the mode

$$\hat{\tilde{\mathbf{y}}} = \tilde{\mathbf{A}}\boldsymbol{\theta}_1, \quad (32)$$

the expected value

$$\mathbb{E}(\tilde{\mathbf{y}} | \tilde{\mathbf{A}}, \mathbf{y}) = \tilde{\mathbf{A}}\boldsymbol{\theta}_1, \quad (33)$$

and the variance-covariance matrix

$$\mathbb{C}(\tilde{\mathbf{y}} | \tilde{\mathbf{A}}, \mathbf{y}) = \frac{b_1}{a_1 - 1} \left( \mathbf{I}_m + \tilde{\mathbf{A}}\mathbf{V}_1\tilde{\mathbf{A}}^T \right). \quad (34)$$

Define

$$\mathbf{D}^* \equiv \begin{pmatrix} D_{11}^* & D_{12}^* & \cdots & D_{1m}^* \\ D_{21}^* & D_{22}^* & \cdots & D_{2m}^* \\ \vdots & \vdots & \vdots & \vdots \\ D_{m1}^* & D_{m2}^* & \cdots & D_{mm}^* \end{pmatrix} = \frac{b_1}{a_1} \left( \mathbf{I}_m + \tilde{\mathbf{A}}\mathbf{V}_1\tilde{\mathbf{A}}^T \right). \quad (35)$$

We may also find a  $100(1 - c)\%$  Bayesian credible interval with equal tail covering  $\tilde{\mathbf{y}} = (\tilde{y}_1, \tilde{y}_2, \dots, \tilde{y}_m)^T$  such that

$$\tilde{y}_i \in \left( \hat{\tilde{y}}_i - \text{IdfT}\left(1 - \frac{c}{2}, 2a_1\right)\sqrt{D_{ii}^*}, \hat{\tilde{y}}_i + \text{IdfT}\left(1 - \frac{c}{2}, 2a_1\right)\sqrt{D_{ii}^*} \right), \quad (36)$$

with the probability of  $c$ , where  $c = 0.05$  by default,  $i = 1, 2, \dots, m$ ,  $\hat{\tilde{y}}_i$  is the  $i$ -th element in  $\hat{\tilde{\mathbf{y}}}$ , and  $D_{ii}^*$  is the  $i$ -th element on the diagonal of  $\mathbf{D}^*$ . Note that we only need to evaluate the diagonal elements of  $\mathbf{D}^*$ .

**A subset of  $\theta$ :** If we desire to make statistical inference on  $\theta = \mathbf{c}$  by including all the regression parameters, we may construct a Bayesian  $F$ -statistic by computing

$$\mathfrak{F}(\theta) = \frac{(\theta_1 - \mathbf{c})^T \mathbf{V}_1^{-1} (\theta_1 - \mathbf{c})}{2b_1} * \frac{2a_1}{p+1} \sim F_{p+1, 2a_1}, \quad (37)$$

where  $\theta_1$ ,  $\mathbf{V}_1$ ,  $a_1$ , and  $b_1$  are defined by Equations (15)-(18), respectively,  $p$  denotes the number of non-redundant parameters excluding the intercept term, and  $\mathbf{c}$  is a vector of testing values specified by users with its number of elements equal to the number of parameters under estimating. By default,  $\mathbf{c} = \mathbf{0}$ . The associated  $p$ -value is thus  $1 - \text{CDF.F}(\mathfrak{F}, p+1, 2a_1)$ , where CDF.F is the IBM® SPSS® Statistics function for the cumulative  $F$  distribution.

Furthermore, it is not an uncommon scenario in which we are interested in a subset of  $k$  non-redundant parameter(s) in  $\theta$ , where  $1 \leq k \leq p+1$ . Note that the redundant parameter(s) specified by users, if any, will be removed before the  $F$ -statistic is estimated. Let  $\theta'$  denote such  $k$  parameter(s) to be tested. To make inference on  $\theta'$ , we rewrite the null hypothesis as  $H_0 : \mathbf{L}\theta = \mathbf{c}$  by constructing an appropriate  $\mathbf{L}_{k \times (p+1)}$  matrix such that its element on the  $i$ -th row and the  $i'$ -th column is equal to 1 with the rest elements equal to 0, where  $i$  ( $1 \leq i \leq k$ ) and  $i'$  ( $1 \leq i' \leq p+1$ ) are the position index of the parameter(s) in  $\theta'$  and  $\theta$ , respectively. For instance, if  $\theta' = (\beta_1, \beta_3)^T$ , the  $\mathbf{L}$  matrix would be

$$\mathbf{L} = \begin{pmatrix} 0 & 1 & 0 & 0 & 0 & \cdots & 0 \\ 0 & 0 & 0 & 1 & 0 & \cdots & 0 \end{pmatrix}_{2 \times (p+1)}. \quad (38)$$

The  $F$ -statistic can be formulated by

$$\mathfrak{F}(\theta') = \frac{(\mathbf{L}\theta_1 - \mathbf{c})^T [\mathbf{L}\mathbf{V}_1\mathbf{L}^T]^{-1} (\mathbf{L}\theta_1 - \mathbf{c})}{2b_1} * \frac{2a_1}{k} \sim F_{k, 2a_1}. \quad (39)$$

The associated  $p$ -value is thus  $1 - \text{CDF.F}(\mathfrak{F}, k, 2a_1)$ , where CDF.F is the IBM® SPSS® Statistics function for the cumulative  $F$  distribution. Note that Equation (37) is a special case of Equation (39) when  $\mathbf{L} = \mathbf{I}_{(p+1) \times (p+1)}$ .

### Using Standard Reference Priors

By setting  $\mathbf{V}_0^{-1} \rightarrow 0$ ,  $a_0 = -(p+1)/2$ , and  $b_0 = 0$ , it turns out that we place a reference prior by assuming that

$$p(\theta, \sigma^2) \propto 1/\sigma^2. \quad (40)$$

**Regression parameters  $\theta$ :** Under the setting of Equation (40), the resulting marginal posterior distribution  $\theta|\mathbf{X}, \mathbf{y}$  follows a scaled multivariate  $t$  distribution with  $\nu = N - (p+1)$  degrees of freedom. We can also find the Bayes estimators of  $\theta$ , assuming that  $\mathbf{A}^T\mathbf{A}$  is nonsingular, by computing the mode

$$\hat{\theta} = (\mathbf{A}^T\mathbf{W}\mathbf{A})^{-1} \mathbf{A}^T\mathbf{W}\mathbf{y}, \quad (41)$$

the expected value

$$\mathbb{E}(\theta|\mathbf{X}, \mathbf{y}) = (\mathbf{A}^T\mathbf{W}\mathbf{A})^{-1} \mathbf{A}^T\mathbf{W}\mathbf{y}, \quad (42)$$

and the variance-covariance matrix

$$\mathbb{C}(\theta|\mathbf{X}, \mathbf{y}) = \frac{\nu}{\nu-2} s^2 (\mathbf{A}^T\mathbf{W}\mathbf{A})^{-1}, \quad (43)$$

where

$$s^2 = \frac{1}{\nu} (\mathbf{y} - \mathbf{A}\hat{\theta})^T \mathbf{W} (\mathbf{y} - \mathbf{A}\hat{\theta}) = \frac{1}{\nu} [\mathbf{y}^T \mathbf{W} \mathbf{y} - \mathbf{y}^T \mathbf{W} \mathbf{A} (\mathbf{A}^T \mathbf{W} \mathbf{A})^{-1} \mathbf{A}^T \mathbf{W} \mathbf{y}], \quad (44)$$

and the diagonal elements are the variances of the elements in  $\boldsymbol{\theta} = (\alpha, \beta_1, \beta_2, \dots, \beta_p)^\top$ . Define

$$\mathbf{A}^* \equiv \begin{pmatrix} A_{11}^* & A_{12}^* & \cdots & A_{1p+1}^* \\ A_{21}^* & A_{22}^* & \cdots & A_{2p+1}^* \\ \vdots & \vdots & \vdots & \vdots \\ A_{p+11}^* & A_{p+12}^* & \cdots & A_{p+1p+1}^* \end{pmatrix} = s^2 (\mathbf{A}^\top \mathbf{W} \mathbf{A})^{-1}. \quad (45)$$

We may also find a  $100(1-c)\%$  Bayesian credible interval with equal tail covering  $\alpha$  and  $\beta_i$  such that

$$\alpha \in \left( \hat{\theta}_1 - \text{IdfT}\left(1 - \frac{c}{2}, \nu\right) \sqrt{A_{11}^*}, \hat{\theta}_1 + \text{IdfT}\left(1 - \frac{c}{2}, \nu\right) \sqrt{A_{11}^*} \right), \text{ and} \quad (46)$$

$$\beta_i \in \left( \hat{\theta}_{i+1} - \text{IdfT}\left(1 - \frac{c}{2}, \nu\right) \sqrt{A_{i+1i+1}^*}, \hat{\theta}_{i+1} + \text{IdfT}\left(1 - \frac{c}{2}, \nu\right) \sqrt{A_{i+1i+1}^*} \right), \quad (47)$$

with the probability of  $c$ , where  $c = 0.05$  by default,  $i = 1, 2, \dots, p$ ,  $\hat{\theta}_i$  is the  $i$ -th element in  $\hat{\boldsymbol{\theta}}$ , and  $A_{i+1i+1}^*$  is the  $(i+1)$ -th element on the diagonal of  $\mathbf{A}^*$ . Note that we only need to evaluate the diagonal elements of  $\mathbf{A}^*$ .

**Error Variance  $\sigma^2$ :** Under the prior setting of (40), the marginal posterior distribution of  $\sigma^2$  is

$$\sigma^2 | \mathbf{X}, \mathbf{y} \sim \text{Inverse-}\chi^2(\nu, s^2) = \text{Inverse-Gamma}(\nu/2, \nu s^2/2), \quad (48)$$

where  $\nu = N - (p+1)$ , and  $s^2$  is defined by Equation (44).

We may find the Bayes estimators of  $\sigma^2$  by computing the mode

$$\hat{\sigma}^2 = \frac{\nu}{\nu+2} s^2, \quad (49)$$

the expected value

$$\mathbb{E}(\sigma^2 | \mathbf{X}, \mathbf{y}) = \frac{\nu}{\nu-2} s^2, \quad (50)$$

for  $\nu > 2$ , and the variance of the marginal posterior distribution of  $\sigma^2 | X, Y$

$$\mathbb{V}(\sigma^2 | \mathbf{X}, \mathbf{y}) = \frac{2\nu^2}{(\nu-2)^2(\nu-4)} s^4, \quad (51)$$

for  $\nu > 4$ . We may also find a  $100(1-c)\%$  Bayesian credible interval with equal tail covering  $\sigma^2$  such that

$$\sigma^2 \in \left( 1/\text{IdfGam}\left(1 - \frac{c}{2}, \frac{\nu}{2}, \frac{\nu}{2} s^2\right), 1/\text{IdfGam}\left(\frac{c}{2}, \frac{\nu}{2}, \frac{\nu}{2} s^2\right) \right), \quad (52)$$

with the probability of  $c$ , where  $c = 0.05$  by default.

**Predicted Value  $\tilde{\mathbf{y}}$ :** Suppose we have observed a new  $m \times (p+1)$  matrix of regressors  $\tilde{\mathbf{A}}$ , and we are interested in predicting the corresponding outcome  $\tilde{\mathbf{y}}$ . Given  $\boldsymbol{\theta}$  and  $\sigma^2$ , it follows that

$$\tilde{\mathbf{y}} | \tilde{\mathbf{A}}, \boldsymbol{\theta}, \sigma^2 \sim \text{Normal}\left(\tilde{\mathbf{A}}\boldsymbol{\theta}, \sigma^2 \mathbf{I}_m\right). \quad (53)$$

The marginal posterior distribution of  $\tilde{\mathbf{y}}$  is

$$\tilde{\mathbf{y}} | \tilde{\mathbf{A}}, \mathbf{y} \sim t_{N-(p+1)}\left(\tilde{\mathbf{A}}(\mathbf{A}^\top \mathbf{W} \mathbf{A})^{-1} \mathbf{A}^\top \mathbf{W} \mathbf{y}, s^2(\mathbf{I}_m + \tilde{\mathbf{A}}(\mathbf{A}^\top \mathbf{W} \mathbf{A})^{-1} \tilde{\mathbf{A}}^\top)\right), \quad (54)$$

where  $s^2$  is defined by Equations (44). We may find the Bayes estimators of  $\tilde{\mathbf{y}}$  by computing the mode

$$\hat{\tilde{\mathbf{y}}} = \tilde{\mathbf{A}}(\mathbf{A}^\top \mathbf{W} \mathbf{A})^{-1} \mathbf{A}^\top \mathbf{W} \mathbf{y} = \tilde{\mathbf{A}}\hat{\boldsymbol{\theta}}, \quad (55)$$

the expected value

$$\mathbb{E}(\tilde{\mathbf{y}} | \tilde{\mathbf{A}}, \mathbf{y}) = \tilde{\mathbf{A}}(\mathbf{A}^\top \mathbf{W} \mathbf{A})^{-1} \mathbf{A}^\top \mathbf{W} \mathbf{y} = \tilde{\mathbf{A}}\hat{\boldsymbol{\theta}}, \quad (56)$$

and the variance-covariance matrix

$$\mathbb{C}(\tilde{\mathbf{y}}|\tilde{\mathbf{A}}, \mathbf{y}) = \frac{\nu}{\nu-2} s^2 \left( \mathbf{I}_m + \tilde{\mathbf{A}}(\mathbf{A}^T \mathbf{W} \mathbf{A})^{-1} \tilde{\mathbf{A}}^T \right), \quad (57)$$

where  $\nu = N - (p + 1)$ . Define

$$\mathbf{F}^* \equiv \begin{pmatrix} F_{11}^* & F_{12}^* & \cdots & F_{1m}^* \\ F_{21}^* & F_{22}^* & \cdots & F_{2m}^* \\ \vdots & \vdots & \vdots & \vdots \\ F_{m1}^* & F_{m2}^* & \cdots & F_{mm}^* \end{pmatrix} = s^2 \left( \mathbf{I}_m + \tilde{\mathbf{A}}(\mathbf{A}^T \mathbf{W} \mathbf{A})^{-1} \tilde{\mathbf{A}}^T \right). \quad (58)$$

We may also find a  $100(1-c)\%$  Bayesian credible interval with equal tail covering  $\tilde{\mathbf{y}} = (\tilde{y}_1, \tilde{y}_2, \dots, \tilde{y}_m)^T$  such that

$$\tilde{y}_i \in \left( \hat{y}_i - \text{IdfT}\left(1 - \frac{c}{2}, \nu\right) \sqrt{F_{ii}^*}, \hat{y}_i + \text{IdfT}\left(1 - \frac{c}{2}, \nu\right) \sqrt{F_{ii}^*} \right), \quad (59)$$

with the probability of  $c$ , where  $c = 0.05$  by default,  $i = 1, 2, \dots, m$ ,  $\hat{y}_i$  is the  $i$ -th element in  $\hat{\mathbf{y}}$ , and  $F_{ii}^*$  is the  $i$ -th element on the diagonal of  $\mathbf{F}^*$ . Note that we only need to evaluate the diagonal elements of  $\mathbf{F}^*$ .

**A subset of  $\theta$ :** If we desire to make statistical inference on  $\theta = \mathbf{c}$  by including all the regression parameters, we may construct a Bayesian  $F$ -statistic by computing

$$\mathfrak{F}(\theta) = \frac{(\tilde{\theta} - \mathbf{c})^T \mathbf{A}^T \mathbf{W} \mathbf{A} (\tilde{\theta} - \mathbf{c})}{\mathbf{y}^T \mathbf{W} \mathbf{y} - \tilde{\theta}^T \mathbf{A}^T \mathbf{W} \mathbf{A} \tilde{\theta}} * \frac{\nu}{p+1} \sim F_{p+1, \nu}, \quad (60)$$

where  $\nu = N - (p + 1)$ ,  $\tilde{\theta}$  is defined by Equation (13),  $p$  denotes the number of non-redundant parameters excluding the intercept term, and  $\mathbf{c}$  is a vector of testing values specified by users with its number of elements equal to the number of parameters under estimating. By default,  $\mathbf{c} = \mathbf{0}$ . The associated  $p$ -value is thus  $1 - \text{CDF.F}(\mathfrak{F}, p+1, \nu)$ , where CDF.F is the IBM® SPSS® Statistics function for the cumulative  $F$  distribution.

Furthermore, it is not an uncommon scenario in which we are interested in a subset of  $k$  non-redundant parameter(s) in  $\theta$ , where  $1 \leq k \leq p+1$ . Note that the redundant parameter(s) specified by users, if any, will be removed before the  $F$ -statistic is estimated. Let  $\theta'$  denote such  $k$  parameter(s) to be tested. To make inference on  $\theta'$ , we rewrite the null hypothesis as  $H_0 : \mathbf{L}\theta = \mathbf{c}$  by constructing an appropriate  $\mathbf{L}_{k \times (p+1)}$  matrix such that its element on the  $i$ -th row and the  $i'$ -th column is equal to 1 with the rest elements equal to 0, where  $i$  ( $1 \leq i \leq k$ ) and  $i'$  ( $1 \leq i' \leq p+1$ ) are the position index of the parameter(s) in  $\theta'$  and  $\theta$ , respectively. For instance, if  $\theta' = (\beta_1, \beta_3)^T$ , the  $\mathbf{L}$  matrix would be

$$\mathbf{L} = \begin{pmatrix} 0 & 1 & 0 & 0 & 0 & \cdots & 0 \\ 0 & 0 & 0 & 1 & 0 & \cdots & 0 \end{pmatrix}_{2 \times (p+1)}. \quad (61)$$

The  $F$ -statistic can be formulated by

$$\mathfrak{F}(\theta') = \frac{(\mathbf{L}\tilde{\theta} - \mathbf{c})^T [\mathbf{L}(\mathbf{A}^T \mathbf{W} \mathbf{A})^{-1} \mathbf{L}^T]^{-1} (\mathbf{L}\tilde{\theta} - \mathbf{c})}{\mathbf{y}^T \mathbf{W} \mathbf{y} - \tilde{\theta}^T \mathbf{A}^T \mathbf{W} \mathbf{A} \tilde{\theta}} * \frac{\nu}{k} \sim F_{k, \nu}. \quad (62)$$

The associated  $p$ -value is thus  $1 - \text{CDF.F}(\mathfrak{F}, k, \nu)$ , where CDF.F is the IBM® SPSS® Statistics function for the cumulative  $F$  distribution. Note that Equation (60) is a special case of Equation (62) when  $\mathbf{L} = \mathbf{I}_{(p+1) \times (p+1)}$ .

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## BAYES REPEATED Algorithms

### Bayesian One-way Repeated Measures Anova Models

#### Introduction

In Bayesian one-way analysis of variance (ANOVA) models, we assume that there is a single measurement per subject. However, this assumption is not always true. It is not uncommon that a study design aims to investigate mean responses over multiple time points or conditions. Repeated measures ANOVA features such a design as the levels of one or more factors are measured from the same subject at each distinct time point or condition. The ANOVA models with repeated measures are also coined within-subject ANOVAs due to the fact that the levels are expressed within each subject.

The one-way repeated measures ANOVA model contains one factor and allows subjects to be crossed within the levels. Moreover, we assume that each subject has a single observation for each time point or condition, and thus we do not account for the subject-treatment interaction. A one-way ANOVA model with repeated measures designs contains two factors with one modeling treatment effect and the other subject effect, the latter of which tends to be treated as a random term.

In the following discussion, we present different Bayesian methods to draw statistical inference about one-way ANOVA models with repeated measures designs, and describe the procedure features.

#### General Notations

The following notations defined in this section will be used for the subsequent sections unless otherwise stated.

- $n$ : Number of distinct subjects in the data set. It is an integer, and  $n \geq 1$ . Each subject represents a single case.
- $i$ :  $i = 1, 2, \dots, n$  denoting the index of the  $n$  subject.
- $k$ : Number of repeated measurements, or variables, per subject. It is an integer, and  $k \geq 2$ .
- $j$ :  $j = 1, 2, \dots, k$  denoting the index of the  $k$  repeated measurements or variables.
- $\mathbf{Y}$ : An  $n \times k$  numeric matrix of dependent variables to be modeled. Its observed components are represented by

$$\mathbf{Y} = \begin{pmatrix} y_{11} & y_{12} & \cdots & y_{1k} \\ y_{21} & y_{22} & \cdots & y_{2k} \\ \vdots & \vdots & \ddots & \vdots \\ y_{n1} & y_{n2} & \cdots & y_{nk} \end{pmatrix}_{n \times k}. \quad (0.0.1)$$

- $q_i$ : Regression weight for the  $i$ -th subject. If there are no regression weights specified, we set  $q_i = 1$ . If either  $q_i \leq 0$  or  $q_i$  is missing, the corresponding subject is not used.
- $f_i$ : Frequency weight for the  $i$ -th subject. A noninteger  $f_i$  is rounded to the nearest integer. If either  $f_i \leq 0.5$  or  $f_i$  is missing, the corresponding subject is not used.
- $N$ : Number of effective subjects. It is an integer, and  $N = \sum_{i=1}^n f_i I(q_i > 0)$ , where  $I(q_i > 0) = 1$  if  $q_i > 0$ , and 0 otherwise. If there are no frequency or regression weights, we set  $N = n$ .

#### Estimating Bayes Factor

There are two methods for estimating the Bayes factor for assessing statistical evidence in the one-way ANOVA models with repeated measures designs. The first method is based on the approximation of Bayesian information criterion (BIC), and has a closed form expression. The second method is more general for ANOVA designs, but relies on numerical methods.

#### Bayesian Information Criterion Approximation Method

Based on the discussions in [Wagenmakers, 2007], Nathoo and Masson made an extension of the BIC approximation to the repeated measures design for estimating Bayes factors. They derived the effective sample

size accounting for repeated measures correlation, and suggested an improved penalty term when estimating the BIC for the selection between two competing models [Nathoo and Masson, 2016].

In this section, we consider the testing model

$$\mathcal{M}_1^b : Y_{ij} = \mu_j + b_i + \epsilon_{ij}, \quad (0.0.2)$$

where  $i = 1, 2, \dots, n$ ;  $j = 1, 2, \dots, k$ ;  $\mu_j$  is the  $j$ -th treatment, or within-subject effect;  $b_i \stackrel{iid}{\sim} \text{Normal}(0, \sigma_b^2)$ , which is the  $i$ -th subject effect; and  $\epsilon_{ij} \stackrel{iid}{\sim} \text{Normal}(0, \sigma_\epsilon^2)$ , which denotes the error term. Note that  $b_i$  and  $\epsilon_{ij}$  are assumed to be independent. The null model for comparison is the one containing the subject effect only, or

$$\mathcal{M}_0^b : Y_{ij} = \mu + b_i + \epsilon_{ij}. \quad (0.0.3)$$

This is equivalent to test  $H_0 : \mu_1 = \mu_2 = \dots = \mu_k = \mu$  versus  $H_1 : \mu_j \neq \mu$  for at least one  $j$ , where  $j = 1, 2, \dots, k$ .

Before estimating the BIC and the Bayes factor, it would be convenient to define the following quantities:

$$w_i = q_i f_i, \quad W = \sum_{i=1}^n w_i, \quad \bar{y}_{..} = \frac{1}{Wk} \sum_{i=1}^n \sum_{j=1}^k w_i y_{ij}, \quad \bar{y}_{i.} = \frac{1}{k} \sum_{j=1}^k y_{ij}, \quad \text{and} \quad \bar{y}_{.j} = \frac{1}{W} \sum_{i=1}^n w_i y_{ij}. \quad (0.0.4)$$

We further compute the total sum of squares

$$SS_T = \sum_{i=1}^n \sum_{j=1}^k w_i (y_{ij} - \bar{y}_{..})^2, \quad (0.0.5)$$

the between-subject sum of squares

$$SS_S = k \sum_{i=1}^n w_i (\bar{y}_{i.} - \bar{y}_{..})^2, \quad (0.0.6)$$

and the effect sum of squares

$$SS_C = W \sum_{j=1}^k (\bar{y}_{.j} - \bar{y}_{..})^2. \quad (0.0.7)$$

Based on the maximum likelihood estimates, the expression suggested by [Nathoo and Masson, 2016] for estimating  $\Delta BIC_{10} = BIC(\mathcal{M}_1^b) - BIC(\mathcal{M}_0^b)$  in terms of the one-way repeated measures ANOVA by using Equations (0.0.4)-(0.0.7) is:

- If  $kSS_S > SS_T$ ,

$$\Delta BIC_{10} = W(k-1) \log \left( \frac{SS_T - SS_C - SS_S}{SS_T - SS_S} \right) + (k+2) \log \left[ \frac{W(SS_T - SS_C)}{SS_S} \right] - 3 \log \left( \frac{W SS_T}{SS_S} \right). \quad (0.0.8)$$

- If  $SS_T - SS_C < kSS_S \leq SS_T$ ,

$$\begin{aligned} \Delta BIC_{10} = & W \log \left( \frac{SS_S}{W} \right) + W(k-1) \times \log \left( \frac{SS_T - SS_C - SS_S}{W(k-1)} \right) - Wk \log \left( \frac{SS_T}{Wk} \right) - 3 \log(Wk) \\ & + (k+2) \log \left[ \frac{W(SS_T - SS_C)}{SS_S} \right]. \end{aligned} \quad (0.0.9)$$

- If  $kSS_S \leq SS_T - SS_C$ ,

$$\Delta BIC_{10} = Wk \log \left( \frac{SS_T - SS_C}{SS_T} \right) + (k-1) \log(Wk). \quad (0.0.10)$$

Thus, the desired Bayes factor, suggested by [Wagenmakers, 2007], can be approximated by

$$B_{10}^b \approx \frac{1}{\exp(\Delta BIC_{10}/2)}, \quad (0.0.11)$$

where  $\Delta BIC_{10}$  is estimated by Equations (0.0.8), (0.0.9), or (0.0.10) depending on the conditions aforementioned.

### Rouder's Method for Mixed Designs

In this section, we reparametrize the dependent variable to be modeled by letting

$$\mathbf{y} = (y_{11}, y_{12}, \dots, y_{1n}, y_{21}, y_{22}, \dots, y_{2n}, \dots, y_{k1}, y_{k2}, \dots, y_{kn})^T, \quad (0.0.12)$$

where, for each observed component of  $\mathbf{y}$ , the first index of the subscription expression denotes the repeated measure, and the second index the subject.

[Rouder et al., 2012] suggested an approach to implementing the constraints by projecting the space of  $k$  dimensions into a space of dimension  $(k - 1)$  with the property that the marginal prior on all  $k$  effects is identical. To do this, we let

$$\boldsymbol{\Sigma}_k = \mathbf{I}_k - \mathbf{J}_k/k, \quad (0.0.13)$$

where  $\mathbf{I}_k$  is an identity matrix of size  $k$ , and  $\mathbf{J}_k = \mathbf{1}_k \mathbf{1}_k^T$ , which is a square matrix of size  $k$  with the entries all equal to 1. Note that  $\boldsymbol{\Sigma}_k$  has  $(k - 1)$  eigenvalues all equal to 1 and one equal to 0. Since  $\boldsymbol{\Sigma}_k$  is real and symmetric, we can eigendecompose it by

$$\boldsymbol{\Sigma}_k = \mathbf{Q}_k \mathbf{I}_{(k-1)} \mathbf{Q}_k^T, \quad (0.0.14)$$

where  $\mathbf{Q}_k$  is an orthogonal  $k \times (k - 1)$  matrix composed of the  $(k - 1)$  linearly independent eigenvectors of unit length corresponding to the nonzero eigenvalues of  $\boldsymbol{\Sigma}_k$ , and  $\mathbf{I}_{(k-1)}$  is an identity matrix of size  $(k - 1)$ .

Finally, we can set

$$\mathbf{X}^* = \mathbf{X} \mathbf{Q}_k, \quad (0.0.15)$$

which is an  $(kn) \times (k - 1)$  design matrix, and

$$\boldsymbol{\beta}^* = \mathbf{Q}_k^T \boldsymbol{\beta}, \quad (0.0.16)$$

which is a vector of length  $(k - 1)$ . With this advanced reparameterization and keeping the subject effect  $\mathbf{b}$ , the testing model in Equation (??) now becomes

$$\mathcal{M}_1^{r*} : \mathbf{y} = \mu \mathbf{1} + \sigma_\epsilon (\mathbf{X}^* \boldsymbol{\beta}^* + \mathbf{Z} \mathbf{b}) + \boldsymbol{\epsilon}, \quad (0.0.17)$$

where  $\mathbf{X}^*$  and  $\boldsymbol{\beta}^*$  are defined by Equations (0.0.15) and (0.0.16), respectively.

To estimate the desired Bayes factor, we consider the following prior structures:  $\boldsymbol{\beta}^* | g_1 \sim \mathbf{Normal}(\mathbf{0}, g_1 \mathbf{I}_{(k-1)})$  with  $g_1 \sim \text{Inverse-}\chi^2(1)$ , and  $\mathbf{b} | g_2 \sim \mathbf{Normal}(\mathbf{0}, g_2 \mathbf{I}_n)$  with  $g_2 \sim \text{Inverse-}\chi^2(1)$ . Due to a high computational hurdle, we only support regression weights for the procedure when the Rouder's mixed design is requested by users. Any frequency weights, if specified by users, are ignored, and we give a warning message to reflect this. By defining  $\mathbf{W} = \sum_{i=1}^n q_i$ , the weight matrix containing only regression weights

$$\mathbf{W} = \mathbf{I}_k \otimes \text{diag}(q_1, q_2, \dots, q_n), \quad (0.0.18)$$

the augmented design matrix

$$\mathbf{H} = \left( \mathbf{W}^{1/2} \mathbf{X}^*, \mathbf{W}^{1/2} \mathbf{Z} \right), \quad (0.0.19)$$

and the  $g$ -prior matrix

$$\mathbf{G} = \text{diag} \left( g_1 \mathbf{1}_{(k-1)}^T, g_2 \mathbf{1}_n^T \right), \quad (0.0.20)$$

we can compute the following quantities:

$$\mathbf{P}_0 = \mathbf{1}_{(kn)} \mathbf{1}_{(kn)}^T / (kn), \quad (0.0.21)$$

$$\bar{\mathbf{y}} = \mathbf{1}_{(kn)}^T \mathbf{W} \mathbf{y} / (kW), \quad (0.0.22)$$

$$\tilde{\mathbf{y}} = (\mathbf{I}_{(kn)} - \mathbf{P}_0) \mathbf{W}^{1/2} \mathbf{y}, \quad (0.0.23)$$

$$\tilde{\mathbf{H}} = (\mathbf{I}_{(kn)} - \mathbf{P}_0) \mathbf{H}, \quad (0.0.24)$$

and

$$\mathbf{V}_g = \tilde{\mathbf{H}}^T \tilde{\mathbf{H}} + \mathbf{G}^{-1}, \quad (0.0.25)$$

and further estimate

$$S(g_1, g_2) = \frac{1}{|\mathbf{G}|^{1/2} |\mathbf{V}_g|^{1/2}} \left( \frac{\mathbf{y}^T \mathbf{W} \mathbf{y} - kW \bar{\mathbf{y}}^2}{\tilde{\mathbf{y}}^T \tilde{\mathbf{y}} - \tilde{\mathbf{y}}^T \tilde{\mathbf{H}} \mathbf{V}_g^{-1} \tilde{\mathbf{H}}^T \tilde{\mathbf{y}}} \right)^{(kW-1)/2}, \quad (0.0.26)$$

where  $|\mathbf{G}|$  and  $|\mathbf{V}|$  denote the determinant of  $\mathbf{G}$  and  $\mathbf{V}$ , respectively. Thus, the Bayes factor comparing  $\mathcal{M}_1^*$  in Equation (0.0.17) with the model

$$\mathcal{M}_0^r : \mathbf{y} = \mu \mathbf{1} + \boldsymbol{\epsilon} \quad (0.0.27)$$

is

$$BF_{10}^r(g_1, g_2) = \int_0^\infty \int_0^\infty S(g_1, g_2) p(g_1) p(g_2) dg_1 dg_2, \quad (0.0.28)$$

where  $g_1$  and  $g_2$  are assumed to be independent, and both follow inverse- $\chi^2(1)$  with the probability density function defined by  $p(g_1) = (2\pi)^{-1/2} g_1^{-3/2} e^{-1/(2g_1)}$  and  $p(g_2) = (2\pi)^{-1/2} g_2^{-3/2} e^{-1/(2g_2)}$ , respectively. [Rouder et al., 2012] suggested using the Monte-Carlo sampling to evaluate the multidimensional integral in Equation (0.0.28), and argued that if  $S(g_1, g_2)$  is relatively diffuse, the evaluation might be accurate and efficient. To implement this, rewrite

$$BF_{10}^r(g_1, g_2) = \mathbb{E}_{(g_1, g_2)} [S(g_1, g_2)] \approx \frac{1}{L} \sum_{l=1}^L S(\mathbf{g}^{(l)}), \quad (0.0.29)$$

where  $L$  is the number of samples specified by users, and we set  $L = 30,000$  by default;  $\mathbf{g}^{(l)}$  is the  $l$ -th two-dimensional random vector sampled from the joint inverse- $\chi^2(1)$ . In this particular case,  $g_1 \sim \text{inverse-}\chi^2(1)$  and  $g_2 \sim \text{inverse-}\chi^2(1)$  are independently sampled. Note that to sample an inverse- $\chi^2$  random variable, we can first generate a random sample  $\mathcal{X} \sim \chi^2(1)$  by using `rvgam(0.5, 0.5)`, and then take the reciprocal of  $\mathcal{X}$  to obtain  $1/\mathcal{X} \sim \text{Inverse-}\chi^2(1)$ .

In one-way ANOVA models with repeated-measures designs, we are not normally interested in the subject effect  $\mathbf{b}$ . To obtain an appropriate Bayes factor to test the treatment effect  $\boldsymbol{\beta}$ , we need to compute an auxiliary Bayes factor which compares a model containing only the subject effect with the null model stated in Equation (0.0.27). Consider the model

$$\mathcal{M}_1^{aux} : \mathbf{y} = \mu \mathbf{1} + \sigma_\epsilon \mathbf{Z} \mathbf{b} + \boldsymbol{\epsilon}, \quad (0.0.30)$$

and redefine

$$\mathbf{H}' = \mathbf{W}^{1/2} \mathbf{Z}, \quad (0.0.31)$$

which is a design matrix excluding the first  $(k-1)$  columns in Equation (0.0.19), and

$$\mathbf{G}' = \text{diag}(g_2 \mathbf{1}_n^T), \quad (0.0.32)$$

which is a  $g$ -prior matrix excluding the first  $(k-1)$  columns in Equation (0.0.20). Correspondingly, Equation (0.0.24) becomes

$$\tilde{\mathbf{H}}' = (\mathbf{I}_{(kn)} - \mathbf{P}_0) \mathbf{H}', \quad (0.0.33)$$

where  $\mathbf{P}_0$  is the same as in Equation (0.0.21), and Equation (0.0.25) becomes

$$\mathbf{V}_g' = \tilde{\mathbf{H}}'^T \tilde{\mathbf{H}}' + \mathbf{G}'^{-1}. \quad (0.0.34)$$

Thus,

$$S(g_2) = \frac{1}{|\mathbf{G}'|^{1/2} |\mathbf{V}'_g|^{1/2}} \left( \frac{\mathbf{y}^\top \mathbf{W} \mathbf{y} - k W \bar{y}^2}{\tilde{\mathbf{y}}^\top \tilde{\mathbf{y}} - \tilde{\mathbf{y}}^\top \tilde{\mathbf{H}} \mathbf{V}'_g{}^{-1} \tilde{\mathbf{H}}^\top \tilde{\mathbf{y}}} \right)^{(kW-1)/2}, \quad (0.0.35)$$

where  $\bar{y}$  and  $\tilde{\mathbf{y}}$  remain the same as in Equations (0.0.22) and (0.0.23), respectively, and  $S$  does not depend on  $g_1$  any more.

The auxiliary Bayes factor comparing  $\mathcal{M}_1^{aux}$  in Equation (0.0.30) with the null model is

$$BF_{10}^{aux}(g_2) = \int_0^\infty S(g_2) p(g_2) dg_2, \quad (0.0.36)$$

which is also numerically approximated by the Monte-Carlo sampling

$$BF_{10}^{aux}(g_2) = \mathbb{E}_{(g_2)} [S(g_2)] \approx \frac{1}{L} \sum_{l=1}^L S(g_2^{(l)}), \quad (0.0.37)$$

where  $g_2 \sim \text{inverse-}\chi^2(1)$ . Note that we can recycle the random sample of  $g_2$  previously generated in Equation (0.0.29).

Finally, the desired Bayes factor, suggested by [Rouder et al., 2012] for a mixed ANOVA design, is

$$B_{10}^r = \frac{BF_{10}^r(g_1, g_2)}{BF_{10}^{aux}(g_2)}, \quad (0.0.38)$$

where  $BF_{10}^r(g_1, g_2)$  and  $BF_{10}^{aux}(g_2)$  are estimated by Equation (0.0.29) and (0.0.37), respectively.

### Characterizing Posterior Distributions

In addition to estimating the Bayes factors for model selection, [Nathoo and Masson, 2016] also derived a closed form for the posterior distribution of the mean parameters  $\boldsymbol{\mu} = (\mu_1, \mu_2, \dots, \mu_k)^\top$  based on the Bayesian central limit theorem. This large sample approximation actually does not depend on any prior distributions placed on the conditional mean parameters, and can be expressed in terms of the statistics estimated in previous discussions.

To derive the posterior distributions, we define

$$\hat{\boldsymbol{\mu}} = \bar{\mathbf{y}} = (\bar{y}_1, \bar{y}_2, \dots, \bar{y}_k)^\top, \quad (0.0.39)$$

where

$$\bar{y}_j = \frac{1}{W} \sum_{i=1}^n w_i y_{ij}. \quad (0.0.40)$$

The large sample normal approximation to the posterior distribution of  $\boldsymbol{\mu}$  is

$$\boldsymbol{\mu} | \mathbf{y} \stackrel{approx.}{\sim} \mathbf{Normal} \left( \hat{\boldsymbol{\mu}}, \hat{\boldsymbol{\Sigma}}/W \right), \quad (0.0.41)$$

where

$$\hat{\boldsymbol{\Sigma}} = \begin{cases} \frac{SS_T - SS_C - SS_S}{W(k-1)} \mathbf{I}_k + \frac{kSS_S - SS_T + SS_C}{Wk(k-1)} \mathbf{1}_k \mathbf{1}_k^\top, & \text{if } kSS_S - SS_T + SS_C > 0 \\ \frac{SS_T - SS_C}{Wk} \mathbf{I}_k, & \text{otherwise.} \end{cases} \quad (0.0.42)$$

Note that in Equation (0.0.42)  $\mathbf{I}_k$  denotes a  $k \times k$  identity matrix;  $\mathbf{1}_k$  is a  $k \times 1$  vector with its components all equal to 1; and  $SS_T$ ,  $SS_S$ , and  $SS_C$  are defined by Equations (0.0.5), (0.0.6), and (0.0.7), respectively.

We may find the Bayes estimators of  $\mu_j$ , where  $j = 1, 2, \dots, k$ , by computing the mode

$$\mathbb{M}(\mu_j | \mathbf{y}) = \hat{\mu}_j, \quad (0.0.43)$$

the expected value

$$\mathbb{E}(\mu_j|\mathbf{y}) = \hat{\mu}_j , \quad (0.0.44)$$

and the variance based on the posterior distribution of  $\boldsymbol{\mu}|\mathbf{y}$

$$\mathbb{V}(\mu_j|\mathbf{y}) = \hat{\Sigma}_{jj}/W , \quad (0.0.45)$$

where  $\hat{\mu}_j$  is the  $j$ -th component of  $\hat{\boldsymbol{\mu}}$ , and  $\hat{\Sigma}_{jj}$  is the  $j$ -th element on the diagonal of  $\hat{\boldsymbol{\Sigma}}$ . We may also find a  $100(1 - c)\%$  Bayesian credible interval with equal tail covering  $\mu_j$  such that

$$\mu_j \in \left[ \text{IdfNorm} \left( \frac{c}{2}, \hat{\mu}_j, \sqrt{\hat{\Sigma}_{jj}/W} \right), \text{IdfNorm} \left( 1 - \frac{c}{2}, \hat{\mu}_j, \sqrt{\hat{\Sigma}_{jj}/W} \right) \right] \quad (0.0.46)$$

with the probability of  $c$ , where  $c = 0.05$  by default.

# Bibliography

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# Bootstrapping Algorithms

Bootstrapping is a method for deriving robust estimates of standard errors and confidence intervals for estimates such as the mean, median, proportion, odds ratio, correlation coefficient or regression coefficient. It may also be used for constructing hypothesis tests. Bootstrapping is most useful as an alternative to parametric estimates when the assumptions of those methods are in doubt (as in the case of regression models with heteroscedastic residuals fit to small samples), or where parametric inference is impossible or requires very complicated formulas for the calculation of standard errors (as in the case of computing confidence intervals for the median, quartiles, and other percentiles).

## Notation

The following notation is used throughout this chapter unless otherwise stated:

Table 11-1

### Notation

Notation	Description
$K$	Number of distinct records in the dataset.
$X_k$	The $k$ th distinct record, $k=1, \dots, K$ .
$f_k$	Frequency weight of the $k$ th record.
$N$	Number of records, $N = \sum_{k=1}^K f_k$ .
$B$	Number of bootstrap samples.
$f_{bk}^*$	Generated frequency weight for the $k$ th record of the $b$ th bootstrap sample.
$T$	Statistic to bootstrap.
$T_b^*$	The $b$ th bootstrap copy of statistic $T$ .
$T_{(1)}^* \leq \dots \leq T_{(B)}^*$	Ordered bootstrap values.

## Sampling

The following sampling methods are available.

### Jackknife Sampling

Jackknife sampling is used in combination with bootstrap sampling to approximate influence functions that are used in computing BCa confidence intervals. The algorithm is performed by leaving out one record at a time, and outputs the following frequency weights:

$f_1 - 1$	$f_1$	...	$f_1$
$f_2$	$f_2 - 1$	...	$f_2$
...	...	...	...
$f_K$	$f_K - 1$	...	$f_K$

## Case Resampling

In the context of bootstrapping, case resampling means to randomly sample with replacement from the original dataset. This creates bootstrap samples of equal size to the original dataset. The algorithm is performed iteratively over  $k=1, \dots, K$  and  $b=1, \dots, B$  to generate frequency weights:

$$f_{bk}^* = \begin{cases} rv.binom\left(N, \frac{f_k}{N}\right) & k = 1 \\ rv.binom\left(N - \sum_{i=1}^{k-1} f_{bi}^*, \frac{f_k}{N - \sum_{i=1}^{k-1} f_i}\right) & otherwise \end{cases}$$

## Stratified Sampling

When subpopulations vary considerably, it is advantageous to sample each subpopulation (stratum) independently. Stratification is the process of grouping members of the population into relatively homogeneous subgroups before sampling. The strata should be mutually exclusive: every element in the population must be assigned to only one stratum. The strata should also be collectively exhaustive: no population element can be excluded. Then simple case resampling is applied within each stratum to generate frequency weights  $f_{bsk_s}^*$ .

## Residual Sampling

Residual sampling supports bootstrapping of regression models. In this case, the predicted variable for each record will be adjusted with a residual that is randomly sampled in the residual set with replacement. This adjusted variable will be used as the dependent variable in the new bootstrap sample. Residual sampling assumes homoscedastic residuals.

The following notation applies to residual sampling:

Table 11-2

Notation

Notation	Description
$(x_k, y_k)$	Data pairs used to build regression models.
$\hat{y}_k$	Predicted values under the fitted model.
$\hat{\epsilon}_k$	Residuals, $\hat{\epsilon}_k = y_k - \hat{y}_k$ .
$(x_i^*, y_{bi}^*)$	Data pairs for the $b$ th bootstrap sample.

For  $i=1, \dots, N$ , the algorithm sets:

$$x_i^* = x_{k(i)}$$

where  $k(i)$  maps  $i$  to  $k$  based upon  $f_k$ ; that is, if  $f_1=3$  and  $f_2=5$ , then  $k(1)=k(3)=1$ ,  $k(4)=k(8)=2$ , and so on.

For  $i=1,\dots,N$  and  $b=1,\dots,B$ , the algorithm sets:

$$y_{bi}^* = \hat{y}_{k(i)} + \hat{\epsilon} \times \text{rv.multinomial}(f_1, \dots, f_K)$$

where  $\hat{\epsilon}$  is the  $1 \times k$  matrix of residuals and  $\text{rv.multinomial}(f_1, \dots, f_K)$  produces a  $k \times 1$  matrix representing a single draw from a multinomial distribution with relative frequencies  $f_1, \dots, f_K$ .

### **Wild Bootstrap Sampling**

Wild bootstrap is similar to residual sampling, but the sign of the bootstrap residual for each record is randomly reversed. Wild bootstrap is useful in the presence of heteroscedastic residuals and small sample sizes.

For  $i=1,\dots,N$ , the algorithm sets:

$$x_i^* = x_{k(i)}$$

where  $k(i)$  maps  $i$  to  $k$  based upon  $f_k$ ; that is, if  $f_1=3$  and  $f_2=5$ , then  $k(1)=k(3)=1$ ,  $k(4)=k(8)=2$ , and so on.

For  $i=1,\dots,N$  and  $b=1,\dots,B$ , the algorithm sets:

$$y_{bi}^* = \hat{y}_{k(i)} + (1 - 2\text{rv.bernoulli}(0.5)) (\hat{\epsilon} \times \text{rv.multinomial}(f_1, \dots, f_K))$$

where  $\hat{\epsilon}$  is the  $1 \times k$  matrix of residuals and  $\text{rv.multinomial}(f_1, \dots, f_K)$  produces a  $k \times 1$  matrix representing a single draw from a multinomial distribution with relative frequencies  $f_1, \dots, f_K$ .

### **Pooling**

The following pooling methods are available: bootstrap estimates and percentile-t pivotal tests.

### **Bootstrap Estimates**

Bias

The bias of statistic  $T$  can be estimated by the following equation

$$\text{Bias}(T) = B^{-1} \sum_{b=1}^B T_b^* - T$$

Standard error

The standard error of statistic  $T$  can be estimated by the standard deviation of the bootstrap values with the following equation

$$SE \approx \sqrt{\frac{1}{B-1} \sum_{b=1}^B \left( T_b^* - B^{-1} \sum_{b=1}^B T_b^* \right)^2}$$

### Percentile confidence interval

Suppose that  $T$  estimates a scalar  $\theta$  that we want an interval with left- and right-tail errors both equal to  $\alpha$  and that bootstrap values are ordered as  $T_{(1)}^* \leq \dots \leq T_{(B)}^*$ . The basic percentile confidence interval is

$$\hat{\theta}_\alpha = T_{((B+1)\alpha)}^*, \quad \hat{\theta}_{1-\alpha} = T_{((B+1)(1-\alpha))}^*$$

If  $(B+1)\alpha$  is not an integer, then interpolation can be used. A simple method that works well for approximately normal estimators is linear interpolation on the normal quantile scale. For example, suppose the integer part of  $(B+1)\alpha$  is  $k$ , then we define

$$T_{((B+1)\alpha)}^* = T_{(k)}^* + \frac{\Phi^{-1}(\alpha) - \Phi^{-1}\left(\frac{k}{B+1}\right)}{\Phi^{-1}\left(\frac{k+1}{B+1}\right) - \Phi^{-1}\left(\frac{k}{B+1}\right)} \left( T_{(k+1)}^* - T_{(k)}^* \right)$$

where  $\Phi^{-1}(\cdot)$  is the inverse normal(0,1) distribution. Similarly, if  $(B+1)(1-\alpha)$  is not an integer, the same interpolation can be used by replacing  $\alpha$  with  $1-\alpha$  in the equation above. Clearly such interpolations fail if  $k=0, B$  or  $B+1$ . If this happens, we quote the extreme value and the implied level of error equal to  $1/(B+1)$ .

### BCa confidence interval

The influence value of the  $k_s$ th record in the  $s$ th stratum is approximated by

$$l_{jack,sk_s} = (N_s - 1) (T - T_{-sk_s})$$

where  $T_{-sk_s}$  is the estimate calculated from the original data but with the frequency  $f_{sk_s} - 1$  for the  $k_s$ th record in the  $s$ th stratum. It is reasonable to assume the empirical influence values

$$l_{sk_s} \doteq l_{jack,sk_s}.$$

Defining  $\tilde{l}_{sk_s} = l_{sk_s} N / N_s$ , the BCa confidence interval is given a

$$\hat{\theta}_\alpha = T_{((B+1)\tilde{\alpha})}^*, \quad \hat{\theta}_{1-\alpha} = T_{((B+1)(1-\tilde{\alpha}))}^*$$

where

$$\begin{aligned} \tilde{\alpha} &= \Phi\left(w + \frac{w+z_\alpha}{1-a(w+z_\alpha)}\right), \\ z_\alpha &= \Phi^{-1}(\alpha), \\ w &= \Phi^{-1}\left(\frac{|\{T_b^* \leq t\}|}{B+1}\right), \\ a &= \frac{1}{6} \frac{\sum_{s,k_s} f_{sk_s} \tilde{l}_{sk_s}^3}{\left(\sum_{s,k_s} f_{sk_s} \tilde{l}_{sk_s}^2\right)^{3/2}}. \end{aligned}$$

Interpolation will be used as in the Percentile confidence interval.

### **Percentile-*t* Pivotal Tests**

Suppose the null hypothesis is  $H_0 : T =$

$T_0$ . Scalar  $T$

Let  $z_0 = (T - T_0) / SE$  and  $z_b^* = (T_b^* - T) / SE_b^*$  where  $SE$  and  $SE_b^*$  are the standard errors of  $T$  and  $T_b^*$ , respectively. We estimate the standard error from the standard errors calculated within the procedure.

The alternative hypothesis can be  $H_A : T > T_0$ ,  $H_A : T < T_0$ , or  $H_A : T \neq T_0$ , which correspond to right-sided, left-sided, and two-sided  $p$ -values, respectively. The bootstrap right-sided  $p$ -value is calculated as

$$p = \frac{|\{z_b^* \geq z_0\}| + 1}{B + 1}$$

The bootstrap left-sided  $p$ -value is calculated as

$$p = \frac{|\{z_b^* \leq z_0\}| + 1}{B + 1}$$

The bootstrap two-sided  $p$ -value is calculated as .

$$p = \frac{|\{z_b^{*2} \geq z_0^2\}| + 1}{B + 1}$$

Vector  $T$

Let  $z_0 = (T - T_0)^T Cov(T)^{-1} (T - T_0)$  and  $z_b^* = (T_b^* - T)^T Cov(T_b^*)^{-1} (T_b^* - T)$ , where  $Cov(T)$  and  $Cov(T_b^*)$  are the covariance matrices of  $T$  and  $T_b^*$ , respectively. We estimate the covariance matrix from the covariance matrix calculated within the procedure.

The alternative hypothesis is  $H_A : T \neq T_0$ , and the bootstrap  $p$ -value can be calculated as

$$p = \frac{|\{z_b^* \geq z_0\}| + 1}{B + 1}$$

The percentile- $t$  pivotal tests can also support bootstrap testing for the null hypothesis of  $H_0 : LTT_{\mp}$  where  $L$  is a matrix of linear combinations.

In this case, let  $z_0 = (LT - T_0)^T \{LCov(T)L^T\}^{-1} (LT - T_0)$  and  $z_b^* = (LT_b^* - LT)^T \{LCov(T_b^*)L^T\}^{-1} (LT_b^* - LT)$ . The alternative hypothesis is  $H_A : LT \neq T_0$ , and the bootstrap  $p$ -value can be calculated as

$$p = \frac{|\{z_b^* \geq z_0\}| + 1}{B + 1}$$

## **References**

Davison, A. C., and D. V. Hinkley. 2006. *Bootstrap Methods and their Application.* : Cambridge University Press.

Shao, J., and D. Tu. 1995. *The Jackknife and Bootstrap.* New York: Springer.

# CATPCA Algorithms

The CATPCA procedure quantifies categorical variables using optimal scaling, resulting in optimal principal components for the transformed variables. The variables can be given mixed optimal scaling levels and no distributional assumptions about the variables are made.

In CATPCA, dimensions correspond to components (that is, an analysis with two dimensions results in two components), and object scores correspond to component scores.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

Table 12-1

### Notation

Notation	Description
$n$	Number of analysis cases (objects)
$n_w$	Weighted number of analysis cases: $\sum_{i=1}^n w_i$
$n_{tot}$	Total number of cases (analysis + supplementary)
$w_i$	Weight of object $i$ ; $w_i = 1$ if cases are unweighted; $w_i = 0$ if object $i$ is supplementary.
<b>W</b>	Diagonal $n_{tot} \times n_{tot}$ matrix, with $w_i$ on the diagonal.
$m$	Number of analysis variables
$m_w$	Weighted number of analysis variables ( $m_w = \sum_{j=1}^m v_j$ )
$m_{tot}$	Total number of variables (analysis + supplementary)
$m_1$	Number of analysis variables with multiple nominal scaling level.
$m_2$	Number of analysis variables with non-multiple scaling level.
$m_{w1}$	Weighted number of analysis variables with multiple nominal scaling level.
$m_{w2}$	Weighted number of analysis variables with non-multiple scaling level.
$J$	Index set recording which variables have multiple nominal scaling level.
<b>H</b>	The data matrix (category indicators), of order $n_{tot} \times m_{tot}$ , after discretization, imputation of missings, and listwise deletion, if applicable.
$p$	Number of dimensions

For variable  $j$ ;  $j = 1, \dots, m_{tot}$

Table 12-2

### Notation

Notation	Description
$v_j$	Variable weight; $v_j = 1$ if weight for variable $j$ is not specified or if variable $j$ is supplementary
$k_j$	Number of categories of variable $j$ (number of distinct values in $h_j$ , thus, including supplementary objects)
<b>G<sub>j</sub></b>	Indicator matrix for variable $j$ , of order $n_{tot} \times k_j$

The elements of  $\mathbf{G}_j$  are defined as  $i = 1, \dots, n_{tot}; r = 1, \dots, k_j$

$$y_{(j)ir} = \begin{cases} 1 & \text{when the } i\text{th object is in the } r\text{th category of variable } j \\ 0 & \text{when the } i\text{th object is not in the } r\text{th category of variable } j \end{cases}$$

Table 12-3

Notation

Notation	Description
$\mathbf{D}_j$	Diagonal $k_j \times k_j$ matrix, containing the weighted univariate marginals; i.e. the weighted column sums of $\mathbf{G}_j$ ( $\mathbf{D}_j = \mathbf{G}'_j \mathbf{W} \mathbf{G}_j$ )
$\mathbf{M}_j$	Diagonal $n_{tot} \times n_{tot}$ matrix, with diagonal elements defined as

$$m_{(j)ii} = \begin{cases} 0 & \text{when the } i\text{th observation is missing and missing strategy variable } j \text{ is passive} \\ 0 & \text{when the } i\text{th object is in } r\text{th category of variable } j \text{ and } r\text{th category is only} \\ v_j & \text{used by supplementary objects (i.e. when } d_{(j)rr} = 0) \\ & \text{otherwise} \end{cases}$$

Table 12-4

Notation

Notation	Description
$\mathbf{M}_*$	$\Sigma_j \mathbf{M}_j$
$\mathbf{S}_j$	I-spline basis for variable $j$ , of order $k_j \times (s_j + t_j)$ (see Ramsay (1988) for details)
$\mathbf{b}_j$	Spline coefficient vector, of order $s_j + t_j$
$d_j$	Spline intercept.
$s_j$	Degree of polynomial
$t_j$	Number of interior knots

The quantification matrices and parameter vectors are:

Table 12-5

Notation

Notation	Description
$\mathbf{X}$	Object scores, of order $n_{tot} \times p$
$\mathbf{X}_w$	Weighted object scores ( $\mathbf{X}_w = \mathbf{W} \mathbf{X}$ )
$\mathbf{X}^n$	$\mathbf{X}$ normalized according to requested normalization option
$\mathbf{Y}_j$	Centroid coordinates, of order $k_j \times p$ . For variables with optimal scaling level multiple nominal, this are the category quantifications
$\mathbf{y}_j$	Category quantifications for variables with non-multiple scaling level, of order $k_j$
$\mathbf{a}_j$	Component loadings for variables with non-multiple scaling level, of order $p$
$\mathbf{a}_n_j$	$\mathbf{a}_j$ normalized according to requested normalization option
$\mathbf{Y}$	Collection of category quantifications (centroid coordinates) for variables with multiple nominal scaling level ( $\mathbf{Y}_j$ ), and vector coordinates for non-multiple scaling level ( $\mathbf{y}_j \mathbf{a}'_j$ ).

*Note:* The matrices  $\mathbf{W}$ ,  $\mathbf{G}_j$ ,  $\mathbf{M}_j$ ,  $\mathbf{M}_*$ , and  $\mathbf{D}_j$  are exclusively notational devices; they are stored in reduced form, and the program fully profits from their sparseness by replacing matrix multiplications with selective accumulation.

## **Discretization**

Discretization is done on the unweighted data.

### ***Multiplying***

First, the original variable is standardized. Then the standardized values are multiplied by 10 and rounded, and a value is added such that the lowest value is 1.

### ***Ranking***

The original variable is ranked in ascending order, according to the alphanumerical value.

### ***Grouping into a specified number of categories with a normal distribution***

First, the original variable is standardized. Then cases are assigned to categories using intervals as defined in Max (1960).

### ***Grouping into a specified number of categories with a uniform distribution***

First the target frequency is computed as divided by the number of specified categories, rounded. Then the original categories are assigned to grouped categories such that the frequencies of the grouped categories are as close to the target frequency as possible.

### ***Grouping equal intervals of specified size***

First the intervals are defined as lowest value + interval size, lowest value + 2\*interval size, etc. Then cases with values in the  $k$ th interval are assigned to category  $k$ .

## **Imputation of Missing Values**

When there are variables with missing values specified to be treated as active (impute mode or extra category), then first the  $k_j$ 's for these variables are computed before listwise deletion. Next the category indicator with the highest weighted frequency (mode; the smallest if multiple modes exist), or  $k_j + 1$  (extra category) is imputed. Then listwise deletion is applied if applicable. And then the  $k_j$ 's are adjusted.

If an extra category is imputed for a variable with optimal scaling level Spline Nominal, Spline Ordinal, Ordinal or Numerical, the extra category is not included in the restriction according to the scaling level in the final phase.

For more information, see the topic "Objective Function Optimization".

## Configuration

CATPCA can read a configuration from a file, to be used as the initial configuration or as a fixed configuration in which to fit variables.

For an initial configuration see step 1 in “Objective Function Optimization ”

A fixed configuration  $\mathbf{X}$  is centered and orthonormalized as described in the optimization section in step 3 (with  $\mathbf{X}$  instead of  $\mathbf{Z}$ ) and step 4 (except for the factor  $n_w^{1/2}$ ), and the result is postmultiplied with  $\Lambda^{1/2}$  (this leaves the configuration unchanged if it is already centered and orthogonal). The analysis variables are set to supplementary and variable weights are set to one. Then CATPCA proceeds as described in “Supplementary Variables”.

## Objective Function

The CATPCA objective is to find object scores  $\mathbf{X}$  and a set of  $\underline{\mathbf{Y}}_j$  (for  $j=1,\dots,m$ ) — the underlining indicates that they may be restricted in various ways — so that the function

$$\sigma(\mathbf{X}; \underline{\mathbf{Y}}) = n_w^{-1} \sum_j c^{-1} \text{tr} \left( (\mathbf{X} - \mathbf{G}_j \underline{\mathbf{Y}}_j)' \mathbf{M}_j \mathbf{W} (\mathbf{X} - \mathbf{G}_j \underline{\mathbf{Y}}_j) \right)$$

where  $c$  is  $p$  if  $j \in J$  and  $c$  is 1 if  $j \notin J$ .

is minimal, under the normalization restriction  $\mathbf{X}' \mathbf{M}_* \mathbf{W} \mathbf{X} = n_w m_w \mathbf{I}$  ( $\mathbf{I}$  is the  $p \times p$  identity matrix). The inclusion of  $\mathbf{M}_j$  in  $\sigma(\mathbf{X}; \underline{\mathbf{Y}})$  ensures that there is no influence of passive missing values (missing values in variables that have missing option passive, or missing option not specified).  $\mathbf{M}_*$  contains the number of active data values for each object. The object scores are also centered; that is, they satisfy  $\mathbf{u}' \mathbf{M}_* \mathbf{W} \mathbf{X} = \mathbf{0}$  with  $\mathbf{u}$  denoting an  $n$ -vector with ones.

## Optimal Scaling Levels

The following optimal scaling levels are distinguished in CATPCA:

**Multiple Nominal.**  $\underline{\mathbf{Y}}_{\neq} = \mathbf{Y}_j$  (equality restriction only).

**Nominal.**  $\underline{\mathbf{Y}}_{\neq} = y_j \mathbf{a}'_j$  (equality and rank – one restrictions).

**Spline Nominal.**  $\underline{\mathbf{Y}}_{\neq} = y_j \mathbf{a}'_j$  and  $\mathbf{d}_j = d_j + \mathbf{S}_j \mathbf{b}_j$  (equality, rank – one, and spline restrictions).

**Spline Ordinal.**  $\underline{\mathbf{Y}}_j = y_j \mathbf{a}'_j$  and  $\mathbf{y}_j = d_j + \mathbf{S}_j \mathbf{b}_j$  (equality, rank – one, and monotonic spline restrictions), with  $\mathbf{b}_j$  restricted to contain nonnegative elements (to guarantee monotonic I-splines).

**Ordinal.**  $\underline{\mathbf{Y}}_j = y_j \mathbf{a}'_j$  and  $\mathbf{y}_j \in \mathbf{C}_j$  (equality, rank – one, and monotonicity restrictions). The monotonicity restriction  $\mathbf{y}_j \in \mathbf{C}_j$  means that  $\mathbf{y}_j$  must be located in the convex cone of all  $k_j$ -vectors with nondecreasing elements.

**Numerical.**  $\underline{\mathbf{Y}}_{\neq} = y_j \mathbf{a}'_j$  and  $\mathbf{y}_j \in \mathbf{L}_j$  (equality, rank – one, and linearity restrictions). The linearity restriction  $\mathbf{y}_j \in \mathbf{L}_j$  means that  $\mathbf{y}_j$  must be located in the subspace of all  $k_j$ -vectors that are a linear transformation of the vector consisting of  $k_j$  successive integers.

For each variable, these levels can be chosen independently. The general requirement for all options is that equal category indicators receive equal quantifications. The general requirement for the non-multiple options is  $\underline{\mathbf{Y}}_j = \mathbf{y}_j \mathbf{a}'_j$ ; that is,  $\underline{\mathbf{Y}}_j$  is of rank one; for identification purposes,  $\mathbf{y}_j$  is always normalized so that  $\mathbf{y}'_j \mathbf{D}_j \mathbf{y}_j = n_w$ .

## Objective Function Optimization

Optimization is achieved by executing the following iteration scheme:

1. Initialization I or II
2. Update category quantifications
3. Update object scores
4. Orthonormalization
5. Convergence test: repeat (2) through (4) or continue
6. Rotation and reflection

The first time (for the initial configuration) initialization I is used and variables that do not have optimal scaling level Multiple Nominal or Numerical are temporarily treated as numerical, the second time (for the final configuration) initialization II is used. Steps (1) through (6) are explained below.

### Initialization

I. If an initial configuration is not specified, the object scores  $\mathbf{X}$  are initialized with random numbers. Then  $\mathbf{X}$  is orthonormalized (see step 4) so that  $\mathbf{u}' \mathbf{M}_* \mathbf{W} \mathbf{X} = \mathbf{0}$  and  $\mathbf{X}' \mathbf{M}_* \mathbf{W} \mathbf{X} = n_w m_w \mathbf{I}$ , yielding  $\mathbf{X}_w^+$ . The initial component loadings are computed as the cross products of  $\mathbf{X}_w^+$  and the centered original variables  $\left( \mathbf{I} - \mathbf{M}_j \mathbf{u} \mathbf{u}' \mathbf{W} / \left( \mathbf{u}' \mathbf{M}_j \mathbf{W} \mathbf{u} \right) \right) \mathbf{h}_j$ , rescaled to unit length.

II. All relevant quantities are copied from the results of the first cycle.

Update category quantifications; loop across analysis variables

With fixed current values  $\mathbf{X}_w^+$  the unconstrained update of  $\mathbf{Y}_j$  is

$$\tilde{\mathbf{Y}}_j = \mathbf{D}_j^{-1} \mathbf{G}'_j \mathbf{X}_w^+$$

Multiple nominal:  $\mathbf{Y}_j^+ = \tilde{\mathbf{Y}}_j$ .

For non-multiple scaling levels first an unconstrained update is computed in the same way:

$$\tilde{\mathbf{Y}}_j = \mathbf{D}_j^{-1} \mathbf{G}'_j \mathbf{X}_w^+$$

next one cycle of an ALS algorithm (De Leeuw et al., 1976) is executed for computing a rank-one decomposition of  $\tilde{\mathbf{Y}}_j$ , with restrictions on the left-hand vector, resulting in

$$\tilde{\mathbf{y}}_j = \tilde{\mathbf{Y}}_j \mathbf{a}_j$$

Nominal:  $\mathbf{y}_j^* = \tilde{\mathbf{y}}_j$ .

For the next four optimal scaling levels, if variable  $j$  was imputed with an extra category,  $\mathbf{y}_j^*$  is inclusive category  $k_j$  in the initial phase, and is exclusive category  $k_j$  in the final phase.

Spline nominal and spline ordinal:  $\mathbf{y}_j^* = d_j + \mathbf{S}_j \mathbf{b}_j$ .

The spline transformation is computed as a weighted regression (with weights the diagonal elements of  $\mathbf{D}_j$ ) of  $\tilde{\mathbf{y}}_j$  on the I-spline basis  $\mathbf{S}_j$ . For the spline ordinal scaling level the elements of  $\mathbf{b}_j$  are restricted to be nonnegative, which makes  $\mathbf{y}_j^*$  monotonically increasing

Ordinal:  $\mathbf{y}_j^* \leftarrow \tilde{\mathbf{y}}_j$  .

The notation WMON( ) is used to denote the weighted monotonic regression process, which makes  $\mathbf{y}_j^*$  monotonically increasing. The weights used are the diagonal elements of  $\mathbf{D}_j$  and the subalgorithm used is the up-and-down-blocks minimum violators algorithm (Kruskal, 1964; Barlow et al., 1972).

Numerical:  $\mathbf{y}_j^* \leftarrow \tilde{\mathbf{y}}_j$ .

The notation WLIN( ) is used to denote the weighted linear regression process. The weights used are the diagonal elements of  $\mathbf{D}_j$ .

Next  $\mathbf{y}_j^*$  is normalized (if variable  $j$  was imputed with an extra category,  $\mathbf{y}_j^*$  is inclusive category  $k_j$  from here on):

$$\mathbf{y}_j^+ = n_w^{1/2} \mathbf{y}_j^* \left( \mathbf{y}_j^{*'} \mathbf{D}_j \mathbf{y}_j^* \right)^{-1/2}$$

Then we update the component loadings:

$$\mathbf{a}_j^+ = n_w^{-1} \tilde{\mathbf{Y}}_j' \mathbf{D}_j \mathbf{y}_j^+$$

Finally, we set  $\underline{\mathbf{Y}}_j^+ = \mathbf{y}_j^+ \mathbf{a}_j^{+'}$ .

Update object scores

First the auxiliary score matrix  $\mathbf{Z}$  is computed as

$$\mathbf{Z} \leftarrow \sum_j \mathbf{M}_j \mathbf{G}_j \underline{\mathbf{Y}}_j^+$$

and centered with respect to  $\mathbf{W}$  and  $\mathbf{M}_*$ :

$$\mathbf{X}^* = \left( \mathbf{I} - \mathbf{M}_* \mathbf{u} \mathbf{u}' \mathbf{W} / \left( \mathbf{u}' \mathbf{M}_* \mathbf{W} \mathbf{u} \right) \right) \mathbf{Z}$$

These two steps yield locally the best updates when there would be no orthogonality constraints.

Orthonormalization

To find an  $\mathbf{M}_*$ -orthonormal  $\mathbf{X}^+$  that is closest to  $\mathbf{X}^*$  in the least squares sense, we use for the Procrustes rotation (Cliff, 1966) the singular value decomposition  $m_w^{1/2} \mathbf{M}_*^{-1/2} \mathbf{W}^{1/2} \mathbf{X}^* = \mathbf{K} \mathbf{\Lambda}^{1/2} \mathbf{L}'$ , then yields  $n_w^{1/2} m_w^{1/2} \mathbf{M}_*^{-1/2} \mathbf{W}^{1/2} \mathbf{K} \mathbf{L}'$ -orthonormal weighted object scores:  $\mathbf{X}_w^+ \leftarrow n_w^{1/2} m_w \mathbf{M}_*^{-1} \mathbf{W} \mathbf{X}^* \mathbf{\Lambda}^{-1/2} \mathbf{L}'$ , and  $\mathbf{X}^+ = \mathbf{W}^{-1} \mathbf{X}_w^+$ . The calculation of  $\mathbf{L}$  and  $\mathbf{\Lambda}$  is based on tridiagonalization with Householder transformations followed by the implicit QL algorithm (Wilkinson, 1965).

Convergence test

The difference between consecutive values of the quantity

$$\text{TFIT} = (pn_w)^{-1} \sum_{j \in J} v_j \text{tr}(\mathbf{Y}'_j \mathbf{D}_j \mathbf{Y}_j) + \sum_{j \notin J} v_j \mathbf{a}'_j \mathbf{a}_j$$

is compared with the user-specified convergence criterion  $\varepsilon$  - a small positive number. It can be shown that  $\text{TFIT} = m_{w1} + pm_{w2} - \sigma(\mathbf{X}; \mathbf{Y})$ . Steps (2) through (4) are repeated as long as the loss difference exceeds  $\varepsilon$ .

After convergence TFIT is also equal to  $\text{tr}(\mathbf{\Lambda}^{1/2})$ , with  $\mathbf{\Lambda}$  as computed in the Orthonormalization step during the last iteration. (See also “Model Summary” and variable correlations “Correlations and Eigenvalues” for interpretation of  $\mathbf{\Lambda}^{1/2}$ ).

Rotation and reflection

To achieve principal axes orientation,  $\mathbf{X}^+$  is rotated with the matrix  $\mathbf{L}$ . In addition the  $s^{\text{th}}$  column of  $\mathbf{X}^+$  is reflected if for dimension  $s$  the mean of squared loadings with a negative sign is higher than the mean of squared loadings with a positive sign. Then step (2) is executed, yielding the rotated and possibly reflected quantifications and loadings.

## Supplementary Objects

To compute the object scores for supplementary objects, after convergence the category quantifications and object scores are again updated (following the steps in “Objective Function Optimization”), with the zero’s in  $\mathbf{W}$  temporarily set to ones in computing  $\mathbf{Z}$  and  $\mathbf{X}^+$ . If a supplementary object has missing values, passive treatment is applied.

## Supplementary Variables

The quantifications for supplementary variables are computed after convergence. For supplementary variables with multiple nominal scaling level, the Update Category Quantification step is executed once. For non-multiple supplementary variables, an initial  $a_j$  is computed as in the Initialization step. Then the rank-one and restriction substeps of the Update Category Quantification step are repeated as long as the difference between consecutive values of  $\mathbf{a}'_j \mathbf{a}_j$  exceeds .00001, with a maximum of 100 iterations. For more information, see the topic “Objective Function Optimization” on p. 85.

## Diagnostics

The procedure produces the following diagnostics.

### Maximum Rank (may be issued as a warning when exceeded)

The maximum rank  $p_{\max}$  indicates the maximum number of dimensions that can be computed for any dataset. In general

$$p_{\max} = \min \left( n - 1, \left( \sum_{j \in J} k_j \right) - m_1 - m_2 \right)$$

if there are variables with optimal scaling level multiple nominal without missing values to be treated as passive. If variables with optimal scaling level multiple nominal do have missing values to be treated as passive, the maximum rank is

$$p_{\max} = \min \left( n - 1, \left( \sum_{j \in J} k_j \right) - \max(m_3, 1) - m_2 \right)$$

with  $m_3$  the number of variables with optimal scaling level multiple nominal without missing values to be treated as passive.

Here  $k_j$  is exclusive supplementary objects (that is, a category only used by supplementary objects is not counted in computing the maximum rank). Although the number of nontrivial dimensions may be less than  $p_{\max}$  when  $m=2$ , CATPCA does allow dimensionalities all the way up to  $p_{\max}$ . When, due to empty categories in the actual data, the rank deteriorates below the specified dimensionality, the program stops.

## Descriptives

The descriptives tables gives the weighted univariate marginals and the weighted number of missing values (system missing, user defined missing, and values less than or equal to 0) for each variable.

## Fit and Loss Measures

When the HISTORY option is in effect, the following fit and loss measures are reported:

**Total fit (VAF).** This is the quantity TFIT as defined in the Convergence Test step.

**Total loss.** This is  $\mathcal{L}(\mathbf{X}; \mathbf{Y})$ , computed as the sum of multiple loss and single loss defined below.

**Multiple loss.** This measure is computed as

$$\text{TMLOSS} = (m_{w1} + pm_{w2}) - \left( (n_w p)^{-1} \sum_{j \in J} v_j \text{tr}(\mathbf{Y}'_j \mathbf{D}_j \mathbf{Y}_j) + n_w^{-1} \sum_{j \notin J} v_j \text{tr}(\mathbf{Y}'_j \mathbf{D}_j \mathbf{Y}_j) \right)$$

**Single loss.** This measure is computed only when some of the variables are

$$\text{single: } \mathcal{L}_{\text{single}} = \sum_{j \notin J} v_j \text{tr}(\mathbf{Y}'_j \mathbf{D}_j \mathbf{Y}_j) - \sum_{j \notin J} v_j \mathbf{a}'_j \mathbf{a}_j$$

## Model Summary

Model summary information consists of Cronbach's alpha and the variance accounted for.

### Cronbach's Alpha

Cronbach's Alpha per dimension ( $s=1,\dots,p$ ):

$$\alpha_s = m_w \left( \lambda_s^{1/2} - 1 \right) / \left( \lambda_s^{1/2} (m_w - 1) \right)$$

Total Cronbach's Alpha is

$$\alpha = m_w \left( \sum_s \lambda_s^{1/2} - 1 \right) / \sum_s \lambda_s^{1/2} (m_w - 1)$$

with  $\lambda_s$  the  $s^{\text{th}}$  diagonal element of  $\Lambda$  as computed in the Orthonormalization step during the last iteration.

### Variance Accounted For

Variance Accounted For per dimension ( $s=1,\dots,p$ ):

Multiple Nominal variables:

$$\text{VAF1}_s = n_w^{-1} \sum_{j \in J} v_j \text{tr} \left( \mathbf{y}'_{(j)s} \mathbf{D}_j \mathbf{y}_{(j)s} \right), \text{ (% of variance is } \text{VAF1}_s \times 100 / m_{w1} \text{)},$$

Non-Multiple variables:

$$\text{VAF2}_s = \sum_{j \notin J} v_j a_{js}^2, \text{ (% of variance is } \text{VAF2}_s \times 100 / m_{w2} \text{)}.$$

Eigenvalue per dimension:

$$\lambda_s^{1/2} = \text{VAF1}_s + \text{VAF2}_s$$

with  $\lambda_s$  the  $s^{\text{th}}$  diagonal element of  $\Lambda$  as computed in the Orthonormalization step during the last iteration. (See also the Convergence Test step and variable correlations "Correlations and Eigenvalues" for interpretation of  $\Lambda^{1/2}$ ).

The Total Variance Accounted For for multiple nominal variables is the mean over dimensions, and for non-multiple variables the sum over dimensions. So, the total eigenvalue is

$$\text{tr} \left( \Lambda^{1/2} \right) = p^{-1} \sum_s \text{VAF1}_s + \sum_s \text{VAF2}_s.$$

If there are no passive missing values, the eigenvalues  $\Lambda^{1/2}$  are those of the correlation matrix (see "Correlations and Eigenvalues") weighted with variable weights:

$$r_{jj}^{\mathbf{W}} = v_j r_{jj}, \text{ and } r_{jl}^{\mathbf{W}} = r_{lj}^{\mathbf{W}} = v_j^{1/2} r_{jl}$$

If there are passive missing values, then the eigenvalues are those of the matrix  $n_w \mathbf{Q}'_c \mathbf{M}_*^{-1} \mathbf{Q}_c$ , with  $\mathbf{Q}_c = n_w^{-1/2} \left( \mathbf{I} - \mathbf{M}_* \mathbf{u} \mathbf{u}' \mathbf{W} / \left( \mathbf{u}' \mathbf{M}_* \mathbf{W} \mathbf{u} \right) \right) \mathbf{Q}$ , (see “Correlations and Eigenvalues”) which is not necessarily a correlation matrix, although it is positive semi-definite. This matrix is weighted with variable weights in the same way as  $\mathbf{R}$ .

## Variance Accounted For

The Variance Accounted For table gives the VAF per dimension and per variable for centroid coordinates, and for non-multiple variables also for vector coordinates (see “Quantifications”).

### Centroid Coordinates

$$\text{VAF}_{j_s} = v_j \text{tr} \left( \mathbf{Y}'_{j_s} \mathbf{D}_j \mathbf{Y}_{j_s} \right)$$

### Vector Coordinates

$$\text{VAF}_{j_s} = v_j a_{j_s}^2, \text{ for } j \notin J$$

## Correlations and Eigenvalues

Before Transformation

$\mathbf{R} = n_w^{-1} \mathbf{H}'_c \mathbf{W} \mathbf{H}_c$ , with  $\mathbf{H}_c$  weighted centered and normalized  $\mathbf{H}$ . For the eigenvalue decomposition of  $\mathbf{R}$  (to compute the eigenvalues), first row  $j$  and column  $j$  are removed from  $\mathbf{R}$  if  $j$  is a supplementary variable, and then  $r_{ij}$  is multiplied by  $(v_i v_j)^{1/2}$ .

If passive missing treatment is applicable for a variable, missing values are imputed with the variable mode, regardless of the passive imputation specification.

After Transformation

When all analysis variables are non-multiple, and there are no missing values, specified to be treated as passive, the correlation matrix is:

$$\mathbf{R} = n_w^{-1} \mathbf{Q}' \mathbf{W} \mathbf{Q}, \text{ with } \mathbf{q}_j = \mathbf{G}_j \mathbf{y}_j.$$

The first  $p$  eigenvalues of  $\mathbf{R}$  equal  $\Lambda^{1/2}$ . (See also the Convergence Test step and “Model Summary” for interpretation of  $\Lambda^{1/2}$ ). When there are multiple nominal variables in the analysis,  $p$  correlation matrices are computed ( $s=1, \dots, p$ ):

$$\mathbf{R}_{(s)} = n_w^{-1} \mathbf{Q}'_{(s)} \mathbf{W} \mathbf{Q}_{(s)},$$

with  $\mathbf{q}_{(s)j} = \mathbf{G}_j \mathbf{y}_j$  for non-multiple variables and  $\mathbf{q}_{(s)j} = n_w^{1/2} \mathbf{G}_j \mathbf{Y}_{(j)s} \left( \mathbf{Y}'_{(j)s} \mathbf{D}_j \mathbf{Y}_{(j)s} \right)^{-1/2}$  for multiple nominal variables.

Usually, for the higher eigenvalues, the first eigenvalue of  $\mathbf{R}_{(s)}$  is equal to  $\lambda_s^{1/2}$  (see “Model Summary”). The lower values of  $\Lambda^{1/2}$  are in most cases the second or subsequent eigenvalues of  $\mathbf{R}_{(s)}$ .

If there are missing values, specified to be treated as passive, the mode of the quantified variable or the quantification of an extra category (as specified in syntax; if not specified, default (mode) is used) is imputed before computing correlations. Then the eigenvalues of the correlation matrix do not equal  $\Lambda^{1/2}$  (see Model Summary section). The quantification of an extra category for multiple nominal variables is computed as

$$\mathbf{Y}_{(j)(k_{j+1})s} = \left( \sum_{i \in I} w_i \right)^{-1} \sum_{i \in I} w_i x_{is},$$

with  $I$  an index set recording which objects have missing values.

For the quantification of an extra category for non-multiple variables first  $\mathbf{Y}_{(j)(k_{j+1})s}$  is computed as above, and then

$$\mathbf{y}_{(k_{j+1})j} = n_w^{1/2} \left( \sum_s a_{js}^2 \right)^{-1} \sum_s a_{js} \mathbf{Y}_{(j)(k_{j+1})s}.$$

For the eigenvalue decomposition of  $\mathbf{R}$  (to compute the eigenvalues), first row  $j$  and column  $j$  are removed from  $\mathbf{R}$  if  $j$  is a supplementary variable, and then  $r_{ij}$  is multiplied by  $(v_i v_j)^{1/2}$ .

## Object Scores and Loadings

If all variables have non-multiple scaling level, normalization partitions the first  $p$  singular values of  $n_w^{-1/2} \mathbf{W}^{1/2} \mathbf{Q} \mathbf{V}^{1/2}$  divided by  $m_w$  over the objects scores  $\mathbf{X}$  and the loadings  $\mathbf{A}$ , with  $\mathbf{Q}$  the matrix of quantified variables (see “Correlations and Eigenvalues”), and  $\mathbf{V}$  a diagonal matrix with elements  $v_j$ . The singular value decomposition of  $n_w^{-1/2} \mathbf{W}^{1/2} \mathbf{Q} \mathbf{V}^{1/2}$  is

$$\text{SVD} \left( n_w^{-1/2} \mathbf{W}^{1/2} \mathbf{Q} \mathbf{V}^{1/2} \right) = \mathbf{K} \mathbf{\Phi}^{1/2} \mathbf{L}'.$$

With  $\mathbf{X} = \mathbf{K}_p$  (the subscript  $p$  denoting the first  $p$  columns of  $\mathbf{K}$ ) and  $\mathbf{A} = (\mathbf{L} \mathbf{\Phi}^{1/2})_p$ ,  $\mathbf{X} \mathbf{A}'$  gives the best  $p$ -dimensional approximation of  $n_w^{-1/2} \mathbf{W}^{1/2} \mathbf{Q} \mathbf{V}^{1/2}$ .

The first  $p$  singular values  $\Phi_p^{1/2}$  equal  $\Lambda^{1/4}$ , with  $\Lambda$  as computed in the Orthonormalization step during the last iteration. (See also the Convergence Test step and “Model Summary” for interpretation of  $\Lambda^{1/2}$ ).

For partitioning the first  $p$  singular values we write

$$\left( \mathbf{K} \mathbf{\Phi}^{1/2} \mathbf{L}' \right)_p = \mathbf{K}_p \mathbf{\Phi}_p^{a/2} \mathbf{\Phi}_p^{b/2} \mathbf{L}'_p = \mathbf{K}_p \Lambda^{a/4} \Lambda^{b/4} \mathbf{L}'_p, \quad (a+b=1, \text{ see below}).$$

During the optimization phase, variable principal normalization is used. Then, after convergence  $\mathbf{X} = n_w^{1/2} \mathbf{W}^{-1/2} \mathbf{K}_p$  and  $\mathbf{A} = \mathbf{V}^{-1/2} \mathbf{L}_p \Lambda^{1/4}$ .

If variable principal normalization is requested,  $\mathbf{X}^n = \mathbf{X}$  and  $\mathbf{A}^n = \mathbf{A}$ , else  $\mathbf{X}^n = \mathbf{X}\mathbf{\Lambda}^{a/4}$  and  $\mathbf{A}^n = \mathbf{A}\mathbf{\Lambda}^{1/4(b-1)}$  with  $a=(1+q)/2$ ,  $b=(1-q)/2$ , and  $q$  any real value in the closed interval  $[-1,1]$ , except for independent normalization: then there is no  $q$  value and  $a=b=1$ .  $q=-1$  is equal to variable principal normalization,  $q=1$  is equal to object principal normalization,  $q=0$  is equal to symmetrical normalization.

When there are multiple nominal variables in the analysis, there are  $p$  matrices  $\mathbf{Q}_{(s)}$ ,  $s=1,\dots,p$ , (see “Correlations and Eigenvalues”). Then one of the singular values of  $n_w^{-1/2}\mathbf{W}^{1/2}\mathbf{Q}_{(s)}\mathbf{V}^{1/2}$  equals  $\mathbf{\Lambda}_s^{1/4}$ .

If a variable has multiple nominal scaling level, the normalization factor is reflected in the centroids:  $\mathbf{Y}_j^n = \mathbf{Y}_j\mathbf{\Lambda}^{1/4(b-1)}$ .

## Quantifications

For variables with non-multiple scaling level the quantifications  $\mathbf{y}_j$  are displayed, the vector coordinates  $\mathbf{y}_j(\mathbf{a}_j^n)$ , and the centroid coordinates:  $\mathbf{Y}_j$  with variable principal normalization,  $\mathbf{D}_j^{-1}\mathbf{G}'_j\mathbf{W}\mathbf{X}^n$  with one of the other normalization options. For multiple nominal variables the quantifications are the centroid coordinates  $\mathbf{Y}_j^n$ .

If a category is only used by supplementary objects (i.e. treated as a passive missing), only centroid coordinates are displayed for this category, computed as  $\mathbf{y}_{(j)r} = n_w^{1/2}n_{jr}^{-1}\sum_{i \in I} \mathbf{x}_i^n$  for variables with non-multiple scaling level and  $\mathbf{y}_{(j)r} = n_w^{1/2}n_{jr}^{-1}\sum_{i \in I} \mathbf{x}_i\mathbf{\Lambda}^{1/4(b-1)}$  for variables with multiple nominal scaling level, where  $\mathbf{y}_{(j)r}$  is the  $r^{\text{th}}$  row of  $\mathbf{Y}_j$ ,  $n_{jr}$  is the number of objects that have category  $r$ , and  $I$  is an index set recording which objects are in category  $r$ .

## Residuals

For non-multiple variables, Residuals gives a plot of the quantified variable  $j(\mathbf{G}_j\mathbf{y}_j)$  the approximation,  $\mathbf{X}\mathbf{a}_j$ . For multiple nominal variables plots per dimension are produced of  $\mathbf{G}_j\mathbf{y}_{(j)s}^n$  against the approximation  $\mathbf{x}_s^n$ .

## Projected Centroids

The projected centroids of variable  $l$  on variable  $j$ ,  $j \notin J$ , are

$$\mathbf{Y}_l\mathbf{a}_j\left(\mathbf{a}'_j\mathbf{a}_j\right)^{-1/2}$$

## Scaling factor Biplot, triplot, and loading plot

In plots including both the object scores or centroids and loadings (loading plot including centroids, biplot with objects and loadings, and triplot with objects, centroids and loadings), the object scores and centroids are rescaled using the following scaling factor:

$$\text{Scalefactor} = \frac{2 \sum_{s=1}^p \max(a_{1s}^{\mathbf{n}}, \dots, a_{ms}^{\mathbf{n}})}{\sum_{s=1}^p |\min(x_{1s}^{\mathbf{n}}, \dots, x_{ns}^{\mathbf{n}})| + (\max(x_{1s}^{\mathbf{n}}, \dots, x_{ns}^{\mathbf{n}}))}$$

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# CATREG Algorithms

CATREG (Categorical regression with optimal scaling using alternating least squares) quantifies categorical variables using optimal scaling, resulting in an optimal linear regression equation for the transformed variables. The variables can be given mixed optimal scaling levels and no distributional assumptions about the variables are made.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$n$	Number of analysis cases (objects)
$n_w$	Weighted number of analysis cases: $\sum_{i=1}^n w_i$
$n_{tot}$	Total number of cases (analysis + supplementary)
$w_i$	Weight of object $i$ ; $w_i = 1$ if cases are unweighted; $w_i = 0$ if object $i$ is supplementary.
<b>W</b>	Diagonal $n_{tot} \times n_{tot}$ matrix, with $w_i$ on the diagonal.
$p$	Number of predictor variables
$m$	Total number of analysis variables
$r$	Index of response variable
$J_p$	Index set of predictor variables
<b>H</b>	The data matrix (category indicators), of order $n_{tot} \times m$ , after discretization, imputation of missings, and listwise deletion, if applicable.
$p$	Number of dimensions
$\lambda_1$	Lasso penalty
$\lambda_2$	Ridge penalty

For variable  $j$ ;  $j = 1, \dots, m$

$k_j$	Number of categories of variable $j$ (number of distinct values in $\mathbf{h}_j$ , thus, including supplementary objects)
<b>G<sub>j</sub></b>	Indicator matrix for variable $j$ , of order $n_{tot} \times k_j$

The elements of **G<sub>j</sub>** are defined as  $i = 1, \dots, n_{tot}$ ;  $r = 1, \dots, k_j$

$$g_{(j)ir} = \begin{cases} 1 & \text{when the } i\text{th object is in the } r\text{th category of variable } j \\ 0 & \text{when the } i\text{th object is not in the } r\text{th category of variable } j \end{cases}$$

<b>D<sub>j</sub></b>	Diagonal $k_j \times k_j$ matrix, containing the weighted univariate marginals; i.e. the weighted column sums of <b>G<sub>j</sub></b> ( $\mathbf{D}_j = \mathbf{G}'_j \mathbf{W} \mathbf{G}_j$ )
<b>f</b>	Vector of degrees of freedom for the predictor variables, of order $p$
<b>S<sub>j</sub></b>	I-spline basis for variable $j$ , of order $k_j \times (s_j + t_j)$ (see Ramsay (1988) for details)
<b>b<sub>j</sub></b>	Spline coefficient vector, of order $s_j + t_j$
$d_j$	Spline intercept.

$s_j$	Degree of polynomial
$t_j$	Number of interior knots

The quantification matrices and parameter vectors are:

$\mathbf{Y}_r$	Category quantifications for the response variable, of order $k_r$
$\mathbf{Y}_j$	Category quantifications for predictor variable $j$ , of order $k_j$
$\mathbf{b}$	Regression coefficients for the predictor variables, of order $p$
$\mathbf{v}$	Accumulated contributions of predictor variables: $\sum_{j \in J_p} b_j \mathbf{G}_j \mathbf{Y}_j$

*Note:* The matrices  $\mathbf{W}$ ,  $\mathbf{G}_j$ , and  $\mathbf{D}_j$  are exclusively notational devices; they are stored in reduced form, and the program fully profits from their sparseness by replacing matrix multiplications with selective accumulation.

## **Discretization**

Discretization is done on the unweighted data.

### ***Multiplying***

First, the original variable is standardized. Then the standardized values are multiplied by 10 and rounded, and a value is added such that the lowest value is 1.

### ***Ranking***

The original variable is ranked in ascending order, according to the alphanumerical value.

### ***Grouping into a specified number of categories with a normal distribution***

First, the original variable is standardized. Then cases are assigned to categories using intervals as defined in Max (1960).

### ***Grouping into a specified number of categories with a uniform distribution***

First the target frequency is computed as divided by the number of specified categories, rounded. Then the original categories are assigned to grouped categories such that the frequencies of the grouped categories are as close to the target frequency as possible.

### ***Grouping equal intervals of specified size***

First the intervals are defined as lowest value + interval size, lowest value + 2\*interval size, etc. Then cases with values in the  $k$ th interval are assigned to category  $k$ .

## Imputation of Missing Values

When there are variables with missing values specified to be treated as active (impute mode or extra category), then first the  $k_j$ 's for these variables are computed before listwise deletion. Next the category indicator with the highest weighted frequency (mode; the smallest if multiple modes exist), or  $k_j + 1$  (extra category) is imputed. Then listwise deletion is applied if applicable. And then the  $k_j$ 's are adjusted.

If an extra category is imputed for a variable with optimal scaling level Spline Nominal, Spline Ordinal, Ordinal or Numerical, the extra category is not included in the restriction according to the scaling level in the final phase.

For more information, see the topic "Objective Function Optimization".

## Objective Function

The CATREG objective is to find the set of  $\mathbf{y}_r$ ,  $\mathbf{b}$ , and  $\mathbf{y}_j$ ,  $j \in J_p$ , so that the function

$$\sigma(\mathbf{y}_r; \mathbf{b}; \mathbf{y}_j) = \left( \mathbf{G}_r \mathbf{y}_r - \int_{j \in J_p} b_j \mathbf{G}_j \mathbf{y}_j \right)' \mathbf{W} \left( \mathbf{G}_r \mathbf{y}_r - \int_{j \in J_p} b_j \mathbf{G}_j \mathbf{y}_j \right)$$

is minimal, under the normalization restriction  $\mathbf{y}'_r \mathbf{D}_r \mathbf{y}_r = n_w$ . The quantifications of the response variable are also centered; that is, they satisfy  $\mathbf{u}' \mathbf{W} \mathbf{G}_r \mathbf{y}_r = \mathbf{0}$  with  $\mathbf{u}$  denoting an  $n$ -vector with ones.

With regularization, the loss function is subjected to:

$$\int_{j \in J_p}^P \beta_j^2 \leq t_2 \text{ for Ridge,}$$

$$\int_{j \in J_p}^P |\beta_j| \leq t_1 \text{ for Lasso,}$$

$$\int_{j \in J_p}^P |\beta_j| \leq t_1 \text{ and } \int_{j \in J_p}^P \beta_j^2 \leq t_2 \text{ for Elastic Net.}$$

The constrained loss functions can also be written as penalized loss functions:

$$L^{\text{ridge}} = L + \lambda_2 \int_{j \in J_p}^P \beta_j^2$$

$$L^{\text{lasso}} = L + \lambda_1 \int_{j \in J_p}^P \text{sign}(\beta_j) \beta_j$$

$$L^{\text{e-net}} = L + \lambda_1 \int_{j \in J_p}^P \text{sign}(\beta_j) \beta_j + \lambda_2 \int_{j \in J_p}^P \beta_j^2$$

## Optimal Scaling Levels

The following optimal scaling levels are distinguished in CATREG:

**Nominal.** Equality restrictions only.

**Spline Nominal.**  $\mathbf{y}_j = d_j + \mathbf{S}_j \mathbf{a}_j$  (equality and spline restrictions).

**Spline Ordinal.**  $\mathbf{y}_j = d_j + \mathbf{S}_j \mathbf{a}_j$  (equality and monotonic spline restrictions), with  $\mathbf{a}_j$  restricted to contain nonnegative elements (to guarantee monotonic I-splines).

**Ordinal.**  $\mathbf{y}_j \in \mathbf{C}_j$  (equality and monotonicity restrictions). The monotonicity restriction  $\mathbf{y}_j \in \mathbf{C}_j$  means that  $\mathbf{y}_j$  must be located in the convex cone of all  $k_j$ -vectors with nondecreasing elements.

**Numerical.**  $\mathbf{y}_j \in \mathbf{L}_j$  (equality and linearity restrictions). The linearity restriction  $\mathbf{y}_j \in \mathbf{L}_j$  means that  $\mathbf{y}_j$  must be located in the subspace of all  $k_j$ -vectors that are a linear transformation of the vector consisting of  $k_j$  successive integers.

For each variable, these levels can be chosen independently. The general requirement for all options is that equal category indicators receive equal quantifications. For identification purposes,  $\mathbf{y}_j$  is always normalized so that  $\mathbf{y}'_j \mathbf{D}_j \mathbf{y}_j = n_w$ .

## Objective Function Optimization

Optimization is achieved by executing the following iteration scheme:

1. Initialization I or II
2. Update category quantifications response variable
3. Update category quantifications and regression coefficients predictor variables
4. Convergence test: repeat (2) through (3) or continue

Steps (1) through (4) are explained below.

### Initialization

#### I. Random

The initial category quantifications  $\tilde{\mathbf{y}}_j$  (for  $j= 1, \dots, m$ ) are defined as the  $k_j$  category indicators of variable  $j$ , normalized such that  $\mathbf{u}' \mathbf{W} \mathbf{G}_j \tilde{\mathbf{y}}_j = 0$  and  $\tilde{\mathbf{y}}_j' \mathbf{D}_j \tilde{\mathbf{y}}_j = n_w$ , and the initial regression coefficients are the correlations with the response variable.

#### II. Numerical

In this case, the iteration scheme is executed twice. In the first cycle, (initialized with initialization I) all variables are treated as numerical. The second cycle, with the specified scaling levels, starts with the category quantifications and regression coefficients from the first cycle.

### III. Multistart (ALL)

Choosing all multiple systematic starts guarantees obtaining the global optimal solution when the spline ordinal or ordinal scaling level is specified for one or more predictors (Van der Kooij, Meulman, and Heiser, 2006). When this option is chosen, the iteration scheme is executed  $2^s$  times, where  $s$  is the number of predictor variables with (spline) ordinal scaling level and  $2^s$  is the number of *all possible sign patterns* for the regression coefficients of the predictor variables with (spline) ordinal scaling level. Each execution of the iteration scheme starts with the same initial category quantifications and regression coefficients (initialized with initialization I), but with different sign patterns for the coefficients. In the iteration process, the signs are held fixed. Finally, the iteration scheme is executed one more time using the optimal sign pattern (the pattern resulting in the highest  $R^2$ , or  $RSQ^{\text{regu}}$  if regularization is applied).

### IV. Multistart (value)

When a threshold value is specified with the multiple systematic starts option, the iteration scheme is executed twice for a selection of sign patterns for the regression coefficients of the predictor variables with (spline) ordinal scaling level. The sign patterns are selected by a combination of a percentage of loss of variance strategy and a hierarchical strategy (Van der Kooij, Meulman, and Heiser, 2006).

The maximum number of sign patterns with this option is  $1 + \sum_{i=1}^s i$ .

In the first cycle (initialized with initialization I) all variables are treated as nominal. The second cycle, with the specified scaling levels, starts with the category quantifications and regression coefficients from the first cycle. After one iteration in the second cycle, the decrease in variance going from the last iteration in the first cycle to the first iteration in the second cycle is determined for predictors with (spline) ordinal scaling level. If the percentage of decrease for a predictor is above the specified threshold value, the predictor is allowed to have a negative sign. Then the second cycle continues a number of times: one time with the regression coefficient for all (spline) ordinal predictor positive and  $q$  times with the regression coefficient for one (spline) ordinal predictor negative, where  $q$  is the number of predictors with (spline) ordinal scaling level that are allowed to have a negative sign. If the ‘all positive’ sign pattern gives a better result (higher  $R^2$ , or  $RSQ^{\text{regu}}$  if regularization is applied) then the ‘one negative’ signs patterns, the iteration scheme is executed one more time using the ‘all positive’ sign pattern. Else, if one of the ‘one negative’ signs patterns gives a better result than the ‘all positive’ sign pattern, the best ‘one negative’ signs pattern is selected and the second cycle is repeated for the ‘two negatives’ signs patterns: the patterns formed by adding one more negative sign to the best ‘one negative’ signs pattern. Then, the results of the ‘two negatives’ signs patterns are compared to the ‘one negative’ signs pattern and the ‘one negative’ signs pattern is selected if its result is better. Else, the second cycle is repeated for the ‘three negatives’ signs patterns, and so on.

### V. Fixsigns

In this case, the iteration scheme is executed twice. In the first cycle, (initialized with initialization I) all variables are treated as nominal. The second cycle, with the specified scaling levels, starts with the category quantifications and regression coefficients from the first cycle and fixed

signs (read from a user-specified file) for the regression coefficients of the predictor variables with (spline) ordinal scaling level.

**Update category quantifications response variable**

With fixed current values  $\mathbf{y}_j$ ,  $j \in J_p$  the unconstrained update of  $\mathbf{y}_r$  is

$$\tilde{\mathbf{y}}_r = \mathbf{D}_r^{-1} \mathbf{G}'_r \mathbf{W} \mathbf{v}$$

Nominal:  $\mathbf{y}_r^* = \tilde{\mathbf{y}}_r$

For the next four optimal scaling levels, if variable  $j$  was imputed with an extra category,  $\mathbf{y}_r^*$  is inclusive category  $k_r$  in the initial phase, and is exclusive category  $k_r$  in the final phase.

Spline nominal and spline ordinal:  $\mathbf{y}_r^* = d_r + \mathbf{S}_r \mathbf{a}_r$ .

The spline transformation is computed as a weighted regression (with weights the diagonal elements of  $\mathbf{D}_r$ ) of  $\tilde{\mathbf{y}}_r$  on the I-spline basis  $\mathbf{S}_r$ . For the spline ordinal scaling level the elements of  $\mathbf{a}_r$  are restricted to be nonnegative, which makes  $\mathbf{y}_r^*$  monotonically increasing

Ordinal:  $\mathbf{y}_r^* \leftarrow \tilde{\mathbf{y}}_r$  .

The notation WMON( ) is used to denote the weighted monotonic regression process, which makes  $\mathbf{y}_r^*$  monotonically increasing. The weights used are the diagonal elements of  $\mathbf{D}_r$  and the subalgorithm used is the up-and-down-blocks minimum violators algorithm (Kruskal, 1964; Barlow et al., 1972).

Numerical:  $\mathbf{y}_r^* \leftarrow \tilde{\mathbf{y}}_r$ .

The notation WLIN( ) is used to denote the weighted linear regression process. The weights used are the diagonal elements of  $\mathbf{D}_r$ .

Next  $\mathbf{y}_r^*$  is normalized (if the response variable was imputed with an extra category,  $\mathbf{y}_r^*$  is inclusive category  $k_r$  from here on):

$$\mathbf{y}_r^+ = n_w^{1/2} \mathbf{y}_r^* \left( \mathbf{y}_r^* \mathbf{D}_r \mathbf{y}_r^* \right)^{-1/2}$$

**Update category quantifications and regression weights predictor variables**

For updating a predictor variable  $j$ ,  $j \in J_p$ , first the contribution of variable  $j$  is removed from  $\mathbf{v}$ :  $\mathbf{v}_j = \mathbf{v} - b_j \mathbf{G}_j \mathbf{y}_j$  Then the unconstrained update of  $\mathbf{y}_j$  is

$$\tilde{\mathbf{y}}_j = \mathbf{D}_j^{-1} \mathbf{G}'_j \mathbf{W} (\mathbf{G}_r \mathbf{y}_r - \mathbf{v}_j)$$

Next  $\tilde{\mathbf{y}}_j$  is restricted and normalized as in step (2) to obtain  $\mathbf{y}_j^+$ .

Finally, we update the regression coefficient

$$b_j^+ = n_w^{-1} \tilde{\mathbf{y}}_j' \mathbf{D}_j \mathbf{y}_j^+$$

Regularized regression coefficients are obtained as

$$\beta_j^+ = \frac{\beta_j^*}{1+\lambda_2} \text{ for Ridge,}$$

$$\beta_j^+ = (\beta_j^* - \frac{\lambda_1}{2} w_j)_+ = \beta_j^* - \frac{\lambda_1}{2} \text{ if } \beta_j^* > 0 \text{ and } \beta_j^* + \frac{\lambda_1}{2} \text{ if } \beta_j^* < 0 \text{ for Lasso, and}$$

$$\beta_j^+ = \frac{(\beta_j^* - \frac{\lambda_1}{2} w_j)_+}{1+\lambda_2} = \frac{(\beta_j^* - \frac{\lambda_1}{2})_+}{1+\lambda_2} \text{ if } \beta_j^* > 0 \text{ and } \frac{(\beta_j^* + \frac{\lambda_1}{2})_+}{1+\lambda_2} < 0 \text{ for Elastic Net (van der Kooij, 2007).}$$

### **Convergence test**

The difference between consecutive values of the apparent Prediction Error is compared with the user-specified convergence criterion  $\varepsilon$  a small positive number.

The difference between consecutive values of the quantity

$$\text{APE} = n_w^{-1} \left( \mathbf{G}_r \mathbf{y}_r - \int_{j \in J_p} \beta_j \mathbf{G}_j \mathbf{y}_j \right)' \mathbf{W} \left( \mathbf{G}_r \mathbf{y}_r - \int_{j \in J_p} \beta_j \mathbf{G}_j \mathbf{y}_j \right)$$

Without regularization, APE is equal to 1 minus the squared multiple regression coefficient. Steps (2) and (3) are repeated as long as the APE difference exceeds  $\varepsilon$ .

## **Diagnostics**

The procedure produces the following diagnostics.

### **Descriptive Statistics**

The descriptives tables gives the weighted univariate marginals and the weighted number of missing values (system missing, user defined missing, and values less than or equal to 0) for each variable.

### **Fit and error measures**

The squared multiple regression coefficient and the Apparent Prediction Error for each iteration are reported in the History table. Also, the decrease in APE for each iteration is reported.

### **Summary Statistics**

The following model summary statistics are available.

#### **Multiple R**

$$R = (\mathbf{G}_r \mathbf{y}_r)' \mathbf{W} \mathbf{v} \left( n_w \mathbf{v}' \mathbf{W} \mathbf{v} \right)^{-1/2}$$

### Multiple R Square

$$R^2$$

### Adjusted Multiple R Square

$$1 - (1 - R^2)(n_w - 1)(n_w - 1 - \mathbf{u}'\mathbf{f})$$

with  $\mathbf{u}$  a  $p$ -vector of ones.

### Regularization “R Square” (1-Error)

$$\text{RSQ}^{\text{regu}} = 1 - \text{APE}$$

Without regularization,  $\text{RSQ}^{\text{regu}}$  is equal to  $R^2$ .

### Apparent Prediction Error

APE as computed in the convergence step in the last iteration of the optimization algorithm. For more information, see the topic “Objective Function Optimization”.

### Expected Prediction Error

The expected prediction error is computed for the standardized (quantified) data. Only when for all variables the numeric scaling level is specified, the EPE is computed for the raw data as well.

#### Supplementary objects (test cases)

The expected prediction error for the training data (active cases) is

$$\text{EPE}^{\text{train}} = \frac{1}{n_w} \sum_{i=1}^n \left( (\mathbf{G}_r \mathbf{y}_r)_i - \left( \sum_{j \in J_p} \beta_j \mathbf{G}_j \mathbf{y}_j \right)_i \right)^2$$

and the standard error is

$$\text{SE}^{\text{train}} = \left( \frac{1}{n_w^2} \sum_{i=1}^n w_i (\text{EPE}_i^{\text{train}})^2 \right)^{1/2}$$

For the test data (supplementary objects), the expected prediction error is

$$\text{EPE}^{\text{test}} = \frac{1}{n_{\text{tot}} - n} \sum_{i \in S} \left( (\mathbf{G}_r \mathbf{y}_r)_i - \left( \sum_{j \in J_p} \beta_j \mathbf{G}_j \mathbf{y}_j \right)_i \right)^2$$

where  $S$  is the index set of supplementary objects.

$$SE^{\text{test}} = \left( \frac{1}{(n_{\text{tot}} - n)^2} \sum_{i \in S} \left( EPE_i^{\text{test}} - EPE^{\text{test}} \right)^2 \right)^{1/2}$$

For the estimation of the quantification of a supplementary category (a category only occurring with supplementary cases), see the Quantification section below.

Multiplying  $EPE^{\text{train}}$ ,  $SE^{\text{train}}$ ,  $EPE^{\text{test}}$ , and  $SE^{\text{test}}$  with

$$\frac{1}{n_w} \sum_{i=1}^n \left( h_{r_i} - \frac{1}{n_w} \sum_{i=1}^n h_{r_i} \right)^2$$

(the variance of the response variable for the active cases) yields the EPE and SE for the raw data.

### **Resampling, .632 Bootstrap**

Bootstrap datasets are created by randomly drawing (with replacement)  $n$  times from the active objects (training data), including the object (case) weights.

$$EPE^{\text{boot}} = \hat{\text{Err}}^{(.632)} = \overline{\text{err}} + \hat{\text{OP}}$$

where the optimism is estimated as

$$\hat{\text{OP}} = .632 \left( \overline{\text{Err}}^{(1)} - \overline{\text{err}} \right)$$

and  $\overline{\text{Err}}^{(1)}$ , the leave-one-out bootstrap estimate of prediction error, is

$$\overline{\text{Err}}^{(1)} = \frac{1}{n_w^{(1)}} \sum_{i=1}^n \frac{1}{|C^{-i}|} \sum_{b \in C^{-i}} w_i \left( \left( \mathbf{G}_r \mathbf{y}_r^b \right)_i - \left( \sum_{j \in J_p} \beta_j^b \mathbf{G}_j \mathbf{y}_j^b \right)_i \right)^2 \text{ for } |C^{-i}| \neq 0$$

where  $C^{-i}$  is the set of indices of the bootstrap samples  $b$  ( $b = 1, \dots, B$ ) that

- (a) do not contain observation  $i$ ,
- (b) do contain the categories that apply to observation  $i$  for variables with nominal or ordinal transformations,
- (c) do not require extrapolation for observation  $i$  for variables with spline transformations.

$n_w^{(1)}$  is the number of observations for which  $|C^{-i}| \neq 0$ . (The set  $|C^{-i}|$  may become empty if, for example, observation  $i$  has one of the extreme categories on a variable with a spline transformation, and this category has a frequency of one. Then each bootstrap sample that does not contain this observation, also does not contain the extreme category; thus for observation  $i$  all bootstrap samples are excluded.)

The Standard Error is computed as

$$SE^{boot} = \left( \frac{1}{n_w^2} \sum_{i=1}^n w_i \left( \overline{Err}_i^{(1)} - \overline{Err}^{(1)} \right)^2 \right)^{1/2}$$

Adding multiplication with the variance of the response variable for the cases in bootstrap sample  $b$  in the computation of  $\overline{Err}^{(1)}(\dots w_i var(\mathbf{h}_r^b)(\dots))$ , yields the EPE and SE for the raw data.

### Resampling, Cross-validation

The data are randomly divided into  $K$  disjoint subsets of the active objects (training data), including the object (case) weights.

$$EPE^{CV} = \frac{1}{n_w} \sum_{i=1}^n \sum_{i \in k} w_i \left( \left( \mathbf{G}_r \mathbf{y}_r^k \right)_i - \left( \sum_{j \in J_p} \beta_j^{-k} \mathbf{G}_j \mathbf{y}_j^{-k} \right)_i \right)^2$$

where  $k$  ( $k = 1, \dots, K$ ) indexes the  $k$ th subset and  $-k$  the remaining part of the data.

The Standard Error is computed as

$$SE^{CV} = \left( \frac{1}{n_w^2} \sum_{i=1}^n w_i \left( EPE_i^{CV} \right)^2 \right)^{1/2}$$

Adding multiplication with the variance of the response variable for the cases with the  $k$ th part removed in the computation of  $EPE^{CV}(\dots w_i var(\mathbf{h}_r^{-k})(\dots))$ , yields the EPE and SE for the raw data.

Quantifications of categories that do not occur in a bootstrap sample or in the data with the  $k$ th part removed, are estimated as for supplementary categories (see “Quantifications”).

## ANOVA Table

	Sum of Squares	df	Mean Sum of Squares
Regression	$n_w R^2$	$\mathbf{u}' \mathbf{f}$	$n_w R^2 (\mathbf{u}' \mathbf{f})^{-1}$
Residual	$n_w (1 - R^2)$	$n_w - 1 - \mathbf{u}' \mathbf{f}$	$n_w (1 - R^2) (n_w - 1 - \mathbf{u}' \mathbf{f})^{-1}$

$$F = MS_{reg}/MS_{res}$$

## Correlations and Eigenvalues

### Before transformation

$\mathbf{R} = n_w^{-1} \mathbf{H}'_c \mathbf{W} \mathbf{H}_c$ , with  $\mathbf{H}_c$  weighted centered and normalized  $\mathbf{H}$  excluding the response variable.

### After transformation

$\mathbf{R} = n_w^{-1} \mathbf{Q}' \mathbf{W} \mathbf{Q}$ , the columns of  $\mathbf{Q}$  are  $\mathbf{q}_j = \mathbf{G}_j \mathbf{y}_j$ ,  $j \in J_p$ .

## Statistics for Predictor Variables

The following statistics are produced for each predicted variable.

### Beta

The standardized regression coefficient is  $\text{Beta}_j = b_j$ .

### Standard Error Beta

The standard error of  $\text{Beta}_j$  is estimated from 1000 bootstrap samples.

### Degrees of Freedom

The degrees of freedom for a variable depend on the optimal scaling level:

**Numerical.**  $f_j = 1$ .

**Spline ordinal, spline nominal.**  $f_j = s_j + t_j$  minus the number of elements equal to zero in  $\mathbf{a}_j$ .

**Ordinal, nominal.**  $f_j =$  the number of distinct values in  $\mathbf{y}_j$  minus 1.

### F-Value

$$F'_j = (\text{Beta}_j / \text{SE}(\text{Beta}_j))^2$$

### Zero-order correlation

Correlations between the transformed response variable  $\mathbf{G}_r \mathbf{y}_r$  and the transformed predictor variables  $\mathbf{G}_j \mathbf{y}_j$ :

$$r_{rj} = n_w^{-1} (\mathbf{G}_r \mathbf{y}_r)' \mathbf{W} \mathbf{G}_j \mathbf{y}_j$$

### Partial correlation

$$\text{PartialCorr}_j = b_j ((1/t_j)(1 - R^2) + b_j^2)^{-1/2}$$

with  $t_j$  the tolerance for variable  $j$  (see “Tolerance”).

When a regularization method is applied, the OLS coefficients are computed as

$$\beta^* = (n_w \mathbf{R})^{-1} \mathbf{Q}' \mathbf{W} (\mathbf{G}_r \mathbf{y}_r)$$

with  $\mathbf{R}$  the correlation matrix after transformation and  $\mathbf{R}^{-1}$  is computed using the eigenvectors and eigenvalues of  $\mathbf{R}_p$ , where  $\mathbf{R}_p$  is the correlation matrix of the predictors that have regression coefficients  $> 0$ , and  $R^2$  is computed as

$$\left( (\mathbf{G}_r \mathbf{y}_r)' \mathbf{W} \mathbf{Q} \beta^* \left( n_w (\mathbf{Q} \beta^*)' \mathbf{W} \mathbf{Q} \beta^* \right)^{-1/2} \right)^2$$

### **Part correlation**

$$\text{PartCorr}_j = b_j t_j^{1/2}$$

with  $t_j$  the tolerance for variable  $j$  (see “Tolerance”).

For computation of the OLS coefficients if regularization is applied, see “Partial correlation”.

### **Importance**

Pratt’s measure of relative importance (Pratt, 1987)

$$\text{Imp}_j = b_j r_{rj} / R^2$$

The relative importance is only displayed if no regularization is applied.

### **Tolerance**

The tolerance for the optimally scaled predictor variables is given by

$$t_j = r_{pjj}^{-1}$$

with  $r_{pjj}$  the  $j$ th diagonal element of  $\mathbf{R}_p$ , where  $\mathbf{R}_p$  is the correlation matrix of predictors that have regression coefficients  $> 0$ .

The tolerance for the original predictor variables is also reported and is computed in the same way, using the correlation matrix for the original predictor variables, discretized, imputed, and listwise deleted, if applicable.

### **Quantifications**

The quantifications are  $y_j, j=1, \dots, m$ .

**Supplementary objects**

The category indicators of supplementary objects are replaced by the quantification of the categories if these categories also appear in the active data. If a category is only used by supplementary objects, the category quantification is estimated by interpolation for variables with numeric or spline scaling level if the supplementary category lies within the range of the categories in the active data. If the variable has numeric scaling level and the non-occurring category lies outside the range of categories in the active data, then extrapolation is applied. In all other cases, the category indicator is replaced by a system-missing value.

**Predicted and residual values**

There is an option to save the predicted values  $\mathbf{v}$  and the residual values  $\mathbf{G}_r \mathbf{y}_r - \mathbf{v}$ .

Whether for a supplementary object the predicted and residual value can be computed, depends on whether all categories of the object are quantified (which is the case if all categories also appear with the active objects) or can be estimated by inter- or extrapolation (see “Quantifications”).

**Residual Plots**

The residual plot for predictor variable  $j$  displays two sets of points: unnormalized quantifications ( $b_j \mathbf{y}_j$ ) against category indicators, and residuals when the response variable is predicted from all predictor variables except variable  $j$   $\mathbf{G}_r \mathbf{y}_r - (\mathbf{v} - b_j \mathbf{G}_j \mathbf{y}_j)$  against category indicators.

**Regularization**

If regularization is specified, all above diagnostics apply to the selected or specified regularized model. If more than one model is specified (more than one penalty value), diagnostics for each model can be requested.

**Statistics**

APE (see “Apparent Prediction Error”), EPE (see “Expected Prediction Error”), and the Standardized sum of coefficients for each model.

The standardized sum of coefficients are computed as

$$\frac{\int_{j \in J_p}^P \beta_j^2}{\int_{j \in J_p} (\beta_j^*)^2} \text{ for Ridge}$$

$$\frac{\int_{j \in J_p} \text{sign}(\beta_j) \beta_j}{P} \text{ for Lasso and Elastic Net}$$
$$\int_{j \in J_p} \text{sign}(\beta_j^*) \beta_j^*$$

### **Coefficients**

The regularized standardized coefficients for each model.

### **Paths**

The regularized standardized coefficients are plotted on the y-axis against the standardized sum of coefficients for each model on the x-axis. For the Elastic net, multiple plots are produced: a Lasso paths plot for each specified value of the ridge penalty.

## **References**

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# CCF Algorithms

CCF computes the cross-correlation functions of two or more time series.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

Table 14-1

### Notation

Notation	Description
$X, Y$	Any two series of length $n$
$r_{xy}(k)$	Sample cross correlation coefficient at lag $k$
$S_x$	Standard deviation of series $X$
$S_y$	Standard deviation of series $Y$
$C_{xy}(k)$	Sample cross covariance at lag $k$

## Cross Correlation

The cross correlation coefficient at lag  $k$  is estimated by

$$r_{xy}(k) = \frac{C_{xy}(k)}{S_x S_y}$$

where

$$C_{xy}(k) = \begin{cases} \frac{1}{n} \sum_{t=1}^{n-k} (x_t - \bar{x})(y_{t+k} - \bar{y}), & k = 0, 1, 2, \dots \\ \frac{1}{n} \sum_{t=1}^{n+k} (y_t - \bar{y})(x_{t-k} - \bar{x}), & k = -1, -2, \dots \end{cases}$$

$$S_x = \sqrt{\frac{1}{n} \sum_{t=1}^n (x_t - \bar{x})^2}$$

$$S_y = \sqrt{\frac{1}{n} \sum_{t=1}^n (y_t - \bar{y})^2}$$

The cross correlation function is not symmetric about  $k = 0$ .

Approximate standard error of  $r_{xy}(k)$  is

$$se(r_{xy}(k)) \cong \sqrt{\frac{1}{n - |k|}}, k = 0, \pm 1, \pm 2, \dots$$

The standard error is based on the assumption that the series are not cross correlated and one of the series is white noise. (The general formula for the standard error can be found in (Box and Jenkins, 1976), p. 376, 11.1.7.)

## **References**

Box, G. E. P., and G. M. Jenkins. 1976. *Time series analysis: Forecasting and control*, Rev. ed. San Francisco: Holden-Day.

# CLUSTER Algorithms

CLUSTER produces hierarchical clusters of items based on distance measures of dissimilarity or similarity.

## Cluster Measures

For more information, see the topic “Proximities Measures”.

## Clustering Methods

The cluster method defines the rules for cluster formation. For example, when calculating the distance between two clusters, you can use the pair of nearest objects between clusters or the pair of furthest objects, or a compromise between these methods.

## Notation

The following notation is used unless otherwise stated:

Table 15-1

### Notation

Notation	Description
$S$	Matrix of similarity or dissimilarity measures
$s_{ij}$	Similarity or dissimilarity measure between cluster $i$ and cluster $j$
$N_i$	Number of cases in cluster $i$

## General Procedure

Begin with  $N$  clusters each containing one case. Denote the clusters 1 through  $N$ .

- Find the most similar pair of clusters  $p$  and  $(p > q)$ . Denote this similarity  $s_{pq}$ . If a dissimilarity measure is used, large values indicate dissimilarity. If a similarity measure is used, small values indicate dissimilarity.
- Reduce the number of clusters by one through merger of clusters  $p$  and  $q$ . Label the new cluster  $(= q)$  and update similarity matrix (by the method specified) to reflect revised similarities or dissimilarities between cluster  $t$  and all other clusters. Delete the row and column of  $S$  corresponding to cluster  $p$ .
- Perform the previous two steps until all entities are in one cluster.
- For each of the following methods, the similarity or dissimilarity matrix  $S$  is updated to reflect revised similarities or dissimilarities ( $s_{tr}$ ) between the new cluster  $t$  and all other clusters  $r$  as given below.

## Average Linkage between Groups

Before the first merge, let  $N_i = 1$  for  $i = 1$  to  $N$ . Update  $s_{tr}$  by

$$s_{tr} = s_{pr} + s_{qr}$$

Update  $N_t$  by

$$N_t = N_p + N_q$$

and then choose the most similar pair based on the value

$$s_{ij}/(N_i N_j)$$

### **Average Linkage within Groups**

Before the first merge, let  $SUM_i = 0$  and  $N_i = 1$  for  $i = 1$  to  $N$ . Update  $s_{tr}$  by

$$s_{tr} = s_{pr} + s_{qr}$$

Update  $SUM_t$  and  $N_t$  by

$$SUM_t = SUM_p + SUM_q + s_{pq}$$

$$N_t = N_p + N_q$$

and choose the most similar pair based on

$$\frac{SUM_i + SUM_j + s_{ij}}{((N_i + N_j)(N_i + N_j - 1))/2}$$

### **Single Linkage**

Update  $s_{tr}$  by

$$s_{tr} = \begin{cases} \min(s_{pr}, s_{qr}) & \text{if } S \text{ is a dissimilarity matrix} \\ \max(s_{pr}, s_{qr}) & \text{if } S \text{ is a similarity matrix} \end{cases}$$

### **Complete Linkage**

Update  $s_{tr}$  by

$$s_{tr} = \begin{cases} \max(s_{pr}, s_{qr}) & \text{if } S \text{ is a dissimilarity matrix} \\ \min(s_{pr}, s_{qr}) & \text{if } S \text{ is a similarity matrix} \end{cases}$$

### **Centroid Method**

Update  $s_{tr}$  by

$$s_{tr} = \frac{N_p}{N_p + N_q} s_{pr} + \frac{N_q}{N_p + N_q} s_{qr} - \frac{N_p N_q}{(N_p + N_q)^2} s_{pq}$$

### **Median Method**

Update  $s_{tr}$  by

$$s_{tr} = (s_{pr} + s_{qr})/2 - s_{pq}/4$$

### **Ward's Method**

Update  $s_{tr}$  by

$$s_{tr} = \frac{1}{(N_t + N_r)} [(N_r + N_p) s_{rp} + (N_r + N_q) s_{rq} - N_r s_{pq}]$$

Update the coefficient  $W$  by

$$W = W + .5s_{pq}$$

Note that for Ward's method, the coefficient given in the agglomeration schedule is really the within-cluster sum of squares at that step. For all other methods, this coefficient represents the distance at which the clusters  $p$  and  $q$  were joined.

### **References**

Anderberg, M. R. 1973. *Cluster analysis for applications*. New York: Academic Press.

# Cluster Evaluation Algorithms

This document describes measures used for evaluating clustering models.

- The **Silhouette coefficient** combines the concepts of cluster cohesion (favoring models which contain tightly cohesive clusters) and cluster separation (favoring models which contain highly separated clusters). It can be used to evaluate individual objects, clusters, and models.
- The **sum of squares error (SSE)** is a measure of prototype-based cohesion, while **sum of squares between (SSB)** is a measure of prototype-based separation.
- **Predictor importance** indicates how well the variable can differentiate different clusters. For both range (numeric) and discrete variables, the higher the importance measure, the less likely the variation for a variable between clusters is due to chance and more likely due to some underlying difference.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$x_{ik}$	Continuous variable $k$ in case $i$ (standardized).
$x_{iks}$	The $s$ th category of variable $k$ in case $i$ (one-of-c coding).
$N$	Total number of valid cases.
$N_j$	The number of cases in cluster $j$ .
$Y$	Variable with $J$ cluster labels.
$\mu_{jk}$	The centroid of cluster $j$ for variable $k$ .
$D_{ij}$	The distance between case $i$ and the centroid of cluster $j$ .
$D_j$	The distance between the overall mean $u$ and the centroid of cluster $j$ .

## Goodness Measures

The average Silhouette coefficient is simply the average over all cases of the following calculation for each individual case:

$$(B - A) / \max(A, B)$$

where  $A$  is the average distance from the case to every other case assigned to the same cluster and  $B$  is the minimal average distance from the case to cases of a different cluster across all clusters.

Unfortunately, this coefficient is computationally expensive. In order to ease this burden, we use the following definitions of  $A$  and  $B$ :

- $A$  is the distance from the case to the centroid of the cluster which the case belongs to;
- $B$  is the minimal distance from the case to the centroid of every other cluster.

Distances may be calculated using Euclidean distances. The Silhouette coefficient and its average range between  $-1$ , indicating a very poor model, and  $1$ , indicating an excellent model. As found by Kaufman and Rousseeuw (1990), an average silhouette greater than  $0.5$  indicates reasonable partitioning of data; less than  $0.2$  means that the data do not exhibit cluster structure.

## Data Preparation

Before calculating Silhouette coefficient, we need to transform cases as follows:

1. **Recode categorical variables using one-of-c coding.** If a variable has  $c$  categories, then it is stored as  $c$  vectors, with the first category denoted  $(1,0,\dots,0)$ , the next category  $(0,1,0,\dots,0)$ , ..., and the final category  $(0,0,\dots,0,1)$ . The order of the categories is based on the ascending sort or lexical order of the data values.
2. **Rescale continuous variables.** Continuous variables are normalized to the interval  $[-1, 1]$  using the transformation  $[2*(x-\min)/(\max-\min)]-1$ . This normalization tries to equalize the contributions of continuous and categorical features to the distance computations.

## Basic Statistics

The following statistics are collected in order to compute the goodness measures: the centroid  $\mu_{jk}$  of variable  $k$  for cluster  $j$ , the distance between a case and the centroid, and the overall mean  $\mu$ .

For  $\mu_{jk}$  with an ordinal or continuous variable  $k$ , we average all standardized values of variable  $k$  within cluster  $j$ . For nominal variables,  $\mu_{jk}$  is a vector  $\{\varphi_{jks}\}$  of probabilities of occurrence for each state  $s$  of variable  $k$  for cluster  $j$ . Note that in counting, we do not consider cases with missing values in variable  $k$ . If the value of variable  $k$  is missing for all cases within cluster  $j$ ,  $\mu_{jk}$  is marked as missing.

The distance  $D_{ij}^2$  between case  $i$  and the centroid of cluster  $j$  can be calculated in terms of the weighted sum of the distance components  $d_{ijk}^2$  across all variables; that is

$$D_{ij}^2 = \frac{\sum_k w_{ijk} d_{ijk}^2}{\sum_k w_{ijk}}$$

where  $w_{ijk}$  denotes a weight. At this point, we do not consider differential weights, thus  $w_{ijk}$  equals  $1$  if the variable  $k$  in case  $i$  is valid,  $0$  if not. If all  $w_{ijk}$  equal  $0$ , set  $D_{ij}^2 = 0$ .

The distance component  $d_{ijk}^2$  is calculated as follows for ordinal and continuous variables

$$d_{ijk}^2 = (x_{ik} - \mu_{jk})^2$$

For binary or nominal variables, it is

$$d_{ijk}^2 = \frac{1}{S_k} \sum_{s=1}^{S_k} (x_{iks} - \varphi_{jks})^2$$

where variable  $k$  uses one-of- $c$  coding, and  $S_k$  is the number of its states.

The calculation of  $D_j$  is the same as that of  $D_{ij}$ , but the overall mean  $u$  is used in place of  $\mu_{jk}$  and  $\mu_{jk}$  is used in place of  $x_{ik}$ .

### **Silhouette Coefficient**

The Silhouette coefficient of case  $i$  is

$$\frac{\min \{D_{ij}, j \in C_{-i}\} - D_{ic_i}}{\max(\min \{D_{ij}, j \in C_{-i}\}, D_{ic_i})}$$

where  $C_{-i}$  denotes cluster labels which do not include case  $i$  as a member, while  $c_i$  is the cluster label which includes case  $i$ . If  $\max(\min \{D_{ij}, j \in C_{-i}\}, D_{ic_i})$  equals 0, the Silhouette of case  $i$  is not used in the average operations.

Based on these individual data, the total average Silhouette coefficient is:

$$SC = \frac{1}{N} \sum_{i=1}^N \frac{\min \{D_{ij}, j \in C_{-i}\} - D_{ic_i}}{\max(\min \{D_{ij}, j \in C_{-i}\}, D_{ic_i})}$$

### **Sum of Squares Error (SSE)**

SSE is a prototype-based cohesion measure where the squared Euclidean distance is used. In order to compare between models, we will use the averaged form, defined as:

$$\text{Average SSE} = \frac{1}{N} \sum_{j \in C} \sum_{i \in j} D_{ij}^2$$

### **Sum of Squares Between (SSB)**

SSB is a prototype-based separation measure where the squared Euclidean distance is used. In order to compare between models, we will use the averaged form, defined as:

$$\text{Average SSB} = \frac{1}{N} \sum_{j \in C} N_j D_j^2$$

### **Predictor Importance**

The importance of field  $i$  is defined as

$$VI_i = \frac{-\log_{10}(sig_i)}{\max_{j \in \Omega} (-\log_{10}(sig_j))}$$

where  $\Omega$  denotes the set of predictor and evaluation fields,  $sig_i$  is the significance or  $p$ -value computed from applying a certain test, as described below. If  $sig_i$  equals zero, set  $sig_i = MinDouble$ , where  $MinDouble$  is the minimal double value.

### Across Clusters

The  $p$ -value for **categorical** fields is based on Pearson's chi-square. It is calculated by

$$p\text{-value} = \text{Prob}(\chi_d^2 > X^2),$$

where

$$X^2 = \sum_{i=1}^I \sum_{j=1}^J \left( N_{ij} - \hat{N}_{ij} \right)^2 / \hat{N}_{ij}$$

where  $\hat{N}_{ij} = N_i \cdot N_{.j} / N(X)$ .

- If  $N(X) = 0$ , the importance is set to be undefined or unknown;
- If  $N_i = 0$ , subtract one from  $I$  for each such category to obtain  $I'$ ;
- If  $N_{.j} = 0$ , subtract one from  $J$  for each such cluster to obtain  $J'$ ;
- If  $J' \leq 1$  or  $I' \leq 1$ , the importance is set to be undefined or unknown.

The degrees of freedom are  $(I' - 1)(J' - 1)$ .

The  $p$ -value for **continuous** fields is based on an  $F$  test. It is calculated by

$$p\text{-value} = \text{Prob}\{F(J - 1, N - J) > F\},$$

where

$$F = \frac{\sum_{j=1}^J N_j (\bar{x}_j - \bar{x})^2 / (J - 1)}{\sum_{j=1}^J (N_j - 1) s_j^2 / (N - J)}$$

- If  $N=0$ , the importance is set to be undefined or unknown;
- If  $N_j = 0$ , subtract one from  $J$  for each such cluster to obtain  $J'$ ;
- If  $J' \leq 1$  or  $N \leq J'$ , the importance is set to be undefined or unknown;
- If the denominator in the formula for the  $F$  statistic is zero, the importance is set to be undefined or unknown;
- If the numerator in the formula for the  $F$  statistic is zero, set  $p$ -value = 1;

The degrees of freedom are  $(J' - 1, N - J')$ .

**Within Clusters**

The null hypothesis for **categorical** fields is that the proportion of cases in the categories in cluster  $j$  is the same as the overall proportion.

The chi-square statistic for cluster  $j$  is computed as follows

$$X^2 = \sum_{i=1}^I \frac{(N_{ij} - N_j p_i)^2}{N_j p_i}$$

If  $N_j = 0$ , the importance is set to be undefined or unknown;

If  $p_i = 0$ , subtract one from  $I$  for each such category to obtain  $I'$ ;

If  $I' \leq 1$ , the importance is set to be undefined or unknown.

The degrees of freedom are  $d = I' - 1$ .

The null hypothesis for **continuous** fields is that the mean in cluster  $j$  is the same as the overall mean.

The Student's  $t$  statistic for cluster  $j$  is computed as follows

$$t = \frac{(\bar{x}_j - \bar{x})}{s_j / \sqrt{N_j}}$$

with  $d = N_j - 1$  degrees of freedom.

If  $N_j \leq 1$  or  $s_j = 0$ , the importance is set to be undefined or unknown;

If the numerator is zero, set  $p$ -value = 1;

Here, the  $p$ -value based on Student's  $t$  distribution is calculated as

$$p\text{-value} = 1 - \text{Prob}\{|T(d)| \leq |t|\}.$$

**References**

Kaufman, L., and P. J. Rousseeuw. 1990. *Finding groups in data: An introduction to cluster analysis*. New York: John Wiley and Sons.

Tan, P., M. Steinbach, and V. Kumar. 2006. *Introduction to Data Mining*. : Addison-Wesley.

# CNLR Algorithms

CNLR is used to estimate the parameters of a function by minimizing a smooth nonlinear loss function (objective function) when the parameters are subject to a set of constraints.

## Model

Consider the model

$$f = f(\underset{\sim}{\mathbf{x}}, \underset{\sim}{\theta})$$

where  $\underset{\sim}{\theta}$  is a  $p \times 1$  parameter vector,  $\underset{\sim}{\mathbf{x}}$  is an independent variable vector, and  $f$  is a function of  $\underset{\sim}{\mathbf{x}}$  and  $\underset{\sim}{\theta}$ .

## Goal

Find the estimate  $\underset{\sim}{\theta}^*$  of  $\underset{\sim}{\theta}$  such that  $\underset{\sim}{\theta}^*$  minimizes

$$F = F(y, f)$$

subject to

$$\underset{\sim}{\mathbf{l}}' \leq \begin{matrix} \underset{\sim}{\theta} \\ \mathbf{A}_L \underset{\sim}{\mathbf{q}} \\ \mathbf{C}(\underset{\sim}{\theta}) \end{matrix} \leq \underset{\sim}{\mathbf{u}}'$$

where  $F$  is the smooth loss function (objective function), which can be specified by the user.  $\mathbf{A}_L$  is an  $m_L \times p$  matrix of linear constraints, and  $\mathbf{C}(\underset{\sim}{\theta})$  is an  $m_N \times 1$  vector of nonlinear constraint functions.  $\underset{\sim}{\mathbf{l}}' = (\underset{\sim}{l}'_B, \underset{\sim}{l}'_L, \underset{\sim}{l}'_N)$ , where  $\underset{\sim}{l}'_B$ ,  $\underset{\sim}{l}'_L$ , and  $\underset{\sim}{l}'_N$  represent the lower bounds, linear constraints and nonlinear constraints, respectively. The upper bound  $\underset{\sim}{\mathbf{u}}'$  is defined similarly.

## Algorithm

CNLR uses the algorithms proposed and implemented in NPSOL by Gill, Murray, Saunders, and Wright. A description of the algorithms can be found in the User's Guide for NPSOL, Version 4.0 (Gill, Murray, Saunders, and Wright, 1986).

The method used in NPSOL is a sequential quadratic programming (SQP) method. For an overview of SQP methods, see (Gill, Murray, and Saunders, 1981), pp. 237–242.

The basic structure of NPSOL involves major and minor iterations. Based on the given initial value  $\underset{\sim}{\theta}^{(0)}$  of  $\underset{\sim}{\theta}$  the algorithm first selects an initial working set that includes bounds or general inequality constraints that lie within a crash tolerance (CRSHTOL). At the  $k$ th iteration, the algorithm starts with

### Minor Iteration

This iteration searches for the direction  $\mathbf{P}_k$ , which is the solution of a quadratic subproblem; that is,  $\mathbf{P}_k$  is found by minimizing

$$\mathbf{g}'_k \mathbf{P} + \frac{1}{2} \mathbf{P}' \mathbf{H}_k \mathbf{P}$$

subject to

$$\bar{\mathbf{I}}_{\sim}^{(k)} \leq \left\{ \begin{array}{c} \mathbf{P} \\ \mathbf{A}_L \mathbf{P} \\ \mathbf{A}_N \mathbf{P} \end{array} \right\} \leq \bar{\mathbf{u}}_{\sim}^{(k)}$$

where  $\mathbf{g}_k$  is the gradient of  $F$  at  $\theta^{(k)}$ , the matrix  $\mathbf{H}_k$  is a positive-definite quasi-Newton approximation to the Hessian of the Lagrangian function,  $\mathbf{A}_N$  is the Jacobian matrix of the nonlinear-constraint vector  $\mathbf{C}$  evaluated at  $\theta_{\sim}^{(k)}$ , and

$$\bar{\mathbf{I}}_{\sim}^{(k)} = (\bar{\mathbf{I}}'_B, \bar{\mathbf{I}}'_L, \bar{\mathbf{I}}'_N)$$

$$\bar{\mathbf{u}}_{\sim}^{(k)} = (\bar{\mathbf{u}}'_B, \bar{\mathbf{u}}'_L, \bar{\mathbf{u}}'_N)$$

$$\bar{\mathbf{I}}_B = \mathbf{l}_B - \mathbf{q}_{\sim}^{(k)}$$

$$\bar{\mathbf{I}}_L = \mathbf{l}_L - \mathbf{A}_L \mathbf{q}_{\sim}^{(k)}$$

$$\bar{\mathbf{I}}_N = \mathbf{l}_N - \mathbf{C} \left( \mathbf{q}_{\sim}^{(k)} \right)$$

$$\bar{\mathbf{u}}_B = \mathbf{u}_B - \mathbf{q}_{\sim}^{(k)}$$

$$\bar{\mathbf{u}}_L = \mathbf{u}_L - \mathbf{A}_L \mathbf{q}_{\sim}^{(k)}$$

$$\bar{\mathbf{u}}_N = \mathbf{u}_N - \mathbf{C} \left( \mathbf{q}_{\sim}^{(k)} \right)$$

The linear feasibility tolerance, the nonlinear feasibility tolerance, and the feasibility tolerance are used to decide if a solution is feasible for linear and nonlinear constraints.

Once the search direction  $\mathbf{P}_k$  is found, the algorithm goes to the major iteration.

### Major Iteration

The purpose of the major iteration is to find a non-negative scalar  $\alpha_k$  such that

$$\theta_{\sim}^{(k+1)} = \theta_{\sim}^{(k)} + \alpha_k \mathbf{P}_k$$

satisfies the following conditions:

- $\tilde{\theta}^{(k+1)}$  produces a “sufficient decrease” in the augmented Lagrangian merit function

$$L\left(\tilde{\theta}, \tilde{\lambda}, \tilde{\mathbf{s}}\right) = F\left(\tilde{\theta}\right) - \sum_i \lambda_i \left(c_i\left(\tilde{\theta}\right) - s_i\right) + \frac{1}{2} \sum_i \rho_i \left(c_i\left(\tilde{\theta}\right) - s_i\right)^2$$

The summation terms involve only the nonlinear constraints. The vector  $\lambda$  is an estimate of the Lagrange multipliers for the nonlinear constraints. The non-negative slack variables  $\{s_i\}$  allow nonlinear inequality constraints to be treated without introducing discontinuities. The solution of the *QP* subproblem defined in “Minor Iteration ” provides a vector triple that serves as a direction search for  $\tilde{\theta}$ ,  $\tilde{\lambda}$  and  $\tilde{\mathbf{s}}$ . The non-negative vector of penalty parameters ( $\rho$ ) is initialized to zero at the beginning of the first major iteration. Function precision criteria are used as a measure of the accuracy with which the functions  $F$  and  $c_i$  can be evaluated.

- $\tilde{\theta}^{(k+1)}$  is close to a minimum of  $F$  along  $\mathbf{P}_k$ . The criterion is

$$\left| \mathbf{g}'\left(\tilde{\theta}^{(k+1)}\right) \mathbf{P}_k \right| < -\eta \mathbf{g}'_k \mathbf{P}_k$$

where  $\eta$  is the Line Search Tolerance and  $0 \leq \eta < 1$ . The value of  $\eta$  determines the accuracy with which  $\alpha_k$  approximates a stationary point of  $F$  along  $\mathbf{P}_k$ . A smaller value of  $\eta$  produces a more accurate line search.

- The step length is in a certain range; that is,

$$\left\| \tilde{\theta}^{(k+1)} - \tilde{\theta}^{(k)} \right\| = \left\| \alpha_k \mathbf{P}_k \right\| \leq \text{Step Limit}$$

## Convergence Tests

After  $\alpha_k$  is determined from the major iteration, the following conditions are checked:

- $k+1 \leq$  Maximum number of major iterations
- The sequence  $\left\{ \tilde{\theta}^{(l)} \right\}$  converged at  $\tilde{\theta}^{(k+1)}$ ; that is,

$$\left\| \alpha_k \mathbf{P}_k \right\| \leq \sqrt{r} \left( 1 + \left\| \tilde{\theta}^{(k+1)} \right\| \right)$$

- $\tilde{\theta}^{(k+1)}$  satisfies the Kuhn-Tucker conditions to the accuracy requested; that is,

$$\left\| \mathbf{g}_z \left( \tilde{\theta}^{(k+1)} \right) \right\| \leq \sqrt{r} \left( 1 + \max \left( 1 + \left| F \left( \tilde{\theta}^{(k+1)} \right) \right|, \left\| \mathbf{g} \left( \tilde{\theta}^{(k+1)} \right) \right\| \right) \right)$$

and

$$\left\| \text{res}_j \right\| \leq \text{FTOL for all } j,$$

where  $\mathbf{g}_z$  is the projected gradient,  $\mathbf{g}$  is the gradient of  $F$  with respect to the free parameters,  $\text{res}_j$  is the violation of the  $j$ th nonlinear constraint, FTOL is the Nonlinear Feasibility Tolerance, and  $r$  is the Optimality Tolerance.

If none of these three conditions are satisfied, the algorithm continues with the Minor Iteration to find a new search direction.

## Termination

The following are termination conditions.

- Underflow. A single underflow will always occur if machine constants are computed automatically. Other floating-point underflows may occur occasionally, but can usually be ignored.
- Overflow. If the printed output before the overflow error contains a warning about serious ill-conditioning in the working set when adding the  $j$ th constraint, it may be possible to avoid the difficulty by increasing the magnitude of FTOL, LFTOL, or NFTOL and rerunning the program. If the message recurs after this change, the offending linearly dependent constraints (with index “ $j$ ”) must be removed from the problem.
- Optimal solution found.
- Optimal solution found, but the requested accuracy could not be achieved, NPSOL terminates because no further improvement can be made in the merit function. This is probably caused by requesting a more accurate solution than is attainable with the given precision of the problem (as specified by FPRECISION).
- No point has been found that satisfies the linear constraints. NPSOL terminates without finding a feasible point for the given value of LFTOL. The user should check that there are no constraint redundancies and ensure that the value of LFTOL is greater than the precision of parameter estimates.
- No point has been found which satisfies the nonlinear constraints. There is no feasible point found in  $QP$  subproblems. The user should check the validity of constraints. If the user is convinced that a feasible point does exist, NPSOL should be restarted at a different starting point.
- Too many iterations. If the algorithm appears to be making progress, increase the value of ITER and rerun NPSOL. If the algorithm seems to be “bogged down”, the user should check for incorrect gradients.
- Cannot improve on current point. A sufficient decrease in the merit function could not be attained during the final line search. This sometimes occurs because an overly stringent accuracy has been requested; for example, Optimality Tolerance is too small or a too-small step limit is given when the parameters are measured on different scales.

Please note the following:

- Unlike the other procedures, the weight function is not treated as a case replicate in CNLR.
- When both weight and loss function are specified, the algorithm takes the product of these two functions as the loss function.
- If the loss function is not specified, the default loss function is a squared loss function and the default output in NLR will be printed. However, if the loss function is not a squared loss function, CNLR prints only the final parameter estimates, iteration history, and termination message. In order to obtain estimates of the standard errors of parameter estimates and correlations between parameter estimates, the bootstrapping method can be requested.

## Bootstrapping Estimates

Bootstrapping is a nonparametric technique of estimating the standard error of a parameter estimate using repeated samples from the original data. This is done by sampling with replacement. CNLR computes and saves the parameter estimates for each sample generated. This results, for each parameter, in a sample of estimates from which the standard deviation is calculated. This is the estimated standard error.

Mathematically, the bootstrap covariance matrix  $\mathbf{S}$  for the  $p$  parameter estimates is

$$\mathbf{S} = (s_{ij})_{p \times p}$$

where

$$s_{ij} = \sum_{k=1}^m (\hat{\theta}_{ik} - \bar{\theta}_i) (\hat{\theta}_{jk} - \bar{\theta}_j)$$

$$\bar{\theta}_i = \sum_{k=1}^m \hat{\theta}_{ik} / m$$

and  $\hat{\theta}_{ik}$  is the CNLR parameter estimate of  $\theta_i$  for the  $k$ th bootstrap sample and  $m$  is the number of samples generated by the bootstrap. By default,  $m = \frac{10p(p+1)}{2}$ . The standard error for the  $j$ th parameter estimate is estimated by

$$\sqrt{\frac{s_{jj}}{m-1}}$$

and the correlation between the  $i$ th and  $j$ th parameter estimates is estimated by

$$\frac{s_{ij}}{\sqrt{s_{ii}s_{jj}}}$$

The “95% Trimmed Range” values are the most extreme values that remain after trimming from the set of estimates for a parameter, the  $g$  largest, and the  $g$  smallest estimates, where  $g$  is the largest integer not exceeding  $0.025m$ .

## References

- Gill, P. E., W. M. Murray, and M. A. Saunders. 1981. *Practical Optimization*. London: Academic Press.
- Gill, P. E., W. M. Murray, M. A. Saunders, and M. H. Wright. 1984. Procedures for optimization problems with a mixture of bounds and general linear constraints. *ACM Transactions on Mathematical Software*, 10:3, 282–296.
- Gill, P. E., W. M. Murray, M. A. Saunders, and M. H. Wright. 1986. *User's guide for NPSOL (version 4.0): A FORTRAN package for nonlinear programming. Technical Report SOL 86-2*. Stanford University: Department of Operations Research.

# CONJOINT Algorithms

This procedure performs conjoint analysis using ordinary least squares.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$n$	The total number of regular cards in the PLAN file.
$p$	The total number of factors.
$d$	The number of discrete factors.
$l$	The number of linear factors.
$q$	The number of quadratic factors.
$m_i$	The number of levels of levels of the $i$ th discrete factor.
$a_{ij}$	The $j$ th level of the $i$ th discrete factor $i=1,\dots,d$ .
$x_i$	The $i$ th linear factor, $i=1,\dots,l$ .
$z_i$	The $i$ th ideal or anti-ideal factor, $i=1,\dots,q$ .
$r_i$	The response for the $i$ th card, $i=1,\dots,n$ .
$t$	The total number of subjects being analyzed at the same time. (When /SUBJECT is specified, $t$ is usually 1.)

## Model

The model for the response  $r_i$  for the  $i$ th card from a subject is

$$r_i = \beta_0 + \sum_{j=1}^p u_{jk_{ji}}$$

where  $u_{jk_{ji}}$  is the utility (part worth) associated with the  $k_{ji}$ th level of the  $j$ th factor on the  $i$ th card.

## Design Matrix

A design matrix  $\mathbf{X}$  is formed from the values in the PLAN file. There is one row for each card in the PLAN file. The columns of the matrix are defined by each of the factor variables in the following manner:

- There is a column of 1s for the constant. This column is used for the estimate of  $\beta_0^*$ .
- For each discrete factor containing  $m_i$  levels,  $m_i - 1$  columns are formed. Each column represents the deviation of one of the factor levels from the overall mean. There is a 1 in the column if that level of the factor was observed,  $a-1$  if the last level of the factor was observed, or a 0 otherwise. These columns are used to estimate the  $m_i - 1$  values of  $\alpha_{ij}$ .

- For each linear factor, there is one column which is the centered value of that factor  $(x_{ij} - \bar{x}_i)$ . These columns are used to estimate the values for  $\hat{\beta}_i$ .
- For each quadratic factor there are two columns, one which contains the centered value of the factor  $(z_{ij} - \bar{z}_i)$ , the next which contains the square of the centered factor value  $(z_{ij} - \bar{z}_i)^2$ . These columns are used to estimate the values of  $\hat{\gamma}^*$ .

## Converting Card Numbers to Ranks

If the observations are card numbers, they are converted to ranks. If card number  $i$  has a value of  $k$ , then  $r_i = k$ .

## Estimation

The estimates

$$\left( \hat{\beta}_0^* \hat{\alpha} \hat{\beta} \hat{\gamma}^* \right)' = \left( X' X \right)^{-1} X' y$$

are computed by using a QR decomposition (see MANOVA) where

$$y_i = \begin{cases} r_i & \text{if responses are scores} \\ n + 1 - r_i & \text{if responses are ranks} \end{cases}$$

The variance-covariance matrix of these estimates is

$$\hat{\sigma}^2 \left( X' X \right)^{-1}$$

where

$$\hat{\sigma}^2 = \sum_{i=1}^t \sum_{j=1}^n (r_{ij} - \hat{r}_{ij})^2 / (nt - d - l - 2q - 1)$$

The values of  $\hat{\gamma}$  are computed by

$$\hat{\gamma}_{i1} = \hat{\gamma}_{i1}^* - 2\hat{\gamma}_{i2}^* \bar{z}_i$$

and

$$\hat{\gamma}_{i2} = \hat{\gamma}_{i2}^*$$

with variances

$$var(\hat{\gamma}_{j1}) = var(\hat{\gamma}_{j1}^*) - 4\bar{z}_j cov(\hat{\gamma}_{j1}^*, \hat{\gamma}_{j2}^*) + 4\bar{z}_j^2 var(\hat{\gamma}_{j2}^*)$$

and

$$\text{var}(\hat{\gamma}_{j2}) = \text{var}(\hat{\gamma}_{j2}^*)$$

where

$$\text{cov}(\hat{\gamma}_{j1}, \hat{\gamma}_{j2}) = \text{cov}(\hat{\gamma}_{j1}^*, \hat{\gamma}_{j2}^*) - 2\bar{z}^2 \text{var}(\hat{\gamma}_{j2})$$

The value for  $\hat{\beta}_0$  is calculated by

$$\hat{\beta}_0 = \hat{\beta}_0^* - \Sigma \hat{\beta}_i \bar{x}_i - \Sigma (\hat{\gamma}_{i1} \bar{z}_i + \hat{\gamma}_{i2} \bar{z}_i^2)$$

with variance

$$\text{var}(\hat{\beta}_0) = a \Sigma_a^{-1} a'$$

where

$$a = (1, -\bar{x}_1, \dots, -\bar{x}_l, -\bar{z}_1, \bar{z}_1^2, \dots, -\bar{z}_q, \bar{z}_q^2)$$

and

$$\Sigma_a = \begin{pmatrix} \text{var} \hat{\beta}_0^* & \text{cov}(\hat{\beta}_0^*, \hat{\beta}_1) & \text{cov}(\hat{\beta}_0^*, \hat{\gamma}_{q1}^*) & \text{cov}(\hat{\beta}_0^*, \hat{\gamma}_{q2}^*) \\ & \text{var} \hat{\beta}_1 & & \\ & & \text{var} \hat{\gamma}_{q1}^* & \\ & & & \text{var} \hat{\gamma}_{q2}^* \end{pmatrix}$$

## Utility (Part Worth) Values

### Discrete Factors

$$\hat{u}_{jk} = \begin{cases} \hat{a}_{jk} & \text{for } k = 1, \dots, m_j - 1 \\ -\sum_{j=1}^{m_j-1} \hat{a}_{jk} & \text{for } k = m_j \end{cases}$$

### Linear Factors

$$\hat{u}_{jk} = \hat{\beta}_j x_k$$

### Ideal or Anti-ideal Factors

$$\hat{u}_{jk} = \hat{\gamma}_{j1} z_{jk} + \hat{\gamma}_{j2} z_{jk}^2$$

## Standard Errors of Part Worths

The standard error of part worth  $u_{jk} = \sqrt{\text{var}(u_{jk})}$  where  $\text{var}(u_{jk})$  is defined below:

### Discrete Factors

$$\text{var}(u_{jk}) = \begin{cases} \text{var}(\hat{\alpha}_{jk}) & \text{for } k = 1, \dots, m_j - 1 \\ \sum_{i=1}^{m_j-1} \text{var}(\hat{\alpha}_{jk}) - 2 \sum_{i=1}^{m_j-1} \sum_{l < i} \text{cov}(\hat{\alpha}_{ji}, \hat{\alpha}_{jl}) & \text{for } k = m_j \end{cases}$$

### Linear Factors

$$\text{var}(u_{jk}) = x_k^2 \text{var}(\hat{\beta}_j)$$

### Ideal or Anti-ideal Factors

$$\text{var}(u_{jk}) = z_k^2 \text{var}(\hat{\gamma}_{j1}) + 2z_k^3 \text{cov}(\hat{\gamma}_{j1}, \hat{\gamma}_{j2}) + z_k^4 \text{var}(\hat{\gamma}_{j2})$$

## Importance Scores

The importance score for factor  $i$  is

$$IMP_i = 100 \frac{RANGE_i}{\sum_{i=1}^p RANGE_i}$$

where  $RANGE_i$  is the highest minus lowest utility for factor  $i$ . If there is a SUBJECT command, the importance for each factor is calculated separately for each subject, and these are then averaged.

## Predicted Scores

$$\hat{r}_i = \hat{\beta}_0 + \sum_{j=1}^p \hat{u}_{jk_{ji}}$$

where  $\hat{u}_{jk_{ji}}$  is the estimated utility (part worth) associated with the  $k_{ji}$ th level of the  $j$ th factor.

## Correlations

Pearson and Kendall correlations are calculated between predicted ( $\hat{r}_i$ ) and the observed ( $r_i$ ) responses. See the CORRELATIONS and NONPAR CORR chapters for algorithms. Pearson correlations for holdouts are not calculated.

## Simulations

Each person is assigned a probability  $p_i$  for each simulation  $i$ . The probabilities are all computed based on the predicted score ( $\hat{r}_i$ ) for that product. The probabilities are computed as follows:

### Max Utility

$$p_i = \begin{cases} 1 & \text{if } \hat{r}_i = \max(\hat{r}_i) \\ 0 & \text{otherwise} \end{cases}$$

### BTL

$$p_i = \frac{\hat{r}_i}{\sum_j \hat{r}_j}$$

### Logit

$$p_i = \frac{e^{\hat{r}_i}}{\sum_j e^{\hat{r}_j}}$$

Probabilities are averaged across respondents for the grouped simulation results. For the BTL and Logit methods, only subjects having all positive  $\hat{r}_i$  values are used.

# CORRELATIONS Algorithms

The user-specified treatment for missing values is used for computation of all statistics except, under certain conditions, the means and standard deviations.

## Notation

The following notation is used throughout this section unless otherwise specified:

Table 19-1

### Notation

#### Notation Description

$N$	Number of cases
$X_{kl}$	Value of the variable $k$ for case $l$
$w_l$	Weight for case $l$
$W_k$	Sum of weights of cases used in computation of statistics for variable $k$
$W_{kj}$	Sum of weights of cases used in computation of statistics for variables $k$ and $j$

## Statistics

The following statistics are available.

### Means and Standard Deviations

$$\bar{X}_k = \frac{\sum_{l=1}^N w_l X_{kl}}{W_k}$$
$$S_k = \sqrt{\left( \sum_{l=1}^N w_l X_{kl}^2 - \bar{X}_k^2 W_k \right) / (W_k - 1)}$$

*Note:* If no treatment for missing values is specified (default is pairwise), means and standard deviations are computed based on all nonmissing values for each variable. If missing values are to be included or listwise is chosen, that option is used for means and standard deviations as well.

### Cross-product Deviations and Covariances

The cross-product deviation for variables  $i$  and  $j$  is

$$C_{ij} = \sum_{l=1}^N w_l X_{il} X_{jl} - \left( \sum_{l=1}^N w_l X_{il} \right) \left( \sum_{l=1}^N w_l X_{jl} \right) / W_{ij}$$

The covariance is

$$S_{ij} = \frac{C_{ij}}{W_{ij} - 1}$$

### **Pearson Correlation**

$$r_{ij} = \frac{C_{ij}}{\sqrt{C_{ii}C_{jj}}}$$

### **Significance Level of $r$**

The significance level for  $r_{ij}$  is based on

$$t = r_{ij} \sqrt{\frac{W_{ij} - 2}{1 - r_{ij}^2}}$$

which, under the null hypothesis, is distributed as a  $t$  with  $W_{ij} - 2$  degrees of freedom. By default, the significance level is two-tailed.

### **References**

Blalock, H. M. 1972. *Social statistics*. New York: McGraw-Hill.

## Introduction

This section discusses the interval estimation of the bivariate correlations in terms of Pearson's product-moment correlation, Spearman's rank-order correlation, and Kendall's rank correlation. Fisher's transformation is used to construct the confidence intervals. For the Pearson's correlation, we also support the exact method to calculate the confidence limits. Both two- and one-tailed bounds are supported, and integrated into the existing CORRELATIONS and NONPAR CORR procedure.

## Pearson's Product-moment Correlation

### Notations

The following notations will be used in Section unless otherwise stated.

- $\rho$ : Pearson product-moment correlation parameter.
- $N$ : Number of cases in the active data set.
- $l$ : Case index, and  $l = 1, 2, \dots, N$ .
- $x_{kl}$ : Observed value of the variable  $X_k$  for the  $l$ -th case.
- $w_l$ : Frequency weight for the  $l$ -th case.
- $W_k$ : Effective sample size for the variable  $X_k$ , and  $W_k = \sum_{l=1}^N w_l$ .
- $W_{kj}$ : Sum of weights of cases used in computation of statistics for the variables  $X_k$  and  $X_j$ .
- $\alpha$ : The significance level to reflect the type I error, and  $\alpha \in (0, 1)$ . Note that in the syntax design, CILEVEL resets the level of confidence intervals, and  $\alpha = 1 - \text{CILEVEL}/100$ .

The following statistics have already been computed by the existing CORRELATIONS algorithm.

Sample mean:

$$\bar{x}_k = \frac{1}{W_k} \sum_{l=1}^N w_l x_{kl}. \quad (0.0.1)$$

Sample standard deviation:

$$S_k = \sqrt{\left( \sum_{l=1}^N w_l x_{kl}^2 - \bar{x}_k^2 W_k \right) / (W_k - 1)}. \quad (0.0.2)$$

Cross-product deviation for the variables  $X_i$  and  $X_j$ :

$$C_{ij} = \sum_{l=1}^N w_l x_{il} x_{jl} - \left( \sum_{l=1}^N w_l x_{il} \right) \left( \sum_{l=1}^N w_l x_{jl} \right) / W_{ij}. \quad (0.0.3)$$

Pearson correlation:

$$r_{ij} = \frac{C_{ij}}{\sqrt{C_{ii} C_{jj}}}. \quad (0.0.4)$$

Note that if no treatment for missing values is specified (default is pairwise), means and standard deviations are computed based on all nonmissing values for each variable. If missing values are to be included or listwise is chosen, the option is used for means and standard deviation.

### Interval Estimation

To simplify the notation, we omit the subscript of  $r_{ij}$  and  $W_{ij}$ , and let  $r$  denote the sample Pearson product-moment correlation coefficient estimated for an arbitrary pair of variables, and  $W$  the sum of weights of cases.

### Fisher's Large-sample Confidence Interval

[Fisher, 1921] suggested a  $z$ -transformation by using an inverse hyperbolic tangent function

$$\hat{\zeta} = \tanh^{-1}(r) = \frac{1}{2} \log \left( \frac{1+r}{1-r} \right), \quad (0.0.5)$$

where we do not allow  $r = 1$  or  $-1$ . Under a large sample size,  $\hat{\zeta}$  asymptotically follows a normal distribution.

### Two-tailed confidence interval

Provided that  $W > 3$ , we consider two ways to estimate the confidence limits. With no bias adjustment, the lower and upper confidence limits of  $\zeta$  are<sup>1</sup>

$$\hat{\zeta}_l = \hat{\zeta} - \text{IDF.NORMAL}(1 - \alpha/2, 0, 1) \text{se}(\hat{\zeta}) \quad \text{and} \quad \hat{\zeta}_u = \hat{\zeta} + \text{IDF.NORMAL}(1 - \alpha/2, 0, 1) \text{se}(\hat{\zeta}), \quad (0.0.6)$$

where  $\hat{\zeta}$  is estimated by Equation (0.0.5), and the standard error

$$\text{se}(\hat{\zeta}) = \left( \frac{1}{W-3} \right)^{1/2}. \quad (0.0.7)$$

Alternatively, if the bias term is taken into account, the confidence limits become

$$\hat{\zeta}_l = \hat{\zeta} - b(r) - \text{IDF.NORMAL}(1 - \alpha/2, 0, 1) \text{se}(\hat{\zeta}) \quad \text{and} \quad \hat{\zeta}_u = \hat{\zeta} - b(r) + \text{IDF.NORMAL}(1 - \alpha/2, 0, 1) \text{se}(\hat{\zeta}), \quad (0.0.8)$$

where

$$b(r) = \frac{r}{2(W-1)}. \quad (0.0.9)$$

We then transform back, for either Equation (0.0.6) or (0.0.8), to estimate the lower and upper confidence limits of  $\rho$  by

$$r_l = \tanh(\hat{\zeta}_l) \quad \text{and} \quad r_u = \tanh(\hat{\zeta}_u), \quad (0.0.10)$$

where

$$\tanh(\hat{\zeta}) = \frac{e^{2\hat{\zeta}} - 1}{e^{2\hat{\zeta}} + 1}. \quad (0.0.11)$$

### One-tailed confidence bound

For the estimation of the one-tailed confidence bound, if  $r \leq 0$ , we estimate the upper confidence limit of  $\zeta$

$$\hat{\zeta}_u = \hat{\zeta} + \text{IDF.NORMAL}(1 - \alpha, 0, 1) \text{se}(\hat{\zeta}), \quad (0.0.12)$$

or

$$\hat{\zeta}_u = \hat{\zeta} - b(r) + \text{IDF.NORMAL}(1 - \alpha, 0, 1) \text{se}(\hat{\zeta}) \quad (0.0.13)$$

if considering the bias adjustment, where  $\hat{\zeta}$  is estimated by Equation (0.0.5);  $\text{se}(\hat{\zeta})$  is estimated by Equation (0.0.7); and  $b(r)$  is estimated by Equation (0.0.9). We then transform back, for either Equation (0.0.12) or (0.0.13), to estimate the lower and upper confidence limits of  $\rho$  by

$$r_l = -1 \quad \text{and} \quad r_u = \tanh(\hat{\zeta}_u). \quad (0.0.14)$$

Similarly, if  $r > 0$ , we estimate the lower confidence limit of  $\zeta$

$$\hat{\zeta}_l = \hat{\zeta} - \text{IDF.NORMAL}(1 - \alpha, 0, 1) \text{se}(\hat{\zeta}), \quad (0.0.15)$$

or

$$\hat{\zeta}_l = \hat{\zeta} - b(r) - \text{IDF.NORMAL}(1 - \alpha, 0, 1) \text{se}(\hat{\zeta}) \quad (0.0.16)$$

if considering the bias adjustment. We then transform back, for either Equation (0.0.15) or (0.0.16), to estimate the lower and upper confidence limits of  $\rho$  by

$$r_l = \tanh(\hat{\zeta}_l) \quad \text{and} \quad r_u = 1. \quad (0.0.17)$$

<sup>1</sup>  $\text{IDF.NORMAL}(prob, mean, stddev)$  returns the value from the normal distribution, with specified mean and standard deviation, for which the cumulative probability is  $prob$ .

### Exact Confidence Interval

The method presented in this section is not scheduled for SPSS Statistics 27.0.1.0. [Shieh, 2006] argued that the method based on the Fisher's transformation is not sufficiently close to the true distribution of  $r$ . The author suggested conducting the exact interval estimation based on a two-stage distribution. To demonstrate the exact method, we define, provided that  $W \geq 3$ ,

$$t^* = \frac{r\sqrt{W-2}}{\sqrt{1-r^2}}, \quad (0.0.18)$$

and

$$\lambda(r) = \frac{r}{\sqrt{1-r^2}}, \quad (0.0.19)$$

where  $r$  is estimated by Equation (0.0.4).

### Two-tailed confidence interval

Considering the upper limit of  $\rho$ , or  $r_u$ , we aim to find  $r_u$  that satisfies<sup>2</sup>

$$\int_0^\infty [1 - \text{NCDF.T}(t^*, W-2, \lambda(r_u)\sqrt{\kappa})] f(\kappa) d\kappa = 1 - \alpha/2, \quad (0.0.20)$$

where  $t^*$  is defined by Equation (0.0.18);  $\lambda(r_u)$  is Equation (0.0.19) evaluated at  $r_u$ ;  $\kappa \sim \chi^2(W-1)$ ; and<sup>3</sup>

$$f(\kappa) = \text{PDF.CHISQ}(\kappa, W-1). \quad (0.0.21)$$

Based on Equation (0.0.20), we define an intermediate integral

$$I(\kappa; r_u) = \int_0^\infty [1 - \text{NCDF.T}(t^*, W-2, \lambda(r_u)\sqrt{\kappa})] f(\kappa) d\kappa \quad (0.0.22)$$

and

$$h(r_u; I) = I(\kappa; r_u) - 1 + \alpha/2, \quad (0.0.23)$$

and aim to find the root of  $h(r_u; I) = 0$  lying between -1 and 1. By noting that

$$h(-1; I) = -1 + \alpha/2 < 0 \quad \text{and} \quad h(1; I) = \alpha/2 > 0, \quad (0.0.24)$$

we pass Equation (0.0.23) to the argument `*function` of the RTBIS routine, and follow Algorithm 1 to solve  $h(r_u; I) = 0$  in terms of  $r_u$ . The intermediate metric  $I(\kappa; r_u)$ , defined by Equation (0.0.22), is passed to the argument `*integral` of the AGL routine, and evaluated by Algorithm 2, which applies the adaptive Gauss-Lobatto quadrature to numerically approximate the integral.

For the lower limit of  $\rho$ , or  $r_l$ , we would like to find  $r_l$  satisfying

$$\int_0^\infty \text{NCDF.T}(t^*, W-2, \lambda(r_l)\sqrt{\kappa}) f(\kappa) d\kappa = \alpha/2, \quad (0.0.25)$$

where  $t^*$  is defined by Equation (0.0.18);  $\lambda(r_l)$  is Equation (0.0.19) evaluated at  $r_l$ ;  $\kappa \sim \chi^2(W-1)$ ; and  $f(\kappa)$  is defined by Equation (0.0.21). Similarly, we can define an intermediate integral

$$I(\kappa; r_l) = \int_0^\infty \text{NCDF.T}(t^*, W-2, \lambda(r_l)\sqrt{\kappa}) f(\kappa) d\kappa \quad (0.0.26)$$

and

$$h(r_l; I) = I(\kappa; r_l) - \alpha/2, \quad (0.0.27)$$

and aim to find the root of  $h(r_l; I) = 0$  lying between -1 and 1. By noting that

$$h(-1; I) = 1 - \alpha/2 > 0 \quad \text{and} \quad h(1; I) = -\alpha/2 < 0, \quad (0.0.28)$$

we pass Equation (0.0.27) to the argument `*function` of the RTBIS routine and  $I(\kappa; r_l)$  in Equation (0.0.26) to `*integral` of the AGL routine, respectively, and follow Algorithm 1 and 2 to solve  $h(r_l; I) = 0$  in terms of  $r_l$ .

<sup>2</sup> `NCDF.T(quant, df, nc)` returns the cumulative probability that a value from the noncentral Student's  $t$ -distribution, with the specified degrees of freedom  $df$  and noncentrality  $nc$ , will be less than  $quant$ .

<sup>3</sup> `PDF.CHISQ(quant, df)` returns the probability density of the Chi-square distribution, with  $df$  degrees of freedom, at  $quant$ .

---

**Algorithm 1** RTBIS Routine: Find the root of a function known to lie between  $\mathbf{x}_1$  and  $\mathbf{x}_2$  using bisection. The root, returned as `rtb`, will be refined until its accuracy is  $\pm\mathbf{xacc}$ .

---

```

1: Input: *function =  $h(r; I)$ ,  $\mathbf{x}_1 = -1$ ,  $\mathbf{x}_2 = 1$ ,  $\mathbf{acc} = 2^{-40}$ .
2: Let rtb  $\leftarrow$  *function( $\mathbf{x}_1; I$ ).  $\triangleright$  Use Equation (0.0.24), (0.0.28), (0.0.31), or (0.0.34) to calculate.
3: if rtb < 0 then
4:   Assign  $\delta_x \leftarrow \mathbf{x}_2 - \mathbf{x}_1$ .
5:   Set rtb  $\leftarrow$   $\mathbf{x}_1$ .
6: else
7:   Assign  $\delta_x \leftarrow \mathbf{x}_1 - \mathbf{x}_2$ .
8:   Set rtb  $\leftarrow$   $\mathbf{x}_2$ .
9: end if
10: for iteration  $j = 1, 2, 3, \dots$  do
11:   Update  $\delta_x \leftarrow 0.5 \delta_x$ .
12:   Update xmid  $\leftarrow$  rtb +  $\delta_x$ .
13:   Evaluate  $I(\kappa; \mathbf{xmid})$  by calling  $\mathcal{I} \leftarrow \text{AGL}(I(\kappa; \mathbf{xmid}), 0, 10^6, 10^{-6})$ .  $\triangleright$  Detailed by Algorithm 2.
14:   Evaluate fmid  $\leftarrow$  *function(xmid;  $\mathcal{I}$ ).
15:   if fmid  $\leq$  0 then
16:     Set rtb  $\leftarrow$  xmid.
17:   end if
18:   if  $|\delta_x| < \mathbf{acc}$  or fmid = 0 then
19:     return rtb.
20:   end if
21: end for
22: Set rtb  $\leftarrow$  SYSMIS.
23: return rtb.

```

---

**Algorithm 2** AGL Routine: Approximate an integral between the bounds A and B by using the adaptive Gauss-Lobatto quadrature. The approximated value, returned as  $\mathcal{I}$ , will be refined until some condition is met.

---

```

1: Input: *integral =  $I(\kappa; r)$ ,  $A = 0$ ,  $B = 10^6$ ,  $\tau = 10^{-6}$ .
2: Assign the nodes  $\mathbf{c}_1 \leftarrow 0$ ,  $\mathbf{c}_2 \leftarrow 1/2 - \sqrt{3/28}$ ,  $\mathbf{c}_3 \leftarrow 1/2$ ,  $\mathbf{c}_4 \leftarrow 1/2 + \sqrt{3/28}$ , and  $\mathbf{c}_5 \leftarrow 1$ .
3: Assign the weights  $\mathbf{w}_1 \leftarrow 9/180$ ,  $\mathbf{w}_2 \leftarrow 49/180$ ,  $\mathbf{w}_3 \leftarrow 64/180$ ,  $\mathbf{w}_4 \leftarrow 49/180$ , and  $\mathbf{w}_5 \leftarrow 9/180$ .
4: Define  $\hat{I}_{(A,B)}[*\text{integral}]\{d \leftarrow B - A; \hat{I} \leftarrow \sum_{i=1}^5 \mathbf{w}_i d * \text{integral}(A + \mathbf{c}_i d; r)\}$ 
5: Compute  $I_0 \leftarrow \hat{I}_{(A,B)}[*\text{integral}]$ .
6: Compute  $I_1 \leftarrow \hat{I}_{(A, A+d/2)}[*\text{integral}] + \hat{I}_{(A+d/2, A+d)}[*\text{integral}]$ .
7: if  $|I_0 - I_1| / (\max\{|I_0|, |I_1|\} + \tau) < \tau$  then
8:   Set  $\mathcal{I} \leftarrow I_1$ .
9: else
10:   Compute  $\mathcal{I} \leftarrow \text{AGL}(*\text{integral}, A, A + d/2, \tau) + \text{AGL}(*\text{integral}, A + d/2, A + d, \tau)$ .
11: end if
12: return  $\mathcal{I}$ .

```

---

### One-tailed confidence bound

For the estimation of the one-tailed confidence bound, if  $r \leq 0$ , we set  $r_l = -1$ , and rewrite Equation (0.0.20) with

$$\int_0^\infty [1 - \text{NCDF.T}(t^*, W - 2, \lambda(r_u)\sqrt{\kappa})] f(\kappa) d\kappa = 1 - \alpha, \quad (0.0.29)$$

and follow a similar procedure all the way to Equation (0.0.24) to estimate  $r_u$ . Note that Equation (0.0.23) becomes

$$h(r_u; I) = I(\kappa; r_u) - 1 + \alpha, \quad (0.0.30)$$

and Equation (0.0.24) becomes

$$h(-1; I) = -1 + \alpha < 0 \quad \text{and} \quad h(1; I) = \alpha > 0. \quad (0.0.31)$$

Similarly, if  $r > 0$ , we set  $r_u = 1$ , and rewrite Equation (0.0.25) with

$$\int_0^\infty \text{NCDF.T}(t^*, W - 2, \lambda(r_l)\sqrt{\kappa})f(\kappa) d\kappa = \alpha, \quad (0.0.32)$$

and follow a similar procedure all the way to Equation (0.0.28) to estimate  $r_l$ . Note that Equation (0.0.27) becomes

$$h(r_l; I) = I(\kappa; r_l) - \alpha, \quad (0.0.33)$$

and Equation (0.0.28) becomes

$$h(-1; I) = 1 - \alpha > 0 \quad \text{and} \quad h(1; I) = -\alpha < 0. \quad (0.0.34)$$

## Spearman's Rank-order Correlation

### Notations

The following notations will be used in Section unless otherwise stated.

- $\rho_s$ : Spearman rank-order correlation parameter.
- $N$ : Number of cases in the data set.
- $i$ : Case index, and  $i = 1, 2, \dots, N$ .
- $x_i$ : Observed value of the variable  $X$  for the  $i$ -th case.
- $y_i$ : Observed value of the variable  $Y$  for the  $i$ -th case.
- $w_i$ : Frequency weight for the  $i$ -th case.
- $W_x$ : Effective sample size for the variable  $X$ , and  $W_x = \sum_{i=1}^N w_i$ .
- $W_y$ : Effective sample size for the variable  $Y$ , and  $W_y = \sum_{i=1}^N w_i$ .
- $W_{xy}$ : Sum of weights of cases used in computation of statistics for the variables  $X$  and  $Y$ .
- $\alpha$ : The significance level to reflect the type I error, and  $\alpha \in (0, 1)$ . Note that in the syntax design, `CILEVEL` resets the level of confidence intervals, and  $\alpha = 1 - \text{CILEVEL}/100$ .

The following definitions are applied to the existing NONPAR CORR algorithm. Let  $R(x_i)$  and  $R(y_i)$  denote the rank of  $x_i$  and  $y_i$ , respectively. Considering  $X$  and  $Y$  separately, we sort the observed values in ascending order and replace them with their corresponding ranks. In case  $t_i$  observations, taking  $w_i$  into account, are tied in a group of ties, the average rank is assigned. For each time it occurs that  $t_i > 1$ , the quantity  $(t_i^3 - t_i)$  is calculated and summed up for  $X$  and  $Y$ , separately. The summations are designated by  $ST_x$  and  $ST_y$ , respectively. The following statistics have already been computed by the existing NONPAR CORR algorithm.

Difference between  $R(x_i)$  and  $R(y_i)$  for each pair of the  $N$  cases:

$$d_i = R(x_i) - R(y_i). \quad (0.0.35)$$

Spearman's rank-order correlation coefficient:

$$r_s = \frac{T_x + T_y - \sum_{i=1}^N d_i^2}{2\sqrt{T_x T_y}}, \quad (0.0.36)$$

where  $T_x = (N^3 - N - ST_x)/12$  and  $T_y = (N^3 - N - ST_y)/12$ . Note that  $r_s$  is not estimable if  $T_x T_y = 0$ .

## Interval Estimation

### Fisher's Large-sample Confidence Interval

Analogous to Equation (0.0.5), we now consider

$$\hat{\zeta}_s = \tanh^{-1}(r_s) = \frac{1}{2} \log \left( \frac{1+r_s}{1-r_s} \right), \quad (0.0.37)$$

where  $r_s$  is estimated by Equation (0.0.36), and we do not allow  $r_s = 1$  or  $-1$ . Under a large sample size,  $\hat{\zeta}_s$  asymptotically follows a normal distribution.

### Two-tailed confidence interval

The lower and upper confidence limits of  $\zeta_s$  are

$$\hat{\zeta}_l = \hat{\zeta}_s - \text{IDF.NORMAL}(1 - \alpha/2, 0, 1) \text{se}(\hat{\zeta}_s) \quad \text{and} \quad \hat{\zeta}_u = \hat{\zeta}_s + \text{IDF.NORMAL}(1 - \alpha/2, 0, 1) \text{se}(\hat{\zeta}_s), \quad (0.0.38)$$

where  $\hat{\zeta}_s$  is estimated by Equation (0.0.37). To estimate the standard error  $\text{se}(\hat{\zeta}_s)$ , we provide users with three options:

- [Fieller et al., 1957] recommended that

$$\text{se}(\hat{\zeta}_s) = \left( \frac{1.06}{W-3} \right)^{1/2}, \quad (0.0.39)$$

where it is required that  $W > 3$ .

- [Caruso and Cliff, 1997] suggested that

$$\text{se}(\hat{\zeta}_s) = \left( \frac{1}{W-2} + \frac{|\hat{\zeta}_s|}{6W + 4\sqrt{W}} \right)^{1/2}, \quad (0.0.40)$$

where it is required that  $W > 2$ , and  $\hat{\zeta}_s$  is defined by Equation (0.0.37).

- [Bonett and Wright, 2000] proposed another useful formula

$$\text{se}(\hat{\zeta}_s) = \left( \frac{1+r_s^2/2}{W-3} \right)^{1/2}, \quad (0.0.41)$$

where it is required that  $W > 3$ , and  $r_s$  is estimated by Equation (0.0.36).

We then transform back to estimate the lower and upper confidence limits of  $\rho_s$  by

$$r_l = \tanh(\hat{\zeta}_l) \quad \text{and} \quad r_u = \tanh(\hat{\zeta}_u), \quad (0.0.42)$$

where  $\hat{\zeta}_l$  and  $\hat{\zeta}_u$  are estimated by Equation (0.0.38).

### One-tailed confidence bound

For the estimation of the one-tailed confidence bound, if  $r_s \leq 0$ , we estimate the upper confidence limit of  $\zeta_s$

$$\hat{\zeta}_u = \hat{\zeta}_s + \text{IDF.NORMAL}(1 - \alpha, 0, 1) \text{se}(\hat{\zeta}_s), \quad (0.0.43)$$

where  $\hat{\zeta}_s$  is estimated by Equation (0.0.37), and  $\text{se}(\hat{\zeta}_s)$  is estimated by Equation (0.0.39), (0.0.40), or (0.0.41). We then transform back to estimate the lower and upper confidence limits of  $\rho_s$  by

$$r_l = -1 \quad \text{and} \quad r_u = \tanh(\hat{\zeta}_u), \quad (0.0.44)$$

where  $\hat{\zeta}_u$  is estimated by Equation (0.0.43). Similarly, if  $r_s > 0$ , we estimate the lower confidence limit of  $\zeta_s$

$$\hat{\zeta}_l = \hat{\zeta}_s - \text{IDF.NORMAL}(1 - \alpha, 0, 1) \text{se}(\hat{\zeta}_s), \quad (0.0.45)$$

where  $\hat{\zeta}_s$  is estimated by Equation (0.0.37), and  $\text{se}(\hat{\zeta}_s)$  is estimated by Equation (0.0.39), (0.0.40), or (0.0.41). We then transform back to estimate the lower and upper confidence limits of  $\rho_s$  by

$$r_l = \tanh(\hat{\zeta}_l) \quad \text{and} \quad r_u = 1, \quad (0.0.46)$$

where  $\hat{\zeta}_l$  is estimated by Equation (0.0.45).

## Kendall's Rank Correlation

We focus the following discussion on the interval estimation of the Kendall's Tau-b correlation parameter. The following notations will be used in Section unless otherwise stated.

### Notations

- $\tau$ : Kendall's Tau-b correlation parameter.
- $N$ : Number of cases in the data set.
- $i$ : Case index, and  $i = 1, 2, \dots, N$ .
- $x_i$ : Observed value of the variable  $X$  for the  $i$ -th case.
- $y_i$ : Observed value of the variable  $Y$  for the  $i$ -th case.
- $w_i$ : Frequency weight for the  $i$ -th case.
- $W_x$ : Effective sample size for the variable  $X$ , and  $W_x = \sum_{i=1}^N w_i$ .
- $W_y$ : Effective sample size for the variable  $Y$ , and  $W_y = \sum_{i=1}^N w_i$ .
- $W_{xy}$ : Sum of weights of cases used in computation of statistics for the variables  $X$  and  $Y$ .
- $\alpha$ : The significance level to reflect the type I error, and  $\alpha \in (0, 1)$ . Note that in the syntax design, `CILEVEL` resets the level of confidence intervals, and  $\alpha = 1 - \text{CILEVEL}/100$ .

With the same definitions aforementioned in Section , for each time it occurs that  $t_i > 1$ , the quantity  $(t_i^2 - t_i)$  is calculated and summed up for  $X$  and  $Y$ , separately. The summations are designated by  $\tau_x$  and  $\tau_y$ , respectively. Each of the  $N$  cases is compared to the others to determine with how many cases are there with their ranking of  $X$  and  $Y$  concordant or discordant. The following statistics have already been computed by the existing `NONPAR CORR` algorithm.

For each distinct pair of cases  $i$  and  $j$ , where  $i < j$ :

$$d_{ij} = [R(x_j) - R(x_i)][R(y_j) - R(y_i)]. \quad (0.0.47)$$

Difference between the number of concordant and discordant pairs:

$$S = \sum_{i=1}^{N-1} \sum_{j=i+1}^N \text{sign}(d_{ij}), \quad (0.0.48)$$

where  $\text{sign}(d_{ij})$  is defined as +1 or -1 depending on the sign of  $d_{ij}$ , and those pairs with  $d_{ij} = 0$  are ignored in the computation of  $S$ .

Kendall's rank correlation coefficient tau:

$$\hat{\tau} = \frac{S}{\sqrt{\frac{N^2 - N - \tau_x}{2}} \sqrt{\frac{N^2 - N - \tau_y}{2}}}. \quad (0.0.49)$$

In case the denominator is 0,  $\tau$  is not estimated.

**Interval Estimation****Fisher's Large-sample Confidence Interval**

Analogous to Equation (0.0.5), we now consider

$$\hat{\zeta}_\tau = \tanh^{-1}(\hat{\tau}) = \frac{1}{2} \log \left( \frac{1 + \hat{\tau}}{1 - \hat{\tau}} \right), \quad (0.0.50)$$

where  $\hat{\tau}$  is estimated by Equation (0.0.36), and we do not allow  $\hat{\tau} = 1$  or  $-1$ . Under a large sample size,  $\hat{\zeta}_\tau$  asymptotically follows a normal distribution.

**Two-tailed confidence interval**

Provided that  $W > 4$ , the lower and upper confidence limits of  $\zeta_\tau$  are

$$\hat{\zeta}_l = \hat{\zeta}_\tau - \text{IDF.NORMAL}(1 - \alpha/2, 0, 1) \text{se}(\hat{\zeta}_\tau) \quad \text{and} \quad \hat{\zeta}_u = \hat{\zeta}_\tau + \text{IDF.NORMAL}(1 - \alpha/2, 0, 1) \text{se}(\hat{\zeta}_\tau), \quad (0.0.51)$$

where  $\hat{\zeta}_\tau$  is estimated by Equation (0.0.50), and the standard error

$$\text{se}(\hat{\zeta}_\tau) = \left( \frac{0.437}{W - 4} \right)^{1/2}. \quad (0.0.52)$$

We finally transform back to estimate the lower and upper confidence limits of  $\tau$  by

$$\hat{\tau}_l = \tanh(\hat{\zeta}_l) \quad \text{and} \quad \hat{\tau}_u = \tanh(\hat{\zeta}_u), \quad (0.0.53)$$

where  $\hat{\zeta}_l$  and  $\hat{\zeta}_u$  are estimated by Equation (0.0.51).

**One-tailed confidence bound**

For the estimation of the one-tailed confidence bound, if  $\hat{\tau} \leq 0$ , we estimate the upper confidence limit of  $\zeta_\tau$

$$\hat{\zeta}_u = \hat{\zeta}_\tau + \text{IDF.NORMAL}(1 - \alpha, 0, 1) \text{se}(\hat{\zeta}_\tau), \quad (0.0.54)$$

where  $\hat{\zeta}_\tau$  and  $\text{se}(\hat{\zeta}_\tau)$  are estimated by Equation (0.0.50) and (0.0.52), respectively. We then transform back to estimate the lower and upper confidence limits of  $\tau$  by

$$\hat{\tau}_l = -1 \quad \text{and} \quad \hat{\tau}_u = \tanh(\hat{\zeta}_u), \quad (0.0.55)$$

where  $\hat{\zeta}_u$  is estimated by Equation (0.0.54). Similarly, if  $\hat{\tau} > 0$ , we estimate the lower confidence limit of  $\zeta_\tau$

$$\hat{\zeta}_l = \hat{\zeta}_\tau - \text{IDF.NORMAL}(1 - \alpha, 0, 1) \text{se}(\hat{\zeta}_\tau), \quad (0.0.56)$$

where  $\hat{\zeta}_\tau$  and  $\text{se}(\hat{\zeta}_\tau)$  are estimated by Equation (0.0.50) and (0.0.52), respectively. We then transform back to estimate the lower and upper confidence limits of  $\tau$  by

$$\hat{\tau}_l = \tanh(\hat{\zeta}_l) \quad \text{and} \quad \hat{\tau}_u = 1, \quad (0.0.57)$$

where  $\hat{\zeta}_l$  is estimated by Equation (0.0.56).

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# CORRESPONDENCE Algorithms

The CORRESPONDENCE algorithm consists of three major parts:

1. A singular value decomposition (SVD)
2. Centering and rescaling of the data and various rescalings of the results
3. Variance estimation by the delta method.

Other names for SVD are “Eckart-Young decomposition” after Eckart and Young (1936), who introduced the technique in psychometrics, and “basic structure” (Horst, 1963). The rescalings and centering, including their rationale, are well explained in Benzécri (1969), Nishisato (1980), Gifi (1981), and Greenacre (1984). Those who are interested in the general framework of matrix approximation and reduction of dimensionality with positive definite row and column metrics are referred to Rao (1980). The delta method is a method that can be used for the derivation of asymptotic distributions and is particularly useful for the approximation of the variance of complex statistics. There are many versions of the delta method, differing in the assumptions made and in the strength of the approximation (Rao, 1973, ch. 6; Bishop et al., 1975, ch. 14; Wolter, 1985, ch. 6).

Other characteristic features of CORRESPONDENCE are the ability to fit supplementary points into the space defined by the active points, the ability to constrain rows and/or columns to have equal scores, and the ability to make biplots using either chi-squared distances, as in standard correspondence analysis, or Euclidean distances.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$t_1$	Total number of rows (row objects)
$s_1$	Number of supplementary rows
$k_1$	Number of rows in analysis ( $t_1 - s_1$ )
$t_2$	Total number of columns (column objects)
$s_2$	Number of supplementary columns
$k_2$	Number of columns in analysis ( $t_2 - s_2$ )
$p$	Number of dimensions

Data-related quantities:

$f_{ij}$	Nonnegative data value for row $i$ and column $j$ : collected in table $F$
$f_{i+}$	Marginal total of row $i$ , $i = 1, \dots, k_1$
$f_{+j}$	Marginal total of column $j$ , $j = 1, \dots, k_2$
$N$	Grand total of $F$

Scores and statistics:

$r_{is}$	Score of row object $i$ on dimension $s$
$c_{js}$	Score of column object $j$ on dimension $s$
$I$	Total inertia

## Basic Calculations

One way to phrase the CORRESPONDENCE objective (cf. Heiser, 1981) is to say that we wish to find row scores  $\{r_{is}\}$  and column scores  $\{c_{js}\}$  so that the function

$$\sigma(\{r_{is}\}; \{c_{js}\}) = \sum_i \sum_j f_{ij} \sum_s (r_{is} - c_{js})^2$$

is minimal, under the standardization restriction either that

$$\sum_i f_{i+} r_{is} r_{it} = \delta^{st}$$

or

$$\sum_j f_{+j} c_{js} c_{jt} = \delta^{st}$$

where  $\delta^{st}$  is Kronecker's delta and  $t$  is an alternative index for dimensions. The trivial set of scores ( $\{1\}, \{1\}$ ) is excluded.

The CORRESPONDENCE algorithm can be subdivided into five steps, as explained below.

## Data scaling and centering

When rows and/or columns are specified to be equal, first the frequencies of the rows/columns to be equal are summed. The sums are put into the row/column with the smallest row/column number and the other rows/columns are set to zero.

### Measure is Chi Square

The first step is to form the auxiliary matrix  $\mathbf{Z}$  with general element

$$z_{ij} = \frac{f_{ij}}{\sqrt{f_{i+}f_{+j}}} - \frac{\sqrt{f_{i+}f_{+j}}}{N}$$

The standardization with Chi Square measure is always rmean (both row and column means removed).

### Measure is Euclidean

When Euclidean measure is chosen, the auxiliary matrix  $\mathbf{Z}$  is formed in two steps:

$$\blacktriangleright \tilde{z}_{ij} = \tilde{f}_{ij} - \frac{\tilde{f}_{i+}\tilde{f}_{+j}}{N}$$

With  $f_{ij}^{\sim}$ ,  $f_{i+}^{\sim}$ , and  $f_{+j}^{\sim}$  depending on the standardization option.

**rmean (remove row means).**  $f_{ij}^{\sim} = f_{ij}$ ;  $f_{i+}^{\sim} = f_{i+}$ ;  $f_{+j}^{\sim} = \frac{N}{k_2}$

**cmean (remove column means).**  $f_{ij}^{\sim} = f_{ij}$ ;  $f_{i+}^{\sim} = \frac{N}{k_1}$ ;  $f_{+j}^{\sim} = f_{+j}$

**rcmean (remove both row and column means).**  $f_{ij}^{\sim} = f_{ij}$ ;  $f_{i+}^{\sim} = f_{i+}$ ;  $f_{+j}^{\sim} = f_{+j}$

**rsum (equalize row totals, then remove row means).**  $f_{ij}^{\sim} = \frac{f_{ij}f_{i+}^{\sim}}{f_{i+}}$ ;  $f_{i+}^{\sim} = \frac{N}{k_1}$ ;  $f_{+j}^{\sim} = \frac{N}{k_2}$

**csum (equalize column totals, then remove column means).**  $f_{ij}^{\sim} = \frac{f_{ij}f_{+j}^{\sim}}{f_{+j}}$ ;  $f_{i+}^{\sim} = \frac{N}{k_1}$ ;  $f_{+j}^{\sim} = \frac{N}{k_2}$

- Then, if not computed yet in the previous step,  $f_{i+}^{\sim}$ , or/and  $f_{+j}^{\sim}$  are computed:

$$f_{i+}^{\sim} = \frac{N}{k_1}, f_{+j}^{\sim} = \frac{N}{k_2}, \text{ and } z_{ij} = \frac{z_{ij}^{\sim}}{\sqrt{f_{i+}^{\sim}f_{+j}^{\sim}}}$$

## Singular value decomposition

When rows and/or columns are specified as supplementary, first these rows and/or columns of  $\mathbf{Z}$  are set to zero, yielding  $\underline{\mathbf{Z}}$

Let the singular value decomposition of  $\underline{\mathbf{Z}}$  be denoted by

$$\underline{\mathbf{Z}} = \mathbf{K}\mathbf{\Lambda}\mathbf{L}'$$

with  $\mathbf{K}'\mathbf{K} = \mathbf{I}$ ,  $\mathbf{L}'\mathbf{L} = \mathbf{I}$ , and  $\mathbf{\Lambda}$  diagonal. This decomposition is calculated by a routine based on Golub and Reinsch (1971). It involves Householder reduction to bidiagonal form and diagonalization by a QR procedure with shifts. The routine requires an array with more rows than columns, so when  $k_1 < k_2$  the original table is transposed and the parameter transfer is permuted accordingly.

## Adjustment to the row and column metric

The arrays of both the left-hand singular vectors and the right-hand singular vectors are adjusted row-wise to form scores that are standardized in the row and in the column marginal proportions, respectively:

$$\tilde{r}_{is} = k_{is} / \sqrt{f_{i+}^{\sim} / N},$$

$$\tilde{c}_{js} = l_{js} / \sqrt{f_{+j}^{\sim} / N}.$$

This way, both sets of scores satisfy the standardization restrictions simultaneously.

## Determination of variances and covariances

For the application of the delta method to the results of generalized eigenvalue methods under multinomial sampling, the reader is referred to Gifi (1990, ch. 12) and Israëls (1987, Appendix B). It is shown there that  $N$  time variance-covariance matrix of a function  $\phi$  of the observed cell proportions  $p = \{p_{ij} = f_{ij}^{\sim} / N\}$  asymptotically reaches the form

$$N \times \text{cov}(\phi(p)) \cong \sum_i \sum_j \pi_{ij} \left( \frac{\partial \phi}{\partial p_{ij}} \right) \left( \frac{\partial \phi}{\partial p_{ij}} \right)' - \left( \sum_i \sum_j \pi_{ij} \frac{\partial \phi}{\partial p_{ij}} \right) \left( \sum_i \sum_j \pi_{ij} \frac{\partial \phi}{\partial p_{ij}} \right)'$$

Here the quantities  $\pi_{ij}$  are the cell probabilities of the multinomial distribution, and  $\partial\phi/\partial p_{ij}$  are the partial derivatives of  $\phi$  (which is either a generalized eigenvalue or a generalized eigenvector) with respect to the observed cell proportion. Expressions for these partial derivatives can also be found in the above-mentioned references.

### Normalization of row and column scores

Depending on the normalization option chosen, the scores are normalized. The normalization option  $q$  can be chosen to be any value in the interval  $[-1,1]$  or it can be specified according to the following designations:

$$q = \begin{cases} 0, & \text{symmetrical} \\ 1, & \text{row principal} \\ -1, & \text{column principal} \end{cases}$$

There is a fifth possibility, choosing the designation “principal”, that does not correspond to a  $q$ -value.

When “principal” is chosen, normalization parameters  $\alpha$  for the rows and  $\beta$  for the columns are both set to 1. When one of the other options is chosen,  $\alpha$  and  $\beta$  are functions of  $q$ :

$$\alpha = (1+q)/2$$

$$\beta = (1-q)/2$$

The normalization implies a compensatory rescaling of the coordinate axes of the row scores and the column scores:

$$r_{is} = \tilde{r}_{is} \lambda_s^\alpha,$$

$$c_{js} = \tilde{c}_{js} \lambda_s^\beta.$$

The general formula for the weighted sum of squares that results from this rescaling is

$$\text{row scores: } \sum_i \tilde{f}_{i+} r_{is}^2 = N \lambda_s^{2\alpha}$$

$$\text{column scores: } \sum_j \tilde{f}_{+j} c_{js}^2 = N \lambda_s^{2\beta}$$

The estimated variances and covariances are adjusted according to the type of normalization chosen.

### Diagnostics

After printing the data, CORRESPONDENCE optionally also prints a table of row profiles and column profiles, which are  $\{f_{ij}/f_{i+}\}$  and  $\{f_{ij}/f_{+j}\}$ , respectively.

## Singular Values, Maximum Rank and Inertia

All singular values  $\lambda_s$  defined in the second step are printed up to a maximum of  $\min\{(k_1 - 1), (k_2 - 1)\}$ . Small singular values and corresponding dimensions are suppressed when they don't exceed the quantity  $(k_1 k_2)^{1/2} 10^{-7}$ ; in this case a warning message is issued. Dimensionwise inertia and total inertia are given by the relationships

$$I = \sum_s \lambda_s^2 = \sum_s \sum_i \frac{f_{i+}^{\sim} r_{is}^2}{N}$$

where the right-hand part of this equality is true only if the normalization is row principal (but for the other normalizations similar relationships are easily derived from step 5). The quantities “proportion explained” are equal to inertia divided by total inertia:  $\lambda_s^2/I$ .

## Supplementary Points

Supplementary row and column points are given by

$$r_{is}^{sup} = \sum_j \frac{f_{ij}^{\sim}}{f_{i+}^{\sim}} c_{js} \lambda_s^{2\alpha-2}$$

$$c_{js}^{sup} = \sum_i \frac{f_{ij}^{\sim}}{f_{+j}^{\sim}} r_{is} \lambda_s^{2\beta-2}$$

## Mass, Scores, Inertia and Contributions

The mass, scores, inertia and contributions for the row and columns points (including supplementary points) are given in the Overview Row Points Table and the Overview Column Points Table. These tables are printed in  $p$  dimensions. The tables are given first for rows, then for columns. The masses are the marginal proportions ( $f_{i+}^{\sim}/N$  and  $f_{+j}^{\sim}/N$ , respectively). The inertia of the rows/columns is given by:

$$I_i = \sum_j^{k_2} z_{ij}^2$$

$$I_j = \sum_i^{k_1} z_{ij}^2$$

For supplementary points, the contribution to the inertia of dimensions is zero. The contribution of the active points to the inertia of each dimension is given by

$$\tau_{is} = \frac{f_{i+}^{\sim}}{N} \frac{r_{is}^2}{\lambda_s^{2\alpha}}$$

$$\tau_{js} = \frac{f_{+j}^{\sim}}{N} \frac{c_{js}^2}{\lambda_s^{2\beta}}$$

The contribution of dimensions to the inertia of each point is given by

$$\sigma_{is} = \frac{f_{i+}^{\sim} r_{is}^2 \lambda_s^{2-2\alpha}}{N I_i}$$

$$\sigma_{js} = \frac{f_{+j}^{\sim} c_{js}^2 \lambda_s^{2-2\beta}}{N I_j}$$

## Confidence Statistics of Singular Values and Scores

The computation of variances and covariances is explained in step 4. Since the row and column scores are linear functions of the singular vectors, an adjustment is necessary depending on the normalization option chosen. From these adjusted standard deviations and correlations are derived in the standard way.

## Permutations of the Input Table

For each dimension  $s$ , let  $\rho(i|s)$  be the permutation of the first  $t_1$  integers that would sort the  $s$ th column of  $\{r_{is}\}$  in ascending order. Similarly, let  $\rho(j|s)$  be the permutation of the first  $t_2$  integers that would sort the  $s$ th column of  $\{c_{js}\}$  in ascending order. Then the permuted data matrix is given by  $\{f_{\rho(i|s),\rho(j|s)}\}$ .

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# COXREG Algorithms

Cox (1972) first suggested the models in which factors related to lifetime have a multiplicative effect on the hazard function. These models are called proportional hazards models. Under the proportional hazards assumption, the hazard function  $h$  of  $t$  given  $X$  is of the form

$$h(t|\mathbf{x}) = h_0(t)e^{\mathbf{x}'\beta}$$

where  $\mathbf{x}$  is a known vector of regressor variables associated with the individual,  $\beta$  is a vector of unknown parameters, and  $h_0(t)$  is the baseline hazard function for an individual with  $\mathbf{x} = 0$ . Hence, for any two covariates sets  $\mathbf{x}_1$  and  $\mathbf{x}_2$ , the log hazard functions  $h(t|\mathbf{x}_1)$  and  $h(t|\mathbf{x}_2)$  should be parallel across time.

When a factor does not affect the hazard function multiplicatively, stratification may be useful in model building. Suppose that individuals can be assigned to one of  $m$  different strata, defined by the levels of one or more factors. The hazard function for an individual in the  $j$ th stratum is defined as

$$h_j(t|\mathbf{x}) = h_{0j}(t)e^{\mathbf{x}'\beta}$$

There are two unknown components in the model: the regression parameter  $\beta$  and the baseline hazard function  $h_{0j}(t)$ . The estimation for the parameters is described below.

## Estimation

We begin by considering a nonnegative random variable  $T$  representing the lifetimes of individuals in some population. Let  $f(t|\mathbf{x})$  denote the probability density function (pdf) of  $T$  given a regressor  $x$  and let  $S(t|\mathbf{x})$  be the survivor function (the probability of an individual surviving until time  $t$ ). Hence

$$S(t|\mathbf{x}) = \int_t^{\infty} f(u|\mathbf{x})du$$

The hazard  $h(t|\mathbf{x})$  is then defined by

$$h(t|\mathbf{x}) = \frac{f(t|\mathbf{x})}{S(t|\mathbf{x})}$$

Another useful expression for  $S(t|\mathbf{x})$  in terms of  $h(t|\mathbf{x})$  is

$$S(t|\mathbf{x}) = \exp\left(-\int_0^t h(u|\mathbf{x})du\right)$$

Thus,

$$\ln S(t|\mathbf{x}) = -\int_0^t h(u|\mathbf{x})du$$

For some purposes, it is also useful to define the cumulative hazard function

$$H(t|\mathbf{x}) = \int_0^t h(u|\mathbf{x})du = -\ln S(t|\mathbf{x})$$

Under the proportional hazard assumption, the survivor function can be written as

$$S(t|\mathbf{x}) = [S_0(t)]^{\exp(\mathbf{x}'\beta)}$$

where  $S_0(t)$  is the baseline survivor function defined by

$$S_0(t) = \exp(-H_0(t))$$

and

$$H_0(t) = \int_0^t h_0(u) du$$

Some relationships between  $S(t|\mathbf{x})$ ,  $H(t|\mathbf{x})$  and  $H_0(t)$ ,  $S_0(t)$  and  $h_0(t)$  which will be used later are

$$\ln S(t|\mathbf{x}) = -H(t|\mathbf{x}) = -\exp(\mathbf{x}'\beta)H_0(t)$$

$$\ln(-\ln S(t|\mathbf{x})) = \mathbf{x}'\beta + \ln H_0(t)$$

To estimate the survivor function  $S(t|\mathbf{x})$ , we can see from the equation for the survivor function that there are two components,  $\beta$  and  $S_0(t)$ , which need to be estimated. The approach we use here is to estimate  $\beta$  from the partial likelihood function and then to maximize the full likelihood for  $S_0(t)$ .

## Estimation of Beta

Assume that

- There are  $m$  levels for the stratification variable.
- Individuals in the same stratum have proportional hazard functions.
- The relative effect of the regressor variables is the same in each stratum.

Let  $t_{j1} < \dots < t_{jk_j}$  be the observed uncensored failure time of the  $k_j$  individuals in the  $j$ th stratum and  $x_{j1}, \dots, x_{jk_j}$  be the corresponding covariates. Then the partial likelihood function is defined by

$$L(\beta) = \prod_{j=1}^m \prod_{i=1}^{k_j} \frac{e^{\mathbf{S}'_{ji}\beta}}{\left( \sum_{l \in R_{ji}} w_l e^{\mathbf{x}'_l \beta} \right)^{d_{ji}}}$$

where  $d_{ji}$  is the sum of case weights of individuals whose lifetime is equal to  $t_{ji}$  and  $\mathbf{S}_{ji}$  is the weighted sum of the regression vector  $\mathbf{x}$  for those  $d_{ji}$  individuals,  $w_l$  is the case weight of individual  $l$ , and  $R_{ji}$  is the set of individuals alive and uncensored just prior to  $t_{ji}$  in the  $j$ th stratum. Thus the log-likelihood arising from the partial likelihood function is

$$l = \ln L(\beta) = \sum_{j=1}^m \sum_{i=1}^{k_j} \mathbf{S}'_{ji}\beta - \sum_{j=1}^m \sum_{i=1}^{k_j} d_{ji} \ln \left( \sum_{l \in R_{ji}} w_l e^{\mathbf{x}'_l \beta} \right)$$

and the first derivatives of  $l$  are

$$D_{\beta_r} = \frac{\partial l}{\partial \beta_r} = \sum_{j=1}^m \sum_{i=1}^{k_j} \left( S_{ji}^{(r)} - d_{ji} \frac{\sum_{l \in R_{ji}} w_l x_{lr} e^{\mathbf{x}'_{li} \beta}}{\sum_{l \in R_{ji}} w_l e^{\mathbf{x}'_{li} \beta}} \right), \quad r = 1, \dots, p$$

$S_{ji}^{(r)}$  is the  $r$ th component of  $\mathbf{S}_{ji} = (S_{ji}^{(1)}, \dots, S_{ji}^{(p)})'$ . The maximum partial likelihood estimate (MPLE) of  $\beta$  is obtained by setting  $\frac{\partial l}{\partial \beta_r}$  equal to zero for  $r = 1, \dots, p$ , where  $p$  is the number of independent variables in the model. The equations  $\frac{\partial l}{\partial \beta_r} = 0$  ( $r = 1, \dots, p$ ) can usually be solved by using the Newton-Raphson method.

Note that from its equation that the partial likelihood function  $L(\beta)$  is invariant under translation. All the covariates are centered by their corresponding overall mean. The overall mean of a covariate is defined as the sum of the product of weight and covariate for all the censored and uncensored cases in each stratum. For notational simplicity,  $x_l$  used in the Estimation Section denotes centered covariates.

Three convergence criteria for the Newton-Raphson method are available:

- Absolute value of the largest difference in parameter estimates between iterations ( $\delta$ ) divided by the value of the parameter estimate for the previous iteration; that is,

$$\text{BCON} = \left| \frac{\delta}{\text{parameter estimate for previous iteration}} \right|$$

- Absolute difference of the log-likelihood function between iterations divided by the log-likelihood function for previous iteration.
- Maximum number of iterations.

The asymptotic covariance matrix for the MPLE  $\hat{\beta} = (\hat{\beta}_1, \dots, \hat{\beta}_p)'$  is estimated by  $\mathbf{I}^{-1}$  where  $\mathbf{I}$  is the information matrix containing minus the second partial derivatives of  $L$ . The  $(r, s)$ -th element of  $\mathbf{I}$  is defined by

$$\begin{aligned} \mathbf{I}_{rs} &= -E \frac{\partial^2}{\partial \beta_r \partial \beta_s} \ln L \\ &= \sum_{j=1}^m \sum_{i=1}^{k_j} d_{ji} \left[ \frac{\sum_{l \in R_{ji}} w_l x_{ls} x_{lr} e^{\mathbf{x}'_{li} \beta}}{\sum_{l \in R_{ji}} w_l e^{\mathbf{x}'_{li} \beta}} - \frac{\left( \sum_{l \in R_{ji}} w_l x_{lr} e^{\mathbf{x}'_{li} \beta} \right) \left( \sum_{l \in R_{ji}} w_l x_{ls} e^{\mathbf{x}'_{li} \beta} \right)}{\left( \sum_{l \in R_{ji}} w_l e^{\mathbf{x}'_{li} \beta} \right)^2} \right] \end{aligned}$$

We can also write  $\mathbf{I}$  in a matrix form as

$$I_{rs} = \sum_{j=1}^m \sum_{i=1}^{k_j} d_{ji} \left( \mathbf{x}'(t_{ji}) \right) \mathbf{V}(t_{ji}) \mathbf{x}(t_{ji})$$

where  $\mathbf{x}(t_{ji})$  is a  $n_{ji} \times p$  matrix which represents the  $p$  covariate variables in the model evaluated at time  $t_{ji}$ ,  $n_{ji}$  is the number of distinct individuals in  $R_{ji}$ , and  $\mathbf{V}(t_{ji})$  is a  $n_{ji} \times n_{ji}$  matrix with the  $l$ th diagonal element  $v_{ll}(t_{ji})$  defined by

$$v_{ll}(t_{ji}) = p_l(t_{ji})w_l - (w_l p_l(t_{ji}))^2$$

$$p_l(t_{ji}) = \frac{\exp(\mathbf{x}'_i \hat{\beta})}{\sum_{h \in R_{ji}} w_h \exp(\mathbf{x}'_h \hat{\beta})}$$

and the  $(l, k)$  element  $v_{lk}(t_{ji})$  defined by

$$v_{lk}(t_{ji}) = w_l p_l(t_{ji}) \times w_k p_k(t_{ji})$$

## Estimation of the Baseline Function

After the MPLE  $\hat{\beta}$  of  $\beta$  is found, the baseline survivor function  $S_{0j}(t)$  is estimated separately for each stratum. Assume that, for a stratum,  $t_1 < \dots < t_k$  are observed lifetimes in the sample. There are  $n_i$  at risk and  $d_i$  deaths at  $t_i$ , and in the interval  $[t_{i-1}, t_i)$  there are  $\lambda_i$  censored times. Since  $S_0(t)$  is a survivor function, it is non-increasing and left continuous, and thus  $\hat{S}_0(t)$  must be constant except for jumps at the observed lifetimes  $t_1, \dots, t_k$ .

Further, it follows that

$$\hat{S}_0(t_1) = 1$$

and

$$\hat{S}_0(t_i+) = \hat{S}_0(t_{i+1})$$

Writing  $\hat{S}_0(t_i+) = p_i$  ( $i = 1, \dots, k$ ), the observed likelihood function is of the form

$$L_1 = \prod_{i=1}^k \left\{ \prod_{l \in D_i} \left( \frac{\exp(\mathbf{x}'_l \beta)}{p_{i-1}} - p_i \right)^{w_l} \prod_{l \in C_i} \left( \frac{\exp(\mathbf{x}'_l \beta)}{p_{i-1}} \right)^{w_l} \right\} \prod_{l \in C_{k+1}} \left( \frac{\exp(\mathbf{x}'_l \beta)}{p_k} \right)^{w_l}$$

where  $D_i$  is the set of individuals dying at  $t_i$  and  $C_i$  is the set of individuals with censored times in  $[t_{i-1}, t_i)$ . (Note that if the last observation is uncensored,  $C_{k+1}$  is empty and  $p_k = 0$ )

If we let  $\alpha_i = p_i/p_{i-1}$  ( $i = 1, \dots, k$ ),  $L_1$  can be written as

$$L_1 = \prod_{i=1}^k \prod_{l \in D_i} \left( 1 - \alpha_i \frac{\exp(\mathbf{x}'_l \beta)}{p_{i-1}} \right)^{w_l} \prod_{l \in R_i - D_i} \alpha_i^{w_l \exp(\mathbf{x}'_l \beta)}$$

Differentiating  $\ln L_1$  with respect to  $\alpha_1, \dots, \alpha_k$  and setting the equations equal to zero, we get

$$\sum_{l \in D_i} \frac{w_l \exp(\mathbf{x}'_l \beta)}{1 - \alpha_i \frac{\exp(\mathbf{x}'_l \beta)}{p_{i-1}}} = \sum_{l \in R_i} w_l \exp(\mathbf{x}'_l \beta) \quad i = 1, \dots, k$$

We then plug the MPLE  $\hat{\beta}$  of  $\beta$  into this equation and solve these  $k$  equations separately.

There are two things worth noting:

- If any  $|D_i| = 1$ ,  $\hat{\alpha}_i$  can be solved explicitly.

$$\hat{\alpha}_i = \left[ 1 - \frac{w_i \exp(\mathbf{x}'_i \hat{\beta})}{\sum_{l \in R_i} w_l \exp(\mathbf{x}'_l \hat{\beta})} \right]^{\exp(-\mathbf{x}'_i \bar{\beta})}$$

- If  $|D_i| > 1$ , the equation for the cumulative hazard function must be solved iteratively for  $\hat{\alpha}_i$ . A good initial value for  $\hat{\alpha}_i$  is

$$\hat{\alpha}_i = \exp\left(\frac{-d_i}{\sum_{l \in R_i} w_l \exp(\mathbf{x}'_l \hat{\beta})}\right)$$

where  $d_i = \sum_{l \in D_i} w_l$  is the weight sum for set  $D_i$ . (See Lawless, 1982, p. 361.)

Once the  $\hat{\alpha}_i$ ,  $i = 1, \dots, k$  are found,  $S_0(t)$  is estimated by

$$\hat{S}_0(t) = \prod_{i:(t_i < t)} \hat{\alpha}_i$$

Since the above estimate of  $S_0(t)$  requires some iterative calculations when ties exist, Breslow (1974) suggests using the equation for  $\alpha_i$  when  $|D_i| > 1$  as an estimate; however, we will use this as an initial estimate.

The asymptotic variance for  $-\ln \hat{S}_0(t)$  can be found in Chapter 4 of Kalbfleisch and Prentice (1980). At a specified time  $t$ , it is consistently estimated by

$$\text{var}\left(-\ln \hat{S}_0(t)\right) = \sum_{t_i < t} |D_i| \left( \sum_{l \in R_i} w_l \exp(\mathbf{x}'_l \hat{\beta}) \right)^{-2} + \mathbf{a}' \mathbf{I}^{-1} \mathbf{a}$$

where  $\mathbf{a}$  is a  $p \times 1$  vector with the  $j$ th element defined by

$$\sum_{t_i < t} |D_i| \frac{\sum_{l \in R_i} w_l x_{lj} \exp(\mathbf{x}'_l \hat{\beta})}{\left( \sum_{l \in R_i} w_l \exp(\mathbf{x}'_l \hat{\beta}) \right)^2}$$

and  $\mathbf{I}$  is the information matrix. The asymptotic variance of  $\hat{S}(t|x)$  is estimated by

$$e^{2\mathbf{x}' \hat{\beta}} \left( \hat{S}(t|x) \right)^2 \text{var}\left(-\ln \hat{S}_0(t)\right)$$

## Selection Statistics for Stepwise Methods

The same methods for variable selection are offered as in binary logistic regression. For more information, see the topic "Stepwise Variable Selection". Here we will only define the three removal statistics—Wald, LR, and Conditional—and the Score entry statistic.

## Score Statistic

The score statistic is calculated for every variable not in the model to decide which variable should be added to the model. First we compute the information matrix  $\mathbf{I}$  for all eligible variables based on the parameter estimates for the variables in the model and zero parameter estimates for the variables not in the model. Then we partition the resulting  $\mathbf{I}$  into four submatrices as follows:

$$\begin{bmatrix} \mathbf{A}_{11} & \mathbf{A}_{12} \\ \mathbf{A}_{21} & \mathbf{A}_{22} \end{bmatrix}$$

where  $\mathbf{A}_{11}$  and  $\mathbf{A}_{22}$  are square matrices for variables in the model and variables not in the model, respectively, and  $\mathbf{A}_{12}$  is the cross-product matrix for variables in and out. The score statistic for variable  $\mathbf{x}_i$  is defined by

$$\mathbf{D}'_{\mathbf{x}_i} \mathbf{B}_{22,i} \mathbf{D}_{\mathbf{x}_i}$$

where  $\mathbf{D}_{\mathbf{x}_i}$  is the first derivative of the log-likelihood with respect to all the parameters associated with  $\mathbf{x}_i$  and  $\mathbf{B}_{22,i}$  is equal to  $(\mathbf{A}_{22,i} - \mathbf{A}_{21,i} \mathbf{A}_{11}^{-1} \mathbf{A}_{12,i})^{-1}$ , and  $\mathbf{A}_{22,i}$  and  $\mathbf{A}_{12,i}$  are the submatrices in  $\mathbf{A}_{22}$  and  $\mathbf{A}_{12}$  associated with variable  $\mathbf{x}_i$ .

## Wald Statistic

The Wald statistic is calculated for the variables in the model to select variables for removal. The Wald statistic for variable  $\mathbf{x}_j$  is defined by

$$\hat{\beta}'_j \mathbf{B}_{11,j} \hat{\beta}_j$$

where  $\hat{\beta}_j$  is the parameter estimate associated with  $\mathbf{x}_j$  and  $\mathbf{B}_{11,j}$  is the submatrix of  $\mathbf{A}_{11}^{-1}$  associated with  $\mathbf{x}_j$ .

## LR (Likelihood Ratio) Statistic

The LR statistic is defined as twice the log of the ratio of the likelihood functions of two models evaluated at their own MPLES. Assume that  $r$  variables are in the current model and let us call the current model the full model. Based on the MPLES of parameters for the full model,  $l(\text{full})$  is defined in "Estimation of Beta". For each of  $r$  variables deleted from the full model, MPLES are found and the reduced log-likelihood function,  $l(\text{reduced})$ , is calculated. Then LR statistic is defined as

$$-2(l(\text{reduced}) - l(\text{full}))$$

## Conditional Statistic

The conditional statistic is also computed for every variable in the model. The formula for conditional statistic is the same as LR statistic except that the parameter estimates for each reduced model are conditional estimates, not MPLES. The conditional estimates are defined as

follows. Let  $\hat{\beta} = (\hat{\beta}_1, \dots, \hat{\beta}_r)'$  be the MPLES for the  $r$  variables (blocks) and  $C$  be the asymptotic covariance for the parameters left in the model given  $\hat{\beta}_i$  is

$$\tilde{\beta}_{(i)} = \hat{\beta}_{(i)} - \mathbf{C}_{12}^{(i)} \left( \mathbf{C}_{22}^{(i)} \right)^{-1} \hat{\beta}_i$$

where  $\hat{\beta}_i$  is the MPLE for the parameter(s) associated with  $\mathbf{x}_i$  and  $\hat{\beta}_{(i)}$  is  $\hat{\beta}$  without  $\hat{\beta}_i$ ,  $\mathbf{C}_{12}^{(i)}$  is the covariance between the parameter estimates left in the model  $\hat{\beta}_{(i)}$  and  $\hat{\beta}_i$ , and  $\mathbf{C}_{22}^{(i)}$  is the covariance of  $\hat{\beta}_i$ . Then the conditional statistic for variable  $\mathbf{x}_i$  is defined by

$$-2(l(\mathbf{b}_{(i)}) - l(full))$$

where  $l(\tilde{\beta}_{(i)})$  is the log-likelihood function evaluated at  $\tilde{\beta}_{(i)}$ .

Note that all these four statistics have a chi-square distribution with degrees of freedom equal to the number of parameters the corresponding model has.

## Statistics

The following output statistics are available.

### Initial Model Information

The initial model for the first method is for a model that does not include covariates. The log-likelihood function  $l$  is equal to

$$l(0) = - \sum_{j=1}^m \sum_{i=1}^{k_j} d_{ji} \ln(n_{ji}^*)$$

where  $n_{ji}^*$  is the sum of weights of individuals in set  $R_{ji}$ .

### Model Information

When a stepwise method is requested, at each step, the  $-2$  log-likelihood function and three chi-square statistics (model chi-square, improvement chi-square, and overall chi-square) and their corresponding degrees of freedom and significance are printed.

#### **$-2$ Log-Likelihood**

$$-2 \sum_{j=1}^m \sum_{i=1}^{k_j} \left( \mathbf{s}'_{ji} \hat{\beta} - d_{ji} \ln \left( \sum_{l \in R_{ji}} w_l \exp(\mathbf{x}'_l \hat{\beta}) \right) \right)$$

where  $\hat{\beta}$  is the MPLE of  $\beta$  for the current model.

**Improvement Chi-Square**

(-2 log-likelihood function for previous model) - (-2 log-likelihood function for current model).

The previous model is the model from the last step. The degrees of freedom are equal to the absolute value of the difference between the number of parameters estimated in these two models.

**Model Chi-Square**

(-2 log-likelihood function for initial model) - (-2 log-likelihood function for current model).

The initial model is the final model from the previous method. The degrees of freedom are equal to the absolute value of the difference between the number of parameters estimated in these two model.

*Note:* The values of the model chi-square and improvement chi-square can be less than or equal to zero. If the degrees of freedom are equal to zero, the chi-square is not printed.

**Overall Chi-Square**

The overall chi-square statistic tests the hypothesis that all regression coefficients for the variables in the model are identically zero. This statistic is defined as

$$\mathbf{u}'(0)\mathbf{I}^{-1}\mathbf{u}(0)$$

where  $\mathbf{u}(0)$  represents the vector of first derivatives of the partial log-likelihood function evaluated at  $\beta = 0$ . The elements of  $\mathbf{u}$  and  $\mathbf{I}$  are defined in "Estimation of Beta".

**Information for Variables in the Equation**

For each of the single variables in the equation, MPLE, SE for MPLE, Wald statistic, and its corresponding *df*, significance, and partial *R* are given. For a single variable, *R* is defined by

$$R = \left[ \frac{\text{Wald}_{-2}}{-2 \log\text{-likelihood for the intial model}} \right]^{1/2} \times \text{sign of MPLE}$$

if  $\text{Wald} > 2$ . Otherwise *R* is set to zero. For a multiple category variable, only the Wald statistic, *df*, significance, and partial *R* are printed, where *R* is defined by

$$R = \left[ \frac{\text{Wald}_{-2*\text{df}}}{-2 \log\text{-likelihood for the intial model}} \right]^{1/2}$$

if  $\text{Wald} > 2\text{df}$ . Otherwise *R* is set to zero.

## Information for the Variables Not in the Equation

For each of the variables not in the equation, the Score statistic is calculated and its corresponding degrees of freedom, significance, and partial  $R$  are printed. The partial  $R$  for variables not in the equation is defined similarly to the  $R$  for the variables in the equation by changing the Wald statistic to the Score statistic.

There is one overall statistic called the residual chi-square. This statistic tests if all regression coefficients for the variables not in the equation are zero. It is defined by

$$\mathbf{u}'(\hat{\beta})\mathbf{B}_{22}\mathbf{u}(\hat{\beta})$$

where  $\mathbf{u}(\hat{\beta})$  is the vector of first derivatives of the partial log-likelihood function with respect to all the parameters not in the equation evaluated at MPLLE  $\hat{\beta}$  and  $\mathbf{B}_{22}$  is equal to  $(\mathbf{A}_{22} - \mathbf{A}_{21}\mathbf{A}_{11}^{-1}\mathbf{A}_{12})^{-1}$  and  $\mathbf{A}$  is defined in “Score Statistic”.

## Survival Table

For each stratum, the estimates of the baseline cumulative survival ( $S_0$ ) and hazard ( $H_0$ ) function and their standard errors are computed.  $H_0(t)$  is estimated by

$$\hat{H}_0(t) = -\ln \hat{S}_0(t)$$

and the asymptotic variance of  $\hat{H}_0(t)$  is defined in “Estimation of the Baseline Function”. Finally, the cumulative hazard function  $H(t|\mathbf{x})$  and survival function  $S(t|\mathbf{x})$  are estimated by

$$\hat{H}(t|\mathbf{x}) = \exp(\mathbf{x}'\hat{\beta})\hat{H}_0(t)$$

and, for a given  $\mathbf{x}$ ,

$$\hat{S}(t|\mathbf{x}) = [\hat{S}_0(t)]^{\exp(\mathbf{x}'\hat{\beta})}$$

The asymptotic variances are

$$\text{var}(\hat{H}(t|\mathbf{x})) = \exp(2\mathbf{x}'\hat{\beta})\text{var}(\hat{H}_0(t))$$

and

$$\text{var}(\hat{S}(t|\mathbf{x})) = \exp(2\mathbf{x}'\hat{\beta})(\hat{S}(t|\mathbf{x}))^2 \text{var}(\hat{H}_0(t))$$

## Diagnostic Statistics

Three casewise diagnostic statistics, Residual, Partial Residual, and DFBETAs, are produced. Both Residual and DFBETA are computed for all distinct individuals. Partial Residuals are calculated only for uncensored individuals.

Assume that there are  $n_j$  subjects in stratum  $j$  and  $k_j$  distinct observed events  $t_1 < \dots < t_{k_j}$ . Define the selected probability for the  $l$ th individual at time  $t_i$  as

$$p_l(t_i) = \begin{cases} \frac{\exp(\mathbf{x}'_l(t_i)\hat{\beta})}{\sum_{h \in R_i} w_h \exp(\mathbf{x}'_h(t_i)\hat{\beta})} & \text{if } l\text{th individual is in } R_i \\ 0 & \text{otherwise} \end{cases}$$

and

$$u_l = \sum_{i=1}^{k_j} d_i [p_l(t_i) - p_l^2(t_i)]$$

$$y_l(t_i) = \begin{cases} 1 & \text{if } l\text{th individual is in } D_i \\ 0 & \text{otherwise} \end{cases}$$

$$r_l = \sum_{i=1}^{k_j} [y_l(t_i) - d_i p_l(t_i)]$$

## DFBETA

The changes in the maximum partial likelihood estimate of beta due to the deletion of a single observation have been discussed in Cain and Lange (1984) and Storer and Crowley (1985). The estimate of DFBETA computed is derived from augmented regression models. The details can be found in Storer and Crowley (1985). When the  $l$ th individual in the  $j$ th stratum is deleted, the change  $\Delta\beta_l$  is estimated by

$$\Delta\beta_l = -\frac{1}{\mathbf{m}} \mathbf{I}^{-1} v_l r_l$$

where

$$w = \text{diag}(w_1, \dots, w_{n_{j_i}})$$

$$v_l = \sum_{i=1}^{k_j} d_i p_l(t_i) (\mathbf{x}_l(t_i) - \mathbf{x}(t_i) \mathbf{w} \mathbf{p}(t_i))$$

$$\mathbf{p}(t_i) = (p_1(t_i), \dots, p_{n_{j_i}}(t_i))'$$

$$m_l = u_l - v_l \mathbf{I}^{-1} v_l$$

and  $\mathbf{x}'(t_i)$  is an  $n_{j_i} \times p$  matrix which represents the  $p$  covariate variables in the model evaluated at  $t_i$ , and  $n_{j_i}$  is the number of individuals in  $R_{j_i}$ .

## Partial Residuals

Partial residuals can only be computed for the covariates which are not time dependent. At time  $t_i$  in stratum  $j$ ,  $x_g$  is the  $p \times 1$  observed covariate vector for any  $g$ th individual in set  $D_i$ , where  $D_i$  is the set of individuals dying at  $t_i$ . The partial residual  $\gamma_g$  is defined by

$$\gamma_g = \begin{pmatrix} \gamma_{g1} \\ \dots \\ \gamma_{gp} \end{pmatrix} = \mathbf{x}_g - p(t_i) \mathbf{x}$$

Rewriting the above formula in a univariate form, we get

$$\gamma_{gh} = x_{gh} - \frac{\sum_{l \in R_i} w_l x_{lh} \exp(\mathbf{x}'_l \hat{\beta})}{\sum_{l \in R_i} w_l \exp(\mathbf{x}'_l \hat{\beta})}, \quad h = 1, \dots, p; g \in D_i$$

where  $x_{gh}$  is the  $h$ th component for  $x_g$ . For every variable, the residuals can be plotted against times to test the proportional hazards assumption.

## Residuals

The residuals  $e_i$  are computed by

$$e_i = \hat{H}(t_i | \mathbf{x}_i) = \exp(\mathbf{x}'_i \hat{\beta}) (\hat{H}_0(t_i))$$

which is the same as the estimate of the cumulative hazard function.

## Plots

For a specified pattern, the covariate values  $\mathbf{x}_c$  are determined and  $\mathbf{x}_c$  is computed. There are three plots available for Cox regression.

### Survival Plot

For stratum  $j$ ,  $(t_i, \hat{S}_0(t_i | \mathbf{x}_c))$ ,  $i = 1, \dots, k_j$  are plotted where

$$\hat{S}(t_i | \mathbf{x}_c) = (\hat{S}_0(t_i))^{\exp(\mathbf{x}'_c \hat{\beta})}$$

When PATTERN(ALL) is requested, for every uncensored time  $t_i$  in stratum  $j$  the survival function is estimated by

$$\hat{S}(t_i) = \frac{\sum_{l=1}^{k_j} w_l \hat{S}(t_i | \mathbf{x}_c)}{\sum_{l=1}^{k_j} w_l} = \frac{\sum_{l=1}^{k_j} w_l (\hat{S}_0(t_i))^{\exp(\mathbf{x}'_c \hat{\beta})}}{\sum_{l=1}^{k_j} w_l}$$

Then  $(t_i, \hat{S}(t_i))$ ,  $i = 1, \dots, k_j$  are plotted for stratum  $j$ .

### Hazard Plot

For stratum  $j$ ,  $(t_i, \hat{H}(t_i | \mathbf{x}_c))$ ,  $i = 1, \dots, k_j$  are plotted where

$$\hat{H}(t_i | \mathbf{x}_c) = \exp(\mathbf{x}'_c \hat{\beta}) \hat{H}_0(t_i)$$

## **LML Plot**

The log-minus-log plot is used to see whether the stratification variable should be included as a covariate. For stratum  $j$ ,  $(t_i, \mathbf{x}'_c \hat{\beta} + \ln \hat{H}_0(t_i))$ ,  $i = 1, \dots, k_j$  are plotted. If the plot shows parallelism among strata, then the stratum variable should be a covariate.

## **References**

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# CREATE Algorithms

CREATE produces new series as a function of existing series.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

Table 22-1

Notation

Notation	Description
Existing Series	$X_1, \dots, X_n$
New Series	$Y_1, \dots, Y_n$

## Cumulative Sum (CSUM(X))

$$Y_j = \sum_{i=1}^j X_i \quad j = 1, \dots, n$$

## Differences of Order m (DIFF(X,m))

Define

$$Z_j(k) = Z_j(k-1) - Z_{j-1}(k-1) \quad k = 1, \dots, m \quad j = k+1, \dots, n$$

with

$$Z_j(0) = X_j \quad j = 1, \dots, n$$

then

$$Y_j = \begin{cases} Z_j(m) & j = m+1, \dots, n \\ \text{SYSMIS} & \text{otherwise} \end{cases}$$

## Lag of Order m (LAG(X,m))

$$Y_j = \begin{cases} X_{j-m} & j = m+1, \dots, n \\ \text{SYSMIS} & j = 1, \dots, m \end{cases}$$

## Lead of Order m (LEAD(X,m))

$$Y_j = \begin{cases} X_{j+m} & j = 1, \dots, n-m \\ \text{SYSMIS} & j = n-m+1, \dots, n \end{cases}$$

## Moving Average of Length $m$ ( $MA(X,m)$ )

If  $m$  is odd, define

$$q = \frac{m-1}{2}$$

then

$$Y_j = \begin{cases} \sum_{k=-q}^q X_{j+k}/m & j = q+1, \dots, n-q \\ \text{SYSMIS} & \text{otherwise} \end{cases}$$

If  $m$  is even, define  $q = m/2$  and

$$Z_j = \sum_{k=-q+1}^q X_{j+k}/m \quad j = q, \dots, n-q$$

then

$$Y_j = \begin{cases} (Z_{j-1} + Z_j)/2 & j = q+1, \dots, n-q \\ \text{SYSMIS} & \text{otherwise} \end{cases}$$

## Running Median of Length $m$ ( $X,m$ )

If  $m$  is odd,

$$q = \frac{m-1}{2}$$

$$Y_j = \begin{cases} \text{median}(X_{j-q}, X_{j-q+1}, \dots, X_j, X_{j+1}, \dots, X_{j+q}) & j = q+1, \dots, n-q \\ \text{SYSMIS} & \text{otherwise} \end{cases}$$

If  $m$  is even, define

$$Z_j = \text{median}(X_{j-q+1}, \dots, X_j, X_{j+1}, \dots, X_{j+q}) \quad j = q, \dots, n-q$$

then

$$Y_j = \begin{cases} (Z_{j-1} + Z_j)/2 & j = q+1, \dots, n-q \\ \text{SYSMIS} & \text{otherwise} \end{cases}$$

where

$$\text{median}(a_1, \dots, a_k) = \begin{cases} a_{(l)} & \text{if } k \text{ is odd} \\ (a_{(l)} + a_{(l+1)})/2 & \text{if } k \text{ is even} \end{cases}$$

$$l = \begin{cases} (k+1)/2 & \text{if } k \text{ is odd} \\ k/2 & \text{if } k \text{ is even} \end{cases}$$

and  $a_{(1)} < a_{(2)} < \dots < a_{(k)}$  is the ordered sample of  $a_1, \dots, a_k$ .

## **Seasonal Differencing of Order $m$ and Period $p$ (SDIFF( $X, m, p$ ))**

Define

$$Z_j(k) = Z_j(k-1) - Z_{j-p}(k-1) \quad k = 1, \dots, m \quad j = pk + 1, \dots, n$$

where

$$Z_j(0) = X_j \quad j = 1, \dots, n$$

then

$$Y_j = Z_j(m) \quad j = mp + 1, \dots, n$$

## **The T4253H Smoothing Function (T4253H( $X$ ))**

The original series is smoothed by a compound data smoother based on (Velleman, 1980). The smoother starts with:

E A running median of 4:

Let  $Z$  be the smoothed series, then

$$Z_{j+1/2} = \text{median}(X_{j-1}, X_j, X_{j+1}, X_{j+2}) \quad j = 2, \dots, n-2$$

and

$$Z_{0.5}^{(1)} = X_1 \quad Z_{1.5}^{(1)} = \text{median}(X_1, X_2) = \frac{1}{2}(X_1 + X_2)$$

$$Z_{n-1/2}^{(1)} = \text{median}(X_{n-1}, X_n) = \frac{1}{2}(X_{n-1} + X_n) \quad Z_{n+1/2}^{(1)} = X_n$$

E A running median of  $Z$ :

$$Z_1^{(1)} = Z_{0.5} \quad Z_n^{(1)} = Z_{n+1/2}$$

and

$$Z_j^{(1)} = \frac{1}{2}(Z_{j-1/2} + Z_{j+1/2}) \quad j = 2, \dots, n-1$$

E A running median of 5 on  $Z_1^{(1)}, \dots, Z_n^{(1)}$  from the previous step:

Let  $Z^{(2)}$  be the resulting series, then

$$Z_1^{(2)} = Z_1^{(1)} \quad Z_n^{(2)} = Z_n^{(1)}$$

$$Z_2^{(2)} = \text{median}\left(Z_1^{(1)}, Z_2^{(1)}, Z_3^{(1)}\right)$$

$$Z_{n-1}^{(2)} = \text{median}\left(Z_{n-2}^{(1)}, Z_{n-1}^{(1)}, Z_n^{(1)}\right)$$

and

$$Z_j^{(2)} = \text{median}\left(Z_{j-2}^{(1)}, Z_{j-1}^{(1)}, Z_j^{(1)}, Z_{j+1}^{(1)}, Z_{j+2}^{(1)}\right) \quad j = 3, \dots, n-2$$

E A running median of 3 on  $Z_1^{(1)}, \dots, Z_n^{(1)}$  from the previous step:

Let  $Z^{(3)}$  be the resulting series, then

$$Z_j^{(3)} = \text{median}\left(Z_{j-1}^{(2)}, Z_j^{(2)}, Z_{j+1}^{(2)}\right) \quad j = 2, 3, \dots, n-1$$

$$Z_1^{(3)} = \text{median}\left(3Z_2^{(2)} - 2Z_3^{(2)}, Z_1^{(2)}, Z_2^{(2)}\right)$$

$$Z_n^{(3)} = \text{median}\left(3Z_{n-1}^{(2)} - 2Z_n^{(2)}, Z_n^{(2)}, Z_{n-1}^{(2)}\right)$$

E Hanning (Running Weighted Averages):

$$Z_j^{(4)} = \frac{1}{4}Z_{j-1}^{(3)} + \frac{1}{2}Z_j^{(3)} + \frac{1}{4}Z_{j+1}^{(3)} \quad j = 2, \dots, n-1$$

$$Z_1^{(4)} = Z_1^{(3)}, \quad Z_n^{(4)} = Z_n^{(3)}$$

E Residual:

$$D_i = X_i - Z_i^{(4)} \quad i = 1, \dots, n$$

E Repeat the previous steps on the residuals  $D_1, \dots, D_n$ :

E Let  $D_1^{(4)}, \dots, D_n^{(4)}$  be the final result.

E Final smooth:

$$Y_i = Z_i^{(4)} + D_i^{(4)} \quad i = 1, \dots, n$$

### **Prior Moving Averages of Length $m$ (PMA( $X, m$ ))**

$$Y_i = \sum_{j=i-m}^{i-1} X_j / m \quad i = m+1, \dots, n$$

SYSMIS  $i = 1, \dots, m$

## Fast Fourier Transform (FFT(X))

The discrete Fourier transform of a sequence  $X = \{X_1, \dots, X_n\}$  is defined as

$$\begin{aligned} Y_k &= \frac{1}{n} \sum_{t=1}^n X_t \exp \{-i2\pi f_k(t-1)\} \\ &= \frac{1}{n} \sum_{t=1}^n X_t [\cos(2\pi f_k(t-1)) - i \sin(2\pi f_k(t-1))] \\ &= \frac{1}{n} \sum_{t=1}^n X_t \cos(2\pi f_k(t-1)) + i \left[ -\frac{1}{n} \sum_{t=1}^n X_t \sin(2\pi f_k(t-1)) \right] \\ &= a_k + ib_k \end{aligned}$$

Thus  $a, b$  are two sequences generated by FFT and they are called real and imaginary, respectively.

$$\begin{aligned} a_k &= \frac{1}{n} \sum_{t=1}^n X_t \cos(2\pi f_k(t-1)) \quad k = 1, \dots, r \\ b_k &= -\frac{1}{n} \sum_{t=1}^n X_t \sin(2\pi f_k(t-1)) \quad k = 1, \dots, r \end{aligned}$$

where

$$r = \begin{cases} (n-1)/2 & \text{if } n \text{ is odd} \\ n/2 & \text{if } n \text{ is even} \end{cases}$$

and

$$a_0 = \bar{X}$$

$$b_0 = -\frac{1}{n} \sum_{t=1}^n X_t \cos(\pi(t-1))$$

## Inverse Fast Fourier Transform of Two Series (IFFT(a,b))

The inverse Fourier Transform of two series  $\{a, b\}$  is defined as

$$X_t = a_0 - b_0 \cos(\pi(t-1)) + 2 \left[ \sum_{k=1}^q a_k \cos(2\pi f_k(t-1)) - \sum_{k=1}^q b_k \sin(2\pi f_k(t-1)) \right]$$

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# CROSSTABS Algorithms

The notation and statistics refer to bivariate subtables defined by a row variable  $X$  and a column variable  $Y$ , unless specified otherwise. By default, CROSSTABS deletes cases with missing values on a table-by-table basis.

## Notation

The following notation is used throughout this section unless otherwise stated:

Table 23-1

Notation

Notation	Description
$X_i$	Distinct values of row variable arranged in ascending order: $X_1 < X_2 < \dots < X_R$
$Y_j$	Distinct values of column variable arranged in ascending order: $Y_1 < Y_2 < \dots < Y_C$
$f_{ij}$	Sum of cell weights for cases in cell $(i, j)$
$c_j$	$\sum_{i=1}^R f_{ij}$ , the $j$ th column subtotal
$r_i$	$\sum_{j=1}^C f_{ij}$ , the $i$ th row subtotal
$W$	$\sum_{j=1}^C c_j = \sum_{i=1}^R r_i$ , the grand total

## Marginal and Cell Statistics

Count

$$\text{count} = f_{ij}$$

Expected Count

$$E_{ij} = \frac{r_i c_j}{W}$$

Row Percent

$$\text{row percent} = 100 \times (f_{ij}/r_i)$$

Column Percent

$$\text{column percent} = 100 \times (f_{ij}/c_j)$$

Total Percent

$$\text{total percent} = 100 \times (f_{ij}/W)$$

Residual

$$R_{ij} = f_{ij} - E_{ij}$$

Standardized Residual

$$SR_{ij} = \frac{R_{ij}}{\sqrt{E_{ij}}}$$

Adjusted Residual

$$AR_{ij} = \frac{R_{ij}}{\sqrt{E_{ij} \left(1 - \frac{r_i}{W}\right) \left(1 - \frac{c_j}{W}\right)}}$$

## Chi-Square Statistics

Pearson's Chi-Square

$$\chi_p^2 = \sum_{ij} \frac{(f_{ij} - E_{ij})^2}{E_{ij}}$$

The degrees of freedom are  $(R - 1)(C - 1)$ .

Likelihood Ratio

$$\chi_{LR}^2 = 2 \sum_{ij} f_{ij} \ln(f_{ij}/E_{ij})$$

The degrees of freedom are  $(R - 1)(C - 1)$ .

*Note:* when  $f_{ij} = 0$ , the entire term  $f_{ij} \ln(f_{ij}/E_{ij})$  is treated as 0, because  $\lim_{n \rightarrow 0} n \log(n) = 0$ , and thus has no effect on the sum.

Fisher's Exact Test

If the table is a  $2 \times 2$  table, not resulting from a larger table with missing cells, with at least one expected cell count less than 5, then the Fisher exact test is calculated. For more information, see the topic "Significance Levels for Fisher's Exact Test".

Yates Continuity Corrected for 2 x 2 Tables

$$\chi_c^2 = \begin{cases} \frac{W(|f_{11}f_{22} - f_{12}f_{21}| - 0.5W)^2}{r_1 r_2 c_1 c_2} & \text{if } |f_{11}f_{22} - f_{12}f_{21}| > 0.5W \\ 0 & \text{otherwise} \end{cases}$$

The degrees of freedom are 1.

Mantel-Haenszel Test of Linear Association

$$\chi_{MH}^2 = (W - 1)r^2$$

where  $r$  is the Pearson correlation coefficient to be defined later. The degrees of freedom are 1.

## Other Measures of Association

Phi Coefficient

For a table not  $2 \times 2$

$$\varphi = \sqrt{\frac{\chi_p^2}{W}}$$

For a  $2 \times 2$  table only,  $\varphi$  is equal to the Pearson correlation coefficient so that the sign of  $\varphi$  matches that of the correlation coefficients.

Coefficient of Contingency

$$CC = \left( \frac{\chi_p^2}{\chi_p^2 + W} \right)^{1/2}$$

Cramér's V

$$V = \left( \frac{\chi_p^2}{W(q - 1)} \right)^{1/2}$$

where  $q = \min\{R, C\}$ .

## Measures of Proportional Reduction in Predictive Error

Lambda

Let  $f_{im}$  and  $f_{mj}$  be the largest cell count in row  $i$  and column  $j$ , respectively. Also, let  $r_m$  be the largest row subtotal and  $c_m$  the largest column subtotal. Define  $\lambda_{Y|X}$  as the proportion of relative error in predicting an individual's  $Y$  category that can be eliminated by knowledge of the  $X$  category.  $\lambda_{Y|X}$  is computed as

$$\lambda_{Y|X} = \frac{\sum_{i=1}^R f_{im} - c_m}{W - c_m}$$

The standard errors are

$$ASE_0 = \frac{\sqrt{\sum_{i=1}^R \sum_{j=1}^C f_{ij}(\delta_{ij} - \delta_j)^2 - \left(\sum_{i=1}^R f_{im} - c_m\right)^2 / W}}{W - c_m}$$

$$ASE_1 = \frac{\sqrt{\sum_{i=1}^R \sum_{j=1}^C f_{ij}(\delta_{ij} - \delta_j + \lambda_{Y|X}\delta_j)^2 - W\lambda_{(Y|X)}^2}}{W - c_m}$$

where

$$\delta_{ij} = \begin{cases} 1 & \text{if } j \text{ is column index for } f_{im} \\ 0 & \text{otherwise} \end{cases}$$

$$\delta_j = \begin{cases} 1 & \text{if } j \text{ is index for } c_m \\ 0 & \text{otherwise} \end{cases}$$

Lambda for predicting  $X$  from  $Y$ ,  $\lambda_{Y|X}$ , is obtained by permuting the indices in the above formulae.

The two asymmetric lambdas are averaged to obtain the symmetric lambda.

$$\lambda = \frac{\sum_{i=1}^R f_{im} + \sum_{j=1}^C f_{mj} - c_m - r_m}{2W - r_m - c_m}$$

The standard errors are

$$ASE_0 = \frac{\sqrt{\sum_{i=1}^R \sum_{j=1}^C f_{ij}(\delta_{ij}^r + \delta_{ij}^c - \delta_i^r - \delta_j^c)^2 - \left[\left(\sum_{i=1}^R f_{im} + \sum_{j=1}^C f_{mj} - c_m - r_m\right)^2 / W\right]}}{2W - r_m - c_m}$$

$$ASE_1 = \frac{\sqrt{\sum_{i=1}^R \sum_{j=1}^C f_{ij}[\delta_{ij}^r + \delta_{ij}^c - \delta_i^r - \delta_j^c + \lambda(\delta_i^r + \delta_j^c)]^2 - 4W\lambda^2}}{2W - r_m - c_m}$$

where

$$\delta_{ij}^r = \begin{cases} 1 & \text{if } i \text{ is row index for } f_{mj} \\ 0 & \text{otherwise} \end{cases}$$

$$\delta_i^r = \begin{cases} 1 & \text{if } i \text{ is index for } r_m \\ 0 & \text{otherwise} \end{cases}$$

and where

$$\delta_{ij}^c = \begin{cases} 1 & \text{if } j \text{ is column index for } f_{im} \\ 0 & \text{otherwise} \end{cases}$$

$$\delta_i^c = \begin{cases} 1 & \text{if } j \text{ is index for } c_m \\ 0 & \text{otherwise} \end{cases}$$

Goodman and Kruskal's Tau

Similarly defined is Goodman and Kruskal's tau ( $\tau$ ) (Goodman and Kruskal, 1954):

$$\tau_{Y|X} = \frac{W \sum_{i,j} (f_{ij}^2/r_i) - \sum_{j=1}^C c_j^2}{W^2 - \sum_{j=1}^C c_j^2}$$

with standard error

$$ASE_1 = \sqrt{\frac{4}{\delta^4} \sum_{i,j} f_{ij} \left\{ (v - \delta) \left( \frac{1}{r_i} \sum_{j=1}^C f_{ij} c_j - c_j \right) - W \delta \left( \frac{1}{r_i^2} \sum_{j=1}^C f_{ij}^2 - \frac{1}{r_i} f_{ij} \right) \right\}^2}$$

in which

$$\delta = W^2 - \sum_{j=1}^C c_j^2 \quad \text{and} \quad v = W \sum_{i,j} f_{ij}^2/r_i - \sum_{j=1}^C c_j^2$$

$\tau_{X|Y}$  and its standard error can be obtained by interchanging the roles of  $X$  and  $Y$ .

The significance level is based on the chi-square distribution, since

$$(W - 1)(C - 1)\tau_{Y|X} \sim \chi_{(R-1)(C-1)}^2$$

$$(W - 1)(R - 1)\tau_{X|Y} \sim \chi_{(R-1)(C-1)}^2$$

Uncertainty Coefficient

Let  $U_{Y|X}$  be the proportional reduction in the uncertainty (entropy) of  $Y$  that can be eliminated by knowledge of  $X$ . It is computed as

$$U_{Y|X} = \frac{U(X) + U(Y) - U(XY)}{U(Y)}$$

where

$$U(X) = -\sum_{i=1}^R \frac{r_i}{W} \ln \left( \frac{r_i}{W} \right)$$

$$U(Y) = -\sum_{j=1}^C \frac{c_j}{W} \ln \left( \frac{c_j}{W} \right)$$

and

$$U(XY) = -\sum_{i,j} \frac{f_{ij}}{W} \ln \left( \frac{f_{ij}}{W} \right), \quad \text{for } f_{ij} > 0$$

The asymptotic standard errors are

$$ASE_1 = \frac{1}{WU(Y)^2} \sqrt{\sum_{i,j} f_{ij} \left\{ U(Y) \ln \left( \frac{f_{ij}}{r_i} \right) + [U(X) - U(XY)] \ln \left( \frac{c_j}{W} \right) \right\}^2}$$

$$ASE_0 = \frac{\sqrt{P - W[U(X) + U(Y) - U(XY)]^2}}{WU(Y)}$$

where

$$P = \sum_{i,j} f_{ij} \left[ \ln \left( \frac{c_j r_i}{W f_{ij}} \right) \right]^2$$

The formulas for  $U_{X|Y}$  can be obtained by interchanging the roles of  $X$  and  $Y$ .

A symmetric version of the two asymmetric uncertainty coefficients is defined as follows:

$$U = 2 \left[ \frac{U(X) + U(Y) - U(XY)}{U(X) + U(Y)} \right]$$

with asymptotic standard errors

$$ASE_1 = \frac{2}{W[U(X) + U(Y)]^2} \sqrt{\sum_{i,j} f_{ij} \left\{ U(XY) \ln \left( \frac{r_i c_j}{W^2} \right) - [U(X) + U(Y)] \ln \left( \frac{f_{ij}}{W} \right) \right\}^2}$$

or

$$ASE_0 = \frac{2}{W[U(X) + U(Y)]} \sqrt{P - W[U(X) + U(Y) - U(XY)]^2}$$

## Cohen's Kappa

Cohen's kappa ( $\kappa$ ), defined only for square table ( $R = C$ ), is computed as

$$\kappa = \frac{W \sum_{i=1}^R f_{ii} - \sum_{i=1}^R r_i c_i}{W^2 - \sum_{i=1}^R r_i c_i}$$

with variance

$$\begin{aligned} var_1 = & W \left\{ \frac{(\sum f_{ii})(W - \sum f_{ii})}{(W^2 - \sum r_i c_i)^2} + \frac{2(W - \sum f_{ii})(2\sum f_{ii}\sum r_i c_i - W\sum f_{ii}(r_i + c_i))}{(W^2 - \sum r_i c_i)^3} \right. \\ & \left. + \frac{(W - \sum f_{ii})^2 \left[ W \sum_{i,j} f_{ij}(r_j + c_i)^2 - 4(\sum r_i c_i)^2 \right]}{(W^2 - \sum r_i c_i)^4} \right\} \\ var_0 = & \frac{1}{W \left( W^2 - \sum_i r_i c_i \right)^2} \left[ W^2 \left( \sum_i r_i c_i \right) + \left( \sum_i r_i c_i \right)^2 - W \left( \sum_i r_i c_i (r_i + c_i) \right) \right] \end{aligned}$$

## Kendall's Tau-b and Tau-c

Define

$$D_r = W^2 - \sum_{i=1}^R r_i^2$$

$$D_c = W^2 - \sum_{j=1}^C c_j^2$$

$$C_{ij} = \sum_{h < i, k < j} f_{hk} + \sum_{h > i, k > j} f_{hk}$$

$$D_{ij} = \sum_{h < i, k > j} f_{hk} + \sum_{h > i, k < j} f_{hk}$$

$$P = \sum_{i,j} f_{ij} C_{ij}$$

$$Q = \sum_{i,j} f_{ij} D_{ij}$$

*Note:* the  $P$  and  $Q$  listed above are double the “usual”  $P$  (number of concordant pairs) and  $Q$  (number of discordant pairs). Likewise,  $D_r$  is double the “usual”  $P + Q + X_0$  (the number of concordant pairs, discordant pairs, and pairs on which the row variable is tied) and  $D_c$  is double the “usual”  $P + Q + Y_0$  (the number of concordant pairs, discordant pairs, and pairs on which the column variable is tied).

Kendall’s Tau-b

$$\tau_b = \frac{P - Q}{\sqrt{D_r D_c}}$$

with standard error

$$ASE_1 = \frac{1}{(D_r D_c)} \sqrt{\sum_{i,j} f_{ij} \left( 2\sqrt{D_r D_c} (C_{ij} - D_{ij}) + \tau_b v_{ij} \right)^2 - W^3 \tau_b^2 (D_r + D_c)^2}$$

where

$$v_{ij} = r_i D_c + c_j D_r$$

Under the independence assumption, the standard error is

$$ASE_0 = 2 \sqrt{\frac{\sum_{i,j} f_{ij} (C_{ij} - D_{ij})^2 - \frac{1}{W} (P - Q)^2}{D_r D_c}}$$

Kendall’s Tau-c

$$\tau_c = \frac{q(P - Q)}{W^2(q - 1)}$$

with standard error

$$ASE_1 = \frac{2q}{(q - 1)W^2} \sqrt{\sum_{i,j} f_{ij} (C_{ij} - D_{ij})^2 - \frac{1}{W} (P - Q)^2}$$

or, under the independence assumption,

$$ASE_0 = \frac{2q}{(q - 1)W^2} \sqrt{\sum_{i,j} f_{ij} (C_{ij} - D_{ij})^2 - \frac{1}{W} (P - Q)^2}$$

where

$$q = \min \{R, C\}$$

## Gamma

Gamma ( $\gamma$ ) is estimated by

$$\gamma = \frac{P - Q}{P + Q}$$

with standard error

$$ASE_1 = \frac{4}{(P + Q)^2} \sqrt{\sum_{i,j} f_{ij} (QC_{ij} - PD_{ij})^2}$$

or, under the hypothesis of independence,

$$ASE_0 = \frac{2}{(P + Q)} \sqrt{\sum_{i,j} f_{ij} (C_{ij} - D_{ij})^2 - \frac{1}{W} (P - Q)^2}$$

## Somers' $d$

Somers'  $d$  with row variable  $X$  as the independent variable is calculated as

$$d_{Y|X} = \frac{P - Q}{D_r}$$

with standard error

$$ASE_1 = \frac{2}{D_r^2} \sqrt{\sum_{i,j} f_{ij} \{D_r (C_{ij} - D_{ij}) - (P - Q)(W - R_i)\}^2}$$

or, under the hypothesis of independence,

$$ASE_0 = \frac{2}{D_r} \sqrt{\sum_{i,j} f_{ij} (C_{ij} - D_{ij})^2 - \frac{1}{W} (P - Q)^2}$$

By interchanging the roles of  $X$  and  $Y$ , the formulas for Somers'  $d$  with  $X$  as the dependent variable can be obtained.

Symmetric version of Somers'  $d$  is

$$d = \frac{(P - Q)}{\frac{1}{2}(D_c + D_r)}$$

The standard error is

$$ASE_1 = \frac{2\sigma_{\tau_b}^2}{(D_r + D_c)} \sqrt{D_r D_c}$$

where  $\sigma_{\tau_b}^2$  is the variance of Kendall's  $\tau_b$ ,

$$ASE_0 = \frac{4}{(D_c + D_r)} \sqrt{\sum_{i,j} f_{ij}(C_{ij} - D_{ij})^2 - \frac{1}{W}(P - Q)^2}$$

## Pearson's $r$

The Pearson's product moment correlation  $r$  is computed as

$$r = \frac{cov(X, Y)}{\sqrt{S(X)S(Y)}} \equiv \frac{S}{T}$$

where

$$cov(X, Y) = \sum_{i,j} X_i Y_j f_{ij} - \left( \sum_{i=1}^R X_i r_i \right) \left( \sum_{j=1}^C Y_j c_j \right) / W$$

$$S(X) = \sum_{i=1}^R X_i^2 r_i - \left( \sum_{i=1}^R X_i r_i \right)^2 / W$$

and

$$S(Y) = \sum_{j=1}^C Y_j^2 c_j - \left( \sum_{j=1}^C Y_j c_j \right)^2 / W$$

The variance of  $r$  is

$$var_1 = \frac{1}{T^4} \sum_{i,j} f_{ij} \left\{ T(X_i - \bar{X})(Y_j - \bar{Y}) - \frac{S}{2T} [(X_i - \bar{X})^2 S(Y) + (Y_j - \bar{Y})^2 S(X)] \right\}^2$$

If the null hypothesis is true,

$$var_0 = \frac{\sum_{i,j} f_{ij} X_i^2 Y_j^2 - \left( \sum_{i,j} f_{ij} X_i Y_j \right)^2 / W}{\left( \sum_i r_i X_i^2 \right) \left( \sum_j c_j Y_j^2 \right)}$$

where

$$\bar{X} = \sum_{i=1}^R X_i r_i / W$$

and

$$\bar{Y} = \sum_{j=1}^C Y_j c_j / W$$

Under the hypothesis that  $\rho = 0$ ,

$$t = \frac{r\sqrt{W-2}}{\sqrt{1-r^2}}$$

is distributed as a  $t$  with  $W - 2$  degrees of freedom.

## Spearman Correlation

The Spearman's rank correlation coefficient  $r_s$  is computed by using rank scores  $R_i$  for  $X_i$  and  $C_j$  for  $Y_j$ . These rank scores are defined as follows:

$$R_i = \sum_{k<i} r_k + (r_i + 1)/2 \quad \text{for } i = 1, 2, \dots, R$$

$$C_j = \sum_{h<j} c_h + (c_j + 1)/2 \quad \text{for } j = 1, 2, \dots, C$$

The formulas for  $r_s$  and its asymptotic variance can be obtained from the Pearson formulas by substituting  $R_i$  and  $C_j$  for  $X_i$  and  $Y_j$ , respectively.

## Eta

Asymmetric  $\eta$  with the column variable  $Y$  as dependent is

$$\eta_Y = \sqrt{1 - \frac{S_{YW}}{S(Y)}}$$

where

$$S_{YW} = \sum_{i,j} Y_j^2 f_{ij} - \sum_{i=1}^R \frac{1}{r_i} \left( \sum_{j=1}^C Y_j f_{ij} \right)^2$$

## Relative Risk

Consider a  $2 \times 2$  table (that is,  $R = C = 2$ ). In a case-control study, the relative risk is estimated as

$$R_0 = \frac{f_{11}f_{22}}{f_{12}f_{21}}$$

The  $100(1 - \alpha)$  percent *CI* for the relative risk is obtained as

$$\left[ R_0 \exp(-z_{1-\alpha/2}v), R_0 \exp(z_{1-\alpha/2}v) \right]$$

where

$$v = \left( \frac{1}{f_{11}} + \frac{1}{f_{12}} + \frac{1}{f_{21}} + \frac{1}{f_{22}} \right)^{1/2}$$

The relative risk ratios in a cohort study are computed for both columns. For column 1, the risk is

$$R_1 = \frac{f_{11}(f_{21} + f_{22})}{f_{21}(f_{11} + f_{12})}$$

and the corresponding  $100(1 - \alpha)$  percent *CI* is

$$\left[ R_1 \exp(-z_{1-\alpha/2}v), R_1 \exp(z_{1-\alpha/2}v) \right]$$

where

$$v = \left( \frac{f_{12}}{f_{11}(f_{11} + f_{12})} + \frac{f_{22}}{f_{21}(f_{21} + f_{22})} \right)^{1/2}$$

The relative risk for column 2 and the confidence interval are computed similarly.

## McNemar-Bowker's Test

This statistic is used to test if a square table is symmetric.

### Notations

Table 23-2

Notation

**Notation**   **Description**

$n$             Dimension of the table (both row and column)

$p_{ij}$           Unknown population cell probability of row  $i$  and column  $j$

$n_{ij}$           Observed counts cell count of row  $i$  and column  $j$

## Algorithm

Given a  $n \times n$  square table, the McNemar-Bowker's statistic is used to test the hypothesis  $H_0 : p_{ij} = p_{ji}$  for all  $(i < j)$  v.s.  $H_1 : p_{ij} \neq p_{ji}$  for at least one pair of  $(i, j)$ . The statistic is defined by the formula

$$\chi^2 = \sum_{i < j} \frac{I(n_{ij} + n_{ji} > 0) (n_{ij} - n_{ji})^2}{n_{ij} + n_{ji}}$$

Where  $I()$  is the indicator function. Under the null hypothesis,  $\chi^2$  has an asymptotic Chi-square distribution with  $n(n-1)/2$  degrees of freedom. The null hypothesis will be rejected if  $\chi^2$  has a large value. The two-sided p-value is equal to  $1 - F(n(n-1)/2, \chi^2)$ , where  $F(df, \cdot)$  is the CDF of Chi-square distribution with  $df$  degrees of freedom.

## A Special Case: 2x2 Tables

For 2x2 table, the statistic reduces to the classical McNemar statistic (McNemar, 1947) for which exact p-value can be computed. The two-tailed probability level is

$$2 \sum_{i=0}^{\min(n_{12}, n_{21})} \binom{n_{12} + n_{21}}{i} (1/2)^{n_{12} + n_{21}}$$

## Conditional Independence and Homogeneity

The Cochran's and Mantel-Haenszel statistics test the independence of two dichotomous variables, controlling for one or more other categorical variables. These "other" categorical variables define a number of strata, across which these statistics are computed.

The Breslow-Day statistic is used to test homogeneity of the common odds ratio, which is a weaker condition than the conditional independence (i.e., homogeneity with the common odds ratio of 1) tested by Cochran's and Mantel-Haenszel statistics. Tarone's statistic is the Breslow-Day statistic adjusted for the consistent but inefficient estimator such as the Mantel-Haenszel estimator of the common odds ratio.

## Notation and Definitions

Table 23-3

### Notation

Notation	Description
$K$	The number of strata.
$f_{ijk}$	Sum of cell weights for cases in the $i$ th row of the $j$ th column of the $k$ th strata.
$c_{jk}$	$\sum_{i=1}^R f_{ijk}$ , the $j$ th column of the $k$ th strata subtotal.

Notation	Description
$r_{ik}$	$\sum_{j=1}^C f_{ijk}$ , the $i$ th row of the $k$ th strata subtotal.
$n_k$	$\sum_{j=1}^C c_{jk} = \sum_{i=1}^R r_{ik}$ , the grand total of the $k$ th strata.
$E_{ijk}$	$E(f_{ijk}) = \frac{r_{ik}c_{jk}}{n_k}$ , the expected cell count of the $i$ th row of the $j$ th column of the $k$ th strata.

A stratum such that  $n_k = 0$  is omitted from the analysis. ( $K$  must be modified accordingly.) If  $n_k = 0$  for all  $k$ , then no computation is done.

Preliminarily, define for each  $k$

$$\hat{p}_{ik} = \frac{f_{i1k}}{r_{ik}},$$

$$d_k = \hat{p}_{1k} - \hat{p}_{2k},$$

$$\hat{p}_k = \frac{c_{1k}}{n_k},$$

and

$$w_k = \frac{r_{1k}r_{2k}}{n_k}.$$

## Cochran's Statistic

Cochran's statistic (Cochran, 1954) is

$$C = \frac{\sum_{k=1}^K w_k d_k / \sum_{k=1}^K w_k}{\sqrt{\sum_{k=1}^K w_k \hat{p}_k (1 - \hat{p}_k) / \sum_{k=1}^K w_k}} = \frac{\sum_{k=1}^K w_k d_k}{\sqrt{\sum_{k=1}^K w_k \hat{p}_k (1 - \hat{p}_k)}}.$$

All stratum such that  $r_{1k} = 0$  or  $r_{2k} = 0$  are excluded, because  $d_k$  is undefined. If every stratum is such,  $C$  is undefined. Note that a stratum such that  $r_{1k} > 0$  and  $r_{2k} > 0$  but that  $c_{1k} = 0$  or  $c_{2k} = 0$  is a valid stratum, although it contributes nothing to the denominator or numerator. However, if every stratum is such,  $C$  is again undefined. So, in order to compute a non-system missing value of  $C$ , at least one stratum must have all non-zero marginal totals.

Alternatively, Cochran's statistic can be written as

$$C = \frac{\sum_{k=1}^K (f_{11k} - E_{11k})}{\sqrt{\sum_{k=1}^K w_k \hat{p}_k (1 - \hat{p}_k)}}.$$

When the number of strata is fixed as the sample sizes within each stratum increase, Cochran's statistic is asymptotically standard normal, and thus its square is asymptotically distributed as a chi-squared distribution with 1 d.f.

### **Mantel and Haenszel's Statistic**

Mantel and Haenszel's statistic (Mantel and Haenszel, 1959) is simply Cochran's statistic with small-sample corrections for continuity and variance "inflation." These corrections are desirable when  $r_{1k}$  and  $r_{2k}$  are small, but the corrections can make a noticeable difference even for relatively large  $r_{1k}$  and  $r_{2k}$  (Snedecor and Cochran, 1980) (p. 213). The statistic is defined as:

$$M = \frac{\left\{ \left| \sum_{k=1}^K (f_{11k} - E_{11k}) \right| - 0.5 \right\} \operatorname{sgn} \left\{ \sum_{k=1}^K (f_{11k} - E_{11k}) \right\}}{\sqrt{\sum_{k=1}^K \frac{r_{1k} r_{2k}}{n_k - 1} \hat{p}_k (1 - \hat{p}_k)}}$$

where  $\operatorname{sgn}$  is the signum function

$$\operatorname{sgn}(x) = \begin{cases} 1 & \text{if } x > 0 \\ 0 & \text{if } x = 0 \\ -1 & \text{if } x < 0 \end{cases} .$$

Any stratum in which  $n_k = 1$  is excluded from the computation. If every stratum is such, then  $M$  is undefined.  $M$  is also undefined if every stratum is such that  $r_{1k} = 0$ ,  $r_{2k} = 0$ ,  $c_{1k} = 0$ , or  $c_{2k} = 0$ . In order to compute a non-system missing value of  $M$ , at least one stratum must have all non-zero marginal totals, just as for  $C$ .

When the number of strata is fixed as the sample sizes within each stratum increase, or when the sample sizes within each strata are fixed as the number of strata increases, this statistic is asymptotically standard normal, and thus its square is asymptotically distributed as a chi-squared distribution with 1 d.f.

### **The Breslow-Day Statistic**

The Breslow-Day statistic for any estimator  $\hat{\theta}$  is

$$\sum_{k=1}^K \frac{\left\{ f_{11k} - \mathbf{E} \left( f_{11k} | c_{1k}; \hat{\theta} \right) \right\}^2}{\mathbf{V} \left( f_{11k} | c_{1k}; \hat{\theta} \right)} .$$

E and V are based on the exact moments, but it is customary to replace them with the asymptotic expectation and variance. Let  $\hat{E}$  and  $\hat{V}$  mean the estimated asymptotic expectation and the estimated asymptotic variance, respectively. Given the Mantel-Haenszel common odds ratio estimator  $\hat{\theta}_{\text{MH}}$ , we use the following statistic as the Breslow-Day statistic:

$$B = \sum_{k=1}^K \frac{\left\{ f_{11k} - \hat{E}(f_{11k}|c_{1k}; \hat{\theta}_{\text{MH}}) \right\}^2}{\hat{V}(f_{11k}|c_{1k}; \hat{\theta}_{\text{MH}})},$$

where

$$\hat{E}(f_{11k}|c_{1k}; \hat{\theta}_{\text{MH}}) = \hat{f}_{11k}$$

satisfies the equations

$$\frac{\hat{f}_{11k}(n_k - r_{1k} - c_{1k} + \hat{f}_{11k})}{(r_{1k} - \hat{f}_{11k})(c_{1k} - \hat{f}_{11k})} = \hat{\theta}_{\text{MH}},$$

with constraints such that

$$\begin{aligned} \hat{f}_{11k} &\geq 0, \\ r_{1k} - \hat{f}_{11k} &> 0, \\ c_{1k} - \hat{f}_{11k} &> 0, \\ n_k - r_{1k} - c_{1k} + \hat{f}_{11k} &\geq 0; \end{aligned}$$

and

$$\hat{V}(f_{11k}|c_{1k}; \hat{\theta}_{\text{MH}}) = \left( \frac{1}{\hat{f}_{11k}} + \frac{1}{\hat{f}_{12k}} + \frac{1}{\hat{f}_{21k}} + \frac{1}{\hat{f}_{22k}} \right)^{-1}$$

with constraints such that

$$\begin{aligned} \hat{f}_{11k} &> 0, \\ \hat{f}_{12k} = r_{1k} - \hat{f}_{11k} &> 0, \\ \hat{f}_{21k} = c_{1k} - \hat{f}_{11k} &> 0, \\ \hat{f}_{22k} = n_k - r_{1k} - c_{1k} + \hat{f}_{11k} &> 0; \end{aligned}$$

All stratum such that  $r_{1k} = 0$  or  $c_{1k} = 0$  are excluded. If every stratum is such,  $B$  is undefined. Stratum such that  $\hat{f}_{11k} = 0$  are also excluded. If every stratum is such, then  $B$  is undefined.

Breslow-Day's statistic is asymptotically distributed as a chi-squared random variable with  $K-1$  degrees of freedom under the null hypothesis of a constant odds ratio.

## Tarone's Statistic

Tarone (Tarone, 1985) proposes an adjustment to the Breslow-Day statistic when the common odds ratio estimator is consistent but inefficient, specifically when we have the Mantel-Haenszel common odds ratio estimator. The adjusted statistic, Tarone's statistic, for  $\hat{\theta}_{\text{MH}}$  is

$$\begin{aligned}
T &= \sum_{k=1}^K \frac{\{f_{11k} - \hat{E}(f_{11k}|c_{1k}; \hat{\theta}_{\text{MH}})\}^2}{\hat{V}(f_{11k}|c_{1k}; \hat{\theta}_{\text{MH}})} - \frac{\left[ \sum_{k=1}^K \{f_{11k} - \hat{E}(f_{11k}|c_{1k}; \hat{\theta}_{\text{MH}})\} \right]^2}{\sum_{k=1}^K \hat{V}(f_{11k}|c_{1k}; \hat{\theta}_{\text{MH}})} \\
&= B - \frac{\left[ \sum_{k=1}^K \{f_{11k} - \hat{E}(f_{11k}|c_{1k}; \hat{\theta}_{\text{MH}})\} \right]^2}{\sum_{k=1}^K \hat{V}(f_{11k}|c_{1k}; \hat{\theta}_{\text{MH}})},
\end{aligned}$$

where  $\hat{E}$  and  $\hat{V}$  are as before.

The required data conditions are the same as for the Breslow-Day statistic computation.  $T$  is, of course, undefined, when  $B$  is undefined.

$T$  is also asymptotically distributed as a chi-squared random variable with  $K-1$  degrees of freedom under the null hypothesis of a constant odds ratio.

### **Estimation of the Common Odds Ratio**

For  $K$  strata of  $2 \times 2$  tables, write the true odds ratios as

$$\theta_k = \frac{p_{1k}(1 - p_{2k})}{(1 - p_{1k})p_{2k}}$$

for  $k = 1, \dots, K$ . And, assuming that the true common odds ratio exists,  $\theta = \theta_1 = \dots = \theta_K$ , Mantel and Haenszel's estimator (Mantel et al., 1959) of this common odds ratio is

$$\hat{\theta}_{\text{MH}} = \frac{\sum_{k=1}^K \frac{f_{11k}f_{22k}}{n_k}}{\sum_{k=1}^K \frac{f_{12k}f_{21k}}{n_k}}.$$

If every stratum is such that  $f_{12k} = 0$  or  $f_{21k} = 0$ , then  $\hat{\theta}_{\text{MH}}$  is undefined. The (natural) log of the estimated common odds ratio is asymptotically normal. Note, however, that if  $f_{11k} = 0$  or  $f_{22k} = 0$  in every stratum, then  $\hat{\theta}_{\text{MH}}$  is zero and  $\log(\hat{\theta}_{\text{MH}})$  is undefined.

### The Asymptotic Confidence Interval

Robins et al. (Robins, Breslow, and Greenland, 1986) give an estimated asymptotic variance for  $\log(\hat{\theta}_{MH})$  that is appropriate in both asymptotic cases:

$$\begin{aligned} \hat{\sigma}^2 \left[ \log(\hat{\theta}_{MH}) \right] &= \frac{\sum_{k=1}^K \frac{(f_{11k} + f_{22k})f_{11k}f_{22k}}{n_k^2}}{2 \left( \sum_{k=1}^K \frac{f_{11k}f_{22k}}{n_k} \right)^2} \\ &+ \frac{\sum_{k=1}^K \frac{(f_{11k} + f_{22k})f_{12k}f_{21k} + (f_{12k} + f_{21k})f_{11k}f_{22k}}{n_k^2}}{2 \left( \sum_{k=1}^K \frac{f_{11k}f_{22k}}{n_k} \right) \left( \sum_{k=1}^K \frac{f_{12k}f_{21k}}{n_k} \right)} \\ &+ \frac{\sum_{k=1}^K \frac{(f_{12k} + f_{21k})f_{12k}f_{21k}}{n_k^2}}{2 \left( \sum_{k=1}^K \frac{f_{12k}f_{21k}}{n_k} \right)^2}. \end{aligned}$$

An asymptotic  $(100 - \alpha)\%$  confidence interval for  $\log(\theta)$  is

$$\log(\hat{\theta}_{MH}) \pm \alpha/2 \quad \hat{\sigma} \left[ \log(\hat{\theta}_{MH}) \right],$$

where  $z(\alpha/2)$  is the upper  $\alpha/2$  critical value for the standard normal distribution. All these computations are valid only if  $\hat{\theta}_{MH}$  is defined and greater than 0.

### The Asymptotic P-value

We compute an asymptotic  $P$ -value under the null hypothesis that  $\theta (= \theta_k \forall k) = \theta_0 (> 0)$  against a 2-sided alternative hypothesis ( $\theta \neq \theta_0$ ), using the standard normal variate, as follows

$$\Pr \left( |Z| > \left| \frac{\log(\hat{\theta}_{MH}) - \log(\theta_0)}{\hat{\sigma} \left[ \log(\hat{\theta}_{MH}) \right]} \right| \right) = 2 \Pr \left( Z > \left| \frac{\log(\hat{\theta}_{MH}) - \log(\theta_0)}{\hat{\sigma} \left[ \log(\hat{\theta}_{MH}) \right]} \right| \right),$$

given that  $\log(\hat{\theta}_{MH})$  is defined.

Alternatively, we can consider using  $\hat{\theta}_{MH}$  and the estimated exact variance of  $\hat{\theta}_{MH}$ , which is still consistent in both limiting cases:

$$\hat{\sigma}^2 \left[ \log(\hat{\theta}_{MH}) \right] \hat{\theta}_{MH}^2.$$

Then, the asymptotic  $P$ -value may be approximated by

$$\Pr \left( |Z| > \left| \frac{\hat{\theta}_{MH} - \theta_0}{\hat{\sigma} \left[ \log(\hat{\theta}_{MH}) \right] \theta_0} \right| \right).$$

The caveat for this formula is that  $\hat{\theta}_{MH}$  may be quite skewed even in moderate sample sizes (Robins et al., 1986).

## Column Proportions Test

This section describes the computation of the column proportions test.

## Notation

The following notation is used throughout this section unless otherwise stated:

Table 23-4

### Notation

Notation	Description
$R$	Number of rows in the sub-table.
$C$	Number of columns in the sub-table.
$A_i$	$i$ th category of the row variable.
$B_j$	$j$ th category of the column variable.
$f_{ij}$	Total case weights in cell $(i,j)$ .
$c_j$	Marginal case weights total in $j$ th column.
$\tilde{c}_j$	Rounded marginal case weights total in $j$ th column.
$z$	z-statistic.
$\chi^2$	Chi-Square statistic.
$p_{ij}$	Column proportion for cell $(i,j)$ .
$\hat{p}_{ij}$	Estimated column proportion for cell $(i,j)$ .
$\hat{p}_{ijk}$	Estimate of pooled column proportion of $j$ and $k$ th column in $i$ th row.
$P$	$p$ -value of a test.
$P_B$	Bonferroni corrected $p$ -value.
$\alpha$	The significance level supplied by the user.

## Conditions and Assumptions

- Pairwise tests are performed on each row of all eligible innermost sub-tables within each layer.
- The number of rows and columns in the sub-table must each be greater than or equal to two.
- Tests are constructed by using all visible categories excluding totals and sub-totals. Hiding of categories and showing of user-missing categories are respected.
- If weighting is on, cell statistics must include weighted cell counts or weighted simple column percents; a weighted analysis will be performed. If weighting is off, cell statistics requested must include cell counts or simple column percents; an unweighted analysis will be performed.
- A proportion will be discarded if the proportion is equal to zero or one, or the sum of case weights in a category is less than 2; that is, if  $c_j < 2$ . If less than two proportions are left after discarding proportions, test will not be performed.

## Statistics

The following statistics are available.

Table Layout

	$B_1$	$B_2$	...	$B_C$
$A_1$	$p_{11}$	$p_{12}$	...	$p_{1C}$
$A_2$	$p_{21}$	$p_{22}$	...	$p_{2C}$
...	...	...	...	...
$A_R$	$p_{R1}$	$p_{R2}$	...	$p_{RC}$

Hypothesis

Without loss of generality, we will only look at the  $i$ th row of the table. Let  $C^*$  be the number of categories in the  $i$ th row where the proportion is greater than zero and less than one, and where the sum of case weights in the corresponding column is at least 2. In the  $i$ th row,  $C^*(C^*-1)/2$  comparisons will be made among  $p_{i1}, p_{i2}, \dots, p_{iC}$ . The  $(j,k)$ th hypothesis will be

$$H_{0jk} : p_{ij} = p_{ik} \text{ vs. } H_{1jk} : p_{ij} \neq p_{ik}$$

Aggregated Statistics

Column proportions tests are based on the aggregated proportions ( $\hat{p}_{ij}$ ) and cell counts for each column ( $c_j$ ). Column proportions are computed using the un-rounded cell counts  $\hat{p}_{ij} = \frac{f_{ij}}{c_j}$  which are equal to the proportions actually displayed.

Statistics for the  $(i,j)$ th Comparisons

Pooled proportion:  $\hat{p}_{ijk} = \frac{\tilde{c}_j \hat{p}_{ij} + \tilde{c}_k \hat{p}_{ik}}{\tilde{c}_j + \tilde{c}_k}$

$z$  statistic with a categorical variable in the columns:  $z = \frac{(\hat{p}_{ij} - \hat{p}_{ik})}{\sqrt{\hat{p}_{ijk}(1 - \hat{p}_{ijk}) \left( \frac{1}{\tilde{c}_j} + \frac{1}{\tilde{c}_k} \right)}}$

When multiple response set defines columns there may exist cases that belong to both  $j$ th and  $k$ th columns. Let  $\tilde{c}_{jk}$  be the rounded sum of weights for such cases.

$z$  statistic with a multiple response set in the columns:  $z = \frac{(\hat{p}_{ij} - \hat{p}_{ik})}{\sqrt{\hat{p}_{ijk}(1 - \hat{p}_{ijk}) \left( \frac{1}{\tilde{c}_j} + \frac{1}{\tilde{c}_k} - \frac{2\tilde{c}_{jk}}{\tilde{c}_j \tilde{c}_k} \right)}}$

p-value:  $p = 2 [1 - \Phi(|z|)]$

where  $\Phi(z)$  is the CDF of standard normal distribution.

Alternatively, the statistic can be constructed as a chi-square statistic,

$$\chi^2 = z^2$$

the  $p$ -value will now be given by  $p = 1 - F(\chi^2; 1)$ , where  $F(x; df)$  is the CDF of a chi-square distribution with  $df$  degrees of freedom.

A comparison is significant if  $p < \alpha$  (or  $p_B < \alpha$ , if Bonferroni adjusted).

Bonferroni Adjustment

If Bonferroni adjustment for multiple comparisons is requested, the  $p$ -value will be adjusted by

$$p_B = \min \left( \frac{p * C * (C * -1)}{2}, 1 \right)$$

#### Relationship to Pearson's Chi-Square Tests

With a categorical variable in the columns, the statistics used in column proportion tests is equivalent to the Pearson's chi-square test on a  $2 \times 2$  table by taking  $j$  and  $k$ th column and collapsing all rows except the  $i$ th row. Therefore performing column proportion tests on a  $2 \times 2$  table will give you the same result as Pearson's chi-square test.

#### Use of Case Weights

The case weights (or frequency weights) are supposed to be integers representing number of replications of each case. In column proportions tests, we will only check if the column marginal  $c_j$ 's are integers. If not, they will be rounded to the nearest integer.

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# CSCOXREG Algorithms

Survival analysis studies the failure time distribution. This algorithm considers the Cox proportional hazards regression model under the complex sampling setting. The failure time is assumed to be continuous here.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$t_i$	For data with one time interval, the observed end time for record $i$ .
$t_{1i}, t_{2i}$	For data with two time intervals, the observed enter and end time for record $i$ , $t_{1i} < t_{2i}$ .
$\delta_i$	The zero-one status indicator with $\delta_i = 1$ indicating end time $t_i$ or $t_{2i}$ being failure time, and $\delta_i = 0$ indicating $t_i$ or $t_{2i}$ being right censoring time.
$0 = t_0^* < \dots < t_{K+1}^* = \infty$	The ordered observed failure times where $K$ is the number of distinct failure times in the data set.
$\mathbf{x}_i$	Predictor vector for record $i$ , $\mathbf{x}_i = (x_{i1}, \dots, x_{ip})'$ . No intercept term.
$x_0$	Vector of reference values for transforming predictors. For more information, see the topic "Predictor Transformations".
$\mathbf{X}$	Design matrix $\mathbf{X} = (\mathbf{x}_1, \dots, \mathbf{x}_n)'$ .
$D(t)$	The set of records failed at time $t$ . $D(t) = \{i : t_i = t, \delta_i = 1\}$ for data with one time variable, and $D(t) = \{i : t_{2i} = t, \delta_i = 1\}$ for data with two time variables.
$R(t)$	The set of records at risk at time $t$ . $R(t) = \{i : t_i \geq t\}$ for data with one time variable, and $R(t) = \{i : t_{1i} < t \leq t_{2i}\}$ for data with two time variables.
$Y_i(t)$	The at-risk indicator for record $i$ such that $Y_i(t) = \begin{cases} 1 & \text{if } i \in R(t) \\ 0 & \text{otherwise} \end{cases}$
$d(t)$	The number of records failed at time $t$ ; that is, the number of records in $D(t)$
$S(t \mathbf{x})$	Survival function at time $t$ for a given predictor vector $\mathbf{x}$ , $S(t) \equiv \Pr(T > t \mathbf{x})$ where $T$ is a random variable representing survival time.
$h(t \mathbf{x})$	Hazard function at time $t$ for a given predictor vector $\mathbf{x}$ , $h(t \mathbf{x}) \equiv \lim_{\Delta t \rightarrow 0^+} \frac{\Pr(t \leq T < t + \Delta t   T > t \mathbf{x})}{\Delta t}$ .
$H(t \mathbf{x}) = \int_0^t h(u \mathbf{x}) du$	Cumulative hazard function at time $t$ for a given predictor vector $\mathbf{x}$
$h_0(t)$	Baseline hazard function at time $t$ , $h_0(t) = h(t \mathbf{x} = 0)$ .
$H_0(t) = \int_0^t h_0(u) du$	Cumulative baseline hazard function at time $t$ .
$S_0(t) = \exp(-H_0(t))$	Baseline survival function at time $t$ .
$N$	The number of cases in the whole population.
$n$	The number of cases/records in the sample.
$n_s$	The number of subjects/individuals in the sample.

$w_i$	Sampling weight for record $i$ , $w_i = 1/\pi_i$ .
$\mathbf{B}$	The parameter of interest, the population or census parameter.
$\hat{\mathbf{B}}$	The estimate of census parameter $\mathbf{B}$ from the sample.

## Input

**Sampling plan.** This plan is needed for sampling method, sampling weight, strata and cluster information.

**Observed sample data.** Two kinds of data structures are allowed.

- Data with one time intervals:  $\{t_i, \delta_i, \mathbf{x}_i, w_i\}_{i=1}^n$ .
- Data with two time intervals:  $\{t_{1i}, t_{2i}, \delta_i, \mathbf{x}_i, w_i\}_{i=1}^n$ , or  $\{\text{id}_i, t_{1i}, t_{2i}, \delta_i, \mathbf{x}_i, w_i\}_{i=1}^n$ , where  $(t_{1i}, t_{2i}]$  is the time interval during which the record is at risk, and  $\text{id}_i$  is the subject id for record  $i$ . Multiple records for the same subject have the same id and same sampling weight. Multiple records of the same subject should have disjoint time intervals. If  $\text{id}_i$  is not specified, each record is assumed from different subject.

*Note:* Data with one time interval is simply a special case of data with two time intervals where  $t_{1i} = 0$  and  $t_{2i} = t_i$ . The rest of this document is written from the perspective of data with two time intervals.

## Predictor Transformations

To decrease the chance of over- or underflow when calculating  $\exp(\cdot)$ , first a transformation  $z = x - x_0$  is performed on each predictor for a properly chosen  $x_0$  (reference value). Then all the calculations described in other sections are performed on the transformed data. Except for baseline hazards and baseline survival functions, all other quantities based on transformed data are the same as those based on original data.

For a continuous predictor  $x$  in the original covariate list, the reference value  $x_0$  is chosen to be

$$x_0 = \frac{\sum_{i=1}^n w_i x_i}{\sum_{i=1}^n w_i}$$

Note that  $x_0$  is not the mean of  $x$  when there are multiple cases per subject or  $x$  is a time dependent predictor.

For a categorical predictor, the last category is the reference value.

The reference values for model effects derived from original predictors, such as interactions, are derived from the reference values of the original predictors in the same way the effects are derived.

## Proportional Hazards

Two phases of sampling are assumed. The first phase generates a finite population by a model or super population. The second phase selects a sample according to a sampling plan from the finite population generated in the first phase.

### Model

For a given predictor vector  $\mathbf{x}$ , the hazard function at time  $t$  is

$$h(t|\mathbf{x}) = h_0(t) \exp\{\mathbf{x}'\beta\}$$

or

$$\ln\left(\frac{h(t|\mathbf{x})}{h_0(t)}\right) = \mathbf{x}'\beta$$

where  $h_0(t)$  is the baseline hazard function. The regression parameter vector doesn't include an intercept term because the intercept can be absorbed by the baseline hazard.

### Survival and cumulative hazard functions

From this model the cumulative hazard function is

$$H(t|\mathbf{x}) = \int_0^t h(u|\mathbf{x}) du = \exp(\mathbf{x}'\beta) \int_0^t h_0(u) du = \exp(\mathbf{x}'\beta) H_0(t)$$

where  $H_0(t) = \int_0^t h_0(u) du$  is the baseline cumulative hazard function. The survival function is

$$S(t|\mathbf{x}) = \exp\{-H(t|\mathbf{x})\} = \exp\left\{-\exp(\mathbf{x}'\beta) H_0(t)\right\} = \{S_0(t)\}^{\exp(\mathbf{x}'\beta)}$$

where  $S_0(t) = \exp(-H_0(t))$  is the baseline survival function.

## Pseudo Partial Likelihood and Derivatives

For a sample  $S = \{t_{1i}, t_{2i}, \delta_i, \mathbf{x}_i, w_i\}_{i=1}^n$  drawn from the finite population according to a sample plan, we take the pseudo-likelihood approach. In this approach, pseudo-likelihood is a sample estimate of the population log-likelihood, and parameter estimates are derived by maximizing the pseudo-likelihood. Let  $l_S(\beta)$ ,  $U_S(\beta)$  and  $J_S(\beta)$  denote the pseudo-likelihood, its first and second derivatives.

For the Breslow approximation:

$$l_S(\beta) = \sum_{i=1}^n w_i \delta_i \left( \mathbf{x}'_i \beta - \ln \sum_{l \in R(t_{2i})} w_l \exp(\mathbf{x}'_l \beta) \right)$$

For the Efron approximation:

$$l_S(\beta) = \sum_{i=1}^n w_i \delta_i \left( \mathbf{x}'_i \beta - \frac{1}{d(t_{2i})} \sum_{r=0}^{d(t_{2i})-1} \ln \left\{ \sum_{l \in R(t_{2i})} w_l \exp(\mathbf{x}'_l \beta) - \frac{r}{d(t_{2i})} \sum_{l \in D(t_{2i})} w_l \exp(\mathbf{x}'_l \beta) \right\} \right)$$

Let

$$E^{(0)}(\beta, t) = \sum_{l \in R(t)} w_l \exp(\mathbf{x}'_l \beta) = \sum_{l=1}^n w_l Y_l(t) \exp(\mathbf{x}'_l \beta)$$

$$E^{(1)}(\beta, t) = \frac{\partial E^{(0)}(\beta, t)}{\partial \beta} = \sum_{l \in R(t)} w_l \mathbf{x}_l \exp(\mathbf{x}'_l \beta) = \sum_{l=1}^n w_l Y_l(t) \mathbf{x}_l \exp(\mathbf{x}'_l \beta)$$

$$E^{(2)}(\beta, t) = \frac{\partial^2 E^{(0)}(\beta, t)}{\partial \beta \partial \beta} = \sum_{l \in R(t)} w_l \mathbf{x}_l \mathbf{x}'_l \exp(\mathbf{x}'_l \beta) = \sum_{l=1}^n w_l Y_l(t) \mathbf{x}_l \mathbf{x}'_l \exp(\mathbf{x}'_l \beta)$$

$$EE^{(0)}(\beta, t, r) = \sum_{l \in R(t)} w_l \exp(\mathbf{x}'_l \beta) - \frac{r}{d(t)} \sum_{l \in D(t)} w_l \exp(\mathbf{x}'_l \beta)$$

$$= \sum_{l=1}^n w_l \left( Y_l(t) - \frac{r \delta_l I(t_{2l}=t)}{d(t)} \right) \exp(\mathbf{x}'_l \beta)$$

$$EE^{(1)}(\beta, t, r) = \sum_{l \in R(t)} w_l \mathbf{x}_l \exp(\mathbf{x}'_l \beta) - \frac{r}{d(t)} \sum_{l \in D(t)} w_l \mathbf{x}_l \exp(\mathbf{x}'_l \beta)$$

$$= \sum_{l=1}^n w_l \left( Y_l(t) \mathbf{x}_l - \frac{r \delta_l I(t_{2l}=t)}{d(t)} \mathbf{x}_l \right) \exp(\mathbf{x}'_l \beta)$$

$$EE^{(2)}(\beta, t, r) = \sum_{l \in R(t)} w_l \mathbf{x}_l \mathbf{x}'_l \exp(\mathbf{x}'_l \beta) - \frac{r}{d(t)} \sum_{l \in D(t)} w_l \mathbf{x}_l \mathbf{x}'_l \exp(\mathbf{x}'_l \beta)$$

$$= \sum_{l=1}^n w_l \left( Y_l(t) \mathbf{x}_l \mathbf{x}'_l - \frac{r \delta_l I(t_{2l}=t)}{d(t)} \mathbf{x}_l \mathbf{x}'_l \right) \exp(\mathbf{x}'_l \beta)$$

$$\bar{\mathbf{x}}(\beta, t, r) = \frac{EE^{(1)}(\beta, t, r)}{EE^{(0)}(\beta, t, r)}$$

$$\bar{\mathbf{x}}(\beta, t) = \frac{E^{(1)}(\beta, t)}{E^{(0)}(\beta, t)} \quad \text{Breslow}$$

$$= \frac{1}{\sum_{r=0}^{d(t)-1} \frac{EE^{(1)}(\beta, t, r)}{EE^{(0)}(\beta, t, r)}} \quad \text{Efron}$$

$$\mathbf{u}_i(\beta, t, r) = \frac{1}{d(t)} - \bar{\mathbf{x}}(\beta, t, r)$$

$$\mathbf{u}_i(\beta, t) = \mathbf{x}_i - \bar{\mathbf{x}}(\beta, t)$$

$$I_i(\beta, t) = \frac{E^{(1)}(\beta, t)(E^{(1)}(\beta, t))' - \frac{E^{(2)}(\beta, t)}{E^{(0)}(\beta, t)}}{\frac{1}{d(t)} \sum_{r=0}^{d(t)-1}} \quad \begin{array}{l} \text{Breslow} \\ \text{Efron} \end{array}$$

So

$$l_S(\beta) = \begin{array}{l} \sum_{i=1}^n w_i \delta_i \left( \mathbf{x}'_i \beta - \ln E^{(0)}(\beta, t_{2i}) \right) \quad \text{Breslow} \\ \sum_{i=1}^n w_i \delta_i \left( \mathbf{x}'_i \beta - \frac{1}{d(t_{2i})} \sum_{r=0}^{d(t_{2i})-1} \ln E E^{(0)}(\beta, t_{2i}, r) \right) \quad \text{Efron} \end{array}$$

$$U_S(\beta) = \frac{\partial l_S(\beta)}{\partial \beta} = \sum_{i=1}^n w_i \delta_i \mathbf{u}_i(\beta, t_{2i})$$

$$J_S(\beta) = \frac{\partial^2 l_S(\beta)}{\partial \beta \partial \beta} = \sum_{i=1}^n w_i \delta_i I_i(\beta, t_{2i})$$

These equations are used to calculate the needed quantities throughout the rest of the document. When predictors are time-dependent, these equations need to be modified accordingly. For more information, see the topic “Time-Dependent Predictors”.

## Parameter Estimation

To obtain the maximum pseudo-likelihood estimate of  $\mathbf{B}$ , the Newton-Raphson iterative estimation method is used to solve the estimating equation. Redundant parameters are fixed at zero for all iterations. Let  $\mathbf{B}^{(v)}$  be the parameter estimate at iteration step  $v$ , the parameter estimate  $\mathbf{B}^{(v+1)}$  at iteration step  $v+1$  is updated as

$$\mathbf{B}^{(v+1)} = \mathbf{B}^{(v)} - \xi \left( J_S(\mathbf{B}^{(v)}) \right)^- U_S(\mathbf{B}^{(v)})$$

where  $(J_S(\cdot))^-$  is a generalized inverse of  $J_S(\cdot)$ . The stepping scalar  $\xi > 0$  is used to make  $l_S(\mathbf{B}^{(v+1)}) \geq l_S(\mathbf{B}^{(v)})$ . Use the step-halving method if  $l_S(\mathbf{B}^{(v+1)}) < l_S(\mathbf{B}^{(v)})$ . Let  $s$  be the maximum number of steps in step-halving; the set of values of  $\xi$  is then  $\{1/2^r: r = 0, \dots, s-1\}$ .

Starting with initial value  $\mathbf{B}^{(0)}$ , update  $\mathbf{B}^{(v+1)}$  until one of the stopping criteria is satisfied. The final estimate is denoted as  $\hat{\mathbf{B}}$ .

### Initial values

By default,  $\mathbf{B}^{(0)} = 0$ .

**Stopping criteria**

Given two small constants  $\epsilon_l > 0$  and  $\epsilon_p > 0$ , the iteration stops if one of the following criteria is satisfied:

## 1. Pseudo-likelihood criterion

$$\begin{cases} \frac{|l_S(\mathbf{B}^{(v+1)}) - l_S(\mathbf{B}^{(v)})|}{|l_S(\mathbf{B}^{(v)})| + 10^{-6}} < \epsilon_l & \text{if relative change} \\ |l_S(\mathbf{B}^{(v+1)}) - l_S(\mathbf{B}^{(v)})| < \epsilon_l & \text{if absolute change} \end{cases}$$

## 2. Parameter criterion

$$\begin{cases} \max_j \left( \frac{|B_j^{(v+1)} - B_j^{(v)}|}{|B_j^{(v)}| + 10^{-6}} \right) < \epsilon_p & \text{if relative change} \\ \max_j \left( |B_j^{(v+1)} - B_j^{(v)}| \right) < \epsilon_p & \text{if absolute change} \end{cases}$$

## 3. The maximum number of iteration is reached, or maximum number of steps in step-halving is reached.

Either relative or absolute change is considered in criteria 1 and 2.

**Infinite valued parameters**

There may be situations in which the maximum pseudo-likelihood estimates of some parameters are infinite. For example, if there is no failure at one level of a binary predictor, the estimated parameter would be infinity for this predictor. In this situation, the estimation procedure is performed as usual. At the end of the estimation, we will check for possible infinite parameters and issue warnings if there are any. Parameter  $B_j$  is possibly infinite if both of the followings are satisfied:

1.  $|\hat{B}_j| (x_{j,\max} - x_{j,\min}) \geq 10$
2. The Hessian is singular, or  $se(\hat{B}_j)/|\hat{B}_j| \geq 3$ .

When there are infinite valued parameters, the Wald statistic for hypothesis testing involving infinite valued parameters becomes worthless.

**Properties of Estimates****Variance matrix**

Let

$$\delta_i \mathbf{u}_i(\beta, t_{2i}) = \sum_{\{m: t_{1i} < t_{2m} \leq t_{2i}\}} \frac{\delta_m w_m \mathbf{u}_i(\beta, t_{2m}) \exp(\mathbf{x}'_i \beta)}{E^{(0)}(\beta, t_{2m})} \quad \text{Breslow}$$

$$\mathbf{U}_i(\beta) = \begin{cases} \delta_i \mathbf{u}_i(\beta, t_{2i}) - \sum_{\{m: t_{1i} < t_{2m} \leq t_{2i}\}} \frac{\delta_m w_m}{d(t_{2m})} \sum_{r=0}^{d(t_{2m})-1} \\ \frac{\mathbf{u}_i(\beta, t_{2m}, r) \exp(\mathbf{x}'_i \beta) \left(1 - \frac{r I(t_{2m} = t_{2i})^{\delta_i}}{d(t_{2m})}\right)}{EE^{(0)}(\beta, t_{2m}, r)} \end{cases}$$

We will use the following robust variance estimation (Binder 1992, Lin 2000),

$$\hat{V}(\hat{\mathbf{B}}) \approx \left( J_S(\hat{\mathbf{B}}) \right)^{-1} \hat{I}(\hat{\mathbf{B}}) \left( J_S(\hat{\mathbf{B}}) \right)^{-1}$$

where  $\hat{I}(\beta)$  is the estimate of the design based variance of  $U_S(\beta)$  with

$$U_S(\beta) = \sum_{j=1}^{n_s} w_j \mathbf{U}_j^{(a)}(\beta)$$

$$\mathbf{U}_j^{(a)}(\beta) = \sum_{i \in \{\text{id}_i=j\}} \mathbf{U}_i(\beta)$$

Notice that the sum in  $U_S(\beta)$  is over all  $n_s$  subjects, and the sum in  $\mathbf{U}_j^{(a)}(\beta)$  is over all records for subject  $j$ . The  $U_S(\cdot)$  is an estimate for the population total of  $\mathbf{U}_j^{(a)}(\cdot)$  vectors. For more information, see the topic “Complex Samples: Covariance Matrix of Total”.

### **Confidence interval**

The confidence interval for a single regression parameter  $B_j$  is approximately

$$\left[ \hat{B}_j - t_{df, 1-\frac{\alpha}{2}} \sqrt{\hat{V}(\hat{B}_j)}, \hat{B}_j + t_{df, 1-\frac{\alpha}{2}} \sqrt{\hat{V}(\hat{B}_j)} \right]$$

where  $t_{df, 1-\frac{\alpha}{2}}$  is the 100(1 -  $\alpha/2$ ) percentile of a  $t$  distribution with  $df$  degrees of freedom.

The degrees of freedom  $df$  can be user specified; its default value is the difference between the number of primary sampling units and the number of strata in the first stage of sampling.

### **Design effect**

For each parameter  $B_j$ , its design effect is the ratio of its variance under the design to its variance under the SRS design,

$$Def_f(\hat{B}_j) = \frac{\hat{V}(\hat{B}_j)}{\hat{V}_{SRS}(\hat{B}_j)}$$

For SRS design, the variance matrix is

$$\hat{V}_{SRS}(\hat{\mathbf{B}}) \approx \left( J_S(\hat{\mathbf{B}}) \right)^{-1} \hat{I}_{SRS}(\hat{\mathbf{B}}) \left( J_S(\hat{\mathbf{B}}) \right)^{-1}$$

where

$$\hat{I}_{SRS}(\hat{\mathbf{B}}) = \hat{V}_{SRS}(U_S(\hat{\mathbf{B}})) = fpc \frac{\hat{N}}{n_s - 1} \sum_{j=1}^{n_s} w_j \mathbf{U}_j^{(a)}(\hat{\mathbf{B}}) \left( \mathbf{U}_j^{(a)}(\hat{\mathbf{B}}) \right)'$$

$$\hat{N} = \sum_{j=1}^{n_s} w_j$$

$$fpc = \begin{cases} 1 - \frac{n_s}{\hat{N}} & \text{with finite population correction.} \\ 1 & \text{without finite population correction.} \end{cases}$$

### ***t* Tests**

Testing hypothesis  $H_0 : B_j = 0$  for each non-redundant model parameter  $B_j$  is performed using the  $t$  test statistic:

$$t(\hat{B}_j) = \frac{\hat{B}_j}{\sqrt{\hat{V}(\hat{B}_j)}}$$

The  $p$ -value for the two-sided test is given by the probability  $P(|T| > |t(\hat{B}_j)|)$ , where  $T$  is a random variable from the  $t$  distribution with  $df$  degrees of freedom.

### ***Exponentiated parameter estimates***

$\exp(B_j)$  can be interpreted as a hazard ratio for main effects model. Its  $1 - \alpha$  confidence interval is

$$\left[ \exp\left(L(\hat{B}_j)\right), \exp\left(U(\hat{B}_j)\right) \right]$$

where  $L(\hat{B}_j), U(\hat{B}_j)$  are the lower and upper confidence limits for census parameter  $B_j$ .

## ***Survival and Cumulative Hazard Functions***

In this section,  $t_1^* < \dots < t_K^*$  are the ordered observed failure times, and  $t_0^* = 0, t_{K+1}^* = \infty$  are used for convenience. The estimates are valid for  $t \in [0, \max_i(t_{2i})]$ .

### ***Estimation of Baseline Survival and Cumulative Hazard Functions***

Only one of these needs to be estimated because  $H_0(t) = -\ln S_0(t)$  and  $S_0(t) = \exp(-H_0(t))$ . The baseline functions are estimated by right continuous step functions with jumps only at observed failure times; that is,  $\hat{S}_0(t) = \hat{S}_0(t_j^*)$  and  $\hat{H}_0(t) = \hat{H}_0(t_j^*)$  for  $t \in [t_j^*, t_{j+1}^*)$ .

### Product-limit Estimate

The non-increasing right continuous baseline survival function  $S_0(t)$  is estimated here. Let the ratio jump be  $\alpha_j = S_0(t_j^*)/S_0(t_{j-1}^*)$  for  $j = 1$  to  $K$ , and  $\alpha_0 = 1$ , so  $S_0(t) = \prod_{\{t: t_j^* \leq t\}} \alpha_j$ .

Assuming that the regression parameters are given,  $\{\alpha_j\}_{j=1}^K$  will be the parameters to be estimated by maximum likelihood estimation.

### Pseudo likelihood and its derivatives

Let  $f(t|\mathbf{x})$  be the probability density function of failure time at  $t$  for a given predictor. The pseudo likelihood is

$$l_S(\alpha, \beta) = \sum_{j=1}^K \left\{ \sum_{i \in D(t_j^*)} w_i \ln \left( 1 - \alpha_j^{\exp(\mathbf{x}'_i \beta)} \right) + \sum_{i \in R(t_j^*) - D(t_j^*)} w_i \exp(\mathbf{x}'_i \beta) \ln \alpha_j \right\}$$

We will estimate  $\alpha_j$  by maximizing  $l_S(\alpha, \hat{\mathbf{B}})$ , which is equivalent to solving  $\frac{\partial l_S(\alpha, \hat{\mathbf{B}})}{\partial \alpha_j} = 0$  and hence the following equation.

$$\sum_{i \in D(t_j^*)} w_i \frac{\exp(\mathbf{x}'_i \hat{\mathbf{B}})}{1 - \alpha_j^{\exp(\mathbf{x}'_i \hat{\mathbf{B}})}} = \sum_{i \in R(t_j^*)} w_i \exp(\mathbf{x}'_i \hat{\mathbf{B}})$$

### Failure times of single failure

If there is only a single failure  $i_j$  at failure time  $t_j^*$ , there exists a closed form solution,

$$\hat{\alpha}_j = \left( 1 - \frac{w_{i_j} \exp(\mathbf{x}'_{i_j} \hat{\mathbf{B}})}{\sum_{i \in R(t_j^*)} w_i \exp(\mathbf{x}'_i \hat{\mathbf{B}})} \right)^{\exp(-\mathbf{x}'_{i_j} \hat{\mathbf{B}})} = \left( 1 - \frac{w_{i_j} \exp(\mathbf{x}'_{i_j} \hat{\mathbf{B}})}{E^{(0)}(\hat{\mathbf{B}}, t_j^*)} \right)^{\exp(-\mathbf{x}'_{i_j} \hat{\mathbf{B}})}$$

### Failure times with tied failures

If there are multiple failures at failure time  $t_j^*$ , Newton's iterative method is used to solve the equation with constraint  $\alpha_j \in (0, 1)$ . A good initial value is

$$\alpha_{j0} = \exp \left( - \frac{\sum_{l \in D(t_j^*)} w_l}{\sum_{l \in R(t_j^*)} w_l \exp(\mathbf{x}'_l \hat{\mathbf{B}})} \right) = \exp \left( - \frac{\sum_{l \in D(t_j^*)} w_l}{E^{(0)}(\hat{\mathbf{B}}, t_j^*)} \right)$$

**Kaplan-Meier estimator: a special situation of no predictors**

When there are no predictors; that is,  $\mathbf{x} = 0$  always, the product-limit estimator becomes the Kaplan-Meier estimator,

$$\hat{\alpha}_j = 1 - \frac{\sum_{i \in D(t_j^*)} w_i}{\sum_{i \in R(t_j^*)} w_i}$$

**Breslow, or Nelson-Aalan, or Empirical, Estimate**

Here  $H_0(t)$  is estimated by a non-decreasing step function with steps at observed failure times:

$$\hat{H}_0(t) = \sum_{\{k: t_k^* \leq t\}} \frac{\sum_{i \in D(t_k^*)} w_i}{E^{(0)}(\hat{\mathbf{B}}, t_k^*)}$$

where  $N_i(t)$  is the count of failures up to time  $t$  for record  $i$ .

**Efron Estimate**

When there are ties in failure times, the following estimation can also be used. This will reduce to Breslow when there are no ties.

$$\hat{H}_0(t) = \sum_{\{k: t_k^* \leq t\}} \frac{\sum_{i \in D(t_k^*)} w_i}{d(t_k^*)} \sum_{r=0}^{d(t_k^*)-1} \frac{1}{EE^{(0)}(\hat{\mathbf{B}}, t_k^*, r)}$$

**Prediction of Survival and Cumulative Hazard Functions**

For a given  $\mathbf{x}$ , the cumulative hazard function and survival functions are predicted by

$$\hat{H}(t|\mathbf{x}) = \hat{H}_0(t) \exp(\mathbf{x}' \hat{\mathbf{B}})$$

$$\hat{S}(t|\mathbf{x}) = \exp(-H(t|\mathbf{x})) = \left(\hat{S}_0(t)\right)^{\exp(\mathbf{x}' \hat{\mathbf{B}})}$$

where  $\hat{H}_0(t)$  and  $\hat{S}_0(t)$  are the estimated baseline cumulative hazard function and baseline survival function.

For variance calculation, the same formula will be used regardless of different ways to estimate baseline functions. The variance for cumulative hazard is

$$\hat{V}\left(\hat{H}(t|\mathbf{x})\right) \approx \left( \text{Var} \left( \sum_{j=1}^{n_s} w_j q_j^{(a)}(t|\mathbf{x}) \right) \right)_{q_j^{(a)}(t|\mathbf{x}) = \hat{q}_j^{(a)}(t|\mathbf{x})}$$

where

$$\hat{q}_j^{(a)}(t|\mathbf{x}) = \sum_{i \in \{\text{id}_i=j\}} \hat{q}_i(t|\mathbf{x})$$

$$\hat{q}_i(t|\mathbf{x}) = v_i(t|\mathbf{x}) - (A(t|\mathbf{x}))' \left( J_S(\hat{\mathbf{B}}) \right)^{-1} \mathbf{U}_i(\hat{\mathbf{B}})$$

$$v_i(t|\mathbf{x}) = \frac{\delta_i I(t_{2i} \leq t)}{E^{(0)}(\hat{\mathbf{B}}, t_{2i}|\mathbf{x})} - \sum_{l=1}^n w_l \frac{\delta_l I(t_{2l} \leq t) Y_i(t_{2l}) \exp\left((\mathbf{x}_i - \mathbf{x})' \hat{\mathbf{B}}\right)}{\left(E^{(0)}(\hat{\mathbf{B}}, t_{2l}|\mathbf{x})\right)^2}$$

$$A(t|\mathbf{x}) = - \sum_{l=1}^n w_l \frac{\delta_l I(t_{2l} \leq t) E^{(1)}(\hat{\mathbf{B}}, t_{2l}|\mathbf{x})}{\left(E^{(0)}(\hat{\mathbf{B}}, t_{2l}|\mathbf{x})\right)^2}$$

$$E^{(0)}(\hat{\mathbf{B}}, t|\mathbf{x}) = \sum_{l=1}^n w_l Y_l(t) \exp\left((\mathbf{x}_l - \mathbf{x})' \hat{\mathbf{B}}\right)$$

$$E^{(1)}(\hat{\mathbf{B}}, t|\mathbf{x}) = \sum_{l=1}^n w_l Y_l(t) (\mathbf{x}_l - \mathbf{x}) \exp\left((\mathbf{x}_l - \mathbf{x})' \hat{\mathbf{B}}\right)$$

and  $J_S(\beta)$  and  $\mathbf{U}_i(\beta)$  are defined in “Pseudo Partial Likelihood and Derivatives” and “Properties

of Estimates”, respectively. See Lin (2000) for more details.  $\text{Var}\left(\sum_{j=1}^{n_s} w_j q_j^{(a)}(t)\right)$  is the

design-based variance of  $\sum_{j=1}^{n_s} w_j q_j^{(a)}(t)$  which is the estimated population total of  $q_j^{(a)}(t)$ .

For more information, see the topic “Complex Samples: Covariance Matrix of Total”.

The variance estimate for the survival function is

$$\hat{V}\left(\hat{S}(t|\mathbf{x})\right) = \left(\hat{S}(t|\mathbf{x})\right)^2 \hat{V}\left(\hat{H}(t|\mathbf{x})\right)$$

#### **Confidence interval for survival function**

A confidence interval for  $\hat{S}(t|\mathbf{x})$  can be calculated in the following ways. Let

$$Y(t) = \begin{matrix} \hat{S}(t|\mathbf{x}) & \text{original} \\ \ln \hat{S}(t|\mathbf{x}) & \text{log} \\ \ln(-\ln \hat{S}(t|\mathbf{x})) & \text{log-log} \end{matrix}$$

the confidence interval for  $\hat{S}(t|\mathbf{x})$  at  $1 - \alpha$  level is

$$\left\{ \begin{array}{ll} Y(t) \pm z_{\alpha/2} \sqrt{\hat{V}(Y(t))} = \hat{S}(t|\mathbf{x}) \pm z_{\alpha/2} \sqrt{\hat{V}(Y(t))} & \text{original} \\ \exp\left(Y(t) \pm z_{\alpha/2} \sqrt{\hat{V}(Y(t))}\right) = \hat{S}(t|\mathbf{x}) \exp\left(\pm z_{\alpha/2} \sqrt{\hat{V}(Y(t))}\right) & \text{log} \\ \exp\left\{-\exp\left(Y(t) \pm z_{\alpha/2} \sqrt{\hat{V}(Y(t))}\right)\right\} = \left(\hat{S}(t|\mathbf{x})\right)^{\exp\left(\pm z_{\alpha/2} \sqrt{\hat{V}(Y(t))}\right)} & \text{log-log} \end{array} \right.$$

where  $z_{\alpha/2}$  is the  $1 - \frac{\alpha}{2}$  upper percentile point of the standard normal distribution and

$$\left\{ \begin{array}{ll} \left(\hat{S}(t|\mathbf{x})\right)^2 \hat{V}(\hat{H}(t|\mathbf{x})) & \text{original} \\ \hat{V}(\hat{H}(t|\mathbf{x})) & \text{log} \\ \left(\hat{H}(t|\mathbf{x})\right)^{-2} \hat{V}(\hat{H}(t|\mathbf{x})) & \text{log-log} \end{array} \right.$$

Please note that the first two confidence intervals may have values greater than 1 or less than zero (we can truncate them to 0 or 1 if they are out of range). The third one always between 0 and 1. However Link (1984 & 1986) suggested that the second one performed the best.

## Residuals

Some residuals defined below depend on the baseline cumulative function. Three estimation methods for baseline cumulative function are available to user. If users don't request estimation of cumulative hazard or survival function, but request for residuals, then use Breslow estimate if Breslow approximation is chosen in estimating the parameters, and Efron estimate if Efron approximation is chosen in estimating the parameters.

### Schoenfeld's partial residuals

This is calculated only for observations with  $\delta_i = 1$ .

$$\mathbf{r}_i^{(\text{Sch})} = w_i \mathbf{u}_i(\hat{\mathbf{B}}, t_{2i})$$

where  $\mathbf{u}_i(\cdot)$  is defined in "Pseudo Partial Likelihood and Derivatives".

**Martingale residual**

$$r_i^{(M)} = \delta_i - (H_0(t_{2i}) - H_0(t_{1i})) \exp(\mathbf{x}'_i \hat{\mathbf{B}})$$

**Deviance residual**

$$r_i^{(D)} = \text{sign}(r_i^{(M)}) \sqrt{2 \left[ -r_i^{(M)} - \delta_i \ln(\delta_i - r_i^{(M)}) \right]}$$

**Cox-Snell residual**

$$r_i^{(CS)} = (H_0(t_{2i}) - H_0(t_{1i})) \exp(\mathbf{x}'_i \hat{\mathbf{B}}) = \delta_i - r_i^{(M)}$$

**Score residual**

$$\mathbf{r}_i^{(Sco)} = w_i \mathbf{U}_i(\hat{\mathbf{B}})$$

where  $\mathbf{U}_i(\beta)$  is defined in “Properties of Estimates”.

**DFBETA**

DFBETA that measures the influence of record  $i$  on parameter estimate is

$$-w_i J_S^{-1}(\hat{\mathbf{B}}) \mathbf{U}_i(\hat{\mathbf{B}})$$

This is approximately the parameter change,  $\hat{\mathbf{B}} - \hat{\mathbf{B}}_{(i)}$ , where  $\hat{\mathbf{B}}_{(i)}$  is the parameter estimate when the  $i$ th record is omitted.

**Aggregated residual**

When there are multiple records representing a single subject (as in data with two time variables), residuals can be given for each subject rather than for each record. Except for Schoenfeld’s and deviance residuals, the aggregated residual for a subject is simply the sum of the corresponding record residuals over all the records belonging to the same subject. Please notice that aggregation can only be done for data in the format  $\{\text{id}_i, t_{i1}, t_{i2}, \delta_i, \mathbf{x}_i, w_i\}_{i=1}^n$ . For Schoenfeld’s residual, the aggregated version is the same as that of the non-aggregated version because Schoenfeld’s residual is only defined for records with  $\delta_i = 1$ . For deviance residual, the aggregated residual can be derived using the aggregated Martingale residual.

## Baseline Hazard Strata

Cox regression can be extended to allow multiple baseline hazard strata (note that these are different from the sample design strata). The baseline hazard strata divide the subjects into disjoint groups, each of which has different baseline hazard function while the regression parameter  $\beta$  stays the same for all baseline hazard strata.

Suppose there are  $G$  baseline hazard strata. For baseline hazard stratum  $g$ , the model becomes

$$h_g(t|\mathbf{x}) = h_{0g}(t) \exp\{\mathbf{x}'\beta\}$$

Let  $V_g$  be the set of records belong to baseline hazard stratum  $g$ . Adding the subscript  $g$  to a quantity denotes that it is calculated only using data in  $V_g$ . For baseline stratum  $g$ , the previously defined quantities would be  $\{E_g^{(j)}(\beta, t)\}_{j=0}^2$ ,  $\{EE_g^{(j)}(\beta, t)\}_{j=0}^2$ ,  $\bar{\mathbf{x}}_g(\beta, t)$ ,  $\mathbf{u}_{gi}(\beta, t)$ ,  $I_{gi}(\beta, t)$ ,  $l_{Sg}(\beta)$ ,  $U_{Sg}(\beta)$ ,  $J_{Sg}(\beta)$ ,  $\mathbf{U}_{gi}(\beta)$ .

The overall pseudo partial likelihood, its first and second derivatives become  $l_S(\beta) = \sum_{g=1}^G l_{Sg}(\beta)$ ,

$$U_S(\beta) = \sum_{g=1}^G U_{Sg}(\beta), \quad J_S(\beta) = \sum_{g=1}^G J_{Sg}(\beta).$$

The parameter  $\mathbf{B}$  can be estimated by maximizing  $l_S(\beta)$  as before. The variance of the parameter estimates and design effects are calculated by the same formulae with the following modifications:

$$\mathbf{U}_j^{(a)}(\beta) = \sum_{i \in \{\text{id}_i=j\}} \mathbf{U}_{k_i i}(\beta)$$

where  $k_i$  is the baseline stratum that case  $i$  belongs to, and the sum is over all cases for subject  $j$ , no matter which baseline stratum the case is in.

After the regression parameters are estimated, the cumulative hazard and survival functions can be estimated for each baseline stratum separately using the same formula but on data only from that stratum. Let  $\hat{H}_g(t|\mathbf{x})$  denote the estimate of stratum  $g$ 's cumulative hazard function at time  $t$  for a given predictor  $\mathbf{x}$ . Its variance calculation is similar as before but with the following changes.

$$\hat{V}\left(\hat{H}_g(t|\mathbf{x})\right) \approx \left( \text{Var} \left( \sum_{j=1}^{n_s} w_j q_{g,j}^{(a)}(t|\mathbf{x}) \right) \right)_{q_{g,j}^{(a)}(t|\mathbf{x}) = \hat{q}_{g,j}^{(a)}(t|\mathbf{x})}$$

where

$$\hat{q}_{g,j}^{(a)}(t|\mathbf{x}) = \sum_{i \in \{\text{id}_i=j\}} \hat{q}_{g,k_i i}(t|\mathbf{x})$$

$$\hat{q}_{g,k_i i}(t|\mathbf{x}) = v_{gi}(t|\mathbf{x}) I(i \in V_g) - (A_g(t|\mathbf{x}))' \left( J_S(\hat{\mathbf{B}}) \right)^{-1} \mathbf{U}_{k_i i}(\hat{\mathbf{B}})$$

and  $v_{gi}(t|\mathbf{x})$ ,  $A_g(t|\mathbf{x})$  are calculated by the same equations as before but only using data from stratum  $g$ .

Given regression parameters at the estimated values, the residual for each record is calculated based on the data only from the stratum that the record belongs to. If record  $i$  belongs to stratum  $g$ , then in its residuals calculation, simply replace  $\mathbf{u}_i, H_0, \mathbf{U}_i$  by  $\mathbf{u}_{gi}, H_{0g}, \mathbf{U}_{gi}$ .

## ***Time-Dependent Predictors***

Cox regression can also be extended to allow time dependent predictors,  $\mathbf{x} = \mathbf{x}(t)$ . The Cox regression model becomes

$$h(t|\mathbf{x}(t)) = h_0(t) \exp \left\{ \mathbf{x}'(t) \beta \right\}$$

The previously defined equations still apply by simply replacing  $\mathbf{x}$  with  $\mathbf{x}(t)$  accordingly.

*Note:* If the values of a time-dependent predictor only depend on time and not the case number, then this predictor will be absorbed in the baseline hazard function. The regression parameter for this predictor is set as redundant.

## ***Predictors***

All predictor values for records in the risk set at each failure time are needed in the calculation. Two kinds of time dependent predictors are allowed: piecewise constant predictors, and predictor values that can be calculated at all the needed times.

### ***Piecewise constant predictors***

Often the predictors for a subject are measured many times during the study. Between measurements, the predictor value is assumed to be unchanged. Data with two time variables can handle this kind of piecewise constant predictors. For each subject, multiple records with two time variables (see “Input”) are created, one record for each distinct pattern of the time-dependent measurements. The predictor values are constant for each record. This becomes the two failure time variables with time-independent covariate situation.

*Note:* it is the user’s responsibility to create the data set of two time variables.

### ***Calculatable predictors***

The predictor values can be calculated and hence known at any time point; for example, the age of a subject. The `TIME PROGRAM` command is used for this purpose.

## Survival and Cumulative Hazard Functions

For product-limit estimate, solve for  $\{\alpha_k\}_{k=1}^K$  from:

$$\sum_{i \in D(t_k^*)} w_i \frac{\exp(\mathbf{x}'_i(t_k^*) \hat{\mathbf{B}})}{1 - \alpha_k} = \sum_{i \in R(t_k^*)} w_i \exp(\mathbf{x}'_i(t_k^*) \hat{\mathbf{B}})$$

For Breslow estimation:

$$\hat{H}_0(t) = \sum_{\{k: t_k^* \leq t\}} \frac{\sum_{i \in D(t_k^*)} w_i}{\sum_{l \in R(t_k^*)} w_l \exp(\mathbf{x}'_l(t_k^*) \hat{\mathbf{B}})}$$

For Efron estimation:

$$\hat{H}_0(t) = \sum_{\{k: t_k^* < t\}} \frac{\sum_{i \in D(t_k^*)} w_i}{d(t_k^*)} \times \frac{1}{\sum_{l \in R(t_k^*)} w_l \exp(\mathbf{x}'_l(t_k^*) \hat{\mathbf{B}}) - \frac{r}{d(t_k^*)} \sum_{l \in D(t_k^*)} w_l \exp(\mathbf{x}'_l(t_k^*) \hat{\mathbf{B}})}$$

Using the fact that  $\hat{H}_0(t)$  and  $\hat{S}_0(t)$  are right continuous step functions with jumps only at observed failure times, then for a given predictor path up to time  $T$ :  $\{\mathbf{x}(u) : u \leq T\}$ , the cumulative hazards and survival function are estimated by step functions. For  $t \leq \min(T, \max_i(t_{2i}))$

$$H(t|\{\mathbf{x}(u) : u \leq t\}) = \sum_{\{j: t_j^* \leq t\}} \left( \hat{H}_0(t_j^*) - \hat{H}_0(t_{j-1}^*) \right) \exp(\mathbf{x}'(t_j^*) \hat{\mathbf{B}})$$

$$S(t|\{\mathbf{x}(u) : u \leq t\}) = \prod_{\{j: t_j^* \leq t\}} \left\{ \frac{\hat{S}_0(t_j^*)}{\hat{S}_0(t_{j-1}^*)} \right\}^{\exp(\mathbf{x}'(t_j^*) \hat{\mathbf{B}})}$$

The variance of  $H(t|\{\mathbf{x}(u) : u \leq t\})$  can be calculated as in the case without time-dependent predictors, but with the following changes:

$$\begin{aligned} v_i(t|\{\mathbf{x}(u) : u \leq t\}) &= \frac{\delta_i I(t_{2i} \leq t)}{E^{(0)}(\hat{\mathbf{B}}, t_{2i} | \mathbf{x}(t_{2i}))} \\ &\quad - \sum_{l=1}^n w_l \frac{\delta_l I(t_{2l} \leq t) Y_l(t_{2l}) \exp((\mathbf{x}_l(t_{2l}) - \mathbf{x}(t_{2l}))' \hat{\mathbf{B}})}{(E^{(0)}(\hat{\mathbf{B}}, t_{2l} | \mathbf{x}(t_{2l})))^2} \\ A(t|\{\mathbf{x}(u) : u \leq t\}) &= - \sum_{l=1}^n w_l \frac{\delta_l I(t_{2l} \leq t) E^{(1)}(\hat{\mathbf{B}}, t_{2l} | \mathbf{x}(t_{2l}))}{(E^{(0)}(\hat{\mathbf{B}}, t_{2l} | \mathbf{x}(t_{2l})))^2} \\ E^{(0)}(\hat{\mathbf{B}}, t | \mathbf{x}(t)) &= \sum_{l=1}^n w_l Y_l(t) \exp((\mathbf{x}_l(t) - \mathbf{x}(t))' \hat{\mathbf{B}}) \end{aligned}$$

$$E^{(1)}(\hat{\mathbf{B}}, t|\mathbf{x}) = \sum_{l=1}^n w_l Y_l(t) (\mathbf{x}_l(t) - \mathbf{x}(t)) \exp\left((\mathbf{x}_l(t) - \mathbf{x}(t))' \hat{\mathbf{B}}\right)$$

There is no agreeable interpretation of the survival function when there are calculatable time-dependent predictors. Survival curves based on a time-dependent covariate must be used with extreme caution.

## Residuals

When there are time dependent predictors, all residuals are calculated in the situation where data with two time variables are used to handle the time-dependent predictors. Only Schoenfeld's residual, score residual, and DFBETA are calculated in other situations.

## Hypothesis Testing

Contrasts defined as a linear combination of regression parameters can be tested. Given matrix  $\mathbf{L}$  with  $r$  rows and  $p$  columns, and vector  $\mathbf{K}$  with  $r$  elements, we test the linear hypothesis  $H_0 : \mathbf{L}\mathbf{B} = \mathbf{K}$  if it is testable. For more information, see the topic "Complex Samples: Model Testing".

## Testing Model Assumptions

Tests are performed by considering bigger alternative models involving additional parameters. When fitting alternative models, initial values are set to 0 for all additional parameters and  $\beta = \hat{\mathbf{B}}$  for old parameters where  $\hat{\mathbf{B}}$  is the previously estimated value of model

$$h(t|\mathbf{x}) = h_0(t) \exp\{\mathbf{x}'\beta\}.$$

If there are baseline hazard strata or time dependent covariates in the original model, then the alternative model should also include them. The only difference between the original and the alternative model is that there are more predictors in the alternative model.

## Testing Proportional Hazards

A key assumption of Cox regression is proportional hazards. When predictors are constant, the hazard ratio  $\frac{h(t|\mathbf{x}_2)}{h(t|\mathbf{x}_1)} = \exp\{(\mathbf{x}_2 - \mathbf{x}_1)' \beta\}$  is independent of time, so the hazards at different predictor values are proportional. We test the adequacy of the proportional hazards assumption by considering an alternative model with time-dependent coefficients. Suppose that there are  $p$  predictors, and we are interested in testing the proportional hazard assumption for  $p^*$  predictors, assuming the first  $p^*$  predictors without loss of generality.

### Specific alternative model

Consider the alternative model

$$h(t|\mathbf{x}) = h_0(t) \exp \left\{ \mathbf{x}' \beta(t) \right\} = h_0(t) \exp \left\{ \mathbf{x}' \beta + \mathbf{z}'(t) \theta \right\}$$

where  $\mathbf{z}'(t) = (x_1 g_1(t), \dots, x_{p^*} g_{p^*}(t))$  is a time dependent predictor vector, and  $g_1(t), \dots, g_{p^*}(t)$  are  $p^*$  user-specified functions of time, one for each of the predictors of interest. This is a proportional hazards model with time dependent covariates with parameter vector  $(\beta', \theta')$ . Fit this model and test  $H_0 : \theta = 0$ .

For the time functions, the available options are

$$\left\{ \begin{array}{ll} g(t) = & \begin{array}{ll} t & \text{identity} \\ \ln t & \text{log} \\ rd(t) & \text{rank} \\ 1 - S_{KM}(t) & \text{KM} \end{array} \end{array} \right.$$

where  $S_{KM}(t)$  is the Kaplan-Meier estimate of the survival function, and  $rd(t)$  is

$$\left\{ \begin{array}{ll} rd(t) = & \begin{array}{ll} 1 & t < t_1^* \\ j & t \in [t_{j-1}^*, t_j^*) \\ K+1 & t \geq t_K^* \end{array} \end{array} \right.$$

For simplicity, we will only allow  $g_1(t) = \dots = g_{p^*}(t) = g(t)$ . By default,  $p^* = p$  and  $g(t) = 1 - S_{KM}(t)$ .

*Note:* When there are baseline strata,  $rd(t)$  and  $S_{KM}(t)$  are calculated based on the whole data, not any individual strata.

## Subpopulation Estimates

When analyses are requested for a given subpopulation, we perform calculations on the redefined data such that if the  $i$ th record is not in the subpopulation, then

$$t_{1i} = t_{2i} = 0, \delta_i = 0, \mathbf{x}_i = 0$$

In the estimations of regression parameters and the survival/cumulative hazard functions, this substitution is equivalent to including only the subpopulation elements in the calculations. In the calculation of variance  $\hat{I}(\beta)$  and  $\hat{I}_{SRS}(\beta)$ , this means that  $\mathbf{U}_i(\beta) = 0$  if the  $i$ th record is not in the subpopulation.

## Missing Values

List-wise deletion is used to determine which records are used in the analysis. Negative failure times,  $t_i$  or  $t_{1i}$  or  $t_{2i}$ , are considered missing.

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# ***CSDESCRIPTIVES Algorithms***

This document describes the algorithms used in the complex sampling estimation procedure CSDESCRIPTIVES. The data do not have to be sorted.

Complex sample data must contain both the values of the variables to be analyzed and the information on the current sampling design. Sampling design includes the sampling method, strata and clustering information, and inclusion probabilities for all units at every sampling stage. The overall sampling weight must be specified for each observation.

The sampling design specification for CSDESCRIPTIVES may include up to three stages of sampling. Any of the following general sampling methods may be assumed in the first stage: random sampling with replacement, random sampling without replacement and equal probabilities and random sampling without replacement and unequal probabilities. The first two sampling methods can also be specified for the second and the third sampling stage.

## ***Notation***

The following notation is used throughout this chapter unless otherwise stated:

$H$	Number of strata.
$n_h$	Sampled number of primary sampling units (PSU) per stratum.
$f_h$	Sampling rate per stratum.
$m_{hi}$	Number of elements in the $i$ th sampled unit in stratum $h$ .
$w_{hij}$	Overall sampling weight for the $j$ th element in the $i$ th sampled unit in stratum $h$ .
$y_{hij}$	Value of variable $y$ for the $j$ th element in the $i$ th sampled unit in stratum $h$ .
$Y$	Population total sum for variable $y$ .
$n$	Total number of elements in the sample.
$N$	Total number of elements in the population.

## ***Weights***

Overall weights specified for each ultimate element are processed as given. See “Weights ” in *Complex Samples: Covariance Matrix of Total* for more information on weights and variance estimation methods.

## ***Z Expressions***

$$z_{hij} = w_{hij}y_{hij}$$

$$z_{hi} = \sum_{j=1}^{m_{hi}} z_{hij}$$

$$\bar{z}_h = \frac{1}{n_h} \sum_{i=1}^{n_h} z_{hi}$$

$$S_h^2 = \frac{1}{n_h-1} \sum_{i=1}^{n_h} (z_{hi} - \bar{z}_h)^2$$

For multi-stage samples, the index  $h$  denotes a stratum in the given stage, and  $i$  stands for unit from  $h$  in the same stage. The index  $j$  runs over all final stage elements contained in unit  $hi$ .

## Variable Total

An estimate for the population total of variable  $y$  in a single-stage sample is the weighted sum over all the strata and all the clusters:

$$\hat{Y} = \sum_{h=1}^H \sum_{i=1}^{n_h} \sum_{j=1}^{m_{hi}} w_{hij} y_{hij}$$

Alternatively, compute the weighted sum over all the elements in the sample:

$$\hat{Y} = \sum_{i=1}^n w_i y_i$$

The latter expression is more general because it also applies to multi-stage samples.

## Variable Total Variance

For a multi-stage sample containing a with replacement sampling stage, all specifications other than weights are ignored for the subsequent stages. They make no contribution to the variance estimates.

## Single Stage Sample

The variance of the total for variable  $y$  in a single-stage sampling is estimated by the following:

$$\hat{V}(\hat{Y}) = \hat{V}_1(\hat{Y}) = \sum_{h=1}^H U_h$$

where  $U_h$  is an estimated contribution from stratum  $h$  and depends on the sampling method as follows:

- For sampling with replacement:  $U_h = n_h S_h^2$
- For simple random sampling:  $U_h = (1 - f_h) n_h S_h^2$
- For sampling without replacement and unequal probabilities:

$$U_h = \sum_{i=1}^{n_h} \sum_{i>j}^{n_h} \left( \frac{\pi_{hi} \pi_{hj}}{\pi_{hij}} - 1 \right) (z_{hi} - z_{hj})^2$$

$\pi_{hi}$  and  $\pi_{hj}$  are the inclusion probabilities for units  $i$  and  $j$  in stratum  $h$ , and  $\pi_{hij}$  is the joint inclusion probability for the same units. This estimator is due to Yates and Grundy (1953) and Sen (1953).

For each stratum  $h$  containing a single element, the variance contribution  $U_h$  is always set to zero.

### Two-stage Sample

When the sample is obtained in two stages and sampling without replacement is applied in the first stage, use the following estimate for the variance of the total for variable  $y$ :

$$\hat{V}(\hat{Y}) = \hat{V}_2(\hat{Y}) = \hat{V}_1(\hat{Y}) + \sum_{h=1}^H \sum_{i=1}^{n_h} \pi_{hi} \sum_{k=1}^{K_{hi}} U_{hik}$$

where

- $\pi_{hi}$  is the first stage inclusion probability for the primary sampling unit  $i$  in stratum  $h$ . In the case of simple random sampling, the inclusion probability is equal to the sampling rate  $f_h$  for stratum  $h$ .
- $K_{hi}$  is the number of second stage strata in the primary sampling unit  $i$  within the first stage stratum  $h$ .
- $U_{hik}$  is a variance contribution from the second stage stratum  $k$  from the primary sampling unit  $hi$ . Its value depends on the second stage sampling method; the corresponding formula from “Single Stage Sample” applies.

### Three-stage Sample

When the sample is obtained in three stages where sampling in the first stage is done without replacement and simple random sampling is applied in the second stage, we use the following estimate for the variance of the total for variable  $y$ :

$$\hat{V}(\hat{Y}) = \hat{V}_2(\hat{Y}) + \sum_{h=1}^H \sum_{i=1}^{n_h} \pi_{hi} \sum_{k=1}^{K_{hi}} f_{hik} \sum_{j=1}^{n_{hik}} \sum_{l=1}^{L_{hikj}} U_{hikjl}$$

where

- $f_{hik}$  is the sampling rate for the secondary sampling units in the second stage stratum  $hik$ .
- $L_{hikj}$  is the number of third stage strata in the secondary sampling unit  $hikj$ .
- $U_{hikjl}$  is a variance contribution from the third stage stratum  $l$  contained in the secondary sampling unit  $hikj$ . Its value depends on the second stage sampling method; the corresponding formula from “Single Stage Sample” applies.

## Population Size Estimation

An estimate for the population size corresponds to the estimate for the variable total; it is sum of the sampling weights. We have the following estimate for the single-stage samples:

$$\hat{N} = \sum_{h=1}^H \sum_{i=1}^{n_h} \sum_{j=1}^{m_{hi}} w_{hij}$$

More generally,

$$\hat{N} = \sum_{i=1}^n w_i$$

The variance of  $\hat{N}$  is obtained by replacing  $y_{hij}$  with 1; that is, by replacing  $z_{hij}$  with  $w_{hij}$  in the corresponding variance estimator formula for  $\hat{V}(\hat{Y})$ .

## Ratio Estimation

Let  $R=Y/X$  be the ratio of the totals for variables  $y$  and  $x$ . It is estimated by

$$\hat{R} = \hat{Y} / \hat{X}$$

where  $\hat{Y}$  and  $\hat{X}$  are the estimates for the corresponding variable totals.

The variance of  $\hat{R}$  is approximated using the Taylor linearization formula following Woodruff (1971). The estimate for the approximate variance of the ratio estimate  $\hat{V}(\hat{R})$  is obtained by replacing  $z_{hij}$  with

$$z_{hij} = w_{hij} (y_{hij} - \hat{R}x_{hij}) / \hat{X}$$

in the corresponding variance estimator  $\hat{V}(\hat{Y})$ .

## Mean Estimation

The mean  $\bar{Y}$  for the variable  $y$  is estimated by

$$\hat{\bar{Y}} = \hat{Y} / \hat{N}$$

where  $\hat{Y}$  is the estimate for the total of  $y$  and  $\hat{N}$  is the population size estimate.

The variance of the mean is estimated using the ratio formulas, as the mean is a ratio of  $\hat{Y}$  and  $\hat{N}$ . Accordingly,  $\hat{V}(\hat{\bar{Y}})$  is obtained by substituting  $z_{hij}$  with

$$z_{hij} = w_{hij} (y_{hij} - \hat{\bar{Y}}) / \hat{N}$$

in the corresponding variance estimator  $\hat{V}(\hat{Y})$ .

## Domain Estimation

Let the population be divided into  $D$  domains. For each domain  $d$  define the following indicator variables:

$$\delta_{hij}(d) = \begin{cases} 1 & \text{if the sample unit } hij \text{ is in the domain } d \\ 0 & \text{otherwise} \end{cases}$$

To estimate a domain population total, domain variable total, ratios and means, substitute  $y_i$  with  $\delta_i(d)y_i$  in the corresponding formula for the whole population as follows:

- Domain variable total:  $\hat{Y}_d = \sum_{i=1}^n w_i \delta_i(d) y_i$
- Domain population total:  $\hat{N}_d = \sum_{i=1}^n w_i \delta_i(d)$
- Domain variable ratio:  $\hat{R}_d = \hat{Y}_d / \hat{X}_d$
- Domain variable mean:  $\hat{\bar{Y}}_d = \hat{Y}_d / \hat{N}_d$

Similarly, in order to estimate the variances of the above estimators, substitute  $y_{hij}$  with  $\delta_{hij}(d)y_{hij}$  in the corresponding formula for the whole population. The following substitution of  $z_{ij}$  in the formulas for  $\hat{V}(\hat{Y})$  are used for estimating the variance of:

- Domain variable total:  $z_{hij}(d) = \delta_{hij}(d) w_{hij} y_{hij}$
- Domain population total:  $z_{hij}(d) = \delta_{hij}(d) w_{hij}$
- Domain variable ratio:  $z_{hij} = \delta_{hij}(d) w_{hij} (y_{hij} - \hat{R}_d x_{hij}) / \hat{X}_d$
- Domain mean:  $z_{hij} = \delta_{hij}(d) w_{hij} (y_{hij} - \hat{\bar{Y}}_d) / \hat{N}_d$

## Standard Errors

Let  $Z$  denote any of the population or subpopulation quantities defined above: variable total, population size, ratio or mean. Then the standard error of an estimator  $\hat{Z}$  is the square root of its estimated variance:

$$StdError(\hat{Z}) = \sqrt{\hat{V}(\hat{Z})}$$

## Coefficient of Variation

The coefficient of variation of the estimator  $\hat{Z}$  is the ratio of its standard error and its value:

$$CV(\hat{Z}) = \frac{SE(\hat{Z})}{\hat{Z}}$$

The coefficient of variation is undefined when  $\hat{Z} = 0$ .

## T Tests

Testing the hypothesis that a population quantity  $Z$  equals  $\theta_0$ ; that is,  $H_0 : Z = \theta_0$ , is performed using the  $t$  test statistic:

$$t(\hat{Z}) = \frac{\hat{Z} - \theta_0}{StdError(\hat{Z})}$$

The  $p$ -value for the two-sided test is given by the probability

$$P(|T| > |t(\hat{Z})|)$$

where  $T$  is a random variable from the  $t$  distribution with  $df$  degrees of freedom.

The number of the degrees of freedom is calculated as the difference between the number of primary sampling units and the number of strata in the first stage of sampling.

## Confidence Limits

A level  $1-\alpha$  confidence interval is constructed for a given  $0 \leq \alpha \leq 1$ . The confidence bounds are defined as

$$\hat{Z} \pm StdError(\hat{Z}) t_{df}(1 - \alpha/2)$$

where  $StdError(\hat{Z})$  is the estimated standard error of  $\hat{Z}$ , and  $t_{df}(1 - \alpha/2)$  is the  $100(1 - \alpha/2)$  percentile of the  $t$  distribution with  $df$  degrees of freedom.

## Design Effects

The design effect  $Deff$  is estimated by

$$Deff = \frac{\hat{V}(\hat{Y})}{\hat{V}_{srs}(\hat{Y}_{srs})}$$

$\hat{V}(\hat{Y})$  is the estimate of the variance of  $\hat{Y}$  under the appropriate sampling design, while  $\hat{V}_{srs}(\hat{Y}_{srs})$  is the estimate of variance of  $\hat{Y}_{srs}$  under the simple random sampling assumption as follows:

$$\hat{V}_{srs}(\hat{Y}_{srs}) = (fpc) \frac{\hat{N}}{n-1} \sum_{i=1}^n w_i \left( y_i - \frac{\hat{Y}}{\hat{N}} \right)^2$$

Assuming sampling without replacement we have  $fpc = \left(1 - \frac{n}{N}\right)$  given that  $\frac{n}{N} < 1$ , while for sampling with replacement we set  $fpc = 1$ . This assumption is independent of the sampling specified for the complex sample design based variance  $\hat{V}(\hat{Y})$ .

Whereas design effect is not relevant for estimates of the population size, we do compute the design effects for ratios and means in addition to the totals. The values of variable  $y$  in  $\hat{V}_{sr,s}$  are then replaced by the linearized values as follows:

- Ratio estimation  $(y_i - \hat{R}x_i) / \hat{X}$
- Mean estimation  $(y_i - \hat{Y}) / \hat{N}$

When estimating design effects for domains we use the familiar substitution  $\delta_i(d)y_i$  for  $y_i$  in the  $\hat{V}_{sr,s}$  formula in addition to any ratio or mean substitutions.

We also provide the square root of design effect  $\sqrt{Deff}$ .

Design effects and their applications have been discussed by Kish (1965) and Kish (1995).

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# CSGLM Algorithms

CSGLM is a procedure for regression analysis as well as analysis of variance and covariance based on complex samples.

Complex sample data must contain both the values of the variables to be analyzed and the information on the current sampling design. Sampling design includes the sampling method, strata and clustering information, inclusion probabilities and the overall sampling weights.

Sampling design specification for CSGLM may include up to three stages of sampling. Any of the following general sampling methods may be assumed in the first stage: random sampling with replacement, random sampling without replacement and equal probabilities and random sampling without replacement and unequal probabilities. The first two sampling methods can also be specified for the second and the third sampling stage.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$n$	Total number of elements in the sample.
$p$	Number of regression parameters in the model.
$\mathbf{Y}$	Dependent variable vector containing values $y_i, i = 1, \dots, n$ .
$\mathbf{X}$	$n \times p$ design matrix. The rows correspond to the observations and the columns to the model parameters. The $i$ th row is $\mathbf{x}'_i, i = 1, \dots, n$ .
$\mathbf{W}$	Diagonal matrix with sampling weights $w_i, i = 1, \dots, n$ on the diagonal.
$\mathbf{B}$	Vector of $p$ unknown population parameters.
$N$	Total number of elements in the population.

## Weights

Overall weights specified for each ultimate element are processed as given. See “Weights” in *Complex Samples: Covariance Matrix of Total* for more information on weights and variance estimation methods.

## Model Specification

Let the linear model be specified by the equation  $\mathbf{Y} = \mathbf{X}\boldsymbol{\beta} + \mathbf{E}$ , where  $\mathbf{Y}$  is a vector of observed dependent variable values,  $\mathbf{X}$  is the linear model design matrix,  $\boldsymbol{\beta}$  is a vector of model parameters and  $\mathbf{E}$  is a vector of random errors with zero mean. Each column of the design matrix corresponds to a parameter in the model equation. Each parameter corresponds to one of the intercept, factor main effects, factor interaction effects, factor nested effects, covariate effects and factors by covariates interaction effects. For every factor effect level occurring in data there is a separate parameter. This results in an over-parametrized model.

## Estimation

Assuming that the entire finite population has been observed, we can obtain the least square parameter estimates for the linear model by solving the following normal equations

$$\mathbf{X}'_N \mathbf{X}_N \boldsymbol{\beta} = \mathbf{X}'_N \mathbf{Y}_N$$

where  $\mathbf{X}_N$  and  $\mathbf{Y}_N$  denote the design matrix and dependent variable for all elements in the given population. A solution vector for this system, estimating the model parameters  $\boldsymbol{\beta}$ , is denoted by  $\mathbf{B}$ . In our analyses we take the established design-based approach concerned with estimating the finite population parameters  $\mathbf{B}$  developed by Kish and Frankel (1974), Fuller (1975), Shah, Holt and Folsom (1977) and others. See Särndal et al. (1992) for an overview.

Estimates for the population matrices  $\mathbf{X}'_N \mathbf{X}_N$  and  $\mathbf{X}'_N \mathbf{Y}_N$  are given by  $\mathbf{X}' \mathbf{W} \mathbf{X}$  and  $\mathbf{X}' \mathbf{W} \mathbf{Y}$  respectively. We solve the following set of weighted normal equations

$$\mathbf{X}' \mathbf{W} \mathbf{X} \mathbf{B} = \mathbf{X}' \mathbf{W} \mathbf{Y}$$

where  $\mathbf{W}$  is a diagonal matrix with sampling weights  $w_i, i = 1 \dots n$  on the diagonal. A solution for  $\mathbf{B}$  is then given by the equation

$$\hat{\mathbf{B}} = \left( \mathbf{X}' \mathbf{W} \mathbf{X} \right)^{-} \mathbf{X}' \mathbf{W} \mathbf{Y}$$

where  $\left( \mathbf{X}' \mathbf{W} \mathbf{X} \right)^{-}$  is a generalized g2 inverse of  $\mathbf{X}' \mathbf{W} \mathbf{X}$ .

## Predicted Values and Residuals

Predicted values for each observation are given by  $\hat{y}_i = \mathbf{x}'_i \hat{\mathbf{B}}$ .

The vector of residuals  $\mathbf{r}$  is defined as  $r_i = y_i - \hat{y}_i, i = 1, \dots, n$ .

The residual sum of squares is:  $\mathbf{r}' \mathbf{W} \mathbf{r} = \sum_{i=1}^n w_i (y_i - \mathbf{x}'_i \hat{\mathbf{B}})^2$

## Algorithm

Estimation begins with construction of the weighted sum-of-squares and crossed products (SSCP) matrix. Let  $\mathbf{z}'_i = \left( \mathbf{x}'_i, y_i \right)$  be the  $i$ th row of the matrix  $\mathbf{Z}$ . Then the SSCP matrix is computed by

$$\mathbf{Z}' \mathbf{W} \mathbf{Z} = \sum_{i=1}^n w_i \mathbf{z}_i \mathbf{z}'_i$$

where  $\mathbf{z}_i \mathbf{z}'_i$  is the outer product for the vector  $\mathbf{z}_i$ . This matrix can be partitioned as follows

$$\mathbf{Z}' \mathbf{W} \mathbf{Z} = \begin{pmatrix} \mathbf{X}' \mathbf{W} \mathbf{X} & \mathbf{X}' \mathbf{W} \mathbf{Y} \\ \mathbf{Y}' \mathbf{W} \mathbf{X} & \mathbf{Y}' \mathbf{W} \mathbf{Y} \end{pmatrix}$$

After applying the sweep operator to the first  $p$  rows and columns of the matrix above, we obtain the following solution matrix

$$\begin{pmatrix} -(\mathbf{X}'\mathbf{W}\mathbf{X})^{-} & \hat{\mathbf{B}} \\ \hat{\mathbf{B}}' & \mathbf{r}'\mathbf{W}\mathbf{r} \end{pmatrix}$$

$(\mathbf{X}'\mathbf{W}\mathbf{X})^{-}$  is a generalized  $g_2$  inverse of  $\mathbf{X}'\mathbf{W}\mathbf{X}$ ,  $\hat{\mathbf{B}}$  is a parameter solution, and  $\mathbf{r}'\mathbf{W}\mathbf{r}$  is the residual sum of squares.

When a column of  $\mathbf{X}'\mathbf{W}\mathbf{X}$  is found to be dependent on previous columns, the corresponding parameter is treated as redundant. The solution for redundant parameters is set to 0 as well as the corresponding rows and columns in  $(\mathbf{X}'\mathbf{W}\mathbf{X})^{-}$ .

## Variance Estimates

Variances of parameter estimates are computed according to the Taylor linearization method as presented by Binder (1983).

Define the vector  $\mathbf{d}_i = \mathbf{x}_i (y_i - \mathbf{x}'_i \hat{\mathbf{B}})$  for  $i=1, \dots, n$  and its total population estimate by

$$\hat{\mathbf{d}}_T = \sum_{i=1}^n w_i \mathbf{x}_i (y_i - \mathbf{x}'_i \hat{\mathbf{B}})$$

Let  $\hat{\mathbf{V}}(\hat{\mathbf{d}}_T)$  be its sample design-based covariance matrix. See “Complex Samples: Covariance Matrix of Total” for more information on its computation. Then the covariance matrix of  $\hat{\mathbf{B}}$  is estimated by

$$\hat{\mathbf{V}}(\hat{\mathbf{B}}) = (\mathbf{X}'\mathbf{W}\mathbf{X})^{-} \hat{\mathbf{V}}(\hat{\mathbf{d}}_T) (\mathbf{X}'\mathbf{W}\mathbf{X})^{-}$$

*Note:* If any diagonal element of  $\hat{\mathbf{V}}(\hat{\mathbf{d}}_T)$  happens to be non-positive due to the use of the Yates-Grundy-Sen estimator, all elements in the corresponding row and column are set to zero.

## Subpopulation Estimates

When analyses are requested for a given subpopulation  $S$ , we redefine  $(\mathbf{x}'_i, y_i)'$  as follows:

$$(\mathbf{x}'_i, y_i) = \begin{cases} (\mathbf{x}'_i, y_i) & \text{if the } i\text{th element is in } S \\ (0, \dots, 0) & \text{otherwise} \end{cases}$$

When computing point estimates, this substitution is equivalent to including only the subpopulation elements in the calculations. This is in contrast to computing the variance estimates where all elements in the sample need to be included.

## Standard Errors

Let  $\hat{B}_i$  denote a non-redundant parameter estimate. Its standard error is the square root of its estimated variance:

$$SE(\hat{B}_i) = \sqrt{\hat{V}(\hat{B}_i)}$$

Standard error is undefined for redundant parameters.

## Degrees of Freedom

The sample design degrees of freedom  $\nu$  is used for computing confidence intervals and test statistics below and is calculated as the difference between the number of primary sampling units and the number of strata in the first stage of sampling. Alternatively,  $\nu$  may be specified by the user.

## Confidence Intervals

A level  $1-\alpha$  confidence interval is constructed for a given  $0 \leq \alpha \leq 1$  for each non-redundant model parameter. Confidence bounds are given by

$$\hat{B}_i \pm SE(\hat{B}_i) t_{\nu}(1 - \alpha/2)$$

where  $t_{\nu}(1 - \alpha/2)$  is the 100(1 -  $\alpha/2$ ) percentile of the  $t$  distribution with  $\nu$  degrees of freedom.

## $t$ Tests

The hypothesis test  $H_{0i} : \hat{B}_i = 0$  is performed for each non-redundant model parameter using the  $t$  test statistic:

$$t(\hat{B}_i) = \frac{\hat{B}_i}{SE(\hat{B}_i)}$$

The  $p$ -value for the two-sided test is given by the probability  $P(|T| > |t(\hat{B}_i)|)$ , where  $T$  is a random variable from the  $t$  distribution with  $\nu$  degrees of freedom.

## Design Effects

The design effect for each non-redundant parameter estimate is given by

$$Def(\hat{B}_i) = \frac{\hat{V}(\hat{B}_i)}{V_{strs}(\hat{B}_i)}$$

$\hat{V}(\hat{B}_i)$  is the estimate of variance of  $\hat{B}_i$  under the complex sampling design, while  $\hat{V}_{srs}(\hat{B}_i)$  is the estimate of variance of  $\hat{B}_i$  under the simple random sampling assumption. The latter is computed as the  $i$ th diagonal element of the following matrix:

$$\hat{V}_{srs}(\hat{B}_i) = \left[ (\mathbf{X}'\mathbf{W}\mathbf{X})^{-1} \hat{\mathbf{V}}_{srs}(\hat{\mathbf{d}}_T) (\mathbf{X}'\mathbf{W}\mathbf{X})^{-1} \right]_{ii}$$

where

$$\hat{\mathbf{V}}_{srs}(\hat{\mathbf{d}}_T) = (fpc) \frac{\hat{N}}{n-1} \sum_{i=1}^n w_i \mathbf{d}_i \mathbf{d}_i'$$

with  $\mathbf{d}_i$  as specified earlier.

Assuming sampling without replacement we have  $fpc = \left(1 - \frac{n}{N}\right)$  given that  $\frac{n}{N} < 1$ , while for sampling with replacement we set  $fpc = 1$ . This assumption is independent of the sampling specified for the complex sample design based variance  $\hat{\mathbf{V}}(\hat{\mathbf{d}}_T)$ .

For subpopulation analysis  $\mathbf{d}_i = \mathbf{0}$  whenever observation  $i$  does not belong to a given subpopulation.

We also provide the square root of design effect  $\sqrt{Deff}$ .

Design effects and their application have been discussed by Kish (1965) and Kish (1995).

## Multiple R-square

$$R^2 = 1 - \frac{\mathbf{r}'\mathbf{W}\mathbf{r}}{(\mathbf{Y} - \hat{\mathbf{Y}}_{S1})' \mathbf{W} (\mathbf{Y} - \hat{\mathbf{Y}}_{S1})}$$

where  $\hat{\mathbf{Y}}_S = \hat{Y}_S / \hat{N}_S$  is the estimated subpopulation mean for variable  $Y$ .

If the specified model contains no intercept the following expression is used:

$$R^2 = 1 - \frac{\mathbf{r}'\mathbf{W}\mathbf{r}}{\mathbf{Y}'\mathbf{W}\mathbf{Y}}$$

## Hypothesis Testing

Given an  $r \times p$   $\mathbf{L}$  matrix and  $r \times 1$   $\mathbf{K}$  vector, CSGLM tests the linear hypothesis  $H_0 : \mathbf{L}\mathbf{B} = \mathbf{K}$  if  $\mathbf{L}\mathbf{B}$  is estimable. The Wald  $X^2$  statistic is given by

$$X^2 = (\mathbf{L}\hat{\mathbf{B}} - \mathbf{K})' (\mathbf{L}\hat{\mathbf{V}}(\hat{\mathbf{B}})\mathbf{L}')^{-1} (\mathbf{L}\hat{\mathbf{B}} - \mathbf{K})$$

The statistic has an asymptotic chi-square distribution with  $r_I = \text{rank}(\mathbf{L}\hat{\mathbf{V}}(\hat{\mathbf{B}})\mathbf{L}')$  degrees of freedom. If  $r_I < r$ ,  $(\mathbf{L}\hat{\mathbf{V}}(\hat{\mathbf{B}})\mathbf{L}')^{-}$  is a generalized inverse such that Wald tests are effective for a restricted set of hypothesis  $\mathbf{L}_I\mathbf{B} = \mathbf{K}_I$  containing a particular subset  $I$  of independent rows from  $H_0$ .

Each row  $l'_i$  of  $\mathbf{L}$  is also tested separately. The estimate for the  $i$ th row is given by  $l'_i\hat{\mathbf{B}}$  and its standard error by  $\sqrt{l'_i\hat{\mathbf{V}}(\hat{\mathbf{B}})l_i}$ .

See “Complex Samples: Model Testing” for additional tests and  $p$ -value adjustments.

## Custom Tests

Custom hypothesis tests are conducted only when  $\mathbf{L}$  is such that  $\mathbf{L}\mathbf{B}$  is estimable. This condition is verified using the following equality:

$$\mathbf{L} = \mathbf{L}(\mathbf{X}'\mathbf{W}\mathbf{X})^{-}(\mathbf{X}'\mathbf{W}\mathbf{X})$$

## Default Tests of Model Effects

For each effect specified in the model, a Type III test  $\mathbf{L}$  matrix is constructed such that  $\mathbf{L}\mathbf{B}$  is estimable. It involves parameters only for the given effect and the containing effects and it does not depend on the order of effects specified in the model. If such a matrix cannot be constructed, the effect is not testable.  $\mathbf{K}$  is always set to  $\mathbf{0}$  when computing the test statistics for model effects.

The hypothesis for the corrected model is that all the parameters except for the intercept are zero.

## Estimated Marginal Means

Estimated marginal means (EMMEANS) are based on the estimated cell means. For a given fixed set of factors, or their interactions, we estimate marginal means as the mean value averaged over all cells generated by the rest of the factors in the model. Covariates may be fixed at any specified value. If not specified, the value for each covariate is set to its overall mean estimate.

When missing cells are present in the data, EMMEANS may not be estimable. In such circumstance, we provide a modified estimate proposed by Searle, Speed and Milliken (1980) that ignores the non-estimable cells.

Each marginal estimate is finally constructed in the form  $l'_i\hat{\mathbf{B}}$  such that  $l'_i\hat{\mathbf{B}}$  is estimable.

## Comparing EMMEANS

For a given factor in the model, a vector of EMMEANS is created for all levels of the factor. This vector can be expressed in the form  $\hat{\mu} = \mathbf{L}\hat{\mathbf{B}}$  where each row of  $\mathbf{L}$  is generated as described above. The variance is then computed by the following formula:

$$\hat{\mathbf{V}}(\hat{\mu}) = \mathbf{L}\hat{\mathbf{V}}(\hat{\mathbf{B}})\mathbf{L}'$$

A set of contrasts for the factor is created according to the selected contrast type. Let this set of contrasts define the matrix  $\mathbf{C}$  used for testing the hypothesis  $H_0 : \mathbf{C}\mu = \mathbf{0}$

The Wald  $X^2$  statistic is used for testing given set of contrasts for the factor as follows:

$$X^2 = (\mathbf{C}\hat{\mu})' (\mathbf{C}\hat{\mathbf{V}}(\hat{\mu})\mathbf{C}')^{-1} (\mathbf{C}\hat{\mu})$$

The statistic has an asymptotic chi-square distribution with  $r_I$  degrees of freedom, where  $r_I = \text{rank}(\mathbf{C}\hat{\mathbf{V}}(\hat{\mu})\mathbf{C}')$ .

Each row  $c'_i$  of  $\mathbf{C}$  is also tested separately. The estimate for the  $i$ th row is given by  $c'_i\hat{\mu}$  and its standard error by  $\sqrt{c'_i\hat{\mathbf{V}}(\hat{\mu})c_i}$ .

See “Complex Samples: Model Testing” for additional tests and  $p$ -value adjustments. Substitute the following formula for the simple random sampling covariance:  $\hat{\mathbf{V}}_{srs}(\hat{\mu}) = \mathbf{L}\hat{\mathbf{V}}_{srs}(\hat{\mathbf{B}})\mathbf{L}'$ .

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# CSLOGISTIC Algorithms

Logistic regression is a commonly used analytical tool for categorical responses. LOGISTIC REGRESSION (for binary response) and NOMREG (for multi-category response) are procedures under the standard sampling setting. This document considers multinomial logistic regression model under the complex sampling setting extending the model in NOMREG to complex sampling.

There are different approaches for analytic inference in complex sampling (Chambers and Skinner 2003). We will take the two-phase sampling and pseudo-likelihood estimation approaches.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

<b>Y</b>	Categorical dependent variable vector containing values $y_i, i=1, \dots, n$ .
<b>K</b>	The total number of categories for dependent variable.
$y_i(k)$	Indicator variable for category $k$ ; $y_i(k) = \begin{cases} 1 & \text{if } y_i = k \\ 0 & \text{otherwise} \end{cases}$ .
<b>X</b>	$n \times p$ design matrix. The rows correspond to the observations and the columns to the model parameters.
$\pi_i$	Inclusion probability for case $i$ .
$w_i$	Sampling weight for case $i$ , $w_i = 1/\pi_i$ .
$p_{\mathbf{x}}(k)$	The probability for response category $k$ at $\mathbf{x}$ : $p_{\mathbf{x}}(k) = \Pr(y = k \mathbf{x})$ , and denote $p_i(k) = p_{\mathbf{x}_i}(k)$ for case $i$ .
<b>N</b>	The number of cases in the whole population.
<b>n</b>	The number of cases in the sample.
<b>B</b>	The parameter of interest, the population or census parameter.

## Superpopulation Model

Two phases of sampling are assumed. The first phase generates a finite population by a model or super population. The second phase selects a sample according to a sampling plan from the finite population generated in the first phase.

## Model Generating the Population

Assume that the response variable  $y$  at a given  $\mathbf{x}$  follows a multinomial distribution with probability  $p_{\mathbf{x}}(k)$  for  $y=k$ . Without loss of generality, let the last category  $K$  be the reference category. Then for  $k = 1, \dots, K-1$ ,

$$\log \frac{p_{\mathbf{x}}(k)}{p_{\mathbf{x}}(K)} = \mathbf{x}' \beta_k$$

or

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$$\begin{aligned}
 \text{CSLOGISTIC} &= \frac{\exp(\mathbf{x}'\beta_k)}{1 + \sum_{k=1}^{K-1} \exp(\mathbf{x}'\beta_k)} \quad = 1, \dots, K-1 \\
 &= \frac{1}{1 + \sum_{k=1}^{K-1} \exp(\mathbf{x}'\beta_k)} \quad k = K \\
 p_{\mathbf{x}}(k) &= \frac{1}{1 + \sum_{k=1}^{K-1} \exp(\mathbf{x}'\beta_k)}
 \end{aligned}$$

where  $\beta_k = (\beta_{k1}, \dots, \beta_{kp})'$  is the regression parameter vector for response category  $k$ .

There are  $p(K-1)$  regression parameters in total. This model is described in many books, for example Agresti (2002).

Let  $\mathbf{B}$  denote the MLE of the model parameter  $\boldsymbol{\beta}$  based on the whole population. This  $\mathbf{B}$  is also called the census parameter. The parameter of interest is the census parameter  $\mathbf{B}$ , rather than the model parameter  $\boldsymbol{\beta}$ . The exact definition and formulation of  $\mathbf{B}$  is described below in the estimating equation.

## Parameter Estimation

For a sample drawn from the finite population according to a sample plan, we take the pseudo-likelihood approach. In this approach, the pseudo-likelihood is a sample estimate of the population log-likelihood, and parameter estimates are derived by maximizing the pseudo-likelihood.

From the sample, an unbiased estimate of population log-likelihood  $l_U$  is

$$l_S(\beta) = \sum_{i \in S} \sum_{k=1}^K w_i y_i(k) \log(p_i(k))$$

We will maximize  $l_S(\beta)$  to get the estimates for census parameter  $\mathbf{B}$ . The pseudo-score function is, for  $k = 1, \dots, K-1$ ,

$$S_S(\beta) = \sum_{i \in S} w_i (\mathbf{y}_i^* - \mathbf{p}_i^*) \otimes \mathbf{x}_i$$

The estimator obtained by solving  $S_S(\beta) = 0$  is an estimator of  $\mathbf{B}$ .

## Redundant Parameters

In this procedure, the over-parameterization approach is similar to that in the NOMREG procedure. If a parameter is found to be redundant, it is set to zero and will not affect the estimation procedure.

## Estimation Algorithm

The Newton-Raphson iterative estimation method is used to solve the estimating equation. Let  $\mathbf{B}^{(v)}$  be the parameter estimate at iteration step  $v$ , the parameter estimate  $\mathbf{B}^{(v+1)}$  at iteration step  $v+1$  is updated as

$$\mathbf{B}^{(v+1)} = \mathbf{B}^{(v)} - \xi \cdot J^{-}(\mathbf{B}^{(v)})S_S(\mathbf{B}^{(v)})$$

where

$$J(\beta) = \frac{\partial S_S(\beta)}{\partial \beta} = - \sum_{i \in S} w_i \left( \text{diag}(\mathbf{p}_i^*) - \mathbf{p}_i^* (\mathbf{p}_i^*)' \right) \otimes \mathbf{x}_i \mathbf{x}_i'$$

the  $(k, j)$ th block element of  $J(\beta)$ , for  $k, j = 1, \dots, K-1$ , is

$$J_{kj}(\beta) = \frac{\partial S_S(\beta_k)}{\partial \beta_j} = \begin{cases} \sum_{i \in S} w_i p_i(k) p_i(j) \mathbf{x}_i \mathbf{x}_i' & k \neq j \\ - \sum_{i \in S} w_i p_i(j) (1 - p_i(j)) \mathbf{x}_i \mathbf{x}_i' & k = j \end{cases}$$

$J^{-}(\beta)$  is a generalized inverse of  $J(\beta)$ . The stepping scalar  $\zeta > 0$  is used to make  $l_S(\mathbf{B}^{(v+1)}) \geq l_S(\mathbf{B}^{(v)})$ . Use the step-halving method if  $l_S(\mathbf{B}^{(v+1)}) < l_S(\mathbf{B}^{(v)})$ . Let  $t$  be the maximum number of steps in step-halving; the set of values of  $\zeta$  is  $\{1/2^r: r = 0, \dots, t-1\}$ .

Starting with initial values  $\mathbf{B}^{(0)}$ , iteratively update  $\mathbf{B}^{(v+1)}$  until one of the stopping criteria is satisfied. The final estimate is denoted as  $\hat{\mathbf{B}}$ .

*Note:* Sometimes, infinite parameters may be present in the model because of complete or quasi-complete separation of the data (Albert and Anderson, 1984) (Santner and Duffy, 1986). In CSLOGISTIC, a check for separation of the data can be performed. If either complete or quasi-complete separation is suggested by the test, a warning is issued and results based on the last iteration are given.

### Initial Values

For all non-intercept regression parameters, set their initial values to be zero. For intercepts, if there are any, set for  $k = 1, \dots, K-1$ ,

$$B_{k1}^{(0)} = \log \left( \frac{\hat{N}_k}{\hat{N}_K} \right)$$

where  $\hat{N}_k = \sum_{i \in S} w_i y_i$  ( $k$ ) is the estimated population number of responses in category  $k$ .

### Stopping Criteria

Given two convergence criteria  $\epsilon_l > 0$  and  $\epsilon_p > 0$ , the iteration is considered to be converged if one of the following criteria is satisfied:

1.  $\begin{cases} \frac{|l_S(\mathbf{B}^{(v+1)}) - l_S(\mathbf{B}^{(v)})|}{|l_S(\mathbf{B}^{(v)})| + 10^{-6}} < \epsilon_l & \text{if relative change} \\ |l_S(\mathbf{B}^{(v+1)}) - l_S(\mathbf{B}^{(v)})| < \epsilon_l & \text{if absolute change} \end{cases}$
2.  $\begin{cases} \max_{k,j} \left( \frac{|B_{kj}^{(v+1)} - B_{kj}^{(v)}|}{|B_{kj}^{(v)}| + 10^{-6}} \right) < \epsilon_p & \text{if relative change} \\ \max_{k,j} \left( |B_{kj}^{(v+1)} - B_{kj}^{(v)}| \right) < \epsilon_p & \text{if absolute change} \end{cases}$

3. The maximum number of iterations is reached.

## Parameter Covariance Matrix

The design-based variance of  $\hat{\mathbf{B}}$  (Binder 1983) has estimate

$$\hat{V}(\hat{\mathbf{B}}) \approx J^{-}(\hat{\mathbf{B}}) \hat{I}(\hat{\mathbf{B}}) J^{-}(\hat{\mathbf{B}})$$

where  $\hat{I}(\beta)$  is the estimate of design based variance of  $S_S(\beta)$ . Let  $\mathbf{d}_i = (\mathbf{y}_i^* - \mathbf{p}_i^*) \otimes \mathbf{x}_i$  then  $S_S(\beta) = \sum_{i \in S} w_i (\mathbf{y}_i^* - \mathbf{p}_i^*) \otimes \mathbf{x}_i = \sum_{i \in S} w_i \mathbf{d}_i$  is an estimate for population total of  $\mathbf{d}_i$  vectors. See “Complex Samples: Covariance Matrix of Total” for how to calculate the design-based variance matrix for the total.

## Confidence Intervals

The confidence interval for a single regression parameter  $B_{kj}$  is approximately

$$\left[ \hat{B}_{kj} - t_{df, 1-\frac{\alpha}{2}} se(\hat{B}_{kj}), \hat{B}_{kj} + t_{df, 1-\frac{\alpha}{2}} se(\hat{B}_{kj}) \right]$$

where  $se(\hat{B}_{kj}) = \hat{V}(\hat{B}_{kj})$  is the estimated standard error of  $\hat{B}_{kj}$ , and  $t_{df, 1-\frac{\alpha}{2}}$  is the  $100(1-\alpha/2)$  percentile of a  $t$  distribution with  $df$  degrees of freedom. The degrees of freedom  $df$  can be user specified, and defaults to the difference between the number of primary sampling units and the number of strata in the first stage of sampling.

## Design Effect

For each parameter  $B_{kj}$ , its design effect is the ratio of its variance under the design to its variance under the SRS design,

$$Deff(\hat{B}_{kj}) = \frac{\hat{V}(\hat{B}_{kj})}{\hat{V}_{srs}(\hat{B}_{kj})}$$

For SRS design, the variance matrix is

$$V_{SRS}(\hat{\mathbf{B}}) \approx J^{-}(\hat{\mathbf{B}}) I_{SRS}(\hat{\mathbf{B}}) J^{-}(\hat{\mathbf{B}})$$

where

$$\hat{I}_{srs}(\hat{\mathbf{B}}) = \hat{V}_{srs}(S_S(\hat{\mathbf{B}})) = (fpc) \frac{\hat{N}}{n-1} \sum_{i \in S} w_i \mathbf{d}_i \mathbf{d}_i'$$

$$\hat{N} = \sum_{i \in S} w_i$$

Assuming sampling without replacement we have  $fpc = \left(1 - \frac{n}{N}\right)$  given that  $\frac{n}{N} < 1$ , while for sampling with replacement we set  $fpc = 1$ . This assumption is independent of the sampling specified for the complex sample design based variance matrix  $\hat{I}(\beta)$ .

## Pseudo -2 Log-Likelihood

For the model under consideration, the pseudo -2 Log Likelihood is

$$-2l_S(\hat{\mathbf{B}})$$

Let the initial model be the intercept-only model if the intercept is in the considered model, or the empty model otherwise. For the initial model, the pseudo -2 Log Likelihood is

$$-2l_S(\mathbf{B}^{(0)})$$

where  $\mathbf{B}^{(0)}$  is the initial parameter vector used in the iterative estimating procedure.

## Pseudo R Squares

Let  $L_U(\mathbf{B})$  be the likelihood function for the whole population; that is,  $L_U(\mathbf{B}) = \exp(l_U(\mathbf{B}))$ . A sample estimate is  $\hat{L}_U(\mathbf{B}) = \exp(l_S(\mathbf{B}))$ .

### Cox and Snell's R Square

$$R_{CS}^2 = 1 - \left(\frac{\hat{L}_U(\mathbf{B}^{(0)})}{\hat{L}_U(\hat{\mathbf{B}})}\right)^{\frac{2}{N}} = 1 - \exp\left\{-\frac{-2l_S(\mathbf{B}^{(0)}) - (-2l_S(\hat{\mathbf{B}}))}{N}\right\}$$

### Nagelkerke's R Square

$$R_N^2 = \frac{R_{CS}^2}{1 - \{\hat{L}_U(\mathbf{B}^{(0)})\}^{2/N}}$$

### McFadden's R Square

$$R_M^2 = 1 - \frac{l_S(\hat{\mathbf{B}})}{l_S(\mathbf{B}^{(0)})}$$

## Hypothesis Tests

Contrasts defined as linear combination of regression parameters can be tested. Given an  $r \times p(K-1)$   $\mathbf{L}$  matrix and  $r \times 1$   $\mathbf{K}$  vector, CSLogistic tests the linear hypothesis  $H_0: \mathbf{L}\mathbf{B} = \mathbf{K}$ . See "Complex Samples: Model Testing" for details.

## Custom Tests

For a user specified  $\mathbf{L}$  and  $\mathbf{K}$ ,  $H_0 : \mathbf{L}\mathbf{B} = \mathbf{K}$  is tested only when  $\mathbf{L}\mathbf{B}$  is estimable. Let  $\mathbf{L} = (\mathbf{L}_1, \dots, \mathbf{L}_{K-1})$ , where each  $\mathbf{L}_k$  is a  $r \times p$  matrix.  $\mathbf{L}\mathbf{B}$  is estimable if for every

$$\mathbf{L}_k = \mathbf{L}_k \mathbf{H}$$

where  $\mathbf{H} = (\mathbf{X}'\mathbf{X})^{-1} \mathbf{X}'\mathbf{X}$  is a  $p \times p$  matrix.

*Note:* In NOMREG, only block diagonal matrices such as  $\mathbf{L} = \text{diag}(\mathbf{L}^*, \dots, \mathbf{L}^*)$  are considered, where  $\mathbf{L}^*$  is a  $q \times p$  matrix. Also in NOMREG, testability is not checked.

## Default Tests of Model Effects

For each effect specified in the model, a matrix  $\mathbf{L} = \text{diag}(\mathbf{L}^*, \dots, \mathbf{L}^*)$  is constructed and  $H_0 : \mathbf{L}\mathbf{B} = \mathbf{0}$  is tested. The matrix  $\mathbf{L}^*$  is chosen to be the type III test matrix constructed based on matrix  $\mathbf{H} = (\mathbf{X}'\mathbf{X})^{-1} \mathbf{X}'\mathbf{X}$ . This construction procedure makes sure that  $\mathbf{L}\mathbf{B}$  is estimable. It involves parameters only for the given effect and the effects containing the given effect. It does not depend on the order of effects specified in the model. If such a matrix cannot be constructed, the effect is not testable.

## Predicted Values

For a predictor pattern  $\mathbf{x}$ , the predicted probability of each response category is

$$\hat{p}_{\mathbf{x}}(k) = \frac{\exp(\mathbf{x}'\hat{\mathbf{B}}_k)}{1 + \sum_{k=1}^{K-1} \exp(\mathbf{x}'\hat{\mathbf{B}}_k)} \quad k = 1, \dots, K-1$$

$$\hat{p}_{\mathbf{x}}(k) = \frac{1}{1 + \sum_{k=1}^{K-1} \exp(\mathbf{x}'\hat{\mathbf{B}}_k)} \quad k = K$$

The predicted category  $c(\mathbf{x})$  is the one with the highest predicted probability; that is

$$c(\mathbf{x}) = \arg \max_k \hat{p}_{\mathbf{x}}(k)$$

Equivalently,

$$c(\mathbf{x}) = \arg \max_k (\mathbf{x}'\hat{\mathbf{B}}_k)$$

where  $\hat{\mathbf{B}}_K = \mathbf{0}$  is set for the last (reference) response category. This latter formula is less likely to have numerical problems and should be used.

## Classification Table

A two-way table with  $(i,j)$ th element being the counts or the sum of weights for the observations whose actual response category is  $i$  (as row) and predicted response category is  $j$  (as column) respectively.

## Odds Ratio

The ratio of odds at  $\mathbf{x}_1$  to odds at  $\mathbf{x}_2$  for response category  $k_1$  versus  $k_2$  is

$$or(\mathbf{x}_1, \mathbf{x}_2; k_1, k_2) = \frac{p_{\mathbf{x}_1}(k_1)/p_{\mathbf{x}_1}(k_2)}{p_{\mathbf{x}_2}(k_1)/p_{\mathbf{x}_2}(k_2)} = \exp\left((\mathbf{x}_1 - \mathbf{x}_2)'(\mathbf{B}_{k_1} - \mathbf{B}_{k_2})\right)$$

For  $k_1 = k$  and  $k_2 = K$  (the reference response category), odds ratio is simplified as

$$or(\mathbf{x}_1, \mathbf{x}_2; k, K) = \exp\left((\mathbf{x}_1 - \mathbf{x}_2)' \mathbf{B}_k\right)$$

Equation for  $or(\mathbf{x}_1, \mathbf{x}_2; k, K)$  will be the one we use to calculate odds ratios. The estimate and confidence interval for  $or(\mathbf{x}_1, \mathbf{x}_2; k, K)$  are respectively

$$\exp\left((\mathbf{x}_1 - \mathbf{x}_2)' \hat{\mathbf{B}}_k\right)$$

and

$$\left[ \exp\left(\hat{C} - t_{df, 1-\frac{\alpha}{2}} se(\hat{C})\right), \exp\left(\hat{C} + t_{df, 1-\frac{\alpha}{2}} se(\hat{C})\right) \right]$$

where

$$\hat{C} = (\mathbf{x}_1 - \mathbf{x}_2)' \hat{\mathbf{B}}_k$$

$$se(\hat{C}) = \sqrt{(\mathbf{x}_1 - \mathbf{x}_2)' Var(\hat{\mathbf{B}}_k) (\mathbf{x}_1 - \mathbf{x}_2)}$$

## exp(B)

$\exp(B_{kj})$  can be interpreted as an odds ratio for main effects model. SUDAAN calls  $\exp(B_{kj})$  the odds ratio for parameter  $B_{kj}$  whether or not there is an interaction effect in the model. Even though they may not be odds ratios for models with interaction effects, they are still of interest. For each  $\exp(B_{kj})$ , its  $1-\alpha$  confidence interval is

$$\left[ \exp\left(L(\hat{B}_{kj})\right), \exp\left(U(\hat{B}_{kj})\right) \right]$$

where  $L(\hat{B}_{kj})$ ,  $U(\hat{B}_{kj})$  are the lower and upper confidence limits for census parameter  $B_{kj}$ .

## Subpopulation Estimates

When analyses are requested for a given subpopulation  $D$ , we perform calculations on the following redefined  $x_i$  and  $y_i(k)$ :

$$\begin{aligned}x_i &= x_i \delta_i(D) \\ y_i(k) &= y_i(k) \delta_i(D)\end{aligned}$$

where

$$\delta_i(D) = \begin{cases} 1 & \text{if the sample unit is in the subpopulation } D \\ 0 & \text{otherwise} \end{cases}$$

When computing point estimates, this substitution is equivalent to including only the subpopulation elements in the calculations. This is in contrast to computing the variance estimates where all elements in the sample need to be included.

## Missing Values

Missing values are handled using list-wise deletion; that is, any case without valid data on any design, dependent, or independent variable is excluded from the analysis.

## References

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# CSORDINAL Algorithms

Complex Samples Ordinal Regression is a procedure for the analysis of ordinal responses using cumulative link models and allowing for both categorical and continuous predictors. Models specify threshold parameters associated with different response categories in addition to regression parameters associated with model predictors.

Complex sample data must contain both the values of the variables to be analyzed and the information on the current sampling design. Sampling design includes the sampling method, strata and clustering information, inclusion probabilities and the overall sampling weights.

Sampling design specification for Complex Samples Ordinal Regression may include up to three stages of sampling. Any of the following general sampling methods may be assumed in the first stage: random sampling with replacement, random sampling without replacement and equal probabilities and random sampling without replacement and unequal probabilities. The first two sampling methods can also be specified for the second and the third sampling stage.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$n$	Total number of complete records or cases in the dataset.
$w_i$	Overall sampling weight for each sample element in the $i$ th record, $i=1,\dots,n$ .
$K$	The number of values for the ordinal response variable, $K>1$ .
$Y$	The ordinal response variable taking values coded into integers between 1 and $K$ .
$\theta$	Vector of $K-1$ population threshold parameters in the cumulative link model.
$\beta$	Vector of $p$ population regression parameters associated with model predictors.
$\mathbf{B}$	Vector of all model parameters $\mathbf{B}=(\theta^T, \beta^T)^T$ .
$\mathbf{X}$	$n \times p$ design matrix. The rows correspond to the records and the columns to the model regression parameters. The $i$ th row is $\mathbf{x}_i^T$ , $i = 1, \dots, n$ .
$\pi_{ik}$	Conditional response probability for category given observed independent variable vector $\mathbf{x}_i$ ; that is, $\pi_{ik} = P(Y = k   \mathbf{x}_i)$ .
$\gamma_{ik}$	Conditional cumulative response probability for category given observed independent variable vector $\mathbf{x}_i$ ; that is, $\gamma_{ik} = P(Y \leq k   \mathbf{x}_i)$ .
$N$	Total number of elements in the population: $\hat{N} = \sum_{i=1}^n w_i$ .

## Weights

Overall weights specified for each ultimate element are processed as given. See “Weights ” in *Complex Samples: Covariance Matrix of Total* for more information on weights and variance estimation methods.

## Cumulative Link Model

Cumulative link models support regression of a single categorical dependent variable on a set of categorical or continuous independent variables. The dependent variable  $Y$  is assumed to be ordinal. Its values have an intrinsic linear ordering and correspond to consecutive integers from 1 to  $K$ . The cumulative link model links the conditional cumulative probabilities  $P(Y \leq k | \mathbf{x}_i)$ ,  $k = 1, \dots, K - 1$  to a linear predictor. Threshold parameters  $\theta_1 < \theta_2 < \dots < \theta_{K-1}$  are assumed different for each cumulative probability, but the vector of regression parameters  $\beta = (\beta_1, \dots, \beta_p)'$  remains the same. The cumulative link model is given by the following set of equations:

$$\text{link}(P(Y \leq k | \mathbf{x}_i)) = \theta_k - \beta' \mathbf{x}_i$$

Cumulative link function is specified as an inverse of a cumulative probability distribution function as follows:

$$\left\{ \begin{array}{ll} \log(\gamma_{i,k} / (1 - \gamma_{i,k})) & \text{Logit link} \\ \log(-\log(1 - \gamma_{i,k})) & \text{Complementary log-log link} \\ -\log(-\log(\gamma_{i,k})) & \text{Negative log-log link} \\ \Phi^{-1}(\gamma_{i,k}) & \text{Probit link} \\ \tan(\pi(\gamma_{i,k} - 0.5)) & \text{Cauchit link} \end{array} \right.$$

where  $\gamma_{i,k} = P(Y \leq k | \mathbf{x}_i)$  for  $k=1, \dots, K-1$ .

Vector  $\mathbf{x}_i$  denotes a linear model design matrix row matching the vector of regression parameters  $\beta$ . Each parameter corresponds to one of the factor main effects, factor interaction effects, factor nested effects, covariate effects and factors by covariates interaction effects. For every factor effect level occurring in data there is a separate parameter. This results in an over-parametrized model.

Cumulative link models gained popularity after the publication by McCullagh (1980). Further details and examples of these models are given in Agresti (2002).

## Estimation

Assuming that the entire finite population  $U = \{y_i, \mathbf{x}_i\}_{i=1}^N$  has been observed, we can obtain the maximum likelihood population parameter estimates for the cumulative model by maximizing the following multinomial log-likelihood function

$$l(\theta, \beta) = \log \prod_{i=1}^N \prod_{k=1}^K (\pi_{i,k})^{y_{i,k}} = \sum_{i=1}^N \sum_{k=1}^K y_{i,k} \log \pi_{i,k}$$

where we define indicator variables

$$y_{i,k} = \begin{cases} 1 & \text{if } y_i = k \\ 0 & \text{otherwise} \end{cases}$$

and model probabilities

$$\pi_{i,k} = P(Y = k | \mathbf{x}_i) = \gamma_{i,k} - \gamma_{i,k-1}, k = 1, \dots, K \text{ with } \gamma_{i,0} = 0, \gamma_{i,K} = 1.$$

Taking the first derivatives of the log-likelihood function with respect to the model parameters  $(\theta, \beta)$  and setting them equal to zero, we obtain a set of estimating equations for the population model. A solution vector for this set of equations is denoted by  $(\theta_N, \beta_N)$ . We follow the established design-based approach concerned with estimating the implicit finite population parameters as described by Binder (1983). Population totals in the estimating equations are replaced by their sample-based estimates. A solution for the sample-based estimating equations provides estimates for the population parameters  $(\hat{\theta}_N, \hat{\beta}_N)$  and these are the estimates that we will consider in our analysis. For simplicity, we shall still denote them by  $(\hat{\theta}, \hat{\beta})$ .

An equivalent approach for obtaining the estimates  $(\hat{\theta}, \hat{\beta})$  is the pseudo-maximum likelihood method where we maximize the sample-based estimate of the log-likelihood given as follows:

$$\hat{l}(\theta, \beta) = \sum_{i=1}^n \sum_{k=1}^K w_i y_{i,k} \log \pi_{i,k}$$

See Särndal et al. (1992) for an overview of designed-based approach in modeling survey data.

## Predicted probabilities

Given a predictor design vector, the model-predicted probability for each response category is

$$\pi_{i,k} = \gamma_{i,k} - \gamma_{i,k-1}$$

Where

$$\gamma_{i,k} = \begin{cases} 0 & k = 0 \\ \text{link}^{-1}(\theta_k - \beta' \mathbf{x}_i) & k = 1, \dots, K-1 \\ 1 & k = K \end{cases}$$

Let  $\eta_{i,k} = \theta_k - \beta' \mathbf{x}_i$ . The inverse of the link function; that is, the corresponding cumulative distribution function is given by the following formulas:

$$\text{link}^{-1}(\eta_{i,k}) = \begin{cases} \exp(\eta_{i,k}) / (1 + \exp(\eta_{i,k})) & \text{for Logistic link} \\ 1 - \exp(-\exp(\eta_{i,k})) & \text{for Complementary log-log link} \\ \exp(-\exp(-\eta_{i,k})) & \text{for Negative log-log link} \\ \Phi(\eta_{i,k}) & \text{for Probit link} \\ 0.5 + \arctan(\eta_{i,k}) / \pi & \text{for Cauchit link} \end{cases}$$

## Estimating equations

Sample-based estimating equations for the population parameters are given by

$$\hat{S}(\theta, \beta) = \frac{\partial \hat{l}(\theta, \beta)}{\partial (\theta, \beta)} = 0$$

$$\frac{\partial \hat{l}}{\partial \theta_k} = \sum_{i=1}^n w_i \frac{\partial \gamma_{i,k}}{\partial \eta_{i,k}} \left( \frac{y_{i,k}}{\pi_{i,k}} - \frac{y_{i,k+1}}{\pi_{i,k+1}} \right) = 0, k = 1, \dots, K-1$$

and

$$\frac{\partial \hat{i}}{\partial \beta_t} = \sum_{i=1}^n \sum_{k=1}^K -w_i \left( \frac{\partial \gamma_{i,k}}{\partial \eta_{i,k}} - \frac{\partial \gamma_{i,k-1}}{\partial \eta_{i,k-1}} \right) \frac{y_{i,k}}{\pi_{i,k}} x_{i,t} = 0, t = 1, \dots, P$$

where

$$\frac{\partial \gamma_{i,k}}{\partial \eta_{i,k}} = \begin{cases} \gamma_{i,k} (1 - \gamma_{i,k}) & \text{Logit link} \\ -(1 - \gamma_{i,k}) \log(1 - \gamma_{i,k}) & \text{Complementary log-log link} \\ -\gamma_{i,k} \log(\gamma_{i,k}) & \text{Negative log-log link} \\ \phi(\Phi^{-1}(\gamma_{i,k})) & \text{Probit link} \\ \cos^2(\pi(\gamma_{i,k} - 0.5)) / \pi & \text{Cauchit link} \end{cases}$$

for  $k=1, \dots, K-1$ , and by the definition  $\frac{\partial \gamma_{i,0}}{\partial \eta_{i,0}} = \frac{\partial \gamma_{i,K}}{\partial \eta_{i,K}} = 0$ . Note that if

$\gamma_{i,k} = 0$  or  $\gamma_{i,k} = 1$  then  $\frac{\partial \gamma_{i,k}}{\partial \eta_{i,k}} = 0$  for all link functions.

## Second derivatives

The matrix of the first derivatives of the estimated scores  $\hat{\mathbf{S}}(\theta, \beta)$  is denoted by  $\hat{\mathbf{J}}_0(\theta, \beta)$  and its elements are given by the following expressions:

$$\frac{\partial^2 \hat{i}}{\partial \theta_{k-1} \partial \theta_k} = \sum_{i=1}^n w_i \frac{\partial \gamma_{i,k-1}}{\partial \eta_{i,k-1}} \frac{\partial \gamma_{i,k}}{\partial \eta_{i,k}} \frac{y_{i,k}}{\pi_{i,k}^2}, k = 2, \dots, K - 1$$

$$\frac{\partial^2 \hat{i}}{\partial \theta_k^2} = \sum_{i=1}^n w_i \left[ \frac{\partial^2 \gamma_{i,k}}{\partial \eta_{i,k}^2} \left( \frac{y_{i,k}}{\pi_{i,k}} - \frac{y_{i,k+1}}{\pi_{i,k+1}} \right) - \left( \frac{\partial \gamma_{i,k}}{\partial \eta_{i,k}} \right)^2 \left( \frac{y_{i,k}}{\pi_{i,k}^2} + \frac{y_{i,k+1}}{\pi_{i,k+1}^2} \right) \right], k = 1, \dots, K - 1$$

$$\frac{\partial^2 \hat{i}}{\partial \theta_j \partial \theta_k} = 0, \text{ for } |j - k| > 1$$

$$\begin{aligned} \frac{\partial^2 \hat{i}}{\partial \theta_k \partial \beta_t} &= - \sum_{i=1}^n w_i \left( \frac{\partial^2 \gamma_{i,k}}{\partial \eta_{i,k}^2} \pi_{i,k} - \frac{\partial \gamma_{i,k}}{\partial \eta_{i,k}} \left( \frac{\partial \gamma_{i,k}}{\partial \eta_{i,k}} - \frac{\partial \gamma_{i,k-1}}{\partial \eta_{i,k-1}} \right) \right) \frac{y_{i,k}}{\pi_{i,k}^2} x_{i,t} + \\ &\sum_{i=1}^n w_i \left( \frac{\partial^2 \gamma_{i,k}}{\partial \eta_{i,k}^2} \pi_{i,k+1} - \frac{\partial \gamma_{i,k}}{\partial \eta_{i,k}} \left( \frac{\partial \gamma_{i,k+1}}{\partial \eta_{i,k+1}} - \frac{\partial \gamma_{i,k}}{\partial \eta_{i,k}} \right) \right) \frac{y_{i,k+1}}{\pi_{i,k+1}^2} x_{i,t}, k = 1, \dots, K - 1, t = 1, \dots, P \end{aligned}$$

$$\frac{\partial^2 \hat{i}}{\partial \beta_t \partial \beta_u} = \sum_{i=1}^n \sum_{k=1}^K w_i \left[ \left( \frac{\partial^2 \gamma_{i,k}}{\partial \eta_{i,k}^2} - \frac{\partial^2 \gamma_{i,k-1}}{\partial \eta_{i,k-1}^2} \right) \pi_{i,k} - \left( \frac{\partial \gamma_{i,k}}{\partial \eta_{i,k}} - \frac{\partial \gamma_{i,k-1}}{\partial \eta_{i,k-1}} \right)^2 \right] \frac{y_{i,k}}{\pi_{i,k}^2} x_{i,t} x_{i,u}$$

$t, u = 1, \dots, P$

Second derivatives of the cumulative distribution functions are given by

$$\frac{\partial^2 \gamma_{i,k}}{\partial \eta_{i,k}^2} = \frac{\partial \gamma_{i,k}}{\partial \eta_{i,k}} \times \begin{cases} 1 - 2\gamma_{i,k} & \text{Logit link} \\ 1 + \log(1 - \gamma_{i,k}) & \text{Complementary log-log link} \\ -(1 + \log(\gamma_{i,k})) & \text{Negative log-log link} \\ -\Phi^{-1}(\gamma_{i,k}) & \text{Probit link} \\ \sin(2\pi\gamma_{i,k}) & \text{Cauchit link} \end{cases}$$

for  $k=1, \dots, K-1$ , and by the definition  $\frac{\partial^2 \gamma_{i,0}}{\partial \eta_{i,0}^2} = \frac{\partial^2 \gamma_{i,K}}{\partial \eta_{i,K}^2} = 0$ .

## Expected second derivatives

The matrix of the expected first derivatives of the estimated scores  $\hat{\mathbf{S}}(\theta, \beta)$  is denoted by  $\hat{\mathbf{J}}_1(\theta, \beta)$  and its elements are given by the following expressions:

$$\frac{\partial^2 \hat{l}}{\partial \theta_{k-1} \partial \theta_k} = \sum_{i=1}^n w_i \frac{\partial \gamma_{i,k-1}}{\partial \eta_{i,k-1}} \frac{\partial \gamma_{i,k}}{\partial \eta_{i,k}} \frac{1}{\pi_{i,k}}, k = 2, \dots, K-1$$

$$\frac{\partial^2 \hat{l}}{\partial \theta_k^2} = - \sum_{i=1}^n w_i \left( \frac{\partial \gamma_{i,k}}{\partial \eta_{i,k}} \right)^2 \left( \frac{1}{\pi_{i,k}} + \frac{1}{\pi_{i,k+1}} \right), k = 1, \dots, K-1$$

$$\frac{\partial^2 \hat{l}}{\partial \theta_j \partial \theta_k} = 0, \text{ for } |j - k| > 1$$

$$\frac{\partial^2 \hat{l}}{\partial \theta_k \partial \beta_t} = \sum_{i=1}^n w_i \left[ \left( \frac{\partial \gamma_{i,k}}{\partial \eta_{i,k}} - \frac{\partial \gamma_{i,k-1}}{\partial \eta_{i,k-1}} \right) \frac{1}{\pi_{i,k}} - \left( \frac{\partial \gamma_{i,k+1}}{\partial \eta_{i,k+1}} - \frac{\partial \gamma_{i,k}}{\partial \eta_{i,k}} \right) \frac{1}{\pi_{i,k+1}} \right] \frac{\partial \gamma_{i,k}}{\partial \eta_{i,k}} x_{i,t}$$

$$k = 1, \dots, K-1, t = 1, \dots, p$$

$$\frac{\partial^2 \hat{l}}{\partial \beta_t \partial \beta_u} = \sum_{i=1}^n \sum_{k=1}^K -w_i \left( \frac{\partial \gamma_{i,k}}{\partial \eta_{i,k}} - \frac{\partial \gamma_{i,k-1}}{\partial \eta_{i,k-1}} \right)^2 \frac{1}{\pi_{i,k}} x_{i,t} x_{i,u}, t, u = 1, \dots, p$$

When conducting an analysis for a subpopulation  $D$ , only records that belong to the subpopulation enter the summation in all of the above derivatives formulas.

## Redundant parameters

Due to our use of the over-parametrized model where there is a separate parameter for every factor effect level occurring in the data, the columns of the design matrix are often dependent. Collinearities among continuous variables in the data can also occur. To establish the dependencies in the design matrix we examine columns of  $(1, -\mathbf{X})'$   $(1, -\mathbf{X})$  using the sweep operator. When a column is found to be dependent on previous columns, the corresponding parameter is treated as redundant. The solution for redundant parameters is fixed at zero.

## Parameter estimation

The vector of estimates of the population model parameters is obtained as a solution  $\hat{\mathbf{B}} = (\hat{\theta}, \hat{\beta})$  of the sample-based estimating equations. It is computed using the Newton-Raphson method, Fisher scoring or a hybrid method. The hybrid method consists of applying Fisher scoring steps for a specified number of iterations before switching to Newton-Raphson steps. The iteration step is described as follows. Given a vector of parameter estimates  $\mathbf{B}^{(\nu)}$  at iteration step  $\nu$ , the parameters  $\mathbf{B}^{(\nu+1)}$  at iteration step  $\nu + 1$  are computed by solving the following equation:

$$\hat{\mathbf{J}}(\mathbf{B}^{(\nu)}) \mathbf{B}^{(\nu+1)} = \hat{\mathbf{J}}(\mathbf{B}^{(\nu)}) \mathbf{B}^{(\nu)} - \xi \cdot \hat{\mathbf{S}}(\mathbf{B}^{(\nu)})$$

where

$$\hat{\mathbf{J}}(\mathbf{B}) = \begin{cases} \hat{\mathbf{J}}_0(\mathbf{B}) & \text{for Newton-Raphson step} \\ \hat{\mathbf{J}}_1(\mathbf{B}) & \text{for Fisher scoring step} \end{cases}$$

The stepping scalar  $\xi > 0$  is used to ensure that  $\hat{l}(\mathbf{B}^{(\nu+1)}) \geq \hat{l}(\mathbf{B}^{(\nu)})$  and that  $\pi_{ik} > 0$  if  $y_{ik} = 1$  for every  $i$ . Use step-halving  $\xi = 1/2^\mu$ ,  $\mu = 0, \dots, M-1$  until these conditions are satisfied or the maximum number of steps in step-halving  $M$  is reached.

Starting with initial values  $\mathbf{B}^{(0)}$ , iteratively update estimates  $\mathbf{B}^{(v+1)}$  until one of the stopping criteria is satisfied. The final vector of estimates is denoted by  $\hat{\mathbf{B}}$ .

### Initial values

Let  $\hat{N}_k = \sum_{i=1}^n w_i y_{ik}$  be the estimated population number of responses in category  $k = 1, \dots, K$ , and  $\hat{N} = \sum_{i=1}^n w_i$  be the estimated population size. Initial thresholds are then computed according to the following formula:

$$\theta_k^{(0)} = \text{link} \left( \frac{\sum_{j=1}^k \hat{N}_j}{\hat{N}} \right) \text{ for } k=1, \dots, K-1$$

Initial values for all regression parameters are set to zero, i.e.  $\beta_t^{(0)} = 0$  for  $t=1, \dots, p$ .

### Stopping Criteria

Given two convergence criteria  $\epsilon_l > 0$  and  $\epsilon_p > 0$ , the iteration is considered to have converged if criterion 1 or 2 is satisfied, and it stops if any of the following criteria are satisfied:

1. Pseudo-likelihood criterion

$$\begin{cases} \frac{|\hat{l}(\mathbf{B}^{(v+1)}) - \hat{l}(\mathbf{B}^{(v)})|}{|\hat{l}(\mathbf{B}^{(v)})| + 10^{-6}} < \epsilon_l & \text{if relative change} \\ |\hat{l}(\mathbf{B}^{(v+1)}) - \hat{l}(\mathbf{B}^{(v)})| < \epsilon_l & \text{if absolute change} \end{cases}$$

2. Parameter criterion

$$\begin{cases} \max_i \left( \frac{|B_i^{(v+1)} - B_i^{(v)}|}{|B_i^{(v)}| + 10^{-6}} \right) < \epsilon_p & \text{if relative change} \\ \max_i (|B_i^{(v+1)} - B_i^{(v)}|) < \epsilon_p & \text{if absolute change} \end{cases}$$

3. The maximum number of iteration, or steps in step-halving is reached.
4. Complete or quasi-complete separation of the data is established.

Depending on user's choice, either relative or absolute change (default) is considered in criterion 1 and 2.

If the hybrid algorithm converges with Fisher scoring step, the iterations continue with Newton-Raphson steps.

## Variance estimates

Variances of parameter estimates are computed according to the Taylor linearization method as suggested by Binder (1983). Define vector  $s_i(\hat{\mathbf{B}})$  of size  $(K - 1 + t)$  to be the contribution of the  $i$ th element to the estimating equations as follows:

$$s_i^{(k)}(\hat{\mathbf{B}}) = \frac{\partial \gamma_{i,k}}{\partial \eta_{i,k}} \left( \frac{y_{i,k}}{\pi_{i,k}} - \frac{y_{i,k+1}}{\pi_{i,k+1}} \right), k = 1, \dots, K - 1$$

and

$$s_i^{(K-1+t)}(\hat{\mathbf{B}}) = \sum_{k=1}^K - \left( \frac{\partial \gamma_{i,k}}{\partial \eta_{i,k}} - \frac{\partial \gamma_{i,k-1}}{\partial \eta_{i,k-1}} \right) \frac{y_{i,k}}{\pi_{i,k}} x_{i,t}, t = 1, \dots, p$$

so that

$$\hat{\mathbf{S}}(\hat{\mathbf{B}}) = \sum_{i=1}^n w_i s_i(\hat{\mathbf{B}}).$$

The above sum is to be considered as an estimate for the population total of the vectors  $s_i(\hat{\mathbf{B}})$ . Its sample design-based covariance matrix is denoted by  $\hat{\mathbf{V}}(\hat{\mathbf{S}}(\hat{\mathbf{B}}))$ . See ‘‘Complex Samples: Covariance Matrix of Total’’ for more information on its computation. Then the covariance matrix of  $\hat{\mathbf{B}}$  is estimated by

$$\hat{\mathbf{V}}(\hat{\mathbf{B}}) = \hat{\mathbf{J}}(\hat{\mathbf{B}})^{-} \hat{\mathbf{V}}(\hat{\mathbf{S}}(\hat{\mathbf{B}})) \hat{\mathbf{J}}(\hat{\mathbf{B}})^{-}$$

where  $\hat{\mathbf{J}}(\hat{\mathbf{B}})^{-}$  is a generalized inverse of  $\hat{\mathbf{J}}(\hat{\mathbf{B}})$ .

*Note:* If any diagonal element of  $\hat{\mathbf{V}}(\hat{\mathbf{S}}(\hat{\mathbf{B}}))$  happens to be non-positive due to the use of Yates-Grundy-Sen estimator, all elements in the corresponding row and column are set to zero.

## Subpopulation estimates

When analyses are requested for a given subpopulation  $D$ , we redefine  $(y_i, \mathbf{x}'_i)'$  as follows:

$$(y_i, \mathbf{x}'_i) = \begin{cases} (y_i, \mathbf{x}'_i) & \text{if the } i \text{ the record is in } D \\ (0, \dots, 0) & \text{otherwise} \end{cases}$$

This is to ensure that the contribution to estimates of every element not in subpopulation  $D$  is zero. When computing point estimates, this substitution is equivalent to including only the subpopulation elements in the calculations. This is in contrast to computing the variance estimates where all elements in the sample need to be included.

## Standard Errors

Let  $\hat{B}_i$  denote a non-redundant parameter estimate. Its standard error is the square root of its estimated variance:

$$SE(\hat{B}_i) = \sqrt{\hat{V}(\hat{B}_i)}$$

Standard error is undefined for redundant parameters.

## Degrees of Freedom

The number of the degrees of freedom  $df$  used for computing confidence intervals and test statistics below is calculated as the difference between the number of primary sampling units and the number of strata in the first stage of sampling. We shall also refer to this quantity as the sample design degrees of freedom. Alternatively,  $df$  may be specified by the user.

## Confidence Intervals

A level  $1-\alpha$  confidence interval is constructed for a given  $0 \leq \alpha \leq 1$  for each non-redundant model parameter  $\hat{B}_i$ . Confidence bounds are given by

$$\hat{B}_i \pm SE(\hat{B}_i) t_{df}(1 - \alpha/2)$$

where  $SE(\hat{B}_i)$  is the estimated standard error of  $\hat{B}_i$ , and  $t_{df}(1 - \alpha/2)$  is the  $100(1 - \alpha/2)$  percentile of  $t$  distribution with  $df$  degrees of freedom.

## $t$ Tests

Testing hypothesis  $H_{0i} : \hat{B}_i = 0$  for each non-redundant model parameter  $\hat{B}_i$  is performed using the  $t$  test statistic:

$$t(\hat{B}_i) = \frac{\hat{B}_i}{SE(\hat{B}_i)}$$

The  $p$ -value for the two-sided test is given by the probability  $P(|T| > |t(\hat{B}_i)|)$ , where  $T$  is a random variable from the  $t$  distribution with  $df$  degrees of freedom.

## Design Effects

The design effect  $Deff(\hat{B}_i)$  for non-redundant parameter estimate  $\hat{B}_i$  is given by

$$Deff(\hat{B}_i) = \frac{\hat{V}(\hat{B}_i)}{V_{srs}(\hat{B}_i)}$$

Design effects are undefined for redundant parameters.

$\hat{V}(\hat{B}_i)$  is the estimate of variance of  $\hat{B}_i$  under the appropriate sampling design, while  $\hat{V}_{srs}(\hat{B}_i)$  is the estimate of variance of  $\hat{B}_i$  under the simple random sampling assumption. The latter is computed as the  $i$ th diagonal element of the following matrix:

$$\hat{V}_{srs}(\hat{B}_i) = \left[ \hat{\mathbf{J}}(\hat{\mathbf{B}})^{-1} \hat{\mathbf{V}}_{srs}(\hat{\mathbf{S}}(\hat{\mathbf{B}})) \hat{\mathbf{J}}(\hat{\mathbf{B}})^{-1} \right]_{ii}$$

$\hat{\mathbf{V}}_{srs}(\hat{\mathbf{S}}(\hat{\mathbf{B}}))$  can be computed by the following formula:

$$\hat{\mathbf{V}}_{srs}(\hat{\mathbf{S}}(\hat{\mathbf{B}})) = (fpc) \frac{\hat{N}}{n-1} \sum_{i=1}^n w_i \mathbf{s}_i \mathbf{s}_i'$$

with  $\mathbf{s}_i$  as specified earlier and  $\hat{N}$  being an estimate of the population size.

Assuming sampling without replacement we have  $fpc = \left(1 - \frac{n}{N}\right)$  given that  $\frac{n}{N} < 1$ , while for sampling with replacement we set  $fpc = 1$ . This assumption is independent of the sampling specified for the complex sample design based variance  $\hat{\mathbf{V}}(\hat{\mathbf{S}}(\hat{\mathbf{B}}))$ .

For subpopulation analysis we have that  $\mathbf{s}_i = \mathbf{0}$  whenever record does not belong to a given subpopulation.

We also provide the square root of design effects. Note that the square root of design effect  $Deff$ , computed without finite population correction, has been commonly denoted by  $Deff$  following paper by Kish (1995). Design effects and their application have been discussed since introduction by Kish (1965).

## Linear combinations

Given a constant vector  $l$  of the same size as the vector of parameter estimates  $\hat{\mathbf{B}}$ , we compute variance estimates for the linear combination  $l' \hat{\mathbf{B}}$  by the formulas:

$$\hat{V}(l' \hat{\mathbf{B}}) = l' \hat{\mathbf{V}}(\hat{\mathbf{B}}) l$$

and

$$\hat{V}_{srs}(l' \hat{\mathbf{B}}) = l' \hat{\mathbf{V}}_{srs}(\hat{\mathbf{B}}) l$$

Design effect  $Deff(l' \hat{\mathbf{B}})$  for the linear combination  $l' \hat{\mathbf{B}}$  is then given by

$$Deff(l' \hat{\mathbf{B}}) = \frac{\hat{V}(l' \hat{\mathbf{B}})}{\hat{V}_{srs}(l' \hat{\mathbf{B}})}$$

## Pseudo -2 Log Likelihood

For the model under consideration, the sample-based estimate of the population  $-2$  Log Likelihood is

$$-2\hat{l}(\hat{\mathbf{B}})$$

For initial model, the estimate of the  $-2$  Log Likelihood is

$$-2\hat{l}(\mathbf{B}^{(0)})$$

where  $\mathbf{B}^{(0)}$  is the initial parameter values used in iterative estimating procedure.

## Pseudo R Squares

Let  $L(\mathbf{B})$  be the likelihood function for the whole population, that is,  $L(\mathbf{B}) = \exp(l(\mathbf{B}))$ . A sample-based estimate of it is  $\hat{L}(\mathbf{B}) = \exp(\hat{l}(\mathbf{B}))$ .

## Cox and Snell's R Square

$$R_{CS}^2 = 1 - \left( \frac{\hat{L}(\mathbf{B}^{(0)})}{\hat{L}(\hat{\mathbf{B}})} \right)^{\frac{2}{N}} = 1 - \exp \left\{ -\frac{-2\hat{l}(\mathbf{B}^{(0)}) - (-2\hat{l}(\hat{\mathbf{B}}))}{N} \right\}$$

## Nagelkerke's R Square

$$R_N^2 = \frac{R_{CS}^2}{1 - \{\hat{L}(\mathbf{B}^{(0)})\}^{2/N}}$$

## McFadden's R Square

$$R_M^2 = 1 - \frac{\hat{l}(\hat{\mathbf{B}})}{\hat{l}(\mathbf{B}^{(0)})}$$

## Hypothesis Testing

Contrasts defined as linear combinations of threshold and regression parameters can be tested. Given matrix  $\mathbf{L}$  with  $r$  rows and  $K - 1 + p$  columns, and vector  $\mathbf{K}$  with  $r$  elements, Complex Samples Ordinal Regression performs testing of linear hypothesis  $H_0 : \mathbf{L}\mathbf{B} = \mathbf{K}$ . See "Complex Samples: Model Testing" for details.

## Custom tests

For a user specified  $\mathbf{L}$  and  $\mathbf{K}$ ,  $H_0 : \mathbf{L}\mathbf{B} = \mathbf{K}$  is tested only when it is testable; that is, when vector  $\mathbf{L}\mathbf{B}$  is estimable. Consider partition  $\mathbf{L} = (\mathbf{L}(\theta), \mathbf{L}(\beta))$ , where  $\mathbf{L}(\theta) = (\mathbf{l}_1, \dots, \mathbf{l}_{K-1})$  consists of columns corresponding to threshold parameters and  $\mathbf{L}(\beta)$  be the part of  $\mathbf{L}$  corresponding to regression parameters. Consider matrix  $\mathbf{L}_0 = (\mathbf{l}_0, \mathbf{L}(\beta))$  where the column vectors corresponding to threshold parameters are replaced by their sum  $\mathbf{l}_0 = \sum_{k=1}^{K-1} \mathbf{l}_k$ . Then  $\mathbf{L}\mathbf{B}$  is estimable if and only if  $\mathbf{L}_0 = \mathbf{L}_0\mathbf{H}$ , where  $\mathbf{H} = (\mathbf{X}'_1\mathbf{X}_1)$   $\mathbf{X}'_1\mathbf{X}_1$  is a  $(p+1) \times (p+1)$  matrix constructed using  $\mathbf{X}_1 = (1, -\mathbf{X})$ .

### Default tests of Model effects

For each effect specified in the model excluding intercept, type III test matrix  $\mathbf{L}$  is constructed and  $H_0 : \mathbf{L}\mathbf{B} = \mathbf{0}$  is tested. Construction of matrix  $\mathbf{L}$  is based on matrix  $\mathbf{H} = (\mathbf{X}'_1\mathbf{X}_1)^{-1}\mathbf{X}'_1\mathbf{X}_1$  and such that  $\mathbf{L}\mathbf{B}$  is estimable. It involves parameters only for the given effect and the effects containing the given effect. It does not depend on the order of effects specified in the model. If such a matrix cannot be constructed, the effect is not testable.

See “Type III Sum of Squares and Hypothesis Matrix” in *Sums of Squares* for computational details on construction of type III test matrices.

### Test of Parallel Lines Assumption

Consider an alternative model for the specified cumulative link model by allowing different regression parameters  $\beta^{(k)} = (\beta_1^{(k)}, \dots, \beta_p^{(k)})'$  for the first  $K-1$  response categories:

$$\text{link}(P(Y \leq k|\mathbf{x})) = \theta_k - \beta^{(k)}\mathbf{x}$$

The alternative model then contains parameters with threshold parameters and regression parameters. Cumulative link model is a restriction of the alternative model based on the assumption of parallel lines corresponding to the following null hypothesis:

$$H_0 : \beta^{(1)} = \dots = \beta^{(K-1)}$$

We conduct test of this hypothesis by estimating the parameters of the alternative model and applying a Wald type test for  $\mathbf{L}\mathbf{B}_A = \mathbf{0}$  with the contrast matrix  $\mathbf{L}$  given by

$$\mathbf{L} = \begin{bmatrix} \mathbf{L}^{(1)} \\ \vdots \\ \mathbf{L}^{(p)} \end{bmatrix}$$

where each  $\mathbf{L}^{(t)}, t = 1, \dots, p$  is a  $(K-2) \times (p+1)(K-1)$  matrix containing pairwise contrasts for parameter  $t$  between the first and the rest of the regression equations for corresponding responses.

See “Complex Samples: Model Testing” for details of conducting an appropriate Wald test. There are several testing options available, but they all require previously computed alternative model parameter estimates  $\hat{\mathbf{B}}_A$  as well as their covariance matrix  $\hat{\mathbf{V}}(\hat{\mathbf{B}}_A)$ . For some of the options, covariance matrix  $\hat{\mathbf{V}}_{sts}(\hat{\mathbf{B}}_A)$  must be computed as well.

See Peterson and Harrell (1990) for a discussion of the alternative model.

### Estimation of the Alternative Model

Algorithm applied for computing solution of the alternative model  $\hat{\mathbf{B}}_A$  is similar to the algorithm for the restricted cumulative link model  $\hat{\mathbf{B}}$ . The main difference is in computation of estimating equations and second derivatives appropriate for the alternative model. They are outlined below.

Expressions  $\frac{\partial \hat{l}_A}{\partial \theta_k}, \frac{\partial^2 \hat{l}_A}{\partial \theta_j \partial \theta_k}$  and expected  $\frac{\partial^2 \hat{l}_A}{\partial \theta_j \partial \theta_k}$  for  $j, k=1, \dots, K-1$  are identical to their restricted model counterparts.

Estimating equations for alternative model regression parameters are given by

$$\frac{\partial \hat{l}_A}{\partial \beta_t^{(k)}} = \sum_{i=1}^n -w_i \frac{\partial \gamma_{i,k}}{\partial \eta_{i,k}} \left( \frac{y_{i,k}}{\pi_{i,k}} - \frac{y_{i,k+1}}{\pi_{i,k+1}} \right) x_{i,t} = 0, k = 1, \dots, K-1, t = 1, \dots, p$$

Derivatives of the estimated scores for the alternative model are given by:

$$\frac{\partial^2 \hat{l}_A}{\partial \theta_j \partial \beta_t^{(k)}} = \sum_{i=1}^n f_{i,j,k,t} \text{ and } \frac{\partial^2 \hat{l}_A}{\partial \beta_u^{(j)} \partial \beta_t^{(k)}} = - \sum_{i=1}^m f_{i,j,k,t} x_{i,u}, j, k = 1, \dots, K-1, t, u = 1, \dots, p$$

where

$$\begin{aligned} f_{i,j,k,t} = & \\ & -w_i \left[ \delta_{jk} \frac{\partial^2 \gamma_{i,k}}{\partial \eta_{i,k}^2} \pi_{i,k} - \frac{\partial \gamma_{i,k}}{\partial \eta_{i,k}} \left( \delta_{jk} \frac{\partial \gamma_{i,k}}{\partial \eta_{i,k}} - \delta_{jk-1} \frac{\partial \gamma_{i,k-1}}{\partial \eta_{i,k-1}} \right) \right] \frac{y_{i,k}}{\pi_{i,k}^2} x_{i,t} + \\ & w_i \left[ \delta_{jk} \frac{\partial^2 \gamma_{i,k}}{\partial \eta_{i,k}^2} \pi_{i,k+1} - \frac{\partial \gamma_{i,k}}{\partial \eta_{i,k}} \left( \delta_{jk+1} \frac{\partial \gamma_{i,k+1}}{\partial \eta_{i,k+1}} - \delta_{jk} \frac{\partial \gamma_{i,k}}{\partial \eta_{i,k}} \right) \right] \frac{y_{i,k+1}}{\pi_{i,k+1}^2} x_{i,t}, \\ & i = 1, \dots, m, j, k = 1, \dots, K-1, t = 1, \dots, p \end{aligned}$$

Expected derivatives of the estimated scores for alternative model are given by the following expressions:

$$\frac{\partial^2 \hat{l}_A}{\partial \theta_j \partial \beta_t^{(k)}} = \sum_{i=1}^n e_{i,j,k,t} \text{ and } \frac{\partial^2 \hat{l}_A}{\partial \beta_u^{(j)} \partial \beta_t^{(k)}} = - \sum_{i=1}^m e_{i,j,k,t} x_{i,u}, j, k = 1, \dots, K-1, t, u = 1, \dots, p$$

where

$$\begin{aligned} e_{i,j,k,t} = & \\ & w_i \left[ \left( \delta_{jk} \frac{\partial \gamma_{i,k}}{\partial \eta_{i,k}} - \delta_{jk-1} \frac{\partial \gamma_{i,k-1}}{\partial \eta_{i,k-1}} \right) \frac{1}{\pi_{i,k}} - \left( \delta_{jk+1} \frac{\partial \gamma_{i,k+1}}{\partial \eta_{i,k+1}} - \delta_{jk} \frac{\partial \gamma_{i,k}}{\partial \eta_{i,k}} \right) \frac{1}{\pi_{i,k+1}} \right] \frac{\partial \gamma_{i,k}}{\partial \eta_{i,k}} x_{i,t} \\ & i = 1, \dots, m, j, k = 1, \dots, K-1, t = 1, \dots, p \end{aligned}$$

Initial values for threshold and regression parameters in the alternative model are taken as the final estimated parameters in the restricted model.

Solution of the alternative model  $\hat{\mathbf{B}}_A$  is provided as an optional output.

## Predicted Values

For a predictor design vector  $\mathbf{x}_i$  and estimated parameters  $(\hat{\theta}, \hat{\beta})$ , the predicted probability for each response category is denoted by  $\hat{\pi}_{ik}$ ,  $i, k, k = 1, \dots, K$ . The predicted category  $c(\mathbf{x}_i)$  is the one with the highest predicted probability; that is,

$$c(\mathbf{x}_i) = \arg \max_k \hat{\pi}_{i,k}$$

If there is a tie in determining  $c(\mathbf{x}_i)$ , choose the category with

1. higher  $\hat{N}_k = \sum_{i=1}^n w_i y_{ik}$

2. If there is still a tie, choose the one with higher  $n_k = \sum_{i=1}^n y_{ik}$
3. If there is still a tie, choose the one with lower category number.

### **Classification table**

A two-way classification table is constructed with  $(k,l)$ th element,  $k,l=1,\dots,K$ , being the sum of weights  $w_i$  for the sample elements  $i$  whose actual response category is  $k$  and predicted response category is  $l$  respectively.

### **Predictions for new or incomplete records**

Predicted probabilities and category are also computed for the records not used in the analysis, but having non-missing values for all the model predictors and subpopulation variable if any. An additional requirement is that given predictor values could be properly parametrized by using only the existing model parameters.

### **Cumulative odds ratios**

Given user specified design vectors  $\mathbf{x}_1$  and  $\mathbf{x}_2$ , the ratio of cumulative odds at  $\mathbf{x}_1$  to cumulative odds at  $\mathbf{x}_2$  is computed for cumulative logistic link. For response category  $k=1,\dots,K-1$

$$or(\mathbf{x}_1, \mathbf{x}_2) = \frac{P(Y \leq k | \mathbf{x}_1) / P(Y > k | \mathbf{x}_1)}{P(Y \leq k | \mathbf{x}_2) / P(Y > k | \mathbf{x}_2)} = \exp\left(-\beta'(\mathbf{x}_1 - \mathbf{x}_2)\right)$$

Notice that cumulative odds for this particular link do not depend on the response category  $k$ . Because of this property, ordinal response model with cumulative logistic link is also called a proportional odds model.

A level  $1-\alpha$  confidence interval for  $or(\mathbf{x}_1, \mathbf{x}_2)$  is given by

$$\exp\left[\hat{C} \pm SE(\hat{C}) t_{df}(1 - \alpha/2)\right]$$

where

$$\hat{C} = -\hat{\beta}'(\mathbf{x}_1 - \mathbf{x}_2)$$

and

$$SE(\hat{C}) = \sqrt{(\mathbf{x}_1 - \mathbf{x}_2)' Var(\hat{\beta})(\mathbf{x}_1 - \mathbf{x}_2)}$$

Given a factor we compute odds ratios for all its categories relative to the reference category. If a covariate is specified, we compute odds ratios for its unit change. Other factors are held fixed at their respective reference categories, while other covariates are held fixed at their mean values, unless requested differently by the user.

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# CSSELECT Algorithms

This document describes the algorithm used by CSSELECT to draw samples according to complex designs. The data file does not have to be sorted. Population units can appear more than once in the data file and they do not have to be in a consecutive block of cases.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$N$	Population size
$n$	Sample size
$f$	Sampling fraction
$h_i$	Hit counts of $i$ th population unit ( $i=1,\dots,N$ ).
$M_i$	Size measure of $i$ th population unit ( $i=1,\dots,N$ ).
$M$	Total size. $M = \sum_{i=1}^N M_i$
$p_i$	$p_i = \frac{M_i}{M}$ is the relative size of $i$ th population unit ( $i=1,\dots,N$ )

## Stratification

Stratification partitions the sampling frame into disjoint sets. Sampling is carried out independently within each stratum. Therefore, without loss of generality, the algorithm described in this document only considers sampling from one population.

In the first stage of selection, the sampling frame is partitioned by the stratification variables specified in stage 1. In the second stage, the sampling frame is stratified by first-stage strata and cluster variables as well as strata variables specified in stage 2. If sampling with replacement is used in the first stage, the first-stage duplication index is also one of the stratification variables. Stratification of the third stage continues in a like manner.

## Population Size

Sampling units in a population are identified by all unique level combinations of cluster variables within a stratum. Therefore, the population size  $N$  of a stratum is equal to the number of unique level combinations of the cluster variables within a stratum. When a sampling unit is selected, all cases having the same sampling unit identifier are included in the sample. If no cluster variable is defined, each case is a sampling unit.

## Sample Size

CSSELECT uses a fixed sample size approach in selecting samples. If the sample size is supplied by the user, it should satisfy  $0 \leq n \leq N$  for any without replacement design and  $n \geq 0$  for any with replacement design.

If a sampling fraction  $f$  is specified, it should satisfy  $0 < f \leq 1$  for any without replacement design and  $f > 0$  for any with replacement design. The actual sample size is determined by the formula  $n = \text{round}(f * N)$ . When the option RATEMINSIZE is specified, a sample size less than RATEMINSIZE is raised to RATEMINSIZE. Likewise, a sample size exceeding RATEMAXSIZE is lowered to RATEMAXSIZE.

## Simple Random Sampling

This algorithm selects  $n$  distinct units out of  $N$  population units with equal probability; see Fan, Muller & Rezucha (1962) for more information.

- Inclusion probability of  $i$ th unit =  $n/N$
- Sampling weight of  $i$ th =  $N/n$

### Algorithm

1. If  $f$  is supplied, compute  $n = \text{round}(f * N)$ .
2. Set  $k=0, i=0$  and start data scan.
3. Get a population unit and set  $k=k+1$ . If no more population units are left, terminate.
4. Test if  $k$ th unit should go into the sample.

Generate a uniform (0,1) random number  $U$ .

If  $(n - i) / (N - k + 1) > U$ ,  $k$ th population unit is selected and set  $i=i+1$ .

If  $i=n$ , terminate. Otherwise, go to step 3.

## Unrestricted Random Sampling

This algorithm selects  $n$  units out of  $N$  population units with equal probability and with replacement.

- Inclusion probability of  $i$ th unit =  $1 - (1 - 1/N)^n$
- Sampling weight of  $i$ th =  $N/n$ . (For use with Hansen-Hurwitz(1943) estimator)
- Expected number of hits of  $i$ th =  $n/N$

### Algorithm

1. Set  $i=0$  and initialize all hit counts to zero.
2. Generate an integer  $k$  between 1 and  $N$  uniformly.
3. Increase hit count of  $k$ th population unit by 1.
4. Set  $i=i+1$ .
5. If  $i=n$ , then terminate. Otherwise go to step 2.

At the end of the procedure, population units with hit count greater than zero are selected.

## Systematic Sampling

This algorithm selects  $n$  distinct units out of  $N$  population units. If the selection interval ( $N/n$ ) is not an integer, an exact fractional selection interval is used.

- Inclusion probability of a unit =  $n/N$
- Sampling weight =  $N/n$

### Algorithm

1. Draw a uniform (0,1) random number  $U$ .
2. Population units with indices  $\{i: i = \text{trunc}((U+k)*N/n)+1, k=0, \dots, n-1\}$  are included in the sample.

## Sequential Sampling (Chromy)

See the section on PPS sequential sampling. This algorithm is a special case of PPS Chromy with all size measures  $M_i$  equal.

## PPS Sampling without Replacement (Hanurav & Vijayan)

This algorithm selects  $n$  distinct units out of  $N$  population units with probability proportional to size without replacement. This method is first proposed by Hanurav (1967) and extended by Vijayan (1968) to the case of  $n > 2$ .

- Inclusion probability of  $i$ th unit =  $np_i$
- Sampling weight of  $i$ th unit =  $\frac{1}{np_i}$
- Special requirement:  $\max M_i \leq \frac{M}{n}$

### Algorithm (Case 1)

This algorithm assumes that the population units are sorted by  $M_i$ ; that is,  $M_1 \leq M_2 \leq \dots \leq M_N$  with the additional assumption that  $M_{N-n+1} = M_N$ .

1. Compute the probabilities  $\theta_j = \frac{n(p_{N-n+j+1} - p_{N-n+j})(S + jp_{N-n+1})}{S}, j=1, \dots, n$ , where  $S = \sum_{k=1}^{N-n} p_k$ .
2. Select one integer from  $1, \dots, n$  with probability proportional to  $\theta_j$ .
3. If the integer selected is  $i$ , then the last  $(n-i)$  population units are selected.
4. Define a new set of probabilities for the first  $(N-n+i)$  population units.
 
$$p_j^* = \frac{p_j}{S + ip_{N-n+1}}, 1 \leq j \leq N - n + 1$$

$$= \frac{p_{N-n+1}}{S + ip_{N-n+1}}, N - n + 1 < j \leq N - n + i$$
5. Define  $P_j = \frac{M_j}{(M_{j+1} + \dots + M_{N-n+i})}, j = 1, \dots, N - n + i - 1$

6. Set  $m=1$  and select one unit from the first  $(N-n+1)$  population units with probability proportional to
 
$$a_1 = ip_1^*$$

$$a_j = np_j^* \prod_{k=1}^{j-1} [1 - (i-1)P_k], j = 2, \dots, N-n+1$$
7. Denote the index of the selected unit by  $j_m$ .
8. Set  $m=m+1$  and select one unit from the  $(j_{m-1}+1)$ th to  $(N-n+m)$ th population units with the following revised probabilities
 
$$a_{j_{m-1}+1} = (i-m+1)p_{j_{m-1}+1}^*$$

$$a_j = (i-m+1)p_j^* \prod_{k=j_{m-1}+1}^{j-1} [1 - (i-m)P_k], j = j_{m-1}+2, \dots, N-n+m$$
9. Denote the selected unit in step 8 by  $j_m$ .
10. If  $m=i$ , terminate. Otherwise, go to step 8. At the end of the algorithm, the last  $(n-i)$  units and units with indices  $j_1, \dots, j_i$  are selected.

### Joint Inclusion Probabilities (Case 1)

The joint inclusion probabilities of unit  $i$  and unit  $j$  in the population ( $1 \leq i < j \leq N$ ) is given by

$$\pi_{ij} = \sum_{r=1}^n \theta_r K_{ij}^{(r)}$$

where

$$K_{ij}^{(r)} = \begin{cases} 1 & \text{if } N-1 \geq i > N-n+r, \\ \frac{rp_{N-n+1}}{S+rp_{N-n+1}} & \text{if } N-n+r \geq i > N-n \text{ and } j > N-n+r, \\ \frac{rp_i}{S+rp_{N-n+1}} & \text{if } N-n \geq i > 0 \text{ and } j > N-n+r, \\ \pi_{ij}^{(r)} & \text{if } j \leq N-n+r. \end{cases}$$

$\pi_{ij}^{(r)}$ 's are the conditional joint inclusion probabilities given that the last  $(n-r)$  units are selected at step 3. They can be computed by the following formula

$$\pi_{ij}^{(r)} = r(r-1) \left(1 - P_1^{(r)}\right) \dots \left(1 - P_{i-1}^{(r)}\right) P_i^{(r)} p_j^{(r)}$$

where

$$p_k^{(r)} = \begin{cases} \frac{p_k}{S+rp_{N-n+1}} & \text{if } k \leq N-n+1 \\ \frac{p_{N-n+1}}{S+rp_{N-n+1}} & \text{if } N-n+1 < k \leq N-n+r \end{cases}$$

and

$$P_k^{(r)} = \frac{p_k^{(r)}}{(p_{k+1}^{(r)} + \dots + p_{N-n+r}^{(r)})}$$

*Note:* There is a typo in (3.5) of Vijayan(1967) and (3.3) of Fox(1989). The factor  $(1/2)$  should not be there. See also Golmant (1990) and Watts (1991) for other corrections.

### Algorithm (Case 2)

This algorithm assumes that the population units are sorted by  $M_i$  with the order  $M_1 \leq M_2 \leq \dots \leq M_N$  and the additional assumption  $M_{N-n+1} = M_N$ .

1. Define the probabilities

$$P_j = \frac{M_j}{(M_{j+1} + \dots + M_N)}, j = 1, \dots, N-1$$

2. Select one unit from the first  $(N-n+1)$  population units with probability proportional to

$$a_1 = np_1$$

$$a_j = np_j \prod_{k=1}^{j-1} [1 - (n-1)P_k], j = 2, \dots, N-n+1$$

3. Set  $m=1$  and denote the index of the selected unit by  $j_m$ .
4. Set  $m=m+1$ .
5. Select one unit from the  $(j_{m-1} + 1)$ th to the  $(N-n+m)$ th population unit with probability proportional to

$$a_{j_{m-1}+1} = (n-m+1)p_{j_{m-1}+1}$$

$$a_j = (n-m+1)p_j \prod_{k=j_{m-1}+1}^{j-1} [1 - (n-m)P_k], j = j_{m-1} + 2, \dots, N-n+m$$

6. Denote the index of the unit selected in step 5 by  $j_m$ .
7. If  $m=n$ , terminate. Otherwise, go to step 4.

At the end of the algorithm, population units with indices  $j_1, \dots, j_n$  are selected.

### Joint Inclusion Probabilities (Case 2)

Joint inclusion probabilities  $\pi_{ij}$  of unit  $i$  and unit  $j$  in the population ( $1 \leq i < j \leq N$ ) are given by  $\pi_{ij} = n(n-1)(1-P_1) \dots (1-P_{i-1})P_i p_j$ .

### PPS Sampling with Replacement

This algorithm selects  $n$  units out of  $N$  population units with probability proportional to size and with replacement. Any units may be sampled more than once.

- Inclusion probability of  $i$ th unit =  $1 - (1 - p_i)^n$
- Sampling weight of  $i$ th unit =  $\frac{1}{np_i}$ . (For use with Hansen-Hurwitz(1943) estimator)
- Expected number of hits of  $i$ th unit =  $np_i$

### Algorithm

1. Compute total size  $M = \sum_{i=1}^N M_i$ .
2. Generate  $n$  uniform  $(0, M)$  random numbers  $U_1, \dots, U_n$ .

3. Compute hit counts of  $i$ th population unit  $h_i = \text{card} \{U_j : M_{i-1}^* < U_j \leq M_i^*, j = 1, \dots, n\}$ , where  $\text{card}\{\}$  is the number of elements in the set,  $M_0 = 0$ , and  $M_i^* = \sum_{k=1}^i M_k$

At the end of the algorithm, population units with hit count  $m_i > 0$  are selected.

## PPS Systematic Sampling

This algorithm selects  $n$  units out of  $N$  population units with probability proportional to size. If the size of the  $i$ th unit  $M_i$  is greater than the selection interval, the  $i$ th unit is sampled more than once.

- Inclusion probability of  $i$ th unit =  $np_i$
- Sampling weight of  $i$ th unit =  $\frac{1}{np_i}$
- Expected number of hits of  $i$ th unit =  $np_i$ . In order to ensure no duplicates in the sample, the condition  $\max M_i \leq \frac{M}{n}$  is required.

### Algorithm

1. Compute cumulated sizes  $M_i^* = \sum_{k=1}^i M_k$ .
2. Compute the selection interval  $I=M/n$ .
3. Generate a random number  $S$  from  $\text{uniform}(0,I)$ .
4. Generate the sequence  $\{S_j : S_j = S + (j - 1)I, j = 1, \dots, n\}$ .
5. Compute hit counts of  $i$ th population unit  $h_i = \text{card} \{M_{i-1}^* < S_j \leq M_i^*, j = 1, \dots, n\}$ ,  $k=1, \dots, N$ , where  $\text{card}\{\}$  is the number of elements in the set.

At the end of the algorithm, population with hit counts  $h_i > 0$  are selected.

## PPS Sequential Sampling (Chromy)

This algorithm selects  $n$  units from  $N$  population units sequentially proportional to size with minimum replacement. This method is proposed by Chromy (1979).

- Inclusion probability of  $i$ th unit =  $np_i$
- Sampling weight of  $i$ th unit =  $\frac{1}{np_i}$
- Maximum number of hits of  $i$ th unit =  $\text{trunc}(np_i) + 1$
- Applying the restriction  $\max M_i \leq \frac{M}{n}$  ensures maximum number of hits is equal to 1.

### Algorithm

1. Select one unit from the population proportional to its size  $M_i$ . The selected unit receives a label 1. Then assign labels sequentially to the remaining units. If the end of the list is encountered, loop back to the beginning of the list until all  $N$  units are labeled. These labels are the index  $i$  in the subsequent steps.

2. Compute the integer part of expected hit counts  $I_i = \text{trunc}(M_i^*)$ , where  $M_i^* = \sum_{k=1}^i M_k$ ,  $i=1, \dots, N$ .
  3. Compute the fractional part of expected hit counts  $F_i = M_i^* - I_i$ ,  $i=1, \dots, N$ .
  4. Define  $I_0 = 0$ ,  $F_0 = 0$  and  $T_0 = 0$ .
  5. Set  $i=1$ .
  6. If  $T_{i-1} = I_{i-1}$ , go to step 8.
  7. If  $T_{i-1} = I_{i-1} + 1$  go to step 9.
  8. Determine accumulated hits at  $i$ th step (case 1).  
 Set  $T_i = I_i$ .  
 If  $F_i > F_{i-1}$ , set  $T_i = T_i + 1$  with probability  $(F_i - F_{i-1}) / (1 - F_{i-1})$ .  
 Set  $i=i+1$ .  
 If  $i > N$ , terminate. Otherwise go to step 6.
  9. Determine accumulated hits at  $i$ th step (case 2).  
 Set  $T_i = I_i$ .  
 If  $F_i > F_{i-1}$ , set  $T_i = T_i + 1$ .  
 If  $F_{i-1} \geq F_i$ , set  $T_i = T_i + 1$  with probability  $F_i / F_{i-1}$ .  
 Set  $i=i+1$ .  
 If  $i > N$ , terminate. Otherwise go to step 6.
- At the end of the algorithm, number of hits of each unit can be computed by the formula  $h_i = T_i - T_{i-1}$ ,  $i=1, \dots, N$ . Units with  $h_i > 0$  are selected.

## PPS Sampford's Method

Sampford's (1967) method selects  $n$  units out of  $N$  population units without replacement and probabilities proportional to size.

- Inclusion probability of  $i$ th unit =  $np_i$
- Sampling weight of  $i$ th unit =  $\frac{1}{np_i}$
- Special requirement:  $\max M_i < \frac{M}{n}$

### Algorithm

1. If  $\max M_i < \frac{M}{n}$ , then go to step 2, otherwise go to step 5.
2. Select one unit with probability proportional to  $p_i$ ,  $i=1, \dots, N$ .
3. Select the remaining  $(n-1)$  units with probabilities proportional to  $\frac{p_i}{1-np_i}$ ,  $i=1, \dots, N$ .

4. If there are duplicates, reject the sample and go to step 2. Otherwise accept the selected units and stop.
5. If  $N = n$  and the  $M_i$ 's are constant, then select all units in the population and set all sampling weights, 1st and 2nd order inclusion probabilities to 1.

### Joint Inclusion Probabilities

First define the following quantities:

$$\lambda_i = \frac{p_i}{(1-np_i)}, \quad i=1, \dots, N$$

$$R_r = \sum_{k=1}^N \lambda_k^r, \quad r=1, \dots, n$$

$$L_0 = L_{0,ij} = 1, \quad i,j=1, \dots, N$$

$$L_m = \frac{1}{m} \sum_{k=1}^m (-1)^{k-1} R_k L_{m-k}, \quad m=1, \dots, n$$

$$L_{m,ij} = L_m - (\lambda_i + \lambda_j) L_{m-1,ij} - \lambda_i \lambda_j L_{m-2,ij}, \quad m=1, \dots, n, \quad i,j=1, \dots, N$$

$$K_n = \left( \sum_{k=1}^n \frac{k L_{n-k}}{n^k} \right)^{-1}$$

Given the above quantities, the joint inclusion probability of the  $i$ th and  $j$ th population units is

$$\pi_{ij} = K_n \lambda_i \lambda_j \sum_{k=2}^n \frac{[k - n(p_i + p_j)] L_{n-k,ij}}{n^{k-2}}$$

### PPS Brewer's Method ( $n=2$ )

Brewer's (1963) method is a special case of Sampford's method when  $n=2$ .

### PPS Murthy's Method ( $n=2$ )

Murthy's (1957) method selects two units out of  $N$  population units with probabilities proportional to size without replacement.

- Inclusion probability of  $i$ th unit =  $p_i \left( 1 - \frac{p_i}{1-p_i} + \sum_{k=1}^N \frac{p_k}{1-p_k} \right)$
- Sampling weight of  $i$ th unit = inverse of inclusion probability

### Algorithm

1. Select first unit from the population with probabilities  $p_k, k=1, \dots, N$ .

2. If the first selected unit has index  $i$ , then select second unit with probabilities  $p_k / (1 - p_i)$ ,  $k \neq i$ .

### **Joint Inclusion Probabilities**

The joint inclusion probability of population units  $i$  and  $j$  is given by

$$\pi_{ij} = p_i p_j (2 - p_i - p_j) / (1 - p_i) (1 - p_j)$$

### **Saved Variables**

STAGEPOPSIZE saves the population sizes of each stratum in a given stage.

STAGESAMPSIZE saves the actual sample sizes of each stratum in a given stage. See the “Sample Size” section for details on sample size calculations.

STAGESAMPRATE saves the actual sampling rate of each stratum in a given stage. It is computed by dividing the actual sample size by the population size. Due to the use of rounding and application of RATEMINSIZE and RATEMAXSIZE on sample size, the resulting STAGESAMPRATE may be different from sampling rate specified by the user.

STAGEINCLPROB saves stage inclusion probabilities. These depend on the selection method. The formulae are given in the individual sections of each selection method.

STAGEWEIGHT saves the inverse of stage inclusion probabilities.

SAMPLEWEIGHT saves the product of previous weight (if specified) and all the stage weights.

STAGEHITS saves the number of times a unit is selected in a given stage. When a WOR method is used the value is always 0 or 1. When a WR method is used it can be any nonnegative integer.

SAMPLEHITS saves the number of times an ultimate sampling unit is selected. It is equal to STAGEHITS of the last specified stage.

STAGEINDEX saves an index variable used to differentiate duplicated sampling units resulted from sampling with replacement. STAGEINDEX ranges from one to number of hits of a selected unit.

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# CSTABULATE Algorithms

This document describes the algorithms used in the complex sampling estimation procedure CSTABULATE.

Complex sample data must contain both the values of the variables to be analyzed and the information on the current sampling design. The sampling design includes the sampling method, strata and clustering information, inclusion probabilities and the overall sampling weights.

The sampling design specification for CSTABULATE may include up to three stages of sampling. Any of the following general sampling methods may be assumed in the first stage: random sampling with replacement, random sampling without replacement and equal probabilities and random sampling without replacement and unequal probabilities. The first two sampling methods can also be specified for the second and the third sampling stage.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$H$	Number of strata.
$n_h$	Sampled number of primary sampling units (PSU) per stratum.
$f_h$	Sampling rate per stratum.
$m_{hi}$	Number of elements in the $i$ th sampled unit in stratum $h$ .
$w_{hij}$	Overall sampling weight for the $j$ th element in the $i$ th sampled unit in stratum $h$ .
$y_{hij}$	Value of variable $y$ for the $j$ th element in the $i$ th sampled unit in stratum $h$ .
$Y$	Population total sum for variable $y$ .
$n$	Total number of elements in the sample.
$N$	Total number of elements in the population.

## Weights

Overall weights specified for each ultimate element are processed as given. See “Weights” in *Complex Samples: Covariance Matrix of Total* for more information on weights and variance estimation methods.

## Z Expressions

For variables  $y$  and  $y'$ :

$$z_{hij} = w_{hij}y_{hij}, z'_{hij} = w_{hij}y'_{hij}$$

$$z_{hi} = \sum_{j=1}^{m_{hi}} z_{hij}, z'_{hi} = \sum_{j=1}^{m_{hi}} z'_{hij}$$

$$\bar{z}_h = \frac{1}{n_h} \sum_{i=1}^{n_h} z_{hi}, \quad \bar{z}'_h = \frac{1}{n_h} \sum_{i=1}^{n_h} z'_{hi}$$

$$S_h^2(y, y') = \frac{1}{n_h - 1} \sum_{i=1}^{n_h} (z_{hi} - \bar{z}_h) (z'_{hi} - \bar{z}'_h)$$

For multi-stage samples, the index  $h$  denotes a stratum in the given stage, and  $i$  stands for unit from  $h$  in the same stage. The index  $j$  runs over all final stage elements contained in unit  $hi$ .

## Variable Total

An estimate for the population total of variable  $y$  in a single-stage sample is the weighted sum over all the strata and all the clusters:

$$\hat{Y} = \sum_{h=1}^H \sum_{i=1}^{n_h} \sum_{j=1}^{m_{hi}} w_{hij} y_{hij}$$

Alternatively, we compute the weighted sum over all the elements in the sample:

$$\hat{Y} = \sum_{i=1}^n w_i y_i$$

The latter expression is more general as it also applies to multi-stage samples.

## Variables Total Covariance

For a multi-stage sample containing a with replacement sampling stage, all specifications other than weights are ignored for the subsequent stages. They make no contribution to the variance estimates.

## Single Stage Sample

The covariance of the total for variables  $y$  and  $y'$  in a single-stage sample is estimated by the following:

$$\hat{C}(\hat{Y}, \hat{Y}') = \hat{C}_1(\hat{Y}, \hat{Y}') = \sum_{h=1}^H U_h(\hat{Y}, \hat{Y}')$$

where  $U_h(\hat{Y}, \hat{Y}')$  is an estimate contribution from stratum  $h$  and depends on the sampling method as follows:

- For sampling with replacement:  $U_h(\hat{Y}, \hat{Y}') = n_h S_h^2(y, y')$
- For simple random sampling:  $U_h(\hat{Y}, \hat{Y}') = (1 - f_h) n_h S_h^2(y, y')$
- For sampling without replacement and unequal probabilities:
$$U_h(\hat{Y}, \hat{Y}') = \sum_{i=1}^{n_h} \sum_{i>j}^{n_h} \left( \frac{\pi_{hi}\pi_{hj}}{\pi_{hij}} - 1 \right) (z_{hi} - z_{hj}) (z'_{hi} - z'_{hj})$$

$\pi_{hi}$  and  $\pi_{hj}$  are the inclusion probabilities for units  $i$  and  $j$  in stratum  $h$ , and  $\pi_{hij}$  is the joint inclusion probability for the same units. This estimator is due to Yates and Grundy (1953) and Sen (1953).

For each stratum  $h$  containing a single element, the covariance contribution  $U_h(\hat{Y}, \hat{Y}')$  is always set to zero.

## Two-stage Sample

When the sample is obtained in two stages and sampling without replacement is applied in the first stage, we use the following estimate for the covariance of the total for variables  $y$  and  $y'$ :

$$\hat{C}(\hat{Y}, \hat{Y}') = \hat{C}_2(\hat{Y}, \hat{Y}') = \hat{C}_1(\hat{Y}, \hat{Y}') + \sum_{h=1}^H \sum_{i=1}^{n_h} \pi_{hi} \sum_{k=1}^{K_{hi}} U_{hik}(\hat{Y}, \hat{Y}')$$

where

$\pi_{hi}$  is the first stage inclusion probability for the primary sampling unit  $i$  in stratum  $h$ . In the case of simple random sampling, the inclusion probability is equal to the sampling rate  $f_h$  for stratum  $h$ .

$K_{hi}$  is the number of second stage strata in the primary sampling unit  $i$  within the first stage stratum  $h$ .

$U_{hik}(\hat{Y}, \hat{Y}')$  is a covariance contribution from the second stage stratum  $k$  from the primary sampling unit  $hi$ . It depends on the second stage sampling method. The corresponding formula given in the ‘‘Single Stage Sample’’ section applies.

## Three-stage Sample

When the sample is obtained in three stages where sampling in the first stage is done without replacement and simple random sampling is applied in the second stage, we use the following estimate for the covariance of the total for variables  $y$  and  $y'$ :

$$\hat{C}(\hat{Y}, \hat{Y}') = \hat{C}_2(\hat{Y}, \hat{Y}') + \sum_{h=1}^H \sum_{i=1}^{n_h} \pi_{hi} \sum_{k=1}^{K_{hi}} f_{hik} \sum_{j=1}^{n_{hik}} \sum_{l=1}^{L_{hikj}} U_{hikjl}(\hat{Y}, \hat{Y}')$$

where

- $f_{hik}$  is the sampling rate for the secondary sampling units in the second stage stratum  $hik$ .
- $L_{hikj}$  is the number of third stage strata in the secondary sampling unit  $hikj$ .
- $U_{hikjl}(\hat{Y}, \hat{Y}')$  is a variance contribution from the third stage stratum  $l$  contained in the secondary sampling unit  $hikj$ . It depends on the third stage sampling method. The corresponding formula given in the ‘‘Single Stage Sample’’ section applies.

## Variable Total Variance

The variance of the total for variable  $y$  in a complex sample is estimated by

$$\hat{V}(\hat{Y}) = \hat{C}(\hat{Y}, \hat{Y})$$

with  $\hat{C}(\hat{Y}, \hat{Y})$  defined above.

## Population Size Estimation

An estimate for the population size corresponds to the estimate for the variable total; it is sum of the sampling weights. We have the following estimate for the single-stage samples:

$$\hat{N} = \sum_{h=1}^H \sum_{i=1}^{n_h} \sum_{j=1}^{m_{hi}} w_{hij}$$

More generally,

$$\hat{N} = \sum_{i=1}^n w_i$$

The variance of  $\hat{N}$  is obtained by replacing  $y_{hij}$  with 1; that is, by replacing  $z_{hij}$  with  $w_{hij}$  in the corresponding variance estimator formula for  $\hat{V}(\hat{Y})$ .

## Cell Estimates: One-Way Tables

Let the population be classified according to the values of a single categorical row variable and possibly one or more categorical variables in the layer. Categories for the row variable are enumerated by  $r=1, \dots, R$  and categories for the layer variables are given by  $l=1, \dots, L$ . Each combination of the values  $(r, l)$  defines a domain and a cell in the one-way table  $(r, l)$ ,  $r=1, \dots, R$ . For each cell we define a corresponding indicator variable:

$$\delta_{hij}(r, l) = \begin{cases} 1 & \text{if the sample unit } hij \text{ is in the cell } (r, l) \\ 0 & \text{otherwise} \end{cases}$$

## Sizes

To estimate a cell population size or a table population size, we replace  $y_i$  with  $\delta_i(r, l)$  in the formula for the population total and obtain the following expressions:

- Cell population size:  $\hat{N}(r, l) = \sum_{i=1}^n w_i \delta_i(r, l)$
- Table population size:  $\hat{N}(+, l) = \sum_{i=1}^n \sum_{r=1}^R w_i \delta_i(r, l)$

Similarly, in order to estimate variances of the above estimators, we substitute  $y_{hij}$  with  $\delta_{hij}(r,l)$  in the corresponding formula for the whole population. The following substitutions of  $z_{hij}$  in the formulas for  $\hat{V}(\hat{Y})$  are used for estimating the variances of these estimators:

- Cell population size:  $z_{hij}(r,l) = w_{hij}\delta_{hij}(r,l)$
- Table population size:  $z_{hij}(+,l) = \sum_{r=1}^R w_{hij}\delta_{hij}(r,l)$

## Proportions

A table proportion estimate is computed at each layer category as follows:

$$\hat{P}_{tab}(r,l) = \hat{N}(r,l) / \hat{N}(+,l)$$

This estimator is a ratio and we apply Taylor linearization formulas as suggested by Woodruff (1971). The following substitution of  $z_{hij}$  in the formulas for  $\hat{V}(\hat{Y})$  are used for estimating the variance of the table proportion at a given layer:

$$z_{hij}(r,l) = w_{hij} \frac{\delta_{hij}(r,l) - \delta_{hij}(+,l)\hat{P}_{tab}(r,l)}{\hat{N}(+,l)}$$

## Cell Estimates: Two-Way Tables

Let the population be cross-classified according to the values of a categorical row variable, a categorical column variable and possibly one or more categorical variables in the layer. Categories for the row variable are enumerated by  $r=1,\dots,R$  while categories for the column variable are denoted by  $c=1,\dots,C$  and categories for the layer variables are given by  $l=1,\dots,L$ . Each combination of values  $(r,c,l)$  defines a domain and a cell in the two-way table  $(r,c,l)$ . For each cell we define a corresponding indicator variable:

$$\delta_{hij}(r,c,l) = \begin{cases} 1 & \text{if the sample unit } hij \text{ is in the cell } (r,c,l) \\ 0 & \text{otherwise} \end{cases}$$

We will also use the following indicator notation:

- Row indicator:  $\delta_i(r,+,l) = \sum_{c=1}^C \delta_i(r,c,l)$
- Column indicator:  $\delta_i(+,c,l) = \sum_{r=1}^R \delta_i(r,c,l)$
- Table indicator:  $\delta_i(+,+,l) = \sum_{r=1}^R \sum_{c=1}^C \delta_i(r,c,l)$

## Sizes

To estimate various domain sizes, we substitute  $y_i$  with  $\delta_i$  in the corresponding formula for the whole population as follows:

- Cell population size:  $\hat{N}(r, c, l) = \sum_{i=1}^n w_i \delta_i(r, c, l)$
- Row population size:  $\hat{N}(r, +, l) = \sum_{i=1}^n w_i \delta_i(r, +, l)$
- Column population size:  $\hat{N}(+, c, l) = \sum_{i=1}^n w_i \delta_i(+, c, l)$
- Table population size:  $\hat{N}(+, +, l) = \sum_{i=1}^n w_i \delta_i(+, +, l)$

Similarly, in order to estimate variance of the above estimators, we substitute  $y_{hij}$  with  $\delta_{hij}$  in the corresponding formula for the whole population. The following substitutions of  $z_{hij}$  in the formulas for  $\hat{V}(\hat{Y})$  are used for estimating variances of:

- Cell population size:  $z_{hij}(r, c, l) = w_{hij} \delta_{hij}(r, c, l)$
- Row population size:  $z_{hij}(r, +, l) = w_{hij} \delta_{hij}(r, +, l)$
- Column population size:  $z_{hij}(+, c, l) = w_{hij} \delta_{hij}(+, c, l)$
- Table population size:  $z_{hij}(+, +, l) = w_{hij} \delta_{hij}(+, +, l)$

## Proportions

We define various proportion estimates to be computed as follows:

- Row population proportion:  $\hat{P}_{row}(r, c, l) = \hat{N}(r, c, l) / \hat{N}(r, +, l)$
- Column population proportion:  $\hat{P}_{col}(r, c, l) = \hat{N}(r, c, l) / \hat{N}(+, c, l)$
- Table population proportion:  $\hat{P}_{tab}(r, c, l) = \hat{N}(r, c, l) / \hat{N}(+, +, l)$
- Marginal column population proportion:  $\hat{P}_{mcol}(+, c, l) = \hat{N}(+, c, l) / \hat{N}(+, +, l)$
- Marginal row population proportion:  $\hat{P}_{mrow}(r, +, l) = \hat{N}(r, +, l) / \hat{N}(+, +, l)$

In order to estimate variances of the above estimators, again apply the Taylor linearization formulas as for the one-way tables. The following substitutions of  $z_{ij}$  in the formulas for  $\hat{V}(\hat{Y})$  are used for estimating variances of:

- Row population proportion:  $z_{hij}(r, c, l) = w_{hij} \frac{\delta_{hij}(r, c, l) - \delta_{hij}(r, +, l) \hat{P}_{row}(r, c, l)}{\hat{N}(r, +, l)}$
- Column population proportion:  $z_{hij}(r, c, l) = w_{hij} \frac{\delta_{hij}(r, c, l) - \delta_{hij}(+, c, l) \hat{P}_{col}(r, c, l)}{\hat{N}(+, c, l)}$
- Table population proportion:  $z_{hij}(r, c, l) = w_{hij} \frac{\delta_{hij}(r, c, l) - \delta_{hij}(+, +, l) \hat{P}_{tab}(r, c, l)}{\hat{N}(+, +, l)}$
- Marginal column population proportion:  $z_{hij}(+, c, l) = w_{hij} \frac{\delta_{hij}(+, c, l) - \delta_{hij}(+, +, l) \hat{P}_{mcol}(+, c, l)}{\hat{N}(+, +, l)}$
- Marginal row population proportion:  $z_{hij}(r, +, l) = w_{hij} \frac{\delta_{hij}(r, +, l) - \delta_{hij}(+, +, l) \hat{P}_{mrow}(r, +, l)}{\hat{N}(+, +, l)}$

## Standard Errors

Let  $Z$  denote any of the population or subpopulation quantities defined above: variable total, population size, ratio or mean. Then the standard error of an estimator  $\hat{Z}$  is the square root of its estimated variance:

$$\text{StdError}(\hat{Z}) = \sqrt{\hat{V}(\hat{Z})}$$

## Coefficient of Variation

The coefficient of variation of the estimator  $\hat{Z}$  is the ratio of its standard error and its value:

$$CV(\hat{Z}) = \frac{SE(\hat{Z})}{\hat{Z}}$$

The coefficient of variation is undefined when  $\hat{Z} = 0$ .

## Confidence Limits

A level  $1-\alpha$  confidence interval is constructed for a given  $0 \leq \alpha \leq 1$  for any domain size  $N_d$  defined earlier. The confidence bounds are defined as

$$\hat{N}_d \pm SE(\hat{N}_d) t_{\nu}(1 - \alpha/2)$$

where  $SE(\hat{N}_d)$  is the estimated standard error of  $\hat{N}_d$ , and  $t_{\nu}(1 - \alpha/2)$  is the  $100(1 - \alpha/2)$  percentile of the  $t$  distribution with  $\nu$  degrees of freedom.

## Proportions

For any domain proportion  $P_d$ , we use the logistic transformation  $f(p) = \ln(p/(1-p))$  and obtain the following  $1 - \alpha$  level confidence bounds for the transformed estimate:

$$\ln\left(\frac{\hat{P}_d}{1-\hat{P}_d}\right) \pm \frac{SE(\hat{P}_d)}{\hat{P}_d(1-\hat{P}_d)} t_{\nu}(1 - \alpha/2)$$

These bounds are transformed back to the original metric using the logistic inverse  $f^{-1}(y) = \exp(y)/(1 + \exp(y))$

## Degrees of Freedom

The degrees of freedom for the  $t$  distributions above is calculated as the difference between the number of primary sampling units and the number of strata in the first stage of sampling. This quantity is also referred to as the sample design degrees of freedom.

## Design Effects

### Size

The design effect  $Deff$  for a two-way table cell population size is estimated by

$$Deff = \frac{\hat{V}(\hat{N}(r,c,l))}{\hat{V}_{srs}(\hat{N}(r,c,l))}$$

$\hat{V}(\hat{N}(r,c,l))$  is an estimate of the variance of  $\hat{N}(r,c,l)$  under the complex sample design, while  $\hat{V}_{srs}(\hat{N}(r,c,l))$  is its estimate of variance under the simple random sampling assumption:

$$\hat{V}_{srs}(\hat{N}(r,c,l)) = (fpc) \frac{1}{n-1} \hat{N}(r,c,l) (\hat{N} - \hat{N}(r,c,l))$$

Assuming sampling without replacement we have  $fpc = \left(1 - \frac{n}{N}\right)$  given that  $\frac{n}{N} < 1$ , while for sampling with replacement we set  $fpc = 1$ . This assumption is independent of the sampling specified for the complex sample design based variance  $\hat{V}(\hat{N}(r,c,l))$ .

Computations of the design effects for the one-way table cells, as well as for the row, column and table population sizes are analogous to the one above.

### Proportions

$Deff$  for a two-way table population proportion is estimated by

$$Deff = \frac{\hat{V}(\hat{P}_{tab}(r,c,l))}{\hat{V}_{srs}(\hat{P}_{tab}(r,c,l))}$$

$\hat{V}(\hat{P}_{tab}(r,c,l))$  is an estimate of the variance of  $\hat{P}_{tab}(r,c,l)$  under the complex sample design, while  $\hat{V}_{srs}(\hat{P}_{tab}(r,c,l))$  is its estimate of variance under the simple random sampling assumption:

$$\hat{V}_{srs}(\hat{P}_{tab}(r,c,l)) = (fpc) \frac{\hat{N}}{n-1} \frac{\hat{P}_{tab}(r,c,l) (1 - \hat{P}_{tab}(r,c,l))}{\hat{N}(+,+,l)}$$

with  $fpc$  as specified earlier.

Computations of the design effects for one-way table proportions, as well as for the row, column, marginal row and marginal column population proportions are analogous to the one above.

Design effects for various estimates are computed only when the condition  $\frac{n}{N} < 1$  is satisfied.

### Design effect square root

We also compute the square root of a design effect  $\sqrt{Deff}$ .

Design effects and their applications have been discussed by Kish (1965) and Kish (1995).

## Tests of Independence for Two-Way Tables

Let the population be cross-classified according to the values of a categorical row variable, a categorical column variable and possibly one or more categorical variables in the layer. Categories for the row variable are enumerated by  $r=1, \dots, R$ , while categories for the column variable are denoted by  $c=1, \dots, C$ . When the layer variables are given we assume that their categories coincide with the strata in the first sampling stage. In the following we omit reference to the layers as the formulas apply for each stratum separately when needed.

We use a contrast matrix  $\mathbf{C}$  defined as follows. Let  $\mathbf{A}_R$  be the contrast matrix given by

$$\mathbf{A}_R = [\mathbf{I}_{R-1} | -\mathbf{1}_{R-1}]'$$

$\mathbf{I}_{R-1}$  is an identity matrix of size  $R-1$  and  $\mathbf{1}_{R-1}$  is a vector with  $R-1$  elements equal to 1. Define  $\mathbf{C}$  to be a  $RC \times (R-1)(C-1)$  matrix defined by the following Kronecker product:

$$\mathbf{C} = \mathbf{A}_R \otimes \mathbf{A}_C$$

### Adjusted Pearson Statistic

$$X^2 = n \sum_{r=1}^R \sum_{c=1}^C \frac{(\hat{P}(r, c) - \hat{P}(r, +) \hat{P}(+, c))^2}{\hat{P}(r, +) \hat{P}(+, c)}$$

Under the null hypothesis, the asymptotic distribution of  $X^2$  is generally not a chi-square distribution, so we perform an adjustment using the following  $\hat{\Delta}$  matrix:

$$\hat{\Delta} = n \left( \mathbf{C}' \mathbf{D}_{\hat{\mathbf{P}}}^{-1} \hat{\mathbf{M}} \mathbf{D}_{\hat{\mathbf{P}}}^{-1} \mathbf{C} \right)^{-1} \left( \mathbf{C}' \mathbf{D}_{\hat{\mathbf{P}}}^{-1} \hat{\mathbf{V}}(\hat{\mathbf{P}}) \mathbf{D}_{\hat{\mathbf{P}}}^{-1} \mathbf{C} \right)$$

$\hat{\mathbf{P}}$  is a vector and  $\mathbf{D}_{\hat{\mathbf{P}}}$  is a diagonal matrix of size  $RC$  containing elements  $\hat{P}(r, c)$ .  $\hat{\mathbf{M}} = [\hat{\mathbf{D}}_{\hat{\mathbf{P}}} - \hat{\mathbf{P}} \hat{\mathbf{P}}']$  is a multinomial covariance matrix estimating the asymptotic covariance of  $\hat{\mathbf{P}}$  under the simple random sampling design, while  $\hat{\mathbf{V}}(\hat{\mathbf{P}})$  estimates covariance matrix of  $\hat{\mathbf{P}}$  under the complex sampling design.

We use the F-based variant of the Rao and Scott's (1984) second-order adjustment

$$FX^2 = \frac{X^2}{tr \hat{\Delta}}$$

where

$$d = \frac{(tr \hat{\Delta})^2}{tr \hat{\Delta}^2}$$

This statistic has an approximate  $F(d, d\nu)$  distribution. Properties of this test are given in a review of simulation studies by Rao and Thomas (2003).

## Adjusted Likelihood Ratio Statistic

$$G^2 = 2n \sum_{r=1}^R \sum_{c=1}^C \hat{P}(r,c) \ln \left( \frac{\hat{P}(r,c)}{\hat{P}(r,+)\hat{P}(+,c)} \right)$$

The adjusted likelihood ratio statistic is computed in an analogous manner to the Pearson adjustment where  $\hat{\Delta}$  is the same as before and

$$FG^2 = \frac{G^2}{tr\hat{\Delta}}$$

where

$$d = \frac{(tr\hat{\Delta})^2}{tr\hat{\Delta}^2}$$

This statistic has an approximate  $F(d, d\nu)$  distribution.

## Residuals

Under the independence hypothesis, the expected table proportion estimates are given by  $\hat{E}(r,c) = \hat{P}(r,+)\hat{P}(+,c)$  and residual are defined as  $\hat{R}(r,c) = \hat{P}(r,c) - \hat{E}(r,c)$ .

Standardized residuals are computed by

$$\frac{\hat{R}(r,c)}{\sqrt{\hat{V}(\hat{R}(r,c))}}$$

where  $\hat{V}(\hat{R}(r,c))$  denotes the estimated residual variance.

Let  $\hat{M} = [\hat{D}_{\hat{P}} - \hat{P}\hat{P}']$  estimate the asymptotic covariance matrix under simple random sampling where  $\hat{P}$  and  $D_{\hat{P}}$  are defined as above.  $\mathbf{X}$  is another contrast matrix specified by

$$\mathbf{X} = [\mathbf{A}_R \otimes \mathbf{1}_C | \mathbf{1}_R \otimes \mathbf{A}_C]$$

Contrast matrices  $\mathbf{A}_R$  and  $\mathbf{A}_C$ , as well as the unit vectors  $\mathbf{1}_R$  and  $\mathbf{1}_C$ , are defined as earlier. Variance estimates for residuals are obtained from the diagonal of the following matrix:

$$\hat{V}(\hat{R}) = \left[ \mathbf{I} - \hat{M}\mathbf{X}(\mathbf{X}'\hat{M}\mathbf{X})^{-1}\mathbf{X}' \right] \hat{V}(\hat{P}) \left[ \mathbf{I} - \mathbf{X}(\mathbf{X}'\hat{M}\mathbf{X})^{-1}\mathbf{X}'\hat{M} \right]$$

## Odds Ratios and Risks

These statistics are computed only for 2x2 tables. If any layers are specified, they must correspond to the first stage strata.

Let  $\hat{N}_{11}$ ,  $\hat{N}_{12}$ ,  $\hat{N}_{21}$  and  $\hat{N}_{22}$  be the cell population size estimates,  $\hat{N}_{1+}$ ,  $\hat{N}_{2+}$ ,  $\hat{N}_{+1}$ , and  $\hat{N}_{+2}$  be marginal estimates and  $\hat{N}_{++}$  the population size estimate.

## Estimates and Variances

The odds ratio is defined by the following expression:

$$OR = \frac{\hat{N}_{11}\hat{N}_{22}}{\hat{N}_{12}\hat{N}_{21}}$$

Relative risks are defined by

$$RR_1 = \frac{\hat{N}_{11}/\hat{N}_{1+}}{\hat{N}_{21}/\hat{N}_{2+}} \text{ and } RR_2 = \frac{\hat{N}_{12}/\hat{N}_{1+}}{\hat{N}_{22}/\hat{N}_{2+}}$$

Risk differences are given by

$$D_1 = \frac{\hat{N}_{11}}{\hat{N}_{1+}} - \frac{\hat{N}_{21}}{\hat{N}_{2+}} \text{ and } D_2 = \frac{\hat{N}_{12}}{\hat{N}_{1+}} - \frac{\hat{N}_{22}}{\hat{N}_{2+}}$$

The following substitutions of  $z_{ij}$  in the formulas for  $\hat{V}(\hat{Y})$  are used for estimating variances:

- Odds ratio:  $z_{hij}(r, c) = w_{hij} \left( \frac{\delta_{hij}(1,1)}{\hat{N}_{11}} - \frac{\delta_{hij}(1,2)}{\hat{N}_{12}} - \frac{\delta_{hij}(2,1)}{\hat{N}_{21}} + \frac{\delta_{hij}(2,2)}{\hat{N}_{22}} \right) \times OR$
- Risk ratio  $RR_1$ :  $z_{hij}(r, c) = w_{hij} \left( \frac{\delta_{hij}(1,1)\hat{N}_{12}}{\hat{N}_{11}\hat{N}_{1+}} - \frac{\delta_{hij}(1,2)}{\hat{N}_{1+}} - \frac{\delta_{hij}(2,1)\hat{N}_{22}}{\hat{N}_{21}\hat{N}_{2+}} + \frac{\delta_{hij}(2,2)}{\hat{N}_{2+}} \right) \times RR_1$
- Risk difference  $D_1$ :  $z_{hij}(r, c) = w_{hij} \left( \frac{\delta_{hij}(1,1)\hat{N}_{12} - \delta_{hij}(1,2)\hat{N}_{11}}{\hat{N}_{1+}^2} - \frac{\delta_{hij}(2,1)\hat{N}_{22} - \delta_{hij}(2,2)\hat{N}_{21}}{\hat{N}_{2+}^2} \right)$

The estimations of variance for  $RR_2$  and  $D_2$  are performed using similar substitutions.

## Confidence Limits

A level  $1-\alpha$  confidence interval is constructed for a given  $0 \leq \alpha \leq 1$  for odds ratio, risk ratio and risk difference in every table.

For the odds ratio or risk ratio  $R$  we use the logarithm transformation and obtain the confidence bounds

$$\ln(\hat{R}) \pm \frac{SE(\hat{R})}{\hat{R}} t_{\nu} (1 - \alpha/2)$$

These bounds are transformed back to the original metric using the exponential function. No transformations are used when estimating confidence bounds for a risk difference  $D$ :

$$\hat{D} \pm SE(\hat{D}) t_{\nu} (1 - \alpha/2)$$

## Tests of Homogeneity for One-Way Tables

Let the population be classified according to the values of a categorical row variable and possibly one or more categorical variables in the layer. Categories for the row variable are enumerated by  $r=1, \dots, R$ . When the layer variables are given we assume that their categories coincide with the strata in the first sampling stage. In the following we omit references to the layers as the formulas apply for each stratum separately when needed.

We study proportions  $P(r) = N(r)/N(+)$ . The test of homogeneity consists of testing the null hypotheses  $H_0: P(r) = 1/R$  for  $r=1, \dots, R$ .

### Adjusted Pearson Statistic

We perform an adjusted Pearson statistic test for testing the homogeneity. The Pearson test statistic is computed according to the following standard formula:

$$X^2 = n \sum_{r=1}^R R \left( \hat{P}(r) - 1/R \right)^2$$

Under the null hypothesis, the asymptotic distribution of  $X^2$  is generally not a chi-square distribution, so we perform an adjustment using the following  $\hat{\Delta}$  matrix:

$$\hat{\Delta} = n \left( \hat{M} \left( \hat{P}_0 \right) \right)^{-1} \hat{V} \left( \hat{P}_0 \right)$$

$\hat{V} \left( \hat{P}_0 \right)$  is the estimated covariance matrix under the complex sample design, while  $\hat{M} \left( \hat{P}_0 \right)$  is an estimated asymptotic covariance matrix under the simple random sampling given by

$$\hat{M} \left( \hat{P}_0 \right) = \left[ \text{diag} \left( \hat{P}_0 \right) - \hat{P}_0 \hat{P}_0' \right]$$

where  $\hat{P}_0$  is a vector and  $\text{diag} \left( \hat{P}_0 \right)$  is a diagonal matrix of size  $R-1$  containing elements  $\hat{P}(r)$ ,  $r=1, \dots, R-1$ .

We use the  $F$ -based variant of the Rao and Scott's (1984) second-order adjustment

$$FX^2 = \frac{X^2}{\text{tr} \hat{\Delta}}$$

where

$$d = \frac{(\text{tr} \hat{\Delta})^2}{\text{tr} \hat{\Delta}^2}$$

This statistic has an asymptotic approximate  $F(d, d\nu)$  distribution.

### Adjusted Likelihood Ratio Statistic

The likelihood ratio test statistic is given by

$$G^2 = 2n \sum_{r=1}^R \hat{P}(r) \ln \left( R \hat{P}(r) \right)$$

The adjusted likelihood ratio statistic is computed in an identical way as the adjustment for the Pearson statistic:

$$FG^2 = \frac{G^2}{\text{tr} \hat{\Delta}}$$

$d$  and  $\hat{\Delta}$  are the same as specified before. This statistic has an asymptotic approximate distribution.

$$F(d, d\nu)$$

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# Complex Samples: Covariance Matrix of Total

This document describes the algorithms used in the complex sampling module procedures for estimation of covariance matrix of population total estimates. It contains a more general formulation of the algorithms given in CSDESCRIPTIVES and CSTABULATE.

Complex sample data must contain both the values of the variables to be analyzed and the information on the current sampling design. Sampling design includes the sampling method, strata and clustering information, inclusion probabilities and the overall sampling weights.

Sampling design specification may include up to three stages of sampling. Any of the following general sampling methods may be assumed in the first stage: random sampling with replacement, random sampling without replacement and equal probabilities and random sampling without replacement and unequal probabilities. The first two sampling methods can also be specified for the second and the third sampling stage.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$H$	Number of strata.
$n_h$	Sampled number of primary sampling units (PSU) per stratum.
$f_h$	Sampling rate per stratum.
$m_{hi}$	Number of elements in the $i$ th sampled unit in stratum $h$ .
$w_{hij}$	Overall sampling weight for the $j$ th element in the $i$ th sampled unit in stratum $h$ .
$y_{hij}$	Values of vector $y$ for the $j$ th element in the $i$ th sampled unit in stratum $h$ .
$y_T$	Population total sum for vector of variables $y$ .
$n$	Total number of elements in the sample.
$N$	Total number of elements in the population.

## Weights

Overall weights specified for each ultimate element are processed as given. They can be obtained as a product of weights for corresponding units computed in each sampling stage.

When sampling without replacement in a given stage, the substitution  $w_{hi} = 1/\pi_{hi}$  for unit  $i$  in stratum  $h$  will result in application of the estimator for the population totals due to Horvitz and Thompson (1952). The corresponding variance estimator will also be unbiased.  $\pi_{hi}$  is the probability of unit  $i$  from stratum  $h$  being selected in the given stage.

If sampling with replacement in a given stage, the substitution  $w_{hi} = 1/(n_h p_{hi})$  yields the estimator for the population totals due to Hansen and Hurwitz (1943). Repeatedly selected units should be replicated in the data. The corresponding variance estimator will be unbiased.  $p_{hi}$  is the probability of selecting unit  $i$  in a single draw from stratum  $h$  in the given stage.

Weights obtained in each sampling stage need to be multiplied when processing multi-stage samples. The resulting overall weights for the elements in the final stage are used in all expressions and formulas below.

## Z Expressions

$$\mathbf{z}_{hij} = w_{hij} \mathbf{y}_{hij}$$

$$\mathbf{z}_{hi} = \sum_{j=1}^{m_{hi}} \mathbf{z}_{hij}$$

$$\bar{\mathbf{z}}_h = \frac{1}{n_h} \sum_{i=1}^{n_h} \mathbf{z}_{hi}$$

$$\mathbf{S}_h^2(\mathbf{y}) = \frac{1}{n_h - 1} \sum_{i=1}^{n_h} (\mathbf{z}_{hi} - \bar{\mathbf{z}}_h)(\mathbf{z}_{hi} - \bar{\mathbf{z}}_h)'$$

For multi-stage samples, index  $h$  denotes a stratum in the given stage, and  $i$  stands for unit from  $h$  in the same stage. Index  $j$  runs over all final stage elements contained in unit  $hi$ .

## Total Estimation

An estimate for the population total of vector of variables  $\mathbf{y}$  in a single-stage sample is the weighted sum over all the strata and all the clusters:

$$\hat{\mathbf{y}}_T = \sum_{h=1}^H \sum_{i=1}^{n_h} \sum_{j=1}^{m_{hi}} w_{hij} \mathbf{y}_{hij}$$

Alternatively, we compute the weighted sum over all the elements in the sample:

$$\hat{\mathbf{y}}_T = \sum_{i=1}^n w_i \mathbf{y}_i$$

The latter expression is more general as it also applies to multi-stages samples.

## Total covariances

For a multi-stage sample containing a with replacement sampling stage, all specifications other than weights are ignored for the subsequent stages. They make no contribution to the variance estimates.

## Single stage sample

Covariance of the total for vector  $\mathbf{y}$  in a single-stage sample is estimated by the following:

$$\hat{\mathbf{V}}(\hat{\mathbf{y}}_T) = \hat{\mathbf{V}}_1(\hat{\mathbf{y}}_T) = \sum_{h=1}^H \mathbf{U}_h(\hat{\mathbf{y}}_T)$$

where  $\mathbf{U}_h(\hat{\mathbf{y}}_T)$  is an estimate contribution from stratum  $h$  and depends on the sampling method as follows:

For sampling with replacement

$$\mathbf{U}_h(\hat{\mathbf{y}}_T) = n_h \mathbf{S}_h^2(\mathbf{y})$$

For simple random sampling

$$\mathbf{U}_h(\hat{\mathbf{y}}_T) = (1 - f_h) n_h \mathbf{S}_h^2(\mathbf{y})$$

For sampling without replacement and unequal probabilities

$$\mathbf{U}_h(\hat{\mathbf{y}}_T) = \sum_{i=1}^{n_h} \sum_{j>i}^{n_h} \left( \frac{\pi_{hi} \pi_{hj}}{\pi_{hij}} - 1 \right) (\mathbf{z}_{hi} - \mathbf{z}_{hj})(\mathbf{z}_{hi} - \mathbf{z}_{hj})'$$

$\pi_{hi}$  and  $\pi_{hj}$  are the inclusion probability for units  $i$  and  $j$  in stratum  $h$ , and  $\pi_{hij}$  is the joint inclusion probability for the same units. This estimator is due to Yates and Grundy (1953) and Sen (1953). In some situations it may yield a negative estimate and is treated as undefined. For each stratum  $h$  containing a single element, the covariance contribution  $\mathbf{U}_h(\hat{\mathbf{y}}_T)$  is always set to zero.

## Two-stage sample

When the sample is obtained in two stages and sampling without replacement is applied in the first stage, we use the following estimate for the covariance of the total for vector  $\mathbf{y}$ :

$$\hat{\mathbf{V}}(\hat{\mathbf{y}}_T) = \hat{\mathbf{V}}_2(\hat{\mathbf{y}}_T) = \hat{\mathbf{V}}_1(\hat{\mathbf{y}}_T) + \sum_{h=1}^H \sum_{i=1}^{n_h} \pi_{hi} \sum_{k=1}^{K_{hi}} \mathbf{U}_{hik}(\hat{\mathbf{y}}_T)$$

$\pi_{hi}$  is the first stage inclusion probability for the primary sampling unit  $i$  in stratum  $h$ . In case of simple random sampling, the inclusion probability is equal to the sampling rate  $f_h$  for stratum  $h$ .

$K_{hi}$  is the number of second stage strata in the primary sampling unit  $i$  within the first stage stratum  $h$ .

$\mathbf{U}_{hik}(\hat{\mathbf{y}}_T)$  is a covariance contribution from the second stage stratum  $k$  from the primary sampling unit  $hi$ . Its value depends on the second stage sampling method; the corresponding formula from "Single stage sample" applies.

### Three-stage sample

When the sample is obtained in three stages where sampling in the first stage is done without replacement and simple random sampling is applied in the second stage, we use the following estimate for the covariance of the total for vector  $\mathbf{y}$ :

$$\hat{V}(\hat{\mathbf{y}}_T) = \hat{V}_2(\hat{\mathbf{y}}_T) + \sum_{h=1}^H \sum_{i=1}^{n_h} \pi_{hi} \sum_{k=1}^{K_{hi}} f_{hik} \sum_{j=1}^{n_{hik}} \sum_{l=1}^{L_{hikj}} \mathbf{U}_{hikjl}(\hat{\mathbf{y}}_T)$$

$f_{hik}$  is the sampling rate for the secondary sampling units in the second stage stratum  $hik$ .

$L_{hikj}$  is the number of the third stage strata in the secondary sampling unit  $hikj$ .

$\mathbf{U}_{hikjl}(\hat{\mathbf{y}}_T)$  is a covariance contribution from the third stage stratum  $l$  contained in the secondary sampling unit  $hikj$ . Its value depends on the second stage sampling method; the corresponding formula from “Single stage sample ” applies.

### Total variance

Variance of the total estimate for the  $r$ th element of the vector  $\hat{\mathbf{y}}_T$ , is estimated by the  $r$ th diagonal element of the covariance matrix for  $\hat{\mathbf{y}}_T$

$$\hat{V}((\hat{\mathbf{y}}_T)_r) = \hat{V}(\hat{\mathbf{y}}_T)_{rr}$$

### Population Size Estimation

An estimate for the population size corresponds to the estimate for the variable total; it is sum of the sampling weights. We have the following estimate for the single-stage samples:

$$\hat{N} = \sum_{h=1}^H \sum_{i=1}^{n_h} \sum_{j=1}^{m_{hi}} w_{hij}$$

More generally,

$$\hat{N} = \sum_{i=1}^n w_i$$

Variance of  $\hat{N}$  is obtained by replacing  $y_{hij}$  with 1, i.e. by replacing  $z_{hij}$  with  $w_{hij}$  in the corresponding variance estimator formula for  $\hat{V}(\hat{\mathbf{y}}_T)$ .

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# Complex Samples: Model Testing

This document describes the methods used for conducting linear hypothesis tests based on the estimated parameters in Complex Samples models.

Required input is a set of the linear hypothesis, parameter estimates and their covariance matrix estimated for the complex sample design. Some methods require an estimate of the parameter covariance matrix under the simple random sampling assumption as well. Also needed is the number of degrees of freedom for the complex sample design; typically this will be the difference between the number of primary sampling units and the number of strata in the first stage of sampling.

Given consistent estimates of the above constructs, no additional restrictions are imposed on the complex sample design.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$p$	Number of regression parameters in the model.
$r$	The number of linear hypotheses considered.
$\mathbf{L}$	$r \times p$ generalized linear hypothesis matrix.
$\mathbf{K}$	$r \times 1$ vector of hypothesis values.
$\mathbf{B}$	$p \times 1$ vector of population parameters.
$\hat{\mathbf{B}}$	$p \times 1$ vector of estimated population parameters (solution).
$\hat{\mathbf{V}}(\hat{\mathbf{B}})$	$p \times p$ estimated covariance matrix for $\hat{\mathbf{B}}$ given the complex sample design.
$\nu$	Sampling design degrees of freedom.

## Hypothesis Testing

Given  $\mathbf{L}$  and  $\mathbf{K}$ , the following generalized linear hypothesis test is performed:

$$H_0 : \mathbf{LB} = \mathbf{K}$$

It is assumed that  $\mathbf{LB}$  is estimable.

## Wald Chi-Square Test

$$X^2 = (\mathbf{L}\hat{\mathbf{B}} - \mathbf{K})' (\mathbf{L}\hat{\mathbf{V}}(\hat{\mathbf{B}})\mathbf{L}')^{-1} (\mathbf{L}\hat{\mathbf{B}} - \mathbf{K}) \text{ Koch et al. (1975)}$$

The statistic has an asymptotic chi-square distribution with  $r_I = \text{rank}(\mathbf{L}\hat{\mathbf{V}}(\hat{\mathbf{B}})\mathbf{L}')$  degrees of freedom. If  $r_I < r$ ,  $(\mathbf{L}\hat{\mathbf{V}}(\hat{\mathbf{B}})\mathbf{L}')^{-}$  is a generalized inverse such that Wald tests are effective for a restricted set of hypothesis  $\mathbf{L}_I\mathbf{B} = \mathbf{K}_I$  containing a particular subset  $I$  of independent rows from  $H_0$ .

## Wald F Test

$$F = \frac{\nu - r_I + 1}{r_I \nu} X^2 \text{ Fellegi (1980)}$$

This statistic has an approximate asymptotic F-distribution  $F(r_I, \nu - r_I + 1)$ . The statistic is undefined if  $\nu < r_I$ . See Korn and Graubard (1990) for the properties of this statistic.

## Adjusted Wald Chi-Square Test

The Wald chi-square statistic under the simple random sampling assumption is given by the following expression:

$$X_{srs}^2 = (\mathbf{L}\hat{\mathbf{B}} - \mathbf{K})' (\mathbf{L}\hat{\mathbf{V}}_{srs}(\hat{\mathbf{B}})\mathbf{L}')^{-1} (\mathbf{L}\hat{\mathbf{B}} - \mathbf{K})$$

where  $\hat{\mathbf{V}}_{srs}(\hat{\mathbf{B}})$  is an asymptotic covariance matrix estimated under the simple random sampling assumption. If  $\text{rank}(\mathbf{L}\hat{\mathbf{V}}_{srs}(\hat{\mathbf{B}})\mathbf{L}') < r$ , adjusted Wald tests are effective for a restricted set of hypotheses  $\mathbf{L}_I \mathbf{B} = \mathbf{K}_I$  containing a particular subset  $I$  of independent rows from  $H_0$ .

Since the asymptotic distribution of  $X_{srs}^2$  is generally not a chi-square distribution, it is adjusted using the following matrix:

$$\hat{\Delta} = (\mathbf{L}\hat{\mathbf{V}}_{srs}(\hat{\mathbf{B}})\mathbf{L}')^{-1} (\mathbf{L}\hat{\mathbf{V}}(\hat{\mathbf{B}})\mathbf{L}')$$

where  $\hat{\mathbf{V}}(\hat{\mathbf{B}})$  is an estimated asymptotic covariance matrix under the complex sample design. We use second-order adjustment as in Rao and Scott's (1984) given by

$$X_{adj}^2 = \frac{X_{srs}^2}{\text{tr}\hat{\Delta}/d}$$

where

$$d = \frac{(\text{tr}\hat{\Delta})^2}{\text{tr}\hat{\Delta}^2}$$

This statistic has an approximate asymptotic chi-square distribution with  $d$  degrees of freedom. See Graubard and Korn (1993) for properties of this statistic in reference to regression problems.

## Adjusted Wald F Test

$$F_{adj} = \frac{X_{adj}^2}{\text{tr}\hat{\Delta}} \text{ Rao and Scott's (1984)}$$

This statistic has an approximate asymptotic  $F$  distribution  $F(d, d\nu)$  where  $d$  is defined as above. See Thomas and Rao (1987) for the heuristic derivation of this test, and Rao and Thomas (2003) for a review of the related simulation studies.

## Individual Tests

Each row  $l'$  of the  $\mathbf{L}$  matrix may also be tested separately. For such tests, or when the  $\mathbf{L}$  matrix contains a single row, the statistics above simplify as follows:

$$X^2 = \frac{(l' \hat{\mathbf{B}} - k)^2}{l' \hat{\mathbf{V}}(\hat{\mathbf{B}})l}$$

and

$$X^2 = F = F_{adj}^2 = F_{adj}$$

The test statistics  $X^2$  and  $X_{adj}^2$  have asymptotic chi-square distributions with 1 degree of freedom. The test statistics  $F$  and  $F_{adj}$  have approximate asymptotic  $F$  distributions  $F(1, \nu)$ . The tests are undefined if  $l' \hat{\mathbf{V}}(\hat{\mathbf{B}})l$  is not positive.

## Significance Values

Given a value of test statistic  $T$  and a corresponding cumulative distribution function  $G$  as specified above, the  $p$ -value of the given test is computed as  $p=1-G(T)$ .

## Multiple Comparisons

In addition to the testing methods mentioned in the previous section, the hypothesis  $H_0 : \mathbf{L}\mathbf{B} = \mathbf{K}$  can also be tested using the multiple row hypotheses testing technique. Let  $l'_i$  be the  $i$ th row vector of the  $\mathbf{L}$  matrix, and  $k_i$  be the  $i$ th element of the  $\mathbf{K}$  vector. The  $i$ th row hypothesis is  $H_{0i} : l'_i \mathbf{B} = k_i$ . Testing  $H_0$  is the same as testing multiple hypotheses  $\{H_{0i}\}_{i=1}^R$  simultaneously, where  $R$  is the number of non-redundant row hypotheses. A hypothesis  $H_{0i}$  is redundant if there exists another hypothesis  $H_{0j}, j \neq i$  such that  $l_i = cl_j, k_i = ck_j, c \neq 0$ .

For each individual hypothesis  $H_{0i}$ , tests described in the previous section can be performed. Let  $p_i$  denote the  $p$ -value for testing  $H_{0i}$ , and  $p_i^*$  denote the adjusted  $p$ -value. The conclusion from multiple testing is, at level  $\alpha$  (the family-wise type I error),

reject  $H_{0i} : l'_i \mathbf{B} = k_i$  if  $p_i^* < \alpha$

reject  $H_0 : \mathbf{L}\mathbf{B} = \mathbf{K}$  if  $\min_i(p_i^*) < \alpha$

There are different methods for adjusting  $p$ -values. If the adjusted  $p$ -value is bigger than 1, it is set to 1 in all the methods.

**Sequential Tests.** In sequential testing, the  $p$ -values are first ordered from the smallest to the biggest, and then adjusted depending on the order. Let the ordered  $p$ -values be

$$p_{(1)} \leq p_{(2)} \leq \dots \leq p_{(R)}.$$

## **LSD (Least Significant Difference)**

The adjusted  $p$ -values are the same as the original  $p$ -values:

$$p_i^* = p_i$$

## **Bonferroni**

The adjusted  $p$ -values are:

$$p_i^* = Rp_i$$

## **Sidak**

The adjusted  $p$ -values are:

$$p_i^* = 1 - (1 - p_i)^R$$

## **Sequential Bonferroni**

The adjusted  $p$ -values are:

$$p_{(i)}^* = \begin{cases} Rp_{(1)} & i = 1 \\ \max\left((R - i + 1)p_{(i)}, p_{(i-1)}^*\right) & i \geq 2 \end{cases}$$

## **Sequential Sidak**

The adjusted  $p$ -values are:

$$p_{(i)}^* = \begin{cases} 1 - (1 - p_{(1)})^R & i = 1 \\ \max\left(1 - (1 - p_{(i)})^{R-i+1}, p_{(i-1)}^*\right) & i \geq 2 \end{cases}$$

## **Comparison of Adjustment Methods**

A multiple testing procedure tells not only if  $H_0$  is rejected, but also if each individual  $H_{0i}$  is rejected. All the methods, except LSD, control the family-wise type I error for testing  $H_0$ ; that is, the probability of rejecting at least one individual hypothesis under  $H_0$ . In addition, sequential methods also control the family-wise type I error for testing any subset of  $H_0$ .

**LSD** is the one without any adjustment, it rejects  $H_0$  too often. It does not control the family-wise type I error and should never be used to test  $H_0$ . It is provided here mainly for reference.

**Bonferroni** is conservative in the sense that it rejects  $H_0$  less often than it should. In some situations, it becomes extremely conservative when test statistics are highly correlated.

**Sidak** is also conservative in most cases, but is less conservative than Bonferroni. It gives the exact type I error when test statistics are independent.

**Sequential Bonferroni** is as conservative as the Bonferroni in terms of testing  $H_0$  because the smallest adjusted  $p$ -value used in making decision is the same in both methods. But in term of testing individual  $H_{0i}$ , it is less conservative than the Bonferroni. Sequential Bonferroni rejects at least as many individual hypotheses as Bonferroni.

**Sequential Sidak** is as conservative as the Sidak in terms of testing  $H_0$ , but less conservative than the Sidak in terms of testing individual  $H_{0i}$ . Sequential Sidak is less conservative than sequential Bonferroni.

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# CTABLES Algorithms

This document describes the algorithms used in the Custom Tables procedure.

## Weights

There are two ways in which weighting can be applied in CTABLES:

1. Frequency or case weighting is specified via a WEIGHT command. Weights specified in this manner represent frequency replication (i.e., cases with the same values for all variables) and should be positive integers. Non-integer values are accepted and are used as specified for descriptive statistics, but sums are generally rounded in computing inferential statistics (standard errors, confidence intervals and test statistics).
2. Effective sample size or effective base adjustment weighting is specified via a WEIGHT subcommand. Weights need only be positive and no rounding is applied at any point in computations when using this form of adjustment weighting.

If the WEIGHT subcommand has been specified, formulas for effective base weighting are used and if a WEIGHT command is also in effect, it is silently ignored. If no WEIGHT subcommand is specified, formulas for weighted analyses using the WEIGHT command are used. If no weighting is in effect, these formulas are used with all weights equal to 1.

### ***A note on weights and multiple response sets***

Case weights are always based on Counts, not Responses, even when one of the variables is a multiple response variable.

## Means and Sums

This section describes the algorithm used in computing variances, standard errors and confidence intervals for the means and sums of scale variables.

### Notation

$c_i$	Unweighted case count in the $i$ -th category, $i=1,\dots,k$ .
$\alpha_i$	Population mean of the $i$ -th category, $i=1,\dots,k$ .
$x_{il}$	$l$ -th observation in $i$ -th category, $i=1,\dots,k$ .
$w_{il}$	Weight of the $l$ -th observation in $i$ -th category, $i=1,\dots,k$ .
$w_i$	Sum of weights in category $i$ , $i=1,\dots,k$ .
$w'_i$	Rounded sum of weights in category $i$ , $i=1,\dots,k$ .

$q_i$	Sum of squared weights in category i, i=1,...,k.
$e_i$	Effective base in category i, i=1,...,k.
$\bar{x}_i$	Weighted mean of category i, i=1,...,k.
$x_{i+}$	Weighted sum of category i, i=1,...,k
$s_i^2$	Weighted variance of category i, i=1,...,k..
$s_i^2$	Adjusted variance of category i, i=1,...,k incorporating effective base.
$s_{\bar{x}_i}$	Estimated standard error of the mean of category i, i=1,...,k.
$s_{x_{i+}}$	Estimated standard error of the sum of category i, i=1,...,k.
$(1 - \alpha)\%$	Confidence interval coverage level supplied by the user.

## Conditions and assumptions

- User and system missing values of scale variables are excluded.

## Algorithm

### Means and Sums

#### Basic weighted statistics

Weighted sum of i-th category:  $x_{i+} = \sum_{l=1}^{c_i} w_{il} x_{il}$ .

Weighted mean of i-th category:  $\bar{x}_i = \frac{\sum_{l=1}^{c_i} w_{il} x_{il}}{w_i}$

Weighted variance of i-th category:  $s_i^2 = \frac{\sum_{l=1}^{c_i} w_{il} (x_{il} - \bar{x}_i)^2}{w_i - 1}$ .

Weighted standard deviation of the i-th category:  $s_i = \sqrt{s_i^2}$ .

#### Standard errors with WEIGHT command in effect

Estimated standard error of weighted mean of i-th category:

$$\hat{s}_{\bar{x}_i} = \frac{s_i}{\sqrt{w_i}}$$

Estimated standard error of weighted sum of i-th category:

$$\hat{s}_{x_{i+}} = \sqrt{w'_i s_i}$$

### Adjusted weighted statistics and standard errors with effective base weighting

Effective base of i-th category:  $e_i = \frac{w_i^2}{q_i}$

Adjusted variance estimate of i-th category incorporating effective base:

$$\hat{s}_i^2 = \frac{\frac{e_i}{w_i} \sum_{l=1}^{q_i} w_{il} (x_{il} - \bar{x}_i)^2}{e_i - 1} = \frac{\sum_{l=1}^{q_i} w_{il} (x_{il} - \bar{x}_i)^2}{w_i - \frac{w_i}{e_i}} = \frac{(w_i - 1) s_i^2}{w_i - \frac{w_i}{e_i}}$$

$$\hat{s}_{\bar{x}_i} = \frac{\hat{s}_i}{\sqrt{e_i}}$$

Estimated standard error of weighted mean of i-th category:

Estimated standard error of weighted sum of i-th category:

$$\hat{s}_{x_{i+}} = w_i \frac{\hat{s}_i}{\sqrt{e_i}}$$

### Confidence interval for weighted mean with WEIGHT command

(1-  $\alpha$ )% confidence interval for population mean  $\mu_i$  of i-th category:

$$\bar{x}_i \pm t_{1-\alpha/2, w'_i - 1} \hat{s}_{\bar{x}_i}$$

where  $t_{\alpha, df}$  is the value for a Student's  $t$  distribution with  $df$  degrees of freedom that exceeds  $\alpha$  % of the distribution.

### Confidence interval for weighted mean with effective base weighting

(1-  $\alpha$ )% confidence interval for population mean  $\mu_i$  of i-th category incorporating effective base:

$$\bar{x}_i \pm t_{1-\alpha/2, e_i - 1} \hat{s}_{\bar{x}_i}$$

where  $t_{\alpha, df}$  is the value for a Student's  $t$  distribution with  $df$  degrees of freedom that exceeds  $\alpha$  % of the distribution.

## Confidence interval for weighted sum with WEIGHT command

(1-  $\alpha$  )% confidence interval for population sum of i-th category:

$$\bar{x}_{i+} \pm t_{1-\alpha/2, w'_i-1} \hat{s}_{x_{i+}},$$

where  $t_{\alpha, df}$  is the value for a Student's  $t$  distribution with  $df$  degrees of freedom that exceeds  $\alpha$  % of the distribution.

## Confidence interval for weighted sum with effective base weighting

(1-  $\alpha$  )% confidence interval for population sum of i-th category:

$$\bar{x}_{i+} \pm t_{1-\alpha/2, e_i-1} \hat{s}_{x_{i+}},$$

where  $t_{\alpha, df}$  is the value for a Student's  $t$  distribution with  $df$  degrees of freedom that exceeds  $\alpha$  % of the distribution.]

## Counts and Percentages

This section describes the algorithms used in computing adjusted standard errors and confidence intervals for counts and percentages for categorical variables.

### Notation

$c$	Unweighted case count.
$\delta_{il}$	Indicator of whether the $l$ -th case is in the $i$ -th category.
$w_l$	Weight of the $l$ -th observation.
$w_i$	Sum of weights in category $i$ .
$W$	Sum of weights over all categories used in forming the proportion/percentage denominator.
$q$	Sum of squared weights over all categories.
$E$	Effective sample size or effective base over all categories used in forming the proportion/percentage denominator.
$w'_i$	Rounded sum of weights in category $i$ .
$W'$	Rounded sum of weights over all categories used in forming the proportion/percentage denominator.
$p_i$	Weighted observed proportion of category $i$ .

$\hat{p}_i$	Estimated population proportion of category i.
$\hat{s}_{p_i}$	Estimated standard error of the proportion in category i.
$\hat{P}_i \%$	Estimated population percentage in category i.
$\hat{\Sigma}_i$	Estimated population count in category i.
$(1 - \alpha) \%$	Confidence interval coverage level supplied by the user.

## Conditions and assumptions

- Cases with user and system missing values of scale variables are excluded.

## Algorithm

### Counts and Percentages

#### Basic weighted statistics

Weighted observed count in i-th category:  $w_i = \sum_{h=1}^c w_h \delta_{ih}$

Weighted observed proportion in i-th category:

$$p_i = \frac{\sum_{h=1}^c w_h \delta_{ih}}{W}$$

#### Adjusted weighted statistics

Estimated population proportion in i-th category:  $\hat{p}_i = p_i$ .

Estimated standard error of population proportion in i-th category with WEIGHT command in effect:

$$\hat{s}_{p_i} = \sqrt{\frac{\hat{p}_i (1 - \hat{p}_i)}{W}}$$

Estimated standard error of population proportion in i-th category with WEIGHT subcommand in effect:

$$\hat{s}_{p_i} = \sqrt{\frac{\hat{p}_i (1 - \hat{p}_i)}{E}}$$

where

$$E = \frac{W^2}{q}$$

Estimated standard error of weighted percentage in i-th category:

$$SE(\hat{P}_i \%) = 100 \hat{s}_{p_i}$$

Estimated standard error of population count in i-th category:

$$SE(\hat{\Sigma}_i) = W' \hat{s}_{p_i}$$

### Confidence interval for weighted population proportion

$(1 - \alpha)\%$  confidence interval for estimated population proportion of i-th category:

If WEIGHT subcommand is not in effect:

$$\text{Lower bound } (\hat{p}_i) = IDF.BETA(\alpha/2, w'_i + .5, W' - w'_i + .5),$$

$$\text{Upper bound } (\hat{p}_i) = IDF.BETA(1 - \alpha/2, w'_i + .5, W' - w'_i + .5)$$

where *IDF.BETA* is the inverse *Beta* distribution function.

If WEIGHT subcommand is in effect:

$$\text{Lower bound } (\hat{p}_i) = IDF.BETA(\alpha/2, E * p_i + .5, E * (1 - p_i) + .5),$$

$$\text{Upper bound } (\hat{p}_i) = IDF.BETA(1 - \alpha/2, E * p_i + .5, E * (1 - p_i) + .5)$$

where *IDF.BETA* is the inverse *Beta* distribution function.

### Confidence interval for weighted population percentage

$$\text{Lower bound } (\hat{p}_i \%) = 100 * \text{Lower bound } (\hat{p}_i)$$

$$\text{Upper bound } (\hat{p}_i \%) = 100 * \text{Upper bound } (\hat{p}_i)$$

### Confidence interval for weighted population count

$$\text{Lower bound } (\hat{\sum}_i) = W' * \text{Lower bound } (\hat{p}_i)$$

$$\text{Upper bound } (\hat{\sum}_i) = W' * \text{Upper bound } (\hat{p}_i)$$

## Percentiles

This section describes the algorithms used in computing percentiles and confidence intervals for percentiles for scale variables. The following applies to any cell or marginal of the sub-table aside from the sub-table total. Therefore no subscripts for categories or cells are used here. Note that the median is the 50<sup>th</sup> percentile.

### Notation

$p$	Percentile specified by the user divided by 100.
$P$	Proportion of data less than or equal to the 100 * $p$ <sup>th</sup> percentile.
$W$	Sum of weights.
$W'$	Rounded sum of weights.
$q$	Sum of squared weights.
$w$	Cumulative sum of weights for cases less than or equal to the 100 * $p$ <sup>th</sup> percentile.
$w'$	Rounded cumulative sum of weights for cases less than or equal to the 100 * $p$ <sup>th</sup> percentile
$(1 - \alpha)\%$	Confidence interval coverage level supplied by the user.

### Conditions and assumptions

- Cases with user and system missing values of scale variables are excluded.

## Algorithm

### Percentiles

#### Percentiles

Percentiles are computed using the averaged empirical (AEMPIRICAL) method documented in the statistical algorithms for the EXAMINE procedure.

## Confidence Intervals for Percentiles

Confidence intervals for percentiles are computed in a three-step manner, adapted from Shah & Vaish (2012) and Woodruff (1952):

*Step 1)* Compute the desired percentile.

*Step 2)* Fit a binomial confidence interval for the proportion of the data less or equal to the estimated percentile ( $\hat{p}$ ):

If there is no WEIGHT subcommand, compute:

$$P_{lower} = IDF.BETA(\alpha / 2, w' + .5, W' - w' + .5)$$

$$P_{upper} = IDF.BETA(1 - \alpha / 2, w' + .5, W' - w' + .5)$$

where *IDF.BETA* is the inverse *Beta* distribution function.

If there is a WEIGHT subcommand, compute:

$$P = \frac{w}{W}$$

$$P_{lower} = IDF.BETA(\alpha / 2, E * P + .5, E * (1 - P) + .5)$$

$$P_{upper} = IDF.BETA(1 - \alpha / 2, E * P + .5, E * (1 - P) + .5)$$

where *E* is the effective base or effective sample size, computed as the sum of weights squared divided by sum of squared weights:

$$E = \frac{W^2}{q}$$

and *IDF.BETA* is the inverse *Beta* distribution function.

*Step 3)* Apply the percentile-finding algorithm in step 1 to  $P_{lower}$  and  $P_{upper}$  to obtain lower and upper interval bounds for the percentile.

## References:

Shah, B. V., & Vaish, A. K. (2012). Confidence intervals for quantile estimation from complex survey data. *Proceedings of the Joint Statistical Meetings, Section on Survey Methods*, 3720-3728.

Woodruff, R. S. (1952). Confidence intervals for medians and other position measures. *Journal of the American Statistical Association*, 47, 635-646.

## Pearson's Chi-square

This section describes computation of Pearson's chi-square statistics.

### Notation

$R$	Number of rows in the sub-table.
$C$	Number of columns in the sub-table.
$f_{ij}$	Case weights total in cell (i,j).
$r_i$	Marginal case weights total in i-th row.
$c_j$	Marginal case weights total in j-th column.
$W$	Marginal case weights total in the sub-table.
$q$	Marginal sum of squared weights in the sub-table.
$E_{SS}$	Effective sample size or effective base = $\frac{W^2}{q}$
$E_{ij}$	Expected cell counts.
$\chi_p^2$	Pearson's Chi-Square statistic.
$\chi_a^2$	Pearson's Chi-Square statistic adjusted for effective base weighting.
$p_{ij}$	Population proportion for cell (i,j).
$p_{i.}$	Marginal population proportion for i-th row.
$p_{.j}$	Marginal population proportion for j-th column.
$df$	Degrees of Freedom.
$p$	p-value of the chi-square test.
$\alpha$	Significance level supplied by the user.

### Conditions and assumptions

- Tests will not be performed on Comperimeter tables.
- Chi-square tests are performed on each innermost sub-table of each layer.
- If a scale variable is in the layer, that layer will not be used in analysis.

- The row variable and column variable must be two different categorical variables or multiple response sets.
- The contingency table must have at least two non-empty rows and two non-empty columns.
- Non-empty rows and columns do not include subtotals and totals.
- Empty rows and columns are assumed to be structural zeros. Therefore, R and C are the numbers of non-empty rows and columns in the table.
- If weighting is in effect, cell statistics must include weighted cell counts or weighted simple row/column percents; the analysis will be performed using these weighted cell statistics. If weighting is not in effect, cell statistics must include cell counts or simple row/column percents; the analysis will be unweighted.
- Tests are constructed by using all visible categories. Hiding of categories and showing of user-missing categories are respected.

## Algorithm

### Pearson's Chi-square

**Hypothesis:**  $H_0: p_{ij} = p_i \cdot p_j \quad i = 1, \dots, R \text{ and } j = 1, \dots, C \text{ vs. not } H_0$

Let  $E_{ij} = \frac{r_i \cdot c_j}{W}$ .

#### Statistic

##### Categorical variables in rows and columns

$$\chi_p^2 = \sum_{i=1}^R \sum_{j=1}^C \frac{(f_{ij} - E_{ij})^2}{E_{ij}}$$

Under the null hypothesis, the statistic has a Chi-square distribution with  $df = (R - 1)(C - 1)$  degrees of freedom.

##### Categorical variable in rows and multiple response set in columns

$$\chi_p^2 = \sum_{i=1}^R \sum_{j=1}^C \frac{(f_{ij} - E_{ij})^2}{E_{ij} \left(1 - \frac{c_j}{W}\right)}$$

Under the null hypothesis, the statistic has an approximate Chi-square distribution with  $df = (R - 1)C$  degrees of freedom.

##### Multiple response set in rows and categorical variable in columns

$$\chi_p^2 = \sum_{i=1}^R \sum_{j=1}^C \frac{(f_{ij} - E_{ij})^2}{E_{ij} \left(1 - \frac{r_i}{W}\right)}$$

Under the null hypothesis, the statistic has an approximate Chi-square distribution with  $df = R(C - 1)$  degrees of freedom.

### Multiple response sets in rows and columns

$$\chi_p^2 = \sum_{i=1}^R \sum_{j=1}^C \frac{(f_{ij} - E_{ij})^2}{E_{ij}(1 - \frac{r_i}{W})(1 - \frac{c_j}{W})}$$

Under the null hypothesis, the statistic has an approximate Chi-square distribution with  $df = RC$  degrees of freedom.

### P-value

$$p = 1 - F(\chi_p^2, df),$$

where  $F(x; df)$  is the cumulative distribution function of Chi-square distribution with  $df$  degrees of freedom.

The chi-square test is significant if  $p < \alpha$ .

### Use of weights

If the WEIGHT command is used, the case weights (or frequency weights) are supposed to be integers representing the number of replications of each case. In the chi-square test, we will only check if the aggregated cell counts  $f_{ij}$  are integers. If not, they will be rounded to the nearest integers before computations.

If the WEIGHT subcommand is used, the  $f_{ij}$  are treated as effective sample size or effective base adjustment weights and need not be integers. The Pearson chi-square statistic is computed as indicated above without rounding aggregated cell counts to integers, then is adjusted by

$$\chi_a^2 = E_{SS} \chi_p^2 = \frac{W}{q} \chi_p^2$$

Degrees of freedom and  $p$  for  $\chi_a^2$  are calculated as with  $\chi_p^2$ . The chi-square test is significant if  $p < \alpha$ .

### Test statistics for multiple response sets

In the formulas above we use a variation of the Pearson chi-square test statistics developed for a combination of categorical variable and a multiple response set as initially suggested by Agresti and Liu (1999). Formulas and properties of this test can be found in a comparative study by Bilder et al. (2000).

An extension of this approach when both variables are multiple response sets is given in the paper by Thomas and Decady (2004). It contains a study of the test properties as well as additional references.

## References

- Agresti, A. and Liu, I.-M. (1999), "Modeling responses to a categorical variable allowing arbitrarily many category choices", *Biometrics*, 55, 936-943.
- Bilder, C.R., Loughin, T.M. and Nettleton, D. (2000), "Multiple marginal independence testing for pick any/c variables", *Communications in Statistics: Simulation*, 29, 1285-1316.
- Thomas, D.R. and Decady, Y.J. (2004), "Testing for association using multiple response survey data: approximate procedures based on Rao-Scott Approach", *International Journal of Testing*, 4, 43-59.

## Column Means Tests (No Effective Base Weighting)

This section describes the algorithm used in pairwise comparisons of scale variables over levels of a categorical variable or a multiple response set when effective base weighting is not used.

## Notation

$k$	Number of categories in the sub-table.
$k^*$	Number of categories with case weights greater than or equal to 2.
$\mu_i$	Population mean of the i-th category, $i=1, \dots, k$ .
$x_{ij}$	j-th observation in i-th category, $i=1, \dots, k$ .
$w_{ij}$	Case weight of the j-th observation in i-th category, $i=1, \dots, k$ .
$w_i$	Sum of case weights in category i, $i=1, \dots, k$ .
$\tilde{w}_i$	Rounded sum of case weights in category i, $i=1, \dots, k$ .
$\bar{x}_i$	Mean of category i, $i=1, \dots, k$ .
$s_i$	Standard deviation of category i, $i=1, \dots, k$ .
$s_{ij}$	Pooled standard deviation from i-th and j-th categories.
$s_w$	Pooled standard deviation from all categories.

$W$	Total case weights. Sum of rounded $w_i$ 's.
$\alpha$	Significance level supplied by the user.

## Conditions and assumptions

- Tests will not be performed for Comperimeter tables.
- Tests are performed on each innermost sub-table for each layer.
- Row variable must be a scale variable, possibly nested under or over some categorical variables or multiple response sets. Column variable must be categorical or a multiple response set.
- If weighting is on, cell statistics must include weighted means; a weighted analysis will be performed using the weighted statistics. If weighting is off, cell statistics must include means; an unweighted analysis will be performed.
- Tests are constructed by using all visible, non-empty categories excluding totals and sub-totals. Hiding of categories and showing of user-missing categories are respected.
- Total case weights in each category must be at least two. Categories not satisfying this assumption are not used. If number of categories satisfying this condition is less than two, no comparisons will be made.
- Population variances of all categories are assumed to be equal.
- User and system missing values of scale variables are excluded.

## Algorithm

### All Pairwise Comparisons

**Hypothesis:**  $H_{0ij} : \mu_i = \mu_j$ , vs.  $H_{1ij} : \mu_i \neq \mu_j$ , for all  $i > j$ .

**Total number of hypotheses:**  $\frac{k^*(k^*-1)}{2}$  \* (where  $k^* = \sum_{i=1}^k I(w_i \geq 2)$ ).

Note that this assumes that a positive variance estimate can be computed using the specified method (pooling over all categories or over the two categories compared). If the pooled variance estimate using all categories is 0, no comparisons will be made. If the pooled variance estimate using only two categories is 0, this comparison will not be made and the number of hypotheses tested is reduced.

### Aggregated statistics

The statistics in pairwise comparisons are computed from aggregated category means ( $\bar{x}_i$ ), sample variances ( $s_i^2$ ) and sample sizes ( $w_i$ ),  $i=1, \dots, k$ . Various quantities used in the comparisons are shown below.

Total case weight (sample size):  $W = \sum_{i=1}^k \tilde{w}_i I(w_i \geq 2)$

$$\text{Mean of } i\text{-th category: } \bar{x}_i = \frac{\sum_{j=1}^{n_i} w_{ij} x_{ij}}{w_i}$$

$$\text{Sample variance of } i\text{-th category: } s_i^2 = \frac{\sum_{j=1}^{n_i} w_{ij} (x_{ij} - \bar{x}_i)^2}{w_i - 1}$$

**Statistics for (i,j)<sup>th</sup> comparisons with variance pooled from the two compared categories**

Assume  $w_i \geq 2$  and  $w_j \geq 2$ .

Variance pooled from the two compared categories:

$$s_{ij}^2 = \frac{(\tilde{w}_i - 1)s_i^2 + (\tilde{w}_j - 1)s_j^2}{\tilde{w}_i + \tilde{w}_j - 2}$$

*t*-statistic for comparing levels of a categorical variable:

$$t_{ij} = \frac{(\bar{x}_i - \bar{x}_j)}{s_{ij} \sqrt{\left(\frac{1}{\tilde{w}_i} + \frac{1}{\tilde{w}_j}\right)}}$$

P-value  $p = 2[1 - F(|t_{ij}|, \tilde{w}_i + \tilde{w}_j - 2)]$ , where  $F(t, n)$  is the distribution function of t-distribution with n degrees of freedom.

When multiple response set determines categories there may exist cases that belong to both i-th and j-th category. Let  $\tilde{w}_{ij}$  be the rounded sum of weights for such cases.

*t*-statistic for comparing levels of a multiple response set:

$$t_{ij} = \frac{(\bar{x}_i - \bar{x}_j)}{s_{ij} \sqrt{\left(\frac{1}{\tilde{w}_i} + \frac{1}{\tilde{w}_j} - \frac{2\tilde{w}_{ij}}{\tilde{w}_i\tilde{w}_j}\right)}}$$

P-value  $p = 2[1 - F(|t_{ij}|, \tilde{w}_i + \tilde{w}_j - \tilde{w}_{ij} - 2)]$ .

A comparison is significant if  $p < \alpha$  if no multiple comparison adjustments are made. For multiple comparison adjustment formulas see the final section.

### Statistics for (i,j)<sup>th</sup> comparisons with variance pooled from all categories

Within groups variance pooled from all the categories:

$$s_w^2 = \frac{\sum_{i=1}^k I(w_i \geq 2)(\tilde{w}_i - 1)s_i^2}{W - k^*}.$$

t-statistic for levels of a categorical variable:

$$t_{ij} = \frac{(\bar{x}_i - \bar{x}_j)}{s_w \sqrt{\left(\frac{1}{\tilde{w}_i} + \frac{1}{\tilde{w}_j}\right)}}.$$

**Note:** This pooled-variance version of the test is available only for categories defined by a categorical variable (it is not available when categories are defined by a multiple response variable).

P-value  $p = 2[1 - F(|t_{ij}|, W - k^*)]$ .

A comparison is significant if  $p < \alpha$  if no multiple comparison adjustments are made. For multiple comparison adjustment formulas see the final section.

### Use of case weights

The case weights (or frequency weights) are supposed to be integers representing number of replications of each case. If the sum of case weights in any group ( $w_i, i=1, \dots, k$ ) is not an integer, it will be rounded to the nearest integer before calculations. Consequently, the total weight  $W$  will become the sum of the rounded  $w_i$ 's.

## Column Means Tests (With Effective Base Weighting)

This section describes the algorithm used in pairwise comparisons of scale variables over levels of a categorical variable or a multiple response set when effective base weighting is used.

### Notation

$k$	Number of categories in the sub-table.
$k^*$	Number of categories with at least two unweighted cases ( $c_i \geq 2$ ).
$c_i$	Unweighted case count in the i-th category, $i=1, \dots, k$ .

$\mu_i$	Population mean of the i-th category, $i=1,\dots,k$ .
$x_{il}$	l-th observation in i-th category, $i=1,\dots,k$ .
$w_{il}$	Weight of the l-th observation in i-th category, $i=1,\dots,k$ .
$w_i$	Sum of weights in category i, $i=1,\dots,k$ .
$q_i$	Sum of squared weights in category i, $i=1,\dots,k$ .
$e_i$	Effective base in category i, $i=1,\dots,k$ .
$\bar{x}_i$	Weighted mean of category i, $i=1,\dots,k$ .
$s_i$	Weighted standard deviation of category i, $i=1,\dots,k$ .
$\hat{s}_i$	Adjusted weighted standard deviation of category i, $i=1,\dots,k$ incorporating effective base.
$p$	p-value of a test.

## Conditions and assumptions

- Tests will not be performed for Comperimeter tables.
- Tests are performed on each innermost sub-table for each layer.
- The row variable must be a scale variable, possibly nested under or over some categorical variables or multiple response sets. The column variable must be categorical or a multiple response set.
- Cell statistics must include weighted means.
- Tests are constructed by using all visible, non-empty categories excluding totals and sub-totals. Hiding of categories and showing of user-missing categories are respected.
- In order for two categories to be compared, each must have at least one valid case and at least one of the two categories must have at least two valid cases. If no categories have more than one valid case, no comparisons will be made.
- Population variances of all categories are assumed to be equal.
- User and system missing values of scale variables are excluded.

## Algorithm

### All Pairwise Comparisons

**Hypothesis:**  $H_{0ij}: \mu_i = \mu_j$  vs.  $H_{1ij}: \mu_i \neq \mu_j$  for all  $j > i$ .

**Total number of hypotheses tested:**

$\frac{k^*(k^*-1)}{2} + k^*(k-k^*)$ , where  $k^* = \sum_{i=1}^k I(c_i \geq 2)$  if the default pooled population variance estimate is used and assuming that this pooled variance estimate is

positive. If the population variance estimate is based on only the two categories used in the comparison,  $k^* = \sum_{i=1}^k I(c_i \geq 2)$ .

Note that if all categories have at least two valid cases and a positive variance estimate can be computed, this reduces to the more familiar  $\frac{k(k-1)}{2}$ .

### Aggregated statistics

The statistics in pairwise comparisons are computed from aggregated category means ( $\bar{x}_i$ ), sample variances ( $s_i^2$ ) and sample sizes ( $w_i$ ),  $i=1, \dots, k$ . Various quantities used in the comparisons are shown below.

Weighted mean of i-th category:  $\bar{x}_i = \frac{\sum_{l=1}^{c_i} w_{il} x_{il}}{w_i}$

Weighted variance of i-th category:  $s_i^2 = \frac{\sum_{l=1}^{c_i} w_{il} (x_{il} - \bar{x}_i)^2}{w_i - 1}$

Effective base of i-th category:  $e_i = \frac{w_i^2}{q_i}$

Adjusted variance estimate of i-th category incorporating effective base:

$$s_i^{\wedge 2} = \frac{\frac{e_i}{w_i} \sum_{l=1}^{c_i} w_{il} (x_{il} - \bar{x}_i)^2}{e_i - 1} = \frac{\sum_{l=1}^{c_i} w_{il} (x_{il} - \bar{x}_i)^2}{w_i - \frac{w_i}{e_i}} = \frac{(w_i - 1)s_i^2}{w_i - \frac{w_i}{e_i}}$$

### Statistics for (i,j)<sup>th</sup> comparisons with variance pooled from the two compared categories

Pooled variance estimate from the two compared categories:

$$s_{ij}^{\wedge 2} = \frac{(w_i - 1)s_i^2 + (w_j - 1)s_j^2}{\left(w_i - \frac{w_i}{e_i}\right) + \left(w_j - \frac{w_j}{e_j}\right)}$$

T-statistic for comparing levels of a categorical variable:

$$t_{ij} = \frac{(\bar{x}_i - \bar{x}_j)}{s_{ij} \sqrt{\left(\frac{1}{e_i} + \frac{1}{e_j}\right)}}$$

$p$ -value:  $p = 2[1 - F(|t_{ij}|, e_i + e_j - 2)]$ , where  $F(t, n)$  is the distribution function of a  $t$ -distribution with  $n$  degrees of freedom.

A comparison is significant if  $p < \alpha$  if no multiple comparison adjustments are made. For multiple comparison adjustment formulas see the final section.

When a multiple response set determines categories there may exist cases that belong to both the  $i$ -th and  $j$ -th categories. Let  $w_{ij}$  be the sum of weights for

such cases. The effective base of such cases is then  $e_{ij} = .5 * w_{ij} \left( \frac{e_i}{w_i} + \frac{e_j}{w_j} \right)$ .

$t$ -statistic for comparing levels of a multiple response set:

$$t_{ij} = \frac{(\bar{x}_i - \bar{x}_j)}{s_{ij} \sqrt{\left(\frac{1}{e_i} + \frac{1}{e_j} - \frac{2e_{ij}}{e_i e_j}\right)}}$$

$p$ -value  $p = 2[1 - F(|t_{ij}|, e_i + e_j - e_{ij} - 2)]$ .

A comparison is significant if  $p < \alpha$  if no multiple comparison adjustments are made. For multiple comparison adjustment formulas see the final section.

### Statistics for (i,j)<sup>th</sup> comparisons with variance pooled from all categories

Within groups variance estimate pooled from all the categories:

$$s_w^2 = \frac{\sum_{i=1}^k I(c_i \geq 2)(w_i - 1)s_i^2}{\sum_{i=1}^k I(c_i \geq 2) \left( w_i - \frac{w_i}{e_i} \right)}$$

$t$ -statistic for levels of a categorical variable:

$$t_{ij} = \frac{(\bar{x}_i - \bar{x}_j)}{s_w \sqrt{\left(\frac{1}{e_i} + \frac{1}{e_j}\right)}}$$

$$\text{P-value: } p = 2[1 - F(|t_{ij}|, \sum_{i=1}^{k^*} e_i - k^*)].$$

A comparison is significant if  $p < \alpha$  if no multiple comparison adjustments are made. For multiple comparison adjustment formulas see the final section.

**Note:** This pooled-variance version of the test is available only for categories defined by a categorical variable (it is not available when categories are defined by a multiple response variable).

## Column Proportions Tests (No Effective Base Weighting)

This document describes the algorithm used in computation of column proportions test when effective base weighting is not in use.

### Notation

$R$	Number of rows in the sub-table.
$C$	Number of columns in the sub-table.
$A_i$	$i$ -th category of the row variable.
$B_j$	$j$ -th category of the column variable.
$f_{ij}$	Case weights total in cell $(i,j)$ .
$c_j$	Marginal case weights total in $j$ -th column.
$\tilde{c}_j$	Rounded marginal case weights total in $j$ -th column.
$z$	$z$ -statistic.
$\chi^2$	Chi-Square statistic.
$p_{ij}$	Column proportion for cell $(i,j)$ .
$\hat{p}_{ij}$	Estimated column proportion for cell $(i,j)$ .
$\hat{p}_{ijk}$	Estimate of pooled column proportion of $j$ -th and $k$ -th column in $i$ -th row.
$p$	$p$ -value of a test.
$\alpha$	The significance level supplied by the user.

## Conditions and assumptions

- Tests will not be performed on Comperimeter tables and tables with scale variables in the layer.
- Pairwise tests are performed on each row of all eligible innermost sub-tables within each layer.
- Sub-tables must have categorical variables or multiple response sets in both rows and columns.
- Number of rows and columns must be larger than or equal to two, i.e.  $R \geq 2$  and  $C \geq 2$ .
- Tests are constructed by using all visible categories excluding totals and sub-totals. Hiding of categories and showing of user-missing categories are respected.
- If weighting is on, cell statistics must include weighted cell counts or weighted simple column percents; a weighted analysis will be performed. If weighting is off, cell statistics requested must include cell counts or simple column percents; an unweighted analysis will be performed.
- A proportion will be discarded if the proportion is equal to zero or one, or the sum of case weights in a column is less than 2, (i.e.  $c_j < 2$ ). If less than two proportions are left after discarding proportions, test will not be performed.

## Algorithm

### All Pairwise Comparisons

Table layout:

	<b>B<sub>1</sub></b>	<b>B<sub>2</sub></b>	...	<b>B<sub>c</sub></b>
<b>A<sub>1</sub></b>	p <sub>11</sub>	p <sub>12</sub>		p <sub>1c</sub>
<b>A<sub>2</sub></b>	p <sub>21</sub>	p <sub>22</sub>		p <sub>2c</sub>
...	...	...	...	...
<b>A<sub>R</sub></b>	p <sub>R1</sub>	p <sub>R2</sub>	...	p <sub>RC</sub>

Hypothesis:

Without loss of generality, we will only look at the i-th row of the table. Let  $C^*$  be the number of categories in the i-th row where the proportion is greater than zero and less than one, and where the sum of case weights in the corresponding column is at least 2. In the i-th row,  $C^*(C^*-1)/2$  comparisons will be made among  $p_{i1}, p_{i2}, \dots, p_{ic}$ . The (j,k)th hypothesis will be

$$H_{0jk}: p_{ij} = p_{ik} \quad \text{vs.} \quad H_{1jk}: p_{ij} \neq p_{ik}.$$

Aggregated statistics

Column proportions tests are based on the aggregated proportions ( $\hat{p}_{ij}$ ) and cell counts for each column ( $c_j$ ). Column proportions are computed using the un-

rounded cell counts  $\hat{p}_{ij} = \frac{f_{ij}}{c_j}$  which are equal to the proportions actually displayed in the table output.

### Statistics for the (j,k)<sup>th</sup> comparisons

Let  $\tilde{c}_j = \text{round}(c_j)$  and  $\tilde{c}_k = \text{round}(c_k)$ .

Pooled proportion:

$$\hat{p}_{ijk} = \frac{\tilde{c}_j \hat{p}_{ij} + \tilde{c}_k \hat{p}_{ik}}{\tilde{c}_j + \tilde{c}_k}.$$

z statistic with a categorical variable in the columns:

$$z = \frac{(\hat{p}_{ij} - \hat{p}_{ik})}{\sqrt{\hat{p}_{ijk}(1 - \hat{p}_{ijk})\left(\frac{1}{\tilde{c}_j} + \frac{1}{\tilde{c}_k}\right)}}.$$

When multiple response set defines columns there may exist cases that belong to both j-th and k-th columns. Let  $\tilde{c}_{jk}$  be the rounded marginal weights total for such cases.

z statistic with a multiple response set in the columns:

$$z = \frac{(\hat{p}_{ij} - \hat{p}_{ik})}{\sqrt{\hat{p}_{ijk}(1 - \hat{p}_{ijk})\left(\frac{1}{\tilde{c}_j} + \frac{1}{\tilde{c}_k} - \frac{2\tilde{c}_{jk}}{\tilde{c}_j\tilde{c}_k}\right)}}.$$

p-value:  $p = 2[1 - \Phi(|z|)]$ , where  $\Phi(z)$  is the CDF of standard normal distribution.

A comparison is significant if  $p < \alpha$  if no multiple comparison adjustments are made. For multiple comparison adjustment formulas see the final section.

### Relationship to Pearson's chi-square tests

With a categorical variable in the columns, the statistics used in column proportion tests are equivalent to the Pearson's chi-square test on a 2 x 2 table by taking the j and k-th columns and collapsing all rows except

the  $i$ -th row. Therefore performing column proportion tests on a  $2 \times 2$  table will give the same result as Pearson's chi-square test.

### Use of case weights

The case weights (or frequency weights) are supposed to be integers representing the number of replications of each case. In column proportions tests, we will only check if the column marginal  $c_j$ 's are integers. If not, they will be rounded to the nearest integers.

## Column Proportions Tests (With Effective Base Weighting)

This section describes the algorithms used in computation of column proportions tests when effective sample size or effective base weighting is used.

### Notation

$R$	Number of rows in the sub-table.
$C$	Number of columns in the sub-table.
$n_j$	Number of valid unweighted cases in the $j$ -th column of the sub-table.
$C^*$	Number of categories in the $i$ -th row where the number of valid cases in the corresponding column is at least 2 ( $n_j \geq 2$ )
$A_i$	$i$ -th category of the row variable.
$B_j$	$j$ -th category of the column variable.
$w_{ij}$	Sum of weights in cell $(i,j)$ .
$w_j$	Marginal sum of weights in $j$ -th column.
$q_{ij}$	Sum of squared weights in cell $(i,j)$ .
$e_{ij}$	Effective base in cell $(i,j)$ .
$e_j$	Effective base in $j$ -th column.
$t$	t-statistic.
$p_{ij}$	Column proportion for cell $(i,j)$ .
$\hat{p}_{ij}$	Estimated column proportion for cell $(i,j)$ .
$\hat{p}_{ijk}$	Estimate of pooled proportion of $j$ -th and $k$ -th columns in the $i$ -th row.
$p$	p-value of a test.

### Conditions and assumptions

- Tests will not be performed on Comperimeter tables and tables with scale variables in the layer.

- Pairwise tests are performed on each row of all eligible innermost sub-tables within each layer.
- Sub-tables must have categorical variables or multiple response sets in both rows and columns.
- The number of rows and columns must be larger than or equal to two, i.e.  $R \geq 2$  and  $C \geq 2$ .
- Tests are constructed by using all visible categories excluding totals and sub-totals. Hiding of categories and showing of user-missing categories are respected.
- Cell statistics must include weighted cell counts or weighted simple column percents.
- In order for two categories to be compared, each must have at least one valid case and at least one of the two categories must have at least two valid cases. If no categories have more than one valid case, no comparisons will be made.

## Algorithm

### All Pairwise Comparisons

Table layout:

	<b>C<sub>1</sub></b>	<b>C<sub>2</sub></b>	...	<b>C<sub>C</sub></b>
<b>R<sub>1</sub></b>	p <sub>11</sub>	p <sub>12</sub>		p <sub>1C</sub>
<b>R<sub>2</sub></b>	p <sub>21</sub>	p <sub>22</sub>		p <sub>2C</sub>
...	...	...	...	...
<b>R<sub>R</sub></b>	p <sub>R1</sub>	p <sub>R2</sub>	...	p <sub>RC</sub>

Hypothesis:

Without loss of generality, we will only look at the i-th row of the table. The (j,k)th hypothesis will be

$$H_{0jk} : p_{ij} = p_{ik} \text{ vs. } H_{1jk} : p_{ij} \neq p_{ik} \text{ for all } k > j.$$

Let  $C^*$  be the number of categories in the i-th row where the number of valid unweighted cases is at least two.

Total number of hypotheses tested:

$$\frac{C^*(C^*-1)}{2} + C^*(C-C^*), \text{ where } C^* = \sum_{j=1}^C I(n_j \geq 2).$$

Note that if all categories have at least two valid cases this reduces to  $\frac{C(C-1)}{2}$ .

Aggregated statistics

Column proportions tests are based on the aggregated proportions ( $\hat{p}_{ij}$ ) and cell

counts for each column ( $w_j$ ). Column proportions are computed as  $\hat{p}_{ij} = \frac{w_{ij}}{w_j}$ .

### Statistics for the (j,k)<sup>th</sup> comparisons

Pooled proportion estimate:

$$\hat{p}_{ijk} = \frac{w_j \hat{p}_{ij} + w_k \hat{p}_{ik}}{w_j + w_k}.$$

Let the effective base for cell (i,j) be  $e_{ij} = \frac{(w_{ij})^2}{q_{ij}}$  and the effective base for

column j be  $e_j = \sum_{i=1}^R e_{ij}$ . Similarly, let the effective base for cell (i,k) be

$e_{ik} = \frac{(w_{ik})^2}{q_{ik}}$  and the effective base for column k be  $e_k = \sum_{i=1}^R e_{ik}$ . (When a

multiple response set defines the rows, effective base computations over rows within a column are not additive. In this case the effective base for column k is

computed as  $e_k = \frac{(w_k)^2}{q_k}$ ).

*t* statistic with a categorical variable in the columns:

$$t = \frac{(\hat{p}_{ij} - \hat{p}_{ik})}{\sqrt{\hat{p}_{ijk}(1 - \hat{p}_{ijk})\left(\frac{1}{e_j} + \frac{1}{e_k}\right)}}.$$

p-value:  $p = 2[1 - F(|t|, df)]$ ,  $F(t, df)$  is the CDF of Student's *t* distribution with  $df$  degrees of freedom. Here  $df = e_j + e_k - 2$ .

A comparison is significant if  $p < \alpha$  if no multiple comparison adjustments are made. For multiple comparison adjustment formulas see the final section.

When a multiple response set defines the columns there may exist cases that belong to both the *j*-th and *k*-th columns (these cases are said to overlap). Let  $w_{ijk}$  be the sum of the weights for the cases in row *i* that belong to both columns *j* and *k*. Then the effective base of these overlapping cases for columns *j* and *k*

in row  $i$  is  $e_{ijk} = .5 * w_{ijk} \left( \frac{e_{ij}}{w_{ij}} + \frac{e_{ik}}{w_{ik}} \right)$ , and the effective base of these overlapping cases for columns  $j$  and  $k$  is  $e_{jk} = \sum_{i=1}^R e_{ijk}$ .

$t$  statistic with a multiple response set in the columns:

$$t = \frac{(\hat{p}_{ij} - \hat{p}_{ik})}{\sqrt{\hat{p}_{ijk}(1 - \hat{p}_{ijk}) \left( \frac{1}{e_j} + \frac{1}{e_k} - \frac{2e_{jk}}{e_j e_k} \right)}}$$

$p$ -value:  $p = 2[1 - F(|t|, df)]$ , where  $F(t, df)$  is the CDF of Student's  $t$  distribution with  $df$  degrees of freedom. Here  $df = e_j + e_k - e_{jk} - 2$ .

A comparison is significant if  $p < \alpha$  if no multiple comparison adjustments are made. For multiple comparison adjustment formulas see the final section.

If rows are also defined by a multiple response set, then overlapping cases cannot be identified individually by rows, so the effective base of the overlapping

cases for columns  $j$  and  $k$  is  $e_{jk} = .5 * w_{jk} \left( \frac{e_j}{w_j} + \frac{e_k}{w_k} \right)$ , where  $w_{jk}$  is the sum of the weights of overlapping cases in columns  $j$  and  $k$ .

## Multiple Comparison Adjustments for Column Means and Column Proportions Tests

This section describes the algorithms used in adjusting  $p$ -values or significance levels for pairwise comparisons among column means or proportions.

### Notation

$m$	Number of distinct comparisons performed.
$p$	Unadjusted $p$ -value of a test.
$p_B$	Bonferroni corrected $p$ -value.
$p_{BH,i}$	Benjamini-Hochberg adjusted $p$ -value for the $i^{th}$ comparison.
$\alpha$	The significance level supplied by the user.

# Algorithm

## Multiple Comparison Adjustments

### Unadjusted comparisons

A comparison is significant if  $p < \alpha$ .

### Bonferroni adjustment

If the Bonferroni adjustment for multiple comparisons is requested, the  $p$ -value  $p$  will be adjusted by

$$p_B = \min(mp, 1) .$$

A comparison is significant if  $p_B < \alpha$ .

### Benjamini-Hochberg False Discovery Rate Procedure

If the Benjamini-Hochberg adjustment for multiple comparisons is requested, the method from Benjamini & Hochberg (1995) for controlling the false discovery rate (FDR) is used.

### Statistically significant comparisons

Sort the unadjusted  $p$ -values from  $i = 1, \dots, m$  in ascending order.

Find the largest unadjusted  $p$ -value  $p_k$  for which

$$p_i \leq \frac{i}{m} \alpha .$$

Then all comparisons associated with  $p_i = p_1, \dots, p_k$  are declared significant.

### Adjusted $p$ -values

The adjusted  $p$ -value  $p_{BH,i}$  for the  $i^{th}$  comparison is computed as:

$$p_{BH,i} = p \text{ if } i = m$$

$$p_{BH,i} = \min(p_{BH,i+1}, \frac{m}{i} p_i) \text{ if } i < m .$$

**Reference:**

Benjamini, Y., & Hochberg, Y. (1995). Controlling the false discovery rate: a practical and powerful approach to multiple testing. *Journal of the Royal Statistical Society B*, 57(1), 289-300.

# CURVEFIT Algorithms

Eleven models can be selected to fit times series and produce forecasts, forecast errors, and confidence limits. In all of the models, the observed series is some function of time.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

Table 34-1

### Notation

Notation	Description
$Y_t$	Observed series; $t = 1, \dots, n$
$E(Y_t)$	Expected value of $Y_t$
$\hat{Y}_t$	Predicted value for $Y_t$

## Models

CURVEFIT allows the user to specify a model with or without a constant term designated by  $\beta_0$ . If this constant term is excluded, simply set it zero or one depending upon whether it appears in an additive or multiplicative manner in the models listed below.

Model	Description
(1) Linear	$E(Y_t) = \beta_0 + \beta_1 t$
(2) Logarithmic	$E(Y_t) = \beta_0 + \beta_1 \ln(t)$
(3) Inverse	$E(Y_t) = \beta_0 + \beta_1/t$
(4) Quadratic	$E(Y_t) = \beta_0 + \beta_1 t + \beta_2 t^2$
(5) Cubic	$E(Y_t) = \beta_0 + \beta_1 t + \beta_2 t^2 + \beta_3 t^3$
(6) Compound	$E(Y_t) = \beta_0 \beta_1^t$
(7) Power	$E(Y_t) = \beta_0 t^{\beta_1}$
(8) S	$E(Y_t) = \exp(\beta_0 + \beta_1/t)$
(9) Growth	$E(Y_t) = \exp(\beta_0 + \beta_1 t)$
(10) Exponential	$E(Y_t) = \beta_0 e^{\beta_1 t}$
(11) Logistic	$E(Y_t) = (\frac{1}{u} + \beta_0 \beta_1^t)^{-1}$

## Assumption

We assume that nonlinear models (6) to (11) can be expressed in linear model form by logarithmic transformation. So, for models (6) to (10),

$$\ln(Y_t) = \ln(E(Y_t)) + \epsilon_t$$

and for model (11),

$$\ln\left(\frac{1}{Y_t} - \frac{1}{u}\right) = \ln\left(\frac{1}{E(Y_t)} - \frac{1}{u}\right) + \epsilon_t$$

with  $\epsilon_t, t = 1, \dots, n$  being independently identically distributed  $N(0, \sigma^2)$ .

## Application of Regression

Each of the models is expressed in linear form and computational techniques described in the REGRESSION procedure are applied. The dependent variable and independent variables for each model are listed as follows:

Model	Dependent Variable	Independent Variables	Coefficients
(1)	$Y$	$t$	$\beta_0, \beta_1$
(2)	$Y$	$\ln(t)$	$\beta_0, \beta_1$
(3)	$Y$	$1/t$	$\beta_0, \beta_1$
(4)	$Y$	$t, t^2$	$\beta_0, \beta_1, \beta_2$
(5)	$Y$	$t, t^2, t^3$	$\beta_0, \beta_1, \beta_2, \beta_3$
(6)	$\ln(Y)$	$t$	$\beta_0^*, \beta_1^*$
(7)	$\ln(Y)$	$\ln(t)$	$\beta_0^*, \beta_1^*$
(8)	$\ln(Y)$	$1/t$	$\beta_0, \beta_1$
(9)	$\ln(Y)$	$t$	$\beta_0, \beta_1$
(10)	$\ln(Y)$	$t$	$\beta_0^*, \beta_1^*$
(11)	$\ln\left(\frac{1}{Y} - \frac{1}{u}\right)$	$t$	$\beta_0^*, \beta_1^*$

where  $\beta_0^* = \ln(\beta_0)$  and  $\beta_1^* = \ln(\beta_1)$ .

The ANOVA table, coefficient estimates and their standard errors,  $t$ -values, and significance levels are computed as in the REGRESSION procedure. Note that for the nonlinear models (6) to (11), we have

$$se(\hat{\beta}_0) \approx \exp(\hat{\beta}_0^*) \times se(\hat{\beta}_0^*)$$

and

$$se(\hat{\beta}_1) \approx \exp(\hat{\beta}_1^*) \times se(\hat{\beta}_1^*)$$

## Predicted Values and Confidence Intervals

The regression coefficients for models (1) to (5) are used to obtain the predicted values. For the transformed models, more computations are required to obtain the predicted values for the original models. The formulas are listed below:

### Model Description

- (1)  $\hat{Y}_t = \hat{\beta}_0 + \hat{\beta}_1 t$
- (2)  $\hat{Y}_t = \hat{\beta}_0 + \hat{\beta}_1 \ln(t)$
- (3)  $\hat{Y}_t = \hat{\beta}_0 + \hat{\beta}_1/t$
- (4)  $\hat{Y}_t = \hat{\beta}_0 + \hat{\beta}_1 t + \hat{\beta}_2 t^2$
- (5)  $\hat{Y}_t = \hat{\beta}_0 + \hat{\beta}_1 t + \hat{\beta}_2 t^2 + \hat{\beta}_3 t^3$
- (6)  $\hat{Y}_t^* = \hat{\beta}_0^* + \hat{\beta}_1^* t$
- (7)  $\hat{Y}_t^* = \hat{\beta}_0^* + \hat{\beta}_1^* \ln(t)$
- (8)  $\hat{Y}_t^* = \hat{\beta}_0^* + \hat{\beta}_1^*/t$
- (9)  $\hat{Y}_t^* = \hat{\beta}_0^* + \hat{\beta}_1^* t$
- (10)  $\hat{Y}_t^* = \hat{\beta}_0^* + \hat{\beta}_1^* t$
- (11)  $\hat{Y}_t^* = \hat{\beta}_0^* + \hat{\beta}_1^* t$

where  $\hat{Y}_t^* = \ln(\hat{Y}_t)$  in models (5) to (10), and  $\hat{Y}_t^* = \ln\left(\frac{1}{\hat{Y}_t} - \frac{1}{u}\right)$  in model (11).

The 95% prediction interval for an observation at time  $t$  is constructed as follows:

For models (1) to (5):

$$\hat{Y}_t \pm t_{0.025} \sqrt{MSE\left(1 + h_t + \frac{1}{n}\right)} \quad \text{if constant term is included}$$

$$\hat{Y}_t \pm t_{0.025} \sqrt{MSE(1 + h_t)} \quad \text{otherwise}$$

For models (6) to (10):

$$\exp\left(\hat{Y}_t^* \pm t_{0.025} \sqrt{MSE\left(1 + h_t + \frac{1}{n}\right)}\right)$$

and for model (11):

$$\frac{1}{\exp\left(\hat{Y}_t^* \pm t_{0.025} \sqrt{MSE\left(1 + h_t + \frac{1}{n}\right)}\right) + \frac{1}{u}}$$

---

*CURVEFIT*

where MSE is the mean square error obtained by fitting the linear model,  $t_{0.025}$  is the 97.5 percentage point from Student  $t$ -distribution with MSE degrees of freedom, and  $h_t$  is the leverage (computational detail in the REGRESSION procedure).

# DESCRIPTIVES Algorithms

DESCRIPTIVES computes univariate statistics—including the mean, standard deviation, minimum, and maximum—for numeric variables.

## Notation

The following notation is used throughout this section unless otherwise stated:

Table 35-1

Notation

Notation	Description
$X_i$	Value of the variable for case $i$
$w_i$	Weight for case $i$
$N$	Number of cases
$W_i$	Sum of the weights for the first $i$ cases
$\bar{X}_i$	Mean for the first $i$ cases

## Moments

Moments about the mean are calculated recursively using a provisional means algorithm (Spicer, 1972):

$$W_j = \sum_{i=1}^j w_i$$

$$v_j = \frac{w_j}{W_j} (X_j - \bar{X}_{j-1})$$

$$M_j^4 = M_{j-1}^4 - 4v_j M_{j-1}^3 + 6v_j^2 M_{j-1}^2 + \left( \frac{W_j^2 - 3w_j W_{j-1}}{w_j^3} \right) v_j^4 W_{j-1} W_j$$

$$M_j^3 = M_{j-1}^3 - 3v_j M_{j-1}^2 + \frac{W_j W_{j-1}}{w_j^2} (W_j - 2w_j) v_j^3$$

$$M_j^2 = M_{j-1}^2 + \frac{W_j W_{j-1}}{w_j} v_j^2$$

$$\bar{X}_j = \bar{X}_{j-1} + v_j$$

$$W_0 = \bar{X}_0 = M_0^2 = M_0^3 = M_0^4 = 0$$

After the last observation has been processed,

$W_N$  = sum of weights for all cases

$\bar{X}_N = \text{mean}$

$$M_N^r = \sum_{i=1}^N w_i (X_i - \bar{X})^r$$

## **Basic Statistics**

Mean

$$\bar{X}_N$$

Variance

$$S^2 = M_N^2 / (W_N - 1)$$

Standard Deviation

$$S = \sqrt{S^2}$$

Standard Error

$$S_{\bar{X}} = \frac{S}{\sqrt{W_N}}$$

Minimum

$$\min_j X_j$$

Maximum

$$\max_j X_j$$

Sum

$$\bar{X}_N W_N$$

Skewness and Standard Error of Skewness

$$g_1 = \frac{W_N M_N^3}{(W_N - 1)(W_N - 2)S^3} \quad sc(g_1) = \sqrt{\frac{6W_N(W_N - 1)}{(W_N - 2)(W_N + 1)(W_N + 3)}}$$

If  $W_N \leq 2$  or  $S^2 < 10^{-20} g_1$  and its standard error are not calculated.

Kurtosis (Bliss, 1967, p. 144) and Standard Error of Kurtosis

$$g_2 = \frac{W_N(W_N+1)M_N^4 - 3M_N^2 M_N^2(W_N-1)}{(W_N-1)(W_N-2)(W_N-3)S^4} \quad se(g_2) = \sqrt{\frac{4(W_N^2-1)(SE(g_1))^2}{(W_N-3)(W_N+5)}}$$

If  $W_N \leq 3$  or  $S^2 < 10^{-20}g_2$  and its standard error are not calculated.

Z-Scores

$$Z_i = \frac{X_i - \bar{X}_N}{S}$$

If  $X_i$  is missing or  $S \leq 0$ ,  $Z_i$  is set to the system missing value.

## References

- Bliss, C. I. 1967. *Statistics in biology, Volume 1*. New York: McGraw-Hill.
- Spicer, C. C. 1972. Algorithm AS 52: Calculation of power sums of deviations about the mean. *Applied Statistics*, 21, 226–227.

# DETECTANOMALY Algorithms

The Anomaly Detection procedure searches for unusual cases based on deviations from the norms of their cluster groups. The procedure is designed to quickly detect unusual cases for data-auditing purposes in the exploratory data analysis step, prior to any inferential data analysis. This algorithm is designed for generic anomaly detection; that is, the definition of an anomalous case is not specific to any particular application, such as detection of unusual payment patterns in the healthcare industry or detection of money laundering in the finance industry, in which the definition of an anomaly can be well-defined.

## Data Assumptions

**Data.** This procedure works with both continuous and categorical variables. Each row represents a distinct observation, and each column represents a distinct variable upon which the peer groups are based. A case identification variable can be available in the data file for marking output, but it will not be used in the analysis. Missing values are allowed. The weight variable, if specified, is ignored.

The detection model can be applied to a new test data file. The elements of the test data must be the same as the elements of the training data. And, depending on the algorithm settings, the missing value handling that is used to create the model may be applied to the test data file prior to scoring.

**Case order.** Note that the solution may depend on the order of cases. To minimize order effects, randomly order the cases. To verify the stability of a given solution, you may want to obtain several different solutions with cases sorted in different random orders. In situations with extremely large file sizes, multiple runs can be performed with a sample of cases sorted in different random orders.

**Assumptions.** The algorithm assumes that all variables are nonconstant and independent and that no case has missing values for any of the input variables. Each continuous variable is assumed to have a normal (Gaussian) distribution, and each categorical variable is assumed to have a multinomial distribution. Empirical internal testing indicates that the procedure is fairly robust to violations of both the assumption of independence and the distributional assumptions, but be aware of how well these assumptions are met.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$ID$	The identity variable of each case in the data file.
$n$	The number of cases in the training data $X_{\text{train}}$ .
$X_{ok}, k = 1, \dots, K$	The set of input variables in the training data.
$M_k, k \in \{1, \dots, K\}$	If $X_{ok}$ is a continuous variable, $M_k$ represents the grand mean, or average of the variable across the entire training data.
$SD_k, k \in \{1, \dots, K\}$	If $X_{ok}$ is a continuous variable, $SD_k$ represents the grand standard deviation, or standard deviation of the variable across the entire training data.
$X_{K+1}$	A continuous variable created in the analysis. It represents the percentage of variables ( $k = 1, \dots, K$ ) that have missing values in each case.
$X_k, k = 1, \dots, K$	The set of processed input variables after the missing value handling is applied. For more information, see the topic "Modeling Stage".

H, or the boundaries of H: [H <sub>min</sub> , H <sub>max</sub> ]	H is the pre-specified number of cluster groups to create. Alternatively, the bounds [H <sub>min</sub> , H <sub>max</sub> ] can be used to specify the minimum and maximum numbers of cluster groups.
n <sub>h</sub> , h = 1, ..., H	The number of cases in cluster h, h = 1, ..., H, based on the training data.
p <sub>h</sub> , h = 1, ..., H	The proportion of cases in cluster h, h = 1, ..., H, based on the training data. For each h, p <sub>h</sub> = n <sub>h</sub> /n.
M <sub>hk</sub> , k = 1, ..., K+1, h = 1, ..., H	If X <sub>k</sub> is a continuous variable, M <sub>hk</sub> represents the cluster mean, or average of the variable in cluster h based on the training data. If X <sub>k</sub> is a categorical variable, it represents the cluster mode, or most popular categorical value of the variable in cluster h based on the training data.
SD <sub>hk</sub> , k ∈ {1, ..., K+1}, h = 1, ..., H	If X <sub>k</sub> is a continuous variable, SD <sub>hk</sub> represents the cluster standard deviation, or standard deviation of the variable in cluster h based on the training data.
{n <sub>hkj</sub> }, k ∈ {1, ..., K}, h = 1, ..., H, j = 1, ..., J <sub>k</sub>	The frequency set {n <sub>hkj</sub> } is defined only when X <sub>k</sub> is a categorical variable. If X <sub>k</sub> has J <sub>k</sub> categories, then n <sub>hkj</sub> is the number of cases in cluster h that fall into category j.
m	An adjustment weight used to balance the influence between continuous and categorical variables. It is a positive value with a default of 6.
VDI <sub>k</sub> , k = 1, ..., K+1	The variable deviation index of a case is a measure of the deviation of variable value X <sub>k</sub> from its cluster norm.
GDI	The group deviation index GDI of a case is the log-likelihood distance d(h, s), which is the sum of all of the variable deviation indices {VDI <sub>k</sub> , k = 1, ..., K+1}.
anomaly index	The anomaly index of a case is the ratio of the GDI to that of the average GDI for the cluster group to which the case belongs.
variable contribution measure	The variable contribution measure of variable X <sub>k</sub> for a case is the ratio of the VDI <sub>k</sub> to the case's corresponding GDI.
pct <sub>anomaly</sub> or n <sub>anomaly</sub>	A pre-specified value pct <sub>anomaly</sub> determines the percentage of cases to be considered as anomalies. Alternatively, a pre-specified positive integer value n <sub>anomaly</sub> determines the number of cases to be considered as anomalies.
cutpoint <sub>anomaly</sub>	A pre-specified cutpoint; cases with anomaly index values greater than cutpoint <sub>anomaly</sub> are considered anomalous.
k <sub>anomaly</sub>	A pre-specified integer threshold 1 ≤ k <sub>anomaly</sub> ≤ K+1 determines the number of variables considered as the reasons that the case is identified as an anomaly.

## Algorithm Steps

This algorithm is divided into three stages:

**Modeling.** Cases are placed into cluster groups based on their similarities on a set of input variables. The clustering model used to determine the cluster group of a case and the sufficient statistics used to calculate the norms of the cluster groups are stored.

**Scoring.** The model is applied to each case to identify its cluster group and some indices are created for each case to measure the unusualness of the case with respect to its cluster group. All cases are sorted by the values of the anomaly indices. The top portion of the case list is identified as the set of anomalies.

**Reasoning.** For each anomalous case, the variables are sorted by its corresponding variable deviation indices. The top variables, their values, and the corresponding norm values are presented as the reasons why a case is identified as an anomaly.

## Modeling Stage

This stage performs the following tasks:

1. **Training Set Formation.** Starting with the specified variables and cases, remove any case with extremely large values (greater than  $1.0E+150$ ) on any continuous variable. If missing value handling is not in effect, also remove cases with a missing value on any variable. Remove variables with all constant nonmissing values or all missing values. The remaining cases and variables are used to create the anomaly detection model. Statistics output to pivot table by the procedure are based on this training set, but variables saved to the dataset are computed for all cases.
2. **Missing Value Handling (Optional).** For each input variable  $X_{ok}$ ,  $k = 1, \dots, K$ , if  $X_{ok}$  is a continuous variable, use all valid values of that variable to compute the grand mean  $M_k$  and grand standard deviation  $SD_k$ . Replace the missing values of the variable by its grand mean. If  $X_{ok}$  is a categorical variable, combine all missing values into a “missing value” category. This category is treated as a valid category. Denote the processed form of  $\{X_{ok}\}$  by  $\{X_k\}$ .
3. **Creation of Missing Value Pct Variable (Optional).** A new continuous variable,  $X_{K+1}$ , is created that represents the percentage of variables (both continuous and categorical) with missing values in each case.
4. **Cluster Group Identification.** The processed input variables  $\{X_k, k = 1, \dots, K+1\}$  are used to create a clustering model. The two-step clustering algorithm is used with noise handling turned on (see the TwoStep Cluster algorithm document for more information).
5. **Sufficient Statistics Storage.** The cluster model and the sufficient statistics for the variables by cluster are stored for the Scoring stage:
  - The grand mean  $M_k$  and standard deviation  $SD_k$  of each continuous variable are stored,  $k \in \{1, \dots, K+1\}$ .
  - For each cluster  $h = 1, \dots, H$ , store the size  $n_h$ . If  $X_k$  is a continuous variable, store the cluster mean  $M_{hk}$  and standard deviation  $SD_{hk}$  of the variable based on the cases in cluster  $h$ . If  $X_k$  is a categorical variable, store the frequency  $n_{hkj}$  of each category  $j$  of the variable based on the cases in cluster  $h$ . Also store the modal category  $M_{hk}$ . These sufficient statistics will be used in calculating the log-likelihood distance  $d(h, s)$  between a cluster  $h$  and a given case  $s$ .

## Scoring Stage

This stage performs the following tasks on scoring (testing or training) data:

1. **New Valid Category Screening.** The scoring data should contain the input variables  $\{X_{ok}, k = 1, \dots, K\}$  in the training data. Moreover, the format of the variables in the scoring data should be the same as those in the training data file during the Modeling Stage.

Cases in the scoring data are screened out if they contain a categorical variable with a valid category that does not appear in the training data. For example, if *Region* is a categorical variable with categories IL, MA and CA in the training data, a case in the scoring data that has a valid category FL for *Region* will be excluded from the analysis.

2. **Missing Value Handling (Optional).** For each input variable  $X_{ok}$ , if  $X_{ok}$  is a continuous variable, use all valid values of that variable to compute the grand mean  $M_k$  and grand standard deviation  $SD_k$ . Replace the missing values of the variable by its grand mean. If  $X_{ok}$  is a categorical variable, combine all missing values and put together a missing value category. This category is treated as a valid category.
3. **Creation of Missing Value Pct Variable (Optional depending on Modeling Stage).** If  $X_{K+1}$  is created in the Modeling Stage, it is also computed for the scoring data.
4. **Assign Each Case to its Closest Non-Noise Cluster.** The clustering model from the Modeling Stage is applied to the processed variables of the scoring data file to create a cluster ID for each case. Cases belonging to the noise cluster are reassigned to their closest non-noise cluster. See the TwoStep Cluster algorithm document for more information on the noise cluster.
5. **Calculate Variable Deviation Indices.** Given a case  $s$ , the closest cluster  $h$  is found. The variable deviation index  $VDI_k$  of variable  $X_k$  is defined as the contribution  $d_k(h, s)$  of the variable to its log-likelihood distance  $d(h, s)$ . The corresponding norm value is  $M_{hk}$ , which is the cluster sample mean of  $X_k$  if  $X_k$  is continuous, or the cluster mode of  $X_k$  if  $X_k$  is categorical.
6. **Calculate Group Deviation Index.** The group deviation index  $GDI$  of a case is the log-likelihood distance  $d(h, s)$ , which is the sum of all the variable deviation indices  $\{VDI_k, k = 1, \dots, K+1\}$ .
7. **Calculate Anomaly Index and Variable Contribution Measures.** Two additional indices are calculated that are easier to interpret than the group deviation index and the variable deviation index.

The anomaly index of a case is an alternative to the  $GDI$ , which is computed as the ratio of the case's  $GDI$  to the average  $GDI$  of the cluster to which the case belongs. Increasing values of this index correspond to greater deviations from the average and indicate better anomaly candidates.

A variable's variable contribution measure of a case is an alternative to the  $VDI$ , which is computed as the ratio of the variable's  $VDI$  to the case's  $GDI$ . This is the proportional contribution of the variable to the deviation of the case. The larger the value of this measure, the greater the variable's contribution to the deviation.

## Odd Situations

### Zero Divided by Zero

The situation in which the  $GDI$  of a case is zero and the average  $GDI$  of the cluster that the case belongs to is also zero is possible if the cluster is a singleton or is made up of identical cases and the case in question is the same as the identical cases. Whether this case is considered as an anomaly or not depends on whether the number of identical cases that make up the cluster is large or small. For example, suppose that there is a total of 10 cases in the training and two clusters are resulted in which one cluster is a singleton; that is, made up of one case, and the other has nine cases. In this situation, the case in the singleton cluster should be considered as an anomaly as it does not belong to the larger cluster. One way to calculate the anomaly index in this situation is to set it as the ratio of average cluster size to the size of the cluster  $h$ , which is:

$$\frac{n/H}{n_h}$$

Following the 10 cases example, the anomaly index for the case belonging to the singleton cluster would be  $(10/2)/1 = 5$ , which should be large enough for the algorithm to catch it as an anomaly. In this situation, the variable contribution measure is set to  $1/(K+1)$ , where  $(K+1)$  is the number of processed variables in the analysis.

### Nonzero Divided by Zero

The situation in which the GDI of a case is nonzero but the average GDI of the cluster that the case belongs to is 0 is possible if the corresponding cluster is a singleton or is made up of identical cases and the case in question is not the same as the identical cases. Suppose that case  $i$  belongs to cluster  $h$ , which has a zero average GDI; that is,  $\text{average}(GDI)_h = 0$ , but the GDI between case  $i$  and cluster  $h$  is nonzero; that is,  $GDI(i, h) \neq 0$ . One choice for the anomaly index calculation of case  $i$  could be to set the denominator as the weighted average GDI over all other clusters if this value is not 0; else set the calculation as the ratio of average cluster size to the size of cluster  $h$ . That is,

$$\frac{\frac{GDI(i,h)}{\frac{1}{(n-n_h)} \sum_{s=1, \neq h}^H n_s \cdot \text{average}(GDI)_s}}{\frac{n/H}{n_h}} \begin{cases} \text{if } \frac{1}{(n-n_h)} \sum_{s=1, \neq h}^H n_s \cdot \text{average}(GDI)_s \neq 0 \\ \text{otherwise} \end{cases}$$

This situation triggers a warning that the case is assigned to a cluster that is made up of identical cases.

## Reasoning Stage

Every case now has a group deviation index and anomaly index and a set of variable deviation indices and variable contribution measures. The purpose of this stage is to rank the likely anomalous cases and provide the reasons to suspect them of being anomalous.

1. **Identify the Most Anomalous Cases.** Sort the cases in descending order on the values of the anomaly index. The top  $\text{pct}_{\text{anomaly}} \%$  (or alternatively, the top  $n_{\text{anomaly}}$ ) gives the anomaly list, subject to the restriction that cases with an anomaly index less than or equal to  $\text{cutpoint}_{\text{anomaly}}$  are not considered anomalous.
2. **Provide Reasons for Considering a Case Anomalous.** For each anomalous case, sort the variables by their corresponding  $\text{VDI}_k$  values in descending order. The top  $k_{\text{anomaly}}$  variable names, its value (of the corresponding original variable  $X_{ok}$ ), and the norm values are displayed as reasoning.

## Key Formulas from Two-Step Clustering

The two-step clustering algorithm consists of: (a) a pre-cluster step that pre-clusters cases into many sub-clusters and (b) a cluster step that clusters the sub-clusters resulting from pre-cluster step into the desired number of clusters. It can also select the number of clusters automatically.

The formula for the log-likelihood distance  $d(j, s)$  between 2 clusters  $j$  and  $s$  is as follows:

$$d(j, s) = \xi_j + \xi_s - \xi_{\langle j, s \rangle}$$

where

$$\xi_v = -N_v \left( \sum_{k=1}^{K^A} \log(\Delta_k + \hat{\sigma}_{vk}^2) / 2 + \sum_{k=1}^{K^B} \hat{E}_{vk} \right)$$

and

$$\hat{E}_{vk} = -\sum_{l=1}^{L_k} N_{vkl} / N_v \log(N_{vkl} / N_v)$$

in which  $\Delta_k > 0$  is a positive adjustment included in the formula to avoid the logarithm of zero in the calculation. Its value is set as:

$$\Delta_k = \frac{\hat{\sigma}_k^2}{m}$$

where  $m$  is user-specified and set to  $m = 6$  by default, and  $\hat{\sigma}_k^2$  is the sample variance of variable  $X_k$  over the entire training sample.

The log-likelihood distance can be computed as follows:

$$d(j, s) = \sum_{k=1}^{K^A + K^B} d_k(j, s)$$

where

$$d_k(j, s) = \begin{cases} \left\{ -N_j \log(\Delta_k + \hat{\sigma}_{jk}^2) - N_s \log(\Delta_k + \hat{\sigma}_{sk}^2) + N_{\langle j, s \rangle} \log(\Delta_k + \hat{\sigma}_{\langle j, s \rangle k}^2) \right\} / 2 \\ \left\{ -N_j \hat{E}_{jk} - N_s \hat{E}_{sk} + N_{\langle j, s \rangle} \hat{E}_{\langle j, s \rangle k} \right\} \end{cases}$$

depending on whether the corresponding variable  $X_k$  is continuous or categorical.

For more information, see the topic “TWOSTEP CLUSTER Algorithms”.

# DISCRIMINANT Algorithms

No analysis is done for any subfile group for which the number of non-empty groups is less than two or the number of cases or sum of weights fails to exceed the number of non-empty groups. An analysis may be stopped if no variables are selected during variable selection or the eigenanalysis fails.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

Table 37-1

### Notation

Notation	Description
$g$	Number of groups
$p$	Number of variables
$q$	Number of variables selected
$X_{ijk}$	Value of variable $i$ for case $k$ in group $j$
$f_{jk}$	Case weights for case $k$ in group $j$
$m_j$	Number of cases in group $j$
$n_j$	Sum of case weights in group $j$
$n$	Total sum of weights

## Basic Statistics

The procedure calculates the following basic statistics.

### Mean

$$\bar{X}_{ij} = \left( \sum_{k=1}^{m_j} f_{jk} X_{ijk} \right) / n_j \quad (\text{variable } i \text{ in group } j)$$

$$\bar{X}_{i\bullet} = \left( \sum_{j=1}^g \sum_{k=1}^{m_j} f_{jk} X_{ijk} \right) / n \quad (\text{variable } i)$$

### Variances

$$S_{ij}^2 = \frac{\left( \sum_{k=1}^{m_j} f_{jk} X_{ijk}^2 - n_j \bar{X}_{ij}^2 \right)}{(n_j - 1)} \quad (\text{variable in group } j)$$

$$S_{i\bullet}^2 = \frac{\left( \sum_{j=1}^g \sum_{k=1}^{m_j} f_{jk} X_{ijk}^2 - n \bar{X}_{i\bullet}^2 \right)}{(n - 1)} \quad (\text{variable } i)$$

**Within-Groups Sums of Squares and Cross-Product Matrix (W)**

$$w_{il} = \sum_{j=1}^g \sum_{k=1}^{m_j} f_{jk} X_{ijk} X_{ljk} - \sum_{j=1}^g \left( \sum_{k=1}^{m_j} f_{jk} X_{ijk} \right) \left( \sum_{k=1}^{m_j} f_{jk} X_{ljk} \right) / n_j \quad i, l = 1, \dots, p$$

**Total Sums of Squares and Cross-Product Matrix (T)**

$$t_{il} = \sum_{j=1}^g \sum_{k=1}^{m_j} f_{jk} X_{ijk} X_{ljk} - \left( \sum_{j=1}^g \sum_{k=1}^{m_j} f_{jk} X_{ijk} \right) \left( \sum_{j=1}^g \sum_{k=1}^{m_j} f_{jk} X_{ljk} \right) / n$$

**Within-Groups Covariance Matrix**

$$C = \frac{W}{(n-g)} \quad n > g$$

**Individual Group Covariance Matrices**

$$c_{il}^{(j)} = \frac{\left( \sum_{k=1}^{m_j} f_{jk} X_{ijk} X_{ljk} - \bar{X}_{ij} \bar{X}_{lj} n_j \right)}{(n_j - 1)}$$

**Within-Groups Correlation Matrix (R)**

$$r_{il} = \begin{cases} \frac{w_{il}}{\sqrt{w_{ii} w_{ll}}} & \text{if } w_{ii} w_{ll} > 0 \\ \text{SYSMIS} & \text{otherwise} \end{cases}$$

**Total Covariance Matrix**

$$T' = \frac{T}{n-1}$$

**Univariate F and Λ for Variable I**

$$F_i = \frac{(t_{ii} - w_{ii})(n-g)}{w_{ii}(g-1)}$$

with  $g-1$  and  $n-g$  degrees of freedom

$$\Lambda_i = \frac{w_{ii}}{t_{ii}}$$

with 1,  $g-1$  and  $n-g$  degrees of freedom

**Rules of Variable Selection**

Both direct and stepwise variable entry are possible. Multiple inclusion levels may also be specified.

## **Method = Direct**

For direct variable selection, variables are considered for inclusion in the order in which they are written on the ANALYSIS = list. A variable is included in the analysis if, when it is included, no variable in the analysis will have a tolerance less than the specified tolerance limit (default = 0.001).

## **Stepwise Variable Selection**

At each step, the following rules control variable selection:

- Eligible variables with higher inclusion levels are entered before eligible variables with lower inclusion levels.
- The order of entry of eligible variables with the same even inclusion level is determined by their order on the ANALYSIS = specification.
- The order of entry of eligible variables with the same odd level of inclusion is determined by their value on the entry criterion. The variable with the “best” value for the criterion statistic is entered first.
- When level-one processing is reached, prior to inclusion of any eligible variables, all already-entered variables which have level one inclusion numbers are examined for removal. A variable is considered eligible for removal if its  $F$ -to-remove is less than the  $F$  value for variable removal, or, if probability criteria are used, the significance of its  $F$ -to-remove exceeds the specified probability level. If more than one variable is eligible for removal, that variable is removed that leaves the “best” value for the criterion statistic for the remaining variables. Variable removal continues until no more variables are eligible for removal. Sequential entry of variables then proceeds as described previously, except that after each step, variables with inclusion numbers of one are also considered for exclusion as described before.
- A variable with a zero inclusion level is never entered, although some statistics for it are printed.

## **Ineligibility for Inclusion**

A variable with an odd inclusion number is considered ineligible for inclusion if:

- The tolerance of any variable in the analysis (including its own) drops below the specified tolerance limit if it is entered, or
- Its  $F$ -to-enter is less than the  $F$ -value for a variable to enter value, or
- If probability criteria are used, the significance level associated with its  $F$ -to-enter exceeds the probability to enter.

A variable with an even inclusion number is ineligible for inclusion if the first condition above is met.

## Computations During Variable Selection

During variable selection, the matrix  $\mathbf{W}$  is replaced at each step by a new matrix  $\mathbf{W}^*$  using the symmetric sweep operator described by Dempster (1969). If the first  $q$  variables have been included in the analysis,  $\mathbf{W}$  may be partitioned as:

$$\begin{bmatrix} \mathbf{W}_{11} & \mathbf{W}_{12} \\ \mathbf{W}_{21} & \mathbf{W}_{22} \end{bmatrix}$$

where  $\mathbf{W}_{11}$  is  $q \times q$ . At this stage, the matrix  $\mathbf{W}^*$  is defined by

$$\mathbf{W}^* = \begin{bmatrix} -\mathbf{W}_{11}^{-1} & \mathbf{W}_{11}^{-1}\mathbf{W}_{12} \\ \mathbf{W}_{21}\mathbf{W}_{11}^{-1} & \mathbf{W}_{22} - \mathbf{W}_{21}\mathbf{W}_{11}^{-1}\mathbf{W}_{12} \end{bmatrix} = \begin{bmatrix} \mathbf{W}_{11}^* & \mathbf{W}_{12}^* \\ \mathbf{W}_{21}^* & \mathbf{W}_{22}^* \end{bmatrix}$$

In addition, when stepwise variable selection is used,  $T$  is replaced by the matrix  $T^*$ , defined similarly.

The following statistics are computed.

### Tolerance

$$\text{TOL}_i = \begin{cases} 0 & \text{if } w_{ii} = 0 \\ w_{ii}^*/w_{ii} & \text{if variable is not in the analysis and } w_{ii} \neq 0 \\ -1/(w_{ii}^*w_{ii}) & \text{if variable } i \text{ is in the analysis and } w_{ii} \neq 0. \end{cases}$$

If a variable's tolerance is less than or equal to the specified tolerance limit, or its inclusion in the analysis would reduce the tolerance of another variable in the equation to or below the limit, the following statistics are not computed for it or any set including it.

### F-to-Remove

$$F_i = \frac{(w_{ii}^* - t_{ii}^*)(n - q - g + 1)}{t_{ii}^*(g - 1)}$$

with degrees of freedom  $g-1$  and  $n-q-g+1$ .

### F- to-Enter

$$F_i = \frac{(t_{ii}^* - w_{ii}^*)(n - q - g)}{w_{ii}^*(g - 1)}$$

with degrees of freedom  $g-1$  and  $n-q-g$ .

### Wilks' Lambda for Testing the Equality of Group Means

$$\Lambda = |\mathbf{W}_{11}|/|\mathbf{T}_{11}|$$

with degrees of freedom  $q$ ,  $g-1$  and  $n-g$ .

### **The Approximate F Test for Lambda (the “overall F”), also known as Rao’s R (Tatsuoka, 1971)**

$$F = \frac{(1-\Lambda^s)(r/s+1-qh/2)}{\Lambda^s qh}$$

where

$$s = \begin{cases} \sqrt{\frac{q^2+h^2-5}{q^2h^2-4}} & \text{if } q^2+h^2 \neq 5 \\ 1 & \text{otherwise} \end{cases}$$

$$r = n - 1 - (q + g)/2$$

$$h = g - 1$$

with degrees of freedom  $qh$  and  $r/s+1-qh/2$ . The approximation is exact if  $q$  or  $h$  is 1 or 2.

### **Rao’s V (Lawley-Hotelling Trace) (Rao, 1952; Morrison, 1976)**

$$V = -(n-g) \sum_{i=1}^q \sum_{l=1}^q w_{il}^* (t_{il} - w_{il})$$

When  $n-g$  is large,  $V$ , under the null hypothesis, is approximately distributed as  $\chi^2$  with  $q(g-1)$  degrees of freedom. When an additional variable is entered, the change in  $V$ , if positive, has approximately a  $\chi^2$  distribution with  $g-1$  degrees of freedom.

### **The Squared Mahalanobis Distance (Morrison, 1976) between groups a and b**

$$D_{ab}^2 = -(n-g) \sum_{i=1}^q \sum_{l=1}^q w_{il}^* (\bar{X}_{ia} - \bar{X}_{ib})(\bar{X}_{la} - \bar{X}_{lb})$$

### **The F Value for Testing the Equality of Means of Groups a and b**

$$F_{ab} = \frac{(n-q-g+1)n_a n_b}{q(n-g)(n_a+n_b)} D_{ab}^2$$

### **The Sum of Unexplained Variations (Dixon, 1973)**

$$R = \sum_{a=1}^{g-1} \sum_{b=a+1}^g 4/(4 + D_{ab}^2)$$

## **Classification Functions**

Once a set of  $q$  variables has been selected, the classification functions (also known as Fisher’s linear discriminant functions) can be computed using

$$b_{ij} = (n-g) \sum_{l=1}^q w_{il}^* \bar{X}_{lj} \quad i = 1, 2, \dots, q, j = 1, 2, \dots, g$$

for the coefficients, and

$$a_j = \log p_j - \frac{1}{2} \sum_{i=1}^q b_{ij} \bar{X}_{ij} \quad j = 1, 2, \dots, q$$

for the constant, where  $p_j$  is the prior probability of group  $j$ .

## Canonical Discriminant Functions

The canonical discriminant function coefficients are determined by solving the general eigenvalue problem

$$(\mathbf{T} - \mathbf{W})\mathbf{V} = \lambda\mathbf{WV}$$

where  $\mathbf{V}$  is the unscaled matrix of discriminant function coefficients and  $\lambda$  is a diagonal matrix of eigenvalues. The eigensystem is solved as follows:

The Cholesky decomposition

$$\mathbf{W} = \mathbf{L}\mathbf{U}$$

is formed, where  $\mathbf{L}$  is a lower triangular matrix, and  $\mathbf{U} = \mathbf{L}'$ .

The symmetric matrix  $\mathbf{L}^{-1}\mathbf{B}\mathbf{U}^{-1}$  is formed and the system

$$(\mathbf{L}^{-1}(\mathbf{T} - \mathbf{W})\mathbf{U}^{-1} - \lambda\mathbf{I})(\mathbf{UV}) = 0$$

is solved using tridiagonalization and the QL method. The result is  $m$  eigenvalues, where  $m = \min(q, g - 1)$  and corresponding orthonormal eigenvectors,  $\mathbf{UV}$ . The eigenvectors of the original system are obtained as

$$\mathbf{V} = \mathbf{U}^{-1}(\mathbf{UV})$$

For each of the eigenvalues, which are ordered in descending magnitude, the following statistics are calculated.

### Percentage of Between-Groups Variance Accounted for

$$\frac{100\lambda_k}{\sum_{k=1}^m \lambda_k}$$

### Canonical Correlation

$$\sqrt{\lambda_k / (1 + \lambda_k)}$$

### **Wilks' Lambda**

Testing the significance of all the discriminating functions after the first  $k$ :

$$\Lambda_k = \prod_{i=k+1}^m 1/(1 + \lambda_i) \quad k = 0, 1, \dots, m - 1$$

The significance level is based on

$$\chi^2 = -(n - (q + g)/2 - 1) \ln \Lambda_k$$

which is distributed as a  $\chi^2$  with  $(q-k)(g-k-1)$  degrees of freedom.

### **The Standardized Canonical Discriminant Coefficient Matrix $\mathbf{D}$**

The standard canonical discriminant coefficient matrix  $\mathbf{D}$  is computed as

$$\mathbf{D} = \mathbf{S}_{11} \mathbf{V}$$

where

$$\mathbf{S} = \text{diag}(\sqrt{w_{11}}, \sqrt{w_{22}}, \dots, \sqrt{w_{pp}})$$

$\mathbf{S}_{11}$  = partition containing the first  $q$  rows and columns of  $\mathbf{S}$

$\mathbf{V}$  is a matrix of eigenvectors such that  $\mathbf{V}' \mathbf{W}_{11} \mathbf{V} = \mathbf{I}$

### **The Correlations Between the Canonical Discriminant Functions and the Discriminating Variables**

The correlations between the canonical discriminant functions and the discriminating variables are given by

$$\mathbf{R} = \mathbf{S}_{11}^{-1} \mathbf{W}_{11} \mathbf{V}$$

If some variables were not selected for inclusion in the analysis ( $q < p$ ), the eigenvectors are implicitly extended with zeroes to include the nonselected variables in the correlation matrix.

Variables for which  $W_{ii} = 0$  are excluded from  $\mathbf{S}$  and  $\mathbf{W}$  for this calculation;  $p$  then represents the number of variables with non-zero within-groups variance.

### **The Unstandardized Coefficients**

The unstandardized coefficients are calculated from the standardized ones using

$$\mathbf{B} = \sqrt{(n - g)} \mathbf{S}_{11}^{-1} \mathbf{D}$$

The associated constants are:

$$a_k = -\sum_{i=1}^q b_{ik} \bar{X}_i$$

The group centroids are the canonical discriminant functions evaluated at the group means:

$$\bar{f}_{kj} = a_k + \sum_{i=1}^q b_{ik} \bar{X}_{ij}$$

### Tests For Equality Of Variance

Box's  $M$  is used to test for equality of the group covariance matrices.

$$M = (n - g) \log |\mathbf{C}'| - \sum_{j=1}^g (n_j - 1) \log |\mathbf{C}^{(j)}|$$

where

$\mathbf{C}'$  = pooled within-groups covariance matrix excluding groups with singular covariance matrices

$\mathbf{C}^{(j)}$  = covariance matrix for group  $j$ .

Determinants of  $\mathbf{C}'$  and  $\mathbf{C}^{(j)}$  are obtained from the Cholesky decomposition. If any diagonal element of the decomposition is less than  $10^{-11}$ , the matrix is considered singular and excluded from the analysis.

$$\log |\mathbf{C}^{(j)}| = 2 \sum_{i=1}^p \log l_{ii} - p \log (n_j - 1)$$

where  $l_{ii}$  is the  $i$ th diagonal entry of  $\mathbf{L}$  such that  $(n_j - 1)\mathbf{C}^{(j)} = \mathbf{L}'\mathbf{L}$ . Similarly,

$$\log |\mathbf{C}'| = 2 \sum_{i=1}^p \log l_{ii} - p \log (n' - g)$$

where

$$(n' - g)\mathbf{C}' = \mathbf{L}'\mathbf{L}$$

$n'$  = sum of weights of cases in all groups with nonsingular covariance matrices

The significance level is obtained from the  $F$  distribution with  $t_1$  and  $t_2$  degrees of freedom using (Cooley and Lohnes, 1971):

$$F = \begin{cases} M/b & \text{if } e_2 > e_1^2 \\ \frac{t_2 M}{t_1(b-M)} & \text{if } e_2 < e_1^2 \end{cases}$$

where

$$e_1 = \left( \sum_{j=1}^g \frac{1}{n_j - 1} - \frac{1}{n - g} \right) \frac{2p^2 + 3p - 1}{6(g-1)(p+1)}$$

$$e_2 = \left( \sum_{j=1}^g \frac{1}{(n_j - 1)^2} - \frac{1}{(n - g)^2} \right) \frac{(p-1)(p+2)}{6(g-1)}$$

$$t_1 = (g - 1)p(p + 1)/2$$

$$t_2 = (t_1 + 2)/|e_2 - e_1^2|$$

$$b = \begin{cases} \frac{t_1}{1 - e_1 - t_1/t_2} & \text{if } e_2 > e_1^2 \\ \frac{t_2}{1 - e_1 - 2/t_2} & \text{if } e_2 < e_1^2 \end{cases}$$

If  $e_1^2 - e_2$  is zero, or much smaller than  $e_2$ ,  $t_2$  cannot be computed or cannot be computed accurately. If

$$e_2 = e_2 + 0.0001(e_2 - e_1^2)$$

the program uses Bartlett's  $\chi^2$  statistic rather than the  $F$  statistic:

$$\chi^2 = M(1 - e_1)$$

with  $t_1$  degrees of freedom.

For testing the group covariance matrix of the canonical discriminant functions, the procedure is similar. The covariance matrices  $C'$  and  $C^{(j)}$  are replaced by  $D_j$  and  $D_j'$ , where

$$D_j = B' C^{(j)} B$$

is the group covariance matrix of the discriminant functions.

The pooled covariance matrix in this case is an identity, so that

$$D' = (n - g)I_m - \sum_j (n_j - 1)D_j$$

where the summation is only over groups with singular  $D_j$ .

## Classification

The basic procedure for classifying a case is as follows:

- If  $\mathbf{X}$  is the  $1 \times q$  vector of discriminating variables for the case, the  $1 \times m$  vector of canonical discriminant function values is

$$\mathbf{f} = \mathbf{XB} + \mathbf{a}$$

- A chi-square distance from each centroid is computed

$$\chi_j^2 = (\mathbf{f} - \bar{\mathbf{f}}_j) \mathbf{D}_j^{-1} (\mathbf{f} - \bar{\mathbf{f}}_j)'$$

where  $\mathbf{D}_j$  is the covariance matrix of canonical discriminant functions for group  $j$  and  $\bar{\mathbf{f}}_j$  is the group centroid vector. If the case is a member of group  $j$ ,  $\chi_j^2$  has a  $\chi^2$  distribution with  $m$  degrees of freedom.  $P(\mathbf{X}|\mathbf{G})$ , labeled as  $P(\mathbf{D}>d|\mathbf{G}=g)$  in the output, is the significance level of such a  $\chi_j^2$ .

- The classification, or posterior probability, is

$$P(\mathbf{G}_j|\mathbf{X}) = \frac{P_j |\mathbf{D}_j|^{-1/2} e^{-\chi_j^2/2}}{\sum_{j=1}^g P_j |\mathbf{D}_j|^{-1/2} e^{-\chi_j^2/2}}$$

where  $p_j$  is the prior probability for group  $j$ . A case is classified into the group for which  $P(\mathbf{G}_j|\mathbf{X})$  is highest.

The actual calculation of  $P(\mathbf{G}_j|\mathbf{X})$  is

$$P(\mathbf{G}_j|\mathbf{X}) = \begin{cases} \frac{\exp(g_j - \max_j g_j)}{\sum_{j=1}^g \exp(g_j - \max_j g_j)} & \text{if } g_j - \max_j g_j > -46 \\ 0 & \text{otherwise} \end{cases}$$

If individual group covariances are not used in classification, the pooled within-groups covariance matrix of the discriminant functions (an identity matrix) is substituted for  $\mathbf{D}_j$  in the above calculation, resulting in considerable simplification.

If any  $\mathbf{D}_j$  is singular, a pseudo-inverse of the form

$$\begin{bmatrix} \mathbf{D}_{j11}^{-1} & 0 \\ 0 & 0 \end{bmatrix}$$

replaces  $\mathbf{D}_j^{-1}$  and  $|\mathbf{D}_{j11}|$  replaces  $|\mathbf{D}_j|$ .  $\mathbf{D}_{j11}$  is a submatrix of  $\mathbf{D}_j$  whose rows and columns correspond to functions not dependent on preceding functions. That is, function 1 will be excluded only if the rank of  $\mathbf{D}_j = 0$ , function 2 will be excluded only if it is dependent on function 1, and so on. This choice of the pseudo-inverse is not optimal for the numerical stability of  $\mathbf{D}_{j11}^{-1}$ , but maximizes the discrimination power of the remaining functions.

## Cross-Validation

The following notation is used in this section:

Table 37-2

### Notation

Notation	Description
$\tilde{X}_{jk}$	$(X_{1jk}, \dots, X_{qjk})^T$
$\tilde{M}_j$	Sample mean of $j$ th group
	$\tilde{M}_j = \frac{1}{n_j} \sum_{k=1}^{m_j} f_{jk} \tilde{X}_{jk}$

**Notation** $M_{jk}$ **Description**Sample mean of  $j$ th group excluding point  $X_{jk}$ 

$$M_{jk} = \frac{1}{n_j - f_{jk}} \sum_{\substack{l=1 \\ l \neq k}}^{m_j} f_{jl} X_{jl}$$

 $\Sigma$ 

Polled sample covariance matrix

 $\Sigma_j$ Sample covariance matrix of  $j$ th group $\Sigma_{jk}$ Polled sample covariance matrix without point  $X_{jk}$  $\Sigma_{jk}^{-1}$ 

$$= \frac{n-g-f_{jk}}{n-g} \left( \Sigma^{-1} + \frac{n_j \Sigma_j^{-1} \begin{pmatrix} X_{jk} - M_j \\ \sim \end{pmatrix} \begin{pmatrix} X_{jk} - M_j \\ \sim \end{pmatrix}^T \Sigma_j^{-1}}{(n_j - f_{jk})(n_j - g) - n_j \begin{pmatrix} X_{jk} - M_j \\ \sim \end{pmatrix}^T \Sigma_j^{-1} \begin{pmatrix} X_{jk} - M_j \\ \sim \end{pmatrix}} \right)$$

 $d_0^2 \begin{pmatrix} a \\ \sim \\ b \\ \sim \end{pmatrix}$ 

$$\begin{pmatrix} a \\ \sim \\ b \\ \sim \end{pmatrix}^T \Sigma_{jk}^{-1} \begin{pmatrix} a \\ \sim \\ b \\ \sim \end{pmatrix}$$

Cross-validation applies only to linear discriminant analysis (not quadratic). During cross-validation, all cases in the dataset are looped over. Each case, say  $X_{jk}$ , is extracted once and treated as test data. The remaining cases are treated as a new dataset.

Here we compute  $d_0^2 \begin{pmatrix} X_{jk} \\ \sim \\ M_{jk} \\ \sim \end{pmatrix}$  and  $d_0^2 \begin{pmatrix} X_{jk} \\ \sim \\ M_i \\ \sim \end{pmatrix}$  ( $i = 1, \dots, g, i \neq j$ ). If there is an  $i$  ( $i \neq j$ ) that satisfies  $(\log(P_i) - d_0^2 \begin{pmatrix} X_{jk} \\ \sim \\ M_i \\ \sim \end{pmatrix} / 2) > (\log(P_j) - d_0^2 \begin{pmatrix} X_{jk} \\ \sim \\ M_{jk} \\ \sim \end{pmatrix} / 2)$ , then the extracted point  $X_{jk}$  is misclassified. The estimate of prediction error rate is the ratio of the sum of misclassified case weights and the sum of all case weights.

To reduce computation time, the linear discriminant method is used instead of the canonical discriminant method. The theoretical solution is exactly the same for both methods.

## Rotations

Varimax rotations may be performed on either the matrix of canonical discriminant function coefficients or on that of the correlation between the canonical discriminant functions and the discrimination variables (the structure matrix). The actual algorithm for the rotation is described in FACTOR. For the Kaiser normalization

$$h_i^2 = \frac{1 + 1/w_{ii} w_{ii}^*}{\sum_{k=1}^m r_{ik}^2} \quad \text{if } \begin{cases} \text{coefficients rotated} \\ \text{correlations rotated} \end{cases}$$

The unrotated structure matrix is

$$\mathbf{R} = \mathbf{S}_{11}^{-1} \mathbf{W}_{11} \mathbf{V}$$

If the rotation transformation matrix is represented by  $\mathbf{K}$ , the rotated standardized coefficient matrix  $\mathbf{D}_R$  is given by

$$\mathbf{D}_R = \mathbf{DK}$$

The rotated matrix of pooled within-groups correlations between the canonical discriminant functions and the discriminating variables  $\mathbf{R}_R$  is

$$\mathbf{R}_R = \mathbf{RK}$$

The eigenvector matrix  $\mathbf{V}$  satisfies

$$\mathbf{V}'(\mathbf{T} - \mathbf{W})\mathbf{V} = \mathbf{\Lambda} = \text{diag}(\lambda_1, \lambda_2, \dots, \lambda_m)$$

where the  $\lambda_k$  are the eigenvalues. The equivalent matrix for the rotated coefficient  $\mathbf{V}_R$

$$(\mathbf{V}_R)'(\mathbf{T} - \mathbf{W})\mathbf{V}_R$$

is not diagonal, meaning the rotated functions, unlike the unrotated ones, are correlated for the original sample, although their within-groups covariance matrix is an identity. The diagonals of the above matrix may still be interpreted as the between-groups variances of the functions. They are the numerators for the proportions of variance printed with the transformation matrix. The denominator is their sum. After rotation, the columns of the transformation are exchanged, if necessary, so that the diagonals of the matrix above are in descending order.

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# Ensembles Algorithms

Ensembles are used to enhance model accuracy (boosting), enhance model stability (bagging), and build models for very large datasets (pass, stream, merge).

- For more information, see the topic “Very large datasets (pass, stream, merge) algorithms”.
- For more information, see the topic “Bagging and Boosting Algorithms”.

## Bagging and Boosting Algorithms

Bootstrap aggregating (Bagging) and boosting are algorithms used to improve model stability and accuracy. Bagging works well for unstable base models and can reduce variance in predictions. Boosting can be used with any type of model and can reduce variance and bias in predictions.

### Notation

The following notation is used for bagging and boosting unless otherwise stated:

$K$	The number of distinct records in the training set.
$X_k$	Predictor values for the $k$ th record.
$y_k$	Target value for the $k$ th record.
$f_k$	Frequency weight for the $k$ th record.
$w_k$	Analysis weight for the $k$ th record.
$N$	The total number of records; $N = \sum_{k=1}^K f_k$ .
$M$	The number of base models to build; for bagging, this is the number of bootstrap samples.
$T^m(\cdot)$	The model built on the $m$ th bootstrap sample.
$f_k^m$	Simulated frequency weight for the $k$ th record of the $m$ th bootstrap sample.
$w_k^m$	Updated analysis weight for the $k$ th record of the $m$ th bootstrap sample.
$\hat{y}_k^m = T^m(X_k)$	Predicted target value of the $k$ th record by the $m$ th model.
$P_{l_i}^m(X_k)$	For a categorical target, the probability that the $k$ th record belongs to category $l_i$ , $i=1, \dots, C$ , in model $m$ .
$II(\pi)$	For any condition $\pi$ , $II(\pi)$ is 1 if $\pi$ holds and 0 otherwise.

## Bootstrap Aggregation

Bootstrap aggregation (bagging) produces replicates of the training dataset by sampling with replacement from the original dataset. This creates bootstrap samples of equal size to the original dataset. The algorithm is performed iteratively over  $k=1, \dots, K$  and  $m=1, \dots, M$  to generate frequency weights:

$$f_{mk}^* = \begin{cases} rv.binom \left( N, \frac{f_k}{N} \right) & k = 1 \\ rv.binom \left( N - \sum_{i=1}^{k-1} f_{mi}^*, \frac{f_k}{N - \sum_{i=1}^{k-1} f_i} \right) & \text{otherwise} \end{cases}$$

Then a model is built on each replicate. Together these models form an ensemble model. The ensemble model scores new records using one of the following methods; the available methods depend upon the measurement level of the target.

### Scoring a Continuous Target

- Mean

$$\hat{y}_k = \frac{1}{M} \sum_{m=1}^M \hat{y}_k^m$$

- Median

Sort  $\hat{y}_k^m$  and relabel them  $\hat{y}_{(1)} \leq \dots \leq \hat{y}_{(M)}$

$$\hat{y}_k = \begin{cases} \hat{y}_{(\frac{M+1}{2})} & \text{if } M \text{ is odd} \\ \frac{1}{2} \left( \hat{y}_{(\frac{M}{2})} + \hat{y}_{(\frac{M}{2}+1)} \right) & \text{if } M \text{ is even} \end{cases}$$

### Scoring a Categorical Target

- Voting

$$\hat{y}_k = \arg \max_{l_i \in \Omega} \frac{1}{|M_{l_i}|} \sum_{m \in M_{l_i}} P_{l_i}^m(X_k)$$

$$\hat{P}_{\hat{y}_k} = \frac{1}{|M_{\hat{y}_k}|} \sum_{m \in M_{\hat{y}_k}} P_{\hat{y}_k}^m(X_k)$$

where  $\Omega = \{\arg \max_{l_i} |M_{l_i}|\}$

- Highest probability

$$\hat{y}_k = \arg \max_{l_i} \left( \max_m (P_{l_i}^m(X_k)) \right)$$

$$\hat{P}_{\hat{y}_k} = \max_m \left( P_{\hat{y}_k}^m(X_k) \right)$$

- Highest mean probability

$$\hat{y}_k = \arg \max_{l_i} \frac{1}{M} \sum_{m=1}^M P_{l_i}^m(X_k)$$

$$\hat{P}_{\hat{y}_k} = \frac{1}{M} \sum_{m=1}^M P_{\hat{y}_k}^m(X_k)$$

## Bagging Model Measures

### Accuracy

Accuracy is computed for the naive model, reference (simple) model, ensemble model (associated with each ensemble method), and base models.

For categorical targets, the classification accuracy is

$$\frac{1}{N} \sum_{k=1}^K f_k II(y_k == \hat{y}_k)$$

For continuous targets, it is

$$R^2 = 1 - \frac{\sum_{k=1}^K f_k (y_k - \hat{y}_k)^2}{\sum_{k=1}^K f_k (y_k - \bar{y})^2}$$

where  $\bar{y} = \frac{1}{N} \sum_{k=1}^K f_k y_k$

Note that  $R^2$  can never be greater than one, but can be less than zero.

For the naive model,  $\hat{y}_k$  is the modal category for categorical targets and the mean for continuous targets.

### Diversity

Diversity is a range measure between 0 and 1 in the larger-is-more-diverse form. It shows how much predictions vary across base models.

For categorical targets, diversity is

$$\frac{1}{N \cdot M^2} \sum_{k=1}^K f_k L(y_k) [M - L(y_k)]$$

where  $L(y_k) = \sum_{m=1}^M II(y_k = \hat{y}_k^m)$ .

For continuous targets, diversity is

$$D = \frac{\sum_{k=1}^K f_k \left[ \frac{1}{M(M-1)} \sum_{m=1}^M \sum_{n=1, n \neq m}^M (y_k - \hat{y}_k^m) (\hat{y}_k^n - y_k) \right]}{\sum_{k=1}^K f_k (y_k - \bar{y}_k)^2}$$

## Adaptive Boosting

Adaptive boosting (AdaBoost) is an algorithm used to boost models with continuous targets (Freund and Schapire 1996, Drucker 1997).

1. Initialize values.

$$\text{Set } w_k = \begin{cases} \frac{w_k}{\sum_{i=1}^K w_i f_i} & \text{if analysis weights specified} \\ 1/N & \text{otherwise} \end{cases}$$

Set  $m=1$ ,  $w_k^m = w_k$ , and  $f_k^m = f_k$ . Note that analysis weights are initialized even if the method used to build base models does not support analysis weights.

2. Build base model  $m$ ,  $T^m(\cdot)$ , using the training set and score the training set.

$$\text{Set the model weight for base model } m, \omega^m = \log \left( \frac{1 - \sum_{k=1}^K L_k w_k^m f_k}{\sum_{k=1}^K L_k w_k^m f_k} \right)$$

$$\text{where } L_k = \frac{\text{abs}(\hat{y}_k^m - y_k)}{\max_k (\text{abs}(\hat{y}_k^m - y_k))}.$$

3. Set weights for the next base model.

$$w_k^{m+1} = \frac{a_k^{m+1}}{\sum_{i=1}^K a_i^{m+1} f_i}$$

$$\text{where } a_k^{m+1} = w_k^m \left( \frac{\sum_{k=1}^K L_k w_k^m f_k}{1 - \sum_{k=1}^K L_k w_k^m f_k} \right)^{1-L_k}. \text{ Note that analysis weights are always updated. If}$$

the method used to build base models does not support analysis weights, the frequency weights are updated for the next base model as follows:

$$f_k^{m+1} = \begin{cases} rv.binom(N, w_k^{m+1} f_k) & k = 1 \\ rv.binom\left(N - \sum_{i=1}^{k-1} f_i^{m+1}, \frac{w_k^{m+1} f_k}{1 - \sum_{i=1}^{k-1} w_i^{m+1} f_i}\right) & \text{otherwise} \end{cases}$$

If  $m < M$ , set  $m=m+1$  and go to step 2. Otherwise, the ensemble model is complete.

Note: base models where  $\sum_{k=1}^K L_k w_k^m f_k \geq 0.5$  or  $\max_k (\text{abs}(\hat{y}_k^m - y_k))$  are removed from the ensemble.

### Scoring

AdaBoost uses the weighted median method to score the ensemble model.

Sort  $\hat{y}_k^m$  and relabel them  $\hat{y}_{(1)} \leq \dots \leq \hat{y}_{(M)}$ , retaining the association of the model weights,  $\omega^m$ , and relabeling them  $\omega_{(1)}, \dots, \omega_{(M)}$

The ensemble predicted value is then  $\hat{y}_k = \hat{y}_{(i)}$ , where  $i$  is the value such that

$$\sum_{m=1}^{i-1} \omega^m < \frac{1}{2} \sum_{m=1}^M \omega^m \leq \sum_{m=1}^i \omega^m$$

## Stagewise Additive Modeling using Multiclass Exponential loss

Stagewise Additive Modeling using a Multiclass Exponential loss function (SAMME) is an algorithm that extends the original AdaBoost algorithm to categorical targets.

1. Initialize values.

$$\text{Set } w_k = \begin{cases} \frac{w_k}{\sum_{i=1}^K w_i f_i} & \text{if analysis weights specified} \\ 1/N & \text{otherwise} \end{cases}$$

Set  $m=1$ ,  $w_k^m = w_k$ , and  $f_k^m = f_k$ . Note that analysis weights are initialized even if the method used to build base models does not support analysis weights.

2. Build base model  $m$ ,  $T^m(\cdot)$ , using the training set and score the training set.

Set the model weight for base model  $m$ ,  $\omega^m = \log \frac{1 - \text{err}_m}{\text{err}_m} + \log(C - 1)$

$$\text{where } \text{err}_m = \sum_{k=1}^K w_k^m f_k II(y_k \neq \hat{y}_k^m).$$

3. Set weights for the next base model.

$$w_k^{m+1} = \frac{a_k^{m+1}}{\sum_{i=1}^K a_i^{m+1} f_i}$$

where  $a_k^{m+1} = w_k^m \exp(\omega^m II(y_k \neq \hat{y}_k^m))$ . Note that analysis weights are always updated. If the method used to build base models does not support analysis weights, the frequency weights are updated for the next base model as follows:

$$f_k^{m+1} = \begin{cases} rv.binom(N, w_k^{m+1} f_k) & k = 1 \\ rv.binom\left(N - \sum_{i=1}^{k-1} f_i^{m+1}, \frac{w_k^{m+1} f_k}{1 - \sum_{i=1}^{k-1} w_i^{m+1} f_i}\right) & \text{otherwise} \end{cases}$$

If  $m < M$ , set  $m=m+1$  and go to step 2. Otherwise, the ensemble model is complete.

*Note:* base models where  $\text{err}_m = 0$  or  $\omega^m \leq 0$  are removed from the ensemble.

### Scoring

SAMME uses the weighted majority vote method to score the ensemble model.

The predicted value of the  $k$ th record for the  $m$ th base model is  $\hat{y}_k^m = \arg \max_{l_i} P_{l_i}^m(X_k)$ .

The ensemble predicted value is then  $\hat{y}_k = \arg \max_{l_i} \sum_{m=1}^M \omega^m II(\hat{y}_k^m == l_i)$ . Ties are resolved at random.

The ensemble predicted probability is  $\hat{p}_{\hat{y}_k} = \sum_{m \in M_{\hat{y}_k}} \frac{\omega^m}{\sum_{i \in M_{\hat{y}_k}} \omega^i} P_{\hat{y}_k}^m(X_k)$

## Boosting Model Measures

### Accuracy

Accuracy is computed for the naive model, reference (simple) model, ensemble model (associated with each ensemble method), and base models.

For categorical targets, the classification accuracy is

$$\frac{1}{N} \sum_{k=1}^K f_k II(y_k == \hat{y}_k)$$

For continuous targets, it is

$$R^2 = 1 - \frac{\sum_{k=1}^K f_k (y_k - \hat{y}_k)^2}{\sum_{k=1}^K f_k (y_k - \bar{y})^2}$$

where  $\bar{y} = \frac{1}{N} \sum_{k=1}^K f_k y_k$

Note that  $R^2$  can never be greater than one, but can be less than zero.

For the naïve model,  $\hat{y}_k$  is the modal category for categorical targets and the mean for continuous targets.

## References

Drucker, H. 1997. Improving regressor using boosting techniques. In: *Proceedings of the 14th International Conferences on Machine Learning*, D. H. Fisher, Jr., ed. San Mateo, CA: Morgan Kaufmann, 107–115.

Freund, Y., and R. E. Schapire. 1995. A decision theoretic generalization of on-line learning and an application to boosting. In: *Computational Learning Theory: 7 Second European Conference, EuroCOLT '95*, , 23–37.

## Very large datasets (pass, stream, merge) algorithms

We implement the PSM features PASS, STREAM, and MERGE through ensemble modeling. PASS builds models on very large data sets with only one data pass; STREAM updates the existing model with new cases without the need to store or recall the old training data; MERGE builds models in a distributed environment and merges the built models into one model.

In an ensemble model, the training set will be divided into subsets called blocks, and a model will be built on each block. Because the blocks may be dispatched to different threads (here one process contains one thread) and even different machines, models in different processes can be built at the same time. As new data blocks arrive, the algorithm simply repeats this procedure. Therefore it can easily handle the data stream and perform incremental learning for ensemble modeling.

## Pass

The PASS operation includes following steps:

1. Split the data into training blocks, a testing set and a holdout set. Note that the frequency weight, if specified, is ignored when splitting the training set into blocks (to prevent blocks from being entirely represented by a single case) but is accounted for when creating the testing and holdout sets.
2. Build base models on training blocks and build a reference model on the testing set. A single model is built on the testing set and each training block.
3. Evaluate each base model by computing the accuracy based on the testing set. Select a subset of base models as ensemble elements according to accuracy.
4. Evaluate the ensemble model and the reference model by computing the accuracy based on the holdout set. If the ensemble model's performance is not better than the reference model's performance on the holdout set, we use the reference model to score the new cases.

### Computing Model Accuracy

The accuracy of a base model is assessed on the testing set. For each vector of predictors  $x_i$  and the corresponding label  $c_i$  observed in the testing set  $T$ , let  $\hat{c}(x_i)$  be the label predicted by the given model. Then the testing error is estimated as:

$$E = \frac{1}{\sum_{i=1}^{|T|} f_i} \sum_{i=1}^{|T|} (f_i \cdot I(c_i \neq \hat{c}(x_i)))$$

**Categorical target.**

$$E = \frac{1}{\sum_{i=1}^{|T|} f_i} \sum_{i=1}^{|T|} (f_i \cdot |y_i - \hat{y}_i|)$$

**Continuous target.**

Where  $I(c_i \neq \hat{c}(x_i))$  is 1 if  $c_i \neq \hat{c}(x_i)$  and 0 otherwise.

The accuracy for the given model is computed by  $A=1-E$ . The accuracy for the whole ensemble model and the reference model is assessed on the holdout set.

## **Stream**

When new cases arrive and the user wants to update the existing ensemble model with these cases, the algorithm will:

1. Start a PASS operation to build an ensemble model on the new data, then
2. MERGE the newly created ensemble model and the existing ensemble model.

## **Merge**

The MERGE operation has the following steps:

1. Merge the holdout sets into a single holdout set and, if necessary, reduce this set to a reasonable size.
2. Merge the testing sets into a single testing set and, if necessary, reduce this set to a reasonable size.
3. Build a merged reference model on the merged testing set.
4. Evaluate every base model by computing the accuracy based on the merged testing set. Select a subset of base models as elements of the merged ensemble model according to accuracy.
5. Evaluate the merged ensemble model and the merged reference model by computing the accuracy based on the merged holdout set.

## **Adaptive Predictor Selection**

There are two methods, depending upon whether the method used to build base models has an internal predictor selection algorithm.

### ***Method has predictor selection algorithm***

The first base model is built with all predictors available to the method's predictor selection algorithm. Base model  $j$  ( $j > 1$ ) makes the  $i$ th predictor available with probability

$$p_i = \max \left( \frac{n'_i + C}{n_i + C}, \beta \right)$$

where  $n'_i$  is the number of times the  $i$ th predictor was selected by the method's predictor selection algorithm in the previous  $j-1$  base models,  $n_i$  is the number of times the  $i$ th predictor was made available to the method's predictor selection algorithm in the previous  $j-1$  base models,  $C$  is a constant to smooth the value of  $p_i$ , and  $\beta$  is a lower limit on  $p_i$ .

### ***Method does not have predictor selection algorithm***

Each base model makes the  $i$ th predictor available with probability

$$p_i = \begin{cases} (1 - \rho_i)^2 & \text{if } \rho_i < 0.05 \\ \beta & \text{otherwise} \end{cases}$$

where  $\rho_i$  is the  $p$ -value of a test for the  $i$ th predictor, as defined below.

- For a categorical target and categorical predictor,  $\rho$  is a chi-square test of

$$G^2 = 2 \sum_{i=1}^I \sum_{j=1}^J G_{ij}^2 \text{ where } G_{ij}^2 = \begin{cases} N_{ij} \ln(N_{ij}/\hat{N}_{ij}) & N_{ij} > 0 \\ 0 & \text{else} \end{cases} \text{ and with degrees}$$

freedom  $(I - 1)(J - 1)$ .  $N_{ij}$  is the number of cases with  $X=i$  and  $Y=j$ ,  $N_{i\cdot} = \sum_{j=1}^J N_{ij}$ ,  $N_{\cdot j} = \sum_{i=1}^I N_{ij}$ , and  $\hat{N}_{ij} = N_{i\cdot} N_{\cdot j} / N$ .

- For a categorical target and continuous predictor,  $\rho$  is an  $F$  test of

$$F = \frac{\sum_{j=1}^J N_j (\bar{x}_j - \bar{x})^2 / (J-1)}{\sum_{j=1}^J (N_j - 1) s_j^2 / (N-J)} \text{ with degrees of freedom } J - 1, N - J. N_j \text{ is the}$$

number of cases with  $Y=j$ ,  $\bar{x}_j$  and  $s_j^2$  are the sample mean and sample variance of  $X$  given  $Y=j$ , and  $\bar{x} = \sum_{j=1}^J N_j \bar{x}_j / N$

- For a continuous target and categorical predictor,  $\rho$  is an  $F$  test of

$$F = \frac{\sum_{i=1}^I N_i (\bar{y}_i - \bar{y})^2 / (I-1)}{\sum_{i=1}^I (N_i - 1) s(y)_i^2 / (N-I)} \text{ with degrees of freedom } I - 1, N - I. N_i \text{ is the}$$

number of cases with  $X=i$ ,  $\bar{y}_i$  and  $s(y)_i^2$  are the sample mean and sample variance of  $Y$  given  $X=i$ , and  $\bar{y} = \sum_{i=1}^I N_i \bar{y}_i / N$ .

- For a continuous target and continuous predictor,  $\rho$  is a two-sided  $t$  test of  $t = r \sqrt{\frac{N-2}{1-r^2}}$  where

$$r = \frac{\sum_{i=1}^N (x_i - \bar{x})(y_i - \bar{y}) / (N-1)}{\sqrt{s(x)^2 s(y)^2}} \text{ and with degrees of freedom } N - 2. s(x)^2 \text{ is the sample variance}$$

of  $X$  and  $s(y)^2$  is the sample variance of  $Y$ .

## Automatic Category Balancing

When a target category occurs relatively infrequently, many models do a poor job of predicting members of that rarely occurring category, even if the overall prediction rate of the model is fairly good. Automatic category balancing should improve the model's accuracy when predicting infrequently occurring values.

As records arrive, they are added to a training block until it is full. Then the proportion of records in each category is computed:  $C_i = \frac{w_i}{w}$  where  $w_i$  is the weighted number of records taking category  $i$  and  $w$  is the total weighted number of records.

- E If there is any category such that  $C_i < \alpha / (10 \cdot |C|)$ , where  $|C|$  is the number of target categories and  $\alpha = 0.3$ , then randomly remove each record from the training block with probability

$$\text{Min} \left\{ (1 - \text{Min}(C) / C_i), \left(1 - \frac{\alpha}{|C|}\right) \right\}$$

This operation will tend to remove records from frequently-occurring categories. Add new records to the training block until it is full again, and repeat this step until the condition is not satisfied.

- E If there is any category such that  $C_i < \alpha / |C|$ , then recompute the frequency weight for record  $k$  as  $f_k = f_k \max(10, \alpha \max(C) / C_{i(k)})$ , where  $i(k)$  is the category of the  $k$ th record. This operation gives greater weight to infrequently occurring categories.

## Model Measures

The following notation applies.

$N$	Total number of records
$M$	Total number of base models
$f_k$	The frequency weight of record $k$
$y_k$	The observed target value of record $k$
$\hat{y}_k$	The predicted target value of record $k$ by the ensemble model
$\hat{y}_k^m$	The predicted target value of record $k$ by base model $m$

### Accuracy

Accuracy is computed for the naive model, reference (simple) model, ensemble model (associated with each ensemble method), and base models.

For categorical targets, the classification accuracy is

$$\frac{1}{N} \sum_{k=1}^K f_k II(y_k == \hat{y}_k)$$

where

$$II(y_k = \hat{y}_k) = \begin{cases} 1, & \text{if } (y_k = \hat{y}_k) \\ 0, & \text{otherwise} \end{cases}$$

For continuous targets, it is

$$R^2 = 1 - \frac{\sum_{k=1}^K f_k (y_k - \hat{y}_k)^2}{\sum_{k=1}^K f_k (y_k - \bar{y})^2}$$

where  $\bar{y} = \frac{1}{N} \sum_{k=1}^K f_k y_k$

Note that  $R^2$  can never be greater than one, but can be less than zero.

For the naïve model,  $\hat{y}_k$  is the modal category for categorical targets and the mean for continuous targets.

### Diversity

Diversity is a range measure between 0 and 1 in the larger-is-more-diverse form. It shows how much predictions vary across base models.

For categorical targets, diversity is

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$$\frac{1}{N \cdot M^2} \sum_{k=1}^K f_k L(y_k) [M - L(y_k)]$$

where  $L(y_k) = \sum_{m=1}^M II(y_k = \hat{y}_k^m)$  and  $II(y_k = \hat{y}_k^m)$  is defined as above.

Diversity is not available for continuous targets.

## Scoring

There are several strategies for scoring using the ensemble models.

### Continuous Target

**Mean.**  $\hat{y}_{i,PSM} = \frac{1}{M} \sum_{m=1}^M \hat{y}_{i,m}$

**Median.**  $\hat{y}_{i,PSM} = Median_1^M(\hat{y}_{i,m})$

where  $\hat{y}_{i,PSM}$  is the final predicted value of case  $i$ , and  $\hat{y}_{i,m}$  is the  $m$ th base model's predicted value of case  $i$ .

### Categorical Target

**Voting.** Assume that  $d_{m,k}$  represents the label output of the  $m$ th base model for a given vector of predictor values.  $d_{m,k} = 1$  if the label assigned by the  $m$ th base model is the  $k$ th target category and 0 otherwise. There are total of  $M$  base models and  $K$  target categories. The majority vote method selects the  $j$ th category if it is assigned by the plurality of base models. It satisfies the following equation:

$$\sum_{m=1}^M d_{m,j} = \max_{k=1}^K \left( \sum_{m=1}^M d_{m,k} \right)$$

Let  $E_m$  be the testing error estimated for the  $m$ th base model. Weights for the weighted majority vote are then computed according to the following expression:

$$w_m = \max \left( \log \frac{1 - E_m}{E_m}, 0 \right) / \sum_{i=1}^M \max \left( \log \frac{1 - E_i}{E_i}, 0 \right)$$

**Probability voting.** Assume that  $p_{m,k}$  is the posterior probability estimated for the  $k$ th target category by the  $m$ th base model for a given vector of predictor values. The following rules combine the probabilities computed by the base models. The  $j$ th category is selected such that it satisfies the corresponding equation.

- **Highest probability.**  $\max_{m=1}^M (p_{m,j}) = \max_{k=1}^K (\max_{m=1}^M (p_{m,k}))$
- **Highest mean probability.**  $\frac{1}{M} \sum_{m=1}^M p_{m,j} = \max_{k=1}^K \left( \frac{1}{M} \sum_{m=1}^M p_{m,k} \right)$

Ties are resolved at random.

**Softmax smoothing.** The softmax function can be used for smoothing the probabilities:

$$p_i^S = \frac{\text{Exp}(p_i)}{\sum_{i=1}^K \text{Exp}(p_i)}$$

where  $p_i$  is the rule-based confidence for category  $i$  and  $p_i^S$  is the smoothed value.

# ERROR BARS Algorithms

This section describes the algorithms for error bar computation of the mean, median and their confidence intervals for a simple random sample.

## Notation

The following notation is used throughout this section unless otherwise noted:

Let  $y_1 \leq \dots \leq y_m$  be  $m$  ordered observations for the sample and  $w_1, \dots, w_m$  be the corresponding case weights. Then

$$ww_i = \sum_{k=1}^i w_k = \text{cumulative sum of weights up to and including } y_i$$

and

$$W = ww_m = \sum_{k=1}^m w_k = \text{total sum of weights}$$

$$p = \frac{CI}{100}, CI \text{ is the confidence interval level } 0 \leq CI < 100.$$

## Descriptive Statistics

The following statistics are available.

### Mean

$$\bar{y} = \frac{\sum_{i=1}^m w_i y_i}{W}$$

### Confidence Interval for the Mean

$$\text{Lower bound} = \bar{y} - IDF.T\left(\frac{p+1}{2}, W-1\right) SE$$

$$\text{Upper bound} = \bar{y} + IDF.T\left(\frac{p+1}{2}, W-1\right) SE$$

where SE is the standard error, and IDF.T is the inverse student t function documented in the COMPUTE command.

### Variance

$$s^2 = \frac{1}{W-1} \sum_{i=1}^m w_i (y_i - \bar{y})^2$$

## Standard Deviation

$$s = \sqrt{s^2}$$

## Standard Error

$$SE = \frac{s}{\sqrt{W}}$$

## Median

The Aempirical method in the EXAMINE procedure is used for computation of the median.

Let

$$v = \frac{W}{2}$$

and  $k$  satisfies

$$ww_k \leq v < ww_{k+1}$$

Then,

$$g = v - ww_k$$

Let  $m$  be the estimated median, then it is defined as

$$m = \begin{cases} \frac{(y_k + y_{k+1})}{2}, & g = 0 \\ y_{k+1}, & g > 0 \end{cases}$$

## Confidence Interval for the Median

*Note:* the case weights  $w_1, \dots, w_m$  must be integers for the following computation. If at least one weight is not integer, an error message is issued.

Let

$$\begin{aligned} b_i &= \Pr[\text{Binomial}(W, 0.5) \geq i] \\ &= \sum_{j=i}^W \binom{W}{j} 0.5^W \\ &= IB(0.5; i, W - i) \end{aligned}$$

where IB is the incomplete Beta function.

Define

$$\begin{aligned} \gamma_i &= \Pr[i \leq \text{Binomial}(W, 0.5) \leq W - i], \quad i = 0, 1, \dots, \text{floor}(W/2) \\ &= b_i - b_{W-i+1} \end{aligned}$$

and define

$$\gamma_{w/2+1} = 0, \text{ if } W \text{ is even;}$$

$\gamma_{(w+1)/2} = 0$ , if  $W$  is odd.

### **Algorithm: Hettmansperger-Sheather Interpolation (1986)**

1. Re-index all the cases to be  $x_1 \leq x_2, \dots, \leq x_W$  in which

$$\begin{aligned} x_1 &= x_2, \dots = x_{ww_1} = y_1 \\ x_{ww_1+1} &= x_{ww_1+2} \dots = x_{ww_2} = y_2 \\ &\vdots \\ x_{ww_{m-1}+1} &= x_{ww_{m-1}+2} \dots = x_{ww_m} = y_m \end{aligned}$$

2. If  $W$  is even, compute  $\gamma_0, \dots, \gamma_{W/2}$ .  
If  $W$  is odd, compute  $\gamma_0, \dots, \gamma_{(W+1)/2}$ .
3. Choose the smallest index  $k$  such that  $\gamma_{k+1} \leq p$ . If  $k$  is found, go to Step 4; otherwise, stop and issue a message.
4. Compute

$$l = \frac{\gamma_k - p}{\gamma_k - \gamma_{k+1}},$$

and

$$\lambda = \frac{(W-k)l}{k+(W-2k)l}.$$

The  $p$  confidence interval is

$$\text{Lower bound} = \lambda \cdot x_{k+1} + (1 - \lambda) \cdot x_k$$

$$\text{Upper bound} = \lambda \cdot x_{W-k} + (1 - \lambda) \cdot x_{W-k+1}$$

## **References**

Hettmansperger, T. P., and S. J. Sheather. 1986. Confidence Interval Based on Interpolated Order Statistics. *Statistical Probability Letters*, 4, 75–79.

# EXAMINE Algorithms

EXAMINE provides stem-and-leaf plots, histograms, boxplots, normal plots, robust estimates of location, tests of normality, and other descriptive statistics. Separate analyses can be obtained for subgroups of cases.

## Univariate Statistics

This section discusses the computation of statistics for a variable considered on its own.

### Notation

The following notation is used throughout this chapter unless otherwise noted:

Let  $y_1 < \dots < y_m$  be  $m$  distinct ordered observations for the sample and  $c_1, \dots, c_m$  be the corresponding caseweights. Then

$$cc_i = \sum_{k=1}^i c_k = \text{cumulative frequency up to and including } y_i$$

and

$$W = cc_m = \sum_{k=1}^m c_k = \text{total sum of weights.}$$

### Descriptive Statistics

The following statistics are available.

#### Minimum and Maximum

$$\min = y_1, \quad \max = y_m$$

#### Range

$$\text{range} = y_m - y_1$$

#### Mean

$$\bar{y} = \frac{\sum_{i=1}^m c_i y_i}{W}$$

### **Confidence Interval for the Mean**

$$\text{lower bound} = \bar{y} - t_{\alpha/2, W-1} \text{SE}$$

$$\text{upper bound} = \bar{y} + t_{\alpha/2, W-1} \text{SE}$$

where SE is the standard error.

### **Median**

The median is the 50th percentile, which is calculated by the method requested. The default method is HAVERAGE.

### **Interquartile Range**

(IQR) IQR = 75th percentile – 25th percentile, where the 75th and 25th percentiles are calculated by the method requested for percentiles.

### **Variance**

$$s^2 = \frac{1}{W-1} \sum_{i=1}^m c_i (y_i - \bar{y})^2$$

### **Standard Deviation**

$$s = \sqrt{s^2}$$

### **Standard Error**

$$SE = \frac{s}{\sqrt{W}}$$

### **Skewness and SE of Skewness**

$$g_1 = \frac{WM_3}{(W-1)(W-2)s^3}$$

$$SE(g_1) = \sqrt{\frac{6W(W-1)}{(W-2)(W+1)(W+3)}}$$

$$M_3 = \sum_{i=1}^m c_i (y_i - \bar{y})^3$$

**Kurtosis and SE of Kurtosis**

$$g_2 = \frac{W(W+1)M_4 - 3M_2^2(W-1)}{(W-1)(W-2)(W-3)s^4}$$

$$M_2 = \sum_{i=1}^m c_i (y_i - \bar{y})^2$$

$$M_4 = \sum_{i=1}^m c_i (y_i - \bar{y})^4$$

$$SE(g_2) = \sqrt{\frac{4(W^2-1)SE^2(g_1)}{(W-3)(W+5)}}$$

**5% Trimmed Mean**

$$T_{0.9} = \frac{1}{0.9W} \left\{ (cc_{k_1+1} - tc)y_{k_1+1} + (W - cc_{k_2-1} - tc)y_{k_2} + \sum_{i=k_1+2}^{k_2-1} c_i y_i \right\}$$

where  $k_1$  and  $k_2$  satisfy the following conditions

$$cc_{k_1} < tc \leq cc_{k_1+1}, \quad W - cc_{k_2} < tc \leq W - cc_{k_2-1}$$

and

$$tc = 0.05W$$

Note: If  $k_1 + 1 = k_2$ , then  $T_{0.9} = Y_{k_2}$

**Percentiles**

There are five methods for computation of percentiles. Let

$$tc_1 = Wp, \quad tc_2 = (W + 1)p$$

where  $p$  is the requested percentile divided by 100, and  $k_1$  and  $k_2$  satisfy

$$\begin{aligned} cc_{k_1} &\leq tc_1 < cc_{k_1+1} \\ cc_{k_2} &\leq tc_2 < cc_{k_2+1} \end{aligned}$$

Then,

$$g_1 = \frac{(tc_1 - cc_{k_1})}{c_{k_1+1}}, \quad g_1^* = tc_1 - cc_{k_1}$$

$$g_2 = \frac{(tc_2 - cc_{k_2})}{c_{k_2+1}}, \quad g_2^* = tc_2 - cc_{k_2}$$

Let  $x$  be the  $p$ th percentile; the five definitions are as follows:

Waverage (Weighted Average)

Round (Closest Observation)

Empirical (Empirical Distribution Function)

Haverage (Weighted Average)

Aempirical (Empirical Distribution Function with Averaging)

### **Waverage (Weighted Average)**

This is a weighted average at  $y_{tc_1}$ .

$$x = \begin{cases} y_{k_1+1} & \text{if } g_1^* \geq 1 \\ (1 - g_1^*)y_{k_1} + g_1^*y_{k_1+1} & \text{if } g_1^* < 1 \text{ and } c_{k_1+1} \geq 1 \\ (1 - g_1)y_{k_1} + g_1y_{k_1+1} & \text{if } g_1^* < 1 \text{ and } c_{k_1+1} < 1 \end{cases}$$

### **Round (Closest Observation)**

This is the observation closest to  $y_{tc_1}$ .

If  $c_{k_1+1} \geq 1$ , then

$$x = \begin{cases} y_{k_1} & \text{if } g_1^* < \frac{1}{2} \\ y_{k_1+1} & \text{if } g_1^* \geq \frac{1}{2} \end{cases}$$

If  $c_{k_1+1} < 1$ , then

$$x = \begin{cases} y_{k_1} & \text{if } g_1 < \frac{1}{2} \\ y_{k_1+1} & \text{if } g_1 \geq \frac{1}{2} \end{cases}$$

### **Empirical (Empirical Distribution Function)**

$$x = \begin{cases} y_{k_1} & \text{if } g_1^* = 0 \\ y_{k_1+1} & \text{if } g_1^* > 0 \end{cases}$$

**Haverage (Weighted Average)**

This is a weighted average at  $y_{tc_2}$ .

$$x = \begin{cases} y_{k_2+1} & \text{if } g_2^* \geq 1 \\ (1 - g_2^*)y_{k_2} + g_2^*y_{k_2+1} & \text{if } g_2^* < 1 \text{ and } c_{k_2+1} \geq 1 \\ (1 - g_2)y_{k_2} + g_2y_{k_2+1} & \text{if } g_2^* < 1 \text{ and } c_{k_2+1} < 1 \end{cases}$$

**Aempirical (Empirical Distribution Function with Averaging)**

$$x = \begin{cases} (y_{k_1} + y_{k_1+1})/2 & \text{if } g_1^* = 0 \\ y_{k_1+1} & \text{if } g_1^* > 0 \end{cases}$$

*Note:* If either the 25th, 50th, or 75th percentiles is request, Tukey Hinges will also be printed.

**Tukey Hinges**

Let  $Q_1$ ,  $Q_2$ , and  $Q_3$  be the 25th, 50th, and 75th percentiles. If  $c^* \geq 1$ , where  $c^* = \min(c_1, \dots, c_m)$ , define

$$d = \frac{\text{greatest integer} < ((W+3)/2)}{2}$$

$$L_1 = d$$

$$L_2 = W/2 + 1/2$$

$$L_3 = W + 1 - d$$

Otherwise

$$d = \frac{\text{greatest integer} \leq (W/c^* + 3)/2}{2}$$

and

$$L_1 = dc^*$$

$$L_2 = W/2 + c^*/2$$

$$L_3 = W + c^* - dc^*$$

Then for every  $i$ ,  $i = 1, 2, 3$ , find  $h_i$  such that

$$cc_{h_i} \leq L_i < cc_{h_i+1}$$

and

$$Q_i = \begin{cases} (1 - a_i^*)y_{h_i} + a_i^*y_{h_i+1} & \text{if } a_i^* < 1 \text{ and } c_{h_i+1} \geq 1 \\ (1 - a_i)y_{h_i} + a_iy_{h_i+1} & \text{if } a_i^* < 1 \text{ and } c_{h_i+1} < 1 \\ y_{h_i+1} & \text{if } a_i^* \geq 1 \end{cases}$$

where

$$a_i^* = L_i - cc_{h_i}$$

$$a_i = \frac{a_i^*}{c_{h_i+1}}$$

### **M-Estimation (Robust Location Estimation)**

The M-estimator  $T$  of location is the solution of

$$\sum_{i=1}^m c_i \Psi\left(\frac{y_i - T}{s}\right) = 0$$

where  $\Psi$  is an odd function and  $s$  is a measure of the spread.

An alternative form of M-estimation is

$$\sum_{i=1}^m c_i \left(\frac{y_i - T}{s}\right) \omega\left(\frac{y_i - T}{s}\right) = 0$$

where

$$\omega(u) = \frac{\Psi(u)}{u}$$

After rearranging the above equation, we get

$$T = \frac{\sum_{i=1}^m c_i y_i \omega\left(\frac{y_i - T}{s}\right)}{\sum_{i=1}^m c_i \omega\left(\frac{y_i - T}{s}\right)}$$

Therefore, the algorithm to find M-estimators is defined iteratively by

$$T_{k+1} = \frac{\sum_{i=1}^m c_i y_i \omega\left(\frac{y_i - T_k}{s}\right)}{\sum_{i=1}^m c_i \omega\left(\frac{y_i - T_k}{s}\right)}$$

The algorithm stops when either

$$|T_{k+1} - T_k| \leq \epsilon[(T_{k+1} + T_k)/2], \text{ where } \epsilon = 0.005$$

or the number of iterations exceeds 30.

**M-Estimators**

Four M-estimators (Huber, Hampel, Andrew, and Tukey) are available. Let

$$u_i = \frac{y_i - T}{s}$$

where

$s = \text{median of } \tilde{y}_1, \dots, \tilde{y}_m \text{ with caseweights } c_1, \dots, c_m$

and

$\tilde{y}_i = |y_i - \tilde{y}|$ , where  $\tilde{y}$  is the median.

**Huber (k), k > 0**

$$\omega(u_i) = \begin{cases} 1 & \text{if } |u_i| \leq k \\ \frac{k}{u_i} \text{sgn}(u_i) & \text{if } |u_i| > k \end{cases}$$

The default value of  $k = 1.339$

**Hampel (a, b, c), 0 < a ≤ b ≤ c**

$$\omega(u_i) = \begin{cases} 1 & \text{if } |u_i| \leq a \\ \frac{a}{u_i} \text{sgn}(u_i) & \text{if } a < |u_i| \leq b \\ \frac{a}{u_i} \frac{c-|u_i|}{c-b} \text{sgn}(u_i) & \text{if } b < |u_i| \leq c \\ 0 & \text{if } |u_i| > c \end{cases}$$

By default,  $a = 1.7$ ,  $b = 3.4$  and  $c = 8.5$ .

**Andrew's Wave (c), c > 0**

$$\omega(u_i) = \begin{cases} \frac{c}{\pi u_i} \sin\left(\frac{\pi u_i}{c}\right) & \text{if } |u_i| \leq c \\ 0 & \text{if } |u_i| > c \end{cases}$$

By default,  $c = 1.34\pi$

### **Tukey's Biweight (c)**

$$\omega(u_i) = \begin{cases} \left(1 - \frac{u_i^2}{c^2}\right)^2 & \text{if } |u_i| \leq c \\ 0 & \text{if } |u_i| > c \end{cases}$$

By default,  $c = 4.685$ .

### **Tests of Normality**

The following tests are available.

#### **Shapiro-Wilk Statistic (W)**

Since the  $W$  statistic is based on the order statistics of the sample, the caseweights have to be restricted to integers. Hence, before  $W$  is calculated, all the caseweights are rounded to the closest integer and the series is expanded. Let  $c_i^*$  be the closest integer to  $c_i$ ; then

$$cc_i^* = \sum_{k=1}^i c_k^*, \quad W_s = cc_m^* = \sum_{k=1}^m c_k^*$$

The original series  $y = \{y_1, \dots, y_m\}$  is expanded to

$$x = \{x_1, \dots, x_{w_s}\}$$

where

$$x_{cc_{i-1}^*+1} = \dots = x_{cc_i^*} = y_i, \quad i = 1, \dots, m$$

Then the  $W$  statistic is defined as

$$W = \frac{\left(\sum_{i=1}^{W_s} a_i x_i\right)^2}{\sum_{i=1}^{W_s} (x_i - \bar{x})^2}$$

where

$$\bar{x} = \frac{\sum_{i=1}^{W_s} x_i}{W_s}$$

$$a_1^2 = a_{W_s}^2 = \begin{cases} \frac{\Gamma(W_s/2)}{\sqrt{2}\Gamma((W_s+1)/2)} & \text{if } 5 \leq W_s \leq 20 \\ \frac{\Gamma((W_s+1)/2)}{\sqrt{2}\Gamma(W_s/2+1)} & \text{if } W_s > 20 \end{cases}$$

$$a_1 = -\sqrt{a_1^2}, a_{W_s} = \sqrt{a_{W_s}^2}$$

$$a_i = (2/c)m_i, i = 2, \dots, W_s - 1$$

$$m_i = \Psi^{-1}\left(\frac{i - \alpha}{W_s - 2\alpha + 1}\right), \text{ where } \Psi \text{ is the c.d.f. of a standard normal distribution}$$

$$\alpha = 0.314195 + 0.063336\beta - 0.010895\beta^2$$

$$\beta = \log_{10}W_s$$

$$c^2 = 4 \sum_{i=1}^{W_s-1} \frac{m_i^2}{(1 - 2a_i^2)}$$

Based on the computed  $W$  statistic, the significance is calculated by linearly interpolating within the range of simulated critical values given in Shapiro and Wilk (1965).

If non-integer weights are specified, the Shapiro-Wilk's statistic is calculated when the weighted sample size lies between 3 and 50. For no weights or integer weights, the statistic is calculated when the weighted sample size lies between 3 and 5000.

If  $W > w_{0.99}$ , the critical value of 99th percentile, the significance is reported as  $>0.99$ . Similarly, if  $W < w_{0.01}$ , the critical value of first percentile, the significance is reported as  $<0.01$ .

### **Kolmogorov-Smirnov Statistic with Lilliefors' Significance**

Lilliefors (Lilliefors, 1967) presented a table for testing normality using the Kolmogorov-Smirnov statistic when the mean and variance of the population are unknown. This statistic is

$$D_a = \max\{D_+, D_-\}$$

where

$$D_+ = \max_i \left\{ \hat{F}(y_i) - F(y_i) \right\}$$

$$D_- = \max_i \left\{ F(y_i) - \hat{F}(y_{i-1}) \right\}$$

where  $\hat{F}(x)$  is the sample cumulative distribution and  $F(x)$  is the cumulative normal distribution whose mean and variance are estimated from the sample.

Dallal and Wilkinson (Dallal and Wilkinson, 1986) corrected the critical values for testing normality reported by Lilliefors. With the corrected table they derived an analytic approximation to the upper tail probabilities of  $D_a$  for probabilities less than 0.1. The following formula is used to estimate the critical value  $D_c$  for probability 0.1.

$$D_c = \frac{(-b - \sqrt{b^2 - 4ac})}{2a}$$

where, if  $W \leq 100$ ,

$$\begin{aligned} a &= -7.01256(W + 2.78019) \\ b &= 2.99587\sqrt{W + 2.78019} \\ c &= 2.1804661 + \frac{0.974598}{\sqrt{W}} + \frac{1.67997}{W} \end{aligned}$$

If  $W > 100$

$$\begin{aligned} a &= -7.90289126054 * W^{0.98} \\ b &= 3.180370175721 * W^{0.49} \\ c &= 2.2947256 \end{aligned}$$

The Lilliefors significance  $p$  is calculated as follows: If  $D_a = D_c, p = 0.1$

$$\text{If } D_a > D_c, p = \exp \{ aD_a^2 + bD_a + c - 2.3025851 \} .$$

If  $D_{0.2} \leq D_a < D_c$ , linear interpolation between  $D_{0.2}$  and  $D_c$  where  $D_{0.2}$  is the critical value for probability 0.2 is done.

If  $D_a > D_{0.2}, p$  is reported as  $> 0.2$ .

## Group Statistics

Assume that there are  $k(k \geq 2)$  combinations of grouping factors. For every combination  $i$ ,  $i = 1, 2, \dots, k$ , let  $\{y_{i1}, \dots, y_{im_i}\}$  be the sample observations with the corresponding caseweights  $\{c_{i1}, \dots, c_{im_i}\}$ .

## Spread versus Level

If a transformation value,  $a$ , is given, the spread( $s$ ) and level( $l$ ) are defined based on the transformed data. Let  $x$  be the transformed value of  $y$ ; for every  $i = 1, \dots, k, j = 1, \dots, m_i$

$$x_{ij} = \begin{cases} \ln y_{ij} & \text{if } a = 0 \\ y_{ij}^a & \text{otherwise} \end{cases}$$

Then the spread ( $s_i$ ) and the level ( $l_i$ ) are respectively defined as the Interquartile Range and the median of  $\{x_{i1}, \dots, x_{im_i}\}$  with corresponding caseweights  $\{c_{i1}, \dots, c_{im_i}\}$ . However, if  $a$  is not specified, the spread and the level are natural logarithms of the Interquartile Range and of the

median of the original data. Finally, the slope is the regression coefficient of  $s$  on  $l$ , which is defined as

$$\frac{\sum_{i=1}^k (l_i - \bar{l})(s_i - \bar{s})}{\sum_{i=1}^k (l_i - \bar{l})^2}$$

In some situations, the transformations cannot be done. The spread-versus-level plot and Levene statistic will not be produced if:

- $a$  is a negative integer and at least one of the data is 0
- $a$  is a negative non-integer and at least one of the data is less than or equal to 0
- $a$  is a positive non-integer and at least one of the data is less than 0
- $a$  is not specified and the median or the spread is less than or equal to 0

### **Levene Test of Homogeneity of Variances**

The Levene test statistic is based on the transformed data and is defined by

$$L_a = \left( \frac{W - k}{k - 1} \right) \frac{\sum_{i=1}^k w_i (\bar{z}_i - \bar{z})^2}{\sum_{i=1}^k \sum_{l=1}^{m_i} c_{il} (z_{il} - \bar{z}_i)^2}$$

where

$$w_i = \sum_{l=1}^{m_i} c_{il}$$

$$\bar{x}_i = \frac{\sum_{l=1}^{m_i} c_{il} x_{il}}{w_i}$$

$$z_{il} = |x_{il} - \bar{x}_i|$$

$$\bar{z}_i = \sum_{l=1}^{m_i} \frac{c_{il} z_{il}}{w_i}$$

$$\bar{z} = \sum_{i=1}^k \frac{w_i \bar{z}_i}{W}$$

The significance of  $L_a$  is calculated from the  $F$  distribution with degrees of freedom  $k - 1$  and  $W - k$ .

Groups with zero variance are included in the test.

## Robust Levene's Test of Homogeneity of Variances

With the current version of Levene's  $L_a$  the followings can be considered as options in order to obtain robust Levene's tests:

- Levene's test  $L_b$  based on  $z_{il}^{(b)} = |X_{il} - \tilde{x}_i|$  where  $\tilde{x}_i$  is the median of  $X_{il}$ 's for group  $i$ . Median calculation is done by the method requested. The default method is HAVERAGE. Once the  $\tilde{x}_i$ 's and hence  $z_{il}^{(b)}$ 's are calculated, apply the formula for  $L_a$ , shown in the section above, to obtain  $L_b$  by replacing  $Z_{il}$ ,  $\bar{z}_i$  and  $\bar{z}$  with  $z_{il}^{(b)}$ ,  $\bar{z}_i^{(b)}$  and  $\bar{z}^{(b)}$  respectively. Two significances of  $L_b$  are given. One is calculated from a  $F$ -distribution with degrees of freedom  $k - 1$  and  $W - k$ . Another is calculated from a  $F$ -distribution with degrees of freedom  $k - 1$  and  $v$ . The value of  $v$  is given by:

$$v = \frac{\left( \sum_{i=1}^k u_i \right)^2}{\left( \sum_{i=1}^k \frac{u_i^2}{v_i} \right)}$$

where

$$u_i = \sum_{l=1}^{m_i} c_{il} \left( z_{il}^{(b)} - \bar{z}_i^{(b)} \right)^2$$

in which

$$\bar{z}_i^{(b)} = \sum_{l=1}^{m_i} \frac{c_{il} z_{il}^{(b)}}{w_i}$$

and

$$v_i = w_i - 1$$

- Levene's test  $L_c$  based on  $z_{il}^{(c)} = |x_{il} - T_{i,0.9}|$  where  $T_{i,0.9}$  is the 5% trimmed mean of  $x_{il}$ 's for group  $i$ . Once the  $T_{i,0.9}$ 's and hence  $z_{il}^{(c)}$ 's are calculated, apply the formula of  $L_a$  to obtain  $L_c$  by replacing  $z_{il}$ ,  $\bar{z}_i$  and  $\bar{z}$  with  $z_{il}^{(c)}$ ,  $\bar{z}_i^{(c)}$  and  $\bar{z}^{(c)}$  respectively. The significance of  $L_c$  is calculated from a  $F$ -distribution with degrees of freedom  $k - 1$  and  $W - k$ .

## Plots

The following plots are available.

### Normal Probability Plot (NPLOT)

For every distinct observation  $y_i$ ,  $R_i$  is the rank (the mean of ranks is assigned to ties). The normal score  $NS_i$  is calculated by

$$NS_i = \Psi^{-1}\left(\frac{R_i}{W+1}\right)$$

where  $\Psi^{-1}$  is the inverse of the standard normal cumulative distribution function. The NPLOT is the plot of  $(y_1, NS_1), \dots, (y_m, NS_m)$ .

### Detrended Normal Plot

The detrended normal plot is the scatterplot of  $(y_1, D_1), \dots, (y_m, D_m)$ , where  $D_i$  is the difference between the  $Z$ -score and normal score, which is defined by

$$D_i = Z_i - NS_i$$

and

$$Z_i = \frac{y_i - \bar{y}}{s}$$

where  $\bar{y}$  is the average and  $s$  is the standard deviation.

### Boxplot

The boundaries of the box are Tukey's hinges. The length of the box is the interquartile range based on Tukey's hinges. That is,

$$IQR = Q_3 - Q_1$$

Define

$$\text{STEP} = 1.5 \text{ IQR}$$

A case is an outlier if

$$Q_3 + \text{STEP} \leq y_i < Q_3 + 2\text{STEP}$$

or

$$Q_1 - 2\text{STEP} < y_i \leq Q_1 - \text{STEP}$$

A case is an extreme if

$$y_i \geq Q_3 + 2STEP$$

or

$$y_i \leq Q_1 - 2STEP$$

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# EXSMOOTH Algorithms

EXSMOOTH produces one period ahead forecasts for different models.

## Notation

The following notation is used throughout this section unless otherwise stated:

$X_t$	Observed series, $t = 1, \dots, n$
$\hat{X}_t$	Forecast of one period ahead from time $t$
$P$	Number of periods
$K$	Number of complete cycles ( $[n/p]$ )
$e_t$	$t$ th residual ( $X_t - \hat{X}_{t-1}$ )
$S_0$	Initial value for series
$T_0$	Initial value for trend
$I_{1-p}, \dots, I_0$	Initial values for seasonal factors
$m_l$	Mean for the $l$ th cycle, $\sum_{i=(l-1)p+1}^{lp} X_i/p$

Note the following points:

- $I_{1-p}, \dots, I_0$  are obtained from the SEASON procedure with MA = EQUAL if  $p$  is even; otherwise MA = CENTERED is used for both multiplicative and additive models.
- The index for the fitted series starts with zero.
- The value saved in the FIT variable for the  $t$ th case is  $\hat{X}_{t-1}$ .

## Models

The following models are available.

### No Trend, No Seasonality Model

$$X_t = b + \epsilon_t$$

Initial value

$$S_0 = \bar{X}$$

then

$$\hat{X}_0 = S_0, \quad e_1 = X_1 - \hat{X}_0$$

$$S_t = S_{t-1} + \alpha e_t$$

$$\hat{X}_t = S_t$$

### **No Trend, Additive Seasonality Model**

$$X_t = b + I_t + \epsilon_t$$

Initial value

$$S_0 = \frac{\sum_{i=1}^k m_i}{k}$$

then

$$\hat{X}_0 = S_0 + I_{1-p}$$

$$e_1 = X_1 - \hat{X}_0$$

$$S_t = S_{t-1} + \alpha e_t$$

$$I_t = I_{t-p} + \delta(1 - \alpha)e_t$$

$$\hat{X}_t = S_t + I_{t-p+1}$$

### **No Trend, Multiplicative Seasonality Model**

$$X_t = bI_t + \epsilon_t$$

Initial value

$$S_0 = \frac{\sum_{i=1}^k m_i}{k}$$

then

$$\begin{aligned}\hat{X}_0 &= S_0 I_{1-p} \\ e_1 &= X_1 - \hat{X}_0 \\ S_t &= S_{t-1} + \alpha e_t / I_{t-p} \\ I_t &= I_{t-p} + \delta(1 - \alpha) e_t / S_t \\ \hat{X}_t &= S_t I_{t-p+1}\end{aligned}$$

### **Linear Trend, No Seasonality Model**

$$X_t = b_0 + b_1 t + \epsilon_t$$

Initial values

$$\begin{aligned}T_0 &= \frac{X_n - X_1}{n-1} \\ S_0 &= X_1 - \frac{1}{2} T_0\end{aligned}$$

then

$$\begin{aligned}\hat{X}_0 &= S_0 + T_0 \\ e_1 &= X_1 - \hat{X}_0 \\ S_t &= S_{t-1} + T_{t-1} + \alpha e_t \\ T_t &= T_{t-1} + \alpha \gamma e_t \\ \hat{X}_t &= S_t + T_t\end{aligned}$$

### **Linear Trend, Additive Seasonality Model**

$$X_t = b_0 + b_1 t + I_t + \epsilon_t$$

Initial values

$$\begin{aligned}T_0 &= \frac{m_k - m_1}{(k-1)p} \\ S_0 &= X_1 - \frac{p}{2} T_0\end{aligned}$$

then

$$\hat{X}_0 = S_0 + T_0 + I_{1-p}$$

$$S_t = S_{t-1} + T_{t-1} + \alpha e_t$$

$$T_t = T_{t-1} + \alpha \gamma e_t$$

$$I_t = I_{t-p} + \delta(1 - \alpha)e_t$$

$$\hat{X}_t = S_t + T_t + I_{t-p+1}$$

### **Linear Trend, Multiplicative Seasonality Model**

$$X_t = (b_0 + b_1 t) I_t + \epsilon_t$$

Initial values

$$T_0 = \frac{m_k - m_1}{(k-1)p}$$

$$S_0 = m_1 - \frac{p}{2} T_0$$

then

$$\hat{X}_0 = (S_0 + T_0) I_{1-p}$$

$$S_t = S_{t-1} + T_{t-1} + \alpha(e_t / I_{t-p})$$

$$T_t = T_{t-1} + \alpha \gamma (e_t / I_{t-p})$$

$$I_t = I_{t-p} + \delta(1 - \alpha)(e_t / S_t)$$

$$\hat{X}_t = (S_t + T_t) I_{t-p+1}$$

### **Exponential Trend, No Season Model**

$$X_t = b_0 b_1^t + \epsilon_t$$

Initial values

$$T_0 = \exp \{ \ln X_2 - \ln X_1 \} = \frac{X_2}{X_1}$$

$$S_0 = \exp \left\{ \ln X_1 - \frac{1}{2} \ln T_0 \right\} = \frac{X_1}{\sqrt{T_0}}$$

then

$$\hat{X}_0 = S_0 T_0$$

$$S_t = S_{t-1} T_{t-1} + \alpha e_t$$

$$T_t = T_{t-1} + \alpha \gamma e_t / S_{t-1}$$

$$\hat{X}_t = S_t T_t$$

### **Exponential Trend, Additive Seasonal Model**

$$X_t = b_0 b_1^t + I_t + \epsilon_t$$

Initial values

$$T_0 = \exp \{(\ln m_2 - \ln m_1) / p\}$$

$$S_0 = \exp \{ \ln m_1 - \frac{p}{2} \ln T_0 \}$$

then

$$\hat{X}_0 = S_0 T_0 + I_{1-p}$$

$$S_t = S_{t-1} T_{t-1} + \alpha e_t$$

$$T_t = T_{t-1} + \alpha \gamma e_t / S_{t-1}$$

$$I_t = I_{t-p} + \delta(1 - \alpha) e_t$$

$$\hat{X}_t = S_t T_t + I_{t-p+1}$$

### **Exponential Trend, Multiplicative Seasonality Model**

$$X_t = (b_0 b_1^t) I_t + \epsilon_t$$

Initial values

$$T_0 = \exp \{(\ln m_2 - \ln m_1) / (k - 1)\}$$

$$S_0 = \exp \{ \ln m_1 - \frac{p}{2} \ln T_0 \}$$

then

$$\hat{X}_0 = (S_0 T_0) I_{1-p}$$

$$S_t = S_{t-1} T_{t-1} + \alpha e_t / I_{t-p}$$

$$T_t = T_{t-1} + \alpha \gamma e_t / (I_{t-p} S_{t-1})$$

$$I_t = I_{t-p} + \delta(1 - \alpha) e_t / S_t$$

$$\hat{X}_t = (S_t T_t) I_{t-p+1}$$

### ***Damped Trend, No Seasonality Model***

$$X_t = b_0 + \phi b_1 t + \epsilon_t$$

Initial values

$$T_0 = \frac{X_n - X_1}{(n-1)\phi}$$

$$S_0 = X_1 - \frac{1}{2} T_0$$

then

$$\hat{X}_0 = S_0 + \phi T_0$$

$$S_t = S_{t-1} + \phi T_{t-1} + \alpha e_t$$

$$T_t = \phi T_{t-1} + \alpha \gamma e_t$$

$$\hat{X}_t = S_t + \phi T_t$$

### ***Damped Trend, Additive Seasonality Model***

$$X_t = b_0 + \phi b_1 t + I_t + \epsilon_t$$

Initial values

$$T_0 = \frac{m_k - m_1}{(k-1)p\phi}$$

$$S_0 = m_1 - \frac{p}{2} T_0$$

then

$$\begin{aligned}\hat{X}_0 &= S_0 + \phi T_0 + I_{1-p} \\ S_t &= S_{t-1} + \phi T_{t-1} + \alpha(2 - \alpha)e_t \\ T_t &= \phi T_{t-1} + \alpha(\alpha - \phi + 1)c_t \\ I_t &= I_{t-p} + \delta[1 - \alpha(2 - \alpha)]e_t \\ \hat{X}_t &= S_t + \phi T_t + I_{t-p+1}\end{aligned}$$

### **Damped Trend, Multiplicative Seasonality Model**

$$X_t = (b_0 + b_1\phi t)I_t + \epsilon_t$$

Initial values

$$\begin{aligned}T_0 &= \frac{m_k - m_1}{(k-1)p\phi} \\ S_0 &= m_1 - \frac{p}{2}T_0\phi\end{aligned}$$

then

$$\begin{aligned}\hat{X}_0 &= (S_0 + \phi T_0)I_{1-p} \\ S_t &= S_{t-1} + \phi T_{t-1} + \alpha(2 - \alpha)e_t/I_{t-p} \\ T_t &= \phi T_{t-1} + \alpha(\alpha - \phi + 1)e_t/I_{t-p} \\ I_t &= I_{t-p} + \delta[1 - \alpha(2 - \alpha)]e_t/S_t \\ \hat{X}_t &= (S_t + \phi T_t)I_{t-p+1}\end{aligned}$$

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# FACTOR Algorithms

FACTOR performs factor analysis based either on correlations or covariances and using one of the seven extraction methods.

## Extraction of Initial Factors

The following extraction methods are available.

### Principal Components Extraction (PC)

The matrix of factor loadings based on factor  $m$  is

$$\Lambda_m = \Omega_m \Gamma_m^{1/2}$$

where

$$\begin{aligned}\Omega_m &= (\omega_1, \omega_2, \dots, \omega_m) \\ \Gamma_m &= \text{diag}(|\gamma_1|, |\gamma_2|, \dots, |\gamma_m|)\end{aligned}$$

The communality of variable  $i$  is given by

$$h_i = \sum_{j=1}^m |\gamma_j| \omega_{ij}^2$$

Analyzing a Correlation Matrix

$\gamma_1 \geq \gamma_2 \geq \dots \geq \gamma_m$  are the eigenvalues and  $\omega_i$  are the corresponding eigenvectors of  $\mathbf{R}$ , where  $\mathbf{R}$  is the correlation matrix.

Analyzing a Covariance Matrix

$\gamma_1 \geq \gamma_2 \geq \dots \geq \gamma_m$  are the eigenvalues and  $\omega_i$  are the corresponding eigenvectors of  $\Sigma$ , where  $\Sigma = (\sigma_{ij})_{n \times n}$  is the covariance matrix.

The rescaled loadings matrix is  $\Lambda_{mR} = [\text{diag}\Sigma]^{-1/2} \Lambda_m$ .

The rescaled communality of variable  $i$  is  $h_{iR} = \sigma_{ii}^{-1} h_i$ .

### Principal Axis Factoring

Analyzing a Correlation Matrix

An iterative solution for communalities and factor loadings is sought. At iteration  $i$ , the communalities from the preceding iteration are placed on the diagonal of  $\mathbf{R}$ , and the resulting  $\mathbf{R}$  is denoted by  $\mathbf{R}_i$ . The eigenanalysis is performed on  $\mathbf{R}_i$  and the new communality of variable  $j$  is estimated by

$$h_{j(i)} = \sum_{k=1}^m |\gamma_{k(i)}| \omega_{jk(i)}^2$$

The factor loadings are obtained by

$$\Lambda_{m(i)} = \Omega_{m(i)} \Gamma_{m(i)}^{1/2}$$

Iterations continue until the maximum number (default 25) is reached or until the maximum change in the communality estimates is less than the convergence criterion (default 0.001).

Analyzing a Covariance Matrix

This analysis is the same as analyzing a correlation matrix, except  $\Sigma$  is used instead of the correlation matrix  $\mathbf{R}$ . Convergence is dependent on the maximum change of *rescaled* communality estimates.

At iteration  $i$ , the rescaled loadings matrix is  $\Lambda_{m(i)R} = [\text{diag}\Sigma]^{-1/2} \Lambda_{m(i)}$ . The rescaled communality of variable  $i$  is  $h_{j(i)R} = \sigma_{ii}^{-1} h_{j(i)}$ .

## Maximum Likelihood (ML)

The maximum likelihood solutions of  $\Lambda$  and  $\psi^2$  are obtained by minimizing

$$F = \text{tr} \left[ \left( \Lambda \Lambda' + \psi^2 \right)^{-1} \mathbf{R} \right] - \log \left| \left( \Lambda \Lambda' + \psi^2 \right)^{-1} \mathbf{R} \right| - p$$

with respect to  $\Lambda$  and  $\psi$ , where  $p$  is the number of variables,  $\Lambda$  is the factor loading matrix, and  $\psi^2$  is the diagonal matrix of unique variances.

The minimization of  $F$  is performed by way of a two-step algorithm. First, the conditional minimum of  $F$  for a given  $y$  is found. This gives the function  $f(\psi)$ , which is minimized numerically using the Newton-Raphson procedure. Let  $\mathbf{x}^{(s)}$  be the column vector containing the logarithm of the diagonal elements of  $y$  at the  $s$ th iteration; then

$$\mathbf{x}^{(s+1)} = \mathbf{x}^{(s)} - \mathbf{d}^{(s)}$$

where  $\mathbf{d}^{(s)}$  is the solution to the system of linear equations

$$\mathbf{H}^{(s)} \mathbf{d}^{(s)} = \mathbf{h}^{(s)}$$

and where

$$\mathbf{H}^{(s)} = \left( \partial^2 f(\psi) / \partial x_i \partial x_j \right)$$

and  $\mathbf{h}^{(s)}$  is the column vector containing  $\partial f(\psi) / \partial x_i$ . The starting point  $\mathbf{x}^{(1)}$  is

$$\mathbf{x}_i^{(1)} = \begin{cases} \log [(1 - m/2p)/r^{ii}] & \text{for ML and GLS} \\ [(1 - m/2p)/r^{ii}]^{1/2} & \text{for ULS} \end{cases}$$

where  $m$  is the number of factors and  $r^{ii}$  is the  $i$ th diagonal element of  $\mathbf{R}^{-1}$ .

The values of  $f(\psi)$ ,  $\partial f/\partial x_i$ , and  $\partial^2 f/\partial x_i \partial x_j$  can be expressed in terms of the eigenvalues

$$\gamma_1 \leq \gamma_2 \leq \dots \leq \gamma_p$$

and corresponding eigenvectors

$$\omega_1, \omega_2, \dots, \omega_p$$

of matrix  $\psi \mathbf{R}^{-1} \psi$ . That is,

$$f(\psi) = \sum_{k=m+1}^p (\log \gamma_k + \gamma_k^{-1} - 1)$$

$$\frac{\partial f}{\partial x_i} = \sum_{k=m+1}^p (1 - \gamma_k^{-1}) \omega_{ik}^2$$

$$\frac{\partial^2 f}{\partial x_i \partial x_j} = -\delta_{ij} \frac{\partial f}{\partial x_i} + \sum_{k=m+1}^p \omega_{ik} \omega_{jk} \left( \sum_{n=1}^m \frac{\gamma_k + \gamma_n - 2}{\gamma_k - \gamma_n} \omega_{in} \omega_{jn} + \delta_{ij} \right)$$

where

$$\delta_{ij} = \begin{cases} 1 & \text{if } i = j \\ 0 & \text{if } i \neq j \end{cases}$$

The approximate second-order derivatives

$$\frac{\partial^2 f}{\partial x_i \partial x_j} \cong \left( \sum_{k=m+1}^p \omega_{ik} \omega_{jk} \right)^2$$

are used in the initial step and when the matrix of the exact second-order derivatives is not positive definite or when all elements of the vector  $\mathbf{d}$  are greater than 0.1. If  $\partial^2 f/\partial x_i^2 < 0.05$  (Heywood variables), the diagonal element is replaced by 1 and the rest of the elements of that column and row are set to 0. If the value of  $f(\psi)$  is not decreased by step  $\mathbf{d}$  the step is halved and halved again until the value of  $f(\psi)$  decreases or 25 halvings fail to produce a decrease. (In this case, the computations are terminated.) Stepping continues until the largest absolute value of the elements of  $\mathbf{d}$  is less than the criterion value (default 0.001) or until the maximum number of iterations

(default 25) is reached. Using the converged value of  $\psi$  (denoted by  $\hat{\psi}$ ), the eigenanalysis is performed on the matrix  $\hat{\psi}\mathbf{R}^{-1}\hat{\psi}$ . The factor loadings are computed as

$$\hat{\Lambda}_m = \hat{\psi}\Omega_m(\Gamma_m^{-1} - \mathbf{I}_m)^{1/2}$$

where

$$\begin{aligned}\Gamma_m &= \text{diag}(\gamma_1, \gamma_2, \dots, \gamma_m) \\ \Omega_m &= (\omega_1, \omega_2, \dots, \omega_m)\end{aligned}$$

### Unweighted and Generalized Least Squares (ULS, GLS)

The same basic algorithm is used in ULS and GLS methods as in maximum likelihood, except that

$$f(\psi) = \begin{cases} \sum_{k=m+1}^p \frac{\gamma_k^2}{2} & \text{for ULS} \\ \sum_{k=m+1}^p \frac{(\gamma_k - 1)^2}{2} & \text{for GLS} \end{cases}$$

for the ULS method, the eigenanalysis is performed on the matrix  $\mathbf{R} - \psi^2$ , where  $\gamma_1 \geq \gamma_2 \geq \dots \geq \gamma_p$  are the eigenvalues. In terms of the derivatives, for ULS

$$\frac{\partial f}{\partial x_i} = 2x_i \sum_{k=m+1}^p \gamma_k \omega_{ik}^2$$

$$\frac{\partial^2 f}{\partial x_i \partial x_j} = 4 \left[ x_i x_j \sum_{k=m+1}^p \omega_{ik} \omega_{jk} \sum_{n=1}^m \frac{\gamma_k + \gamma_n}{\gamma_k - \gamma_n} \omega_{ik} \omega_{jn} + \delta_{ij} \sum_{k=m+1}^p \left( x_i^2 - \frac{\gamma_k}{2} \right) \omega_{ik}^2 \right]$$

and

$$\frac{\partial^2 f}{\partial x_i \partial x_j} = 4x_i x_j \left( \sum_{k=m+1}^p \omega_{ik} \omega_{jk} \right)^2$$

For GLS

$$\frac{\partial f}{\partial x_i} = \sum_{k=m+1}^p (\gamma_k^2 - \gamma_k) \omega_{ik}^2$$

$$\frac{\partial^2 f}{\partial x_i \partial x_j} = \delta_{ij} \frac{\partial f}{\partial x_i} + \sum_{k=m+1}^p \gamma_k \omega_{ik} \omega_{jk} \left( \sum_{n=1}^m \gamma_n \frac{\gamma_k + \gamma_n - 2}{\gamma_k - \gamma_n} \omega_{in} \omega_{jn} + r^{ii} \exp[(x_i + x_j)/2] \right)$$

and

$$\frac{\partial^2 f}{\partial x_i \partial x_j} = \left( \sum_{k=m+1}^p \omega_{ik} \omega_{jk} \right)^2$$

Also, the factor loadings of the ULS method are obtained by

$$\hat{\Lambda}_m = \Omega_m \Gamma_m^{1/2}$$

The chi-square statistics for  $m$  factors for the ML and GLS methods is given by

$$\chi_m^2 = \left( W - 1 - \frac{2p+5}{6} - \frac{2m}{3} \right) f(\hat{\psi})$$

with  $((p-m)^2 - p - m)/2$

### Alpha (Harman, 1976)

Iteration for Communalities

At each iteration  $i$ :

E The eigenvalues  $(r_{(i)})$  and eigenvectors  $(\Omega_{(i)})$  of

$\mathbf{H}_{(i-1)}^{1/2}(\mathbf{R} - \mathbf{I})\mathbf{H}_{(i-1)}^{1/2} + \mathbf{I}$  are computed.

E The new communalities are

$$h_{k(i)} \left( \sum_{j=1}^m |\gamma_{j(i)}| \omega_{kj(i)}^2 \right) h_{k(i-1)}$$

The initial values of the communalities,  $\mathbf{H}_0$ , are

$$h_{io} = \begin{cases} 1 - 1/r^{ii} & |\mathbf{R}| \geq 10^{-8} \text{ and all } 0 \leq h_{io} \leq 1 \\ \max_j |r_{ij}| & \text{otherwise} \end{cases}$$

where  $r^{ii}$  is the  $i$ th diagonal entry of  $\mathbf{R}^{-1}$ .

If  $|\mathbf{R}| \geq 10^{-8}$  and all  $r^{ii}$  are equal to one, the procedure is terminated. If for some  $i$ ,  $\max_j |r_{ij}| > 1$ , the procedure is terminated.

E Iteration stops if any of the following are true:

$$\max_k |h_{k(i)} - h_{k(i-1)}| < \text{EPS}$$

$$i = \text{MAX}$$

$$h_{k(i)} = 0 \text{ for any } k$$

Final Communalities and Factor Pattern Matrix

The communalities are the values when iteration stops, unless the last termination criterion is true, in which case the procedure terminates. The factor pattern matrix is

$$\mathbf{F}_m = \mathbf{H}_{(f)}^{1/2} \Omega_{m(f)} \Gamma_{m(f)}^{1/2}$$

where  $f$  is the final iteration.

### Image (Kaiser, 1963)

Factor Analysis of a Correlation Matrix

E Eigenvalues and eigenvectors of  $\mathbf{S}^{-1}\mathbf{R}\mathbf{S}^{-1}$  are found.

$$\mathbf{S}^2 = \text{diag}(1/r^{11}, \dots, 1/r^{nn})$$

$$r^{ii} = \text{ith diagonal element of } \mathbf{R}^{-1}$$

E The factor pattern matrix is

$$\mathbf{F}_m = \mathbf{S} \Omega_m (\Lambda_m - I_m) \Lambda_m^{-1/2}$$

where  $\Omega_m$  and  $\Lambda_m$  correspond to the  $m$  eigenvalues greater than 1.

If  $m = 0$ , the procedure is terminated.

E The communalities are

$$h_i = \sum_{j=1}^m (\gamma_j - 1)^2 \omega_{ij}^2 / (\gamma_j r^{ii})$$

E The image covariance matrix is

$$\mathbf{R} + \mathbf{S}^2 \mathbf{R}^{-1} \mathbf{S}^2 - 2\mathbf{S}^2$$

E The anti-image covariance matrix is

$$\mathbf{S}^2 \mathbf{R}^{-1} \mathbf{S}^2$$

Factor Analysis of a Covariance Matrix

We are using the covariance matrix  $\Sigma$  instead of the correlation matrix  $\mathbf{R}$ . The calculation is similar to the correlation matrix case.

The rescaled factor pattern matrix is  $\mathbf{F}_{mR} = [\text{diag}\Sigma]^{-1/2}\mathbf{F}_m$ . The rescaled communality of variable  $i$  is  $h_{iR} = \sigma_{ii}^{-1}h_i$ .

## Factor Rotations

The following rotation methods are available.

### Orthogonal Rotations (Harman, 1976)

Rotations are done cyclically on pairs of factors until the maximum number of iterations is reached or the convergence criterion is met. The basic algorithm is the same for all orthogonal rotations, differing only in convergence criterion values and computations of the tangent values of the rotation angles.

- If the default Kaiser normalization is in effect, the factor pattern matrix is normalized by the square root of the communalities:

$$\Lambda_m^* = \mathbf{H}^{-1/2}\Lambda_m$$

where

$\Lambda_m = (\underline{\lambda}_1, \dots, \underline{\lambda}_m)$  is the factor pattern matrix

$\mathbf{H} = \text{diag}(h_1, \dots, h_n)$  is the diagonal matrix of communalities

If Kaiser normalization is disabled, this normalization is not done and  $\Lambda_m^* = \Lambda_m$ .

- The transformation matrix  $\mathbf{T}$  is initialized to  $\mathbf{I}_m$
- At each iteration  $i$

(1) The convergence criterion  $SV_{(i)}$  is

For Varimax :

$$SV_{(i)} = \sum_{j=1}^m \left( n \sum_{p=1}^n \lambda_{pj(i)}^{*4} - \left( \sum_{p=1}^n \lambda_{pj(i)}^{*2} \right)^2 \right)$$

For Equamax:

$$SV_{(i)} = \sum_{j=1}^m \left( n \sum_{p=1}^n \lambda_{pj(i)}^{*4} - \frac{m}{2} \left( \sum_{p=1}^n \lambda_{pj(i)}^{*2} \right)^2 \right)$$

For Quartimax:

$$SV_{(i)} = \sum_{j=1}^m \sum_{p=1}^n \lambda_{pj(i)}^{*4}$$

where the initial value of  $\lambda_{m(1)}^*$  is the original (or normalized) factor pattern matrix. For subsequent iterations, the initial value is the final value of  $\lambda_{m(i-1)}^*$ , when all factor pairs have been rotated.

(2) For all pairs of factors  $(\lambda_j, \lambda_k)$  where  $k > j$ , the following are computed:

(a) Angle of rotation  $P$

$$P = \text{atan2}(Y/X) / 4$$

where

$\text{atan2}(Y/X)$  is the Euclidean plane angle (in radians) between the positive  $X$  axis and the ray from the origin  $(0,0)$  to the point  $(X,Y)$  (See [Wikipedia: atan2](#))

$$Y = \begin{cases} D - 2AB/n & \text{Varimax} \\ D - mAB/n & \text{Equamax} \\ D & \text{Quartimax} \end{cases}$$

$$X = \begin{cases} C - (A^2 - B^2)/n & \text{Varimax} \\ C - m(A^2 - B^2)/n & \text{Equamax} \\ C & \text{Quartimax} \end{cases}$$

$f_{pj(i)}^*$  is the current loading of the  $p^{\text{th}}$  variable on the  $j^{\text{th}}$  factor in the  $i^{\text{th}}$  iteration

$$u_{p(i)} = f_{pj(i)}^{*2} - f_{pk(i)}^{*2} \quad v_{p(i)} = 2f_{pj(i)}^* f_{pk(i)}^*$$

$$A = \sum_{p=1}^n u_{p(i)} \quad B = \sum_{p=1}^n v_{p(i)}$$

$$C = \sum_{p=1}^n [u_{p(i)}^2 - v_{p(i)}^2] \quad D = \sum_{p=1}^n 2u_{p(i)} v_{p(i)}$$

If  $|\sin(P)| \leq 10^{-15}$ , no rotation is done on the pair of factors.

(b) New rotated factors

$$(\tilde{\lambda}_{j(i)}, \tilde{\lambda}_{k(i)}) = (\tilde{\lambda}_{j(i)}^*, \tilde{\lambda}_{k(i)}^*) \begin{bmatrix} \cos(P) & -\sin(P) \\ \sin(P) & \cos(P) \end{bmatrix}$$

where  $\tilde{\lambda}_{j(i)}^*$  are the last values for factor  $j$  calculated in this iteration.

(c) Accrued rotation transformation matrix

$$(\tilde{t}_j, \tilde{t}_k) = (t_j, t_k) \begin{bmatrix} \cos(P) & -\sin(P) \\ \sin(P) & \cos(P) \end{bmatrix}$$

where  $t_j$  and  $t_k$  are the last calculated values of the  $j^{\text{th}}$  and  $k^{\text{th}}$  columns of  $T$ .

(d) Iteration is terminated when

$$|SV_{(i)} - SV_{(i-1)}| \leq 10^{-5}$$

or the maximum number of iterations is reached.

(e) Final rotated factor pattern matrix

$$\tilde{\Lambda}_m = H^{1/2} \Lambda_{m(f)}^*$$

if Kaiser normalization was applied, otherwise

$$\tilde{\Lambda}_m = \Lambda_{m(f)}^*$$

where

$$\Lambda_m^*(f)$$

is the value of the last iteration.

(f) Reflect factors with negative sums

If

$$\sum_{i=1}^n \tilde{\lambda}_{ij}(f) < 0$$

then

$$\tilde{\lambda}_j = -\tilde{\lambda}_j(f)$$

(g) Rearrange the rotated factors such that

$$\sum_{j=1}^n \tilde{\lambda}_{j1}^2 \geq \dots \geq \sum_{j=1}^n \tilde{\lambda}_{jm}^2$$

(h) The communalities are

$$h_j = \sum_{i=1}^m \tilde{\lambda}_{ji}^2$$

## ***Oblique Rotations***

The direct oblimin method (Jennrich and Sampson, 1966) is used for oblique rotation. The user can choose the parameter  $\delta$ . The default value is  $\delta = 0$ .

(a) The factor pattern matrix is normalized by the square root of the communalities

$$\Omega_m^* = \mathbf{H}^{-1/2} \Lambda_m$$

where

$$h_j = \sum_{k=1}^m \lambda_{jk}^2$$

If no Kaiser is specified, this normalization is not done.

(b) Initializations

The factor correlation matrix  $\mathbf{C}$  is initialized to  $\mathbf{I}_m$ . The following are also computed:

$$s_k = \begin{cases} 1 & \text{if Kaiser} \\ h_k & \text{if no Kaiser} \end{cases} \quad k = 1, \dots, n$$

$$u_i = \sum_{j=1}^n \lambda_{ji}^{*2} \quad i = 1, \dots, m$$

$$v_i = \sum_{j=1}^n \lambda_{ji}^{*4}$$

$$x_i = v_i - (\delta/n)u_i^2$$

$$D = \sum_{i=1}^m u_i$$

$$G = \sum_{i=1}^m x_i$$

$$H = \sum_{k=1}^n s_k^2 - (\delta/n)D^2$$

$$FO = H - G$$

(c) At each iteration, all possible factor pairs are rotated. For a pair of factors  $\lambda_p^*$  and  $\lambda_q^*$  ( $p \neq q$ ), the following are computed:

$$D_{pq} = D - u_p - u_q$$

$$G_{pq} = G - x_p - x_q$$

$$s_{pq,i} = s_i - \lambda_{ip}^{*2} - \lambda_{iq}^{*2}$$

$$y_{pq} = \sum_{i=1}^n \lambda_{ip}^* \lambda_{iq}^*$$

$$z_{pq} = \sum_{i=1}^n \lambda_{ip}^{*2} \lambda_{iq}^{*2}$$

$$T = \sum_{i=1}^n s_{pq,i} \lambda_{ip}^{*2} - (\delta/n) u_p D_{pq}$$

$$Z = \sum_{i=1}^n s_{pq,i} \lambda_{ip}^* \lambda_{iq}^* - (\delta/n) y_{pq} D_{pq}$$

$$P = \sum_{i=1}^n \lambda_{ip}^{*3} \lambda_{iq}^* - (\delta/n) u_p y_{pq}$$

$$R = z_{pq} - (\delta/n) u_p u_q$$

$$P' = \frac{3}{2}(c_{pq} - P/x_p)$$

$$Q' = \frac{1}{2}(x_p - 4c_{pq}P + R + 2T)/x_p$$

$$R' = \frac{1}{2}(c_{pq}(T + R) - P - Z)/x_p$$

- A root,  $a$ , of the equation

$b^3 + P'b^2 + Q'b + R' = 0$  is computed, as well as:

$$A = 1 + 2c_{pq}a + a^2$$

$$t_1 = |A|^{1/2}$$

$$t_2 = a/t_1$$

- The rotated pair of factors is

$$\left( \tilde{\lambda}_p^*, \tilde{\lambda}_q^* \right) = \left( \lambda_p^*, \lambda_q^* \right) \begin{vmatrix} t_1 & -a \\ 0 & 1 \end{vmatrix}$$

These replace the previous factor values.

- New values are computed for

$$\tilde{u}_p = |A| u_p$$

$$\tilde{x}_p = A^2 x_p$$

$$\tilde{v}_q = \sum_{i=1}^n \tilde{\lambda}_{iq}^{*4}$$

$$\tilde{u}_q = \sum_{i=1}^n \tilde{\lambda}_{iq}^{*2}$$

$$\tilde{x}_q = \tilde{v}_q - (\delta/n) \tilde{u}_q^2$$

$$\tilde{S}_k = S_{pq,k} + \tilde{\lambda}_{kp}^{*2} + \tilde{\lambda}_{kq}^{*2}$$

$$\tilde{D} = D_{pq} + \tilde{u}_p + \tilde{u}_q$$

$$\tilde{G} = G_{pq} + \tilde{x}_p + \tilde{x}_q$$

All values designated as  $\tilde{V}$  replaces  $V$  and are used in subsequent calculations.

- The new factor correlations with factor  $p$  are

$$\tilde{c}_{ip} = t_1^{-1} c_{ip} + t_2 c_{iq} \quad (i \neq p)$$

$$\tilde{c}_{pi} = \tilde{c}_{ip}$$

$$\tilde{c}_{pp} = 1$$

- After all factor pairs have been rotated, iteration is terminated if

$$\begin{aligned} & \text{MAX iterations have been done or} \\ & \left| F1_{(i)} - F1_{(i-1)} \right| < (FO)(EPS) \end{aligned}$$

where

$$F1_{(i)} = \frac{\tilde{H}}{n} - \tilde{G}$$

$$\tilde{H} = \sum_{k=1}^n \tilde{s}_k^2 - (\delta/n) \tilde{D}^2$$

$$F1_{(0)} = FO$$

Otherwise, the factor pairs are rotated again.

- The final rotated factor pattern matrix is

$$\tilde{\lambda}_m = \mathbf{H}^{1/2} \tilde{\lambda}_m^*$$

where  $\tilde{\lambda}_m$  is the value in the final iteration.

- The factor structure matrix is

$$\mathbf{S} = \tilde{\Lambda}_m \tilde{\mathbf{C}}_m$$

where  $\tilde{\mathbf{C}}_m$  is the factor correlation matrix in the final iteration.

### Promax Rotation

(Hendrickson and White, 1964) proposed a computationally fast rotation. The speed is achieved by first rotating to an orthogonal varimax solution and then relaxing the orthogonality of the factors to better fit simple structure.

- Varimax rotation is used to get an orthogonal rotated matrix  $\Lambda_R = \{\lambda_{ij}\}$ .
- The matrix  $\mathbf{P} = (p_{ij})_{p \times m}$  is calculated, where

$$p_{ij} = \left| \frac{\lambda_{ij}}{\left( \sum_{j=1}^m \lambda_{ij}^2 \right)^{1/2}} \right|^{k+1} \left( \sum_{j=1}^m \lambda_{ij}^2 \right)^{1/2} / \lambda_{ij}$$

Here,  $k$  ( $k > 1$ ) is the power of promax rotation.

- The matrix  $\mathbf{L}$  is calculated.

$$\mathbf{L} = \left( \Lambda'_R \Lambda_R \right)^{-1} \Lambda'_R \mathbf{P}$$

- The matrix  $\mathbf{L}$  is normalized by column to a transformation matrix

$$\mathbf{Q} = \mathbf{L}\mathbf{D}$$

where  $\mathbf{D} = \left( \text{diag} \left( \mathbf{L}'\mathbf{L} \right) \right)^{-1/2}$  is the diagonal matrix that normalizes the columns of  $\mathbf{L}$ .

At this stage, the rotated factors are

$$f_{\text{promax\_temp}} = \mathbf{Q}^{-1} f_{\text{varimax}}$$

Because

$$\text{var} \left( f_{\text{promax\_temp}} \right) = \left( \mathbf{Q}'\mathbf{Q} \right)^{-1},$$

and the diagonal elements do not equal 1, we must modify the rotated factor to

$$f_{pro\max} = \mathbf{C}f_{pro\max\_temp}$$

where

$$\mathbf{C} = \left\{ \text{diag} \left( \left( \mathbf{Q}'\mathbf{Q} \right)^{-1} \right) \right\}^{-1/2}$$

The rotated factor pattern is

$$\Lambda_{pro\max} = \Lambda_{vari\max} \mathbf{Q} \mathbf{C}^{-1}$$

The correlation matrix of the factors is

$$\mathbf{R}_{ff} = \mathbf{C} \left( \mathbf{Q}'\mathbf{Q} \right)^{-1} \mathbf{C}'$$

The factor structure matrix is

$$\Lambda_S = \Lambda_{pro\max} \mathbf{R}_{ff}$$

## Factor Score Coefficients (Harman, 1976)

Creates one new variable for each factor in the final solution. The following alternative methods for calculating the factor scores are available.

### Regression

$$\mathbf{W} = \begin{cases} \Lambda_m \Gamma_m^{-1} & \text{PC without rotation} \\ \Lambda_m (\Lambda_m' \Lambda_m)^{-1} & \text{PC with rotation} \\ \mathbf{R}^{-1} \mathbf{S}_m & \text{otherwise} \end{cases}$$

where

$$\begin{aligned} \mathbf{S}_m &= \text{factor structure matrix} \\ \mathbf{S}_m &= \Lambda_m \text{ for orthogonal rotations} \end{aligned}$$

For PC without rotation if any  $|\gamma_i| \leq 10^{-8}$ , factor score coefficients are not computed. For PC with rotation, if the determinant of  $\Lambda_m' \Lambda_m$  is less than  $10^{-8}$ , the coefficients are not computed. Otherwise, if  $\mathbf{R}$  is singular, factor score coefficients are not computed.

### Bartlett

$$\mathbf{W} = \mathbf{J}^{-1} \Lambda' \mathbf{U}^{-2}$$

where

$$\begin{aligned} \mathbf{J} &= \Lambda' \mathbf{U}^{-2} \Lambda \\ \mathbf{U}^2 &= \mathbf{R} - \hat{\mathbf{R}} \end{aligned}$$

### Anderson Rubin

$$\mathbf{W} = \left( \Lambda' \mathbf{U}^{-2} \mathbf{R} \mathbf{U}^{-2} \Lambda \right)^{-1/2} \Lambda' \mathbf{U}^{-2}$$

where the symmetric square root of the parenthetical term is taken.

### Optional Statistics (Dziubin and Shirkey, 1974)

- ▶ The anti-image covariance matrix  $\mathbf{A} = (a_{ij})$  is given by

$$a_{ij} = \frac{r^{ij}}{r^{ii} r^{jj}}$$

- ▶ The chi-square value for Bartlett's test of sphericity is

$$\chi^2 = - \left( W - 1 - \frac{2p + 5}{6} \right) \log |\mathbf{R}|$$

with  $p(p - 1)/2$  degrees of freedom.

- ▶ The Kaiser-Mayer-Olkin measure of sample adequacy is

$$KMO_j = \frac{\sum_{i \neq j} r_{ij}^2}{\sum_{i \neq j} r_{ij}^2 + \sum_{i \neq j} a_{ij}^{2*}} \quad KMO = \frac{\sum_{i \neq j} \Sigma r_{ij}^2}{\sum_{i \neq j} \Sigma r_{ij}^2 + \sum_{i \neq j} \Sigma a_{ij}^{2*}}$$

where  $a_{ij}^*$  is the anti-image correlation coefficient.

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# ***FIT Algorithms***

FIT displays a variety of descriptive statistics computed from the residual series as an aid in evaluating the goodness of fit of one or more models.

## ***Notation***

The following notation is used throughout this chapter unless otherwise stated:

DFH	Hypothesis degrees of freedom
DFE	Error degrees of freedom
$e_1, \dots, e_n$	Residual (error) series
$X_1, \dots, X_n$	Observed series
$n$	Number of cases

## ***Statistics Computed in FIT***

Mean Error (ME)

$$ME = \sum_{i=1}^n e_i/n$$

Mean Percent Error (MPE)

$$MPE = \frac{100}{n} \sum_{i=1}^n e_i/X_i$$

Mean Absolute Error (MAE)

$$MAE = \sum_{i=1}^n |e_i|/n$$

Mean Absolute Percent Error (MAPE)

$$MAPE = \frac{100}{n} \sum_{i=1}^n |e_i/X_i|$$

Sum of Square Error (SSE)

$$SSE = \sum_{i=1}^n e_i^2$$

Mean Square Error (MSE)

$$MSE = \begin{cases} SSE/n, & \text{if none of } DFE \text{ and } DFH \text{ is specified} \\ SSE/DFE, & \text{if } DFE \text{ is specified or } DFH \text{ is specified;} \\ & \text{then } DFE=n-DFH. \end{cases}$$

Root Mean Square Error (RMS)

$$RMS = \sqrt{MSE}$$

Durbin-Watson Statistics (DW)

$$DW = \frac{\sum_{i=1}^{n-1} (e_i - e_{i+1})^2}{\sum_{i=1}^n e_i^2}$$

# FLEISS MULTIRATER KAPPA Algorithms

## Introduction

When ratings are made on a categorical scale, we are often interested in assessing the interrater agreement to determine the reliability among the various raters. It is obvious that a higher agreement would give us more confidence in the ratings reflecting the true circumstance [Green, 1997]. [Fleiss, 1971] generalized the unweighted kappa statistic to measure the agreement among any constant number of raters while assuming

- There is no connection between raters;
- The number of raters is a constant;
- Each subject is rated by the same group containing only a single rater; and
- No weights can be assigned to the various disagreements.

In this document, we describe the estimation of  $\kappa$ , or the Fleiss' multiple-rater statistic, and discuss how the algorithm will handle the data containing multiple ratings in IBM SPSS Statistics.

## General Notations

The following notations defined in this section will be used for the subsequent sections.

- $N$ : The number of cases being rated in the data set. Note that  $N$  is a positive integer.
- $i$ :  $i = 1, 2, \dots, N$  denoting the subject index.  $i$  is an integer.
- $f_i$ : The optional frequency weight for the  $i$ -th case. A noninteger  $f_i$  is rounded to the nearest integer. If either  $f_i \leq 0.5$  or  $f_i$  is missing, we set  $f_i = 0$ , and the corresponding case is not used.
- $W$ : The total number of effective subjects being rated, and  $W = \sum_i^N f_i$ . If there are no frequency weights in presence,  $W = N$ .
- $k$ : The number of categories into which assignments are made. Note that  $k$  is a positive integer.
- $j$ :  $j = 1, 2, \dots, k$  denoting the category index.  $j$  is an integer.
- $n_{ij}$ : Observed count of raters who assigned the  $i$ -th subject to the  $j$ -th category. Note that  $n_{ij}$  is a nonnegative integer.
- $n$ : The number of ratings per effective subject. Note that  $n = \sum_j n_{ij}$ , which is a constant for all effective subjects.
- $r$ :  $r = 1, 2, \dots, n$  denoting the rater index. Note that  $r$  is a positive integer.
- $a_{ir}$ : The rating of case  $i$  assigned by rater  $r$ , which may be either strings or numerical values. For numerical rating values, nonintegers and negative values are also allowed.

## Implementation Notes

The input data structure, illustrated by Table 1, contains subjects as rows and rating variables as columns. Before estimating the desired  $\kappa$  and its relevant statistics, we have to compute the quantities summarized by Table 2. The implementation notes are described as follows:

- Delete the entire row if it contains any missing values.
- For numerical rating values, truncate any non-integers if existing.
- Identify all unique  $a_{ir}$ 's specified by the rating variables rater\_1, rater\_2,  $\dots$ , rater\_ $n$  in the rest of the data set.
- Sort the unique items in ascending order. The ordered items are the categories labeled in Table 2, and also the rating category names listed in Table 4.

Rating Data				
case	rater_1	rater_2	...	rater_n
1	$a_{11}$	$a_{12}$	...	$a_{1n}$
2	$a_{21}$	$a_{22}$	...	$a_{2n}$
⋮	⋮	⋮	⋮	⋮
$N$	$a_{N1}$	$a_{N2}$	...	$a_{Nn}$

Table 1: Input Data with Rating Variables

Category Counting Data				
case	category_1	category_2	...	category_k
1	$n_{11}$	$n_{12}$	...	$n_{1k}$
2	$n_{21}$	$n_{22}$	...	$n_{2k}$
⋮	⋮	⋮	⋮	⋮
$N$	$n_{N1}$	$n_{N2}$	...	$n_{Nk}$

Table 2: Input Data with Category Countings

- Compute  $n_{ij} = \sum_{r=1}^n I_{\text{category}_j}(a_{ir})$ , where  $i = 1, 2, \dots, N$ ,  $j = 1, 2, \dots, k$ , and  $I$  denotes the indicator function. Note that  $n_{ij}$  is the frequency of assigning subject  $i$  to category  $j$ . Once all  $n_{ij}$ 's are determined, the subsequent procedure may be followed to estimate  $\kappa$ .

### Fleiss' Multiple Rater Kappa Statistic

To implement the following methods, we require that

- At least two rating variables must be specified by users. Otherwise, we issue a warning message that "At least two rating variables must be specified. This procedure is not executed.", and do not estimate  $\kappa$  or any other relevant statistics.
- After the rows with missing values are removed, the remaining data set should contain at least two effective subjects, or  $W \geq 2$ . Otherwise, we issue a warning message that "There are too few complete subjects. This procedure is not executed," and do not estimate  $\kappa$  or any other relevant statistics.
- There should be at least two different rating categories, or  $k \geq 2$ . Otherwise, we issue a warning message that "All ratings are the same. This procedure is not executed," and do not estimate  $\kappa$  or any other relevant statistics.

### Measure Overall Agreement

The extent of agreement among the  $n$  raters for the  $i$ -th subject is indexed by the proportion of agreeing pairs out of all of the possible pairs:

$$P_i = \frac{1}{n(n-1)} \sum_{j=1}^k n_{ij}(n_{ij} - 1) = \frac{1}{n(n-1)} \left[ \left( \sum_{j=1}^k n_{ij}^2 \right) - n \right]. \quad (1)$$

The overall extent of agreement, measured by the mean of  $P_i$ , is

$$\bar{P}_o = \frac{1}{W} \sum_{i=1}^N f_i P_i = \frac{1}{Wn(n-1)} \left[ \left( \sum_{i=1}^N \sum_{j=1}^k f_i n_{ij}^2 \right) - Wn \right]. \quad (2)$$

Besides, we define the proportion of all assignments to the  $j$ -th category to be

$$p_j = \frac{1}{Wn} \sum_{i=1}^N f_i n_{ij}, \quad (3)$$

and note that  $\sum_j p_j = 1$ . If the assignments were made totally at random, the expected proportion of agreement would be

$$\bar{P}_e = \sum_{j=1}^k p_j^2. \quad (4)$$

Thus, the normalized measure of overall agreement, corrected for the amount expected by chance, is

$$\kappa = \frac{\bar{P}_o - \bar{P}_e}{1 - \bar{P}_e} = \frac{\sum_{i=1}^N \sum_{j=1}^k f_i n_{ij}^2 - Wn \left[ 1 + (n-1) \sum_{j=1}^k p_j^2 \right]}{Wn(n-1) \left( 1 - \sum_{j=1}^k p_j^2 \right)}, \quad (5)$$

where all the quantities are aforementioned. When the sample size is large, to estimate the asymptotic variance of  $\kappa$  under the null hypothesis of no agreement beyond chance, we refer to the discussions in [Fleiss et al., 1979], which took proper account of the variation in both numerators and denominators of  $\kappa$ . Hence,

$$\mathbb{V}(\kappa) = \frac{2}{Wn(n-1)} \frac{\left[ \sum_j^k p_j(1-p_j) \right]^2 - \sum_j^k p_j(1-p_j)(1-2p_j)}{\left[ \sum_j^k p_j(1-p_j) \right]^2}, \quad (6)$$

and the asymptotic standard error is  $\sqrt{\mathbb{V}(\kappa)}$ . By the central limit theorem,  $\kappa/\sqrt{\mathbb{V}(\kappa)} \sim \text{Normal}(0, 1)$  when the null hypothesis is true. So, the two-sided significance is computed by

$$2 \times \left[ 1 - \text{CDFNORM} \left( |\kappa|/\sqrt{\mathbb{V}(\kappa)} \right) \right], \quad (7)$$

and the  $\alpha\%$  asymptotic confidence interval bounds are determined by

$$\kappa \pm \text{IDF.NORMAL}(1 - \alpha/200, 0, 1) \times \sqrt{\mathbb{V}(\kappa)}, \quad (8)$$

where  $\alpha \in (0, 100)$  is specified by users. We set  $\alpha = 95$  by default.

### Measure Agreement on a Particular Category

[Fleiss, 1971] also discussed the extent of agreement in assigning a subject to a particular category. Note that the conditional probability that the second assignment is to the category  $j$ , given that the first was to the category  $j$  is

$$\bar{P}_o^{(j)} = \frac{\sum_{i=1}^N f_i n_{ij}(n_{ij} - 1)}{\sum_{i=1}^N f_i n_{ij}(n - 1)} = \frac{\sum_{i=1}^N f_i n_{ij}^2 - Wn p_j}{Wn(n-1)p_j}, \quad (9)$$

where  $p_j$  is defined by Equation (3). Thus, a measure of the extent of agreement beyond chance on the category  $j$  is

$$\kappa_j = \frac{\bar{P}_o^{(j)} - p_j}{1 - p_j} = \frac{\sum_{i=1}^N f_i n_{ij}^2 - Wn p_j [1 + (n-1)p_j]}{Wn(n-1)p_j(1-p_j)}. \quad (10)$$

When the sample size is large, the variance of  $\kappa_j$  under the null hypothesis of no agreement beyond chance is

$$\mathbb{V}(\kappa_j) = \frac{2}{Wn(n-1)}, \quad (11)$$

and the asymptotic standard error is  $\sqrt{\mathbb{V}(\kappa_j)}$ . By the central limit theorem,  $\kappa_j/\sqrt{\mathbb{V}(\kappa_j)} \sim \text{Normal}(0, 1)$  when the null hypothesis is true. So, the two-sided significance is computed by

$$2 \times \left[ 1 - \text{CDFNORM} \left( |\kappa_j|/\sqrt{\mathbb{V}(\kappa_j)} \right) \right], \quad (12)$$

and the  $\alpha\%$  asymptotic confidence interval bounds are determined by

$$\kappa_j \pm \text{IDF.NORMAL}(1 - \alpha/200, 0, 1) \times \sqrt{\mathbb{V}(\kappa_j)}, \quad (13)$$

where  $\alpha \in (0, 100)$  is specified by users. We set  $\alpha = 95$  by default.

**Overall Agreement<sup>a,b</sup>**

	Kappa	Asymptotic			95.0% Asymptotic CI	
		Standard Error	z	Sig.	Lower Bound	Upper Bound
Overall Agreement	-.085	.031	-2.788	.005	-.145	-.025

a. Sample data contain 30 effective subjects and 5 raters.

b. Rating category values are case sensitive.

Table 3: Measuring Overall Agreement

**Agreement on Individual Categories<sup>a,b</sup>**

Rating Category	Conditional Probability	Kappa	Asymptotic			95.0% Asymptotic CI	
			Standard Error	z	Sig.	Lower Bound	Upper Bound
<i>Category_1</i>	.511	-.163	.058	-2.825	.005	-.276	-.050
<i>Category_2</i>	.083	-.042	.058	-.722	.470	-.155	.071
...	...	...	...	...	...	...	...
<i>Category_k</i>	.000	-.042	.058	-1.506	.132	-.200	.026

a. Sample data contain 30 effective subjects and 5 raters.

b. Rating category values are case sensitive.

Table 4: Agreement on a Particular Category

## Output Design

The output design is illustrated by the following tables:

Table 3 is required, which summarizes the overall agreement information. Kappa is computed by Equation (5). Asymptotic Standard Error =  $\sqrt{\mathbb{V}(\kappa)}$  and  $Z = \kappa/\sqrt{\mathbb{V}(\kappa)}$ , where  $\mathbb{V}(\kappa)$  is estimated by Equation (6). Significance is computed by Equation (7). Asymptotic confidence interval (CI) Bounds and  $\alpha\%$  are determined by Equation (8). Footnote *a* is required and appended to count the number of subjects and raters. The number of subjects is the total effective subjects  $W$  in the data set for analysis. The number of raters is the effective number of rating variables specified by users for the procedure. For the string variables, Footnote *b* is required, which is either “Rating category values are case sensitive,” or “Rating category values are not case sensitive,” depending on the user-setting.

Table 4 is optional, which is requested by users and summarizes the agreement information on the agreement in assigning a subject to a particular category. Each row of the table represents one category. Conditional Probability is computed by Equation (9). Kappa is computed by Equation (10). Asymptotic Standard Error =  $\sqrt{\mathbb{V}(\kappa_j)}$  and  $Z = \kappa_j/\sqrt{\mathbb{V}(\kappa_j)}$ , where  $\mathbb{V}(\kappa_j)$  is estimated by Equation (11). Significance is computed by Equation (12). Asymptotic CI Bounds and  $\alpha\%$  are determined by Equation (13). Footnote *a* is required and appended to count the number of subjects and raters, which is the same as that in Table 3. For the string variables, Footnote *b* is required, which is either “Rating category values are case sensitive,” or “Rating category values are not case sensitive,” depending on the user-setting.

# Bibliography

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- [Green, 1997] Green, A. M. (1997). Kappa statistics for multiple raters using categorical classifications. In *Proceedings of the 22nd annual SAS User Group International conference*, volume 2, page 4.

# FREQUENCIES Algorithms

If the absolute value of any observation is greater than  $10^{13}$ , no calculations are done. For sorting of the observations, see *Sorting and Searching*. For information on percentiles for grouped data, see *Grouped Percentiles*.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

Table 44-1

Notation

Notation	Description
$X_k$	Value of the variable for case $k$
$w_k$	Weight for case $k$
$NV$	Number of distinct values the variable assumes
$N$	Number of cases
$W$	Sum of weights of the cases

## Basic Statistics

The values are sorted into ascending order and the following statistics are calculated.

### Sum of Weights of Cases Having Each Value of $X$

$$f_j = \sum_{i=1}^N w_i k_i \quad j = 1, 2, \dots, NV$$

where

$$k_i = \begin{cases} 1 & \text{if } X_i = X_j \\ 0 & \text{otherwise} \end{cases}$$

where  $X_j$  is the  $j$ th largest distinct value of  $X$ .

### Relative Frequency (Percentage) for each Value of $X$

$$Rf_j = \left( \frac{f_j}{W'} \right) \times 100$$

where

$$W' = \sum_{i=1}^{NV} f_i \quad (\text{sum over all categories including those declared as missing values})$$

### Adjusted Frequency (Percentage)

$$Af_j = \left( \frac{f_j}{W} \right) \times 100$$

where

$$W = \sum_{i=1}^{NV} f_i k_i \text{ (sum over nonmissing categories)}$$

and

$$k_i = \begin{cases} 0 & \text{if } X_i \text{ has been declared missing} \\ 1 & \text{otherwise} \end{cases}$$

For all  $X_j$  declared missing, an adjusted frequency is not printed.

### **Cumulative Frequency (Percentage)**

$$Cf_j = \sum_{i=1}^j f_i$$

### **Minimum**

$$\min_k X_k$$

### **Maximum**

$$\max_k X_k$$

### **Mode**

Value of  $X_j$  which has the largest observed frequency. If several are tied, the smallest value is selected.

### **Range**

Maximum – Minimum

### **The $p$ th percentile**

Find the first score interval ( $x_2$ ) containing more than  $tp$  cases.

$$p^{\text{th}} \text{ percentile} = \begin{cases} x_2 & \text{if } tp - cp_1 \geq 100/W \\ \left\{ \begin{array}{l} [1 - [(W+1)p/100 - cc_1]]x_1 \\ + [(W+1)p/100 - cc_1]x_2 \end{array} \right\} & \text{if } tp - cp_1 < 100/W \end{cases}$$

where

$$tp = (W + 1)p/100$$

$$cp_1 < tp < cp_2$$

$x_1$  and  $x_2$  are the values corresponding to  $cp_1$  and  $cp_2$ , respectively

$cc_1$  is the cumulative frequency up to  $x_1$

$cp_1$  is the cumulative percent up to  $x_1$

Note: when  $p=50$ , this is the median.

## Mean

$$\bar{X} = \frac{\sum_{j=1}^{NV} f_j X_j}{W}$$

Moments about the mean are calculated as:

$$M_j = \sum_{i=1}^{NV} f_i (X_i - \bar{X})^j \quad j = 2, 3, 4$$

## Variance

$$S^2 = \frac{M_2}{(W-1)}$$

## Standard Deviation

$$S = \sqrt{S^2}$$

## Standard Error of the Mean

$$SEM = \frac{S}{\sqrt{W}}$$

## Skewness (Bliss, 1967, p. 144)

$$g_1 = \frac{WM_3}{(W-1)(W-2)S^3} \quad se(g_1) = \sqrt{\frac{6W(W-1)}{(W-2)(W+1)(W+3)}}$$

The skewness is computed only if  $W \geq 3$  and Variance  $> 0$ .

## Kurtosis

$$g_2 = \frac{W(W+1)M_4 - 3(W-1)M_2^2}{(W-1)(W-2)(W-3)S^4} \quad se(g_2) = \sqrt{\frac{4(W^2-1)se(g_1)^2}{(W-3)(W+5)}}$$

The kurtosis is computed only if  $W \geq 4$  and Variance  $> 0$ .

## References

Blalock, H. M. 1972. *Social statistics*. New York: McGraw-Hill.

Bliss, C. I. 1967. *Statistics in biology, Volume 1*. New York: McGraw-Hill.

# Generalized linear mixed models (GENLINMIXED) algorithms

Generalized linear mixed models extend the linear model so that:

- The target is linearly related to the factors and covariates via a specified link function.
- The target can have a non-normal distribution.
- The observations can be correlated.

Generalized linear mixed models cover a wide variety of models, from simple linear regression to complex multilevel models for non-normal longitudinal data.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$n$	Number of complete cases in the dataset. It is an integer and $n \geq 1$ .
$p$	Number of parameters (including the constant, if it exists) in the model. It is an integer and $p \geq 1$ .
$p_x$	Number of non-redundant columns in the design matrix of fixed effects. It is an integer and $p_x \geq 1$ .
$K$	Number of random effects.
$\mathbf{y}$	$n \times 1$ target vector. The rows are records.
$\mathbf{r}$	$n \times 1$ events vector for the binomial distribution representing the number of “successes” within a number of trials. All elements are non-negative integers.
$\mathbf{m}$	$n \times 1$ trials vector for the binomial distribution. All elements are positive integers and $m_i \geq r_i, i=1, \dots, n$ .
$\boldsymbol{\mu}$	$n \times 1$ expected target value vector.
$\boldsymbol{\eta}$	$n \times 1$ linear predictor vector.
$X$	$n \times p$ design matrix. The rows represent the records and the columns represent the parameters. The $i$ th row is $\mathbf{x}_i^T = (x_{i1}, \dots, x_{ip})$ , where the superscript $T$ means transpose of a matrix or vector, $i = 1, \dots, n$ with $x_{i1} = 1$ if the model has an intercept.
$Z$	$n \times r$ design matrix of random effects.
$\mathbf{O}$	$n \times 1$ offset vector. This can’t be the target or one of the predictors. Also this can’t be a categorical field.
$\boldsymbol{\beta}$	$p \times 1$ parameter vector. The first element is the intercept, if there is one.
$\boldsymbol{\gamma}$	$r \times 1$ random effect vector.
$\boldsymbol{\omega}$	$n \times 1$ scale weight vector. If an element is less than or equal to 0 or missing, the corresponding record is not used.
$\mathbf{f}$	$n \times 1$ frequency weight vector. Non-integer elements are treated by rounding the value to the nearest integer. For values less than 0.5 or missing, the corresponding records are not used.
$N$	Effective sample size, $N = \sum_{i=1}^n f_i$ . If frequency weights are not used, $N = n$ .
$\theta_k$	covariance parameters of the $k$ th random effect
$\theta_G$	covariance parameters of the random effects, $\theta_G = [\theta_1^T, \dots, \theta_K^T]^T$

$\theta_R$	covariance parameters of the residuals
$\theta$	$\theta = [\theta_G^T, \theta_R^T]^T = [\theta_1^T, \dots, \theta_K^T, \theta_R^T]^T$
$V_{Y \gamma}$	Covariance matrix of $\mathbf{y}$ , conditional on the random effects

## Model

The form of a generalized linear mixed model for the target  $\mathbf{y}$  with the random effects  $\gamma$  is

$$\eta = g(E(y|\gamma)) = \mathbf{X}\beta + \mathbf{Z}\gamma + \mathbf{O}, y|\gamma \sim F$$

where  $\eta$  is the linear predictor;  $g(\cdot)$  is the monotonic differentiable link function;  $\gamma$  is a  $(r \times 1)$  vector of random effects which are assumed to be normally distributed with mean 0 and variance matrix  $\mathbf{G}$ ,  $\mathbf{X}$  is a  $(n \times p)$  design matrix for the fixed effects;  $\mathbf{Z}$  is a  $(n \times r)$  design matrix for the random effects;  $\mathbf{O}$  is an offset with a constant coefficient of 1 for each observation;  $F$  is the conditional target probability distribution. Note that if there are no random effects, the model reduces to a generalized linear model (GZLM).

The probability distributions without random effects offered (except multinomial) are listed in Table 45-1. The link functions offered are listed in Table 45-3. Different combinations of probability distribution and link function can result in different models.

See “Nominal multinomial distribution” for more information on the nominal multinomial distribution.

See “Ordinal multinomial distribution” for more information on the ordinal multinomial distribution.

Note that the available distributions depend on the measurement level of the target:

- A continuous target can have any distribution except multinomial. The binomial distribution is allowed because the target could be an “events” field. The default distribution for a continuous target is the normal distribution.
- A nominal target can have the multinomial or binomial distribution. The default is multinomial.
- An ordinal target can have the multinomial or binomial distribution. The default is multinomial.

Table 45-1  
Distribution, range and variance of the response, variance function, and its first derivative

Distribution	Range of $y$	$V(\mu)$	$\text{Var}(y)$	$V'(\mu)$
Normal	$(-\infty, \infty)$	1	$\phi$	0
Inverse Gaussian	$(0, \infty)$	$\mu^3$	$\phi_{\mu^3}$	$3\mu^2$
Gamma	$(0, \infty)$	$\mu^2$	$\phi_{\mu^2}$	$2\mu$
Negative binomial	$0(1)\infty$	$\mu+k\mu^2$	$\mu+k\mu^2$	$1+2k\mu$
Poisson	$0(1)\infty$	$\mu$	$\mu$	1
Binomial( $m$ )	$0(1)m/m$	$\mu(1-\mu)$	$\mu(1-\mu)/m$	$1-2\mu$

**Notes**

- $0(1)z$  means the range is from 0 to  $z$  with increments of 1; that is, 0, 1, 2, ...,  $z$ .
- For the binomial distribution, the binomial trial variable  $m$  is considered as a part of the weight variable  $\omega$ .
- If a scale weight variable  $\omega$  is presented,  $\phi$  is replaced by  $\phi/\omega$ .
- For the negative binomial distribution, the ancillary parameter ( $k$ ) is estimated by the maximum likelihood (ML) method. When  $k = 0$ , the negative binomial distribution reduces to the Poisson distribution. When  $k = 1$ , the negative binomial is the geometric distribution.

The full log-likelihood function ( $\ell$ ), which will be used as the objective function for parameter estimation, is listed for each distribution in the following table.

Table 45-2  
The log-likelihood function for probability distribution

Distribution	$\ell$
Normal	$\ell = \ell_k + \sum_{i=1}^n -\frac{f_i}{2} \{\ln(2\pi)\}$
Inverse Gaussian	$\ell = \ell_k + \sum_{i=1}^n -\frac{f_i}{2} \{\ln(2\pi)\}$
Gamma	$\ell = \ell_k + \sum_{i=1}^n f_i \{-\ln(y_i)\}$
Negative binomial	$\ell = \ell_k + \sum_{i=1}^n f_i \frac{\omega_i}{\phi} \{-\ln(\Gamma(y_i + 1))\}$
Poisson	$\ell = \ell_k + \sum_{i=1}^n f_i \frac{\omega_i}{\phi} \{-\ln(y_i!)\}$
Binomial( $m$ )	$\ell = \ell_k + \sum_{i=1}^n f_i \frac{\omega_i}{\phi} \left\{ \ln \binom{m_i}{r_i} \right\}$ , where $\binom{m_i}{r_i} = \frac{m_i!}{r_i!(m_i - r_i)!}$

The following tables list the form, inverse form, range of  $\hat{\mu}$ , and first and second derivatives for each link function.

Table 45-3  
Link function name, form, inverse of link function, and range of the predicted mean

Link function	$\eta=g(\mu)$	Inverse $\mu=g^{-1}(\eta)$	Range of $\hat{\mu}$
Identity	$\mu$	$\eta$	$\hat{\mu} \in R$
Log	$\ln(\mu)$	$\exp(\eta)$	$\hat{\mu} \geq 0$
Logit	$\ln\left(\frac{\mu}{1-\mu}\right)$	$\frac{\exp(\eta)}{1+\exp(\eta)}$	$\hat{\mu} \in [0, 1]$
Probit	$\Phi^{-1}(\mu)$ , where $\Phi(\xi) = \frac{1}{\sqrt{2\pi}} \int_{-\infty}^{\xi} e^{-z^2/2} dz$	$\Phi(\eta)$	$\hat{\mu} \in [0, 1]$
Complementary log-log	$\ln(-\ln(1-\mu))$	$1-\exp(-\exp(\eta))$	$\hat{\mu} \in [0, 1]$

Link function	$\eta=g(\mu)$	Inverse $\mu=g^{-1}(\eta)$	Range of $\hat{\mu}$
Power( $\alpha$ ) $\begin{cases} \alpha \neq 0 \\ \alpha = 0 \end{cases}$	$\begin{cases} \mu^\alpha \\ \ln(\mu) \end{cases}$	$\begin{cases} \eta^{1/\alpha} \\ \exp(\eta) \end{cases}$	$\begin{cases} \hat{\mu} \in R \text{ if } \alpha 1/\alpha \text{ is odd integer} \\ \hat{\mu} \geq 0 \text{ otherwise} \end{cases}$
Log-complement	$\ln(1-\mu)$	$1-\exp(\eta)$	$\hat{\mu} \leq 1$
Negative log-log	$-\ln(-\ln(\mu))$	$\exp(-\exp(-\eta))$	$\hat{\mu} \in [0, 1]$

Note: In the power link function, if  $|\alpha| < 2.2e-16$ ,  $\alpha$  is treated as 0.

Table 45-4  
The first and second derivatives of link function

Link function	First derivative $g'(\mu) = \frac{\partial \eta}{\partial \mu} = \Delta$	Second derivative $g''(\mu) = \frac{\partial^2 \eta}{\partial \mu^2}$
Identity	1	0
Log	$\frac{1}{\mu}$	$-\Delta^2$
Logit	$\frac{1}{\mu(1-\mu)}$	$\Delta^2(2\mu - 1)$
Probit	$\frac{1}{\phi(\Phi^{-1}(\mu))}$ , where $\phi(z) = \frac{1}{\sqrt{2\pi}} e^{-z^2/2}$	$\Delta^2 \Phi^{-1}(\mu)$
Complementary log-log	$\frac{1}{(\mu-1)\ln(1-\mu)}$	$-\Delta^2(1 + \ln(1 - \mu))$
Power( $\alpha$ ) $\begin{cases} \alpha \neq 0 \\ \alpha = 0 \end{cases}$	$\begin{cases} \alpha \mu^{\alpha-1} \\ \frac{1}{\mu} \end{cases}$	$\begin{cases} \Delta \frac{\alpha-1}{\mu} \\ -\Delta^2 \end{cases}$
Log-complement	$\frac{-1}{1-\mu}$	$-\Delta^2$
Negative log-log	$\frac{-1}{\mu \ln(\mu)}$	$\Delta^2(1 + \ln(\mu))$

When the canonical parameter is equal to the linear predictor,  $\theta = \eta$ , then the link function is called the **canonical link function**. Although the canonical links lead to desirable statistical properties of the model, particularly in small samples, there is in general no a priori reason why the systematic effects in a model should be additive on the scale given by that link. The canonical link functions for probability distributions are given in the following table.

Table 45-5  
Canonical and default link functions for probability distributions

Distribution	Canonical link function
Normal	Identity
Inverse Gaussian	Power(-2)
Gamma	Power(-1)
Negative binomial	Negative binomial
Poisson	Log
Binomial	Logit

The variance of  $\mathbf{y}$ , conditional on the random effects, is

$$var(\mathbf{y}|\gamma) = \mathbf{A}^{1/2} \mathbf{R} \mathbf{A}^{1/2}$$

The matrix  $\mathbf{A}$  is a diagonal matrix and contains the variance function of the model, which is the function of the mean  $\boldsymbol{\mu}$ , divided by the corresponding scale weight variable; that is,  $\mathbf{A} = \text{diag}(V(\mu_i)/\omega_i), i = 1, \dots, n$ . The variance functions,  $V(\mu)$ , are different for different distributions. The matrix  $\mathbf{R}$  is the variance matrix for repeated measures.

Generalized linear mixed models allow correlation and/or heterogeneity from random effects ( $\mathbf{G}$ -side) and/or heterogeneity from residual effects ( $\mathbf{R}$ -side). resulting in 4 types of models:

1. If a GLMM has no  $\mathbf{G}$ -side or  $\mathbf{R}$ -side effects, then it reduces to a GZLM;  $\mathbf{G}=\mathbf{0}$  and  $\mathbf{R} = \phi\mathbf{I}$ , where  $\mathbf{I}$  is the identity matrix and  $\phi$  is the scale parameter. For continuous distributions (normal, inverse Gauss and gamma),  $\phi$  is an unknown parameter and is estimated jointly with the regression parameters by the maximum likelihood (ML) method. For discrete distributions (negative binomial, Poisson, binomial and multinomial),  $\phi$  is estimated by Pearson chi-square as follows:

$$\hat{\phi} = \frac{1}{N^*} \sum_{i=1}^n f_i \omega_i \frac{(y_i - \mu_i)^2}{V(\mu_i)},$$

where  $N^* = N - p_x$  for the restricted maximum pseudo-likelihood (REPL) method.

2. If a model only has  $\mathbf{G}$ -side random effects, then the  $\mathbf{G}$  matrix is user-specified and  $\mathbf{R} = \phi\mathbf{I}$ .  $\phi$  is estimated jointly with the covariance parameters in  $\mathbf{G}$  for continuous distributions and  $\phi = 1$  for discrete distributions..
3. If a model only has  $\mathbf{R}$ -side residual effects, then  $\mathbf{G} = \mathbf{0}$  and the  $\mathbf{R}$  matrix is user-specified. All covariance parameters in  $\mathbf{R}$  are estimated using the REPL method, defined in "Estimation".
4. If a model has both  $\mathbf{G}$ -side and  $\mathbf{R}$ -side effects, all covariance parameters in  $\mathbf{G}$  and  $\mathbf{R}$  are jointly estimated using the REPL method.

For the negative binomial distribution, there is the ancillary parameter  $k$ , which is first estimated by the ML method, ignoring random and residual effects, then fixed to that estimate while other regression and covariance parameters are estimated.

### Fixed effects transformation

To improve numerical stability, the  $\mathbf{X}$  matrix is transformed according to the following rules.

The  $i$ th row of  $\mathbf{X}$  is  $\mathbf{x}_i = (x_{i1}, \dots, x_{ip})^T$ ,  $i=1, \dots, n$  with  $x_{i1} = 1$  if the model has an intercept. Suppose  $x_i^*$  is the transformation of  $x_i$  then the  $j$ th entry of  $x_i^*$  is defined as

$$x_{ij}^* = \frac{x_{ij} - c_j}{s_j}$$

where  $c_j$  and  $s_j$  are centering and scaling values for  $x_{ij}$ , respectively, for  $j=1,\dots,p$  and choices of  $c_j$  and  $s_j$ , are listed as follows:

- a. For a non-constant continuous predictor or a derived predictor which includes a continuous predictor, if the model has an intercept,  $c_1 = 0$  and  $c_j = \bar{x}_j, j \neq 1$ , where  $\bar{x}_j$  is the sample mean of the  $j$ th predictor,  $\bar{x}_j = \frac{1}{N} \sum_{i=1}^n f_i x_{ij}$  and  $s_1 = 1$  and  $s_j = \sqrt{s_{x_j}^2}, j \neq 1$ , where  $\sqrt{s_{x_j}^2}$  is the sample standard deviation of the  $j$ th predictor and  $s_{x_j}^2 = \frac{1}{N-1} \sum_{i=1}^n f_i (x_{ij} - \bar{x}_j)^2$ . Note that the intercept column is not transformed. If the model has no intercept,  $c_j = 0$  and  $s_j = \sqrt{s_{x_j}^2 + \bar{x}_j^2}$ .
- b. For a constant predictor  $x_{ij} = a \neq 0, \forall i$ ,  $c_j = 0$  and  $s_j = a$ , that is, scale it to 1.
- c. For a dummy predictor that is derived from a factor or a factor interaction,  $c_j = 0$  and  $s_j = 1$ ; that is, leave it unchanged.

## Estimation

We estimate GLMMs using linearization-based methods, also called the pseudo likelihood approach (PL; Wolfinger and O'Connell (1994)), penalized quasi-likelihood (PQL; Breslow and Clayton (1993)), marginal quasi-likelihood (MQL; Goldstein (1991)). They are based on the similar principle that the GLMMs are approximated by an LMM so that well-established estimation methods for LMMs can be applied. More specifically, the mean target function; that is, the inverse link function is approximated by a linear Taylor series expansion around the current estimates of the fixed-effect regression coefficients and different solutions of random effects (0 is used for MQL and the empirical Bayes estimates are used for PQL). Applying this linear approximation of the mean target leads to a linear mixed model for a transformation of the original target. The parameters of this LMM can be estimated by Newton-Raphson or Fisher scoring technique and the estimates then are used to update the linear approximation. The algorithm iterates between two steps until convergence. In general, the method is a doubly iterative process. The outer iterations are to update the transformed target for an LMM and the inner iterations are to estimate parameters of the LMM.

It is well known that parameter estimation for an LMM can be based on maximum likelihood (ML) or restricted (or residual) maximum likelihood (REML). Similarly, parameter estimation for a GLMM in the inner iterations can be based on maximum pseudo-likelihood (PL) or restricted maximum pseudo-likelihood (REPL).

## Linear mixed pseudo model

Following Wolfinger and O'Connell (1993), a first-order Taylor series of  $\boldsymbol{\mu}$  in (1) about  $\tilde{\boldsymbol{\beta}}$  and  $\tilde{\boldsymbol{\gamma}}$  yields

$$\boldsymbol{\mu} \approx \tilde{\boldsymbol{\mu}} + (\boldsymbol{g}^{-1})' \left( \mathbf{X}\tilde{\boldsymbol{\beta}} + \mathbf{Z}\tilde{\boldsymbol{\gamma}} + \mathbf{0} \right) \left[ \mathbf{X}(\boldsymbol{\beta} - \tilde{\boldsymbol{\beta}}) + \mathbf{Z}(\boldsymbol{\gamma} - \tilde{\boldsymbol{\gamma}}) \right]$$

where  $(g^{-1})'(\mathbf{X}\tilde{\beta} + \mathbf{Z}\tilde{\gamma} + \mathbf{O})$  is a diagonal matrix with elements consisting of evaluations of the 1st derivative of  $g^{-1}$ . Since  $(g^{-1})'(\mathbf{X}\tilde{\beta} + \mathbf{Z}\tilde{\gamma} + \mathbf{O}) = (g'(\tilde{\mu}))^{-1}$ , this equation can be rearranged as

$$g'(\tilde{\mu})(\boldsymbol{\mu} - \tilde{\mu}) + \mathbf{X}\tilde{\beta} + \mathbf{Z}\tilde{\gamma} \approx \mathbf{X}\beta + \mathbf{Z}\gamma$$

If we define a pseudo target variable as

$$\mathbf{v} \equiv g'(\tilde{\mu})(\mathbf{y} - \tilde{\mu}) + \mathbf{X}\tilde{\beta} + \mathbf{Z}\tilde{\gamma} = g'(\tilde{\mu})(\mathbf{y} - \tilde{\mu}) + g(\tilde{\mu}) - \mathbf{O},$$

then the conditional expectation and variance of  $\mathbf{v}$ , based on  $E(\mathbf{y}|\boldsymbol{\gamma})$  and  $var(\mathbf{y}|\boldsymbol{\gamma}) = \mathbf{A}^{1/2}\mathbf{R}\mathbf{A}^{1/2}$ , are

$$E(\mathbf{v}|\boldsymbol{\gamma}) = g'(\tilde{\mu})(\boldsymbol{\mu} - \tilde{\mu}) + \mathbf{X}\tilde{\beta} + \mathbf{Z}\tilde{\gamma}$$

$$var(\mathbf{v}|\boldsymbol{\gamma}) = g'(\tilde{\mu})\mathbf{A}_{\tilde{\mu}}^{1/2}\mathbf{R}\mathbf{A}_{\tilde{\mu}}^{1/2}g'(\tilde{\mu})$$

where  $\mathbf{A}_{\tilde{\mu}}^{1/2} = \text{diag}[(V(\tilde{\mu}_i)/\omega_i)^{1/2}]$ ,  $i = 1, \dots, n$ .

Furthermore, we also assume  $\mathbf{v}|\boldsymbol{\gamma}$  is normally distributed. Then we consider the model of  $\mathbf{v}$

$$\mathbf{v} = \mathbf{X}\beta + \mathbf{Z}\gamma + \boldsymbol{\varepsilon}$$

as a weighted linear mixed model with fixed effects  $\beta$ , random effects  $\boldsymbol{\gamma} \sim N(\mathbf{0}, \mathbf{G})$ , error terms  $\boldsymbol{\varepsilon} \sim N(\mathbf{0}, g'(\tilde{\mu})\mathbf{A}_{\tilde{\mu}}^{1/2}\mathbf{R}\mathbf{A}_{\tilde{\mu}}^{1/2}g'(\tilde{\mu}))$ , because  $var(\boldsymbol{\varepsilon}) = var(\mathbf{v}|\boldsymbol{\gamma})$ , and diagonal weight matrix  $\tilde{\mathbf{W}} = \mathbf{A}_{\tilde{\mu}} [g'(\tilde{\mu})]^{-2}$ . Note that the new target  $\mathbf{v}$  (with  $\mathbf{O}$  if an offset variable exists) is a Taylor series approximation of the linked target  $g(\mathbf{y})$ . The estimation method of unknown parameters of  $\beta$  and  $\boldsymbol{\theta}$ , which contains all unknowns in  $\mathbf{G}$  and  $\mathbf{R}$ , for traditional linear mixed models can be applied to this linear mixed pseudo model.

The Gaussian log pseudo-likelihood (PL) and restricted log pseudo-likelihood (REPL), which are expressed as the functions of covariance parameters in  $\boldsymbol{\theta}$ , corresponding to the linear mixed model for  $\mathbf{v}$  are the following:

$$\ell(\boldsymbol{\theta}; \mathbf{v}) = -\frac{1}{2} \ln |\mathbf{V}(\boldsymbol{\theta})| - \frac{1}{2} \mathbf{r}(\boldsymbol{\theta})^T \mathbf{V}(\boldsymbol{\theta})^{-1} \mathbf{r}(\boldsymbol{\theta}) - \frac{N}{2} \ln(2\pi)$$

$$\ell_R(\boldsymbol{\theta}; \mathbf{v}) = -\frac{1}{2} \ln |\mathbf{V}(\boldsymbol{\theta})| - \frac{1}{2} \mathbf{r}(\boldsymbol{\theta})^T \mathbf{V}(\boldsymbol{\theta})^{-1} \mathbf{r}(\boldsymbol{\theta}) - \frac{1}{2} \ln |\mathbf{X}^T \mathbf{V}(\boldsymbol{\theta})^{-1} \mathbf{X}| - \frac{N - p_x}{2} \ln(2\pi)$$

where

$\mathbf{V}(\boldsymbol{\theta}) = \mathbf{Z}\mathbf{G}(\boldsymbol{\theta})\mathbf{Z} + \tilde{\mathbf{W}}^{-1/2}\mathbf{R}(\boldsymbol{\theta})\tilde{\mathbf{W}}^{-1/2}$ ,  $\mathbf{r}(\boldsymbol{\theta}) = \mathbf{v} - \mathbf{X}(\mathbf{X}^T\mathbf{V}(\boldsymbol{\theta})^{-1}\mathbf{X})^{-1}\mathbf{X}^T\mathbf{V}(\boldsymbol{\theta})^{-1}\mathbf{v} = \mathbf{v} - \hat{\beta}$ .  $N$  denotes the effective sample size, and  $p_x$  denotes the rank of the design matrix of  $\mathbf{X}$  or the number of non-redundant parameters in  $\mathbf{X}$ . Note that the regression parameters in  $\beta$  are profiled from the above equations because the estimation of  $\beta$  can be obtained analytically. The covariance

parameters in  $\theta$  are estimated by Newton-Raphson or Fisher scoring algorithm. Following the tradition in linear mixed models, the objection functions of minimization for estimating  $\theta$  would be  $-2\ell(\theta; \mathbf{v})$  or  $-2\ell_R(\theta; \mathbf{v})$ . Upon obtaining  $\hat{\theta}$ , estimates for  $\beta$  and  $\gamma$  are computed as

$$\hat{\beta} = \left( \mathbf{X}^T \mathbf{V}(\hat{\theta})^{-1} \mathbf{X} \right)^{-1} \mathbf{X}^T \mathbf{V}(\hat{\theta})^{-1} \mathbf{v}$$

$$\hat{\gamma} = \hat{G} \mathbf{Z}^T \mathbf{V}(\hat{\theta})^{-1} \hat{\mathbf{r}}$$

where  $\hat{\beta}$  is the best linear unbiased estimator (BLUE) of  $\beta$  and  $\hat{\gamma}$  is the estimated best linear unbiased predictor (BLUP) of  $\gamma$  in the linear mixed pseudo model. With these statistics,  $\mathbf{v}$  and  $\tilde{W}$  are recomputed based on  $\tilde{\mu}$  and the objective function is minimized again to obtain updated  $\hat{\theta}$ . Iteration between  $-2\ell(\theta; \mathbf{v})$  and the above equation yields the PL estimation procedure and between  $-2\ell_R(\theta; \mathbf{v})$  and the above equation the REPL procedure.

There are two choices for  $\tilde{\gamma}$  (the current estimates of  $\gamma$ ):

1.  $\hat{\gamma}$  for PQL; and
2. 0 for MQL.

On the other hand,  $\hat{\beta}$  is always used as the current estimate of the fixed effects. Based on the two objective functions (PL or REPL) and two choices of random effect estimates (PQL or MQL), 4 estimation methods can be implemented for GLMMs:

1. PL-PQL: pseudo-likelihood with  $\tilde{\gamma}=\hat{\gamma}$ ;
2. PL-MQL: pseudo-likelihood with  $\tilde{\gamma}=0$ ;
3. REPL-PQL: residual pseudo-likelihood with  $\tilde{\gamma}=\hat{\gamma}$ ;
4. REPL-MQL: residual pseudo-likelihood with  $\tilde{\gamma}=0$ .

We use method 3, REPL-PQL.

### Iterative process

The doubly iterative process for the estimation of  $\theta$  is as follows:

1. Obtain an initial estimate of  $\mu, \mu^{(0)}$ . Specifically,  $\mu_i^0 = (y_i m_i + 0.5)/(m_i + 1)$  for a binomial distribution ( $y_i$  can be a proportion or 0/1 value) and  $\mu_i^0 = y_i$  for a non-binomial distribution. Also set the outer iteration index  $j = 0$ .
2. Based on  $\tilde{\mu}$ , compute

$$\mathbf{v} = g(\tilde{\mu}) - \mathbf{O} + g'(\tilde{\mu})(\mathbf{y} - \tilde{\mu}) \text{ and } \tilde{W} = \mathbf{A}_{\tilde{\mu}}^{-1} \left[ g'(\tilde{\mu}) \right]^{-2}.$$

Fit a weighted linear mixed model with pseudo target  $\mathbf{v}$ , fixed effects design matrix  $\mathbf{X}$ , random effects design matrix  $\mathbf{Z}$ , and diagonal weight matrix  $\tilde{W}$ . The fitting procedure, which is called the inner iteration, yields the estimates of  $\theta$ , and is denoted as  $\theta^{(j)}$ . The procedure uses the specified settings for parameter, log-likelihood, and Hessian convergence criteria for determining

convergence of the linear mixed model. If  $j = 0$ , go to step 4; otherwise go to the next step. See “MIXED Algorithms” for more information on fitting the linear mixed model.

3. Check if the following criterion with tolerance level  $\xi$  is satisfied:

$$\max_i \left( 2 \times \frac{|\theta_i^{(j)} - \theta_i^{(j-1)}|}{|\theta_i^{(j-1)}| + |\theta_i^{(j-1)}|} \right) < \xi.$$

If it is met or maximum number of outer iterations is reached, stop. Otherwise, go to the next step.

4. Compute  $\hat{\beta}$  by setting  $\hat{\theta} = \theta^{(j)}$  then set  $\tilde{\beta} = \hat{\beta}$ . Depending on the choice of random effect estimates, set  $\tilde{\gamma} = \hat{\gamma}$ .
5. Compute the new estimate of  $\mu$  by

$$\tilde{\mu} = g^{-1}(\mathbf{X}\tilde{\beta} + \mathbf{Z}\tilde{\gamma} + \mathbf{O}),$$

set  $j = j + 1$  and go to step 2.

### **Wald confidence intervals for covariance parameter estimates**

Here we assume that the estimated parameters of  $\mathbf{G}$  and  $\mathbf{R}$  are obtained through the above doubly iterative process. Then their asymptotic covariance matrix can be approximated by  $2\mathbf{H}^{-1}$ , where  $\mathbf{H}$  is the Hessian matrix of the objective function  $-2\ell(\theta; \mathbf{y})$  or  $-2\ell_R(\theta; \mathbf{v})$  evaluated at  $\hat{\theta}$ . The standard error for the  $i$ th covariance parameter estimate in the  $\hat{\theta}$  vector, say  $\hat{\theta}_i$ , is the square root of the  $i$ th diagonal element of  $2\mathbf{H}^{-1}$ .

Thus, a simple Wald's type confidence interval or test statistic for any covariance parameter can be obtained by using the asymptotic normality. However, these can be unreliable in small samples, especially for variance and correlation parameters that have a range of  $[0, \infty)$  and  $[-1, 1]$  respectively. Therefore, following the same method used in linear mixed models, these parameters are transformed to parameters that have range  $(-\infty, \infty)$ . Using the delta method, these transformed estimates still have asymptotic normal distributions.

For variance type parameters in  $\mathbf{G}$  and  $\mathbf{R}$ , such as  $\sigma^2$  in the autoregressive, autoregressive moving average, compound symmetry, diagonal, Toeplitz, and variance components, and  $\theta_{ii}$  in the unstructured type, the  $100(1 - \alpha)\%$  Wald confidence interval is given, assuming the variance parameter estimate is  $\hat{\sigma}^2$  and its standard error is  $\text{se}(\hat{\sigma}^2)$  from the corresponding diagonal element of  $2\mathbf{H}^{-1}$ , by

$$\exp \left( \ln(\hat{\sigma}^2) \pm z_{1-\alpha/2} \cdot \hat{\sigma}^{-2} \cdot \text{se}(\hat{\sigma}^2) \right)$$

For correlation type parameters in  $\mathbf{G}$  and  $\mathbf{R}$ , such as  $\rho$  in the autoregressive, autoregressive moving average, and Toeplitz types and  $\varphi$  in the autoregressive moving average type, which usually come with the constraint of  $|\rho| \leq 1$ , the  $100(1 - \alpha)\%$  Wald confidence interval is given, assuming the correlation parameter estimate is  $\hat{\rho}$  and its standard error is  $\text{se}(\hat{\rho})$  from the corresponding diagonal element of  $2\mathbf{H}^{-1}$ , by

$$\tanh \left( \tanh^{-1}(\hat{\rho}) \pm z_{1-\alpha/2} \cdot (1 - \hat{\rho}^2)^{-1} \cdot \text{se}(\hat{\rho}) \right)$$

where  $\tanh x = \frac{\exp(x) - \exp(-x)}{\exp(x) + \exp(-x)}$  and  $\tanh^{-1} x = \frac{1}{2} \ln \left[ \frac{1+x}{1-x} \right]$  are hyperbolic tangent and inverse hyperbolic tangent, respectively.

For general type parameters, other than variance and correlation types, in  $\mathbf{G}$  and  $\mathbf{R}$ , such as  $\sigma_1$  in the compound symmetry type and  $\theta_{ij}, i \neq j$ , (off-diagonal elements) in the unstructured type, no transformation is done. Then the  $100(1 - \alpha)\%$  Wald confidence interval is simply, assuming the parameter estimate is  $\hat{\sigma}_1$  and its standard error is  $\text{se}(\hat{\sigma}_1)$  from the corresponding diagonal element of  $2\mathbf{H}^{-1}$ ,

$$(\hat{\sigma}_1 - z_{1-\alpha/2} \cdot \text{se}(\hat{\sigma}_1)), \hat{\sigma}_1 + z_{1-\alpha/2} \cdot \text{se}(\hat{\sigma}_1))$$

The  $100(1 - \alpha)\%$  Wald confidence interval for  $\phi$  is

$$(\exp(\hat{\tau} - z_{1-\alpha/2} \hat{\sigma}_\tau), \exp(\hat{\tau} + z_{1-\alpha/2} \hat{\sigma}_\tau))$$

where  $\tau = \ln(\phi)$ .

Note that the  $z$ -statistics for the hypothesis  $H_{0i} : \theta_i = 0$ , where  $\theta_i$  is a covariance parameter in  $\theta$  vector, are calculated; however, the Wald tests should be considered as an approximation and used with caution because the test statistics might not have a standardized normal distribution.

### Statistics for estimates of fixed and random effects

The approximate covariance matrix of  $(\hat{\beta} - \beta, \hat{\gamma} - \gamma)$  is

$$\hat{C} = \begin{bmatrix} \mathbf{X}^T \mathbf{R}^* \mathbf{X} & \mathbf{X}^T \mathbf{R}^* \mathbf{Z} \\ \mathbf{Z}^T \mathbf{R}^* \mathbf{X} & \mathbf{Z}^T \mathbf{R}^* \mathbf{Z} + \mathbf{G}(\hat{\theta})^{-1} \end{bmatrix}^{-1} = \begin{bmatrix} \mathbf{C}_{11} & \mathbf{C}_{21}^T \\ \mathbf{C}_{21} & \mathbf{C}_{22} \end{bmatrix}$$

where  $\mathbf{R}^* \equiv \text{var}(\mathbf{v}|\gamma) = g'(\hat{\mu}) \mathbf{A}_{\hat{\mu}}^{1/2} \mathbf{R} \mathbf{A}_{\hat{\mu}}^{1/2} g'(\hat{\mu})$  is evaluated at the converged estimates and

$$\hat{C}_{11} = (\mathbf{X}^T \hat{\mathbf{V}}^{-1} \mathbf{X})^{-1}$$

$$\hat{C}_{21} = -\hat{\mathbf{G}} \mathbf{Z}^T \hat{\mathbf{V}}^{-1} \mathbf{X} \hat{C}_{11}$$

$$\hat{C}_{22} = (\mathbf{Z}^T \hat{\mathbf{R}}^{-1} \mathbf{Z} + \hat{\mathbf{G}}^{-1})^{-1} - \hat{C}_{21} \mathbf{X}^T \hat{\mathbf{V}}^{-1} \mathbf{Z} \hat{\mathbf{G}}$$

### Statistics for estimates of fixed effects on original scale

If the  $\mathbf{X}$  matrix is transformed, the restricted log pseudo-likelihood (REPL) would be different based on transformed and original scale, so the REPL on the transformed scale should be transformed back on the final iteration so that any post-estimation statistics based on REPL can be calculated correctly. Suppose the final objective function value based on the transformed and

original scales are  $-2\ell_R^*(\theta; \mathbf{v})$  and  $-2\ell_R(\theta; \mathbf{v})$ , respectively, then  $-2\ell_R(\theta; \mathbf{v})$  can be obtained from  $-2\ell_R^*(\theta; \mathbf{v})$  as follows:

$$-2\ell_R(\theta; \mathbf{v}) = -2\ell_R^*(\theta; \mathbf{v}) - 2 \ln |\mathbf{A}|$$

Because REPL has the following extra term involved the  $\mathbf{X}$  matrix

$$\begin{aligned} -\frac{1}{2} \ln \left| \mathbf{X}^* \mathbf{T} \mathbf{V}(\theta)^{-1} \mathbf{X}^* \right| &= -\frac{1}{2} \ln \left| (\mathbf{X}\mathbf{A}) \mathbf{T} \mathbf{V}(\theta)^{-1} \mathbf{X}\mathbf{A} \right| \\ &= -\frac{1}{2} \ln \left( \left| \mathbf{A} \mathbf{T} \right| \times \left| \mathbf{X}\mathbf{V}(\theta)^{-1} \mathbf{X} \right| \times |\mathbf{A}| \right) \\ &= -\frac{1}{2} \left( \ln \left| \mathbf{X}\mathbf{V}(\theta)^{-1} \mathbf{X} \right| + \ln |\mathbf{A}| + \ln \left| \mathbf{A} \mathbf{T} \right| \right) \\ &= -\frac{1}{2} \ln \left| \mathbf{X}\mathbf{V}(\theta)^{-1} \mathbf{X} \right| - \ln |\mathbf{A}| \end{aligned}$$

then  $-\frac{1}{2} \ln \left| \mathbf{X}\mathbf{V}(\theta)^{-1} \mathbf{X} \right| = -\frac{1}{2} \ln \left| \mathbf{X}^* \mathbf{T} \mathbf{V}(\theta)^{-1} \mathbf{X}^* \right| + \ln |\mathbf{A}|$  and  $\ell_R(\theta; \mathbf{v}) = \ell_R^*(\theta; \mathbf{v}) + \ln |\mathbf{A}|$ . Please note that PL values are the same whether the  $\mathbf{X}$  matrix is transformed or not.

In addition, the final estimates of  $\boldsymbol{\beta}$ ,  $\mathbf{C}_{11}$ ,  $\mathbf{C}_{21}$  and  $\mathbf{C}_{22}$  are based on the transformed scale, denoted as  $\hat{\boldsymbol{\beta}}^*$ ,  $\hat{\mathbf{C}}_{11}^*$ ,  $\hat{\mathbf{C}}_{21}^*$  and  $\hat{\mathbf{C}}_{22}^*$ , respectively. They are transformed back to the original scale, denoted as  $\hat{\boldsymbol{\beta}}$ ,  $\hat{\mathbf{C}}_{11}$ ,  $\hat{\mathbf{C}}_{21}$  and  $\hat{\mathbf{C}}_{22}$ , respectively, as follows:

$$\hat{\boldsymbol{\beta}} = \mathbf{A} \hat{\boldsymbol{\beta}}^*,$$

$$\hat{\mathbf{C}}_{11} = \mathbf{A} \hat{\mathbf{C}}_{11}^* \mathbf{A} \mathbf{T},$$

$$\hat{\mathbf{C}}_{21} = \hat{\mathbf{C}}_{21}^* \mathbf{A} \mathbf{T},$$

$$\hat{\mathbf{C}}_{22} = \hat{\mathbf{C}}_{22}^*.$$

Note that  $\mathbf{A}$  could reduce to  $\mathbf{S}^{-1}$ ; hereafter, the superscript \* denotes a quantity on the transformed scale.

#### **Estimated covariance matrix of the fixed effects parameters**

Two estimated covariance matrices of the fixed effects parameters can be calculated: model-based and robust.

The model-based estimated covariance matrix of the fixed effects parameters is given by

$$\boldsymbol{\Sigma}_m = \hat{\mathbf{C}}_{11}$$

The robust estimated covariance matrix of the fixed effects parameters for a GLMM is defined as the classical sandwich estimator. It is similar to that for a generalized linear model or a generalized estimating equation (GEE). If the model is a generalized linear mixed model and it is processed by subjects, then the robust estimator is defined as follows

$$\Sigma_{\mathbf{r}} = \Sigma_{\mathbf{m}} \left( \sum_{j=1}^S \mathbf{X}_j^T \hat{V}_j^{-1} \hat{r}_j \hat{r}_j^T \hat{V}_j^{-1} \mathbf{X}_j \right)$$

where  $\hat{r}_j = \mathbf{v}_j - \mathbf{X}_j \hat{\beta}$ .

**Standard errors for estimates in fixed effects and predictions in random effects**

Let  $\hat{\beta}_i$  denote a non-redundant parameter estimate in fixed effects. Its standard error is the square root of the  $i$ th diagonal element of  $\Sigma_{\mathbf{m}}$  or  $\Sigma_{\mathbf{r}}$ ,

$$\hat{\sigma}_{\beta_i} = \sqrt{\sigma_{ii}}$$

The standard error for redundant parameter estimates is set to a system missing value.

Let  $\hat{\gamma}_i$  denote a prediction in random effects. Its standard error is the square root of the  $i$ th diagonal element of  $\hat{C}_{22}$ :

$$\hat{\sigma}_{\gamma_i} = \sqrt{\hat{C}_{22,ii}}$$

**Test statistics for estimates in fixed effects and predictions in random effects**

The hypothesis  $H_{0i} : \beta_i = \bar{\beta}_i$  is tested for each non-redundant parameter in fixed effects using the  $t$  statistic:

$$t_i = \frac{\hat{\beta}_i - \bar{\beta}_i}{\hat{\sigma}_{\beta_i}}$$

which has an asymptotic  $t$  distribution with  $v$  degrees of freedom. See “Method for computing degrees of freedom” for details on computing the degrees of freedom.

**Wald confidence intervals for estimates in fixed effects and predictions in random effects**

The  $100(1 - \alpha)\%$  Wald confidence interval for  $\beta_i$  is given by

$$\left( \hat{\beta}_i - t_{v, \alpha/2} \hat{\sigma}_{\beta_i}, \hat{\beta}_i + t_{v, \alpha/2} \hat{\sigma}_{\beta_i} \right)$$

where  $t_{v, \alpha/2}$  is the  $(1 - \alpha/2)$  100th percentile of the  $t_v$  distribution.

For some models (see the list below), the exponentiated parameter estimates, their standard errors, and confidence intervals are computed. Using the delta method, the estimate of  $\exp(\beta_i)$  is  $\exp(\hat{\beta}_i)$ , the standard error estimate is  $\left( \exp(\hat{\beta}_i) \cdot \hat{\sigma}_{\beta_i} \right)$  and the corresponding  $100(1 - \alpha)\%$  Wald confidence interval for  $\exp(\beta_i)$  is

$$\left( \exp\left(\hat{\beta}_i - t_{v, \alpha/2} \hat{\sigma}_{\beta_i}\right), \exp\left(\hat{\beta}_i + t_{v, \alpha/2} \hat{\sigma}_{\beta_i}\right) \right).$$

The list of models is as follows:

1. Logistic regression (binomial distribution + logit link).
2. Nominal logistic regression (nominal multinomial distribution + generalized logit link).
3. Ordinal logistic regression (ordinal multinomial distribution + cumulative logit link).
4. Log-linear model (Poisson distribution + log link).
5. Negative binomial regression (negative binomial distribution + log link).

## Testing

After estimating parameters and calculating relevant statistics, several tests for the given model are performed.

## Goodness of fit

### Information criteria

Information criteria are used when comparing different models for the same data. The formulas for various criteria are as follows.

$$\begin{aligned} \text{Finite sample corrected (AICC)} & -2\ell + \frac{2d \cdot N}{(N-d-1)} \\ \text{Bayesian information criteria (BIC)} & -2\ell + d \ln(N) \end{aligned}$$

where  $\ell$  is the restricted log-pseudo-likelihood evaluated at the parameter estimates. For REPL,  $N$  is the effective sample size minus the number of non-redundant parameters in fixed effects ( $\sum_{i=1}^n f_i - p_x$ ) and  $d$  is the number of covariance parameters.

Note that the restricted log-pseudo-likelihood values are of the linearized model, not on the original scale. Thus the information criteria should not be compared across models with different distribution and link function and they should be interpreted with caution.

## Tests of fixed effects

For each effect specified in the model, a type III test matrix  $\mathbf{L}$  is constructed and  $H_0: \mathbf{L}_i \boldsymbol{\beta} = \mathbf{0}$  is tested. Construction of  $\mathbf{L}$  and the generating estimable function (GEF) is based on the generating matrix  $\mathbf{H}_\omega = (\mathbf{X}^T \boldsymbol{\Psi} \mathbf{X})^{-1} \mathbf{X}^T \boldsymbol{\Psi} \mathbf{X}$ , where  $\boldsymbol{\Psi} = \text{diag}(f_1 \omega_1, \dots, f_n \omega_n)$ , such that  $\mathbf{L}_i \boldsymbol{\beta}$  is estimable; that is,  $\mathbf{L}_i = \mathbf{L}_i \mathbf{H}_\omega$ . It involves parameters only for the given effect and the effects containing the given effect. For type III analysis,  $\mathbf{L}$  does not depend on the order of effects specified in the model. If such a matrix cannot be constructed, the effect is not testable.

Then the  $\mathbf{L}$  matrix is then used to construct the test statistic

$$F = \frac{\hat{\beta}^T \mathbf{L} \mathbf{T} \mathbf{L} \mathbf{T} (\mathbf{L} \boldsymbol{\Sigma} \mathbf{L} \mathbf{T})^{-1} \mathbf{L} \hat{\beta}}{r_c}$$

where  $r_c = \text{rank}(\mathbf{L} \boldsymbol{\Sigma} \mathbf{L} \mathbf{T})$ . The statistic has an approximate  $F$  distribution. The numerator degrees of freedom is  $r_c$  and the denominator degrees of freedom is  $v$ . See “Method for computing degrees of freedom” for details on computing the denominator degrees of freedom.

In addition, we test a null hypothesis that all regression parameters (except intercept if there is one) equal zero. The test statistic would be the same as the above  $F$  statistic except the  $\mathbf{L}$  matrix is from GEF. If there is no intercept, the  $\mathbf{L}$  matrix is the whole GEF. If there is an intercept, the  $\mathbf{L}$  matrix is GEF without the first row which corresponds to the intercept. This test is similar to the “corrected model” in linear models.

### **Estimated marginal means**

There are two types of estimated marginal means calculated here. One corresponds to the specified factors for the linear predictor of the model and the other corresponds to those for the original scale of the target.

Estimated marginal means are based on the estimated cell means. For a given fixed set of factors, or their interactions, we estimate marginal means as the mean value averaged over all cells generated by the rest of the factors in the model. Covariates may be fixed at any specified value. If not specified, the value for each covariate is set to its overall mean estimate.

Estimated marginal means are not available for the multinomial distribution.

### **Estimated marginal means for the linear predictor**

#### **Calculating estimated marginal means for the linear predictor**

Estimated marginal means for the linear predictor are based on the link function transformation, and constructed such that  $\mathbf{L}\mathbf{B}$  is estimable.

Suppose there are  $r$  combined levels of the specified categorical effect. This  $r \times 1$  vector can be expressed in the form  $\hat{\mathbf{u}} = \mathbf{L}\hat{\beta}$ . The variance matrix of  $\hat{\mathbf{u}}$  is then computed by

$$V(\hat{\mathbf{u}}) = \mathbf{L} \boldsymbol{\Sigma} \mathbf{L}^T$$

The standard error for the  $j$ th element of  $\hat{\mathbf{u}}$  is the square root of the  $j$ th diagonal element of  $V(\hat{\mathbf{u}})$ . Let the  $j$ th element of  $\hat{\mathbf{u}}$  and its standard error be  $\hat{u}_j$  and  $\hat{\sigma}_{u_j}$ , respectively, then the corresponding  $100(1 - \alpha)\%$  confidence interval for  $u_j, j = 1, \dots, r$ , is given by

$$\hat{u}_j \pm t_{v, \alpha/2} \hat{\sigma}_{u_j}$$

where  $t_{v^j, \alpha/2}$  is the  $(1 - \alpha/2)$ 100th percentile of the  $t$  distribution with  $v^j$  degrees of freedom. See “Method for computing degrees of freedom” for details on computing the degrees of freedom.

**Comparing estimated marginal means for the linear predictor**

We can compare estimated marginal means for the linear predictor based on a selected contrast type, for which a set of contrasts for the factor is created. Let this set of contrasts define matrix  $\mathbf{C}$  used for testing the hypothesis  $H_0 : \mathbf{C}\mathbf{u} = 0$ . An  $F$  statistic is used for testing given set of contrasts for the factor as follows:

$$F = \frac{(\mathbf{C}\hat{\mathbf{u}})^T (\mathbf{C}\mathbf{V}(\hat{\mathbf{u}})\mathbf{C}^T)^{-1} (\mathbf{C}\hat{\mathbf{u}})}{r_I}$$

which has an asymptotic  $F$  distribution with  $r_I$  degrees of freedom, where  $r_I = \text{rank}(\mathbf{C}\mathbf{V}(\hat{\mathbf{u}})\mathbf{C}^T)$ . See “Method for computing degrees of freedom” for details on computing the denominator degrees of freedom. The  $p$ -values can be calculated accordingly. Note that adjusted  $p$ -values based on multiple comparisons adjustments won’t be computed for the overall test.

Each row  $\mathbf{c}_i^T$  of matrix  $\mathbf{C}$  is also tested separately. The estimate for the  $i$ th row is given by  $\mathbf{c}_i^T \hat{\mathbf{u}}$  and its standard error by  $\sqrt{\mathbf{c}_i^T \mathbf{V}(\hat{\mathbf{u}}) \mathbf{c}_i}$ . The corresponding  $100(1 - \alpha)\%$  confidence interval is given by

$$\mathbf{c}_i^T \hat{\mathbf{u}} \pm t_{v^i, \alpha/2} \hat{\sigma}_{\mathbf{c}_i \mathbf{u}_i}$$

The test statistic for  $H_0 : \mathbf{c}_i^T \mathbf{u} = 0$  is

$$t_i = \frac{\mathbf{c}_i^T \hat{\mathbf{u}}}{\hat{\sigma}_{\mathbf{c}_i \mathbf{u}_i}}$$

It has an asymptotic  $t$  distribution. See “Method for computing degrees of freedom” for details on computing the degrees of freedom. The  $p$ -values can be calculated accordingly. In addition, adjusted  $p$ -values for multiple comparisons can also be computed.

**Estimated marginal means in the original scale**

Estimated marginal means for the target are based on the original scale. As a conditional predictor defined by Lane and Nelder (1982), estimated marginal means for the target are derived from those for the linear predictor.

**Calculating estimated marginal means for the target**

The estimated marginal means for the target are defined as

$$\hat{\mathbf{M}} = g^{-1}(\mathbf{L}\hat{\boldsymbol{\beta}}) = g^{-1}(\hat{\mathbf{u}})$$

The variance of estimated marginal means for the target is

$$V(\hat{\mathbf{M}}) = \text{diag}\left(\frac{\partial g^{-1}(\hat{v}_j)}{\partial \hat{u}_j}\right) L \Sigma L^T \text{diag}\left(\frac{\partial g^{-1}(\hat{u}_j)}{\partial \hat{v}_j}\right)$$

where  $\text{diag}(\partial g^{-1}(\hat{u}_j)/\partial \hat{u}_j)$  is a  $r \times r$  matrix and  $\partial g^{-1}(\hat{u}_j)/\partial \hat{u}_j$  is the derivative of the inverse of the link with respect to the  $j$ th value in  $\hat{\mathbf{u}}$  and  $\partial g^{-1}(\hat{u}_j)/\partial \hat{u}_j = 1/g'(\hat{M}_j)$  where  $g'(\hat{M}_j)$  is from Table 45-4.

The  $100(1 - \alpha)\%$  confidence interval for  $M_i, i = 1, \dots, r$ , is given by

$$g^{-1}(\hat{u}_i \pm t_{v^i, \alpha/2} \hat{\sigma}_{u_i}).$$

*Note:*  $\hat{\mathbf{M}}$  is estimated marginal means for the proportion, not for the number of events when events and trials variables are used for the binomial distribution.

#### **Comparing estimated marginal means for the target**

This is similar to comparing estimated marginal means for the linear predictor; just replace  $\hat{\mathbf{u}}$  with  $\hat{\mathbf{M}}$  and  $V(\hat{\mathbf{u}})$  with  $V(\hat{\mathbf{M}})$ . For more information, see the topic “Estimated marginal means for the linear predictor”.

#### **Multiple comparisons**

The hypothesis  $H_0 : \mathbf{C}\mathbf{u} = \mathbf{0}$  can be tested using the multiple row hypotheses testing technique. Let  $\mathbf{c}_i^T$  be the  $i$ th row vector of matrix  $\mathbf{C}$ . The  $i$ th row hypothesis is  $H_{0i} : \mathbf{c}_i^T \mathbf{u} = 0$ . Testing  $H_0$  is the same as testing multiple non-redundant row hypotheses  $\{H_{0i}^*\}_{i=1}^R$  simultaneously, where  $R$  is the number of non-redundant row hypotheses, and  $H_{0i}^*$  represents the  $i$ th non-redundant hypothesis. A hypothesis  $H_{0i}$  is redundant if there exists another hypothesis  $H_{0j}, j \neq i$  such that  $\mathbf{c}_i = a\mathbf{c}_j, a \neq 0$ .

**Adjusted p-values.** For each individual hypothesis  $H_{0i}$ , test statistics can be calculated. Let  $p_i$  denote the  $p$ -value for testing  $H_{0i}$  and  $p_i^*$  denote and adjusted  $p$ -value. The conclusion from multiple testing is, at level  $\alpha$  (the family-wise type I error),

$$\text{reject } H_{0i} : \mathbf{c}_i^T \mathbf{u} = 0 \text{ if } p_i^* < \alpha;$$

$$\text{reject } H_0 : \mathbf{C}\mathbf{u} = \mathbf{0} \text{ if } \min_i(p_i^*) < \alpha.$$

Several different methods to adjust  $p$ -values are provided here. Please note that if the adjusted  $p$ -value is bigger than 1, it is set to 1 in all the methods.

**Adjusted confidence intervals.** Note that if confidence intervals are also calculated for the above hypothesis, then adjusting confidence intervals is required to correspond to adjusted  $p$ -values. The only item needed to be adjusted in the confidence intervals is the critical value from the standard normal distribution. Assume that the original critical value is  $z_{1-\alpha/2}$  and the adjusted critical value is  $z^*$ .

### LSD (Least Significant Difference)

The adjusted  $p$ -values are the same as the original  $p$ -values:

$$p_i^* = p_i$$

The adjusted critical value is:

$$t^* = t_{v^i, \alpha/2}$$

### Sequential Bonferroni

The adjusted  $p$ -values are:

$$p_{(i)}^* = \begin{cases} Rp_{(1)} & i = 1 \\ \max\left((R - i + 1)p_{(i)}, p_{(i-1)}^*\right) & i \geq 2 \end{cases}$$

The adjusted critical values will correspond to the ordered adjusted  $p$ -values as follows:

$$t_{v^{(i)}}^* = \begin{cases} t_{v^{(i)}, \frac{\alpha}{2R}} & \text{if } i = 1 \\ t_{v^{(i)}, \frac{\alpha}{2(R-i+1)}} & \text{if } p_{(i)}^* = (R - i + 1)p_{(i)} \text{ for } i \geq 2 \\ t_{v^{(i)}, \frac{\alpha}{2\left(\frac{p_{(i-1)}^*}{p_{(i)}}\right)}} & \text{if } p_{(i)}^* = p_{(i-1)}^* \text{ for } i \geq 2 \end{cases}$$

### Sequential Sidak

The adjusted  $p$ -values are:

$$p_{(i)}^* = \begin{cases} 1 - (1 - p_{(1)})^R & i = 1 \\ \max\left(1 - (1 - p_{(i)})^{R-i+1}, p_{(i-1)}^*\right) & i \geq 2 \end{cases}$$

The adjusted critical values will correspond to the ordered adjusted  $p$ -values as follows:

$$t_{v^{(i)}}^* = \begin{cases} t_{v^{(i)}, \frac{1-(1-\alpha)^{1/R}}{2}} & \text{if } i = 1, \\ t_{v^{(i)}, \frac{1-(1-\alpha)^{1/(R-i+1)}}{2}} & \text{if } p_{(i)}^* = (R - i + 1)p_{(i)} \text{ for } i \geq 2 ; \\ t_{v^{(i)}, \frac{1-(1-\alpha)^{1/x}}{2}} & \text{if } p_{(i)}^* = p_{(i-1)}^* \text{ for } i \geq 2 \end{cases}$$

$$\text{where } x = \frac{\ln(1 - p_{(i-1)}^*)}{\ln(1 - p_{(i)})}.$$

## Method for computing degrees of freedom

### Residual method

The value of degrees of freedom is given by  $N - \text{rank}(\mathbf{X})$ , where  $N$  is the effective sample size and  $\mathbf{X}$  is the design matrix of fixed effects.

**Satterthwaite's approximation**

First perform the spectral decomposition  $\mathbf{L}\hat{\mathbf{C}}\mathbf{L}^T = \mathbf{\Gamma}^T\mathbf{D}\mathbf{\Gamma}$  where  $\mathbf{\Gamma}$  is an orthogonal matrix of eigenvectors and  $\mathbf{D}$  is a diagonal matrix of eigenvalues. If  $l_m$  is the  $m$ th row of  $\mathbf{\Gamma}\mathbf{L}$ ,  $d_m$  is the  $m$ th eigenvalues and

$$\nu_m = \frac{2d_m}{\mathbf{g}_m \Sigma(\hat{\theta})^{-1} \mathbf{g}_m}$$

where  $\mathbf{g}_m = \frac{\partial l_m \mathbf{C} l_m^T}{\partial \theta} \Big|_{\theta = \hat{\theta}}$  and  $\Sigma_{\hat{\theta}}$  is the asymptotic covariance matrix of  $\hat{\theta}$  obtained from the Hessian matrix of the objective function; that is,  $\Sigma_{\hat{\theta}} = 2 \mathbf{H}^{-1}$ . If

$$E = \sum_{m=1}^q \frac{\nu_m}{\nu_m - 2} \mathbf{I}(\nu_m > 2)$$

then the denominator degree of freedom is given by

$$\nu = \frac{2E}{E - q}$$

Note that the degrees of freedom can only be computed when  $E > q$ .

**Kenward-Roger approximation**

Kenward and Roger (1997) proposed a scaled Wald statistic:

$$F^* = \lambda F = \frac{\lambda}{r_0} (\mathbf{L}_0 \hat{\boldsymbol{\beta}} - \mathbf{L}_0 \boldsymbol{\beta})^T (\mathbf{L}_0 \hat{\mathbf{C}}_{11}^A \mathbf{L}_0^T)^{-1} (\mathbf{L}_0 \hat{\boldsymbol{\beta}} - \mathbf{L}_0 \boldsymbol{\beta})$$

where  $r_0 = \text{rank}(\mathbf{L}_0 \hat{\mathbf{C}}_{11}^A \mathbf{L}_0^T)$ ,  $\hat{\mathbf{C}}_{11}^A$  is an approximate variance-covariance of the fixed effects parameters,  $\lambda$  and the degree of freedom of denominator,  $\nu$ , are computed as following:

$$\nu = 4 + \frac{r_0 + 2}{r_0 * \rho - 1}$$

and

$$\lambda = \frac{\nu}{E(F)(\nu - 2)}$$

where

$$\rho = \frac{V(F)}{2E(F)^2}$$

## Scoring

For GLMMs, predicted values and relevant statistics can be computed based on solutions of random effects. PQL-type predictions use  $\hat{\gamma}$  as the solution for the random effects to compute predicted values and relevant statistics.

### **PQL-type predicted values and relevant statistics**

Predicted value of the linear predictor

$$\mathbf{x}_i^T \hat{\beta} + \mathbf{z}_i^T \hat{\gamma} + o_i$$

Standard error of the linear predictor

$$\hat{\sigma}_{\eta} = \sqrt{\mathbf{x}_i^T \Sigma \mathbf{x}_i + \mathbf{z}_i^T \hat{C}_{22} \mathbf{z}_i + 2 \mathbf{z}_i^T \hat{C}_{21} \mathbf{x}_i},$$

Predicted value of the mean

$$g^{-1}(\mathbf{x}_i^T \hat{\beta} + \mathbf{z}_i^T \hat{\gamma} + o_i)$$

For the binomial distribution with 0/1 binary target variable, the predicted category  $c(\mathbf{x}_i)$  is

$$c(\mathbf{x}_i) = \begin{cases} 1 \text{ (or success)} & \text{if } \hat{\mu}_i \geq 0.5 \\ 0 \text{ (or failure)} & \text{otherwise} \end{cases}$$

Approximate  $100(1-\alpha)\%$  confidence intervals for the mean

$$g^{-1}\left(\mathbf{x}_i^T \hat{\beta} + \mathbf{z}_i^T \hat{\gamma} + o_i \pm t_{v, \alpha/2} \hat{\sigma}_\eta\right)$$

Raw residual on the link function transformation

$$r_{\eta, i}^R = v_i - \hat{\eta}_i$$

Raw residual on the original scale of the target

$$r_i^R = y_i - \hat{\mu}_i$$

Pearson-type residual on the link function transformation

$$r_{\eta, i}^P = \frac{r_{\eta, i}^R}{\sqrt{\hat{v}\hat{a}r(v_i|\gamma)}},$$

where  $\hat{v}\hat{a}r(v_i|\gamma)$  is the  $i$ th diagonal element of  $\hat{v}\hat{a}r(v|\gamma)$  and  $\hat{v}\hat{a}r(v|\gamma) = g'(\hat{\mu})\mathbf{A}_{\hat{\mu}}^{1/2}\hat{R}\mathbf{A}_{\hat{\mu}}^{1/2}g'(\hat{\mu})$  where  $\hat{\mu}$  is an  $n \times 1$  vector of PQL-type predicted values of the mean.

Pearson-type residual on the original scale of the target

$$r_i^P = \frac{r_i^R}{\sqrt{\hat{v}\hat{a}r(y_i|\gamma)}},$$

where  $\hat{v}\hat{a}r(y_i|\gamma)$  is the  $i$ th diagonal element of  $\hat{v}\hat{a}r(y) = \mathbf{A}_{\hat{\mu}_m}^{1/2}\hat{R}\mathbf{A}_{\hat{\mu}_m}^{1/2}$  and  $\hat{\mu}_m = \hat{\mu}$ .

### Classification Table

Suppose that  $c(j, j')$  is the sum of the frequencies for the observations whose actual target category is  $j$  (as row) and predicted target category is  $j'$  (as column),  $j, j' = 1, \dots, J$  (note that  $J = 2$  for binomial), then

$$c(j, j') = \sum_{i=1}^n f_i I(y_i = j, c(x_i) = j')$$

where  $I(\cdot)$  is indicator function.

Suppose that  $p(j, j')$  is the  $(j, j')$ <sup>th</sup> element of the classification table, which is the row percentage, then

$$p_{j,j'} = \left( \frac{c(j,j')}{\sum_{j'=1}^J c(j,j')} \right) \times 100\%$$

The percentage of total correct predictions of the model (or “overall percent correct”) is

$$p_{total} = \left( \frac{\sum_{j=1}^J c(j,j)}{J \sum_{j=1}^J c(j,j')} \right) \times 100\%$$

## Nominal multinomial distribution

The nominal multinomial distribution requires some extra notation and explanation.

### Notation

The following notation is used throughout this section unless otherwise stated:

$S$	Number of super subjects.
$T_s$	Number of cases in the $s$ th super subject.
$y_{st}$	Nominal categorical target for the $t$ th case in the $s$ th super subject. Its category values are denoted as 1, 2, and so on.
$J$	The total number of categories for target.
$y_{st}$	Dummy vector of $y_{st}$ , $y_{st} = (y_{st,1}, \dots, y_{st,J-1})^T$ , where $y_{st,j} = 1$ if $y_{st} = j$ , otherwise $y_{st,j} = 0$ . The superscript $T$ means the transpose of a matrix or vector.
$y_s$	$y_s = (y_{s1}^T, \dots, y_{sT_s}^T)^T$ , $s = 1, \dots, S$ .
$y$	$y = (y_1^T, \dots, y_S^T)^T$
$\pi_{st,j}$	Probability of category $j$ for the $t$ th case in the $s$ th super subject; that is, $\pi_{st,j} = P(y_{st} = j)$ .
$\pi_{st}$	$\pi_{st} = (\pi_{st,1}, \dots, \pi_{st,J-1})^T$
$\pi_s$	$\pi_s = (\pi_{s1}^T, \dots, \pi_{sT_s}^T)^T$ , $s = 1, \dots, S$
$\pi$	$\pi = (\pi_1^T, \dots, \pi_S^T)^T$



$\eta_{st,j}$	Linear predictor value for category $j$ of the $t$ th case in the $s$ th super subject.
$\eta_{st}$	$\eta_{st} = (\eta_{st,1}, \dots, \eta_{st,J-1})^T$
$\eta_s$	$\eta_s = \left( \eta_{s1}^T, \dots, \eta_{sT_s}^T \right)^T, s = 1, \dots, S$
$\eta$	$(n(J-1)) \times 1$ vector of linear predictor. $\eta = \left( \eta_1^T, \dots, \eta_S^T \right)^T$
$x_{st}$	$p \times 1$ vector of predictor variables for the $t$ th case in the $s$ th super subject. The first element is 1 if there is an intercept.
$X_s$	$X_s = (I_{J-1} \otimes x_{s1}, \dots, I_{J-1} \otimes x_{sT_s})^T, s = 1, \dots, S$
$\mathbf{X}$	$(n(J-1)) \times (J-1)p$ design matrix of fixed effects, $X = (X_1^T, \dots, X_S^T)^T$
$z_{st}$	$r \times 1$ vector of coefficients for the random effect corresponding to the $t$ th case in the $s$ th super subject.
$Z_s$	$Z_s = (I_{J-1} \otimes z_{s1}, \dots, I_{J-1} \otimes z_{sT_s})^T, s = 1, \dots, S$
$\mathbf{Z}$	Design matrix of random effects, $Z = \bigoplus_{s=1}^S Z_s$ , where $\bigoplus$ is the direct sum of matrices.
$\mathbf{O}$	$n \times 1$ vector of offsets, $O = (o_{11}, \dots, o_{1T_1}, \dots, o_{ST_S})^T$ , where $o_{st}$ is the offset value of the $t$ th case in the $s$ th super subject. This can't be the target ( $y$ ) or one of the predictors ( $X$ ). The offset must be continuous.
$O^*$	$O^* = O \otimes 1_{J-1}$ , where $1_q$ is a length $q$ vector of 1.
$\beta_j$	$p \times 1$ vector of unknown parameters for category $j$ , $\beta_j = (\beta_{j1}, \dots, \beta_{jp})^T, j = 1, \dots, J$ . The first element in $\beta_j$ is the intercept for the category $j$ , if there is one.
$\beta$	$\beta = (\beta_1^T, \dots, \beta_{J-1}^T)^T$
$\gamma_{sj}$	$r \times 1$ vector of random effects for category $j$ in the $s$ th super subject, $j = 1, \dots, J-1$ .
$\gamma_s$	Random effects for the $s$ th super subject, $\gamma_s = \left( \gamma_{s,1}^T, \dots, \gamma_{s,J-1}^T \right)^T$ .
$\gamma$	$\gamma = (\gamma_1^T, \dots, \gamma_S^T)^T$
$\omega_{st}$	Scale weight of the $t$ th case in the $s$ th super subject. It does not have to be integers. If it is less than or equal to 0 or missing, the corresponding case is not used.
$\omega$	$n \times 1$ vector of scale weight variable, $\omega = (\omega_{11}, \dots, \omega_{1T_1}, \dots, \omega_{S1}, \dots, \omega_{ST_S})^T$ .
$f_{st}$	Frequency weight of the $t$ th case in the $s$ th super subject. If it is a non-integer value, it is treated by rounding the value to the nearest integer. If it is less than 0.5 or missing, the corresponding cases are not used.
$\mathbf{f}$	$n \times 1$ vector of frequency count variable, $f = (f_{11}, \dots, f_{1T_1}, \dots, f_{S1}, \dots, f_{ST_S})^T$
$N$	Effective sample size, $N = \sum_{i=1}^n f_i$ . If frequency count variable $f$ is not used, $N = n$ .

## Model

The form of a generalized linear mixed model for nominal target with the random effects is

$$\eta = g(E(y) | \gamma) = X\beta + Z\gamma + O^*$$

where  $\eta$  is the linear predictor;  $\mathbf{X}$  is the design matrix for fixed effects;  $\mathbf{Z}$  is the design matrix for random effects;  $\gamma$  is a vector of random effects which are assumed to be normally distributed with mean  $\mathbf{0}$  and variance matrix  $\mathbf{G}$ ;  $g(\cdot)$  is the logit link function such that

$$\eta_{st,j} = g(\pi_{st,j}) = \log\left(\frac{\pi_{st,j}}{\pi_{st,J}}\right)$$

And its inverse function is

$$\pi_{st,j} = g^{-1}(\eta_{st,j}) = \begin{cases} \frac{\exp(\eta_{st,j})}{J-1 + \sum_{k=1}^{J-1} \exp(\eta_{st,k})}, j = 1, \dots, J-1, \\ \frac{1}{J-1 + \sum_{k=1}^{J-1} \exp(\eta_{st,k})}, j = J. \end{cases}$$

The variance of  $\mathbf{y}$ , conditional on the random effects is

$$Var(y|\gamma) = A_{\mu}^{1/2} R A_{\mu}^{1/2}$$

where  $A_{\mu} = \bigoplus_{s=1}^S \bigoplus_{t=1}^{T_s} \left( \text{diag}(\pi_{st}) - \pi_{st} \pi_{st}^T \right) / \omega_{st}$  and  $\mathbf{R} = \phi \mathbf{I}$  which means that R-side effects are not supported for the multinomial distribution.  $\phi$  is set to 1.

## Estimation

### Linear mixed pseudo model

Similarly to ‘‘Linear mixed pseudo model’’, we can obtain a weighted linear mixed model

$$v = X\beta + Z\gamma + \epsilon$$

where  $\mathbf{v} \equiv \mathbf{D}^{-1}(\mathbf{y} - \tilde{\pi}) + g(\tilde{\pi}) - \mathbf{O}^*$  and error terms  $\epsilon \sim N\left(0, \mathbf{D}^{-1} A_{\tilde{\pi}}^{1/2} R A_{\tilde{\pi}}^{1/2} \mathbf{D}^{-1}\right)$  with

$$\mathbf{D} = \bigoplus_{s=1}^S \bigoplus_{t=1}^{T_s} \mathbf{D}_{st} = \bigoplus_{s=1}^S \bigoplus_{t=1}^{T_s} \frac{\mathbf{d}g^{-1}(\tilde{\eta}_{st})}{\mathbf{d}\tilde{\eta}_{st}} = \bigoplus_{s=1}^S \bigoplus_{t=1}^{T_s} \left( \text{diag}(\tilde{\pi}_{st}) - \tilde{\pi}_{st} \tilde{\pi}_{st}^T \right)$$

and

$$A_{\tilde{\mu}} = \bigoplus_{s=1}^S \bigoplus_{t=1}^{T_s} \left( \text{diag}(\tilde{\pi}_{st}) - \tilde{\pi}_{st} \tilde{\pi}_{st}^T \right) / \omega_{st}.$$

And block diagonal weight matrix is

$$\tilde{W} = \mathbf{D}A_{\tilde{\mu}}^{-1}\mathbf{D} = \bigoplus_{s=1}^S \bigoplus_{t=1}^{T_s} \omega_{st}\mathbf{D}_{st}.$$

The Gaussian log pseudo-likelihood (PL) and restricted log pseudo-likelihood (REPL), which are expressed as the functions of covariance parameters in  $\theta$ , corresponding to the linear mixed model for  $v$  are the following:

$$\ell(\theta; v) = -\frac{1}{2} \ln |\mathbf{V}(\theta)| - \frac{1}{2} \mathbf{r}(\theta)^T \mathbf{V}(\theta)^{-1} \mathbf{r}(\theta) - \frac{N}{2} \ln(2\pi)$$

$$\ell_R(\theta; v) = -\frac{1}{2} \ln |\mathbf{V}(\theta)| - \frac{1}{2} \mathbf{r}(\theta)^T \mathbf{V}(\theta)^{-1} \mathbf{r}(\theta) - \frac{1}{2} \ln |\mathbf{X}^T \mathbf{V}(\theta)^{-1} \mathbf{X}| - \frac{N - p_x}{2} \ln(2\pi)$$

where  $\mathbf{V}(\theta) = \mathbf{Z}\mathbf{G}(\theta)\mathbf{Z}^T + \tilde{W}^{-1/2}\mathbf{R}(\theta)\tilde{W}^{-1/2}$ ,  $r(\theta) = v - \mathbf{X}\hat{\beta}$ ,  $N$  denotes the effective sample size, and  $p_x$  denotes the total number of non-redundant parameters for  $\beta$ .

The parameter  $\theta$  can be estimated by linear mixed model using the objection function  $-2\ell(\theta; v)$  or  $-2\ell_R(\theta; v)$ ,  $\beta$  and  $\gamma$  are computed as

$$\hat{\beta} = \left( \mathbf{X}^T \mathbf{V}(\hat{\theta})^{-1} \mathbf{X} \right)^{-1} \mathbf{X}^T \mathbf{V}(\hat{\theta})^{-1} v$$

$$\hat{\gamma} = \hat{G}\mathbf{Z}^T \mathbf{V}(\hat{\theta})^{-1} \hat{r}$$

#### **Iterative process**

The doubly iterative process for the estimation of  $\theta$  is the same as that for other distributions, if we replace  $\tilde{\mu}$  and  $\mathbf{X}\tilde{\beta} + \mathbf{Z}\tilde{\gamma} + \mathbf{O}$  with  $\tilde{\pi}$  and  $\mathbf{X}\tilde{\beta} + \mathbf{Z}\tilde{\gamma} + \mathbf{O}^*$  respectively, and set initial estimation of  $\pi$  as

$$\pi^{(0)} = \frac{y + \mathbf{1}/J}{2}$$

For more information, see the topic “Iterative process”.

### **Post-estimation statistics**

#### **Wald confidence intervals**

The Wald confidence intervals for covariance parameter estimates are described in “Wald confidence intervals for covariance parameter estimates”.

#### **Statistics for estimates of fixed and random effects**

Similarly to “Statistics for estimates of fixed and random effects”, the approximate covariance matrix of  $(\beta - \hat{\beta}, \hat{\gamma} - \gamma)$  is

$$\hat{C} = \begin{bmatrix} X^T R^{*-1} X & X^T R^{*-1} Z \\ Z^T R^{*-1} X & Z^T R^{*-1} Z + G(\hat{\theta})^{-1} \end{bmatrix}^{-1} = \begin{bmatrix} C_{11} & C_{21}^T \\ C_{21} & C_{22} \end{bmatrix}$$

Where  $R^* = \hat{v} \hat{a} r(v|\gamma) = \hat{D}^{-1} A_{\hat{\pi}}^{1/2} R A_{\hat{\pi}}^{1/2} \hat{D}^{-1}$  with  $\hat{D} = \bigoplus_{s=1}^S \bigoplus_{t=1}^{T_s} \left( \text{diag}(\hat{\pi}_{st}) - \hat{\pi}_{st} \hat{\pi}_{st}^T \right)$ , and

$$\hat{C}_{11} = \left( X^T \hat{V}^{-1} X \right)^{-1}$$

$$\hat{C}_{21} = -\hat{G} Z^T \hat{V}^{-1} X \hat{C}_{11}$$

$$\hat{C}_{22} = \left( Z^T \hat{R}^{-1} Z + \hat{G}^{-1} \right)^{-1} - \hat{C}_{21} X^T \hat{V}^{-1} Z \hat{G}$$

**Statistics for estimates of fixed and random effects on original scale**

If the fixed effects are transformed when constructing matrix  $\mathbf{X}$ , then the final estimates of  $\beta$ ,  $C_{11}$ ,  $C_{21}$ , and  $C_{22}$  above are based on transformed scale, denoted as  $\hat{\beta}^*$ ,  $\hat{C}_{11}^*$ ,  $\hat{C}_{21}^*$  and  $\hat{C}_{22}^*$ , respectively. They would be transformed back on the original scale, denoted as  $\hat{\beta}$ ,  $\hat{C}_{11}$ ,  $\hat{C}_{21}$  and  $\hat{C}_{22}$ , respectively, as follows:

$$\hat{\beta} = T \hat{\beta}^*$$

$$\hat{C}_{11} = T \hat{C}_{11}^* T^T$$

$$\hat{C}_{21} = \hat{C}_{21}^* T^T$$

$$\hat{C}_{22} = \hat{C}_{22}^*$$

$$\text{where } T = \bigoplus_{j=1}^{J-1} A_j.$$

**Estimated covariance matrix of the fixed effects parameters**

Model-based estimated covariance

$$\Sigma_m = \hat{C}_{11}$$

Robust estimated covariance of the fixed effects parameters

$$\Sigma_r = \Sigma_m \left( \sum_{s=1}^S X_s^T \hat{V}_s^{-1} \hat{r}_s \hat{r}_s^T \hat{V}_s^{-1} X_s \right) \Sigma_m$$

where  $\hat{r}_s = v_s - X_s \hat{\beta}$ , and  $v_s$  is a part of  $v$  corresponding to the  $s$ th super subject.

**Standard error for estimates in fixed effects and predictions in random effects**

Let  $\hat{\beta}_{jc}$  denote a non-redundant fixed effects parameter estimate. Its standard error is the square root of the  $((j - 1)p + c)$ th diagonal element of  $\Sigma$

$$\hat{\sigma}_{\beta_{jc}} = \sqrt{\sigma_{((j-1)p+c),((j-1)p+c)}}$$

The standard error for redundant parameter estimates is set to system missing value.

Similarly, let  $\hat{\gamma}_i$  denote the  $i$ th random effects prediction. Its standard error is the square root of the  $i$ th diagonal element of  $\hat{C}_{22}$ :

$$\hat{\sigma}_{\gamma_i} = \sqrt{\hat{C}_{22,ii}}$$

**Test statistics for estimates in fixed effects and predictions in random effects**

Test statistics for estimates in fixed effects and predictions in random effects are as those described in “Statistics for estimates of fixed and random effects”.

**Wald confidence intervals for estimates in fixed effects and random effects predictions**

Wald confidence intervals are as those described in “Statistics for estimates of fixed and random effects”.

**Testing**

**Information criteria**

These are as described in “Goodness of fit”.

**Tests of fixed effects**

For each effect specified in the model, a type III test matrix  $\mathbf{L}$  is constructed from the generating matrix  $H_\omega = (x^T \Omega x)^{-1} x^T \Omega x$  where,  $x = (x_{11}^T, \dots, x_{st}^T, \dots, x_{ST_s}^T)^T$  and  $\Omega = \text{diag}(\omega_{11}, \dots, \omega_{1T_1}, \dots, \omega_{S1}, \dots, \omega_{ST_s})$ . Then the test statistic is

$$F = \frac{\hat{\beta}^T L^* T (L^* \Sigma L^{*T})^{-1} L^* \hat{\beta}}{r_c}$$

where  $r_c = \text{rank}(L^* \Sigma L^{*T})$  and  $L^* = I_{J-1} \otimes \mathbf{L}$ . The statistic has an approximate  $F$  distribution. The numerator degrees of freedom is  $r_c$  and the denominator degree of freedom is  $u$ . For more information, see the topic “Method for computing degrees of freedom”.

## Scoring

### PQL-type predicted values and relevant statistics

$(J - 1) \times 1$  predicted vector of the linear predictor

$$\hat{\eta}_{st} = (I_{J-1} \otimes x_{st})^T \hat{\beta} + (I_{J-1} \otimes z_{st})^T \hat{\gamma}_s + 1_{J-1} \otimes o_{st}$$

Estimated covariance matrix of the linear predictor

$$\begin{aligned} \Sigma_{\hat{\eta}_{st}} = & (I_{J-1} \otimes x_{st})^T \Sigma (I_{J-1} \otimes x_{st}) + (I_{J-1} \otimes z_{st})^T \hat{C}_{22}^s (I_{J-1} \otimes z_{st}) \\ & + (I_{J-1} \otimes z_{st})^T \hat{C}_{21}^s (I_{J-1} \otimes x_{st}) + (I_{J-1} \otimes x_{st})^T (\hat{C}_{21}^s)^T (I_{J-1} \otimes z_{st}) \end{aligned}$$

where  $\hat{C}_{22}^s$  is a diagonal block corresponding to the  $s$ th super subject, the approximate covariance matrix of  $\hat{\gamma}_s - \gamma_s$ ;  $\hat{C}_{21}^s$  is a part of  $\hat{C}_{21}$  corresponding to the  $s$ th super subject.

The estimated standard error of the  $j$ th element in  $\hat{\eta}_{st}$ ,  $\hat{\eta}_{st,j}$ , is the square root of the  $j$ th diagonal element of  $\Sigma_{\hat{\eta}_{st}}$ ,

$$\sigma_{\hat{\eta}_{st,j}} = \sqrt{\sigma_{\hat{\eta}_{st,jj}}}$$

Predicted value of the probability for category  $j$

$$\hat{\pi}_{st,j} = g^{-1}(\hat{\eta}_{st,j}) = \begin{cases} \frac{\exp(\hat{\eta}_{st,j})}{1 + \sum_{k=1}^{J-1} \exp(\hat{\eta}_{st,k})}, & j = 1, \dots, J-1, \\ \frac{1}{1 + \sum_{k=1}^{J-1} \exp(\hat{\eta}_{st,k})}, & j = J. \end{cases}$$

Predicted category

$$c(x_{st}) = \arg \max_j \hat{\pi}_{st,j},$$

If there is a tie in determining the predicted category, the tie will be broken by choosing the category with the highest  $N_j = \sum_{s=1}^S \sum_{t=1}^{T_s} f_{st} y_{st,j}$ . If there is still a tie, the one with the lowest category number is chosen.

Approximate  $100(1-\alpha)\%$  confidence intervals for the predicted probabilities

The covariance matrix of  $\hat{\pi}_{st}$  can be computed as

$$Cov(\hat{\pi}_{st}) = \nabla g^{-1}(\hat{\eta}_{st})^T \Sigma_{\hat{\eta}_{st}} \nabla g^{-1}(\hat{\eta}_{st})$$

where

$$\nabla a^{-1}(\hat{\eta}_{st}) = \begin{bmatrix} \frac{\partial \hat{\pi}_{st,1}}{\partial \hat{\eta}_{st,1}} & \cdots & \frac{\partial \hat{\pi}_{st,J-1}}{\partial \hat{\eta}_{st,1}} & \frac{\partial \hat{\pi}_{st,J}}{\partial \hat{\eta}_{st,1}} \\ \frac{\partial \hat{\pi}_{st,1}}{\partial \hat{\eta}_{st,J-1}} & \cdots & \frac{\partial \hat{\pi}_{st,J-1}}{\partial \hat{\eta}_{st,J-1}} & \frac{\partial \hat{\pi}_{st,J}}{\partial \hat{\eta}_{st,J-1}} \end{bmatrix}$$

with

$$\frac{\partial \hat{\pi}_{st,j}}{\partial \hat{\eta}_{st,k}} = \begin{cases} \hat{\pi}_{st,j}(1 - \hat{\pi}_{st,j}), & j = k \\ -\hat{\pi}_{st,j}\hat{\pi}_{st,k}, & j \neq k \end{cases}$$

then the confidence interval is

$$\hat{\pi}_{st,j} \pm t_{v,\alpha/2} \hat{\sigma}_{\pi_{st,j}}, j = 1, \dots, J$$

where  $\hat{\sigma}_{\pi_{st,j}}^2$  is the  $j$ th diagonal element of  $Cov(\hat{\pi}_{st})$  and the estimated variance of  $\hat{\pi}_{st,j}$ ,  $j = 1, \dots, J$ .

## Ordinal multinomial distribution

The ordinal multinomial distribution requires some extra notation and explanation.

### Notation

The following notation is used throughout this section unless otherwise stated:

$S$	Number of super subjects.
$T_s$	Number of cases in the $s$ th super subject.
$y_{st}$	Ordinal categorical target for the $t$ th case in the $s$ th super subject. Its category values are denoted as consecutive integers from 1 to $J$ .
$J$	The total number of categories for target.
$y_{st}$	Indicator vector of $y_{st}$ , $y_{st} = (y_{st,1}, \dots, y_{st,J-1})^T$ , where $y_{st,j} = 1$ if $y_{st} = j$ , otherwise $y_{st,j} = 0$ . The superscript $T$ means the transpose of a matrix or vector.
$y_s$	$y_s = (y_{s1}^T, \dots, y_{sT_s}^T)^T$ , $s = 1, \dots, S$ .
$y$	$y = (y_1^T, \dots, y_S^T)^T$
$\lambda_{st,j}$	Cumulative target probability for category $j$ for the $t$ th case in the $s$ th super subject; $\lambda_{st,j} = P(y_{st} \leq j)$ .
$\lambda$	$\lambda = (\lambda_1^T, \dots, \lambda_S^T)^T$ , where $\lambda_s = (\lambda_{s1}^T, \dots, \lambda_{sT_s}^T)^T$ and $\lambda_{st}^T = (\lambda_{st,1}, \dots, \lambda_{st,J-1})$ , $s = 1, \dots, S$ and $t = 1, \dots, T_s$ .
$\pi_{st,j}$	Probability of category $j$ for the $t$ th case in the $s$ th super subject; that is, $\pi_{st,j} = P(y_{st} = j)$ and $\pi_{st,j} = \lambda_{st,j} - \lambda_{st,j-1}$ .

$\pi_{st}$	$\pi_{st} = (\pi_{st,1}, \dots, \pi_{st,J-1})^T$
$\pi_s$	$\pi_s = (\pi_{s1}^T, \dots, \pi_{sT_s}^T)^T, s = 1, \dots, S$
$\pi$	$\pi = (\pi_1^T, \dots, \pi_S^T)^T$
$\eta_{st,j}$	Linear predictor value for category $j$ of the $t$ th case in the $s$ th super subject.
$\eta_{st}$	$\eta_{st} = (\eta_{st,1}, \dots, \eta_{st,J-1})^T$
$\eta_s$	$\eta_s = (\eta_{s1}^T, \dots, \eta_{sT_s}^T)^T, s = 1, \dots, S$
$\eta$	$(n(J-1)) \times 1$ vector of linear predictor. $\eta = (\eta_1^T, \dots, \eta_S^T)^T$
$x_{st}$	$p \times 1$ vector of predictors for the $t$ th case in the $s$ th super subject.
$z_{st}$	$r \times 1$ vector of coefficients for the random effect corresponding to the $t$ th case in the $s$ th super subject.
$O$	$n \times 1$ vector of offsets, $O = (o_{11}, \dots, o_{1T_1}, \dots, o_{ST_S})^T$ , where $o_{si}$ is the offset value of the $t$ th case in the $s$ th super subject. This can't be the target (y) or one of the predictors (X). The offset must be continuous.
$O^*$	$O^* = O \otimes 1_{J-1}$ , where $1_q$ is a length $q$ vector of 1's.
$\Psi$	$J-1 \times 1$ vector of threshold parameters, $\psi = (\psi_1, \psi_2, \dots, \psi_{J-1})^T$ and $\psi_1 < \psi_2 < \dots < \psi_{J-1}$
$\beta$	$p \times 1$ vector of unknown parameters.
$B$	$(J-1+p) \times 1$ vector of all parameters $B = (\psi^T, \beta^T)^T$
$\omega_{st}$	Scale weight of the $t$ th case in the $s$ th super subject. It does not have to be integers. If it is less than or equal to 0 or missing, the corresponding case is not used.
$\omega$	$n \times 1$ vector of scale weight variable, $\omega = (\omega_{11}, \dots, \omega_{1T_1}, \dots, \omega_{S1}, \dots, \omega_{ST_S})^T$ .
$f_{st}$	Frequency weight of the $t$ th case in the $s$ th super subject. If it is a non-integer value, it is treated by rounding the value to the nearest integer. If it is less than 0.5 or missing, the corresponding cases are not used.
$f$	$n \times 1$ vector of frequency count variable, $f = (f_{11}, \dots, f_{1T_1}, \dots, f_{S1}, \dots, f_{ST_S})^T$
$N$	Effective sample size, $N = \sum_{i=1}^n f_i$ . If frequency count variable $f$ is not used, $N = n$ .
$A \otimes B$	direct (or Kronecker) product of $A$ and $B$ , which is equal to $\begin{bmatrix} a_{11}B & a_{12}B & a_{13}B \\ a_{21}B & a_{22}B & a_{23}B \\ a_{31}B & a_{32}B & a_{33}B \end{bmatrix}$
$1_m$	$m \times 1$ vector of 1's; $1_m = (1, \dots, 1)^T$

## Model

The form of a generalized linear mixed model for an ordinal target with random effects is

$$\eta = g(\lambda) = XB + Z\gamma + O^*$$

where  $\eta$  is the expanded linear predictor vector;  $\lambda$  is the expanded cumulative target probability vector;  $g(\cdot)$  is a cumulative link function;  $\mathbf{X}$  is the expanded design matrix for fixed effects arranged as follows

$$\begin{aligned} \mathbf{X} &= \begin{pmatrix} \mathbf{X}_1 \\ \vdots \\ \mathbf{X}_S \end{pmatrix}, \\ \mathbf{X}_s &= \begin{pmatrix} \mathbf{X}_{s1} \\ \vdots \\ \mathbf{X}_{sT_s} \end{pmatrix}_{T_s(J-1) \times (J-1+p)}, \\ \mathbf{X}_{st} &= \begin{pmatrix} \mathbf{I}_{J-1} & \mathbf{1}_{J-1} \otimes -\mathbf{x}_{st}^T \end{pmatrix}_{(J-1) \times (J-1+p)} \\ &= \begin{pmatrix} 1 & \cdots & 0 & -\mathbf{x}_{st}^T \\ \vdots & \ddots & \vdots & \vdots \\ 0 & \cdots & 1 & -\mathbf{x}_{st}^T \end{pmatrix} \\ &= \begin{pmatrix} 1 & \cdots & 0 & -x_{st,1} & \cdots & -x_{st,p} \\ \vdots & \ddots & \vdots & \vdots & \cdots & \vdots \\ 0 & \cdots & 1 & -x_{st,1} & \cdots & -x_{st,p} \end{pmatrix} \end{aligned}$$

$\mathbf{B} = (\boldsymbol{\psi}^T, \boldsymbol{\beta}^T)^T = ((\psi_1, \dots, \psi_{J-1}), \boldsymbol{\beta}^T)^T$   $\mathbf{Z}$  is the expanded design matrix for random effects arranged as follows

$$\begin{aligned} \mathbf{Z} &= \begin{pmatrix} \mathbf{Z}_1 & \mathbf{0} & \mathbf{0} \\ \mathbf{0} & \ddots & \mathbf{0} \\ \mathbf{0} & \mathbf{0} & \mathbf{Z}_S \end{pmatrix}, \\ \mathbf{Z}_s &= \begin{pmatrix} \mathbf{Z}_{s1} \\ \vdots \\ \mathbf{Z}_{sT_s} \end{pmatrix}_{T_s(J-1) \times r}, \\ \mathbf{Z}_{st} &= \left( \mathbf{1}_{J-1} \otimes -\mathbf{z}_{st}^T \right)_{(J-1) \times r}, \end{aligned}$$

$\boldsymbol{\gamma}$  is a vector of random effects which are assumed to be normally distributed with mean  $\mathbf{0}$  and variance matrix  $\mathbf{G}$ .

The variance of  $\mathbf{y}$ , conditional on the random effects is

$$\text{Var}(\mathbf{y}|\boldsymbol{\gamma}) = \mathbf{A}_\mu^{1/2} \mathbf{R} \mathbf{A}_\mu^{1/2}$$

where  $\mathbf{A}_\mu = \bigoplus_{s=1}^S \bigoplus_{t=1}^{T_s} \left( \text{diag}(\pi_{st}) - \pi_{st} \boldsymbol{\pi}_{st}^T \right) / \omega_{st}$  and  $\mathbf{R} = \phi \mathbf{I}$  which means that R-side effects are not supported for the multinomial distribution.  $\phi$  is set to 1.

## Estimation

### Linear mixed pseudo model

Similarly to “Linear mixed pseudo model”, we can obtain a weighted linear mixed model

$$v = X\beta + Z\gamma + \epsilon$$

where  $v \equiv D^{-1}(y - \tilde{\pi}) + g(\tilde{\lambda}) - O^*$  and error terms  $\epsilon \sim N\left(0, D^{-1}A_{\tilde{\pi}}^{1/2}RA_{\tilde{\pi}}^{1/2}(D^{-1})^T\right)$  with

$$D = \bigoplus_{s=1}^S \bigoplus_{t=1}^{T_s} D_{st} = \bigoplus_{s=1}^S \bigoplus_{t=1}^{T_s} \frac{dg^{-1}(\tilde{\eta}_{st})}{d\tilde{\eta}_{st}} = \bigoplus_{s=1}^S \bigoplus_{t=1}^{T_s} \frac{d\tilde{\lambda}_{st}}{d\tilde{\eta}_{st}}$$

$$D_{st} = \begin{bmatrix} \frac{\partial \tilde{\lambda}_{st,1}}{\partial \tilde{\eta}_{st,1}} & 0 & \cdots & 0 & 0 \\ -\frac{\partial \tilde{\lambda}_{st,1}}{\partial \tilde{\eta}_{st,1}} & \frac{\partial \tilde{\lambda}_{st,2}}{\partial \tilde{\eta}_{st,2}} & \cdots & 0 & 0 \\ \vdots & \ddots & \ddots & \vdots & \vdots \\ 0 & 0 & \ddots & \frac{\partial \tilde{\lambda}_{st,J-2}}{\partial \tilde{\eta}_{st,J-2}} & 0 \\ 0 & 0 & \cdots & -\frac{\partial \tilde{\lambda}_{st,J-2}}{\partial \tilde{\eta}_{st,J-2}} & \frac{\partial \tilde{\lambda}_{st,J-1}}{\partial \tilde{\eta}_{st,J-1}} \end{bmatrix}$$

and

$$A_{\tilde{\mu}} = \bigoplus_{s=1}^S \bigoplus_{t=1}^{T_s} \left( \text{diag}(\tilde{\pi}_{st}) - \tilde{\pi}_{st}\tilde{\pi}_{st}^T \right) / \omega_{st}.$$

And block diagonal weight matrix is

$$\tilde{W} = D^T A_{\tilde{\mu}}^{-1} D$$

The Gaussian log pseudo-likelihood (PL) and restricted log pseudo-likelihood (REPL), which are expressed as the functions of covariance parameters in  $\theta$  corresponding to the linear mixed model for  $v$  are the following:

$$\ell(\theta; v) = -\frac{1}{2} \ln |\mathbf{V}(\theta)| - \frac{1}{2} \mathbf{r}(\theta)^T \mathbf{V}(\theta)^{-1} \mathbf{r}(\theta) - \frac{N}{2} \ln(2\pi)$$

$$\ell_R(\theta; v) = -\frac{1}{2} \ln |\mathbf{V}(\theta)| - \frac{1}{2} \mathbf{r}(\theta)^T \mathbf{V}(\theta)^{-1} \mathbf{r}(\theta) - \frac{1}{2} \ln |\mathbf{X}^T \mathbf{V}(\theta)^{-1} \mathbf{X}| - \frac{N - p_x}{2} \ln(2\pi)$$

where  $\mathbf{V}(\theta) = Z\mathbf{G}(\theta)Z^T + \tilde{W}^{-1/2}\mathbf{R}(\theta)\tilde{W}^{-1/2}$ ,  $\mathbf{r}(\theta) = v - X\hat{\mathbf{B}}, N$  denotes the effective sample size, and  $p_x$  denotes the total number of non-redundant parameters for  $\mathbf{B}$ .

The parameter  $\theta$  can be estimated by linear mixed model using the objection function  $-2\ell(\theta; v)$  or  $-2\ell_R(\theta; v)$ ,  $\mathbf{B}$  and  $\gamma$  are computed as

$$\hat{\mathbf{B}} = \left( X^T V(\hat{\theta})^{-1} X \right)^{-1} X^T V(\hat{\theta})^{-1} v$$

$$\hat{\gamma} = \hat{G} Z^T V(\hat{\theta})^{-1} \hat{r}$$

**Iterative process**

The doubly iterative process for the estimation of  $\theta$  is the same as that for other distributions, if we replace  $\tilde{\mu}$  and  $X\tilde{\mathbf{B}} + Z\tilde{\gamma} + O$  with  $\tilde{\pi}$  and  $X\tilde{\mathbf{B}} + Z\tilde{\gamma} + O^*$  respectively, and set initial estimation of  $\pi$  as

$$\pi^{(0)} = \frac{y + 1/J}{2}$$

For more information, see the topic “Iterative process”.

**Post-estimation statistics**

**Wald confidence intervals**

The Wald confidence intervals for covariance parameter estimates are described in “Wald confidence intervals for covariance parameter estimates”.

**Statistics for estimates of fixed and random effects**

$\hat{C}$  is the approximate covariance matrix of  $(\hat{\mathbf{B}} - \mathbf{B}, \hat{\gamma} - \gamma)$  and  $R^*$  in  $\hat{C}$  should be

$$R^* = v\hat{a}r(v|\gamma) = \mathbf{D}^{-1} A_{\tilde{\pi}}^{1/2} R A_{\tilde{\pi}}^{1/2} (\mathbf{D}^{-1})^T.$$

**Statistics for estimates of fixed and random effects on original scale**

If the fixed effects are transformed when constructing matrix  $\mathbf{X}$ , then the final estimates of  $\mathbf{B}$ , denoted as  $\hat{B}^*$ . They would be transformed back on the original scale, denoted as  $\hat{B}$ , as follows:

$$\mathbf{B} = \begin{pmatrix} \Psi \\ \beta \end{pmatrix} = \begin{pmatrix} \psi_1 \\ \vdots \\ \psi_{J-1} \\ \beta \end{pmatrix} = \mathbf{A} \begin{pmatrix} \Psi^* \\ \beta^* \end{pmatrix} = \mathbf{A} \mathbf{B}^*$$

where

$$\mathbf{A} = \begin{pmatrix} \mathbf{I}_{J-1} & \mathbf{1}_{J-1} \otimes (\mathbf{c}^T \mathbf{S}^{-1}) \\ 0 & \mathbf{S}^{-1} \end{pmatrix}$$

**Estimated covariance matrix of the fixed effects parameters**

The estimated covariance matrix of the fixed effects parameters are described in “Statistics for estimates of fixed and random effects”.

**Standard error for estimates in fixed effects and predictions in random effects**

Let  $\hat{\psi}_j, j = 1, \dots, J - 1$ , be threshold parameter estimates and  $\hat{\beta}_i, i = 1, \dots, p$ , denote non-redundant regression parameter estimates. Their standard errors are the square root of the diagonal elements of  $\Sigma_m$  or  $\Sigma_r$ :  $\hat{\sigma}_{\psi_j} = \sqrt{\sigma_{jj}}$  and  $\hat{\sigma}_{\beta_i} = \sqrt{\sigma_{(J-1+i),(J-1+i)}}$ , respectively, where  $\sigma_{ii}$  is the  $i$ th diagonal element of  $\Sigma_m$  or  $\Sigma_r$ .

Standard errors for predictions in random effects are as those described in “Statistics for estimates of fixed and random effects”.

**Test statistics for estimates in fixed effects and predictions in random effects**

The hypotheses  $H_{0j} : \psi_j = 0, j = 1, \dots, J - 1$ , are tested for threshold parameters using the  $t$  statistic:

$$t_{\psi_j} = \frac{\hat{\psi}_j}{\hat{\sigma}_{\psi_j}}$$

Test statistics for estimates in fixed effects and predictions in random effects are otherwise as those described in “Statistics for estimates of fixed and random effects”.

**Wald confidence intervals for estimates in fixed effects and random effects predictions**

The  $100(1 - \alpha)\%$  Wald confidence interval for threshold parameter is given by

$$\left( \hat{\psi}_j - t_{v,\alpha/2} \hat{\sigma}_{\psi_j}, \hat{\psi}_j + t_{v,\alpha/2} \hat{\sigma}_{\psi_j} \right)$$

Wald confidence intervals are otherwise as those described in “Statistics for estimates of fixed and random effects”.

The degrees of freedom can be computed by the residual, Satterthwaite, or Kenward-Roger method. For the residual method,  $v = N - (J - 1 + p_x)$ . For the Satterthwaite and Kenward-Roger methods, it should be similar to that described in “Method for computing degrees of freedom”.

**Testing**

**Information criteria**

These are as described in “Goodness of fit”, with the following modifications.

For REPL, the value of  $N$  is chosen to be effective sample size minus number of non-redundant parameters in fixed effects,  $\sum_{i=1}^n f_i - (J - 1 + p_x)$ , where  $p_x$  is the number of non-redundant parameters in fixed effects, and  $d$  is the number of covariance parameters.

For PL, the value of  $N$  is effective sample size,  $\sum_{i=1}^n f_i$ , and  $d$  is the number of number of non-redundant parameters in fixed effects,  $J - 1 + p_x$ , plus the number of covariance parameters.

### Tests of fixed effects

For each effect specified in the model excluding threshold parameters, a type I or III test matrix  $\mathbf{L}_i$  is constructed and  $H_0: \mathbf{L}_i \mathbf{B} = \mathbf{0}$  is tested. Construction of matrix  $\mathbf{L}_i$  is based on matrix  $\mathbf{H}_\omega = (\mathbf{X}_1^T \Omega \mathbf{X}_1)^{-1} \mathbf{X}_1^T \Omega \mathbf{X}_1$ , where  $\mathbf{X}_1 = (1, -\mathbf{X})$  and such that  $\mathbf{L}_i \mathbf{B}$  is estimable. Note that  $\mathbf{L}_i \mathbf{B}$  is estimable if and only if  $\mathbf{L}_0 = \mathbf{L}_0 \mathbf{H}_\omega$ , where  $\mathbf{L}_0 = (l_0, \mathbf{L}(\beta))$ . Construction of  $\mathbf{L}_0$  considers a partition of the more general test matrix  $\mathbf{L}_i = (\mathbf{L}_i(\psi), \mathbf{L}_i(\beta))$  first, where  $\mathbf{L}_i(\psi) = (l_1, \dots, l_{J-1})$  consists of columns corresponding to the threshold parameters and  $\mathbf{L}_i(\beta)$  is the part of  $\mathbf{L}_i$  corresponding to regression parameters, then replace  $\mathbf{L}_i(\psi)$  with their sum  $l_0 = \sum_{j=1}^{J-1} l_j$  to get  $\mathbf{L}_0$ .

Note that the threshold-parameter effect is not tested for both type I and III analyses and construction of  $\mathbf{L}_i$  is the same as in GENLIN. For more information, see the topic "Default Tests of Model Effects". Similarly, if the fixed effects are transformed when constructing matrix  $\mathbf{X}$ , then  $\mathbf{H}_\omega$  should be constructed based on transformed values.

## Scoring

### PQL-type predicted values and relevant statistics

$(J - 1) \times 1$  predicted vector of the linear predictor

$$\hat{\eta}_{st} = X_{st} \hat{\mathbf{B}} + Z_{st} \hat{\gamma}_s + \mathbf{1}_{J-1} \otimes o_{st}$$

Estimated covariance matrix of the linear predictor

$$\Sigma_{\hat{\eta}_{st}} = X_{st} \Sigma X_{st}^T + Z_{st} \hat{C}_{22}^s Z_{st}^T + Z_{st} \hat{C}_{21}^s X_{st}^T + X_{st} \left( \hat{C}_{21}^s \right)^T Z_{st}^T$$

where  $\hat{C}_{22}^s$  is a diagonal block corresponding to the  $s$ th super subject, the approximate covariance matrix of  $\hat{\gamma}_s - \gamma_s$ ;  $\hat{C}_{21}^s$  is a part of  $\hat{C}_{21}$  corresponding to the  $s$ th super subject.

The estimated standard error of the  $j$ th element in  $\hat{\eta}_{st}$ ,  $\hat{\eta}_{st,j}$ , is the square root of the  $j$ th diagonal element of  $\Sigma_{\hat{\eta}_{st}}$ ,

$$\sigma_{\hat{\eta}_{st,j}} = \sqrt{\sigma_{\hat{\eta}_{st},jj}}$$

Predicted value of the cumulative probability for category  $j$

$$\hat{\gamma}_{st,j} = g^{-1}(\hat{\eta}_{st,j}), j = 1, \dots, J - 1$$

with  $\hat{\gamma}_{i,J} = 1$ .

Predicted category

$$c(\mathbf{x}_{st}) = \arg \max_j \hat{\pi}_{st,j},$$

where  $\hat{\pi}_{st,j} = \hat{\gamma}_{st,j} - \hat{\gamma}_{st,j-1}$ .

If there is a tie in determining the predicted category, the tie will be broken by choosing the category with the highest  $N_j = \sum_{s=1}^S \sum_{t=1}^{T_s} f_{st} y_{st,j}$ . If there is still a tie, the one with the lowest category number is chosen.

Approximate  $100(1-\alpha)\%$  confidence intervals for the cumulative predicted probabilities

$$g^{-1}(\hat{\eta}_{st,j} \pm t_{v,\alpha/2} \hat{\sigma}_{\hat{\eta}_{st,j}}), j = 1, \dots, J - 1,$$

If either endpoint in the argument is outside the valid range for the inverse link function, the corresponding confidence interval endpoint is set to a system missing value.

The degrees of freedom can be computed by the residual, Satterthwaite, or Kenward-Roger methods. For the residual method,  $v = N - (J - 1 + p_x)$ . For Satterthwaite's approximation, the  $\mathbf{L}$  matrix is constructed by  $(X_{st,j}, Z_{st,j})$  where  $X_{st,j}$  and  $Z_{st,j}$  are the  $j$ th rows of  $X_{st}$  and  $Z_{st}$ , respectively, corresponding to the  $j$ th category. For example, the  $\mathbf{L}$  matrix is  $(1, 0, \dots, 0, -X_{st}^T, Z_{st}^T)_{1 \times (J - 1 + p + r)}$  for the 1st category. The computation should then be similar to that described in "Method for computing degrees of freedom".

## Pseudo- $R^2$ and Intraclass Correlation Coefficient (ICC) measures

### Model Considerations

- The pseudo- $R^2$  and ICC measures were designed for hierarchical or multilevel models, a subset of mixed models having specific hierarchical structures for the random effects (see Nakagawa & Schielzeth (2013, 2017) and Johnson (2014) for the framework). The measures apply only to models where  $\mathbf{R}$  is a scaled identity matrix, with a single estimated residual covariance parameter. This is enforced by producing these measures only when no REPEATED\_MEASURES keyword is specified on the DATA\_STRUCTURE subcommand and no ANALYSIS\_WEIGHT keyword is specified on the FIELDS subcommand.
- Pseudo- $R^2$  and ICC measures are not available with multinomial distributions.
- No pseudo- $R^2$  or ICC measures are produced unless at least one RANDOM subcommand is specified.

### Pseudo- $R^2$ Measures

Two pseudo- $R^2$  measures are produced, a marginal version ( $R_m^2$ ) that estimates the proportion of the total variance explained by the fixed effects, and a conditional version ( $R_c^2$ ) that estimates the proportion of the variance explained by both fixed and random effects.

$$R_m^2 = \frac{\hat{\sigma}_f^2}{\hat{\sigma}_f^2 + \hat{\sigma}_v^2 + \hat{\sigma}_\varepsilon^2},$$

$$R_c^2 = \frac{\hat{\sigma}_f^2 + \hat{\sigma}_v^2}{\hat{\sigma}_f^2 + \hat{\sigma}_v^2 + \hat{\sigma}_\varepsilon^2},$$

where the component of variance estimates are as follows:

$$\text{Fixed effects: } \hat{\sigma}_f^2 = \text{Var}(X\hat{\beta} + O)$$

$$\text{Random effects: } \hat{\sigma}_v^2 = \text{Trace}(Z\hat{G}Z^T)/n$$

and  $\hat{\sigma}_\varepsilon^2$  is the observation-level variance. (Estimation of the observation-level variance is discussed in a later section.)

### Intraclass Correlation Coefficients (ICCs)

Conditional and adjusted intraclass correlation coefficients for estimating levels of dependence among randomly selected units in the same subject grouping can be estimated as follows:

$$ICC_{con} = \frac{\hat{\sigma}_\gamma^2}{\hat{\sigma}_f^2 + \hat{\sigma}_\gamma^2 + \hat{\sigma}_\varepsilon^2}$$

$$ICC_{adj} = \frac{\hat{\sigma}_\gamma^2}{\hat{\sigma}_\gamma^2 + \hat{\sigma}_\varepsilon^2}$$

If no fixed effects are fitted, or only a fixed intercept,  $\hat{\sigma}_f^2 = 0$  so that  $ICC_{adj}$  equals  $ICC_{con}$ . Although Nakagawa et al. (2017) indicate that in this situation a measure should not be referred to as adjusted, since no non-zero effect has been estimated and excluded from the ICC calculation, we maintain the same label in the output.

For a model with more than two levels and random intercepts but no other random effects, the overall ICC measures can be decomposed into ICCs for each level of nesting, using the individual random intercept variances  $\hat{\sigma}_{\gamma_k}^2$ :

$$ICC_{con_k} = \frac{\hat{\sigma}_{\gamma_k}^2}{\hat{\sigma}_f^2 + \hat{\sigma}_\gamma^2 + \hat{\sigma}_\varepsilon^2}$$

$$ICC_{adj_k} = \frac{\hat{\sigma}_{\gamma_k}^2}{\hat{\sigma}_\gamma^2 + \hat{\sigma}_\varepsilon^2}$$

## Estimating the observation-level variance

- **The delta method**

The delta method for variance approximation uses a first-order Taylor series expansion, which is often employed to approximate the standard error (or error variance) for transformations (or functions) of a variable when the (error) variance of the variable itself is known. The delta method for variance approximation can be written as

$$\hat{\sigma}_\varepsilon^2 = Var(\eta) = Var(y) \left( \frac{d}{dy} g(y) \right)^2,$$

where  $Var(y)$  and the first derivative  $\frac{d}{dy} g(y)$  are determined by the combination of probability distribution and link function. Refer to Tables 45-1 and 45-4, respectively, for their forms.

The observation-level variance is a function of  $\mu$ , that is

$$\hat{\sigma}_\varepsilon^2 = \text{Var}(y) \left( \frac{d}{dy} g(y) \right)^2 = h(\mu).$$

Given the estimates of  $\hat{\mu}_i$  for the data sample, we will first compute the average  $\bar{\mu}$  as

$$\bar{\mu} = \frac{1}{N} \sum_{i=1}^n f_i \hat{\mu}_i,$$

then we compute the variance as

$$\hat{\sigma}_\varepsilon^2 = h(\bar{\mu}).$$

## • **The trigamma function**

The trigamma function is

$$\Psi(\nu) = \sum_{j=1}^{\infty} 1/(\nu + j).$$

The use of the trigamma function is limited to distributions with log link, but it is considered to provide the most accurate estimate of the observation-level variance in those cases. This is because the variance of a gamma-distributed variable on the log scale is equal to  $\Psi(\nu)$ , where  $\nu$  is the shape parameter of the gamma distribution.

Specifically, the observation-level variance is estimated by the trigamma function as follows

$$\hat{\sigma}_\varepsilon^2 = \Psi((h(\bar{\mu}))^{-1}).$$

The trigamma function is available only for the Poisson, Negative binomial, and Gamma probability distributions.

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# GENLIN Algorithms

Generalized linear models (GZLM) and generalized estimating equations (GEE) are commonly used analytical tools for different types of data. Generalized linear models cover not only widely used statistical models, such as linear regression for normally distributed responses, logistic models for binary data, and log linear model for count data, but also many useful statistical models via its very general model formulation. However, the independence assumption prohibits application of generalized linear models to correlated data. Generalized estimating equations were developed to extend generalized linear models to accommodate correlated longitudinal data and clustered data.

## Generalized Linear Models

Generalized linear models were first introduced by Nelder and Wedderburn (1972) and later expanded by McCullagh and Nelder (1989). The following discussion is based on their works.

### Notation

The following notation is used throughout this section unless otherwise stated:

Table 46-1

#### Notation

Notation	Description
$n$	Number of complete cases in the dataset. It is an integer and $n \geq 1$ .
$p$	Number of parameters (including the intercept, if exists) in the model. It is an integer and $p \geq 1$ .
$p_x$	Number of non-redundant columns in the design matrix. It is an integer and $p_x \geq 1$ .
$\mathbf{y}$	$n \times 1$ dependent variable vector. The rows are the cases.
$\mathbf{r}$	$n \times 1$ vector of events for the binomial distribution; it usually represents the number of "successes." All elements are non-negative integers.
$\mathbf{m}$	$n \times 1$ vector of trials for the binomial distribution. All elements are positive integers and $m_i \geq r_i, i=1, \dots, n$ .
$\boldsymbol{\mu}$	$n \times 1$ vector of expectations of the dependent variable.
$\boldsymbol{\eta}$	$n \times 1$ vector of linear predictors.
$\mathbf{X}$	$n \times p$ design matrix. The rows represent the cases and the columns represent the parameters. The $i$ th row is $(x_{i1}, \dots, x_{ip})^T, i=1, \dots, n$ with $x_{i1} = 1$ if the model has an intercept.
$\mathbf{O}$	$n \times 1$ vector of scale offsets. This variable can't be the dependent variable ( $\mathbf{y}$ ) or one of the predictor variables ( $\mathbf{X}$ ).
$\boldsymbol{\beta}$	$p \times 1$ vector of unknown parameters. The first element in $\boldsymbol{\beta}$ is the intercept, if there is one.
$\boldsymbol{\omega}$	$n \times 1$ vector of scale weights. If an element is less than or equal to 0 or missing, the corresponding case is not used.
$\mathbf{f}$	$n \times 1$ vector of frequency counts. Non-integer elements are treated by rounding the value to the nearest integer. For values less than 0.5 or missing, the corresponding cases are not used.
$N$	Effective sample size. $N = \sum_{i=1}^n f_i$ . If frequency count variable $\mathbf{f}$ is not used, $N = n$ .



**Model**

A GZLM of  $\mathbf{y}$  with predictor variables  $\mathbf{X}$  has the form

$$\eta = g(E(\mathbf{y})) = \mathbf{X}\beta + \mathbf{O}, \quad \mathbf{y} \sim F$$

where  $\boldsymbol{\eta}$  is the linear predictor;  $\mathbf{O}$  is an offset variable with a constant coefficient of 1 for each observation;  $g(\cdot)$  is the monotonic differentiable link function which states how the mean of  $\mathbf{y}$ ,  $E(\mathbf{y}) = \boldsymbol{\mu}$ , is related to the linear predictor  $\boldsymbol{\eta}$ ;  $F$  is the response probability distribution. Choosing different combinations of a proper probability distribution and a link function can result in different models.

Some combinations are well known models and have been provided in different IBM® SPSS® Statistics procedures. The following table lists these combinations and corresponding procedures.

Table 46-2  
Distribution, link function, and corresponding procedure

Distribution	Link function	Model	Procedure
Normal	Identity	Linear regression	GLM, REGRESSION
Binomial	Logit	Logistic regression	LOGISTIC REGRESSION
Poisson	Log	Loglinear	GENLOG

In addition, GZLM also assumes  $y_i$  are independent for  $i=1, \dots, n$ . This is the main assumption which separates GZLM and GEE. Then for each observation, the model becomes

$$\eta_i = g(\mu_i) = \mathbf{x}_i^T \boldsymbol{\beta} + o_i, \quad y_i \sim F$$

Notes

- $\mathbf{X}$  can be any combination of scale variables (covariates), categorical variables (factors), and interactions. The parameterization of  $\mathbf{X}$  is the same as in the GLM procedure. Due to use of the over-parameterized model where there is a separate parameter for every factor effect level occurring in the data, the columns of the design matrix  $\mathbf{X}$  are often dependent. Collinearity between scale variables in the data can also occur. To establish the dependencies in the design matrix, columns of  $\mathbf{X}^T \boldsymbol{\Psi} \mathbf{X}$ , where  $\boldsymbol{\Psi} = \text{diag}(f_1 \omega_1, \dots, f_n \omega_n)$ , are examined by using the sweep operator. When a column is found to be dependent on previous columns, the corresponding parameter is treated as redundant. The solution for redundant parameters is fixed at zero.
- When  $\mathbf{y}$  is a binary dependent variable which can be character or numeric, such as “male”/“female” or 1/2, its values will be transformed to 0 and 1 with 1 typically representing a success or some other positive result. In this document, we assume to be modeling the probability of success. In this document, we assume that  $\mathbf{y}$  has been transformed to 0/1 values and we always model the probability of success; that is,  $\text{Prob}(\mathbf{y} = 1)$ . Which original value should be transformed to 0 or 1 depends on what the reference category is. If the reference category is the last value (REFERENCE=LAST in the syntax), then the first category represents a success and we are modeling the probability of it. For example, if REFERENCE=LAST is used in the syntax, “male” in “male”/“female” and 2 in 1/2 are the last values (since “male” comes later in the dictionary than “female”) and would be transformed to 0, and “female” and 1 would be transformed to 1 as we model the probability of them,

respectively. However, one way to change to model the probability of “male” and 2 instead is to specify REFERENCE=FIRST in the syntax. Note if original binary format is 0/1 and REFERENCE=LAST is specified, then 0 would be transformed to 1 and 1 to 0.

- When **r**, representing the number of successes (or number of 1s) and **m**, representing the number of trials, are used for the binomial distribution, the response is the binomial proportion **y = r/m**.

### Multinomial Distribution

The response variable *y* is assumed to be ordinal; its values have an intrinsic ordering and correspond to consecutive integers from 1 to *J*. The design matrix *X* includes model predictors, but not an intercept. The following new notations are needed to define the model form:

Table 46-3

*Notation*

Notation	Description
<i>J</i>	The number of values for the ordinal response variable, $J \geq 1$ .
$\psi$	$J - 1 \times 1$ vector of threshold parameters $\psi = (\psi_1, \psi_2, \dots, \psi_{J-1})'$ and $\psi_1 < \psi_2 < \dots < \psi_{J-1}$ .
$\beta$	$p \times 1$ vector of regression parameters associated with model predictors, $\beta = (\beta_1, \beta_2, \dots, \beta_p)'$ .
<b>B</b>	$(J - 1 + p) \times 1$ vector of all parameters, $\mathbf{B} = (\psi', \beta')'$
$\gamma_{i,j}$	Conditional cumulative response probability for category <i>j</i> given observed independent variable vector, $\gamma_{i,j} = P(y_i \leq j   x_i)$
$\pi_{i,j}$	Conditional response probability for category <i>j</i> given observed independent variable vector, $\pi_{i,j} = P(y_i = j   x_i)$ and $\pi_{i,j} = \gamma_{i,j} - \gamma_{i,j-1}$ for $j = 1, \dots, J$ .
$\eta_{i,j}$	Linear predictor value of case <i>i</i> for category <i>j</i> . It is related to $\gamma_{i,j}$ through a cumulative link function.

$$\eta_{i,j} = g(\gamma_{i,j}) = \psi_j - x_i^T \beta + o_i, y_i \sim F.$$

### Probability Distribution

GZLMs are usually formulated within the framework of the exponential family of distributions. The probability density function of the response *Y* for the exponential family can be presented as

$$f(y) = \exp \left\{ \frac{y\theta - b(\theta)}{\phi/\omega} + c(y, \phi/\omega) \right\}$$

where  $\theta$  is the canonical (natural) parameter,  $\phi$  is the scale parameter related to the variance of *y* and  $\omega$  is a known prior weight which varies from case to case. Different forms of  $b(\theta)$  and  $c(y, \phi/\omega)$  will give specific distributions. In fact, the exponential family provides a notation that allows us to model both continuous and discrete (count, binary, and proportional) outcomes. Several are available including continuous ones: normal, inverse Gaussian, gamma; discrete ones: negative binomial, Poisson, binomial, ordinal multinomial; and a mixed distribution: Tweedie.

The mean and variance of *y* can be expressed as follows

$$E(y) = b'(\theta) = \mu$$

$$Var(y) = b''(\theta) \frac{\phi}{\omega} = V(\mu) \frac{\phi}{\omega}$$

where  $b'(\theta)$  and  $b''(\theta)$  denote the first and second derivatives of  $b$  with respect to  $\theta$ , respectively;  $V(\mu)$  is the variance function which is a function of  $\mu$ .

In GZLM, the distribution of  $y$  is parameterized in terms of the mean ( $\mu$ ) and a scale parameter ( $\phi$ ) instead of the canonical parameter ( $\theta$ ). The following table lists the distribution of  $y$ , corresponding range of  $y$ , variance function ( $V(\mu)$ ), the variance of  $y$  ( $Var(y)$ ), and the first derivative of the variance function  $V'(\mu)$ , which will be used later.

Table 46-4

*Distribution, range and variance of the response, variance function, and its first derivative*

Distribution	Range of $y$	$V(\mu)$	$Var(y)$	$V'(\mu)$
Normal	$(-\infty, \infty)$	1	$\phi$	0
Inverse Gaussian	$(0, \infty)$	$\mu^3$	$\phi\mu^3$	$3\mu^2$
Gamma	$(0, \infty)$	$\mu^2$	$\phi\mu^2$	$2\mu$
Negative binomial	$0(1)\infty$	$\mu+k\mu^2$	$\mu+k\mu^2$	$1+2k\mu$
Poisson	$0(1)\infty$	$\mu$	$\mu$	1
Binomial( $m$ )	$0(1)m/m$	$\mu(1-\mu)$	$\mu(1-\mu)/m$	$1-2\mu$
Tweedie( $q$ )	$[0, \infty)$	$\mu^q$	$\phi\mu^q$	$q\mu^{q-1}$
Multinomial	$1(1)J$	There are not simple forms for ordinal multinomial, but they are not needed for parameter estimation.		

Notes

- $0(1)z$  means the range is from 0 to  $z$  with increments of 1; that is, 0, 1, 2, ...,  $z$ .
- For the binomial distribution, the binomial trial variable  $m$  is considered as a part of the weight variable  $\omega$ .
- If a weight variable  $\omega$  is presented,  $\phi$  is replaced by  $\phi/\omega$ .
- For the negative binomial distribution, the ancillary parameter ( $k$ ) can be user-specified or estimated by the maximum likelihood (ML) method. When  $k = 0$ , the negative binomial distribution reduces to the Poisson distribution. When  $k = 1$ , the negative binomial is the geometric distribution.
- The Tweedie class of distributions includes discrete, continuous and mixed densities as long as  $q \leq 0$  or  $q \geq 1$ , where  $q$  is the exponent in the variance function. Special cases include the normal ( $q = 0$ ), Poisson ( $q = 1$ ), gamma ( $q = 2$ ) and inverse Gaussian ( $q = 3$ ). Except for these special cases, the Tweedie distributions cannot be written in closed form. Here, we only consider the Tweedie distributions for  $1 < q < 2$ , which can be represented as Poisson mixtures of gamma distributions and are mixed distributions with mass at zero and with support on the non-negative real values. These distributions are sometimes called “compound Poisson”, “compound gamma” and “Poisson-gamma” distributions.  $q$  must be user-specified.

**Scale parameter handling.** The expressions for  $V(\mu)$  and  $\text{Var}(y)$  for continuous distributions and Tweedie distributions include the scale parameter  $\phi$  which can be used to scale the relationship of the variance and mean ( $\text{Var}(y)$  and  $\mu$ ). Since it is usually unknown, there are three ways to fit the scale parameter:

1. It can be estimated with  $\beta$  jointly by maximum likelihood method.
2. It can be set to a fixed positive value.
3. It can be specified by the deviance or Pearson chi-square. For more information, see the topic “Goodness-of-Fit Statistics”.

On the other hand, discrete distributions do not have this extra parameter (it is theoretically equal to one). Because of it, the variance of  $y$  might not be equal to the nominal variance in practice (especially for Poisson and binomial because the negative binomial has an ancillary parameter  $k$ ). A simple way to adjust this situation is to allow the variance of  $y$  for discrete distributions to have the scale parameter as well, but unlike continuous distributions, it can’t be estimated by the ML method. So for discrete distributions, there are two ways to obtain the value of  $\phi$ :

1. It can be specified by the deviance or Pearson chi-square.
2. It can be set to a fixed positive value.

To ensure the data fit the range of response for the specified distribution, we follow the rules:

- For the gamma or inverse Gaussian distributions, values of  $\mathbf{y}$  must be real and greater than zero. If a value of  $\mathbf{y}$  is less than or equal to 0 or missing, the corresponding case is not used.
- For the negative binomial and Poisson distributions, values of  $\mathbf{y}$  must be integer and non-negative. If a value of  $\mathbf{y}$  is non-integer, less than 0 or missing, the corresponding case is not used.
- For the binomial distribution and if the response is in the form of a single variable,  $\mathbf{y}$  must have only two distinct values. If  $\mathbf{y}$  has more than two distinct values, the algorithm terminates in an error.
- For the binomial distribution and the response is in the form of ratio of two variables denoted events/trials, values of  $\mathbf{r}$  (the number of events) must be nonnegative integers, values of  $\mathbf{m}$  (the number of trials) must be positive integers and  $m_i \geq r_i, \forall i$ . If a value of  $\mathbf{r}$  is not integer, less than 0, or missing, the corresponding case is not used. If a value of  $\mathbf{m}$  is not integer, less than or equal to 0, less than the corresponding value of  $\mathbf{r}$ , or missing, the corresponding case is not used.
- For the Tweedie distributions, values of  $\mathbf{y}$  must be zero or positive real. If a value of  $\mathbf{y}$  is less than 0 or missing, the corresponding case is not used.

The ML method will be used to estimate  $\beta$  and possibly  $\phi$  for continuous distributions and the Tweedie distribution, or  $k$  for the negative binomial. The kernels of the log-likelihood function ( $\ell_k$ ) and the full log-likelihood function ( $\ell$ ), which will be used as the objective function for parameter estimation, are listed for each distribution in the following table. Using  $\ell$  or  $\ell_k$  won’t affect the parameter estimation, but the selection will affect the calculation of information criteria. For more information, see the topic “Goodness-of-Fit Statistics”.

Table 46-5  
The log-likelihood function for probability distribution

Distribution	$\ell_k$ and $\ell$
Normal	$\ell_k = \sum_{i=1}^n -\frac{f_i}{2} \left\{ \frac{\omega_i (y_i - \mu_i)^2}{\phi} + \ln \left( \frac{\phi}{\omega_i} \right) \right\}$ $\ell = \ell_k + \sum_{i=1}^n -\frac{f_i}{2} \{ \ln(2\pi) \}$
Inverse Gaussian	$\ell_k = \sum_{i=1}^n -\frac{f_i}{2} \left\{ \frac{\omega_i (y_i - \mu_i)^2}{\phi y_i \mu_i^2} + \ln \left( \frac{\phi y_i^3}{\omega_i} \right) \right\}$ $\ell = \ell_k + \sum_{i=1}^n -\frac{f_i}{2} \{ \ln(2\pi) \}$
Gamma	$= \sum_{i=1}^n f_i \left\{ \frac{\omega_i}{\phi} \ln \left( \frac{\omega_i y_i}{\phi \mu_i} \right) - \frac{\omega_i y_i}{\phi \mu_i} - \ln \left( \Gamma \left( \frac{\omega_i}{\phi} \right) \right) \right\}$ $\ell = \ell_k + \sum_{i=1}^n f_i \{ -\ln(y_i) \}$
Negative binomial	$\ell_k = \sum_{i=1}^n f_i \frac{\omega_i}{\phi} \{ y_i \ln(k\mu_i) - (y_i + 1/k) \ln(1 + k\mu_i) + \ln(\Gamma(y_i + 1/k)) - \ln(\Gamma(1/k)) \}$ $\ell = \ell_k + \sum_{i=1}^n f_i \frac{\omega_i}{\phi} \{ -\ln(\Gamma(y_i + 1)) \}$
Poisson	$\ell_k = \sum_{i=1}^n f_i \frac{\omega_i}{\phi} \{ y_i \ln(\mu_i) - \mu_i \}$ $\ell = \ell_k + \sum_{i=1}^n f_i \frac{\omega_i}{\phi} \{ -\ln(y_i!) \}$
Binomial( $m$ )	$= \sum_{i=1}^n f_i \frac{\omega_i^*}{\phi} \{ y_i \ln(\mu_i) + (1 - y_i) \ln(1 - \mu_i) \}$ $\ell = \ell_k + \sum_{i=1}^n f_i \frac{\omega_i}{\phi} \left\{ \ln \binom{m_i}{r_i} \right\}, \text{ where } \binom{m_i}{r_i} = \frac{m_i!}{r_i! (m_i - r_i)!}$
Tweedie	$\ell_k = \sum_{i=1}^n f_i \left\{ \ln(V_i) + \frac{\omega_i}{\phi} \left( \frac{y_i \mu_i^{1-q}}{(1-q)} - \frac{\mu_i^{2-q}}{(2-q)} \right) \right\}$ $\ell = \ell_k + \sum_{i=1}^n f_i \{ -\ln(y_i) \}$
Multinomial	$\ell = \ell_k = \sum_{i=1}^n \frac{f_i \omega_i}{\phi} \sum_{j=1}^J y_{i,j} \ln(\pi_{i,j}), \text{ where } y_{i,j} = \begin{cases} 1 & \text{if } y_i = j \\ 0 & \text{otherwise} \end{cases}$

When an individual  $y = 0$  for the negative binomial, Poisson or Tweedie distributions and  $y = 0$  or 1 for the binomial distribution, a separate value of the log-likelihood is given. Let  $\ell_{k,i}$  be the log-likelihood value for individual case  $i$  when  $y_i = 0$  for the negative binomial, Poisson

and Tweedie and 0/1 for the binomial. The full log-likelihood for  $i$  is equal to the kernel of the log-likelihood for  $i$ ; that is,  $\ell_i = \ell_{k,i}$ .

Table 46-6  
Log-likelihood

Distribution	$\ell_{k,i}$
Negative binomial	$\ell_{k,i} = -f_i \frac{\omega_i}{\phi} \frac{\ln(1+k\mu_i)}{k}$ if $y_i = 0$
Poisson	$\ell_{k,i} = -f_i \frac{\omega_i}{\phi} \mu_i$ if $y_i = 0$
Binomial( $m$ )	$\ell_{k,i} = \begin{cases} f_i \frac{\omega_i}{\phi} \ln(1-\mu_i) & \text{if } y_i = 0 \\ f_i \frac{\omega_i}{\phi} \ln(\mu_i) & \text{if } y_i = 1 \end{cases}$
Tweedie	$-f_i \frac{\omega_i}{\phi} \frac{\mu_i^{2-q}}{(2-q)}$ if $y_i = 0$

- $\Gamma(z)$  is the gamma function and  $\ln(\Gamma(z))$  is the log-gamma function (the logarithm of the gamma function), evaluated at  $z$ .
- For the negative binomial distribution, the scale parameter is still included in  $\ell_k$  for flexibility, although it is usually set to 1.

- For the negative binomial distribution,  $y_i$  must be a non-negative integer, which means  $\Gamma(y_i + 1) = y_i!$  and  $\ell = \ell_k + \sum_{i=1}^n f_i \frac{\omega_i}{\phi} \{-\ln(y_i!)\}$ . In addition,  $\ell_k$  can be

written as  $\sum_{i=1}^n f_i \frac{\omega_i}{\phi} \left\{ y_i \ln(k\mu_i) - \left( y_i + \frac{1}{k} \right) \ln(1+k\mu_i) + \sum_{j=1}^{y_i-1} \ln(1+kj) \right\}$  because

$$\frac{\Gamma(y_i+1/k)}{\Gamma(1/k)} = \prod_{j=0}^{y_i-1} (j+1/k).$$

Some potential computational problems can be avoided by using this form. See Cameron and Trivedi (1998, P. 72).

- For the binomial distribution ( $\mathbf{r}/\mathbf{m}$ ), the scale weight variable becomes  $\omega_i^* = \omega_i m_i$  in  $\ell_k$ ; that is, the binomial trials variable  $\mathbf{m}$  is regarded as a part of the weight. However, the scale weight in the extra term of  $\ell$  is still  $\omega_i$ .
- $V_i$  in the Tweedie distribution is an infinite series as follows:

$$V_i = \sum_{j=1}^{\infty} V_{ij}$$

and

$$V_{ij} = \frac{\omega_i^{j(1-\alpha)} y_i^{-j\alpha} (q-1)^{j\alpha}}{\phi^{j(1-\alpha)} (2-q)^j \Gamma(-j\alpha) j!}$$

where  $\alpha = \frac{2-q}{1-q}$  and. To evaluate the infinite summation for  $V_i$ , the value of  $j$  is determined for which  $V_{ij}$  reaches a maximum and sum the necessary terms of the series in that region. The method proposed by Dunn and Smyth (2005) is adopted here.

### Link Function

The following tables list the form, inverse form, range of  $\hat{\mu}$ , and first and second derivatives for each link function.

Table 46-7  
Link function name, form, inverse of link function, and range of the predicted mean

Link function	$\eta=g(\mu)$	Inverse $\mu=g^{-1}(\eta)$	Range of $\hat{\mu}$
Identity	$\mu$	$\eta$	$\hat{\mu} \in R$
Log	$\ln(\mu)$	$\exp(\eta)$	$\hat{\mu} \geq 0$
Logit	$\ln\left(\frac{\mu}{1-\mu}\right)$	$\frac{\exp(\eta)}{1+\exp(\eta)}$	$\hat{\mu} \in [0, 1]$
Probit	$\Phi^{-1}(\mu)$ , where $\Phi(\xi) = \frac{1}{\sqrt{2\pi}} \int_{-\infty}^{\xi} e^{-z^2/2} dz$	$\Phi(\eta)$	$\hat{\mu} \in [0, 1]$
Complementary log-log	$\ln(-\ln(1-\mu))$	$1-\exp(-\exp(\eta))$	$\hat{\mu} \in [0, 1]$
Power( $\alpha$ ) $\begin{cases} \alpha \neq 0 \\ \alpha = 0 \end{cases}$	$\begin{cases} \mu^\alpha \\ \ln(\mu) \end{cases}$	$\begin{cases} \eta^{1/\alpha} \\ \exp(\eta) \end{cases}$	$\begin{cases} \hat{\mu} \in R \text{ if } \alpha \text{ or } 1/\alpha \text{ is odd integer} \\ \hat{\mu} \geq 0 \text{ otherwise} \end{cases}$
Log-complement	$\ln(1-\mu)$	$1-\exp(\eta)$	$\hat{\mu} \leq 1$
Negative log-log	$-\ln(-\ln(\mu))$	$\exp(-\exp(-\eta))$	$\hat{\mu} \in [0, 1]$
Negative binomial	$\ln\left(\frac{\mu}{\mu+\frac{1}{k}}\right)$	$\frac{\exp(\eta)}{k(1-\exp(\eta))}$	$\hat{\mu} \geq 0$
Odds power( $\alpha$ ) $\begin{cases} \alpha \neq 0 \\ \alpha = 0 \end{cases}$	$\begin{cases} \frac{(\mu/(1-\mu))^\alpha - 1}{\alpha} \\ \ln\left(\frac{\mu}{1-\mu}\right) \end{cases}$	$\begin{cases} \frac{(1+\alpha\eta)^{1/\alpha}}{1+(1+\alpha\eta)^{1/\alpha}} \\ \frac{\exp(\eta)}{1+\exp(\eta)} \end{cases}$	$\hat{\mu} \in [0, 1]$

Note: In the power link function, if  $|\alpha| < 2.2e-16$ ,  $\alpha$  is treated as 0.

Table 46-8  
The first and second derivatives of link function

Link function	First derivative $g'(\mu) = \frac{\partial \eta}{\partial \mu} = \Delta$	Second derivative $g''(\mu) = \frac{\partial^2 \eta}{\partial \mu^2}$
Identity	1	0
Log	$\frac{1}{\mu}$	$-\Delta^2$
Logit	$\frac{1}{\mu(1-\mu)}$	$\Delta^2(2\mu - 1)$
Probit	$\frac{1}{\phi(\Phi^{-1}(\mu))}$ , where $\phi(z) = \frac{1}{\sqrt{2\pi}} e^{-z^2/2}$	$\Delta^2 \Phi^{-1}(\mu)$
Complementary log-log	$\frac{1}{(\mu-1)\ln(1-\mu)}$	$-\Delta^2(1 + \ln(1 - \mu))$
Power( $\alpha$ ) $\begin{cases} \alpha \neq 0 \\ \alpha = 0 \end{cases}$	$\begin{cases} \alpha \mu^{\alpha-1} \\ \frac{1}{\mu} \end{cases}$	$\begin{cases} \Delta \frac{\alpha-1}{\mu} \\ -\Delta^2 \end{cases}$
Log-complement	$\frac{-1}{1-\mu}$	$-\Delta^2$
Negative log-log	$\frac{-1}{\mu \ln(\mu)}$	$\Delta^2(1 + \ln(\mu))$
Negative binomial	$\frac{1}{\mu+k\mu^2}$	$-\Delta^2(1 + 2k\mu)$
Odds power( $\alpha$ ) $\begin{cases} \alpha \neq 0 \\ \alpha = 0 \end{cases}$	$\begin{cases} \frac{\mu^{\alpha-1}}{(\mu-1)^{\alpha+1}} \\ \frac{1}{\mu(1-\mu)} \end{cases}$	$\begin{cases} \Delta \left( \frac{\alpha-1}{\mu} + \frac{\alpha+1}{1-\mu} \right) \\ \Delta^2(2\mu - 1) \end{cases}$

Table 46-9  
Cumulative Link Function Name, Form, Inverse Form and Range of the Predicted Cumulative Probability

Link function	$\eta=g(\gamma)$	Inverse $\gamma=g^{-1}(\eta)$	Range of $\hat{\gamma}$
Cumulative logit	$\ln\left(\frac{\gamma}{1-\gamma}\right)$	$\frac{\exp(\eta)}{1+\exp(\eta)}$	$\hat{\gamma} \in [0, 1]$
Cumulative probit	$\Phi^{-1}(\gamma)$ , where $\Phi(\xi) = \frac{1}{\sqrt{2\pi}} \int_0^\xi e^{-z^2/2} dz$	$\Phi(\eta)$	$\hat{\gamma} \in [0, 1]$
Cumulative complementary log-log	$\ln(-\ln(1-\gamma))$	$1 - \exp(-\exp(\eta))$	$\hat{\gamma} \in [0, 1]$
Cumulative negative log-log	$-\ln(-\ln(\gamma))$	$\exp(-\exp(-\eta))$	$\hat{\gamma} \in [0, 1]$
Cumulative Cauchit	$\tan(\pi(\gamma - 0.5))$	$0.5 + \arctan(\eta)/\pi$	$\hat{\gamma} \in [0, 1]$

Note:  $\pi$  in the formulae is the number, not the response probability.

Table 46-10  
The Inverse First and Second Derivatives of Cumulative Link Function

Link function	Inverse first derivative $\frac{\partial \gamma}{\partial \eta} = \Delta$	Inverse second derivative $\frac{\partial^2 \gamma}{\partial \eta^2}$
Cumulative logit	$\gamma(1 - \gamma)$	$\Delta(1 - 2\gamma)$
Cumulative probit	$\phi(\Phi^{-1}(\gamma))$ , where $\phi(z) = \frac{1}{\sqrt{2\pi}} e^{-z^2/2}$	$-\Delta \times \Phi^{-1}(\gamma)$
Cumulative complementary log-log	$(\gamma - 1) \ln(1 - \gamma)$	$\Delta(1 + \ln(1 - \gamma))$
Cumulative negative log-log	$-\gamma \ln(\gamma)$	$-\Delta(1 + \ln(\gamma))$
Cumulative Cauchit	$\cos^2(\pi(\gamma - 0.5))/\pi$	$\Delta \times \sin(2\pi\gamma)$

When the canonical parameter is equal to the linear predictor,  $\theta = \eta$ , then the link function is called the **canonical link function**. Although the canonical links lead to desirable statistical properties of the model, particularly in small samples, there is in general no a priori reason why the systematic effects in a model should be additive on the scale given by that link. The canonical link functions for probability distributions are given in the following table.

Table 46-11  
Canonical and default link functions for probability distributions

Distribution	Canonical link function
Normal	Identity
Inverse Gaussian	Power(-2)
Gamma	Power(-1)
Negative binomial	Negative binomial
Poisson	Log
Binomial	Logit
Tweedie	Power(1-q)
Multinomial	Cumulative logit

## Estimation

Having selected a particular model, it is required to estimate the parameters and to assess the precision of the estimates.

### Parameter estimation

The parameters are estimated by maximizing the log-likelihood function (or the kernel of the log-likelihood function) from the observed data. Let  $\mathbf{s}$  be the first derivative (gradient) vector of the log-likelihood with respect to each parameter, then we wish to solve

$$\mathbf{s} = \left[ \frac{\partial \ell}{\partial \beta} \right]_{p \times 1} = 0$$

or, for the multinomial distribution,

$$\mathbf{s} = \left[ \frac{\partial \ell}{\partial \mathbf{B}} \right]_{(J-1+p) \times 1} = \left[ \begin{array}{c} \frac{\partial \ell}{\partial \Psi} \\ \frac{\partial \ell}{\partial \beta} \end{array} \right] = 0$$

In general, there is no closed form solution except for a normal distribution with identity link function, so estimates are obtained numerically via an iterative process. A Newton-Raphson and/or Fisher scoring algorithm is used and it is based on a linear Taylor series approximation of the first derivative of the log-likelihood.

### First Derivatives

If the scale parameter  $\phi$  is not estimated by the ML method,  $\mathbf{s}$  is a  $p \times 1$  vector with the form:

$$\mathbf{s} = \sum_{i=1}^n \frac{f_i \omega_i (y_i - \mu_i)}{\phi V(\mu_i) g'(\mu_i)} \cdot x_i = \frac{1}{\phi} \sum_{i=1}^n \frac{f_i \omega_i (y_i - \mu_i)}{V(\mu_i) g'(\mu_i)} \cdot x_i$$

where  $\mu_i$ ,  $V(\mu_i)$  and  $g'(\mu_i)$  are defined in Table 46-7 “Link function name, form, inverse of link function, and range of the predicted mean”, Table 46-4 “Distribution, range and variance of the response, variance function, and its first derivative”, and Table 46-8 “The first and second derivatives of link function”, respectively.

If the scale parameter  $\phi$  is estimated by the ML method, it is handled by searching for  $\phi$  since  $\phi$  is required to be greater than zero. Similarly, if the ancillary parameter  $k$  for negative binomial is estimated by the ML method, it is still handled by searching for  $\ln(k)$  since  $k$  is also required to be greater than zero.

Let  $\tau = \phi$  so  $\phi = \exp(\tau)$  (or  $\tau = \ln(k)$  and  $k = \exp(\tau)$  for negative binomial), then  $\mathbf{s}$  is a  $(p+1) \times 1$  vector with the following form

$$\mathbf{s} = \begin{bmatrix} \frac{\partial \ell}{\partial \beta} \\ \frac{\partial \ell}{\partial \tau} \end{bmatrix}_{(p+1) \times 1} = \begin{bmatrix} \frac{1}{\exp(\tau)} \sum_{i=1}^n \frac{f_i \omega_i (y_i - \mu_i)}{V(\mu_i) g'(\mu_i)} x_i \\ \frac{\partial \ell}{\partial \tau} \end{bmatrix}$$

where  $\partial \ell / \partial \beta$  is the same as the above with  $\phi$  is replaced with  $\exp(\tau)$  (though for negative binomial,  $\phi$  is not replaced),  $\partial \ell / \partial \tau$  has a different form depending on the distribution as follows:

Table 46-12

The 1st derivative functions w.r.t. the scale parameter for probability distributions

Distribution	$\frac{\partial \ell}{\partial \tau}$
Normal	$\sum_{i=1}^n f_i \left\{ \frac{\omega_i (y_i - \mu_i)^2}{\exp(\tau)} - 1 \right\}$
Inverse Gaussian	$\sum_{i=1}^n f_i \left\{ \frac{\omega_i (y_i - \mu_i)^2}{\exp(\tau) y_i \mu_i^2} - 1 \right\}$
Gamma	$\sum_{i=1}^n \frac{f_i \omega_i}{\exp(\tau)} \left\{ \ln \left( \frac{\omega_i y_i}{\exp(\tau) \mu_i} \right) + \left( 1 - \frac{y_i}{\mu_i} \right) - \psi \left( \frac{\omega_i}{\exp(\tau)} \right) \right\}$
Negative Binomial	$\sum_{i=1}^n \frac{f_i \omega_i}{\phi \exp(\tau)} \left\{ a_i + \ln(1 + \exp(\tau) \mu_i) - \psi \left( y_i + \frac{1}{\exp(\tau)} \right) + \psi \left( \frac{1}{\exp(\tau)} \right) \right\}$ <p>where for all appropriate link functions other than negative binomial link function,</p> $a_i = \frac{\exp(\tau)(y_i - \mu_i)}{(1 + \exp(\tau) \mu_i)}$ <p>and for the negative binomial link function,</p> $a_i = 0$
Tweedie	$\sum_{i=1}^n f_i \frac{\partial \ell_i}{\partial \tau},$ <p>where</p> $\frac{\partial \ell_i}{\partial \tau} = \begin{cases} \frac{\omega_i \mu_i^{2-q}}{\exp(\tau)(2-q)} \text{ for } y_i = 0 \\ \frac{\partial V_i}{V_i} - \frac{\omega_i y_i \mu_i^{1-q}}{\exp(\tau)(1-q)} + \frac{\omega_i \mu_i^{2-q}}{\exp(\tau)(2-q)} \text{ for } y_i > 0 \end{cases}$

Note:  $\psi(z)$  is a digamma function, which is the derivative of logarithm of a gamma function, evaluated at  $z$ ; that is,  $\psi(z) = \frac{\partial \ln(\Gamma(z))}{\partial z} = \frac{\Gamma'(z)}{\Gamma(z)}$ .

As mentioned above, for normal distribution with identity link function which is a classical linear regression model, there is a closed form solution for both  $\beta$  and  $\tau$ , so no iterative process is needed. The solution for  $\beta$ , after applying the SWEEP operation in GLM procedure, is

$$\hat{\beta} = \left( \sum_{i=1}^n f_i \omega_i \mathbf{x}_i^T \mathbf{x}_i \right)^{-1} \left( \sum_{i=1}^n f_i \omega_i \mathbf{x}_i^T (y_i - o_i) \right) = \left( \mathbf{X}^T \Psi \mathbf{X} \right)^{-1} \left( \mathbf{X}^T \Psi (\mathbf{y} - \mathbf{o}) \right),$$

where  $\Psi = \text{diag}(f_1\omega_1, \dots, f_n\omega_n)$  and  $(\mathbf{Z})^-$  is the generalized inverse of a matrix  $\mathbf{Z}$ . If the scale parameter  $\phi$  is also estimated by the ML method, the estimate of  $\tau$  is

$$\hat{\tau} = \ln(\hat{\phi}) = \ln\left(\frac{1}{N} \sum_{i=1}^n f_i\omega_i (y_i - \mathbf{x}_i^T \hat{\beta} - o_i)^2\right).$$

For the ordinal multinomial model:

$$\mathbf{s} = \left[ \frac{\partial \ell}{\partial \psi_1}, \dots, \frac{\partial \ell}{\partial \psi_{J-1}}, \frac{\partial \ell}{\partial \beta_1}, \dots, \frac{\partial \ell}{\partial \beta_p} \right]^T,$$

where

$$\begin{aligned} \frac{\partial \ell}{\partial \psi_j} &= \sum_{i=1}^n \frac{f_i\omega_i}{\phi} \frac{\partial \gamma_{i,j}}{\partial \eta_{i,j}} \left( \frac{y_{i,j}}{\pi_{i,j}} - \frac{y_{i,j+1}}{\pi_{i,j+1}} \right), j = 1, \dots, J-1 \\ \frac{\partial \ell}{\partial \beta_t} &= - \sum_{i=1}^n \sum_{j=1}^J \frac{f_i\omega_i}{\phi} \left( \frac{\partial \gamma_{i,j}}{\partial \eta_{i,j}} - \frac{\partial \gamma_{i,j-1}}{\partial \eta_{i,j-1}} \right) \frac{y_{i,j}}{\pi_{i,j}} x_{it}, t = 1, \dots, p, \end{aligned}$$

and

$$\pi_{i,j} = \gamma_{i,j} - \gamma_{i,j-1} \quad \text{for } j = 1, \dots, J$$

$$\gamma_{i,j} = \begin{cases} 0 & j = 0 \\ g^{-1}(\psi_j - \mathbf{x}_i^T \beta + o_i) & j = 1, \dots, J-1, \\ 1 & j = J \end{cases}$$

*Note:* if  $\partial \gamma_{i,j} = 0$  or  $\partial \gamma_{i,j} = 1$  then  $\frac{\partial \gamma_{i,j}}{\partial \eta_{i,j}} = 0$  for all cumulative link functions.

Second Derivatives

Let  $\mathbf{H}$  be the second derivative (Hessian) matrix. If the scale parameter is not estimated by the ML method,  $\mathbf{H}$  is a  $p \times p$  matrix with the following form

$$\mathbf{H} = \left[ \frac{\partial^2 \ell}{\partial \beta \partial \beta^T} \right]_{p \times p} = -\mathbf{X}^T \mathbf{W} \mathbf{X}$$

where  $\mathbf{W}$  is an  $n \times n$  diagonal matrix. There are two definitions for  $\mathbf{W}$  depending on which algorithm is used:  $\mathbf{W}_e$  for Fisher scoring and  $\mathbf{W}_o$  for Newton-Raphson. The  $i$ th diagonal element for  $\mathbf{W}_e$  is

$$w_{e,i} = \frac{f_i\omega_i}{\phi} \cdot \frac{1}{V(\mu_i) (g'(\mu_i))^2},$$

and the  $i$ th diagonal element for  $\mathbf{W}_o$  is

$$w_{o,i} = w_{e,i} + \frac{f_i \omega_i}{\phi} (y_i - \mu_i) \cdot \frac{V(\mu_i) g''(\mu_i) + V'(\mu_i) g'(\mu_i)}{(V(\mu_i))^2 (g'(\mu_i))^3},$$

where  $V'(\mu_i)$  and  $g''(\mu_i)$  are defined in Table 46-4 “Distribution, range and variance of the response, variance function, and its first derivative” and Table 46-8 “The first and second derivatives of link function”, respectively. Note the expected value of  $\mathbf{W}_o$  is  $\mathbf{W}_e$  and when the canonical link is used for the specified distribution, then  $\mathbf{W}_o = \mathbf{W}_e$ .

If the scale parameter is estimated by the ML method,  $\mathbf{H}$  becomes a  $(p+1) \times (p+1)$  matrix with the form

$$\mathbf{H} = \begin{bmatrix} \frac{\partial^2 \ell}{\partial \beta \partial \beta^T} & \frac{\partial^2 \ell}{\partial \beta \partial \tau} \\ \frac{\partial^2 \ell}{\partial \tau \partial \beta^T} & \frac{\partial^2 \ell}{\partial \tau^2} \end{bmatrix}_{(p+1) \times (p+1)}$$

where  $\partial^2 \ell / \partial \beta \partial \tau$  is a  $p \times 1$  vector and  $\partial^2 \ell / \partial \tau \partial \beta^T$  is a  $1 \times p$  vector and the transpose of  $\partial^2 \ell / \partial \beta \partial \tau$ . For all three continuous distributions:

$$\frac{\partial^2 \ell}{\partial \beta \partial \tau} = \sum_{i=1}^n - \frac{f_i \omega_i (y_i - \mu_i)}{\exp(\tau) V(\mu_i) g'(\mu_i)} \quad \mathbf{x}_i = - \frac{\partial \ell}{\partial \beta}.$$

The forms of  $\partial^2 \ell / \partial \beta \partial \tau$  for negative binomial are as follows depending on the link functions:

For all appropriate link functions other than negative binomial link function,

$$\frac{\partial^2 \ell}{\partial \beta \partial \tau} = \sum_{i=1}^n - \frac{f_i \omega_i \exp(\tau) (y_i - \mu_i)}{\phi (1 + \exp(\tau) \mu_i)^2 g'(\mu_i)} \quad \mathbf{x}_i;$$

for the negative binomial link function,

$$\frac{\partial^2 \ell}{\partial \beta \partial \tau} = \sum_{i=1}^n \frac{f_i \omega_i \mu_i}{\phi} \quad \mathbf{x}_i.$$

The forms of  $\partial^2 \ell / \partial \tau^2$  are listed in the following table.

Table 46-13

The second derivative functions w.r.t. the scale parameter for probability distributions

Distribution	$\frac{\partial^2 \ell}{\partial \tau^2}$
Normal	$\sum_{i=1}^n - \frac{f_i \omega_i}{2 \exp(\tau)} (y_i - \mu_i)^2$
Inverse Gaussian	$\sum_{i=1}^n - \frac{f_i \omega_i}{2 \exp(\tau) y_i \mu_i^2} (y_i - \mu_i)^2$

<b>Distribution</b>	$\frac{\partial^2 \ell}{\partial \tau^2}$
Gamma	$\sum_{i=1}^n \frac{f_i \omega_i}{\exp(\tau)} \left\{ \ln \left( \frac{\omega_i y_i}{\exp(\tau) \mu_i} \right) + \left( 2 - \frac{y_i}{\mu_i} \right) - \psi \left( \frac{\omega_i}{\exp(\tau)} \right) - \frac{\omega_i}{\exp(\tau)} \psi' \left( \frac{\omega_i}{\exp(\tau)} \right) \right\}$
Negative Binomial	$\sum_{i=1}^n \frac{f_i \omega_i}{\phi} \left. \begin{aligned} & a_i - \frac{1}{\exp(\tau)} \ln(1 + \exp(\tau) \mu_i) + \\ & \frac{1}{\exp(\tau)} \left[ \psi \left( y_i + \frac{1}{\exp(\tau)} \right) - \psi \left( \frac{1}{\exp(\tau)} \right) \right] + \\ & \frac{1}{\exp(2\tau)} \left[ \psi' \left( y_i + \frac{1}{\exp(\tau)} \right) - \psi' \left( \frac{1}{\exp(\tau)} \right) \right] \end{aligned} \right\};$ <p>where for all appropriate link functions other than negative binomial link function,</p> $a_i = \frac{-y_i \exp(\tau) \mu_i + \mu_i + 2 \exp(\tau) \mu_i^2}{(1 + \exp(\tau) \mu_i)^2}$ <p>and for the negative binomial link function,</p> $a_i = 0$
Tweedie	$\sum_{i=1}^n f_i \frac{\partial^2 \ell_i}{\partial \tau^2},$ <p>where</p> $\frac{\partial^2 \ell_i}{\partial \tau^2} = \begin{cases} -\frac{\omega_i \mu_i^{2-q}}{\exp(\tau)(2-q)} & \text{for } y_i = 0 \\ \frac{\partial^2 V_i}{\partial \tau^2} - \left( \frac{\partial V_i}{\partial \tau} \right)^2 + \frac{\omega_i y_i \mu_i^{1-q}}{\exp(\tau)(1-q)} - \frac{\omega_i \mu_i^{2-q}}{\exp(\tau)(2-q)} & \text{for } y_i > 0 \end{cases}$

Note:  $\psi'(z)$  is a trigamma function, which is the derivative of  $\psi(z)$ , evaluated at  $z$ .

$$\frac{\partial V_i}{\partial \tau} = (\alpha - 1) \sum_{j=1}^{\infty} j V_{ij} \text{ and the evaluation of it is similar to that of the series } V_i = \sum_{j=1}^{\infty} V_{ij}.$$

For the ordinal multinomial model:

$$\mathbf{H} = \left[ \frac{\partial^2 \ell}{\partial \mathbf{B} \partial \mathbf{B}^T} \right]_{(J-1+p) \times (J-1+p)} = \begin{bmatrix} \frac{\partial^2 \ell}{\partial \Psi \partial \Psi^T} & \frac{\partial^2 \ell}{\partial \Psi \partial \beta^T} \\ \frac{\partial^2 \ell}{\partial \beta \partial \Psi^T} & \frac{\partial^2 \ell}{\partial \beta \partial \beta^T} \end{bmatrix}.$$

The elements of  $\mathbf{H}$  have two forms: (1) the expected first derivatives of the estimating equation  $\mathbf{s}$  which is applied to Fisher scoring and (2) the first derivatives of the estimating equation  $\mathbf{s}$  which is applied to Newton Raphson.

Expected second derivatives have the following expressions:

$$\frac{\partial^2 \ell}{\partial \psi_{j-1} \partial \psi_j} = \sum_{i=1}^n \frac{f_i \omega_i}{\phi} \frac{\partial \gamma_{i,j-1}}{\partial \eta_{i,j-1}} \frac{\partial \gamma_{i,j}}{\partial \eta_{i,j}} \frac{1}{\pi_{i,j}}, j = 2, \dots, J - 1,$$

$$\frac{\partial^2 \ell}{\partial \psi_j^2} = - \sum_{i=1}^n \frac{f_i \omega_i}{\phi} \left( \frac{\partial \gamma_{i,j}}{\partial \eta_{i,j}} \right)^2 \left( \frac{1}{\pi_{i,j}} + \frac{1}{\pi_{i,j+1}} \right), j = 1, \dots, J-1,$$

$$\frac{\partial^2 \ell}{\partial \psi_l \partial \psi_j} = 0, \text{ for } |l - j| > 1,$$

$$\frac{\partial^2 \ell}{\partial \psi_j \partial \beta_t} = \sum_{i=1}^n \frac{f_i \omega_i}{\phi} \left[ \left( \frac{\partial \gamma_{i,j}}{\partial \eta_{i,j}} - \frac{\partial \gamma_{i,j-1}}{\partial \eta_{i,j-1}} \right) \frac{1}{\pi_{i,j}} - \left( \frac{\partial \gamma_{i,j+1}}{\partial \eta_{i,j+1}} - \frac{\partial \gamma_{i,j}}{\partial \eta_{i,j}} \right) \frac{1}{\pi_{i,j+1}} \right] \frac{\partial \gamma_{i,j}}{\partial \eta_{i,j}} x_{it},$$

$$j = 1, \dots, J-1, t = 1, \dots, p,$$

$$\frac{\partial^2 \ell}{\partial \beta_t \partial \beta_u} = - \sum_{i=1}^n \sum_{j=1}^J \frac{f_i \omega_i}{\phi} \left( \frac{\partial \gamma_{i,j}}{\partial \eta_{i,j}} - \frac{\partial \gamma_{i,j-1}}{\partial \eta_{i,j-1}} \right)^2 \frac{1}{\pi_{i,j}} x_{it} x_{iu}, t, u = 1, \dots, p.$$

Second derivatives have the following expressions:

$$\frac{\partial^2 \ell}{\partial \psi_{j-1} \partial \psi_j} = \sum_{i=1}^n \frac{f_i \omega_i}{\phi} \frac{\partial \gamma_{i,j-1}}{\partial \eta_{i,j-1}} \frac{\partial \gamma_{i,j}}{\partial \eta_{i,j}} \frac{y_{i,j}}{\pi_{i,j}^2}, j = 2, \dots, J-1,$$

$$\frac{\partial^2 \ell}{\partial \psi_j^2} = \sum_{i=1}^n \frac{f_i \omega_i}{\phi} \left[ \frac{\partial^2 \gamma_{i,j}}{\partial \eta_{i,j}^2} \left( \frac{y_{i,j}}{\pi_{i,j}} - \frac{y_{i,j+1}}{\pi_{i,j+1}} \right) - \left( \frac{\partial \gamma_{i,j}}{\partial \eta_{i,j}} \right)^2 \left( \frac{y_{i,j}}{\pi_{i,j}^2} + \frac{y_{i,j+1}}{\pi_{i,j+1}^2} \right) \right], j = 1, \dots, J-1,$$

$$\frac{\partial^2 \ell}{\partial \psi_l \partial \psi_j} = 0, \text{ for } |l - j| > 1,$$

$$\frac{\partial \ell}{\partial \psi_j \partial \beta_t} = - \sum_{i=1}^n \frac{f_i \omega_i}{\phi} \left[ \frac{\partial^2 \gamma_{i,j}}{\partial \eta_{i,j}^2} \pi_{i,j} - \frac{\partial \gamma_{i,j}}{\partial \eta_{i,j}} \left( \frac{\partial \gamma_{i,j}}{\partial \eta_{i,j}} - \frac{\partial \gamma_{i,j-1}}{\partial \eta_{i,j-1}} \right) \right] \frac{y_{i,j}}{\pi_{i,j}^2} x_{it} +$$

$$\sum_{i=1}^n \frac{f_i \omega_i}{\phi} \left[ \frac{\partial^2 \gamma_{i,j}}{\partial \eta_{i,j}^2} \pi_{i,j+1} - \frac{\partial \gamma_{i,j}}{\partial \eta_{i,j}} \left( \frac{\partial \gamma_{i,j+1}}{\partial \eta_{i,j+1}} - \frac{\partial \gamma_{i,j}}{\partial \eta_{i,j}} \right) \right] \frac{y_{i,j+1}}{\pi_{i,j+1}^2} x_{it},$$

$$j = 1, \dots, J-1, t = 1, \dots, p,$$

$$\frac{\partial \ell}{\partial \beta_t \partial \beta_u} = \sum_{i=1}^n \sum_{j=1}^J \frac{f_i \omega_i}{\phi} \left[ \left( \frac{\partial^2 \gamma_{i,j}}{\partial \eta_{i,j}^2} - \frac{\partial^2 \gamma_{i,j-1}}{\partial \eta_{i,j-1}^2} \right) \pi_{i,j} - \left( \frac{\partial \gamma_{i,j}}{\partial \eta_{i,j}} - \frac{\partial \gamma_{i,j-1}}{\partial \eta_{i,j-1}} \right)^2 \right] \frac{y_{i,j}}{\pi_{i,j}^2} x_{it} x_{iu},$$

$$t, u = 1, \dots, p,$$

Iterations

An iterative process to find the solution for  $\beta$  (which might include  $\phi$ ,  $k$  for negative binomial or  $\Psi$  for multinomial) is based on Newton-Raphson (for all iterations), Fisher scoring (for all iterations) or a hybrid method. The hybrid method consists of applying Fisher scoring steps for a specified number of iterations before switching to Newton-Raphson steps. Newton-Raphson performs well if the initial values are close to the solution, but the hybrid method can be used to improve the algorithm's robustness from bad initial values. Apart from improved robustness, Fisher scoring is faster due to the simpler form of the Hessian matrix.

The following notation applies to the iterative process:

Table 46-14

Notation

Notation	Description
$I$	Starting iteration for checking complete separation and quasi-complete separation. It must be 0 or a positive integer. This criterion is not used if the value is 0.
$J$	The maximum number of steps in step-halving method. It must be a positive integer.
$K$	The first number of iterations using Fisher scoring, then switching to Newton-Raphson. It must be 0 or a positive integer. A value of 0 means using Newton-Raphson for all iterations and a value greater or equal to $M$ means using Fisher scoring for all iterations.
$M$	The maximum number of iterations. It must be a non-negative integer. If the value is 0, then initial parameter values become final estimates.
$\epsilon_\ell, \epsilon_p, \epsilon_H$	Tolerance levels for three types of convergence criteria.
$Abs$	A 0/1 binary variable; $Abs = 1$ if absolute change is used for convergence criteria and $Abs = 0$ if relative change is used.

And the iterative process is outlined as follows:

1. Input values for  $I, J, K, M, \epsilon_\ell, \epsilon_p, \epsilon_H$  and  $Abs$  for each type of three convergence criteria.
2. Input initial values  $\beta^{(0)}$  or if no initial values are given,
3. Let  $\xi=1$ .
4. Compute estimates of  $i$ th iteration:  

$$\beta^{(i)} = \beta^{(i-1)} - \xi \left( \mathbf{H}^{(i-1)} \right)^- \mathbf{s}^{(i-1)},$$
 where  $(\mathbf{H})^-$  is a generalized inverse of  $\mathbf{H}$ . Then compute the log-likelihood based on  $\beta^{(i)}$ .
5. Use step-halving method if  $\ell^{(i)} < \ell^{(i-1)}$ : reduce  $\xi$  by half and repeat step (4). The set of values of  $\xi$  is  $\{0.5^j : j = 0, \dots, J - 1\}$ . If  $J$  is reached but the log-likelihood is not improved, issue a warning message, then stop.
6. Compute gradient vector  $\mathbf{s}^{(i)}$  and Hessian matrix  $\mathbf{H}^{(i)}$  based on  $\beta^{(i)}$ . Note that  $\mathbf{W}_e$  is used to calculate  $\mathbf{H}^{(i)}$  if  $i \leq K$ ;  $\mathbf{W}_o$  is used to calculate  $\mathbf{H}^{(i)}$  if  $i > K$ .
7. Check if complete or quasi-complete separation of the data is established (see below) if distribution is binomial or ordinal multinomial and the current iteration  $i \geq I$ . If either complete or quasi-complete separation is detected, issue a warning message, then stop.
8. Check if all three convergence criteria (see below) are met. If they are not but  $M$  is reached, issue a warning message, then stop.
9. If all three convergence criteria are met, check if complete or quasi-complete separation of the data is established if distribution is binomial or ordinal multinomial and  $i < I$  (because checking for complete or quasi-complete separation has not started yet). If complete or quasi-complete separation is detected, issue a warning message, then stop, otherwise, stop (the process converges for binomial or ordinal multinomial successfully). If all three convergence criteria are met for the distributions other than binomial or ordinal multinomial, stop (the process converges for other

distributions successfully). The final vector of estimates is denoted by  $\hat{\beta}$  (and  $\hat{\tau}$  and  $\hat{\Psi}$  for ordinal multinomial). Otherwise, go back to step (3).

### Initial Values

If initial values are not specified by the user, they are calculated as follows:

1. Set the initial fitted values  $\tilde{\mu}_i = (y_i m_i + 0.5)/(m_i + 1)$  for a binomial distribution ( $y_i$  can be a proportion or 0/1 value) and  $\tilde{\mu}_i = y_i$  for a non-binomial distribution. From these derive  $\tilde{\eta}_i = g(\tilde{\mu}_i), g'(\tilde{\mu}_i)$  and  $V(\tilde{\mu}_i)$ . If  $\tilde{\eta}_i$  becomes undefined, set  $\tilde{\eta}_i = 1$ .
2. Calculate the weight matrix  $\tilde{W}_e$  with the diagonal element  $\tilde{w}_{ei} = \frac{f_i \omega_i}{\phi} \frac{1}{V(\tilde{\mu}_i)(g'(\tilde{\mu}_i))^2}$ , where  $\phi$  is set to 1 or a fixed positive value. If the denominator of  $\tilde{w}_{ei}$  becomes 0, set  $\tilde{w}_{ei} = 0$ .
3. Assign the adjusted dependent variable  $z$  with the  $i$ th observation  $z_i = (\tilde{\eta}_i - o_i) + (y_i - \tilde{\mu}_i) g'(\tilde{\mu}_i)$  for a binomial distribution and  $z_i = (\tilde{\eta}_i - o_i)$  for a non-binomial distribution.
4. Calculate the initial parameter values

$$\beta^{(0)} = \left( \mathbf{X}^T \tilde{W}_e \mathbf{X} \right)^{-1} \mathbf{X}^T \tilde{W}_e z$$

and

$$\phi^{(0)} = \left( z - \mathbf{X} \beta^{(0)} \right)^T \tilde{W}_e \left( z - \mathbf{X} \beta^{(0)} \right).$$

if the scale parameter is estimated by the ML method.

For the ancillary parameter  $k$  of the negative binomial model, the initial  $k = 1$ , so the initial  $\tau = 0$ .

For the ordinal multinomial model, let  $N_j = \sum_{i=1}^n f_i y_{i,j}$  be the number of responses in category  $j$ ,

and  $N = \sum_{i=1}^n f_i$  be the effective sample size. Initial values for the threshold parameters, with and without the offset variable, are then computed according to the following formulae:

$$\psi_j^{(0)} = g \left( \frac{\sum_{l=1}^j N_l}{N} \right)$$

and

$$\psi_j^{(0)} = g \left( \frac{\sum_{l=1}^j N_l}{N} \right) - \bar{o}_j$$

$$\text{for } j=1, \dots, J-1, \text{ where } \bar{o}_j = \frac{\sum_{l=1}^j \sum_{i=1}^n f_i y_{i,j} o_i}{\sum_{l=1}^j \sum_{i=1}^n f_i y_{i,j}}.$$

Initial values for all regression parameters are set to zero.

#### Scale Parameter Handling

1. For normal, inverse Gaussian, gamma and Tweedie response, if the scale parameter is estimated by the ML method, then it will be estimated jointly with the regression parameters; that is, the last element of the gradient vector  $\mathbf{s}$  is with respect to  $\tau$ .
2. If the scale parameter is set to be a fixed positive value, then it will be held fixed at that value for in each iteration of the above process.
3. If the scale parameter is specified by the deviance or Pearson chi-square divided by degrees of freedom, then it will be fixed at 1 to obtain the regression estimates through the whole iterative process. Based on the regression estimates, calculate the deviance and Pearson chi-square values and obtain the scale parameter estimate.

#### Checking for Separation

For each iteration after the user-specified number of iterations; that is, if  $i > I$ , calculate (note here  $v$  refers to cases in the dataset)

$$p_{\min} = \min_v p_v$$

$$p_{\max} = \max_v p_v,$$

$$p_{\min}^* = \min_v (\min(\mu_v, 1 - \mu_v)),$$

where

$$p_v = \begin{cases} \mu_v & \text{if } y_v = \text{success} (= 1) \\ 1 - \mu_v & \text{if } y_v = \text{failure} (= 0) \end{cases}$$

( $p_v$  is the probability of the observed response for case  $v$ ) and  $\mu_v = g^{-1}(\mathbf{x}_v^T \boldsymbol{\beta} + o_v)$

For the ordinal multinomial model, the definitions are modified as follows:

$$p_{\min} = \min_v \pi_{v, y_v}$$

$$p_{\max} = \max_v \pi_{v, y_v},$$

$$p_{\min}^* = \min_v \left( \min_j \pi_{v, j} \right).$$

The rules for checking complete separation or quasi-complete separation for binomial or multinomial models are otherwise the same.

If  $\min(p_{\min}, p_{\max}) = p_{\min} > 0.99$  we consider there to be complete separation. Otherwise, if  $p_{\max} > 0.99$  or  $p_{\min}^* < 0.001$  and if there are very small diagonal elements (absolute value  $< \sqrt{10^{-7}} \approx 3.16 \times 10^{-4}$ ) in the non-redundant parameter locations in the lower triangular matrix in Cholesky decomposition of  $-\mathbf{H}$ , where  $\mathbf{H}$  is the Hessian matrix, then there is a quasi-complete separation.

### Convergence Criteria

The following convergence criteria are considered:

$$\begin{aligned} \text{Log-likelihood convergence: } & \begin{cases} \frac{|\ell^{(i)} - \ell^{(i-1)}|}{|\ell^{(i-1)}| + 10^{-6}} < \epsilon_{\ell} & \text{if relative change} \\ |\ell^{(i)} - \ell^{(i-1)}| < \epsilon_{\ell} & \text{if absolute change} \end{cases} \\ \text{Parameter convergence: } & \begin{cases} \max_j \left( \frac{|\beta_j^{(i)} - \beta_j^{(i-1)}|}{|\beta_j^{(i-1)}| + 10^{-6}} \right) < \epsilon_p & \text{if relative change} \\ \max_j (|\beta_j^{(i)} - \beta_j^{(i-1)}|) < \epsilon_p & \text{if absolute change} \end{cases} \\ \text{Hessian convergence: } & \begin{cases} \frac{(\mathbf{s}^{(i)})^T (\mathbf{H}^{(i)})^{-1} (\mathbf{s}^{(i)})}{|\ell^{(i)}| + 10^{-6}} < \epsilon_H & \text{if relative change} \\ (\mathbf{s}^{(i)})^T (\mathbf{H}^{(i)})^{-1} (\mathbf{s}^{(i)}) < \epsilon_H & \text{if absolute change} \end{cases} \end{aligned}$$

where  $\epsilon_{\ell}$ ,  $\epsilon_p$  and  $\epsilon_H$  are the given tolerance levels for each type.

If the Hessian convergence criterion is not user-specified, it is checked based on absolute change with  $\epsilon_H = 1\text{E-}4$  after the log-likelihood or parameter convergence criterion has been satisfied. If Hessian convergence is not met, a warning is displayed.

### **Parameter Estimate Covariance Matrix, Correlation Matrix and Standard Errors**

The parameter estimate covariance matrix, correlation matrix and standard errors can be obtained easily with parameter estimates. Whether or not the scale parameter is estimated by ML, parameter estimate covariance and correlation matrices are listed for  $\hat{\beta}$  only because the covariance between  $\hat{\beta}$  and  $\hat{\tau}$  should be zero.

If the ancillary parameter  $k$  ( $\tau$ ) of negative binomial is estimated by ML method, the parameter estimate covariance and correlation matrices are still listed for  $\hat{\beta}$  only even though the covariance between  $\hat{\beta}$  and  $\hat{\tau}$  is generally not zero.

For the ordinal multinomial model, parameter estimate covariance and correlation matrices are listed for  $\hat{\beta}$  and  $\hat{\Psi}$ .

### Model-Based Parameter Estimate Covariance

The model-based parameter estimate covariance matrix is given by

$$\Sigma_{\mathbf{m}} = -\mathbf{H}^{-} = -(-\mathbf{X}\mathbf{W}\mathbf{X})^{-}$$

where  $\mathbf{H}^{-}$  is the generalized inverse of the Hessian matrix evaluated at the parameter estimates. The corresponding rows and columns for redundant parameter estimates should be set to zero.

#### Robust Parameter Estimate Covariance

The validity of the parameter estimate covariance matrix based on the Hessian depends on the correct specification of the variance function of the response in addition to the correct specification of the mean regression function of the response. The robust parameter estimate covariance provides a consistent estimate even when the specification of the variance function of the response is incorrect. The robust estimator is also called Huber's estimator because Huber (1967) was the first to describe this variance estimate; White's estimator or HCCM (heteroskedasticity consistent covariance matrix) estimator because White (1980) independently showed that this variance estimate is consistent under a linear regression model including heteroskedasticity; or the sandwich estimator because it includes three terms. The robust (or Huber/White/sandwich) estimator is defined as follows

$$\Sigma_{\mathbf{r}} = \Sigma_{\mathbf{m}} \left( \sum_{i=1}^n \begin{bmatrix} \frac{\partial \ell_i}{\partial \beta} \\ \frac{\partial \ell_i}{\partial \beta} \end{bmatrix} \begin{bmatrix} \frac{\partial \ell_i}{\partial \beta} \\ \frac{\partial \ell_i}{\partial \beta} \end{bmatrix}^{\mathbf{T}} \right) \Sigma_{\mathbf{m}} = \Sigma_{\mathbf{m}} \left( \sum_{i=1}^n f_i \left( \frac{\omega_i (y_i - \mu_i)}{\phi V(\mu_i) g'(\mu_i)} \right)^2 \cdot x_i \cdot x_i^{\mathbf{T}} \right) \Sigma_{\mathbf{m}}$$

For the ordinal multinomial model,

$$\Sigma_{\mathbf{r}} = \Sigma_{\mathbf{m}} \left( \sum_{i=1}^n f_i \begin{bmatrix} \frac{\partial \ell_i}{\partial \mathbf{B}} \\ \frac{\partial \ell_i}{\partial \mathbf{B}} \end{bmatrix} \begin{bmatrix} \frac{\partial \ell_i}{\partial \mathbf{B}} \\ \frac{\partial \ell_i}{\partial \mathbf{B}} \end{bmatrix}^{\mathbf{T}} \right) \Sigma_{\mathbf{m}}$$

where

$$\begin{aligned} \frac{\partial \ell_i}{\partial \mathbf{B}} &= \begin{bmatrix} \frac{\partial \ell_i}{\partial \boldsymbol{\psi}}^{\mathbf{T}} & \frac{\partial \ell_i}{\partial \boldsymbol{\beta}}^{\mathbf{T}} \end{bmatrix}^{\mathbf{T}} = \left[ \frac{\partial \ell_i}{\partial \psi_1}, \dots, \frac{\partial \ell_i}{\partial \psi_{J-1}}, \frac{\partial \ell_i}{\partial \beta_1}, \dots, \frac{\partial \ell_i}{\partial \beta_p} \right]^{\mathbf{T}} \\ \frac{\partial \ell_i}{\partial \psi_j} &= \frac{\omega_i}{\phi} \frac{\partial \gamma_{i,j}}{\partial \eta_{i,j}} \left( \frac{y_{i,j}}{\pi_{i,j}} - \frac{y_{i,j+1}}{\pi_{i,j+1}} \right), j = 1, \dots, J-1 \\ \frac{\partial \ell_i}{\partial \beta_t} &= - \sum_{j=1}^J \frac{\omega_i}{\phi} \left( \frac{\partial \gamma_{i,j}}{\partial \eta_{i,j}} - \frac{\partial \gamma_{i,j-1}}{\partial \eta_{i,j-1}} \right) \frac{y_{i,j}}{\pi_{i,j}} x_{it}, t = 1, \dots, p. \end{aligned}$$

#### Parameter Estimate Correlation

The correlation matrix is calculated from the covariance matrix as usual. Let  $\sigma_{ij}$  be an element of  $\Sigma_{\mathbf{m}}$  or  $\Sigma_{\mathbf{r}}$ , then the corresponding element of the correlation matrix is  $\frac{\sigma_{ij}}{\sqrt{\sigma_{ii}\sigma_{jj}}}$ . The corresponding rows and columns for redundant parameter estimates should be set to system missing values.

#### Parameter Estimate Standard Error

Let  $\hat{\beta}_i$  denote a non-redundant parameter estimate for all distributions except multinomial. Its standard error is the square root of the  $i$ th diagonal element of  $\Sigma_m$  or  $\Sigma_r$ :

$$\hat{\sigma}_{\beta_i} = \sqrt{\sigma_{ii}}$$

The standard error for redundant parameter estimates is set to a system missing value. If the scale parameter is estimated by the ML method, we obtain  $\hat{\tau}$  and its standard error estimate  $\hat{\sigma}_\tau = \sqrt{-\frac{1}{\left(\frac{\partial^2 \ell}{\partial \tau^2}\right)}}$ , where  $\frac{\partial^2 \ell}{\partial \tau^2}$  can be found in Table 46-13 “The second derivative functions w.r.t. the scale parameter for probability distributions”. Then the estimate of the scale parameter is  $\exp(\hat{\tau})$  and the standard error estimate is  $(\exp(\hat{\tau}) \cdot \hat{\sigma}_\tau)$

For the ordinal multinomial model, let  $\hat{\psi}_j, j = 1, \dots, J - 1$ , be threshold parameter estimates and  $\hat{\beta}_i, i = 1, \dots, p$ , denote non-redundant regression parameter estimates. Their standard errors are the square root of the  $i$ th diagonal element of  $\Sigma_m$  or  $\Sigma_r$ :  $\hat{\sigma}_{\psi_j} = \sqrt{\sigma_{jj}}$  and  $\hat{\sigma}_{\beta_i} = \sqrt{\sigma_{(J-1+i), (J-1+i)}}$  respectively.

### Confidence Intervals

There are two methods of computing confidence intervals for the non-redundant parameters. One is based on the asymptotic normality of the parameter estimators, and the other is based on the profile likelihood function. The latter is time consuming because it needs to run iterative processes many times.

#### Wald Confidence Intervals

Wald confidence intervals are based on the asymptotic normal distribution of the parameter estimates. The  $100(1 - \alpha)\%$  Wald confidence interval for  $\beta_j$  is given by

$$\left( \hat{\beta}_j - z_{1-\alpha/2} \hat{\sigma}_{\beta_j}, \hat{\beta}_j + z_{1-\alpha/2} \hat{\sigma}_{\beta_j} \right),$$

where  $z_p$  is the  $100p$ th percentile of the standard normal distribution.

If exponentiated parameter estimates are requested for logistic regression or log-linear models, then using the delta method, the estimate of  $\exp(\beta_j)$  is  $\exp(\hat{\beta}_j)$ , the standard error estimate of  $\exp(\hat{\beta}_j)$  is  $(\exp(\hat{\beta}_j) \cdot \hat{\sigma}_{\beta_j})$  and the corresponding  $100(1 - \alpha)\%$  Wald confidence interval  $\exp(\beta_j)$  for is

$$\left( \exp\left(\hat{\beta}_j - z_{1-\alpha/2} \hat{\sigma}_{\beta_j}\right), \exp\left(\hat{\beta}_j + z_{1-\alpha/2} \hat{\sigma}_{\beta_j}\right) \right).$$

Wald confidence intervals for redundant parameter estimates are set to system missing values.

Similarly, the  $100(1 - \alpha)\%$  Wald confidence interval for  $\phi$  or  $k$  of the negative binomial model is

$$\left( \exp\left(\hat{\tau} - z_{1-\alpha/2} \hat{\sigma}_\tau\right), \exp\left(\hat{\tau} + z_{1-\alpha/2} \hat{\sigma}_\tau\right) \right)$$

Additionally, for the ordinal multinomial model, the  $100(1 - \alpha)\%$  Wald confidence interval for  $\psi_j$  is given by

$$\left( \hat{\psi}_j - z_{1-\alpha/2} \hat{\sigma}_{\psi_j}, \hat{\psi}_j + z_{1-\alpha/2} \hat{\sigma}_{\psi_j} \right)$$

the estimate of  $\exp(\psi_j)$  is  $\exp(\hat{\psi}_j)$ , the standard error estimate of  $\exp(\hat{\psi}_j)$  is  $\left( \exp(\hat{\psi}_j) \cdot \hat{\sigma}_{\psi_j} \right)$  and the corresponding  $100(1 - \alpha)\%$  Wald confidence interval for  $\exp(\psi_j)$  is  $\left( \exp\left(\hat{\psi}_j - z_{1-\alpha/2} \hat{\sigma}_{\psi_j}\right), \exp\left(\hat{\psi}_j + z_{1-\alpha/2} \hat{\sigma}_{\psi_j}\right) \right)$

#### Profile Likelihood Confidence Intervals

The construction of profile likelihood confidence interval (PLCI) is first derived from the asymptotic Chi-square distribution of the generalized likelihood ratio test by Venzon and Moolgavkav (1988). We use the modified algorithm, which is equivalent to theirs, by Heinze and Ploner (2002). The computation is iterative and very time consuming, especially if the number of predictors is large because the number of iterative processes needed is  $2p_X$ ; for the ordinal multinomial model, it is  $2(J - 1 + p_X)$ . PLCIs for redundant parameter estimates are set to system missing values and won't involve iterative processes.

The iterative process is as follows:

1. Let initial values  $\beta^{(0)}$  (note it might include  $\tau$ ;  $\Psi$  for multinomial) be the maximum likelihood estimates and initial log-likelihood  $\ell^{(0)}$ , gradient vector  $\mathbf{s}^{(0)}$  and Hessian matrix  $\mathbf{H}^{(0)}$  are obtained based on  $\beta^{(0)}$ .
2. Calculate  $\ell_0 = \ell^{(0)} - 0.5\chi_{1,(1-\alpha)}^2$ , where  $\chi_{1,(1-\alpha)}^2$  is the  $100(1 - \alpha)\%$  percentile of the Chi-square distribution with one degree of freedom.
3. Set the parameter number  $j = 1$ .
4. Set the iteration number  $i = 1$ .
5. Compute the incremental value  $\lambda$  at the  $(i - 1)$ th iteration:

$$\lambda^{(i-1)} = \pm \left\{ \frac{2[\ell_0 - \ell^{(i-1)}] + \left( \mathbf{s}^{(i-1)} \right) \left( \mathbf{H}^{(i-1)} \right)^{-1} \left( \mathbf{s}^{(i-1)} \right)}{\mathbf{e}_j \left( \mathbf{H}^{(i-1)} \right)^{-1} \mathbf{e}_j} \right\}^{1/2},$$

where  $\mathbf{e}_j$  is the  $j$ th unit vector. Take the positive values of  $\lambda$  first.

In rare cases, the value in the above braces is negative or  $\ell^{(i-1)}$  is missing or undefined. In that case,  $\lambda^{(i-1)}$  is undefined (note that  $\lambda^{(0)}$  is highly unlikely to be undefined) and the parameters can't be updated. To solve this problem, in general, we just take a simple average of parameters from the two previous iterations  $\beta^{(i)} = \frac{1}{2} \left( \beta^{(i-1)} + \beta^{(i-2)} \right)$ . If  $\lambda^{(i)}$  based on  $\beta^{(i)}$  is still undefined, we continue the process up to 5 times by taking the average of the current  $\beta^{(i)}$  value and  $\beta^{(i-2)}$  till  $\lambda^{(i)}$  becomes defined, otherwise, we issue a warning and stop.

6. Compute the step size  $\mathbf{d}^{(i-1)} = - \left( \mathbf{H}^{(i-1)} \right)^{-1} \left( \mathbf{s}^{(i-1)} + \lambda^{(i-1)} \mathbf{e}_j \right)$ .

7. Update parameter estimates  $\beta^{(i)} = \beta^{(i-1)} + d^{(i-1)}$
8. Compute log-likelihood  $\ell^{(i)}$ , gradient vector  $\mathbf{s}^{(i)}$  and Hessian matrix  $\mathbf{H}^{(i)}$  based on  $\beta^{(i)}$ . Note that whether  $\mathbf{W}_e$  or  $\mathbf{W}_o$  is used to calculate  $\mathbf{H}^{(i)}$  should be based on what had been used in the maximum likelihood estimates of  $\beta$ .
9. Check if the following two criteria with tolerance levels  $\epsilon_\ell$  and  $\epsilon_H$  are satisfied:
  - (a)  $|\ell^{(i)} - \ell_0| < \epsilon_\ell$
  - (b)  $\left(\mathbf{s}^{(i)} + \lambda^{(i,j)}\right) \left(\mathbf{H}^{(i)}\right)^{-1} \left(\mathbf{s}^{(i)} + \lambda^{(i,j)}\right) < \epsilon_H$ .
 If both criteria are met or the maximum number of iterations is reached, stop. Otherwise, set  $i = i + 1$  and go back to step (5).
10. The final vector of estimates is denoted by  $\hat{\beta}^u$ , then  $\hat{\beta}_j^u$  is the upper confidence limit for  $\beta_j$ .
11. Repeat steps (4) – (9) with negative values of  $\lambda$  in step (5) to find the lower confidence limit  $\hat{\beta}_j^l$ .
12. Repeat steps (4) – (11) by setting the parameter number  $j = 2, \dots, p_x$ .

#### Note

- If the scale parameter or ancillary parameter  $k$  of the negative binomial model is estimated by ML method, then it will be estimated jointly with regression parameters for the iterative processes of each regression parameter  $\beta_j, j = 1, \dots, p_x$ . Then the PLCI for  $\phi$  will be obtained by the iterative processes as well, and is equal to  $(\exp(\hat{\tau}^l), \exp(\hat{\tau}^u))$ . Similarly, the profile likelihood confidence interval for  $\exp(\beta_j)$  is calculated as  $(\exp(\hat{\beta}_j^l), \exp(\hat{\beta}_j^u))$ .
- If the scale parameter or ancillary parameter  $k$  of the negative binomial model is set to be a fixed positive value, then it will be held fixed at that value for each iterative process.
- If the scale parameter is specified for all distributions by the deviance or Pearson chi-square divided by degrees of freedom, then  $\phi$  will be held fixed at the value estimated from the deviance or Pearson statistic during the full model fit for each iterative process. For more information, see the topic “Goodness-of-Fit Statistics”.

### Chi-Square Statistics

The hypothesis  $H_{0i} : \beta_i = 0$  is tested for each non-redundant parameter using the chi-square statistic:

$$c_i = \left( \frac{\hat{\beta}_i}{\hat{\sigma}_{\beta_j}} \right)^2$$

which has an asymptotic chi-square distribution with 1 degree of freedom.

Chi-square statistics and their corresponding  $p$ -values are set to system missing values for redundant parameter estimates.

The chi-square statistic is not calculated for the scale parameter, even if it is estimated by ML method.

For the ordinal multinomial model, the hypotheses  $H_{0j} : \psi_j = 0, j = 1, \dots, J - 1$ , and  $H_{0i} : \beta_i = 0, i = 1, \dots, p_a$ , are tested for threshold parameters and non-redundant regression parameters using the chi-square statistics

$$c_{\psi_j} = \left( \frac{\hat{\psi}_j}{\hat{\sigma}_{\psi_j}} \right)^2$$

and

$$c_{\beta_i} = \left( \frac{\hat{\beta}_i}{\hat{\sigma}_{\beta_i}} \right)^2$$

### **P Values**

Given a test statistic  $T$  and a corresponding cumulative distribution function  $G$  as specified above, the  $p$ -value is defined as  $p = 1 - G(T)$ . For example, the  $p$ -value for the chi-square test of  $H_{0i} : \beta_i = 0$  is  $p_i = 1 - \text{prob}(\chi_1^2 \leq c_i)$ .

## **Model Testing**

After estimating parameters and calculating relevant statistics, several tests for the given model are performed.

### **Lagrange Multiplier Test**

If the scale parameter for normal, inverse Gaussian, gamma, and Tweedie distributions is set to a fixed value or specified by the deviance or Pearson chi-square divided by the degrees of freedom (when the scale parameter is specified by the deviance or Pearson chi-square divided by the degrees of freedom, it can be considered as a fixed value), or an ancillary parameter  $k$  for the negative binomial is set to a fixed value other than 0, the Lagrange Multiplier (LM) test assesses the validity of the value. For a fixed  $\phi$  or  $k$ , the test statistic is defined as

$$T_{LM} = \frac{s^2}{A}$$

where  $s = \partial \ell / \partial \tau$  and  $A = -\left( \frac{\partial^2 \ell}{\partial \tau^2} \right) - \left( -\frac{\partial^2 \ell}{\partial \tau \partial \beta} \mathbf{T} \right) \left( -\frac{\partial^2 \ell}{\partial \beta \partial \beta} \mathbf{T} \right)^{-1} \left( -\frac{\partial^2 \ell}{\partial \beta \partial \tau} \right)$  evaluated at the parameter estimates and fixed  $\phi$  or  $k$  value.  $T_{LM}$  has an asymptotic chi-square distribution with 1 degree of freedom, and the  $p$ -values are calculated accordingly.

For testing  $\phi$ , see Table 46-12 “The 1st derivative functions w.r.t. the scale parameter for probability distributions” and see Table 46-13 “The second derivative functions w.r.t. the scale parameter for probability distributions” for the elements of  $s$  and  $A$ , respectively.

If  $k$  is set to 0, then the above statistic can't be applied. According to Cameron and Trivedi (1998), the LM test statistic should now be based on the following auxiliary OLS regression (without constant)

$$\frac{(y_i - \hat{\mu}_i)^2 - y_i}{\hat{\mu}_i} = \alpha \hat{\mu}_i + \epsilon_i$$

where  $\hat{\mu}_i = g^{-1}(x_i^T \hat{\beta})$  and  $\epsilon_i$  is an error term. Let the response of the above OLS regression  $[(y_i - \hat{\mu}_i)^2 - y_i] / \hat{\mu}_i$  be  $z_i$  and the explanatory variable  $\hat{\mu}_i$  be  $w_i$ . The estimate of the above regression parameter  $\alpha$  and the standard error of the estimate of  $\alpha$  are

$$\hat{\alpha} = \frac{\sum_{i=1}^n f_i w_i z_i}{\sum_{i=1}^n f_i w_i^2} \quad \text{and} \quad \hat{\sigma}_\alpha = \sqrt{\frac{\frac{1}{n} s_e^2}{\sum_{i=1}^n f_i w_i^2}},$$

where  $s_e^2 = \frac{1}{N-1} \sum_{i=1}^n f_i e_i^2$  and  $e_i = z_i - \hat{\alpha} w_i$ . Then the LM test statistic is a  $z$  statistic

$$z = \frac{\hat{\alpha}}{\hat{\sigma}_\alpha},$$

and it has an asymptotic standard normal distribution under the null hypothesis of equidispersion in a Poisson model ( $H_0 : k = 0$ ). Three  $p$ -values are provided. The alternative hypothesis can be one-sided overdispersion ( $H_a : k > 0$ ), underdispersion ( $H_a : k < 0$ ) or two-sided non-directional ( $H_a : k \neq 0$ ) with the variance function of  $V(\mu) = \mu + k\mu^2$ . The calculation of  $p$ -values depends on the alternative. For  $H_a : k > 0$ ,  $p$ -value =  $1 - \Phi(z)$ , where  $\Phi(\cdot)$  is the cumulative probability of a standard normal distribution; for  $H_a : k < 0$ ,  $p$ -value =  $\Phi(z)$ ; and for  $H_a : k \neq 0$ ,  $p$ -value =  $2(1 - \Phi(|z|))$ .

### Goodness-of-Fit Statistics

Several statistics are calculated to assess goodness of fit of a given generalized linear model.

#### Deviance

The theoretical definition of deviance is:

$$D = 2\phi(\ell(\mathbf{y}; \mathbf{y}) - \ell(\hat{\mu}; \mathbf{y})),$$

where  $\ell(\hat{\mu}; \mathbf{y})$  is the log-likelihood function expressed as the function of the predicted mean values  $\hat{\mu}$  (calculated based on the parameter estimates) given the response variable, and  $\ell(\mathbf{y}; \mathbf{y})$  is the log-likelihood function computed by replacing  $\hat{\mu}$  with  $\mathbf{y}$ . The formula used for the deviance is  $\sum_{i=1}^n f_i d_i$ , where the form of  $d_i$  for the distributions are given in the following table:

Table 46-15  
Deviance for individual case

Distribution	$d_i$
Normal	$\omega_i (y_i - \mu_i)^2$
Inverse Gaussian	$\frac{\omega_i}{y_i \mu_i^3} (y_i - \mu_i)^2$
Gamma	$2\omega_i \left\{ -\ln \left( \frac{y_i}{\mu_i} \right) + \frac{y_i - \mu_i}{\mu_i} \right\}$
Negative Binomial	$2\omega_i \left\{ y_i \ln \left( \frac{y_i}{\mu_i} \right) - (y_i + 1/k) \ln \left( \frac{y_i + 1/k}{\mu_i + 1/k} \right) \right\}$
Poisson	$2\omega_i \left\{ y_i \ln \left( \frac{y_i}{\mu_i} \right) - (y_i - \mu_i) \right\}$
Binomial( $m$ )	$2\omega_i^* \left\{ y_i \ln \left( \frac{y_i}{\mu_i} \right) + (1 - y_i) \ln \left( \frac{1 - y_i}{1 - \mu_i} \right) \right\}$
Tweedie	$2\omega_i \left\{ \frac{y_i^{2-q} - (2-q)y_i \mu_i^{1-q} + (1-q)\mu_i^{2-q}}{(1-q)(2-q)} \right\}$

Note

- When  $\mathbf{y}$  is a binary dependent variable with 0/1 values (binomial distribution), the deviance and Pearson chi-square are calculated based on the subpopulations; see below.
- When  $y = 0$  for negative binomial and Poisson distributions and  $y = 0$  (for  $r = 0$ ) or 1 (for  $r = m$ ) for binomial distribution with **r/m** format, separate values are given for the deviance. Let  $d_i$  be the deviance value for individual case  $i$  when  $y_i = 0$  for negative binomial and Poisson and 0/1 for binomial.

Table 46-16  
Deviance for individual case

Distribution	$d_i$
Negative Binomial	$2\omega_i \frac{\ln(1+k\mu_i)}{k}$ if $y_i = 0$
Poisson	$2\omega_i \mu_i$ if $y_i = 0$
Binomial( $m$ )	$\begin{cases} -2\omega_i^* \ln(1 - \mu_i) & \text{if } y_i = 0 \text{ or } r_i = 0 \\ -2\omega_i^* \ln(\mu_i) & \text{if } y_i = 1 \text{ or } r_i = m_i \end{cases}$

Pearson Chi-Square

$$\chi^2 = \sum_{i=1}^n f_i \gamma_i$$

where  $\gamma_i = \frac{\omega_i^*(y_i - \mu_i)^2}{V(\mu_i)}$  for the binomial distribution and  $\gamma_i = \frac{\omega_i(y_i - \mu_i)^2}{V(\mu_i)}$  for other distributions.

Scaled Deviance and Scaled Pearson Chi-Square

The scaled deviance is  $D^* = D/\hat{\phi}$  and the scaled Pearson chi-square is  $\chi^{2*} = \chi^2/\hat{\phi}$ .

Since the scaled deviance and Pearson chi-square statistics have a limiting chi-square distribution with  $N - p_x$  degrees of freedom, the deviance or Pearson chi-square divided by its degrees of freedom can be used as an estimate of the scale parameter for both continuous and discrete distributions.

$$\hat{\phi} = \frac{D}{N - p_x} \text{ or } \hat{\phi} = \frac{\chi^2}{N - p_x}.$$

If the ancillary parameter  $k$  of the negative binomial model is estimated by the ML method, the scale parameter is measured by the deviance or Pearson chi-square divided by its degrees of freedom, then the degrees of freedom is  $N - p_x - 1$  because  $k$  is the extra parameter estimated by ML method.

If the scale parameter is measured by the deviance or Pearson chi-square, first we assume  $\phi = 1$ , then estimate the regression parameters, calculate the deviance and Pearson chi-square values and obtain the scale parameter estimate from the above formula. Then the scaled version of both statistics is obtained by dividing the deviance and Pearson chi-square by  $\hat{\phi}$ . In the meantime, some statistics need to be revised. The gradient vector and the Hessian matrix are divided by  $\hat{\phi}$  and the covariance matrix is multiplied by  $\hat{\phi}$ . Accordingly the estimated standard errors are also adjusted, the Wald confidence intervals and significance tests will be affected even the parameter estimates are not affected by  $\hat{\phi}$ .

Note that two log likelihood values are displayed: the original one (based on  $\phi = 1$ ) and the revised one (based on  $\phi = \hat{\phi}$  which is plugged into the log likelihood function of the corresponding distribution). Prior to version 16, only the original one is displayed. The original log likelihood is used in computing the information criteria but the revised log likelihood is used in the model fitting omnibus test.

### Overdispersion

For the Poisson and binomial distributions, if the estimated scale parameter is not near the assumed value of one, then the data may be overdispersed if the value is greater than one or underdispersed if the value is less than one. Overdispersion is more common in practice. The problem with overdispersion is that it may cause standard errors of the estimated parameters to be underestimated. A variable may appear to be a significant predictor, when in fact it is not.

### Deviance and Pearson Chi-Square for Binomial with 0/1 Binary Response and Ordinal Multinomial

When  $\mathbf{r}$  and  $\mathbf{m}$  (event/trial) variables are used for the binomial distribution, each case represents  $m$  Bernoulli trials. When  $\mathbf{y}$  is a binary dependent variable with 0/1 values, each case represents a single trial. The trial can be repeated for several times with the same setting (i.e. the same values for all predictor variables). For example, suppose the first 10  $\mathbf{y}$  values are 2 1s and 8 0s and  $\mathbf{x}$  values are the same (if recorded in events/trials format, these 10 cases is recorded as 1 case with  $r = 2$  and  $m = 10$ ), then these 10 cases should be considered from the same subpopulation. Cases with common values in the variable list that includes all predictor variables are regarded as coming from the same subpopulation. When the binomial distribution with binary response is

used, we should calculate the deviance and Pearson chi-square based on the subpopulations. If we calculate them based on the cases, the results might not be useful.

If subpopulations are specified for the binomial distribution with 0/1 binary response variable, the data should be reconstructed from the single trial format to the events/trials format. Assume the following notation for formatted data:

Table 46-17

Notation

Notation	Description
$n_s$	Number of subpopulations.
$r_{j1}$	Sum of the product of the frequencies and the scale weights associated with $y = 1$ in the $j$ th subpopulation. So $r_{j0}$ is that with $y = 0$ in the $j$ th subpopulation.
$m_j$	Total weighted observations; $m_j = r_{j1} + r_{j0}$ .
$y_{j1}$	The proportion of 1s in the $j$ th subpopulation; $y_{j1} = r_{j1} / m_j$ .
$\mu_j$	The fitted probability in the $j$ th subpopulation $\hat{\mu}_j$ would be the same for each case in the $j$ th subpopulation because values for all predictor variables are the same for each case.)

The deviance and Pearson chi-square are defined as follows:

$$D = 2 \sum_{j=1}^{n_s} m_j \left\{ y_{j1} \ln \left( \frac{y_{j1}}{\mu_j} \right) + (1 - y_{j1}) \ln \left( \frac{1 - y_{j1}}{1 - \mu_j} \right) \right\} \text{ and } \chi^2 = \sum_{j=1}^{n_s} \frac{m_j (y_{j1} - \mu_j)^2}{\mu_j (1 - \mu_j)},$$

then the corresponding estimate of the scale parameter will be

$$\hat{\phi} = \frac{D}{n_s - p_s} \text{ and } \hat{\phi} = \frac{\chi^2}{n_s - p_s}.$$

The full log likelihood, based on subpopulations, is defined as follows:

$$\ell = \ell_k + \sum_{j=1}^{n_s} \frac{1}{\hat{\phi}} \left\{ \ln \left( \frac{m_j}{r_{j1}} \right) \right\} = \ell_k + \sum_{j=1}^{n_s} \frac{1}{\hat{\phi}} \left\{ \ln \frac{m_j!}{r_{j1}! r_{j0}!} \right\},$$

where  $\ell_k$  is the kernel log likelihood; it should be the same as the kernel log-likelihood computed based on cases before, there is no need to compute again.

For the ordinal multinomial model, similarly, the data will be reconstructed based on subpopulations. Assume the following notation for reconstructed ordinal multinomial data:

Table 46-18

Notation

Notation	Description
$n_s$	Number of subpopulations.
$r_{ij}$	Sum of the product of the frequencies and the scale weights associated with the $j$ th category in the $i$ th subpopulation.
$m_i$	Total weighted observations for the $i$ th subpopulation; $m_i = \sum_{j=1}^J r_{i,j}$
$\hat{\pi}_{i,j}$	The fitted probability for the $j$ th category in the $i$ th subpopulation.

The deviance and Pearson chi-square are defined as follows.

$$D = 2 \sum_{i=1}^{n_s} \sum_{j=1}^J r_{i,j} \ln \left( \frac{r_{i,j}}{m_i \hat{\pi}_{i,j}} \right)$$

and

$$\chi^2 = \sum_{i=1}^{n_s} \sum_{j=1}^J \frac{(r_{i,j} - m_i \hat{\pi}_{i,j})^2}{m_i \hat{\pi}_{i,j}}.$$

with  $n_s(J - 1) - d$  degrees of freedom, where  $d = J - 1 + p_x$ . The corresponding estimates of the scale parameter will be

$$\hat{\phi} = \frac{D}{n_s(J - 1) - d}$$

and

$$\hat{\phi} = \frac{\chi^2}{n_s(J - 1) - d}$$

The full log likelihood, based on subpopulations, is defined as follows:

$$\ell = \ell_k + c = \ell_k + \sum_{i=1}^{n_s} \frac{1}{\phi} \left\{ \ln \frac{m_j!}{r_{j1}! \cdots r_{jJ}!} \right\},$$

where again  $\ell_k$  is the same as before.

#### Information Criteria

Information criteria are used when comparing different models for the same data. The formulas for various criteria are as follows.

**Akaike information criteria (AIC).**  $-2\ell + 2d$

**Finite sample corrected (AICC).**  $-2\ell + \frac{2d \cdot N}{(N - d - 1)}$

**Bayesian information criteria (BIC).**  $-2\ell + d \ln(N)$

**Consistent AIC (CAIC).**  $-2\ell + d(\ln(N) + 1)$ .

where  $\ell$  is the log-likelihood evaluated at the parameter estimates. Notice that  $d = p_x$  if only  $\mathbf{y}$  is included;  $d = p_x + 1$  if the scale parameter is included for normal, inverse Gaussian, gamma, and Tweedie, or  $k$  for the negative binomial distribution; for multinomial,  $d = J - 1 + p_x$ .

#### Notes

- $\ell$  (the full log-likelihood) can be replaced with  $\ell_k$  (the kernel of the log-likelihood) depending on the user's choice.

- If the scale parameter is specified by the deviance or Pearson chi-square, then the log likelihood is based on  $\phi = 1$ , for fair comparison among different models.
- When  $\mathbf{r}$  and  $\mathbf{m}$  (event/trial) variables are used for the binomial distribution, then the  $N$  used here would be the sum of the trials frequencies;  $N = \sum_{i=1}^n f_i m_i$ . In this way, the same value results whether the data are in raw, binary form (using single-trial syntax) or in summarized, binomial form (events/trials syntax).

### **Test of Model Fit**

The model fitting omnibus test is based on  $-2$  log-likelihood values for the model under consideration and the initial model. For the model under consideration, the value of the  $-2$  log-likelihood is

$$-2\ell(\hat{\beta})$$

Let the initial model be the intercept-only model if intercept is in the considered model or the empty model otherwise. For the intercept-only model, the value of the  $-2$  log-likelihood is

$$-2\ell(\hat{\beta}_0)$$

For the empty model, the value of the  $-2$  log-likelihood is

$$-2\ell(0)$$

Then the omnibus (or global) test statistic is

$$S = 2\left(\ell(\hat{\beta}) - \ell(\beta_0)\right) \text{ for the intercept-only model or}$$

$$S = 2\left(\ell(\hat{\beta}) - \ell(0)\right) \text{ for the empty model.}$$

$S$  has an asymptotic chi-square distribution with  $r$  degrees of freedom, equal to the difference in the number of valid parameters between the model under consideration and the initial model.  $r = p_x - 1$  for the intercept-only model,;  $r = p_x$  for the empty model. The  $p$ -values then can be calculated accordingly.

Note if the scale parameter or the ancillary parameter is estimated by the ML method in the model under consideration, then it will also be estimated by the ML method in the initial model.

For the ordinal multinomial model, the value of  $-2$  log-likelihood for the model under consideration is

$$-2\ell(\hat{\mathbf{B}})$$

the value of  $-2$  log-likelihood for the thresholds-only model is

$$-2\ell(\mathbf{B}^{(0)}),$$

where  $\mathbf{B}^{(0)} = (\psi^{(0)}, \beta^{(0)})$  is the initial parameter values used in the iterative process. Then the omnibus test statistic is

$$S = 2\left(\ell(\hat{\mathbf{B}}) - \ell(\mathbf{B}^{(0)})\right)$$

and it has an asymptotic chi-square distribution with  $p_x$  degrees of freedom.

When calculating the value of  $-2$  log-likelihood of initial model, the following rules are used to handle the scale parameter or the ancillary parameter  $k$  in the initial model.

If the scale parameter or the ancillary parameter is estimated by the ML method in the model under consideration, then it will also be estimated by the ML method in the initial model.

If the scale parameter or the ancillary parameter is held fixed in the model under consideration, then the same value is fixed in the initial model.

If the scale parameter is specified by the deviance or Pearson chi-square divided by degrees of freedom in the model under consideration, then that value will be held fixed in the initial model. Note that the log likelihood for the model under consideration would be revised; that is, based on  $\phi = \hat{\phi}$ , so the log likelihoods for both models (the model under consideration and initial model) are calculated based on the same scale parameter value. This is to be consistent with the way chi-squares statistics in type I and III analyses are computed. Prior to version 16, the log likelihoods for both models are calculated based on  $\phi = 1$ ; thus the omnibus test statistic will be different between 15 and later versions.

### **Default Tests of Model Effects**

For each regression effect specified in the model, type I and III analyses can be conducted.

#### Type I Analysis

Type I analysis consists of fitting a sequence of models, starting with the null model as the baseline model (for all distributions except ordinal multinomial), adding one additional effect, which can be an intercept term (if there is one), covariates, factors and interactions, of the model on each step. For the ordinal multinomial model, the baseline model is a thresholds-only model. Thus, the test depends on the order of effects specified in the model. On the other hand, type III analysis won't depend on the order of effects. The reason for using the null model as the baseline model is to obtain the chi-square statistic for the first parameter which might be for an intercept or the first predictor variable.

There are two kinds of test statistics for type I analysis: likelihood ratio statistics and Wald statistics.

**Likelihood ratio statistics.** Different formulae are used to calculate likelihood ratio statistics depending on how the scale parameter or ancillary parameter is handled.

- **Estimated by ML method.** The likelihood ratio statistics are twice the difference of the log likelihoods between two successive models. Unlike type III analysis, we don't obtain the log likelihood of the constrained model based on the type I test matrix.

Start by considering the first pair of models  $\eta=0$  (the null model with the log likelihood  $\ell(0)$  and  $\phi$  or  $k$  might be estimated) and  $\eta=x_1^T\beta_1 + 0$  (with the log likelihood  $\ell(\hat{\beta}_1)$  and  $\beta_1$  and  $\phi$  or  $k$  are estimated jointly) and the test statistic for the null hypothesis  $H_0 : \beta_1 = 0$  is

$$S = 2 \left( \ell(\hat{\beta}_1) - \ell(0) \right)$$

The log-likelihood convergence criterion is used estimating the above two models. The tolerance level is the same as that used for the parameter estimation iterative process. A similar rule applies to usage of relative or absolute change.

Note the optimal estimated scale parameter would be different for the above two models. If either log-likelihood is not available due to numerical problems in parameter estimation, then the test statistic, degrees of freedom and  $p$ -value are all set to system missing values. Similar rules will apply to other pairs of models below.

Then consider the second pair of two models  $\eta=x_1^T\beta_1 + 0$  and  $\eta=x_1^T\beta_1 + x_2^T\beta_2 + 0$ , the test statistic for the null hypothesis  $H_0 : \beta_2 = 0$  based on  $\beta_1$  is

$$S = 2 \left( \ell(\hat{\beta}_1, \hat{\beta}_2) - \ell(\hat{\beta}_1) \right).$$

Then consider the third pair of models  $\eta=x_1^T\beta_1 + x_2^T\beta_2 + \text{offset}$ , and  $\eta=x_1^T\beta_1 + x_2^T\beta_2 + x_3^T\beta_3 + \text{offset}$ . The likelihood ratio statistic for the null hypothesis  $H_0 : \beta_3 = 0$

$$S = 2 \left( \ell(\hat{\beta}_1, \hat{\beta}_2, \hat{\beta}_3) - \ell(\hat{\beta}_1, \hat{\beta}_2) \right)$$

Continue this way until all effects in the model are included. Similar convergence criterion applies to all reduced models except the full model. Each likelihood ratio statistic  $S$  has an asymptotic chi-square distribution with degrees of freedom equal to the difference in the number of parameters estimated in the successive models. The  $p$ -values can be calculated accordingly.

- **Set to a fixed positive value.** The likelihood ratio statistics are calculated as above except  $\phi$  or  $k$  is held fixed at that value.

For the ordinal multinomial model, the scale parameter can be set to a fixed value or be specified by the deviance or Pearson chi-square divided by degrees of freedom. We briefly describe how the statistics can be constructed when it is a fixed value here.

First, consider the first pair of two models  $\eta=\psi + 0$  and  $\eta=\psi - x_1^T\beta_1 + 0$ , the likelihood ratio statistic for the null hypothesis  $H_0 : \beta_1 = 0$  based on  $\Psi$  is

$$S = 2 \left( \ell(\hat{\psi}, \hat{\beta}_1) - \ell(\hat{\psi}) \right)$$

Then consider the second pair of two models  $\eta=\psi + 0$  and  $\eta=\psi - X_1^T\beta_1 + 0$ , the likelihood ratio statistic for the null hypothesis  $H_0 : \beta_2 = 0$  based on  $\psi$  and  $\beta_1$  is

$$S = 2 \left( \ell(\hat{\psi}, \hat{\beta}_1, \hat{\beta}_2) - \ell(\hat{\psi}, \hat{\beta}_1) \right)$$

Again,  $S$  has an asymptotic chi-square distribution with degrees of freedom equal to the difference in the number of parameters in the successive models.

- **Specified from the full model by the deviance or Pearson chi-square.** In this case, the likelihood ratio chi-square and  $F$  statistics can be computed to assess the significance of each additional effect.

Suppose that  $\ell_{f,1}$  is the log-likelihood from fitting a generalized model (model  $f$ ) and that  $\ell_{s,1}$  is the log-likelihood from fitting a sub-model (model  $s$ ). Both models are fit assuming the scale parameter equals 1. Then the test statistic is defined by

$$S = \frac{2(\ell_{f,1} - \ell_{s,1})}{\hat{\phi}}$$

It has an asymptotic chi-square distribution with  $r$  degrees of freedom, where  $r$  is the difference in the number of parameters between the two models and  $\hat{\phi}$  is estimated from the full model.

In some references the test statistic is defined by

$$S = \frac{D_s - D_f}{\hat{\phi}}$$

where  $D_f$  is the deviance from fitting model  $f$  and  $D_s$  is the deviance from fitting a sub-model  $s$ . However, this formulation can result in negative chi-square statistics for negative binomial responses where the ancillary parameter is estimated by maximum likelihood.

Since  $\phi$  is unknown and the estimator  $\hat{\phi}$  is the deviance or Pearson chi-square statistic divided by its degrees of freedom, then  $(N - p_x)\hat{\phi}/\phi$  has an asymptotic chi-square distribution with  $N - p_x$  degrees of freedom. Thus, the  $F$  statistic can be defined as

$$F = \frac{S}{r}$$

Under the assumption that  $2(\ell_{f,1} - \ell_{s,1})/\phi$  and  $(N - p_x)\hat{\phi}/\phi$  are approximately independent, the  $F$  statistic has an asymptotic F distribution with  $r$  and  $N - p_x$  degrees of freedom, and the  $p$ -values can be calculated accordingly. Note for the negative binomial with the ancillary parameter  $k$  estimated by the ML method and with the scale parameter measured by the deviance or Pearson chi-square divided by its degrees of freedom, the degrees of freedom in the denominator for the  $F$  statistic are  $N - p_x - 1$ ; for the binomial distribution with 0/1 binary response, the degrees of freedom for the denominator should be  $n_s - p_x$ ; for the ordinal multinomial model, the degrees of freedom for the denominator should be  $n_s(J - 1) - (J - 1 + p_x)$ .

For type I analysis, model  $f$  is the higher order model obtained by including one additional effect in model  $s$ . For example, for the second pair of two models, model  $f$  is  $\eta = x_1^T \beta_1 + x_2^T \beta_2 + o$  and model  $s$  is  $\eta = x_1^T \beta_1 + o$ .

**Wald Statistics.** For each effect specified in the model, type I test matrix  $\mathbf{L}_i$  is constructed and  $H_0: \mathbf{L}_i \beta = \mathbf{0}$  is tested. Construction of matrix  $\mathbf{L}_i$  is based on the generating matrix  $\mathbf{H}_\omega = (\mathbf{X}^T \Omega \mathbf{X})^{-1} \mathbf{X}^T \Omega \mathbf{X}$ , where  $\Omega$  is the scale weight matrix with  $i$ th diagonal element  $\omega_i$  and such that  $\mathbf{L}_i \beta$  is estimable. It involves parameters only for the given effect and the effects containing the given effect. If such a matrix cannot be constructed, the effect is not testable.

Since Wald statistics can be applied to type I and III analysis and custom tests, we express Wald statistics in a more general form. The Wald statistic for testing  $\mathbf{L}_i \beta = \mathbf{K}$ , where  $\mathbf{L}_i$  is a  $r \times p$  full row rank hypothesis matrix and  $\mathbf{K}$  is a  $r \times 1$  resulting vector, is defined by

$$S = \left( \mathbf{L}_i \hat{\beta} - \mathbf{K} \right)^T \left( \mathbf{L}_i \boldsymbol{\Sigma} \mathbf{L}_i^T \right)^{-} \left( \mathbf{L}_i \hat{\beta} - \mathbf{K} \right)$$

where  $\beta$  is the maximum likelihood estimate and  $\boldsymbol{\Sigma}$  is the parameter estimates covariance matrix.  $S$  has an asymptotic chi-square distribution with  $r_C$  degrees of freedom, where  $r_C = \text{rank}(\mathbf{L}\boldsymbol{\Sigma}\mathbf{L}^T)$ .

If  $r_C < r$ , then  $(\mathbf{L}\boldsymbol{\Sigma}\mathbf{L}^T)^{-}$  is a generalized inverse such that Wald tests are effective for a restricted set of hypotheses  $\mathbf{L}_{iC}\beta - \mathbf{K}_C$  containing a particular subset  $C$  of independent rows from  $H_0$ .

For type I and III analysis, calculate the Wald statistic for each effect  $i$  according to the corresponding hypothesis matrix  $\mathbf{L}_i$  and  $\mathbf{K}=\mathbf{0}$ .

For the ordinal multinomial model, first consider partitions of the more general test matrix  $\mathbf{L} = (\mathbf{L}(\psi), \mathbf{L}(\beta))$ , where  $\mathbf{L}(\psi) = (l_1, \dots, l_{J-1})$  consists of columns corresponding to threshold parameters and  $\mathbf{L}(\beta)$  be the part of  $\mathbf{L}$  corresponding to regression parameters. Consider matrix  $\mathbf{L}_0 = (l_0, \mathbf{L}(\beta))$  where the column vectors corresponding to threshold parameters are

replaced by their sum  $l_0 = \sum_{j=1}^{J-1} l_j$ . Then  $\mathbf{L}\mathbf{B}$  is estimable if and only if  $\mathbf{L}_0 = \mathbf{L}_0\mathbf{H}_\omega$ , where

$\mathbf{H}_\omega = (\mathbf{X}_1^T \boldsymbol{\Omega} \mathbf{X}_1)^{-} \mathbf{X}_1^T \boldsymbol{\Omega} \mathbf{X}_1$ , is a  $(1+p) \times (1+p)$  matrix constructed using  $\mathbf{X}_1 = (1, -\mathbf{X})$ . The Wald statistic for testing  $\mathbf{L}\mathbf{B} = \mathbf{K}$ , where  $\mathbf{L}$  is a  $r \times (J-1+p)$  full row rank hypothesis matrix and  $\mathbf{K}$  is a  $r \times 1$  resulting vector, is defined by

$$S = \left( \mathbf{L}_B \hat{\beta} - \mathbf{K} \right)^T \left( \mathbf{L}\boldsymbol{\Sigma}\mathbf{L}^T \right)^{-} \left( \mathbf{L}_B \hat{\beta} - \mathbf{K} \right)$$

where  $\hat{\mathbf{B}} = (\hat{\psi}, \hat{\beta})$  is the maximum likelihood estimate and  $\boldsymbol{\Sigma}$  is the estimated covariance matrix ( $\boldsymbol{\Sigma}$  could be the model based or robust estimator). The asymptotic distribution of  $S$  is  $\chi_{r_C}^2$ , where  $r_C = \text{rank}(\mathbf{L}\boldsymbol{\Sigma}\mathbf{L}^T)$ .

For each effect specified in the model excluding intercept, a type I test matrix  $\mathbf{L}_i$  is constructed and  $H_0: \mathbf{L}_i\mathbf{B} = \mathbf{0}$  is tested. Construction of matrix  $\mathbf{L}_i$  is based on matrix  $\mathbf{H}_\omega = (\mathbf{X}_1^T \boldsymbol{\Omega} \mathbf{X}_1)^{-} \mathbf{X}_1^T \boldsymbol{\Omega} \mathbf{X}_1$  and such that  $\mathbf{L}_i\hat{\beta}$  is estimable. Thus the way to construct  $\mathbf{L}_i$  (type I and III) for ordinal multinomial is the same as that for other distributions.

### Type III Analysis

Similar to type I analysis, two kinds of test statistics are available for type I analysis: chi-square statistics and Wald statistics.

**Likelihood ratio statistics.** The likelihood ratio statistics can be obtained as follows:

Calculate the log-likelihood evaluated at the constrained maximum likelihood estimate under the constraint  $\mathbf{L}_i\beta = \mathbf{0}$  for each effect:

$$\ell(\tilde{\beta}_{-i}) = \max_{\beta} \ell(\mu(\beta); y) \text{ s.t. } \mathbf{L}_i\beta = \mathbf{0},$$

where  $L_i$  is the type III test matrix for the  $i$ th effect.  $\ell(\tilde{\beta}_{-i})$  will be obtained by sequential quadratic programming. For more information, see the topic “Sequential Quadratic Programming”.

The calculation of  $\ell(\hat{\beta})$  and  $\ell(\tilde{\beta}_{-i})$  are based on how the scale parameter  $\phi$  or the ancillary parameter  $k$  is handled:

1. If  $\phi$  or  $k$  is estimated jointly with  $\beta$  by ML method, then  $\ell(\hat{\beta})$  is the log likelihood evaluated at  $\hat{\beta}$  and  $\hat{\phi}$  or  $\hat{k}$  and  $\ell(\tilde{\beta}_{-i})$  is the log likelihood evaluated at  $\tilde{\beta}_{-i}$  and  $\tilde{\phi}_{-i}$  or  $\tilde{k}_{-i}$  under the constraint  $L_i\beta = 0$  for each effect  $i$ . Note that the constraint should be expanded by including  $\phi$  or  $k$  so that the last element in expanded  $\beta$  is  $\phi$  or  $k$  and the last element in expanded  $L_i$  is 0.
2. If  $\phi$  or  $k$  is set to a fixed value, then  $\ell(\hat{\beta})$  and  $\ell(\tilde{\beta}_{-i})$  are calculated with  $\phi$  or  $k$  held fixed at that value for both unconstrained and constrained estimation processes.
3. If  $\phi$  is specified from the full model by the deviance or Pearson chi-square divided by degrees of freedom, then  $\ell(\hat{\beta})$  and  $\ell(\tilde{\beta}_{-i})$  are calculated with  $\phi$  assumed to be 1. In addition, the deviance values for both unconstrained and constrained models are also calculated.

Then calculate the likelihood ratio statistic for each effect  $i$ .

1. If  $\phi$  or  $k$  is estimated jointly with  $\beta$  by ML method or set to a fixed value,

$$S_i = 2\left(\ell(\hat{\beta}) - \ell(\tilde{\beta}_{-i})\right)$$

Then  $S_i$  has an asymptotic chi-square distribution with degrees of freedom  $r$ , where  $r$  is equal to the rank of the  $L_i$  matrix.

2. If  $\phi$  is specified from the full model by the deviance or Pearson chi-square divided by degrees of freedom,

$$S_i = \frac{2(\ell(\hat{\beta}) - \ell(\tilde{\beta}_{-i}))}{\hat{\phi}} \text{ and } F_i = \frac{S_i}{r},$$

respectively. Then  $S_i$  has an asymptotic chi-square distribution with degrees of freedom  $r$ .  $F$  has an asymptotic F distribution with  $r$  and  $N - p_x$  degrees of freedom. Note for the negative binomial with the ancillary parameter  $k$  estimated by the ML method and with the scale parameter measured by the deviance or Pearson chi-square divided by its degrees of freedom, the degrees of freedom in the denominator for the  $F$  statistic are  $N - p_x - 1$ ; for the binomial distribution with 0/1 binary response, the degrees of freedom for the denominator should be  $n_s - p_x$ ; for the ordinal multinomial model, the degrees of freedom for the denominator should be  $n_s(J - 1) - (J - 1 + p_x)$ .

**Wald statistics.** See the discussion of Wald statistics for Type I analysis above.  $L_i$  is the type III test matrix for the  $i$ th effect.

### Sequential Quadratic Programming

Sequential quadratic programming is a method of linear constrained optimization that can be applied to type III analysis and custom tests. It has the general form:

$$\begin{aligned} \max_{\beta} \ell(\boldsymbol{\mu}(\beta); \mathbf{y}) \\ \text{s.t. } \mathbf{L}\beta = \mathbf{K}, \end{aligned}$$

where  $\mathbf{L}$  is a  $r \times p$  full row rank hypothesis matrix and  $\mathbf{K}$  is a  $r \times 1$  resulting vector. Note for the ordinal multinomial model,  $\mathbf{L}$  is a  $r \times (J - 1 + p)$  full row rank hypothesis matrix for ordinal multinomial. To simplify the notation, we write the log-likelihood as  $\ell(\beta)$  here. The Lagrange function with an  $r \times 1$  vector of Lagrange multipliers is

$$L(\beta, \boldsymbol{\lambda}) = \ell(\beta) + \boldsymbol{\lambda}^T (\mathbf{L}\beta - \mathbf{K}) = \ell(\beta) + \sum_{i=1}^r \lambda_i (\mathbf{L}_i \beta - K_i)$$

The first order conditions with respect to  $\beta$  and  $\boldsymbol{\lambda}$  are

$$\begin{cases} \frac{\partial L(\beta, \boldsymbol{\lambda})}{\partial \beta} = \frac{\partial \ell(\beta)}{\partial \beta} + \mathbf{L}^T \boldsymbol{\lambda} = [0]_{p \times 1} \text{ (dual feasibility equations)} \\ \frac{\partial L(\beta, \boldsymbol{\lambda})}{\partial \boldsymbol{\lambda}} = \mathbf{L}\beta - \mathbf{K} = [0]_{r \times 1} \text{ (primal feasibility equations)} \end{cases}$$

We would like to find a solution ( $\beta^*$  and  $\boldsymbol{\lambda}^*$ ) for the above KKT (Karush-Kuhn-Tucker) equations, which is a set of  $p + r$  equations. The method usually used is extensions of Newton Raphson's method. First we replace the log-likelihood with its second-order Taylor approximation near to reform the problem

$$\begin{aligned} \max_{\delta} \ell(\beta + \delta) &= \ell(\beta) + \mathbf{s}(\beta)^T \delta + \frac{1}{2} \delta^T \mathbf{H}(\beta) \delta \\ \text{s.t. } \mathbf{L}(\beta + \delta) &= \mathbf{K} \end{aligned}$$

This is a quadratic optimization problem with variable  $\delta$ . We use the feasible start method solve the KKT equations.

#### Feasible Start Method

The feasible  $\beta$  values satisfy  $\beta = \mathbf{K}$  and belong to the domain of the log-likelihood. If the initial values of  $\beta$  are feasible, then  $\mathbf{L}\beta = \mathbf{K}$  and the constrained problem is almost the same as the Newton-Raphson method without constraints. The iterative process can be outlined briefly as follows:

1. Find initial values  $\beta^{(0)}$  with  $\mathbf{L}\beta^{(0)} = \mathbf{K}$  (see below), then compute  $\ell(\beta^{(0)})$ ,  $\mathbf{s}(\beta^{(0)})$  and  $\mathbf{H}(\beta^{(0)})$ .
2. Let  $\xi = 1$ .
3. Find a solution of  $\delta^{(i-1)}$  and  $\boldsymbol{\lambda}^{(i)}$  for the following KKT equations:

$$\begin{bmatrix} \mathbf{H}(\beta^{(i-1)}) & \mathbf{L}^T \\ \mathbf{L} & \mathbf{0} \end{bmatrix} \begin{bmatrix} \delta^{(i-1)} \\ \boldsymbol{\lambda}^{(i)} \end{bmatrix} = \begin{bmatrix} -\mathbf{s}(\beta^{(i-1)}) \\ \mathbf{0} \end{bmatrix}_{(p+r) \times 1}$$

4. Compute estimates of  $i$ th iteration:

$$\beta^{(i)} = \beta^{(i-1)} + \xi \delta^{(i-1)}, \text{ then compute } \ell(\beta^{(i)}).$$

5. Use step-halving method if  $\ell(\beta^{(i)}) < \ell(\beta^{(i-1)})$ : reduce  $\xi$  by half and repeat step (4). If the maximum number of steps in step-halving is reached but the log-likelihood is not improved, stop.
6. Check if convergence criteria (see below) are met. If they are or the maximum number of iterations is reached, stop. The final vector of estimates is denoted by  $\tilde{\beta}(\tilde{T})$ . Otherwise, go back to step (2).

#### Initial Values

The initial values for constrained optimization under the constraint  $L_i \beta = 0$  for each effect  $i$  in type III analysis can be obtained by applying the method the initial values obtained for unconstrained parameter estimation with a constraint that type III contrast equals zero. Specifically, follow steps (1) to (3) of the method for computing initial values for parameter estimation (see the appropriate section under “Parameter estimation”), then solve the following KKT equations

$$\begin{bmatrix} \mathbf{X}^T \tilde{\mathbf{W}}_e \mathbf{X} & \mathbf{L}_i^T \\ \mathbf{L}_i & \mathbf{0} \end{bmatrix} \begin{bmatrix} \beta^{(0)} \\ \lambda^{(0)} \end{bmatrix} = \begin{bmatrix} \mathbf{X}^T \tilde{\mathbf{W}}_e \mathbf{z} \\ \mathbf{0} \end{bmatrix}_{(p+r) \times 1}.$$

The solution will be a feasible point. Then the initial value for  $\varphi$  or  $k$  can be obtained as before. For the ordinal multinomial model, initial values for unconstrained parameter estimation can be applied here because they are feasible values.

#### Convergence Criteria

We only consider the log-likelihood convergence criterion for the constrained optimization problem to speed the iterative processes here. If  $\epsilon_\ell$  and relative or absolute change is user-specified for the unconstrained optimization problem, then they will be also apply here; otherwise, the internal default values will be used.

### **Estimated Marginal Means**

There are two types of estimated marginal means (EMMEANS) calculated here. One corresponds to the specified factors for the linear predictor of the model and the other corresponds to those for the response of the model. EMMEANS for the predictor are equivalent to LSMEANS (least-squares means) used by SAS. EMMEANS for the response are equivalent to conditional marginals used by SUDAAN or conditional prediction used by Lane and Nelder (1982).

EMMEANS are based on the estimated cell means. For a given fixed set of factors, or their interactions, we estimate marginal means as the mean value averaged over all cells generated by the rest of the factors in the model. Covariates may be fixed at any specified value. If not specified, the value for each covariate is set to its overall mean estimate.

For the ordinal multinomial model, EMMEANS are not available.

### EMMEANS for the Linear Predictor

Calculating EMMEANS for the Linear Predictor

EMMEANS for the linear predictor are based on the link function transformation. They are computed for the linear predictor. Since the given model with respect to the linear predictor is a linear model, the way to construct  $\mathbf{L}$  is the same as that for the GLM procedure. Each EMMEAN for the linear predictor is constructed such that  $\mathbf{L}\mathbf{B}$  is estimable.

Briefly, for a given set of factors in the model, a vector of EMMEANS for the linear predictor is created for all combined levels of the factors. Assume there are  $r$  levels. This  $r \times 1$  vector can be expressed in the form  $\hat{\mathbf{v}} = \mathbf{L}\hat{\boldsymbol{\beta}}$ . The variance matrix of  $\hat{\mathbf{v}}$  is then computed by

$$V(\hat{\mathbf{v}}) = \mathbf{L}\boldsymbol{\Sigma}\mathbf{L}^T$$

The standard error for the  $j$ th element of  $\hat{\mathbf{v}}$  is the square root of the  $j$ th diagonal element of  $V(\hat{\mathbf{v}})$ . Let the  $j$ th element of  $\hat{\mathbf{v}}$  and its standard error be  $\hat{v}_j$  and  $\hat{\sigma}_{v_j}$ , respectively, then the corresponding  $100(1 - \alpha)\%$  Wald confidence interval for  $v_j, j = 1, \dots, r$ , is given by

$$(\hat{v}_j - z_{1-\alpha/2}\hat{\sigma}_{v_j}, \hat{v}_j + z_{1-\alpha/2}\hat{\sigma}_{v_j})$$

Comparing EMMEANS for the Linear Predictor

We can compare EMMEANS for the linear predictor based on a selected contrast type, for which a set of contrasts for the factor is created. Let this set of contrasts define matrix  $\mathbf{C}$  used for testing the hypothesis  $H_0 : \mathbf{C}\mathbf{v} = 0$ . A Wald statistic is used for testing given set of contrasts for the factor as follows:

$$S = (\mathbf{C}\hat{\mathbf{v}})^T (\mathbf{C}\mathbf{V}(\hat{\mathbf{v}})\mathbf{C}^T)^{-1} (\mathbf{C}\hat{\mathbf{v}})$$

$S$  has an asymptotic chi-square distribution with  $r_I$  degrees of freedom, where  $r_I = \text{rank}(\mathbf{C}\mathbf{V}(\hat{\mathbf{v}})\mathbf{C}^T)$ . The  $p$ -values can be calculated accordingly. Note that adjusted  $p$ -values based on multiple comparisons adjustments won't be computed for the overall test.

Each row  $\mathbf{c}_i^T$  of matrix  $\mathbf{C}$  is also tested separately. The estimate for the  $i$ th row is given by  $\mathbf{c}_i^T\hat{\mathbf{v}}$  and its standard error by  $\sqrt{\mathbf{c}_i^T\mathbf{V}(\hat{\mathbf{v}})\mathbf{c}_i}$ . The corresponding  $100(1 - \alpha)\%$  Wald confidence interval for is given by

$$\left( \mathbf{c}_i^T\hat{\mathbf{v}} \pm z_{1-\alpha/2}\sqrt{\mathbf{c}_i^T\mathbf{V}(\hat{\mathbf{v}})\mathbf{c}_i} \right)$$

The Wald statistic for  $H_0 : \mathbf{c}_i^T\mathbf{v} = 0$  is

$$S_i = \left( \frac{\mathbf{c}_i^T\hat{\mathbf{v}}}{\sqrt{\mathbf{c}_i^T\mathbf{V}(\hat{\mathbf{v}})\mathbf{c}_i}} \right)^2$$

It has an asymptotic chi-square distribution with 1 degree of freedom. The  $p$ -values can be calculated accordingly. In addition, adjusted  $p$ -values for multiple comparisons can also be computed.

### **EMMEANS for the Response**

EMMEANS for the response are based on the original scale of the dependent variable except for the binomial response with events/trials format (see note below). They can be defined as the estimator of the expected response for a subject conditional on his/her belonging to a specified effect and having the averages of covariates. Note that as for the so called predicted marginals used by SUDAAN or marginal prediction used by Lane and Nelder (1982), we will not offer them because they require some assumptions about the distribution of the predictor variables.

#### Calculating EMMEANS for the Response

The way to construct EMMEANS for the response is based on EMMEANS for the linear predictor. Let  $\hat{M}_c$  be EMMEANS for the response and it is defined as

$$\hat{M}_c = g^{-1}(\mathbf{L}\hat{\beta})$$

The variance of EMMEANS for the response is

$$V(\hat{M}_c) = \text{diag}\left(\frac{\partial g^{-1}(\hat{v}_j)}{\partial \hat{v}_j}\right) L \Sigma L^T \text{diag}\left(\frac{\partial g^{-1}(\hat{v}_j)}{\partial \hat{v}_j}\right)$$

where  $\text{diag}(\partial g^{-1}(\hat{v}_j)/\partial \hat{v}_j)$  is a  $r \times r$  matrix and  $\partial g^{-1}(\hat{v}_j)/\partial \hat{v}_j$  is the derivative of the inverse of the link with respect to the  $j$ th value in  $\hat{\mathbf{v}}$  and  $\partial g^{-1}(\hat{v}_j)/\partial \hat{v}_j = 1/g'(\hat{M}_{cj})$  where  $g'(\hat{M}_{cj})$  is from Table 46-8. The standard error for the  $j$ th element of  $\hat{M}_c$  and the corresponding confidence interval are calculated similarly to those of  $\hat{\mathbf{v}}$ . For more information, see the topic "EMMEANS for the Linear Predictor".

*Note:*  $\hat{M}_c$  is EMMEANS for the proportion, not for the number of events when events and trials variables are used for the binomial distribution.

#### Comparing EMMEANS for the Response

This is similar to comparing EMMEANS for the linear predictor; just replace  $\hat{\mathbf{v}}$  with  $\hat{M}_c$  and  $V(\hat{\mathbf{v}})$  with  $V(\hat{M}_c)$ . For more information, see the topic "EMMEANS for the Linear Predictor".

## **Multiple Comparisons**

The hypothesis  $H_0 : \mathbf{C}\mathbf{v} = \mathbf{0}$  can be tested using the multiple row hypotheses testing technique. Let  $\mathbf{c}_i^T$  be the  $i$ th row vector of matrix  $\mathbf{C}$ . The  $i$ th row hypothesis is  $H_{0i} : \mathbf{c}_i^T \mathbf{v} = 0$ . Testing  $H_0$  is the same as testing multiple non-redundant row hypotheses  $\{H_{0i}^*\}_{i=1}^R$  simultaneously, where  $R$  is the number of non-redundant row hypotheses, and  $H_{0i}^*$  represents the  $i$ th non-redundant hypothesis. A hypothesis  $H_{0i}$  is redundant if there exists another hypothesis  $H_{0j}$ ,  $j \neq i$  such that  $\mathbf{c}_i = a\mathbf{c}_j$ ,  $a \neq 0$ .

**Adjusted p-values.** For each individual hypothesis  $H_{0i}$ , test statistics can be calculated. Let  $p_i$  denote the  $p$ -value for testing  $H_{0i}$  and  $p_i^*$  denote the adjusted  $p$ -value. The conclusion from multiple testing is, at level  $\alpha$  (the family-wise type I error),

reject  $H_{0i} : \mathbf{c}_i^T \mathbf{v} = 0$  if  $p_i^* < \alpha$ ;

reject  $H_0 : \mathbf{Cv} = \mathbf{0}$  if  $\min_i (p_i^*) < \alpha$ .

Several different methods to adjust  $p$ -values are provided here. Please note that if the adjusted  $p$ -value is bigger than 1, it is set to 1 in all the methods.

**Adjusted confidence intervals.** Note that if confidence intervals are also calculated for the above hypothesis, then adjusting confidence intervals is required to correspond to adjusted  $p$ -values. The only item needed to be adjusted in the confidence intervals is the critical value from the standard normal distribution. Assume that the original critical value is  $z_{1-\alpha/2}$  and the adjusted critical value is  $z^*$ .

### **LSD (Least Significant Difference)**

The adjusted  $p$ -values are the same as the original  $p$ -values:

$$p_i^* = p_i$$

The adjusted critical value is:

$$z^* = z_{1-\frac{\alpha}{2}}$$

### **Bonferroni**

The adjusted  $p$ -values are:

$$p_i^* = R p_i$$

The adjusted critical value is:

$$z^* = z_{1-\frac{\alpha}{2R}}$$

### **Sidak**

The adjusted  $p$ -values are:

$$p_i^* = 1 - (1 - p_i)^R$$

The adjusted critical value is:

$$z^* = z_{1-\frac{1-(1-\alpha)^{1/R}}{2}}$$

### Sequential Bonferroni

The adjusted  $p$ -values are:

$$p_{(i)}^* = \begin{cases} Rp_{(1)} & i = 1 \\ \max\left((R - i + 1)p_{(i)}, p_{(i-1)}^*\right) & i \geq 2 \end{cases}$$

The adjusted critical values will correspond to the ordered adjusted  $p$ -values as follows:

$$z_{(i)}^* = \begin{cases} z_{1-\frac{\alpha}{2R}} & \text{if } i = 1 \\ z_{1-\frac{\alpha}{2(R-i+1)}} & \text{if } p_{(i)}^* = (R - i + 1)p_{(i)}, \text{ for } i \geq 2 . \\ z_{(i-1)}^* & \text{if } p_{(i)}^* = p_{(i-1)}^*, \text{ for } i \geq 2 \end{cases}$$

### Sequential Sidak

The adjusted  $p$ -values are:

$$p_{(i)}^* = \begin{cases} 1 - (1 - p_{(1)})^R & i = 1 \\ \max\left(1 - (1 - p_{(i)})^{R-i+1}, p_{(i-1)}^*\right) & i \geq 2 \end{cases}$$

The adjusted critical values will correspond to the ordered adjusted  $p$ -values as follows:

$$z_{(i)}^* = \begin{cases} z_{1-\frac{1-(1-\alpha)^{1/R}}{2}} & \\ z_{1-\frac{1-(1-\alpha)^{1/(R-i+1)}}{2}} & \text{if } p_{(i)}^* = 1 - (1 - p_{(i)})^{R-i+1}, \text{ for } i \geq 2 . \\ z_{(i-1)}^* & \text{if } p_{(i)}^* = p_{(i-1)}^*, \text{ for } i \geq 2 \end{cases}$$

### Comparison of Adjustment Methods

A multiple testing procedure tells not only if  $H_0$  is rejected, but also if each individual  $H_{0i}$  is rejected. All the methods, except LSD, control the family-wise type I error for testing  $H_0$ ; that is, the probability of rejecting at least one individual hypothesis under  $H_0$ . In addition, sequential methods also control the family-wise type I error for testing any subset of  $H_0$ .

**LSD** is the one without any adjustment, it rejects  $H_0$  too often. It does not control the family-wise type I error and should never be used to test  $H_0$ . It is provided here mainly for reference.

**Bonferroni** is conservative in the sense that it rejects  $H_0$  less often than it should. In some situations, it becomes extremely conservative when test statistics are highly correlated.

**Sidak** is also conservative in most cases, but is less conservative than Bonferroni. It gives the exact type I error when test statistics are independent.

**Sequential Bonferroni** is as conservative as the Bonferroni in terms of testing  $H_0$  because the smallest adjusted  $p$ -value used in making decision is the same in both methods. But in term of testing individual  $H_{0i}$ , it is less conservative than the Bonferroni. Sequential Bonferroni rejects at least as many individual hypotheses as Bonferroni.

**Sequential Sidak** is as conservative as the Sidak in terms of testing  $H_0$ , but less conservative than the Sidak in terms of testing individual  $H_{0i}$ . Sequential Sidak is less conservative than sequential Bonferroni.

## Scoring

Scoring is defined as assigning one or more values to a case in a data set. Two types are considered here: predicted values and model diagnostics.

### Predicted Values

Due to the non-linear link functions, the predicted values will be computed for the linear predictor and the mean of the response separately. Also, since estimated standard errors of predicted values of linear predictor are calculated, the confidence intervals for the mean are obtained easily.

Predicted values are still computed as long all the predictor variables have non-missing values in the given model.

Predicted Values of the Linear Predictors

$$\hat{\eta}_i = \mathbf{x}_i^T \hat{\beta} + o_i$$

For the ordinal multinomial model, a predicted value of the linear predictor for category  $j$  is given by

$$\hat{\eta}_{i,j} = \psi_j - \mathbf{x}_i^T \hat{\beta} + o_i, j = 1, \dots, J - 1.$$

Estimated Standard Errors of Predicted Values of the Linear Predictors

$$\hat{\sigma}_{\eta} = \sqrt{\mathbf{x}_i^T \Sigma \mathbf{x}_i}$$

For the ordinal multinomial model, the estimated standard error of  $\hat{\eta}_{i,j}$  is given by

$$\hat{\sigma}_{\eta_{i,j}} = \sqrt{\left(1, -\mathbf{x}_i^T\right) \Sigma_j \begin{pmatrix} 1 \\ -\mathbf{x}_i \end{pmatrix}}, j = 1, \dots, J - 1,$$

where  $\Sigma_j$  is a reduced parameter estimates covariance  $(1+p) \times (1+p)$  matrix from  $\Sigma$ . Suppose  $\Sigma$  for ordinal multinomial models has the following form:

$$\Sigma = \begin{bmatrix} \Sigma_{\psi,\psi} & \Sigma_{\psi,\beta} \\ \Sigma_{\beta,\psi} & \Sigma_{\beta,\beta} \end{bmatrix} = \begin{bmatrix} \begin{bmatrix} \sigma_{1,1} & \cdots & \sigma_{1,(J-1)} \\ \vdots & \ddots & \vdots \\ \sigma_{(J-1),1} & \cdots & \sigma_{(J-1),(J-1)} \end{bmatrix} & \begin{bmatrix} \sigma_{1,J} & \cdots & \sigma_{1,(J-1+p)} \\ \vdots & \ddots & \vdots \\ \sigma_{(J-1),J} & \cdots & \sigma_{(J-1),(J-1+p)} \end{bmatrix} \\ \begin{bmatrix} \sigma_{J,1} & \cdots & \sigma_{J,(J-1)} \\ \vdots & \ddots & \vdots \\ \sigma_{(J-1+p),1} & \cdots & \sigma_{(J-1+p),(J-1)} \end{bmatrix} & \begin{bmatrix} \sigma_{J,J} & \cdots & \sigma_{J,(J-1+p)} \\ \vdots & \ddots & \vdots \\ \sigma_{(J-1+p),J} & \cdots & \sigma_{(J-1+p),(J-1+p)} \end{bmatrix} \end{bmatrix}$$

then  $\Sigma_j$  will have the following form as it takes the corresponding elements in the  $j$ th row and column of  $\Sigma$  and  $\Sigma_{\beta,\beta}$ :

$$\Sigma_j = \begin{bmatrix} \sigma_{j,j} & [\sigma_{j,J} \cdots \sigma_{j,(J-1+p)}] \\ \begin{bmatrix} \sigma_{J,j} \\ \vdots \\ \sigma_{(J-1+p),j} \end{bmatrix} & \Sigma_{\beta,\beta} \end{bmatrix} = \begin{bmatrix} \sigma_{j,j} & \sigma_{j,J} & \cdots & \sigma_{j,(J-1+p)} \\ \sigma_{J,j} & \sigma_{J,J} & \cdots & \sigma_{J,(J-1+p)} \\ \vdots & \vdots & \ddots & \vdots \\ \sigma_{(J-1+p),j} & \sigma_{(J-1+p),J} & \cdots & \sigma_{(J-1+p),(J-1+p)} \end{bmatrix}$$

### Predicted Values of the Means

$$\hat{\mu}_i = g^{-1}(x_i^T \hat{\beta} + o_i)$$

where  $g^{-1}$  is the inverse of the link function. For binomial response with 0/1 binary response variable, this is the predicted probability of category 1.

For the ordinal multinomial model, a predicted value of the cumulative response probability for category  $j$  is given by

$$\hat{\gamma}_{i,j} = g^{-1}(\hat{\psi}_j - x_i^T \beta + o_i), \quad j = 1, \dots, J-1$$

### Confidence Intervals for the Means

Approximate  $100(1-\alpha)\%$  confidence intervals for the mean can be computed as follows

$$g^{-1}(x_i^T \hat{\beta} + o_i \pm z_{1-\alpha/2} \hat{\sigma}_\eta)$$

Approximate  $100(1-\alpha)\%$  confidence intervals for the cumulative response probability can be computed as follows

$$g^{-1} \left( \hat{\psi}_j - \mathbf{x}_i^T \boldsymbol{\beta} + o_i \pm z_{1-\alpha/2} \hat{\sigma}_{\eta_{i,j}} \right), \quad j = 1, \dots, J - 1.$$

If either endpoint in the argument is outside the valid range for the inverse link function, the corresponding confidence interval endpoint is set to a system missing value.

Predicted category for binomial and multinomial distributions

For the binomial distribution with 0/1 binary response variable, the predicted category is

$$c(\mathbf{x}_i) = \begin{cases} 1 \text{ (or success)} & \text{if } \hat{\mu}_i \geq 0.5 \\ 0 \text{ (or failure)} & \text{otherwise} \end{cases}.$$

For the ordinal multinomial model, the predicted category is the one with the highest predicted probability; that is

$$c(\mathbf{x}_i) = \underset{j}{\operatorname{arg\,max}} \hat{\pi}_{i,j}.$$

- If there are ties in determining  $c(\mathbf{x}_i)$  choose the category with highest  $N_j = \sum_{i=1}^n f_i y_{i,j}$ .
- If there are still ties, choose the one with lowest category number.

## Diagnostics

In addition to predicted values, we can calculate some values which would be good for model diagnostics for all distributions except the ordinal multinomial.

Leverage

The leverage value  $h_i$  is defined as the  $i$ th diagonal element of the hat matrix

$$\mathbf{H} = \mathbf{W}_\epsilon^{1/2} \mathbf{X} \left( \mathbf{X}^T \mathbf{W}_\epsilon \mathbf{X} \right)^{-1} \mathbf{X}^T \mathbf{W}_\epsilon^{1/2},$$

where the  $i$ th diagonal element for  $\mathbf{W}_\epsilon$  is

$$w_{e,i} = \frac{\omega_i}{\phi} \cdot \frac{1}{V(\mu_i) (g'(\mu_i))^2}.$$

Raw Residuals

$$r_i^R = y_i - \hat{\mu}_i$$

where  $y_i$  is the  $i$ th response and  $\hat{\mu}_i$  is the corresponding predicted mean. Note for binomial response with a binary format,  $y$  values are 0 for the reference category and 1 for the category we are modeling.

Pearson Residuals

The Pearson residual is the square root of the  $i$ th contribution to the Pearson chi-square.

$$r_i^P = (y_i - \hat{\mu}_i) \sqrt{\frac{\omega_i}{V(\hat{\mu}_i)}}$$

Deviance Residuals

The deviance residual is the square root of the contribution of the  $i$ th observation to the deviance, with the sign of the raw residual.

$$r_i^D = \text{sign}(y_i - \hat{\mu}_i) \sqrt{d_i}$$

where  $d_i$  is the contribution of the  $i$ th case to the deviance and  $\text{sign}()$  is 1 if its argument is positive and  $-1$  if it is negative.

Standardized (and Studentized) Pearson Residuals

$$r_i^{SP} = (y_i - \hat{\mu}_i) \sqrt{\frac{\omega_i}{\phi V(\hat{\mu}_i)(1-h_i)}} = r_i^P \sqrt{\frac{1}{\phi(1-h_i)}}$$

Standardized (and Studentized) Deviance Residuals

$$r_i^{SD} = \text{sign}(y_i - \hat{\mu}_i) \sqrt{d_i} \sqrt{\frac{1}{\phi(1-h_i)}} = r_i^D \sqrt{\frac{1}{\phi(1-h_i)}}$$

Likelihood Residuals

$$r_i^L = \text{sign}(y_i - \hat{\mu}_i) \sqrt{h_i (r_i^{SP})^2 + (1-h_i) (r_i^{SD})^2}$$

Cook's Distance

$$C_i = \frac{1}{p_x} \frac{h_i}{1-h_i} (r_i^{SP})^2$$

## Generalized Estimating Equations

Generalized estimating equations (GEE) extend the GZLM algorithm to accommodate correlated data. The algorithms of generalized estimating equations are based on Liang and Zeger (1986) and Diggle, Heagerty, Liang and Zeger (2002).

### Data Format

The data formation in GEE is very different from that in GZLM, so the data used in GEE need to be formatted appropriately. The structure of the correlated data has two dimensions: there are some independent subjects (the subject effect) where each subject has correlated measurements (the within-subject effect).

The subject effect can be a single variable or a list of variables connected by asterisks (\*). In general, the number of subjects equals to the number of distinct combinations of values of the variables except under some circumstances (see example below).

The within-subject effect defines the ordering of measurements within subjects. If specified, it can be a single variable or a list of variables connected by asterisks (\*). The start and end of the within-subject effect could be different for each subject, so the whole data file is checked to find the complete set of measurements which include all distinct combinations of values of within-subject effect from all subjects. The dimension of the complete set of measurement will be the dimension of the working correlation matrix (see “Model ” for more information). If some measurements do not appear in the data for some subjects, then the existing measurements are ordered and the omitted measurements are treated as missing values.

Note that the within-subject effect might not be equally spaced. This is relevant for the time dependent working correlation structures. We will assume that the lags based on the data ordered by the within-subject effect are appropriate and fit the model.

The data have to be properly grouped by the subject effect and sorted by the within-subject effect if it exists. If you specify not to sort the data file (SORT=NO), we assume that the cases in the data file are pre-sorted. If you specify to sort the data file (SORT=YES), the data will be sorted internally by the subject effect and the within-subject effect, if the within-subject effect is specified.

Consider the following artificial data:

Table 46-19  
Example data

center	id	year	y	x1
A	11	91	4	0
A	11	93	5	1
A	12	93	5	1
A	11	94	6	1
A	12	94	6	0
A	12	95	7	1
B	1	91	6	0
B	1	94	3	0
B	2	93	5	1
B	2	95	7	0
B	2	94	8	1

Suppose the subject effect is specified as *center\*id*. The number of subjects or clusters depends on whether the within-subject effect is specified or not and whether the data are indicated to be sorted or not. Thus we consider the following cases:

Within-subject effect is specified, data will be sorted by procedure (SORT=YES)

There are four distinct combinations for the subject effect: (center\*id) = (A\*11), (A\*12), (B\*1), (B\*2). The data will be grouped internally based on them, so the number of clusters or groups = 4. The complete set of measurements = (91, 93, 94, 95) with the dimension = 4, the maximum and minimum sizes of the within-subject effect are 3 and 2, respectively. Note the measurements for the within-subject effect are not equally spaced, we assume the measurements are spaced appropriately when calculating the time dependent working correlation structures.

Figure 46-1  
GEE model information about the data

Number of Levels	Subject Effect	center	2
		id	4
	Within-Subject Effect	year	4
Number of Subjects			4
Number of Measurements per Subject	Minimum		2
	Maximum		3
Correlation Matrix Dimension			4

The data file is then organized internally as follows (subject and withinsubject are internal variables):

Table 46-20  
Data file structure

center	id	year	y	x1	subject	withinsubject
A	11	91	4	0	1	1
A	11	93	5	1	1	2
A	11	94	6	1	1	3
A	11	95	.	.	1	4
A	12	91	.	.	2	1
A	12	93	5	1	2	2
A	12	94	6	0	2	3
A	12	95	7	1	2	4
B	1	91	6	0	3	1
B	1	93	.	.	3	2
B	1	94	3	0	3	3
B	1	95	.	.	3	4
B	2	91	.	.	4	1
B	2	93	5	1	4	2
B	2	94	8	1	4	3
B	2	95	7	0	4	4

Within-subject effect is not specified, data will be sorted by procedure (SORT=YES)

There are still 4 distinct combinations for the subject effect and the number of clusters or groups = 4. The dimension of the working correlation matrix is 3 which is determined by the maximum size of measurements from all subjects, the maximum and minimum sizes of repeated measurements are 3 and 2, respectively. A summary is as follows:

Figure 46-2  
GEE model information about the data

Number of Levels	Subject Effect	center	2
		id	4
Number of Subjects			4
Number of Measurements per Subject	Minimum		2
	Maximum		3
Correlation Matrix Dimension			3

The data file is then organized internally as follows (subject and withinsubject are internal variables):

Table 46-21  
Data file structure

center	id	year	y	x1	subject	withinsubject
A	11	91	4	0	1	1
A	11	93	5	1	1	2
A	11	94	6	1	1	3
A	12	93	5	1	2	1
A	12	94	6	0	2	2
A	12	95	7	1	2	3
B	1	91	6	0	3	1
B	1	94	3	0	3	2
B	1	.	.	.	3	3
B	2	93	5	1	4	1
B	2	95	7	0	4	2
B	2	94	8	1	4	3

Data will not be sorted by procedure (SORT=NO)

When data are not to be sorted, the within-subject effect will be ignored whether specified or not.

From the original data file, we notice that the same combinations of values for the subject effect are in different blocks, so they will be considered as different clusters. For example:

The 1st cluster (center\*id = A \*11) includes the 1st and 2nd observations.

The 2nd cluster (center\*id = A\*12) includes the 3rd observation.

The 3rd cluster (center\*id = A\*11) includes the 4th observation.

The 4th cluster (center\*id = A\*12) includes the 5th and 6th observations.

The 5th cluster (center\*id = B\*1) includes the 7th and 8th observations.

The 6th cluster (center\*id = B\*2) includes the 9th, 10th and 11th observations.

So the number of clusters =6. The dimension of the working correlation matrix is 3, the maximum and minimum sizes of repeated measurements are 3 and 1, respectively. A summary is as follows:

Figure 46-3  
GEE model information about the data

Number of Levels	Subject Effect	center	2
		id	4
Number of Subjects			6
Number of Measurements per Subject	Minimum		1
	Maximum		3
Correlation Matrix Dimension			3

The data file is then organized internally as follows (subject and withinsubject are internal variables):

Table 46-22  
Data file structure

center	id	year	y	x1	subject	withinsubject
A	11	91	4	0	1	1
A	11	93	5	1	1	2
A	11	.	.	.	1	3
A	12	93	5	1	2	1
A	12	.	.	.	2	2
A	12	.	.	.	2	3
A	11	94	6	1	3	1
A	11	.	.	.	3	2
A	11	.	.	.	3	3
A	12	94	6	0	4	1
A	12	95	7	1	4	2
A	12	.	.	.	4	3
B	1	91	6	0	5	1
B	1	94	3	0	5	2
B	1	.	.	.	5	3
B	2	93	5	1	6	1
B	2	95	7	0	6	2
B	2	94	8	1	6	3

After reformatting the data, we assume there are  $i = 1, \dots, K$  subjects or clusters where each subject or cluster has  $t = 1, \dots, n_i$  correlated measurements. Note now that  $n_1 = n_2 = \dots = n_K$ . The following notations should be applied to the reformatted data, not the original data.

## Notation

The following notation is used throughout this section unless otherwise stated:

Table 46-23  
Notation

Notation	Description
$K$	Number of subjects (clusters or groups) in the data set. It is an integer and $K \geq 1$ .
$n_i$	Number of complete measurements on the $i$ th subject. It is an integer and $n_i \geq 1$ .
$n$	Total number of measurement; $n = \sum_{i=1}^K n_i$ . It is an integer and $n \geq 1$ .
$p$	Number of parameters (including the intercept, if exists) in the model. It is an integer and $p \geq 1$ .
$p_x$	Number of non-redundant columns in the design matrix. It is an integer and $p_x \geq 1$ .
$\mathbf{y}$	$n \times 1$ dependent variable vector. $\mathbf{y} = [y_1^T, \dots, y_K^T]^T$ with $y_i = [y_{i1}, \dots, y_{in_i}]^T$ for each $i$ .
$\mathbf{r}$	$n \times 1$ vector of events for the binomial distribution; it usually represents the number of "successes". All elements are non-negative integers.

<b>Notation</b>	<b>Description</b>
<b>m</b>	$n \times 1$ vector of trials for the binomial distribution. All elements are positive integers and $m_i \geq r_i, i=1, \dots, n$ .
<b><math>\mu</math></b>	$n \times 1$ vector of expectations of the dependent variable.
<b><math>\eta</math></b>	$n \times 1$ vector of linear predictors.
<b>X</b>	$n \times p$ design matrix. The vector for the $t$ th measurement on the $i$ th subject is $x_{it} = [x_{it1}, \dots, x_{itp}]^T, i = 1, \dots, K$ and $t = 1, \dots, n_i$ with $x_{it1} = 1$ if the model has an intercept.
<b><math>\beta</math></b>	$p \times 1$ vector of unknown parameters. The first element in $\beta$ is the intercept, if there is one.
<b><math>\omega</math></b>	$n \times 1$ vector of scale weights. If an element is less than or equal to 0 or missing, the corresponding case is not used.
<b>f</b>	$n \times 1$ vector of frequency counts. Non-integer elements are treated by rounding the value to the nearest integer. For values less than 0.5 or missing, the corresponding cases are not used.
<b>N</b>	Effective sample size. $N = \sum_{i=1}^n f_i n_i$ .

## Model

GEE offers the same link functions and distributions as those for GZLM. The generalized estimating equation is given by

$$\mathbf{s}(\beta) = \sum_{i=1}^K f_i \left( \frac{\partial \boldsymbol{\mu}_i}{\partial \beta} \right)^T \mathbf{V}_i^{-1} (\mathbf{y}_i - \boldsymbol{\mu}_i) = [0]_{p \times 1},$$

where

$$\begin{aligned} \left( \frac{\partial \boldsymbol{\mu}_i}{\partial \beta} \right) &= \left( \frac{\partial \boldsymbol{\mu}_i}{\partial \boldsymbol{\eta}_i} \right) \left( \frac{\partial \boldsymbol{\eta}_i}{\partial \beta} \right) \\ &= \text{diag} \left( \frac{1}{g'(\mu_{ij})} \right) \begin{pmatrix} x_{i11} & \cdots & x_{i1p} \\ \vdots & \ddots & \vdots \\ x_{in_i1} & \cdots & x_{in_i p} \end{pmatrix} \\ &= \begin{pmatrix} \frac{x_{i11}}{g'(\mu_{i1})} & \cdots & \frac{x_{i1p}}{g'(\mu_{i1})} \\ \vdots & \ddots & \vdots \\ \frac{x_{in_i1}}{g'(\mu_{in_i})} & \cdots & \frac{x_{in_i p}}{g'(\mu_{in_i})} \end{pmatrix}_{n_i \times p}, \end{aligned}$$

$\text{diag}(1/g'(\mu_{ij})), j = 1, \dots, n_i$ , is an  $n_i \times n_i$  matrix,  $\mathbf{V}_i$  is the assumed covariance matrix of  $\mathbf{y}_i$  and  $\mathbf{V}_i^{-1}$  is a generalized inverse of  $\mathbf{V}_i$

If the measurements within the  $i$ th subject are independent like in GZLM, then  $\mathbf{V}_i$  is a diagonal matrix which can be decomposed into

$$\mathbf{V}_i = \left( \phi \mathbf{A}_i^{1/2} \mathbf{I}_{n_i} \mathbf{A}_i^{1/2} \right)_{n_i \times n_i},$$

where  $\mathbf{A}_i = \text{diag}(V(\mu_{ij})/\omega_{ij}), j = 1, \dots, n_i$ , is an  $n_i \times n_i$  matrix and  $\mathbf{I}_{n_i}$  is an  $n_i \times n_i$  identity matrix. However, if the measurements within the  $i$ th subject are correlated, we simply replace the identity matrix  $\mathbf{I}_{n_i}$  with a more general correlation  $\mathbf{R}(\alpha)$

$$\mathbf{V}_i = \phi \mathbf{A}_i^{1/2} \mathbf{R}(\alpha) \mathbf{A}_i^{1/2},$$

where  $\mathbf{R}(\alpha)$  is an  $n_i \times n_i$  “working” correlation matrix which can be estimated through the parameter vector  $\alpha$ . Since  $\mathbf{R}(\alpha)$  usually doesn’t have a diagonal form, neither does  $\mathbf{V}_i$ . If  $\mathbf{R}(\alpha)$  is indeed the true correlation matrix of the  $y_i$ ’s, then  $\mathbf{V}_i$  is the true covariance matrix of  $y_i$

### Ordinal Multinomial Model

For ordinal multinomial GEE models, we need to transform original response variable and define some notation as follows:

Table 46-24

#### Notation

Notation	Description
$J$	Number of values for the ordinal response. It is an integer and $J \geq 2$ .
$\mathbf{y}$	$n \times 1$ dependent variable vector. $\mathbf{y} = [y_1^T, \dots, y_K^T]^T$ with $y_i = [y_{i1}, \dots, y_{in_i}]^T$ for each $i$ .
$\mathbf{z}$	$K \times n_i \times (J - 1) \times 1$ transformed dependent variable vector. $\mathbf{z} = [z_1^T, \dots, z_K^T]^T, z_i = [z_{i1}, \dots, z_{in_i}]^T, z_{it} = [y_{it,1}, \dots, y_{it,J-1}]^T$ and $y_{it,j} = \begin{cases} 1 & \text{if } y_{it} = j \\ 0 & \text{otherwise.} \end{cases}$
$\boldsymbol{\pi}$	$K \times n_i \times (J - 1) \times 1$ conditional response probability vector. $\boldsymbol{\pi} = [\pi_1^T, \dots, \pi_K^T]^T, \pi_i = [\pi_{i1}, \dots, \pi_{in_i}]^T$ and $\pi_{it} = [\pi_{it,1}, \dots, \pi_{it,J-1}]^T$ , where $\pi_{it,j}$ is the conditional response probability of measurement $t$ on subject $i$ for category $j$ given the observed independent variable vector; that is, $\pi_{it,j} = P(y_i = j   \mathbf{x}_{it})$ and $\pi_{it,j} = \gamma_{it,j} - \gamma_{it,j-1}$ for $j = 1, \dots, J$ .
$\gamma_{it,j}$	Conditional cumulative response probability of measurement $t$ on subject $i$ for category $j$ given observed independent variable vector; that is, $\gamma_{it,j} = P(y_i \leq j   \mathbf{x}_{it})$ .
$\eta_{it,j}$	Linear predictor value of measurement $t$ on subject $i$ for category $j$ . It is related to $\gamma_{it,j}$ through a cumulative link function.
$\boldsymbol{\Psi}$	$(J - 1) \times 1$ vector of threshold parameters; $\boldsymbol{\psi} = (\psi_1, \psi_2, \dots, \psi_{J-1})'$ and $\psi_1 < \psi_2 < \dots < \psi_{J-1}$ .
$\boldsymbol{\beta}$	$p \times 1$ vector of regression parameters associated with model predictors; $\boldsymbol{\beta} = (\beta_1, \beta_2, \dots, \beta_p)'$ .
$\mathbf{B}$	$(J - 1 + p) \times 1$ vector of all parameters; $\mathbf{B} = (\boldsymbol{\psi}^T, \boldsymbol{\beta}^T)^T$

The generalized estimating equation for estimating parameters  $\mathbf{B}$  is given by

$$s(\mathbf{B}) = \sum_{i=1}^K f_i \left( \frac{\partial \boldsymbol{\pi}_i}{\partial \mathbf{B}} \right)^T \mathbf{V}_i^{-1} (\mathbf{z}_i - \boldsymbol{\pi}_i) = [0]_{(J-1+p) \times 1},$$

where



and note that there is a subscript  $i$  in  $\mathbf{R}_i(\alpha)$  which means each subject has different working correlation matrix. In fact, only the diagonal blocks are different for different subjects, the off-diagonal blocks will be the same for all subjects. The diagonal blocks of  $\mathbf{R}_i(\alpha)$ ,  $\mathbf{A}_{it}^{-1/2} \mathbf{V}_{it} \mathbf{A}_{it}^{-1/2}$ , with

$$\mathbf{A}_{it}^{-1/2} = \omega_{it}^{1/2} \times \text{diag} \left( \{\pi_{it,1}(1 - \pi_{it,1})\}^{-1/2}, \dots, \{\pi_{it,J-1}(1 - \pi_{it,J-1})\}^{-1/2} \right)$$

and

$$\begin{aligned} \mathbf{V}_{it} &= \frac{\phi}{\omega_{it}} \times \left[ \text{diag}(\pi_{it,1}, \dots, \pi_{it,J-1}) - \boldsymbol{\pi}_{it} \boldsymbol{\pi}_{it}^{\mathbf{T}} \right] \\ &= \frac{\phi}{\omega_{it}} \times \begin{bmatrix} \pi_{it,1}(1 - \pi_{it,1}) & -\pi_{it,1}\pi_{it,2} & \cdots & -\pi_{it,1}\pi_{it,J-1} \\ -\pi_{it,2}\pi_{it,1} & \pi_{it,2}(1 - \pi_{it,2}) & \cdots & -\pi_{it,2}\pi_{it,J-1} \\ \vdots & \vdots & \ddots & \vdots \\ -\pi_{it,J-1}\pi_{it,1} & -\pi_{it,J-1}\pi_{it,2} & \cdots & \pi_{it,J-1}(1 - \pi_{it,J-1}) \end{bmatrix}, \end{aligned}$$

are specified entirely by  $\pi_i$ . In particular, the diagonal elements of  $\frac{1}{\phi} \mathbf{A}_{it}^{-1/2} \mathbf{V}_{it} \mathbf{A}_{it}^{-1/2}$  are 1 and off-diagonal  $(j, l)$  elements are

$$\frac{-\pi_{it,j}\pi_{it,l}}{\{\pi_{it,j}(1 - \pi_{it,j})\pi_{it,l}(1 - \pi_{it,l})\}^{1/2}}$$

which are not constant and depend on the categories  $j$  and  $l$  at measurement  $t$ . The unknown off-diagonal blocks of  $\mathbf{R}_i(\alpha)$  are the  $(J - 1) \times (J - 1)$  matrix  $\rho_{iuv}(\alpha)$ ,  $u, v = 1, \dots, u_i$ , which we need to parameterize and estimate them.

### Working correlation matrix

The working correlation matrix is usually unknown and should be estimated. We use the estimated Pearson residuals

$$r_{it} = (y_{it} - \mu_{it}) \sqrt{\frac{\omega_{it}}{V(\mu_{it})}}$$

from the current fit of the model to estimate  $\alpha$ .

For the ordinal multinomial model, we define estimated Pearson-like residuals as follows

$$r_{it,j} = (y_{it,j} - \pi_{it,j}) \sqrt{\frac{\omega_{it}}{\pi_{it,j}(1 - \pi_{it,j})}}$$

and the vector

$$\mathbf{r}_{it} = [r_{it,1}, \dots, r_{it,J-1}]^{\mathbf{T}}$$

The following structures are available.

Independent

The independent correlation structure is defined as:

$$R_{uv} = \begin{cases} 1 & \text{if } u = v \\ 0 & \text{otherwise} \end{cases}$$

For the ordinal multinomial model:

$$\rho_{iuv} = 0, u, v = 1, \dots, n_i.$$

No parameters need to be estimated for this structure.

Exchangeable

The exchangeable correlation structure is defined as:

$$R_{uv} = \begin{cases} 1 & \text{if } u = v \\ \alpha & \text{otherwise} \end{cases}$$

1 parameter is estimated as follows:

$$\alpha = \frac{\sum_{i=1}^K \sum_{t < t'} f_i r_{it} r_{it'}}{\left(\frac{1}{2} \sum_{i=1}^K f_i n'_i (n'_i - 1)\right) - p_x} / \left(\frac{1}{N' - p_x} \sum_{i=1}^K \sum_{t=1}^{n_i} f_i r_{it}^2\right),$$

where  $N' = \sum_{i=1}^K f_i n'_i$  and  $n'_i$  is the number of non-missing measurements on the  $i$ th subject.

For the ordinal multinomial model:

$$\alpha = \frac{\sum_{i=1}^K f_i \sum_{t < t'} \frac{1}{2} (r_{it} r_{it'}^T + r_{it'} r_{it}^T)}{\left(\frac{1}{2} \sum_{i=1}^K f_i n'_i (n'_i - 1)\right) - (J - 1 + p_x)}$$

and  $\rho_{iuv} = \alpha, u, v = 1, \dots, n_i$  and  $u \neq v$ .

AR(1)

The first-order autoregressive correlation structure is defined as:

$$R_{uv} = \begin{cases} 1 & \text{if } u = v \\ \alpha^{|u-v|} & \text{otherwise} \end{cases}$$

1 parameter is estimated as follows:

$$\alpha = \frac{\sum_{i=1}^K \sum_{t=1}^{n_i-1} f_i r_{it} r_{i,t+1}}{\left( \sum_{i=1}^K f_i n''_i \right) - p_x} / \left( \frac{1}{N' - p_x} \sum_{i=1}^K \sum_{t=1}^{n_i} f_i r_{it}^2 \right),$$

where  $n''_i$  is the number of non-missing pairs used in the numerator part for the  $i$ th subject. If there is no non-missing measurement for the  $i$ th subject,  $n''_i = n_i - 1$ .

For the ordinal multinomial model:

$$\alpha = \frac{\sum_{i=1}^K f_i \sum_{t=1}^{n_i-1} \frac{1}{2} (r_{it} r_{i,t+1}^T + r_{i,t+1} r_{it}^T)}{\left( \sum_{i=1}^K f_i n''_i \right) - (J - 1 + p_x)}$$

and  $\rho_{iuv} = \alpha^{|u-v|}$ ,  $u, v = 1, \dots, n_i$  and  $u \neq v$ .

M-dependent

The  $m$ -dependent correlation structure is defined as:

$$R_{uv} = \begin{cases} 1 & \text{if } u = v \\ \alpha_{|u-v|} & \text{if } |u - v| \leq m \\ 0 & \text{otherwise} \end{cases}$$

$m$  parameters are estimated as follows:

$$\alpha_j = \frac{\sum_{i=1}^K \sum_{t=1}^{n_i-j} f_i r_{it} r_{i,t+j}}{\left( \sum_{i=1}^K f_i n'''_{ij} \right) - p_x} / \left( \frac{1}{N' - p_x} \sum_{i=1}^K \sum_{t=1}^{n_i} f_i r_{it}^2 \right),$$

where  $n'''_{ij}$  is the number of non-missing pairs for the  $i$ th subject in calculating  $\alpha_j$ . If there is no non-missing measurement for the  $i$ th subject,  $n'''_{ij} = n_i - j$ .

For the ordinal multinomial model:

$$\alpha_j = \frac{\sum_{i=1}^K f_i \sum_{t=1}^{n_i-j} \frac{1}{2} (r_{it} r_{i,t+j}^T + r_{i,t+j} r_{it}^T)}{\left( \sum_{i=1}^K f_i n'''_{ij} \right) - (J - 1 + p_x)}$$

and  $\rho_{iuv} = \begin{cases} \alpha_{|u-v|} & \text{if } |u - v| \leq m \\ 0 & \text{otherwise} \end{cases}$

Unstructured

The unstructured correlation structure is defined as:

$$R_{uv} = \begin{cases} 1 & \text{if } u = v \\ \alpha_{uv} & \text{otherwise} \end{cases}$$

$\frac{1}{2}n_i(n_i - 1)$  parameters are estimated as follows:

$$\alpha_{uv} = \frac{\sum_{i=1}^K f_i r_{iu} r_{iv}}{\left( \sum_{i=1}^K f_i I_{i,uv} \right) - p_x} / \left( \frac{1}{N' - p_x} \sum_{i=1}^K \sum_{t=1}^{n_i} f_i r_{it}^2 \right),$$

where  $I_{i,uv} = 1$  if the  $i$ th subject has non-missing measurements at times  $u$  and  $v$ ; 0 otherwise

For the ordinal multinomial model:

$$\alpha_{uv} = \frac{\sum_{i=1}^K f_i r_{iu} r_{iv} \mathbf{T}}{\left( \sum_{i=1}^K f_i I_{i,uv} \right) - (J - 1 + p_x)}$$

and  $\rho_{iuv} = \alpha_{uv}$ ,  $u, v = 1, \dots, n_i$  and  $u \neq v$

Fixed

The fixed correlation structure is defined as:

$$R_{uv} = \begin{cases} 1 & \text{if } u = v \\ \gamma_{uv} & \text{otherwise} \end{cases}$$

where  $\gamma_{uv}$  is user-specified

Fixed correlation structures are not allowed for ordinal multinomial models.

No parameters need to be estimated for this structure.

Notes

- When the scale parameter is updated by the current Pearson residuals, the denominator for the  $\alpha$  parameter vector is an estimator of the scale parameter.
- The denominators in the above equations and in the estimator of the scale parameter are all adjusted by the number of non-redundant parameters (not subtracted by  $p_x$ ). The user can specify that these adjustments not be used so that the numerator and denominator parts are

invariant to subject-level replication changes of the data. If the denominators are non-positive; that is, if the summation part is smaller than or equal to  $p_x$ , then only the summation part is used.

## Estimation

Having selected a particular model, it is required to estimate the parameters and to assess the precision of the estimates.

### Parameter Estimation

The algorithm for estimating model parameters using GEEs is outlined below. Note the scale parameter or the ancillary parameter  $k$  is not a part of parameter estimation and see below on how to deal with them.

Some definitions are needed for an iterative process:

Table 46-25

*Notation*

Notation	Description
$M$	The maximum number of iterations. It must be a non-negative integer. If the value is 0, then initial parameter values become final estimates.
$N_u$	The number of iterations between updates of the working correlation matrix. It must be a positive integer.
$CORRTYPE$	The specified working correlation structure.
$\epsilon_p, \epsilon_H$	Tolerance levels for different types of convergence criteria.
$Abs$	A 0/1 binary variable; $Abs = 1$ if absolute change is used for convergence criteria and $Abs = 0$ if relative change is used.

1. Input initial values  $\beta^{(0)}$  and/or  $\phi^{(0)}$  or if no initial values are given, compute initial estimates with an independent generalized linear model.
2. Compute the working correlation  $R(\alpha)$  based on  $\beta^{(0)}$ , Pearson residuals and a specified working correlation structure ( $CORRTYPE$ ). Check if  $R(\alpha)$  is positive definite for exchangeable,  $m$ -dependent and unstructured structures. If it is not, revise it to be equal to  $\frac{1}{1+\zeta}(R(\alpha) + \zeta I)$ , where  $I$  is an identity matrix and  $\zeta$  is a ridge value such that the adjusted matrix is positive definite. If a fixed correlation matrix is specified by the users and it is not positive definite, issue a warning and stop. Then compute the initial estimate of the covariance matrix of  $y_i$  ( $V_i^{(0)}$ ), the generalized estimating equation  $s^{(0)}$ , and generalized Hessian matrix  $H^{(0)}$  (see formulae below) based on  $\beta^{(0)}$  and  $V_i^{(0)}$ .
3. Initialize  $v=0$ .
4. Set  $v=v+1$ .
5. Compute estimates of  $v$ th iteration

$$\beta^{(v)} = \beta^{(v-1)} - (H^{(v-1)})^{-1} s^{(v-1)},$$

6. If  $v/N_u$  is a positive integer, update the working correlation, checking for positive definiteness as above.
7. Compute an estimate of the covariance matrix of  $y^i$  and its generalized inverse

$$\mathbf{V}_i^{(v)} = \phi \mathbf{A}_i^{1/2} \mathbf{R}(\alpha) \mathbf{A}_i^{1/2} \text{ and } \left(\mathbf{V}_i^{(v)}\right)^{-} = \frac{1}{\phi} \mathbf{A}_i^{-1/2} \mathbf{R}(\alpha)^{-} \mathbf{A}_i^{-1/2}.$$

For the ordinal multinomial model, replace  $\mathbf{R}(\alpha)$  with  $\mathbf{R}_i(\alpha)$  in the above equations.

8. Revise  $\mathbf{s}^{(v)}$  and  $\mathbf{H}^{(v)}$  based on  $\hat{\beta}^{(v)}$  and  $\mathbf{V}_i^{(v)}$ .

$$\mathbf{s}^{(v)} = \sum_{i=1}^K f_i \left( \frac{\partial \mu_i}{\partial \beta} \right)^{\mathbf{T}} \left( \mathbf{V}_i^{(v)} \right)^{-} (y_i - \mu_i),$$

$$\mathbf{H}^{(v)} = - \sum_{i=1}^K f_i \left( \frac{\partial \mu_i}{\partial \beta} \right)^{\mathbf{T}} \left( \mathbf{V}_i^{(v)} \right)^{-} \left( \frac{\partial \mu_i}{\partial \beta} \right).$$

For the ordinal multinomial model,

$$\mathbf{s}^{(v)} = \sum_{i=1}^K f_i \left( \frac{\partial \pi_i}{\partial \mathbf{B}} \right)^{\mathbf{T}} \left( \mathbf{V}_i^{(v)} \right)^{-} (z_i - \pi_i),$$

$$\mathbf{H}^{(v)} = - \sum_{i=1}^K f_i \left( \frac{\partial \pi_i}{\partial \mathbf{B}} \right)^{\mathbf{T}} \left( \mathbf{V}_i^{(v)} \right)^{-} \left( \frac{\partial \pi_i}{\partial \mathbf{B}} \right).$$

9. Check the convergence criteria. If they are met or the maximum number of iterations is reached, stop. The final vector of estimates is denoted by  $\hat{\beta}$  (and  $\hat{\Psi}$  for the ordinal multinomial). Otherwise, go back to step (4).

#### Scale Parameter Handling

If no initial values are given, the initial values are computed with an independent GZLM. The ways to deal with the scale parameter in the GZLM step (1) and the GEE step (7) are as follows:

- For normal, inverse Gaussian, gamma, and Tweedie response, if the scale parameter is estimated by the ML method in step (1), then in step (7)  $\phi$  would be updated as

$$\hat{\phi} = \frac{1}{N' - p_x} \sum_{i=1}^K \sum_{t=1}^{n_i} f_i r_{it}^2,$$

where  $r_{it}$  is the Pearson residual, and  $n_i$  is the number of non-missing measurements on the  $i$ th subject.

- If the scale parameter is set to a fixed value in step (1), then  $\phi$  would be held fixed at that value in step (7) as well.

#### Convergence Criteria

We consider parameter convergence and Hessian convergence. For parameter convergence, we consider both absolute and relative change, but for Hessian convergence, we only consider absolute change because the log-likelihood values used as the denominator for relative change

are not valid for GEE. Let  $\epsilon_p$  and  $\epsilon_H$  be given tolerance levels for each type, then the criteria can be written as follows:

$$\text{Parameter convergence: } \begin{cases} \max_j \left( \frac{|\beta_j^{(v)} - \beta_j^{(v-1)}|}{|\beta_j^{(v-1)}| + 10^{-6}} \right) < \epsilon_p \text{ if relative change} \\ \max_j \left( |\beta_j^{(v)} - \beta_j^{(v-1)}| \right) < \epsilon_p \text{ if absolute change} \end{cases}$$

$$\text{Hessian convergence: } (\mathbf{s}^{(v)})^T (\mathbf{H}^{(v)})^{-1} (\mathbf{s}^{(v)}) < \epsilon_H \text{ if absolute change}$$

If the Hessian convergence criterion is not user-specified, it is checked based on absolute change with  $\epsilon_H = 1E-4$  after the log-likelihood or parameter convergence criterion has been satisfied. If Hessian convergence is not met, a warning is displayed.

### **Parameter Estimate Covariance Matrix, Correlation Matrix and Standard Errors**

#### Parameter Estimate Covariance

Two parameter estimate covariance matrices can be calculated. One is the model-based estimator and the other one is the robust estimator. As in the generalized linear model, the consistency of the model-based parameter estimate covariance depends on the correct specification of the mean and variance of the response (including correct choice of the working correlation matrix). However, the robust parameter estimate covariance is still consistent even when the specification of the working correlation matrix is incorrect as we often expect.

The model-based parameter estimate covariance is

$$\Sigma_m = -\mathbf{H}_1^-$$

$$\text{where } \mathbf{H}_1^- \text{ is the generalized inverse of } \mathbf{H}_1 = -\sum_{i=1}^K f_i \left( \frac{\partial \mu_i}{\partial \beta} \right)^T \mathbf{V}_i^- \left( \frac{\partial \mu_i}{\partial \beta} \right).$$

$$\text{For the ordinal multinomial model, } \mathbf{H}_1 = -\sum_{i=1}^K f_i \left( \frac{\partial \pi_i}{\partial \mathbf{B}} \right)^T \mathbf{V}_i^- \left( \frac{\partial \pi_i}{\partial \mathbf{B}} \right).$$

The robust parameter estimate covariance is

$$\Sigma_r = \mathbf{H}_1^- \mathbf{H}_2 \mathbf{H}_1^-$$

$$\text{where } \mathbf{H}_2 = \sum_{i=1}^K f_i \left( \frac{\partial \mu_i}{\partial \beta} \right)^T \mathbf{V}_i^- \text{cov}(y_i) \mathbf{V}_i^- \left( \frac{\partial \mu_i}{\partial \beta} \right) \text{ and } \text{cov}(y_i) \text{ can be estimated by } (y_i - \mu_i)(y_i - \mu_i)^T.$$

$$\text{For the ordinal multinomial model, } \mathbf{H}_2 = \sum_{i=1}^K f_i \left( \frac{\partial \pi_i}{\partial \mathbf{B}} \right)^T \mathbf{V}_i^- \text{cov}(z_i) \mathbf{V}_i^- \left( \frac{\partial \pi_i}{\partial \mathbf{B}} \right) \text{ and } \text{cov}(z_i) \text{ can be estimated by } (z_i - \pi_i)(z_i - \pi_i)^T.$$

Note that model-based parameter estimate covariance will be affected by how the scale parameter is handled, but the robust parameter estimate covariance will not be affected by the estimate of the scale parameter because  $\phi$  is cancelled in different terms.

#### Parameter Estimate Correlation

Parameter estimate correlation is calculated as described in GZLM. For more information, see the topic “Parameter Estimate Covariance Matrix, Correlation Matrix and Standard Errors”.

#### Parameter Estimate Standard Error

Parameter estimate standard errors are calculated as described in GZLM. There is no standard error for the scale parameter in GEE. For more information, see the topic “Parameter Estimate Covariance Matrix, Correlation Matrix and Standard Errors”.

### **Wald Confidence Intervals**

Wald confidence intervals are calculated as described in GZLM. For more information, see the topic “Confidence Intervals”.

### **Chi-Square Statistics**

The chi-square statistics and corresponding  $p$ -values are calculated as described in GZLM. For more information, see the topic “Chi-Square Statistics”.

## **Model Testing**

Since GEE is not a likelihood-based method of estimation, the inferences based on likelihoods are not possible for GEEs. Most notably, the Lagrange multiplier test, goodness-of-fit tests, and omnibus tests are invalid and will not be offered.

Default tests of model effects are as in GZLM. For more information, see the topic “Default Tests of Model Effects”.

Estimated marginal means are as in GZLM. For more information, see the topic “Estimated Marginal Means”.

### **Goodness of Fit**

None of the goodness-of-fit statistics which are available for GZLM are valid for GEE. However, Pan (2001b) introduced two useful extensions of AIC as goodness-of-fit statistics for model selection based on the quasi-likelihood function. One is for working correlation structure selection and the other is for variable selection. Both of them are based on the quasi-likelihood function under the independence model and the known scale parameter assumptions.

For the ordinal multinomial model, these goodness of fit statistics are not available because the log quasi-likelihood function cannot be derived.

Based on the model specification  $E(y) = \mu$  and  $\text{Var}(y) = V(\mu)$ , the (log) quasi-likelihood function for each case is

$$Q_k(\mu; \phi, \omega, y) = \int_y^\mu \frac{y-t}{\frac{\phi}{\omega} V(t)} dt = F(\mu)$$

or

$$Q(\mu; \phi, \omega, y) = \int_y^\mu \frac{y-t}{\frac{\phi}{\omega} V(t)} dt = F(\mu) - F(y)$$

which we shall call the kernel quasi-likelihood and full quasi-likelihood, respectively.

Since the components of  $\mathbf{Y}$  are independent by assumption, the kernel and full quasi-likelihood for the complete data is the sum of the individual contributions

$$Q_k(\mu; \phi, \omega, \mathbf{y}) = \sum_{i=1}^n Q_{k,i}(\mu_i; \phi, \omega_i, y_i)$$

and

$$Q(\mu; \phi, \omega, \mathbf{y}) = \sum_{i=1}^n Q_i(\mu_i; \phi, \omega_i, y_i).$$

Since  $\mu$  would depend on  $\beta$ , we change notation from  $Q_k(\mu; \phi, \omega, \mathbf{y})$  to  $Q_k(\beta; \mathbf{I})$  and  $Q(\mu; \phi, \omega, \mathbf{y})$  to  $Q(\beta; \mathbf{I})$  where  $\mathbf{I}$  implies independence assumption. The quasi-likelihood functions for the probability distributions are listed in the following table:

**Table 46-26**

*Quasi-likelihood functions for probability distributions*

Distribution	$Q_k(\beta; \mathbf{I})$ and $Q(\beta; \mathbf{I})$
Normal	$Q_k(\beta; \mathbf{I}) = Q(\beta; \mathbf{I}) = \sum_{i=1}^n -\frac{f_i \omega_i}{2\phi} \{(y_i - \mu_i)^2\}$
Inverse Gaussian	$Q_k(\beta; \mathbf{I}) = \sum_{i=1}^n -\frac{f_i \omega_i}{\phi} \left\{ \frac{y_i}{2\mu_i^2} - \frac{1}{\mu_i} \right\}$  $Q(\beta; \mathbf{I}) = \sum_{i=1}^n -\frac{f_i \omega_i}{2\phi y_i \mu_i^2} (y_i - \mu_i)^2$
Gamma	$Q_k(\beta; \mathbf{I}) = \sum_{i=1}^n -\frac{f_i \omega_i}{\phi} \left\{ \frac{y_i}{\mu_i} + \ln(\mu_i) \right\}$  $Q(\beta; \mathbf{I}) = \sum_{i=1}^n \frac{f_i \omega_i}{\phi} \left\{ \ln\left(\frac{y_i}{\mu_i}\right) + \frac{\mu_i - y_i}{\mu_i} \right\}$

Distribution	$Q_k(\beta; \mathbf{I})$ and $Q(\beta; \mathbf{I})$
Negative binomial	$Q_k(\beta; \mathbf{I}) = \sum_{i=1}^n \frac{f_i \omega_i}{\phi} \{y_i \ln(k\mu_i) - (y_i + 1/k) \ln(1 + k\mu_i)\}$ $Q(\beta; \mathbf{I}) = \sum_{i=1}^n -\frac{f_i \omega_i}{\phi} \left\{ y_i \ln\left(\frac{y_i}{\mu_i}\right) - (y_i + 1/k) \ln\left(\frac{y_i + 1/k}{\mu_i + 1/k}\right) \right\}$
Poisson	$Q_k(\beta; \mathbf{I}) = \sum_{i=1}^n \frac{f_i \omega_i}{\phi} \{y_i \ln(\mu_i) - \mu_i\}$ $Q(\beta; \mathbf{I}) = \sum_{i=1}^n \frac{f_i \omega_i}{\phi} \left\{ -y_i \ln\left(\frac{y_i}{\mu_i}\right) + (y_i - \mu_i) \right\}$
Binomial(m)	$Q_k(\beta; \mathbf{I}) = \sum_{i=1}^n \frac{f_i \omega_i^*}{\phi} \{y_i \ln(\mu_i) + (1 - y_i) \ln(1 - \mu_i)\}$ $Q(\beta; \mathbf{I}) = \sum_{i=1}^n \frac{f_i \omega_i^*}{\phi} \left\{ y_i \ln\left(\frac{\mu_i}{y_i}\right) + (1 - y_i) \ln\left(\frac{1 - \mu_i}{1 - y_i}\right) \right\}$
Tweedie	$Q_k(\beta; \mathbf{I}) = \sum_{i=1}^n \frac{f_i \omega_i}{\phi} \left\{ \frac{(2 - q)y_i \mu_i^{1-q} - (1 - q)\mu_i^{2-q}}{(1 - q)(2 - q)} \right\}$ $Q(\beta; \mathbf{I}) = \sum_{i=1}^n \frac{f_i \omega_i}{\phi} \left\{ \frac{y_i^{2-q} + (2 - q)y_i \mu_i^{1-q} - (1 - q)\mu_i^{2-q}}{(1 - q)(2 - q)} \right\}$

Then the quasi-likelihood under the independence model criterion (QIC) for choosing the best correlation structure is defined as

$$\text{QIC}(\mathbf{R}) = -2Q(\beta_{\mathbf{R}}; \mathbf{I}) + 2\text{trace}\left(-\mathbf{H}_{1, \mathbf{I}} \quad \Sigma_{r, \mathbf{R}}\right)$$

There are three terms in the above formula:

1.  $Q(\beta_{\mathbf{R}}; \mathbf{I})$  is the value of the quasi-likelihood computed using the parameter estimates from the model with hypothesized correlation structure  $\mathbf{R}$ ; that is, the estimates of  $\beta_{\mathbf{R}}$ . In evaluating the quasi-likelihood, we use  $\hat{\mu}_i$  in place of  $\mu_i$ . The scale parameter is unknown in practice, so we have to assign a value. If it is set to a fixed value by the user, then that value is used; otherwise 1 is used. Note that  $Q(\beta_{\mathbf{R}}; \mathbf{I})$  could be replaced by  $Q_k(\beta_{\mathbf{R}}; \mathbf{I})$ .
2.  $\mathbf{H}_{1, \mathbf{I}}$  is the generalized Hessian matrix obtained by fitting an independent working correlation model.
3.  $\Sigma_{r, \mathbf{R}}$  is the robust estimator for parameter estimate covariance from the model with hypothesized correlation structure  $\mathbf{R}$ .

Under the assumption that all modeling specifications in GEE are correct,

$\text{trace}\left(-\mathbf{H}_{1, \mathbf{I}} \quad \Sigma_{r, \mathbf{R}}\right) \approx p_x$ , then the above QIC reduces to

$$\text{QIC}_u(\mathbf{R}) = -2Q(\beta_{\mathbf{R}}; \mathbf{I}) + 2p_x$$

So  $\text{QIC}_u(\mathbf{R})$  can be useful for choosing the best subset of covariates for a particular model. For the use of QIC and  $\text{QIC}_u(\mathbf{R})$ , the model with the smallest value is preferred. Note again that  $Q(\beta_{\mathbf{R}}; \mathbf{I})$  could be replaced by  $Q_k(\beta_{\mathbf{R}}; \mathbf{I})$ .

### Default Tests of Model Effects

For type I and III analyses, Wald statistics are still valid.

#### Generalized Score Statistics

For type I and III analyses, the method of constructing a generalized score statistic is the same, the only difference is the method of constructing  $\mathbf{L}$  matrices. A generalized score statistic can be computed as follows (when the process is applied to the ordinal multinomial model, all formulae should be modified accordingly):

Calculate  $\tilde{\beta}_{-i}$  under the constraint  $\mathbf{L}_i\beta = 0$  for each effect  $i$ ,

$$\tilde{\beta}_{-i} = \underset{\beta}{\text{arg}} (\beta) = 0 \text{ s.t. } \mathbf{L}_i\beta = 0,$$

where  $\mathbf{L}_i$  is a type III test matrix for the  $i$ th effect.

The iterative process to calculate the above optimal  $\tilde{\beta}_{-i}$  is a combination of sequential quadratic programming and GEE parameter estimation. This kind of iterative process will be used here and for custom tests, so we will describe the iterative process in a more general form:

$$\tilde{\beta} = \underset{\beta}{\text{arg}} \mathbf{s}(\beta) = 0 \text{ s.t. } \mathbf{L}\beta = \mathbf{K}.$$

The iterative process is outlined briefly as follows:

1. Find initial values  $\beta^{(0)}$  with  $\mathbf{L}\beta^{(0)} = \mathbf{K}$  as described in Section 2.3.4.2-(a).
2. Compute the working correlation  $\mathbf{R}(\alpha)$  based on the last iteration's estimate  $\beta^{(v-1)}$ , Pearson residuals and a specified working correlation structure if  $(v-1+N_u)/N_u$  is an integer, otherwise working correlation is not updated.
3. Compute an estimate of the covariance matrix of  $y_i$  and its generalized inverse

$$\mathbf{V}_i^{(v-1)} = \phi \mathbf{A}_i^{1/2} \mathbf{R}(\alpha) \mathbf{A}_i^{1/2} \text{ and } (\mathbf{V}_i^{(v-1)})^{-} = \frac{1}{\phi} \mathbf{A}_i^{-1/2} \mathbf{R}(\alpha)^{-} \mathbf{A}_i^{-1/2}.$$

Also compute  $\mathbf{s}^{(v-1)}$  and  $\mathbf{H}^{(v-1)}$  based on  $\beta^{(v-1)}$  and  $\mathbf{V}_i^{(v-1)}$  as follows:

$$\mathbf{s}^{(v-1)} = \sum_{i=1}^K f_i \left( \frac{\partial \mu_i}{\partial \beta} \right)^{\mathbf{T}} (\mathbf{V}_i^{(v-1)})^{-} (y_i - \mu_i),$$

$$\mathbf{H}^{(v-1)} = - \sum_{i=1}^K f_i \left( \frac{\partial \mu_i}{\partial \beta} \right)^{\mathbf{T}} (\mathbf{V}_i^{(v-1)})^{-} \left( \frac{\partial \mu_i}{\partial \beta} \right).$$

- 
4. Find a solution of  $\delta^{(v-1)}$  and  $\lambda^{(v)}$  for the following KKT equations

$$\begin{bmatrix} \mathbf{H}^{(v-1)} & \mathbf{L}^T \\ \mathbf{L} & \mathbf{0} \end{bmatrix} \begin{bmatrix} \delta^{(v-1)} \\ \lambda^{(v)} \end{bmatrix} = \begin{bmatrix} -\mathbf{s}^{(v-1)} \\ \mathbf{0} \end{bmatrix};$$

5. Compute estimates of the  $v$ th iteration:

$$\beta^{(v)} = \beta^{(v-1)} + \delta^{(v-1)}$$

6. Check if convergence criteria are met. If they are or the maximum number of iterations is reached, stop. The final vector of estimates is denoted by  $\tilde{\beta}$ . Otherwise, go back to step (2).

Note: the convergence criteria here are similar to those for parameter estimation, except that the Hessian convergence criterion is modified as follows:

$$\left( \mathbf{s}^{(v)} + \mathbf{L}^T \lambda^{(v+1)} \right)^T \left( \mathbf{H}^{(v)} \right)^{-1} \left( \mathbf{s}^{(v)} + \mathbf{L}^T \lambda^{(v+1)} \right) < \epsilon_{\mathbf{H}}.$$

Compute the generalized estimating equation based on the optimal  $\tilde{\beta}_{-i}$ .

Calculate the generalized score statistic for each effect  $i$ ,

$$T_{\text{GS},i} = \mathbf{s} \left( \tilde{\beta}_{-i} \right)^T \Sigma_{\mathbf{m}} \mathbf{L}_i^T \left( \mathbf{L}_i \Sigma_{\mathbf{r}} \mathbf{L}_i^T \right)^{-1} \mathbf{L}_i \Sigma_{\mathbf{m}} \mathbf{s} \left( \tilde{\beta}_{-i} \right),$$

where  $\Sigma_{\mathbf{m}}$  is the model-based parameter estimate covariance and  $\Sigma_{\mathbf{r}}$  is the robust parameter estimate covariance, each evaluated at  $\tilde{\beta}_{-i}$ . Then the asymptotic distribution of  $T_{\text{GS},i}$  is  $\chi_r^2$ , where  $r$  is the rank of  $\mathbf{L}_i$  and the  $p$ -values can be calculated accordingly.

Wald Statistics

For more information, see the topic “Default Tests of Model Effects”. Note  $\Sigma_{\mathbf{r}}$  (or  $\Sigma_{\mathbf{m}}$ ) should be used as the estimated covariance matrix.

## Scoring

Predicted values of the linear predictor, estimated standard errors of predicted values of linear predictor, predicted values of the means and confidence intervals for the means are calculated. For more information, see the topic “Predicted Values”.

Only two types of residuals are offered as model diagnostics in GEE: raw residuals and Pearson residuals. For more information, see the topic “Diagnostics”.

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# GENLOG Multinomial Loglinear and Logit Models Algorithms

This chapter describes the algorithms used to calculate maximum-likelihood estimates for the multinomial loglinear model and the multinomial logit model. This algorithm is applicable only to aggregated data.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$A$	Generic categorical independent (explanatory) variable. Its categories are indexed by an array of integers.
$B$	Generic categorical dependent (response) variable. Its categories are indexed by an array of integers.
$r$	Number of categories of $B$ . $r \geq 1$
$c$	Number of categories of $A$ . $c \geq 1$
$p$	Number of nonredundant (nonaliased) parameters.
$i$	Generic index for the categories of $B$ . $i=1, \dots, r$
$j$	Generic index for the categories of $A$ . $j=1, \dots, c$
$k$	Generic index for the parameters. $k=1, \dots, p$
$n_{ij}$	Observed count in the $i$ th response of $B$ and the $j$ th setting of $A$ . $n_{ij} \geq 0$
$N_j$	Marginal total count at the $j$ th setting of $A$ . $N_j = \sum_{i=1}^r n_{ij}$
$N$	Total observed count. $N = \sum_{j=1}^c \sum_{i=1}^r n_{ij}$
$m_{ij}$	Expected count. $m_{ij} \geq 0$
$\pi_{ij}$	Probability of having an observation in the $i$ th response of $B$ and the $j$ th setting of $A$ . $0 \leq \pi_{ij} \leq 1$ and $\sum_{j=1}^c \sum_{i=1}^r \pi_{ij} = 1$
$z_{ij}$	Cell structure value.
$\alpha_j$	$j$ th normalizing constant.
$\beta_k$	$k$ th nonredundant parameter.
$\beta$	A vector of $(\beta_1, \dots, \beta_p)'$ .
$x_{ijk}$	An element in the $i$ th row and the $k$ th column of the design matrix for the $j$ setting.

The same notation is used for both loglinear and logit models so that the methods are presented in a unified way. Conceptually, one can consider a loglinear model as a special case of a logit model where the explanatory variable has only one level (that is,  $c=1$ ).

## Model

There are two components in a loglinear model: the random component and the systematic component.

## Random Component

The random component describes the joint distribution of the counts.

- The counts  $\{n_{1j}, \dots, n_{rj}\}$  at the  $j$ th setting of  $A$  have the multinomial  $(N_j, \pi_{1j}, \dots, \pi_{rj})$  distribution.
- The counts  $n_{ij}$  and  $n_{i'j'}$  are independent if  $j \neq j'$ .
- The joint probability distribution of  $\{n_{ij}\}$  is the product of these  $c$  independent multinomial distributions. The probability density function is

$$\prod_{j=1}^c \left( \frac{N_j!}{\prod_{i=1}^r n_{ij}!} \prod_{i=1}^r \pi_{ij}^{n_{ij}} \right)$$

- The expected count is  $E(n_{ij}) = m_{ij} = N_j \pi_{ij}$ .
- The covariance is

$$\text{cov}(n_{ij}, n_{i'j'}) = \begin{cases} N_j \pi_{ij} (\delta_{ii'} - \pi_{i'j}) & \text{if } j = j' \\ 0 & \text{if } j \neq j' \end{cases}$$

where  $\delta_{ab} = 1$  if  $a = b$  and  $\delta_{ab} = 0$  if  $a \neq b$ .

## Systematic Component

The systematic component describes the linkage function between the expected counts and the parameters. The expected counts are themselves functions of other parameters. Explicitly, for  $i=1, \dots, r$  and  $j=1, \dots, c$ ,

$$m_{ij} = \begin{cases} z_{ij} e^{\alpha_j + v_{ij}} & \text{if } z_{ij} > 0 \\ 0 & \text{if } z_{ij} \leq 0 \end{cases}$$

where

$$v_{ij} = \sum_{k=1}^p x_{ijk} \beta_k$$

## Normalizing Constants

$\alpha_j$  are not considered as parameters, but as normalizing constants.

$$\alpha_j = \log \left( \frac{N_j}{\sum_{i=1}^r z_{ij} e^{v_{ij}}} \right) \quad j = 1, \dots, c$$

## Cell Structure Values

The cell structure values play two roles in loglinear procedures, depending on their signs. If  $z_{ij} > 0$ , it is a usual weight for the corresponding cell and  $\log(z_{ij})$  is sometimes called the **offset**. If  $z_{ij} \leq 0$ , a **structural zero** is imposed on the cell ( $B = i, A = j$ ). Contingency tables containing at least one structural zero are called incomplete tables. If  $n_{ij} = 0$  but  $z_{ij} > 0$ , the cell

( $B = i, A = j$ ) contains a **sampling zero**. Although a structural zero is still considered part of the contingency table, it is not used in fitting the model. Cellwise statistics are not computed for structural zeros.

## Maximum-Likelihood Estimation

The multinomial log-likelihood is

$$L(\beta) = L(\beta_1, \dots, \beta_p) = \text{constant} + \sum_{j=1}^c \sum_{i=1}^r n_{ij} \log(m_{ij})$$

## Likelihood Equations

It can be shown that:

$$\frac{\partial L}{\partial \beta_k} = \sum_{j=1}^c \sum_{i=1}^r (n_{ij} - m_{ij}) x_{ijk} \text{ for } k = 1, \dots, p$$

Let  $\mathbf{g}(\beta) = (g_1(\beta), \dots, g_p(\beta))'$  be the  $(p+1)$  gradient vector with

$$g_k(\beta) = \frac{\partial L}{\partial \beta_k}$$

The maximum-likelihood estimates  $\hat{\beta} = (\hat{\beta}_1, \dots, \hat{\beta}_p)'$  are regarded as a solution to the vector of likelihood equations:

$$\mathbf{g}(\beta) = 0$$

## Hessian Matrix

The likelihood equations are nonlinear functions of  $\beta$ . Solving them for  $\hat{\beta}$  requires an iterative method. The Newton-Raphson method is used. It can be shown that

$$\frac{\partial^2 L}{\partial \beta_k \partial \beta_l} = - \sum_{j=1}^c \sum_{i=1}^r m_{ij} (x_{ijk} - \theta_{jk})(x_{ijl} - \theta_{jl})$$

where

$$\theta_{jk} = \frac{1}{N_j} \sum_{i=1}^r m_{ij} x_{ijk} \quad j = 1, \dots, c \text{ and } k = 1, \dots, p$$

Let  $\mathbf{H}(\beta)$  be the  $p \times p$  information matrix, where  $-\mathbf{H}(\beta)$  is the Hessian matrix of the log-likelihood. The elements of  $\mathbf{H}(\beta)$  are

$$h_{kl}(\beta) = - \frac{\partial^2 L}{\partial \beta_k \partial \beta_l} \quad k = 1, \dots, p \text{ and } l = 1, \dots, p$$

*Note:*  $\mathbf{H}(\beta)$  is a symmetric positive-definite matrix. The asymptotic covariance matrix of  $\hat{\beta}$  is estimated by  $\mathbf{H}^{-1}(\hat{\beta})$ .

## Newton-Raphson Method

Let  $\beta^{(s)}$  denote the  $s$ th approximation for the solution. By the Newton-Raphson method,

$$\beta^{(s+1)} = \beta^{(s)} + \mathbf{H}^{-1}(\beta^{(s)})\mathbf{g}(\beta^{(s)})$$

Define  $\mathbf{q}(\beta) = \mathbf{H}(\beta)\beta + \mathbf{g}(\beta)$ . The  $k$ th element of  $\mathbf{q}(\beta)$  is

$$q_k(\beta) = \sum_{j=1}^c \sum_{i=1}^r \eta_{ij}(x_{ijk} - \theta_{jk})$$

where

$$\eta_{ij} = \begin{cases} m_{ij}v_{ij} + (n_{ij} - m_{ij}) & \text{if } z_{ij} > 0 \text{ and } m_{ij} > 0 \\ 0 & \text{otherwise} \end{cases}$$

Then

$$\mathbf{H}(\beta^{(s)})\beta^{(s+1)} = \mathbf{q}(\beta^{(s)})$$

Thus, given  $\beta^{(s)}$ , the  $(s+1)$ th approximation  $\beta^{(s+1)}$  is found by solving this system of equations.

## Initial Values

$\beta^{(0)}$ , which corresponds to a saturated model, is used as the initial value for  $\beta$ . Then the initial estimates for the expected cell counts are

$$m_{ij}^{(0)} = \begin{cases} n_{ij} + \Delta & \text{if } z_{ij} > 0 \\ 0 & \text{if } z_{ij} \leq 0 \end{cases}$$

where  $\Delta \geq 0$  is a constant.

*Note:* For saturated models,  $\Delta$  is added to  $n_{ij}$  if  $z_{ij} > 0$ . This is done to avoid numerical problems in case some observed counts are 0. We advise users to set  $\Delta$  to 0 whenever all observed counts (other than structural zeros) are positive.

The initial values for other quantities are

$$\theta_{jk}^{(0)} = \frac{1}{N_j} \sum_{i=1}^r m_{ij}^{(0)} x_{ijk}$$

and

$$\eta_{ij}^{(0)} = \begin{cases} m_{ij}^{(0)} \log(m_{ij}^{(0)} / z_{ij}) + (n_{ij} - m_{ij}^{(0)}) & \text{if } z_{ij} > 0 \text{ and } m_{ij}^{(0)} > 0 \\ 0 & \text{otherwise} \end{cases}$$

## Stopping Criteria

The following conditions are checked for convergence:

1.  $\max_{i,j} \left( \left| m_{ij}^{(s+1)} - m_{ij}^{(s)} \right| / m_{ij}^{(s)} \right) < \epsilon$  provided that  $m_{ij} > 0$
2.  $\max_{i,j} \left( \left| m_{ij}^{(s+1)} - m_{ij}^{(s)} \right| \right) < \epsilon$
3.  $\sqrt{\left( \sum_{k=1}^p g_k^2(\hat{\beta}) \right)} / p < \epsilon$

The iteration is said to be converged if either conditions 1 and 3 or conditions 2 and 3 are satisfied. If  $p=0$ , then condition 3 will be automatically satisfied. The iteration is said to be not converged if neither pair of conditions is satisfied within the maximum number of iterations.

## Algorithm

The iteration process uses the following steps:

1. Calculate  $m_{ij}^{(0)}$ ,  $\theta_{jk}^{(0)}$ , and  $n_{ij}^{(0)}$ .
2. Set  $s=0$ .
3. Calculate  $\mathbf{H}(\beta^{(s)})$  evaluated at  $m_{ij} = m_{ij}^{(s)}$ ; calculate  $\mathbf{q}(\beta^{(s)})$  evaluated at  $n_{ij} = n_{ij}^{(s)}$ .
4. Solve for  $\beta^{(s+1)}$ .
5. Calculate  $v_{ij}^{(s+1)} = \sum_{k=1}^p x_{ijk} \beta_k^{(s+1)}$  and
 
$$m_{ij}^{(s+1)} = \begin{cases} N_j \left( z_{ij} e^{v_{ij}^{(s+1)}} / \left( \sum_{t=1}^r z_{tj} e^{v_{tj}^{(s+1)}} \right) \right) & \text{if } z_{ij} > 0 \\ 0 & \text{if } z_{ij} \leq 0 \end{cases}$$
6. Check whether the stopping criteria are satisfied. If yes, stop iteration and declare convergence. Otherwise continue.
7. Increase  $s$  by 1 and check whether the maximum iteration has been reached. If yes, stop iteration and declare the process not converged. Otherwise repeat steps 3-7.

## Estimated Normalizing Constants

The maximum-likelihood estimate for  $\alpha_j$  is

$$\hat{\alpha}_j = \log \left( \frac{N_j}{\sum_{i=1}^r z_{ij} e^{\hat{v}_{ij}}} \right) j = 1, \dots, c$$

where

$$\hat{v}_{ij} = \sum_{k=1}^p x_{ijk} \hat{\beta}_k$$

## Estimated Cell Counts

The estimated expected count is

$$\hat{m}_{ij} = \begin{cases} N_j (z_{ij} e^{\hat{v}_{ij}} / (\sum_{t=1}^r z_{tj} e^{\hat{v}_{tj}})) & \text{if } z_{ij} > 0 \\ 0 & \text{if } z_{ij} \leq 0 \end{cases}$$

## Goodness-of-Fit Statistics

The Pearson chi-square statistic is

$$X^2 = \sum_{j=1}^c \sum_{i=1}^r X_{ij}^2$$

where

$$X_{ij}^2 = \begin{cases} (n_{ij} - \hat{m}_{ij})^2 / \hat{m}_{ij} & \text{if } z_{ij} > 0, n_{ij} > 0, \text{ and } \hat{m}_{ij} > 0 \\ \text{SYSMIS} & \text{if } z_{ij} > 0, n_{ij} > 0, \text{ and } \hat{m}_{ij} = 0 \\ 0 & \text{if } z_{ij} \leq 0 \text{ or } n_{ij} = \hat{m}_{ij} \end{cases}$$

If any  $X_{ij}^2$  is system missing, then  $X^2$  is also system missing.

The likelihood-ratio chi-square statistic is

$$G^2 = 2 \sum_{j=1}^c \sum_{i=1}^r X_{ij}^2$$

where

$$G_{ij}^2 = \begin{cases} n_{ij} (\log(n_{ij} / \hat{m}_{ij})) & \text{if } z_{ij} > 0, n_{ij} > 0 \text{ and } \hat{m}_{ij} > 0 \\ \text{SYSMIS} & \text{if } z_{ij} > 0, n_{ij} > 0 \text{ and } \hat{m}_{ij} = 0 \\ 0 & \text{if } z_{ij} > 0, n_{ij} = 0, \text{ and } \hat{m}_{ij} \geq 0; \\ & z_{ij} \leq 0 \text{ or } n_{ij} = \hat{m}_{ij} \end{cases}$$

If any  $G_{ij}^2$  is system missing, then  $G^2$  is also system missing.

## Degrees of Freedom

The degrees of freedom for each statistic is defined as  $a = c(r - 1) - p - E$ , where  $E$  is the number of cells with  $z_{ij} \leq 0$  or  $\hat{m}_{ij} = 0$ .

## Significance Level

The significance level (or the  $p$  value) for the Pearson chi-square statistic is  $\text{Prob}(x_a^2 > X^2)$  and that for the likelihood-ratio chi-square statistic is  $\text{Prob}(x_a^2 > G^2)$ . In both cases,  $x_a^2$  is the central chi-square distribution with  $a$  degrees of freedom.

## Analysis of Dispersion (Logit Models Only)

The analysis of dispersion is based on two types of dispersion: entropy and concentration. The following definitions are used:

$S(A)$	Dispersion due to the model
$S(B A)$	Dispersion due to residuals
$S(B)$	Total dispersion
$R=S(A)/S(B)$	Measure of association

where  $S(A) + S(B|A) = S(B)$ . Also define

$$\hat{\pi}_i = \frac{\sum_{j=1}^c \hat{m}_{ij}}{\sum_{j=1}^c N_j}$$

$$\hat{\pi}_{i|j} = \frac{\hat{m}_{ij}}{N_j}$$

The bounds are  $0 \leq \hat{\pi}_i \leq 1$  and  $0 \leq \hat{\pi}_{i|j} \leq 1$ .

### Entropy

$$S(B) = -N \sum_{i=1}^r S_i(B)$$

where

$$S_i(B) = \begin{cases} \hat{\pi}_i \log(\pi_i) & \text{if } 0 < \hat{\pi}_i \leq 1 \\ 0 & \text{if } \hat{\pi}_i = 0 \end{cases}$$

and

$$S(B|A) = -\sum_{j=1}^c N_j \sum_{i=1}^r S_{ij}(B|A)$$

where

$$S_{ij}(B|A) = \begin{cases} \hat{\pi}_{i|j} \log(\hat{\pi}_{i|j}) & \text{if } 0 < \hat{\pi}_{i|j} \leq 1 \\ 0 & \text{if } \hat{\pi}_{i|j} = 0 \end{cases}$$

### Concentration

$$S(B) = N \left( 1 - \sum_{i=1}^r \hat{\pi}_i^2 \right)$$

$$S(B|A) = \sum_{j=1}^c N_j \left( 1 - \sum_{i=1}^r \hat{\pi}_{i|j}^2 \right)$$

## Degrees of Freedom

Source	Measure	Degrees of Freedom
Model	$S(A)$	$f(r - 1)$
Residual	$S(B/A)$	$(N - f - 1)(r - 1)$
Total	$S(B)$	$(N - 1)(r - 1)$

where  $f$  equals  $p$  minus the number of nonredundant columns (in the design matrix) associated with the main effects of the dependent factors.

## Residuals

Goodness-of-fit statistics provide only broad summaries of how models fit data. The pattern of lack of fit is revealed in cell-by-cell comparisons of observed and fitted cell counts.

### Simple Residuals

The simple residual of the  $(i,j)$ th cell is

$$r_{ij} = \begin{cases} n_{ij} - \hat{m}_{ij} & \text{if } z_{ij} > 0 \\ \text{SYSMIS} & \text{if } z_{ij} \leq 0 \end{cases}$$

### Standardized Residuals

The standardized residual for the  $(i,j)$ th cell is

$$r_{ij}^S = \begin{cases} (n_{ij} - \hat{m}_{ij}) / \sqrt{\hat{m}_{ij}(1 - \hat{m}_{ij}/N_j)} & \text{if } z_{ij} > 0 \text{ and } 0 < \hat{m}_{ij} < N_j \\ 0 & \text{if } z_{ij} > 0 \text{ and } n_{ij} = \hat{m}_{ij} \\ \text{SYSMIS} & \text{otherwise} \end{cases}$$

The standardized residuals are also known as Pearson residuals even though  $\sum_{j=1}^c \sum_{i=1}^r (r_{ij}^S)^2 \neq X^2$ . Although the standardized residuals are asymptotically normal, their asymptotic variances are less than 1.

### Adjusted Residuals

The adjusted residual is the simple residual divided by its estimated standard error. Its definition and applications first appeared in Haberman (1973) and re-appeared on page 454 of Haberman (1979). This statistic for the  $(i,j)$ th cell is

$$r_{ij}^A = \begin{cases} (n_{ij} - \hat{m}_{ij}) / \sqrt{s_{ij}} & \text{if } z_{ij} > 0 \text{ and } \hat{m}_{ij} > 0 \\ 0 & \text{if } z_{ij} > 0 \text{ and } n_{ij} = \hat{m}_{ij} \\ \text{SYSMIS} & \text{otherwise} \end{cases}$$

where

$$s_{ij} = \hat{m}_{ij} \left( 1 - \frac{\hat{m}_{ij}}{N_j} - \hat{m}_{ij} \sum_{k=1}^p \sum_{l=1}^p (x_{ijk} - \hat{\theta}_{jk})(x_{ijl} - \hat{\theta}_{jl}) h^{kl} \right)$$

$h^{kl}$  is the  $(k,l)$ th element of  $\mathbf{H}^{-1}(\hat{\beta})$ . The adjusted residuals are asymptotically standard normal.

## Deviance Residuals

Pierce and Schafer (1986) and McCullagh and Nelder (1989) define the signed square root of the individual contribution to the  $G^2$  statistic as the deviance residual. This statistic for the  $(i,j)$ th cell is

$$r_{ij}^D = \text{sign}(n_{ij} - \hat{m}_{ij}) \sqrt{d_{ij}}$$

where

$$d_{ij} = \begin{cases} 2(n_{ij}(\log(n_{ij}/\hat{m}_{ij})) - (n_{ij} - \hat{m}_{ij})) & \text{if } z_{ij} > 0, \hat{m}_{ij} > 0, \text{ and } n_{ij} > 0 \\ 2\hat{m}_{ij} & \text{if } z_{ij} > 0, \hat{m}_{ij} \geq 0, \text{ and } n_{ij} = 0 \\ 0 & \text{if } z_{ij} > 0 \text{ and } n_{ij} = \hat{m}_{ij} \\ \text{SYSMIS} & \text{otherwise} \end{cases}$$

For multinomial sampling, the individual contribution to the  $G^2$  statistic is only  $2n_{ij} \log(n_{ij}/\hat{m}_{ij})$ , but this is negative when  $n_{ij} < \hat{m}_{ij}$ . Thus, an extra term  $2(n_{ij} - \hat{m}_{ij})$  is added to it so that  $d_{ij} > 0$  for all  $i$  and  $j$ . However, we still have  $\sum_{j=1}^c \sum_{i=1}^r (r_{ij}^D)^2 = G^2$ .

## Generalized Residual

Consider a linear combination of the cell counts  $\sum_{j=1}^c \sum_{i=1}^r d_{ij} n_{ij}$ , where  $d_{ij}$  are real numbers.

The estimated expected value is

$$\sum_{j=1}^c \sum_{i=1}^r d_{ij} \hat{m}_{ij}$$

The simple residual for this linear combination is

$$\sum_{j=1}^c \sum_{i=1}^r d_{ij} (n_{ij} - \hat{m}_{ij})$$

The standardized residual for this linear combination is

$$\frac{\sum_{j=1}^c \sum_{i=1}^r d_{ij} (n_{ij} - \hat{m}_{ij})}{\sqrt{\sum_{j=1}^c \left( \sum_{i=1}^r d_{ij}^2 \hat{m}_{ij} - (\sum_{i=1}^r d_{ij} \hat{m}_{ij})^2 / N_j \right)}}$$

The adjusted residual for this linear combination is, as given on page 420 of Haberman (1979),

$$\frac{\sum_{j=1}^c \sum_{i=1}^r d_{ij} (n_{ij} - \hat{m}_{ij})}{\sqrt{V}}$$

where

$$V = \sum_{j=1}^c \sum_{i=1}^r d_{ij}^2 \hat{m}_{ij} - \sum_{j=1}^c \frac{1}{N_j} \left( \sum_{i=1}^r d_{ij} \hat{m}_{ij} \right)^2 - \sum_{k=1}^p \sum_{l=1}^p f_k f_l h^{kl}$$

$$f_k = \sum_{j=1}^c \sum_{i=1}^r d_{ij} \hat{m}_{ij} (x_{ijk} - \theta_{ik})$$

## Generalized Log-Odds Ratio

Consider a linear combination of the natural logarithm of cell counts

$$\sum_{j=1}^c \sum_{i=1}^r d_{ij} \log(m_{ij})$$

where  $d_{ij}$  are real numbers with the restriction

$$\sum_{i=1}^r d_{ij} = 0 \quad j = 1, \dots, c$$

The linear combination is estimated by

$$\sum_{j=1}^c \sum_{i=1}^r d_{ij} \log(\hat{m}_{ij}) = \sum_{j=1}^c \sum_{i=1}^r d_{ij} \log(z_{ij}) + \sum_{j=1}^c \sum_{i=1}^r \sum_{k=1}^p d_{ij} x_{ijk} \hat{\beta}_k$$

The variance of the estimate is

$$\text{var} \left( \sum_{j=1}^c \sum_{i=1}^r d_{ij} \log(\hat{m}_{ij}) \right) = \sum_{k=1}^p \sum_{l=1}^p w_k w_l h^{kl}$$

where

$$w_k = \sum_{j=1}^c \sum_{i=1}^r d_{ij} x_{ijk} \quad k = 1, \dots, p$$

## Wald Statistic

The null hypothesis is

$$H_0 : \sum_{j=1}^c \sum_{i=1}^r d_{ij} \log(m_{ij}) = 0$$

The Wald statistic is

$$W = \frac{(\sum_{j=1}^c \sum_{i=1}^r d_{ij} \log(\hat{m}_{ij}))^2}{\sum_{k=1}^p \sum_{l=1}^p w_k w_l h^{kl}}$$

Under  $H_0$ ,  $W$  asymptotically distributes as a chi-square distribution with 1 degree of freedom.

The significance level is  $\text{Prob}(\chi_1^2 \geq W)$ . *Note:*  $W$  will be system missing if the variance of the estimate is 0.

## Asymptotic Confidence Interval

The asymptotic  $(1 - \alpha) \times 100\%$  confidence interval is

$$\sum_{j=1}^c \sum_{i=1}^r d_{ij} \log(\hat{m}_{ij}) \pm z_{\alpha/2} \sqrt{\sum_{k=1}^p \sum_{l=1}^p w_k w_l h^{kl}}$$

where  $z_{\alpha/2}$  is the upper  $\alpha/2$  point of the standard normal distribution. The default value of  $\alpha$  is 0.05.

## Aggregated Data

This section shows how data are aggregated for a multinomial distribution. The following notation is used in this section:

$v_{ij}$	Number of cases for $B = i$ ( $i = 1, \dots, r$ ) and $A = j$ ( $j = 1, \dots, c$ )
$n_{ijs}$	$s$ th caseweight for $B = i$ and $A = j$ ( $s = 1, \dots, v_{ij}$ )
$x_{ijs}$	Covariate
$z_{ijs}$	Cell weight
$c_{ijs}$	GRESID coefficient
$e_{ijs}$	GLOR coefficient
$v_{ij}^+$	Number of positive $z_{ijs}$ (cell weights) for $1 \leq s \leq v_{ij}$

The cell count is

$$n_{ij} = \begin{cases} \sum_{1 \leq s \leq v_{ij}}^* n_{ijs}^+ & \text{if } v_{ij}^+ > 0 \\ 0 & \text{if } v_{ij} = 0 \text{ or } v_{ij}^+ = 0 \end{cases}$$

where

$$n_{ijs}^+ = \begin{cases} n_{ijs} & \text{if } n_{ijs} > 0 \text{ and } z_{ijs} > 0 \\ 0 & \text{if } n_{ijs} \leq 0 \text{ and } z_{ijs} > 0 \end{cases}$$

and  $\sum_{1 \leq s \leq v_{ij}}^*$  means summation over the range of  $s$  with the terms  $z_{ijs} > 0$ .

The cell weight value is

$$z_{ij} = \begin{cases} \sum_{1 \leq s \leq v_{ij}}^* n_{ijs}^+ z_{ijs} / n_{ij} & \text{if } n_{ij} > 0 \text{ and } v_{ij}^+ > 0 \\ \sum_{1 \leq s \leq v_{ij}}^* z_{ijs} / v_{ij}^+ & \text{if } n_{ij} = 0 \text{ and } v_{ij}^+ > 0 \\ 0 & \text{if } v_{ij}^+ = 0 \\ 1 & \text{if } v_{ij} = 0 \end{cases}$$

If no variable is specified as the cell weight variable, then all cases have unit cell weights by default.

The cell covariate value is

$$x_{ij} = \begin{cases} \sum_{1 \leq s \leq v_{ij}}^* n_{ijs}^+ x_{ijs} / n_{ij} & \text{if } n_{ij} > 0 \text{ and } v_{ij} > 0 \\ \sum_{1 \leq s \leq v_{ij}}^* x_{ijs} / v_{ij}^+ & \text{if } n_{ij} = 0 \text{ and } v_{ij}^+ > 0 \\ 0 & \text{if } v_{ij}^+ = 0 \text{ or } v_{ij} = 0 \end{cases}$$

The cell GRESID coefficient is

$$c_{ij} = \begin{cases} \sum_{1 \leq s \leq v_{ij}}^* n_{ijs}^+ c_{ijs} / n_{ij} & \text{if } n_{ij} > 0 \text{ and } v_{ij} > 0 \\ \sum_{1 \leq s \leq v_{ij}}^* c_{ijs} / v_{ij}^+ & \text{if } n_{ij} = 0 \text{ and } v_{ij}^+ > 0 \\ 0 & \text{if } v_{ij}^+ \text{ or } v_{ij} = 0 \end{cases}$$

There are no defaults for the GRESID coefficients.

The cell GLOR coefficient is

$$e_{ij} = \begin{cases} \sum_{1 \leq s \leq v_{ij}}^* n_{ijs}^+ e_{ijs} / n_{ij} & \text{if } n_{ij} > 0 \text{ and } v_{ij} > 0 \\ \sum_{1 \leq s \leq v_{ij}}^* e_{ijs} / v_{ij}^+ & \text{if } n_{ij} = 0 \text{ and } v_{ij}^+ > 0 \\ 0 & \text{if } v_{ij}^+ = 0 \text{ or } v_{ij} = 0 \end{cases}$$

There are no defaults for the GLOR coefficients.

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# GENLOG Poisson Loglinear Model Algorithms

This chapter describes the algorithm to calculate maximum-likelihood estimates for the Poisson loglinear model. This algorithm is applicable only to aggregated data. See “Aggregated Data” for producing aggregated data.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$B$	Generic categorical dependent (response) variable. Its categories are indexed by an array of integers.
$r$	Number of categories of $B$ . $r \geq 1$
$p$	Number of nonredundant (nonaliased) parameters.
$i$	Generic index for the category of $B$ . $i=1, \dots, r$
$k$	Generic index for the parameters. $k=0, \dots, p$
$n_i$	Observed count in the $i$ th response of $B$ . $n_{ij} \geq 0$
$N$	Total observed count, equal to $\sum_{i=1}^r n_i$ . $N > 0$
$m_i$	Expected count. $m_i > 0$
$z_i$	Cell structure value.
$\beta_k$	The $k$ th nonredundant parameter.
$\beta$	Vector of $(\beta_0, \beta_1, \dots, \beta_p)'$
$x_{ik}$	An element in the $i$ th row and the $k$ th column of the design matrix.

- Because of the Poisson distribution assumptions, the logit model is not applicable for a Poisson distribution.
- The Poisson distribution is available in GENLOG only.

## Model

There are two components in a loglinear model: the random component and the systematic component.

### Random Component

The random component describes the joint distribution of the counts.

- The count  $\{n_i\}$  has a Poisson distribution with parameter  $m_i$ .
- The counts  $n_i$  and  $n'_{i'}$  are independent if  $i \neq i'$ .
- The joint probability distribution of  $\{n_i\}$  is the product of these  $r$  independent Poisson distributions. The probability density function is

$$\prod_{i=1}^r \frac{m_i^{n_i} e^{-m_i}}{n_i!}$$

■ The expected count is  $E(n_i) = m_i$ .

■ The covariance is

$$\text{cov}(n_i, n_{i'}) = \begin{cases} m_i & \text{if } i = i' \\ 0 & \text{if } i \neq i' \end{cases}$$

## Systematic Component

The systematic component describes the linkage function between the expected counts and the parameters. The expected counts are themselves functions of parameters. For  $i = 1, \dots, r$ ,

$$m_i = \begin{cases} z_i e^{\beta_0 + v_i} & \text{if } z_i > 0 \\ 0 & \text{if } z_i \leq 0 \end{cases}$$

where

$$v_i = \sum_{k=1}^p x_{ik} \beta_k$$

Since there are no constraints on the observed counts,  $\beta_0$  is a free parameter in a Poisson loglinear model.

## Cell Structure Values

Cell structure values play two roles in loglinear procedures, depending on their signs. If  $z_i > 0$ , it is a usual weight for the corresponding cell and  $\log(z_i)$  is sometimes called the **offset**. If  $z_i \leq 0$ , a **structural zero** is imposed on the cell ( $B=i$ ). Contingency tables containing at least one structural zero are called **incomplete tables**. If  $n_i = 0$  but  $z_i > 0$ , the cell ( $B=i$ ) contains a **sampling zero**. Although a structural zero is still considered part of the contingency table, it is not used in fitting the model. Cellwise statistics are not computed for structural zeros.

## Maximum-Likelihood Estimation

The multinomial log-likelihood is

$$L(\beta) = L(\beta_0, \dots, \beta_p) = \text{constant} + \sum_{i=1}^r (n_i \log(m_i) - m_i)$$

## Likelihood Equations

It can be shown that

$$\frac{\partial L}{\partial \beta_0} = \sum_{i=1}^r (n_i - m_i)$$

$$\frac{\partial L}{\partial \beta_k} = \sum_{i=1}^r (n_i - m_i) x_{ik} \quad k = 1, \dots, p$$

Let  $\mathbf{g}(\beta) = (g_0(\beta), \dots, g_p(\beta))'$  be the  $(p+1) \times 1$  gradient vector with

$$g_k(\beta) = \frac{\partial L}{\partial \beta_k}$$

The maximum-likelihood estimates  $\hat{\beta} = (\hat{\beta}_0, \dots, \hat{\beta}_p)'$  are regarded as a solution to the vector of likelihood equations:

$$\mathbf{g}(\beta) = 0$$

## Hessian Matrix

The likelihood equations are nonlinear functions of  $\beta$ . Solving them for  $\hat{\beta}$  requires an iterative method. The Newton-Raphson method is used. It can be shown that

$$\begin{aligned} \frac{\partial^2 L}{\partial \beta_0^2} &= -\sum_{i=1}^r m_i \\ \frac{\partial^2 L}{\partial \beta_0 \partial \beta_1} &= -\sum_{i=1}^r m_i x_{i1} \\ \frac{\partial^2 L}{\partial \beta_k \partial \beta_0} &= -\sum_{i=1}^r m_i x_{ik} \\ \frac{\partial^2 L}{\partial \beta_k \partial \beta_l} &= -\sum_{i=1}^r m_i x_{ik} x_{il} \end{aligned}$$

Let  $\mathbf{H}(\beta)$  be the  $(p+1) \times (p+1)$  information matrix, where  $-\mathbf{H}(\beta)$  is the Hessian matrix of the log-likelihood. The elements of  $\mathbf{H}(\beta)$  are

$$h_{kl}(\beta) = \frac{\partial^2 L}{\partial \beta_k \partial \beta_l} \quad k = 0, \dots, p \text{ and } l = 1, \dots, p$$

*Note:*  $\mathbf{H}(\beta)$  is a symmetric positive definite matrix. The asymptotic covariance matrix of  $\hat{\beta}$  is estimated by  $-\mathbf{H}(\hat{\beta})$ .

## Newton-Raphson Method

Let  $\beta^{(s)}$  denote the  $s$ th approximation for the solution to the vector of likelihood equations. By the Newton-Raphson method,

$$\beta^{(s+1)} = \beta^{(s)} + \mathbf{H}^{-1}(\beta^{(s)}) \mathbf{g}(\beta^{(s)})$$

Define  $\mathbf{q}(\beta) = \mathbf{H}(\beta)\beta + \mathbf{g}(\beta)$ . The  $k$ th element of  $\mathbf{q}(\beta)$  is

$$q_k(\beta) = \sum_{i=1}^r \eta_i x_{ik}$$

where

$$\eta_i = \begin{cases} m_i v_i + (n_i - m_i) & \text{if } z_i > 0 \text{ and } m_i > 0 \\ 0 & \text{otherwise} \end{cases}$$

Then

$$\mathbf{H}(\beta^{(s)})\beta^{(s+1)} = \mathbf{q}(\beta^{(s)})$$

Thus, given  $\beta^{(s)}$ , the  $(s+1)$ th approximation  $\beta^{(s+1)}$  is found by solving this system of equations.

## Initial Values

$\beta^{(0)}$ , which corresponds to a saturated model, is used as the initial value for  $\beta$ . Then the initial estimates for the expected cell counts are

$$m_i^{(0)} = \begin{cases} n_i + \Delta & \text{if } z_i > 0 \\ 0 & \text{if } z_i \leq 0 \end{cases}$$

where  $\Delta \geq 0$  is a constant.

*Note:* For saturated models,  $\Delta$  is added to  $n_i$  if  $z_i > 0$ . This is done to avoid numerical problems in case some observed counts are 0. We advise users to set  $\Delta$  to 0 whenever all observed counts (other than structural zeros) are positive.

The initial values for  $\eta_i$  are

$$\eta_i^{(0)} = \begin{cases} m_i^{(0)} \log(m_i^{(0)}/z_i) + (n_i - m_i^{(0)}) & \text{if } z_i > 0 \text{ and } m_i^{(0)} > 0 \\ 0 & \text{otherwise} \end{cases}$$

## Stopping Criteria

The following conditions are checked for convergence:

1.  $\max_i \left( \left| m_i^{(s+1)} - m_i^{(s)} \right| / m_i^{(s)} \right) < \epsilon$  provided that  $m_i > 0$
2.  $\max_i \left( \left| m_i^{(s+1)} - m_i^{(s)} \right| \right) < \epsilon$
3.  $\sqrt{\left( \sum_{k=1}^p g_k^2(\hat{\beta}) \right) / p} < \epsilon$

The iteration is said to be converged if either conditions 1 and 3 or conditions 2 and 3 are satisfied. If  $p=0$ , then condition 3 will be automatically satisfied. The iteration is said to be not converged if neither pair of conditions is satisfied within the maximum number of iterations.

## Algorithm

The iteration process uses the following steps:

1. Calculate  $m_i^{(0)}$  and  $n_i^{(0)}$ .

2. Set  $s=0$ .
3. Calculate  $\mathbf{H}(\beta^{(s)})$  evaluated at  $m_i = m_i^{(s)}$ ; calculate  $\mathbf{q}(\beta^{(s)})$  evaluated at  $\eta_i = \eta_i^{(s)}$ .
4. Solve for  $\beta^{(s+1)}$ .
5. Calculate  $v_i^{(s+1)} = \sum_{k=1}^p x_{ik} \beta_k^{(s+1)}$  and
6. 
$$m_i^{(s+1)} = \begin{cases} z_i e^{\beta_0^{(s+1)} + v_i^{(s+1)}} & \text{if } z_i > 0 \\ 0 & \text{if } z_i \leq 0 \end{cases}$$
7. Check whether the stopping criteria are satisfied. If yes, stop iteration and declare convergence. Otherwise continue.
8. Increase  $s$  by 1 and check whether the maximum iteration has been reached. If yes, stop iteration and declare the process not converged. Otherwise repeat steps 3-7.

## Estimated Cell Counts

The estimated expected count is

$$\hat{m}_i = \begin{cases} z_i e^{\hat{\beta}_0 + \hat{v}_i} & \text{if } z_i > 0 \\ 0 & \text{if } z_i \leq 0 \end{cases}$$

where

$$\hat{v}_i = \sum_{k=1}^p x_{ik} \hat{\beta}_k$$

## Goodness-of-Fit Statistics

The Pearson chi-square statistic is

$$X^2 = \sum_{i=1}^r X_i^2$$

where

$$X_i^2 = \begin{cases} (n_i - \hat{m}_i)^2 / \hat{m}_i & \text{if } z_i > 0, n_i > 0, \text{ and } \hat{m}_i > 0 \\ \text{SYSMIS} & \text{if } z_i > 0, n_i > 0, \text{ and } \hat{m}_i = 0 \\ 0 & \text{if } z_i \leq 0 \text{ or } n_i = \hat{m}_i \end{cases}$$

If any  $X_i^2$  is system missing, then  $X^2$  is also system missing.

The likelihood-ratio chi-square statistic is

$$G^2 = 2 \sum_{i=1}^r G_i^2$$

where

$$G_i^2 = \begin{cases} n_i(\log(n_i/\hat{m}_i)) - (n_i - \hat{m}_i) & \text{if } z_i > 0, n_i > 0, \text{ and } \hat{m}_i > 0 \\ \text{SYSMIS} & \text{if } z_i > 0, n_i > 0, \text{ and } \hat{m}_i = 0 \\ \hat{m}_i & \text{if } z_i > 0, n_i = 0, \text{ and } \hat{m}_i > 0 \\ 0 & \text{if } z_i \leq 0 \text{ or } n_i = \hat{m}_i \end{cases}$$

If any  $G_i^2$  is system missing, then  $G^2$  is also system missing.

## Degrees of Freedom

The degrees of freedom for each statistic is defined as  $a = r - 1 - p - E$ , where  $E$  is the number of cells with  $z_i \leq 0$  or  $n_i = \hat{m}_i$ .

## Significance Level

The significance level (or the  $p$  value) for the Pearson chi-square statistic is  $\text{Prob}(x_a^2 > X^2)$  and that for the likelihood-ratio chi-square statistic is  $\text{Prob}(x_a^2 > G^2)$ . In both cases,  $x_a^2$  is the central chi-square distribution with  $a$  degrees of freedom.

## Residuals

Goodness-of-fit statistics provide only broad summaries of how models fit data. The pattern of lack of fit is revealed in cell-by-cell comparisons of observed and fitted cell counts.

### Simple Residuals

The simple residual of the  $i$ th cell is

$$r_i = \begin{cases} n_i - \hat{m}_i & \text{if } z_i > 0 \\ \text{SYSMIS} & \text{if } z_i \leq 0 \end{cases}$$

### Standardized Residuals

The standardized residual for the  $i$ th cell is

$$r_i^S = \begin{cases} (n_i - \hat{m}_i)/\sqrt{\hat{m}_i} & \text{if } z_i > 0 \text{ and } 0 < \hat{m}_i \\ 0 & \text{if } z_i > 0 \text{ and } n_i = \hat{m}_i \\ \text{SYSMIS} & \text{otherwise} \end{cases}$$

The standardized residuals are also known as Pearson residuals because  $\sum_{i=1}^r (r_i^S)^2 = X^2$  when all  $z_i > 0$ . Although the standardized residuals are asymptotically normal, their asymptotic variances are less than 1.

### Adjusted Residuals

The adjusted residual is the simple residual divided by its estimated standard error. This statistic for the  $i$ th cell is

$$r_i^A = \begin{cases} (n_i - \hat{m}_i) / \sqrt{\hat{m}_i(1 - a_{ii})} & \text{if } z_i > 0, n_i \neq \hat{m}_i, \text{ and } \hat{m}_i > 0 \\ 0 & \text{if } z_i > 0 \text{ and } n_i = \hat{m}_i \\ \text{SYSMIS} & \text{otherwise} \end{cases}$$

where

$$a_{ii} = \hat{m}_i \left( h^{00} + 2 \sum_{k=1}^p x_{ik} h^{k0} + \sum_{k=1}^p \sum_{l=1}^p x_{ik} x_{il} h^{kl} \right)$$

$h^{kl}$  is the  $(k,l)$ th element of  $\mathbf{H}^{-1}(\hat{\beta})$ . The adjusted residuals are asymptotically standard normal.

### Deviance Residuals

Pierce and Schafer (1986) and McCullagh and Nelder (1989) define the signed square root of the individual contribution to the  $G^2$  statistic as the deviance residual. This statistic for the  $i$ th cell is

$$r_i^D = \text{sign}(n_i - \hat{m}_i) \sqrt{d_i}$$

where

$$d_i = \begin{cases} 2(n_i(\log(n_i/\hat{m}_i)) - (n_i - \hat{m}_i)) & \text{if } z_i > 0, \hat{m}_i > 0, \text{ and } n_i > 0 \\ 2\hat{m}_i & \text{if } z_i > 0, \hat{m}_i \geq 0, \text{ and } n_i = 0 \\ 0 & \text{if } z_i > 0 \text{ and } n_i = \hat{m}_i \\ \text{SYSMIS} & \text{otherwise} \end{cases}$$

When all  $z_i > 0$ ,  $\sum_{i=1}^r (r_i^D)^2 = G^2$

### Generalized Residual

Consider a linear combination of the cell counts  $\sum_{i=1}^r d_i n_i$ , where  $d_i$  are real numbers.

The estimated expected value is

$$\sum_{i=1}^r d_i \hat{m}_i$$

The simple residual for this linear combination is

$$\sum_{i=1}^r d_i (n_i - \hat{m}_i)$$

The standardized residual for this linear combination is

$$\frac{\sum_{i=1}^r d_i (n_i - \hat{m}_i)}{\sqrt{\sum_{i=1}^r d_i^2 \hat{m}_i}}$$

Using the results in Christensen (1990, p. 227), the adjusted residual for this linear combination is

$$\frac{\sum_{i=1}^r d_i (n_i - \hat{m}_i)}{\sqrt{V}}$$

where

$$\begin{aligned} V &= \sum_{i=1}^r \sum_{j=1}^r d_i d_j \hat{m}_i (\delta_{ij} - a_{ij}) \\ &= \sum_{i=1}^r d_i^2 \hat{m}_i - \sum_{i=1}^r \sum_{j=1}^r d_i d_j a_{ij} \hat{m}_i \end{aligned}$$

where

$$a_{ij} = \hat{m}_i \left( h^{00} + \sum_{k=1}^p (x_{ik} + x_{jk}) h^{k0} + \sum_{k=1}^p \sum_{l=1}^p x_{ik} x_{jl} h^{kl} \right)$$

## Generalized Log-Odds Ratio

Consider a linear combination of the natural logarithm of cell counts

$$\sum_{i=1}^r d_i \log(m_i)$$

where  $d_i$  are real numbers with the restriction

$$\sum_{i=1}^r d_i = 0$$

The linear combination is estimated by

$$\sum_{i=1}^r d_i \log(\hat{m}_i) = \sum_{i=1}^r d_j \log(z_i) + \sum_{i=1}^r \sum_{k=1}^p d_i x_{ik} \hat{\beta}_k$$

The variance is

$$\text{var} \left( \sum_{i=1}^r d_i \log(\hat{m}_i) \right) = \sum_{k=1}^p \sum_{l=1}^p w_k w_l h^{kl}$$

where

$$w_k = \sum_{i=1}^r d_i x_{ik} \quad k = 1, \dots, p$$

## Wald Statistic

The null hypothesis is

$$H_0 : \sum_{i=1}^r d_i \log(m_i) = 0$$

The Wald statistic is

$$W = \frac{\left( \sum_{i=1}^r d_i \log(\hat{m}_i) \right)^2}{\sum_{k=1}^p \sum_{l=1}^p w_k w_l h^{kl}}$$

Under the null hypothesis, the statistic has asymptotic chi-square distribution with 1 degree of freedom. The significance level is  $\text{Prob}(\chi_1^2 \geq W)$ . *Note:*  $W$  will be system missing if the variance is 0.

### Asymptotic Confidence Interval

The asymptotic  $(1 - \alpha) \times 100\%$  confidence interval is

$$\sum_{i=1}^r d_i \log(\hat{m}_i) \pm z_{\alpha/2} \sqrt{\sum_{k=1}^p \sum_{l=1}^p w_k w_l h^{kl}}$$

where  $z_{\alpha/2}$  is the upper  $\alpha/2$  point of the standard normal distribution. The default value of  $\alpha$  is 0.05.

### Aggregated Data (Poisson)

This section shows how data are aggregated for a Poisson distribution. The following notation is used in this section:

$v_i$	Number of cases for $B = i (i = 1, \dots, r)$
$n_{is}$	$s$ th caseweight for $B = i (s = 1, \dots, v_i)$
$x_{is}$	Covariate
$z_{is}$	Cell weight
$c_{is}$	GRESID coefficient
$e_{is}$	GLOR coefficient
$v_i^+$	Number of positive $z_{is}$ (cell weights) for $1 \leq s \leq v_i$

The cell count is

$$n_i = \begin{cases} \sum_{1 \leq s \leq v_i}^* n_{is}^+ & \text{if } v_i^+ > 0 \\ 0 & \text{if } v_i = 0 \text{ or } v_i^+ = 0 \end{cases}$$

where

$$n_{is}^+ = \begin{cases} n_{is} & \text{if } n_{is} > 0 \text{ and } z_{is} > 0 \\ 0 & \text{if } n_{is} \leq 0 \text{ and } z_{is} > 0 \end{cases}$$

and  $\sum_{1 \leq s \leq v_i}^*$  means summation over the range of  $s$  with the terms  $z_{is} > 0$ .

The cell weight value is

$$z_i = \begin{cases} \sum_{1 \leq s \leq v_i}^* n_{is}^+ z_{is} / n_{ij} & \text{if } n_i > 0 \text{ and } v_i^+ > 0 \\ \sum_{1 \leq s \leq v_i}^* z_{is} / v_i^+ & \text{if } n_i = 0 \text{ and } v_i^+ > 0 \\ 0 & \text{if } v_i^+ = 0 \\ 1 & \text{if } v_i = 0 \end{cases}$$

If no variable is specified as the cell weight variable, then all cases have unit cell weights by default.

The cell covariate value is

$$x_{ij} = \begin{cases} \sum_{1 \leq s \leq v_i}^* n_{is}^+ x_{is} / n_i & \text{if } n_i > 0 \text{ and } v_i > 0 \\ \sum_{1 \leq s \leq v_i}^* x_{is} / v_i^+ & \text{if } n_i = 0 \text{ and } v_i^+ > 0 \\ 0 & \text{if } v_i^+ = 0 \text{ or } v_i = 0 \end{cases}$$

The cell GRESID coefficient is

$$c_i = \begin{cases} \sum_{1 \leq s \leq v_i}^* n_{is}^+ c_{is} / n_i & \text{if } n_i > 0 \text{ and } v_i > 0 \\ \sum_{1 \leq s \leq v_i}^* c_{is} / v_i^+ & \text{if } n_i = 0 \text{ and } v_i^+ > 0 \\ 0 & \text{if } v_i^+ = 0 \text{ or } v_i = 0 \end{cases}$$

There are no defaults for the GRESID coefficients.

The cell GLOR coefficient is

$$e_i = \begin{cases} \sum_{1 \leq s \leq v_i}^* n_{is}^+ e_{is} / n_i & \text{if } n_i > 0 \text{ and } v_i > 0 \\ \sum_{1 \leq s \leq v_i}^* e_{is} / v_i^+ & \text{if } n_i = 0 \text{ and } v_i^+ > 0 \\ 0 & \text{if } v_i^+ = 0 \text{ or } v_i = 0 \end{cases}$$

There are no defaults for the GLOR coefficients.

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# GLM Algorithms

GLM (general linear model) is a general procedure for analysis of variance and covariance, as well as regression. It can be used for both univariate, multivariate, and repeated measures designs. Algorithms that apply only to repeated measures are in “Repeated Measures”.

For information on post hoc tests, see *Post Hoc Tests*. For sums of squares, see *Sums of Squares*. For distribution functions, see *Distribution and Special Functions*. For Box’s M test, see *Box’s M Test*.

## Notation

The following notation is used throughout this chapter. Unless otherwise stated, all vectors are column vectors and all quantities are known.

$n$	Number of cases.
$N$	Effective sample size.
$p$	Number of parameters (including the constant, if it exists) in the model.
$r$	Number of dependent variables in the model.
$\mathbf{Y}$	$n \times r$ matrix of dependent variables. The rows are the cases and the columns are the dependent variables. The $i$ th row is $\mathbf{y}'_i, i=1, \dots, n$ .
$\mathbf{X}$	$n \times p$ design matrix. The rows are the cases and the columns are the parameters. The $i$ th row is $\mathbf{x}'_i, i=1, \dots, n$ .
$r_x$	Number of nonredundant columns in the design matrix. Also the rank of the design matrix.
$w_i$	Regression weight of the $i$ th case.
$f_i$	Frequency weight of the $i$ th case.
$\mathbf{B}$	unknown parameter matrix. The columns are the dependent variables. The $j$ th column is $\mathbf{b}_j, j=1, \dots, r$ .
$\Sigma$	$r \times r$ unknown common multiplier of the covariance matrix of any row of $\mathbf{Y}$ . The $(i, j)$ th element is $\sigma_{ij}, i=1, \dots, r, j=1, \dots, r$ .

## Model

The model is  $\mathbf{Y} = \mathbf{XB}$  and  $\mathbf{y}'_i$  is independently distributed as a  $p$ -dimensional normal distribution with mean  $\mathbf{x}'_i \mathbf{B}$  and covariance matrix  $w_i^{-1} \Sigma$ . The  $i$ th case is ignored if  $w_i \leq 0$ .

## Frequency Weight and Total Sample Size

The frequency weight  $f_i$  is the number of replications represented by a case in IBM® SPSS® Statistics; therefore, the weight must be a non-negative integer. It is computed by rounding the value in the weight variable to the nearest integer. The total sample size is  $N = \sum_{i=1}^n f_i I(w_i > 0)$ , where  $(w_i > 0) = 1$  if  $w_i > 0$  and is equal to 0 otherwise.

## The Cross-Product and Sums-of-Squares Matrices

To prepare for the SWEEP operation, an augmented row vector of length  $(p + r)$  is formed:

$$\mathbf{z}'_i = (\mathbf{x}'_i, \mathbf{y}'_i)$$

Then the  $(p + r) \times (p + r)$  matrix is computed:

$$\mathbf{Z}'\mathbf{W}\mathbf{Z} = \sum_{i=1}^n f_i w_i \mathbf{z}_i \mathbf{z}'_i$$

This matrix is partitioned as

$$\mathbf{Z}'\mathbf{W}\mathbf{Z} = \begin{pmatrix} \mathbf{X}'\mathbf{W}\mathbf{X} & \mathbf{X}'\mathbf{W}\mathbf{Y} \\ \mathbf{Y}'\mathbf{W}\mathbf{X} & \mathbf{Y}'\mathbf{W}\mathbf{Y} \end{pmatrix}$$

The upper left  $p \times p$  submatrix is  $\mathbf{X}'\mathbf{W}\mathbf{X}$  and the lower right  $r \times r$  submatrix is  $\mathbf{Y}'\mathbf{W}\mathbf{Y}$ .

## Sweep Operation

Three important matrices,  $\mathbf{G}$ ,  $\hat{\mathbf{B}}$ , and  $\mathbf{S}$ , are obtained by sweeping the  $\mathbf{Z}'\mathbf{W}\mathbf{Z}$  matrix as follows:

1. Sweep sequentially the first  $p$  rows and the first  $p$  columns of  $\mathbf{Z}'\mathbf{W}\mathbf{Z}$ , starting from the first row and the first column.
2. After the  $p$ th row and the  $p$ th column are swept, the resulting matrix is

$$\begin{pmatrix} -\mathbf{G} & \hat{\mathbf{B}} \\ \hat{\mathbf{B}}' & \mathbf{S} \end{pmatrix}$$

where  $\mathbf{G}$  is a  $p \times p$  symmetric  $g_2$  generalized inverse of  $\mathbf{X}'\mathbf{W}\mathbf{X}$ ,  $\hat{\mathbf{B}}$  is the  $p \times r$  matrix of parameter estimates and  $\mathbf{S}$  is the  $r \times r$  symmetric matrix of sums of squares and cross products of residuals.

The SWEEP routine is adapted from Algorithm AS 178 by Clarke (1982) and Remarks R78 by Ridout and Cobby (1989).

## Residual Covariance Matrix

The estimated  $r \times r$  covariance matrix is  $\hat{\Sigma} = \mathbf{S} / (N - r_X)$  provided  $r_X < N$ . If  $r_X = N$ , then  $\hat{\Sigma} = 0$ . If  $r_X > N$ , then all elements of  $\hat{\Sigma}$  are system missing. The residual degrees of freedom is  $N - r_X$ . If  $r_X > N$ , then the degrees of freedom is system missing.

## Lack of Fit

Source of Variation	Sum of Squares	df
Lack of fit	$\sum_{i=1}^{n_u} n_i (\bar{y}_i - \hat{y}_i)^2$	$n_u - p$
Pure error	$\sum_{i=1}^{n_u} \sum_{j=1}^{n_i} (y_{ij} - \bar{y}_i)^2$	$N - n_u$

Where  $n_u$  is the number of unique combinations of observed predictor values and  $n_i$  is the number of cases with the  $i$ th combination.

Mean squares are calculated by dividing each sum of squares by its degrees of freedom.

The  $F$  ratio for testing lack of fit is the ratio of the Lack of fit mean squares to the Pure error mean squares.

The significance level is obtained from the  $F$  distribution with  $n_u - p$  and  $N - n_u$  degrees of freedom.

## Parameter Estimates

Let the elements of  $\hat{\Sigma}$  be  $\hat{\sigma}_{ij}$ , the elements of  $\mathbf{G}$ ,  $g_{ij}$ , and the elements of  $\hat{\mathbf{B}}$ ,  $\hat{b}_{ij}$ . Then  $\text{var}(\hat{b}_{ij})$  is estimated by  $\hat{\sigma}_{jj}g_{ii}$  for  $i=1, \dots, p, j=1, \dots, r$  and  $\text{cov}(\hat{b}_{ij}, \hat{b}_{rs})$  is estimated by  $\hat{\sigma}_{js}g_{ir}$  for  $i, r=1, \dots, p, j, s=1, \dots, r$ .

## Standard Error of the Estimate

$$se(\hat{b}_{ij}) = \sqrt{\hat{\sigma}_{jj}g_{ii}}$$

When the  $i$ th parameter is redundant, the standard error is system missing.

## The $t$ Statistic

For testing  $H_0 : b_{ij} = 0$  versus  $H_1 : b_{ij} \neq 0$ , the  $t$  statistic is

$$t = \begin{cases} \hat{b}_{ij}/se(\hat{b}_{ij}) & \text{if the standard error is positive} \\ \text{SYSMIS} & \text{otherwise} \end{cases}$$

The significance value for this statistic is  $2(1 - \text{CDF.T}(|t|, N - r_x))$  where CDF.T is the IBM® SPSS® Statistics function for the cumulative  $t$  distribution.

## Partial Eta Squared Statistic

$$\eta^2 = \begin{cases} \hat{b}_{ij}^2 / (\hat{b}_{ij}^2 + (N - r_X) \text{var}(\hat{b}_{ij})) & \text{if } r_X < N \text{ and the denominator is positive} \\ 1 & \text{if } r_X = N \text{ but } b_{ij} \neq 0 \\ \text{SYSMIS} & \text{otherwise} \end{cases}$$

The value should be within  $0 \leq \eta^2 \leq 1$ .

## Noncentrality Parameter

$$c = |t|$$

## Observed Power

$$p = \begin{cases} 1 - \text{NCDF.T}(t_c, N - r_X, c) + \text{NCDF.T}(-t_c, N - r_X, c) & r_X < N \\ \text{SYSMIS} & r_X \geq N, \\ & \text{or any arguments to NCDF.T} \\ & \text{or IDF.T are SYSMIS} \end{cases}$$

where  $t_c = \text{IDF.T}(1 - \frac{\alpha}{2}, N - r_x)$  and  $\alpha$  is the user-specified chance of Type I error ( $0 < \alpha < 1$ ). NCDF.T and IDF.T are the IBM® SPSS® Statistics functions for the cumulative noncentral t distribution and for the inverse cumulative t distribution, respectively.

The default value is  $\alpha = 0.05$ . The observed power should be within  $0 \leq p \leq 1$ .

## Confidence Interval

For the  $p\%$  level, the individual univariate confidence interval for the parameter is

$$\hat{b}_{ij} \pm t_\alpha se(\hat{b}_{ij})$$

where  $t_\alpha = \text{IDF.T}(0.5(1 + p/100), N - r_x)$  for  $i=1, \dots, n, j=1, \dots, r$ . The default value of  $p$  is 95 ( $0 < p < 100$ ).

## Correlation

$$\text{corr}(\hat{b}_{ij}, \hat{b}_{rs}) = \begin{cases} \hat{\sigma}_{js} g_{ir} / (se(\hat{b}_{ij}) \times se(\hat{b}_{rs})) & \text{if the standard errors are positive} \\ \text{SYSMIS} & \text{otherwise} \end{cases}$$

for  $i, r=1, \dots, n, j, s=1, \dots, r$ .

## Estimated Marginal Means

Estimated marginal means (EMMEANS) are computed as the generic  $\mathbf{1}'\hat{\mathbf{B}}\mathbf{m}$  expression with appropriate  $\mathbf{1}$  and  $\mathbf{m}$  vectors.  $\mathbf{1}$  is a column vector of length  $p$  and  $\mathbf{m}$  is a column vector of length  $r$ . Since the  $\mathbf{1}$  vector is chosen to be always estimable, the quantity  $\mathbf{1}'\hat{\mathbf{B}}\mathbf{m}$  is in fact the estimated modified marginal means (Searle, Speed, and Milliken, 1980). When covariates (or products of covariates) are present in the effects, the overall means of the covariates (or products of covariates) are used in the  $\mathbf{1}$  matrix. Suppose X and Y are covariates and they appear as X\*Y in an effect; then the mean of X\*Y is used instead of the product of the mean of X and the mean of Y.

## L Matrix

For each level combination of the between subjects factors in TABLES, identify the nonmissing cases with positive caseweights and positive regression weights which are associated with the current level combination. Suppose the cases are classified by three between-subjects factors: A, B and C. Now A and B are specified in TABLES and the current level combination is A=1 and B=2. A case in the cell A=1, B=2, and C=3 is associated with the current level combination,

whereas a case in the cell A=1, B=3 and C=3 is not. Compute the average of the design matrix rows corresponding to these cases.

If an effect contains a covariate, then its parameters which belong to the current level combination are equal to the mean of the covariate, and are equal to 0 otherwise. Using the above example, for effect A\*X where X is a covariate, the parameter [A=1]\*X belongs to the current level combination where the parameter [A=2]\*X does not. If the effect contains a product of covariates, then the mean of the product is applied.

The result is the **I** vector for the current between-subjects factor level combination. When none of the between-subjects effects contain covariates, the vector always forms an estimable function. Otherwise, a non-estimable function may occur, depending on the data.

## M Matrix

The M matrix is formed as a series of Kronecker products

$$\mathbf{M} = \mathbf{I}_c \otimes \mathbf{A}_1 \otimes \cdots \otimes \mathbf{A}_t$$

where

$$\mathbf{A}_k = \begin{cases} \mathbf{I}_{r_k} & \text{if the } k\text{th within subjects factor is specified in TABLES} \\ (1/r_k)\mathbf{1}_{r_k} & \text{otherwise} \end{cases}$$

with  $\mathbf{1}_{r_k}$  a column vector of length  $r_k$  and all of its elements equal to 1.

If OVERALL or only between-subjects factors are specified in TABLES, then  $\mathbf{A}_k = (1/r_k)\mathbf{1}_{r_k}$  for  $k=1, \dots, t$ .

The column for a particular within-subjects factor level combination, denoted by **m**, is extracted accordingly from this **M** matrix.

## Standard Error

$$se(\mathbf{1}'\hat{\mathbf{B}}\mathbf{m}) = \begin{cases} \sqrt{(\mathbf{1}'\mathbf{G}\mathbf{1})(\mathbf{m}'\hat{\Sigma}\mathbf{m})} & \text{if } N - r_{\mathbf{X}} > 0 \\ \text{SYSMIS} & \text{otherwise} \end{cases}$$

Since **l** are coefficients of an estimable function, the standard error is the same for any generalized inverse **G**.

## Significance

The *t* statistic is

$$t = \begin{cases} \mathbf{1}'\hat{\mathbf{B}}\mathbf{m}/se(\mathbf{1}'\hat{\mathbf{B}}\mathbf{m}) & \text{if } se(\mathbf{1}'\hat{\mathbf{B}}\mathbf{m}) > 0 \\ \text{SYSMIS} & \text{otherwise} \end{cases}$$

If the *t* statistic is not system missing, then the significance is computed based on a *t* distribution with  $N - r_{\mathbf{X}}$  degrees of freedom.

## Pairwise Comparison

The levels of a between-subjects or within-subjects factor can be compared pair-by-pair. For example, a factor with 3 levels produces 3 pairwise comparisons: 1 vs. 2, 1 vs. 3, and 2 vs. 3.

### Between-Subjects Factor

Suppose the  $\mathbf{l}$  vectors are indexed by the level of the between-subjects factor as  $\mathbf{l}_{i_1, \dots, i_b}$ ,  $i_s = 1, \dots, n_s$  and  $s = 1, \dots, b$  where  $n_s$  is the number of levels of between-subjects factor  $s$  and  $b$  is the number of between-subjects factors specified inside TABLES. The difference in estimated marginal means of level  $i_s$  and level  $i'_s$  of between-subjects factor  $s$  at fixed levels of other between-subjects factors is

$$\left( \mathbf{l}_{i_1, \dots, i_{s-1}, i_s, i_{s+1}, \dots, i_b} - \mathbf{l}_{i_1, \dots, i_{s-1}, i'_s, i_{s+1}, \dots, i_b} \right)' \hat{\mathbf{B}} \mathbf{m} \text{ for } i_s, i'_s = 1, \dots, n_s; i_s \neq i'_s$$

The standard error of the difference is computed by substituting for  $\mathbf{l}$  in (1):

$$\mathbf{l}_{i_1, \dots, i_{s-1}, i_s, i_{s+1}, \dots, i_b} - \mathbf{l}_{i_1, \dots, i_{s-1}, i'_s, i_{s+1}, \dots, i_b}$$

### Within-Subjects Factor

Suppose the  $\mathbf{m}$  vectors are indexed by level of the within-subjects factor as  $\mathbf{m}_{j_1, \dots, j_w}$ ,  $j_s = 1, \dots, n_s$  and  $s = 1, \dots, w$ , where  $n_s$  is the number of levels of within-subjects factor  $s$  and  $w$  is the number of within-subjects factors specified inside TABLES. The difference in estimated marginal means of level  $j_s$  and level  $j'_s$  of within-subjects factor  $s$  at fixed levels of other within-subjects factors is

$$\mathbf{l}' \mathbf{B} \left( \mathbf{m}_{j_1, \dots, j_{s-1}, j_s, j_{s+1}, \dots, j_b} - \mathbf{m}_{j_1, \dots, j_{s-1}, j'_s, j_{s+1}, \dots, j_b} \right) \text{ for } j_s, j'_s = 1, \dots, n_s; j_s \neq j'_s$$

The standard error of the difference is computed by substituting for  $\mathbf{m}$  in (1)

$$\mathbf{m}_{j_1, \dots, j_{s-1}, j_s, j_{s+1}, \dots, j_b} - \mathbf{m}_{j_1, \dots, j_{s-1}, j'_s, j_{s+1}, \dots, j_b}$$

## Confidence Interval

The  $(1 - \alpha) \times 100\%$  confidence interval is:

$$\mathbf{l}' \hat{\mathbf{B}} \mathbf{m} \pm t_{1-\alpha/2; N-r_{\mathbf{X}}} \times se \left( \mathbf{l}' \hat{\mathbf{B}} \mathbf{m} \right)$$

and  $t_{1-\alpha/2; N-r_{\mathbf{X}}}$  is the  $(1 - \alpha/2) \times 100\%$  percentile of a  $t$  distribution with  $N - r_{\mathbf{X}}$  degrees of freedom. No confidence interval is computed if  $N - r_{\mathbf{X}} \leq 0$ .

## Saved Values

Temporary variables can be added to the working data file. These include predicted values, residuals, and diagnostics.

## Predicted Values

The  $n \times r$  matrix of predicted values is  $\hat{Y} = X\hat{B}$ . The  $i$ th row of  $\hat{Y}$  is  $\hat{y}'_i = \mathbf{x}'_i \hat{B}$ ,  $i=1, \dots, n$ . Let the elements of  $\hat{Y}$  be  $\hat{y}_{ij}$  and the elements of  $\mathbf{XGX}'$  be  $\pi_{ij}$ .

The standard error of  $\hat{y}_{ij}$  is

$$se(\hat{y}_{ij}) = \sqrt{\hat{\sigma}_{jj} \pi_{ii}} \text{ for } i=1, \dots, n, j=1, \dots, r$$

The weighted predicted value of the  $i$ th case is  $\sqrt{w_i} \hat{y}'_i$ .

## Residuals

The  $n \times r$  matrix of residuals is  $\hat{E} = Y - \hat{Y}$

The  $i$ th row of  $\hat{E}$  is  $\hat{e}'_i = \mathbf{y}'_i - \hat{y}'_i$ ,  $i=1, \dots, n$ .

Let the elements of  $\hat{E}$  be  $\hat{e}_{ij}$ ; then

$$\hat{e}_{ij} = y_{ij} - \hat{y}_{ij}, \text{ for } i=1, \dots, n, j=1, \dots, r$$

The weighted residual is  $\sqrt{w_i} \hat{e}'_i$ .

## Deleted Residuals (PRESS Residuals)

The deleted residual is the predicted residual for the  $i$ th case that results from omitting the  $i$ th case from estimation. It is:

$$\text{DRESID}_{ij} = \begin{cases} \hat{e}_{ij}/(1/w_i - \pi_{ii}) & \text{if } w_i > 0 \text{ and } w_i \pi_{ii} < 1; \\ \text{SYSMIS} & \text{otherwise} \end{cases}$$

for  $i=1, \dots, n, j=1, \dots, r$ .

## Standardized Residuals

The standardized residual is the residual divided by the standard deviation of data:

$$\text{ZRESID}_{ij} = \begin{cases} (y_{ij} - \hat{y}_{ij}) / (\sqrt{\hat{\sigma}_{jj}/w_i}) & \text{if } w_i > 0 \\ \text{SYSMIS} & \text{otherwise} \end{cases}$$

## Studentized Residuals

The standard error for  $\hat{e}_{ij}$  is

$$se(\hat{e}_{ij}) = \begin{cases} \sqrt{\hat{\sigma}_{jj}(1/w_i - \pi_{ii})} & \text{if } w_i > 0 \text{ and } w_i \pi_{ii} < 1; \\ \text{SYSMIS} & \text{otherwise} \end{cases}$$

for  $i=1, \dots, n, j=1, \dots, r$ . The Studentized residual is the residual divided by the standard error of the residual.

$$\text{SRESID}_{ij} = \begin{cases} \hat{e}_{ij}/se(\hat{e}_{ij}) & \text{if } w_i > 0 \text{ and } se(\hat{e}_{ij}) > 0 \\ \text{SYSMIS} & \text{otherwise} \end{cases}$$

## Diagnostics

The following diagnostic statistics are available.

### Cook's Distance

Cook's Distance  $D$  measures the change to the solution that results from omitting each observation. The formula is

$$D_{ij} = \left( \frac{\hat{e}_{ij}}{\sqrt{\hat{\sigma}_{jj}(1/w_i - \pi_{ii})}} \right)^2 \left( \frac{\pi_{ii}}{(1/w_i - \pi_{ii})} \right) \frac{1}{r_X}$$

for  $i=1, \dots, n, j=1, \dots, r$ . This formula is equivalent to

$$D_{ij} = (\hat{e}_{ij}/se(\hat{e}_{ij}))^2 (se(\hat{y}_{ij})/se(\hat{e}_{ij}))/r_X \text{ provided } w_i > 0 \text{ and } se(\hat{e}_{ij}) > 0$$

When  $w_i \leq 0$  or  $se(\hat{e}_{ij}) = 0$ ,  $D_{ij}$  is system missing

### Leverage

The leverage for the  $i$ th case ( $i=1, \dots, n$ ) for all dependent variables is

$$\text{LEVER}_i = \begin{cases} w_i \pi_{ii} & \text{if } w_i > 0 \\ \text{SYSMIS} & \text{otherwise} \end{cases}$$

## Hypothesis Testing

Let  $\mathbf{L}$  be an  $l \times p$  known matrix,  $\mathbf{M}$  be an  $r \times m$  known matrix and  $\mathbf{K}$  be an  $l \times m$  known matrix. The test hypotheses  $H_0 : \mathbf{LBM} = \mathbf{K}$  versus  $H_1 : \mathbf{LBM} \neq \mathbf{K}$  are **testable** if and only if  $\mathbf{LB}$  is estimable.

*The following results apply to testable hypotheses only. Nontestable hypotheses are excluded.*

The hypothesis SSCP matrix is  $\mathbf{S}_H = (\mathbf{L}\hat{\mathbf{B}}\mathbf{M} - \mathbf{K})' (\mathbf{L}\mathbf{G}\mathbf{L}')^{-1} (\mathbf{L}\hat{\mathbf{B}}\mathbf{M} - \mathbf{K})$  and the error SSCP matrix is  $\mathbf{S}_E = \mathbf{M}'\mathbf{S}\mathbf{M}$ .

Four test statistics, based on the eigenvalues of  $\mathbf{S}_E^{-1}\mathbf{S}_H$ , are available: Wilks' lambda, Hotelling-Lawley trace, Pillai's trace, and Roy's largest root.

Let the eigenvalues of  $\mathbf{S}_E^{-1}\mathbf{S}_H$  be  $\lambda_1 \geq \dots \geq \lambda_{r_E} \geq 0$  and  $\lambda_{r_E+1}, \dots, \lambda_m = 0$ , and let  $r_E = \text{rank}(\mathbf{S}_E)$ ;  $s = \min(l, r_E)$ ;  $n_e = n - r_X$ ;  $m^* = \frac{1}{2}(|r_E - l| - 1)$ ;  $n^* = \frac{1}{2}(n_e - r_E - 1)$ .

## Wilks' Lambda

$$\Lambda = \frac{\det(\mathbf{S}_E)}{\det(\mathbf{S}_H + \mathbf{S}_E)} = \prod_{k=1}^m \frac{1}{(1 + \lambda_k)}$$

When  $H_0$  is true, the  $F$  statistic

$$F = \frac{(\zeta\tau - 2\nu)}{lr_E} \frac{(1 - \Lambda^{1/\tau})}{\Lambda^{1/\tau}}$$

follows asymptotically an  $F$  distribution, where

$$\tau = \begin{cases} \zeta = n_e - \frac{1}{2}(r_E - l + 1) \\ \nu = \frac{1}{4}(lr_E - 2) \\ \sqrt{(l^2 r_E^2 - 4)/(l^2 + r_E^2 - 5)} & \text{if } (l^2 + r_E^2 - 5) > 0 \\ 1 & \text{otherwise} \end{cases}$$

The degrees of freedom are  $(lr_E, \zeta\tau - 2\nu)$ . The  $F$  statistic is exact if  $s=1,2$ . See Rao (1951) and Section 8c.5 of Rao (1973) for details.

The eta-squared statistic is  $\eta^2 = 1 - \Lambda^{1/s}$ .

The noncentrality parameter is  $\lambda = (\zeta\tau - 2\nu)\eta^2/(1 - \eta^2)$ .

The power is  $1 - \text{NCDF.F}(F_\alpha, lr_E, (\zeta\tau - 2\nu), \lambda)$  where  $F_\alpha$  is the upper  $100\alpha$  percentage point of the central  $F$  distribution, and  $\alpha$  is user-specified on the ALPHA keyword on the CRITERIA subcommand.

## Hotelling-Lawley Trace

In IBM® SPSS® Statistics, the name Hotelling-Lawley trace is shortened to Hotelling's trace

$$T = \text{trace}(\mathbf{S}_E^{-1}\mathbf{S}_H) = \sum_{k=1}^m \lambda_k$$

When  $H_0$  is true, the  $F$  statistic

$$F = \frac{2(sn^* + 1)}{s(2m^* + s + 1)} \frac{T}{s}$$

follows asymptotically an  $F$  distribution with degrees of freedom  $(s(2m^* + s + 1), 2(sn^* + 1))$   
The  $F$  statistic is exact if  $s=1$ .

The eta-squared statistic is  $\eta^2 = (T/s)/(T/s + 1)$ .

The noncentrality parameter is  $\lambda = 2(sn^* + 1)\eta^2/(1 - \eta^2)$ .

The power is  $1 - \text{NCDF.F}(F_\alpha, s(2m^* + s + 1), 2(sn^* + 1), \lambda)$  where  $F_\alpha$  is the upper  $100\alpha$  percentage point of the central  $F$  distribution, and  $\alpha$  is user-specified on the ALPHA keyword on the CRITERIA subcommand.

## Pillai's Trace

$$V = \text{trace}\left(\mathbf{S}_H(\mathbf{S}_H + \mathbf{S}_E)^{-1}\right) = \sum_{k=1}^m \lambda_k / (1 + \lambda_k)$$

When  $H_0$  is true, the  $F$  statistic

$$F = \frac{(2n^* + s + 1)}{(2m^* + s + 1)} \frac{V}{(s - V)}$$

follows asymptotically an  $F$  distribution with degrees of freedom  $(s(2m^* + s + 1), s(2n^* + s + 1))$ . The  $F$  statistic is exact if  $s=1$ .

The eta-squared statistic is  $\eta^2 = V/s$ .

The noncentrality parameter is  $\lambda = s(2n^* + s + 1)\eta^2 / (1 - \eta^2)$ .

The power is  $1 - \text{NCDF.F}(F_\alpha, s(2m^* + s + 1), s(2n^* + s + 1), \lambda)$  where  $F_\alpha$  is the upper  $100\alpha$  percentage point of the central  $F$  distribution, and  $\alpha$  is user-specified on the ALPHA keyword on the CRITERIA subcommand.

## Roy's Largest Root

$$\Theta = \lambda_1$$

which is the largest eigenvalue of  $\mathbf{S}_E^{-1}\mathbf{S}_H$ . When  $H_0$  is true, the  $F$  statistic is

$$F = \Theta(n_e - \omega + r_H) / \omega$$

where  $\omega = \max(l, r_E)$  is an upper bound of  $F$  that yields a lower bound on the significance level. The degrees of freedom are  $(\omega, n_e - \omega + r_H)$ . The  $F$  statistic is exact if  $s=1$ .

The eta-squared statistic is  $\eta^2 = \Theta / (1 + \Theta)$ .

The noncentrality parameter is  $\lambda = (n_e - \omega + r_H)\eta^2 / (1 - \eta^2)$ .

The power is  $1 - \text{NCDF.F}(F_\alpha, \omega, n_e - \omega + l, \lambda)$  where  $F_\alpha$  is the upper  $100\alpha$  percentage point of the central  $F$  distribution, and  $\alpha$  is user-specified on the ALPHA keyword on the CRITERIA subcommand.

## Individual Univariate Test

$$F = \frac{\mathbf{S}_{H;i}/l}{\mathbf{S}_{E;i}/(n - r_X)} \quad i=1, \dots, m$$

where  $\mathbf{S}_{H;i}$  and  $\mathbf{S}_{E;i}$  are the  $i$ th diagonal elements of the matrices  $\mathbf{S}_H$  and  $\mathbf{S}_E$  respectively. Under the null hypothesis, the  $F$  statistic has an  $F$  distribution with degrees of freedom  $(l, n - r_X)$ .

The eta-squared statistic is  $\eta^2 = \mathbf{S}_{H;i} / (\mathbf{S}_{H;i} + \mathbf{S}_{E;i})$

The noncentrality parameter is  $\lambda = (n - r_X)\mathbf{S}_{H;i} / \mathbf{S}_{E;i}$ .

The power is  $1 - \text{NCDF.F}(F_\alpha, 1, n - r_X, \lambda)$  where  $F_\alpha$  is the upper  $100\alpha$  percentage point of the central  $F$  distribution, and  $\alpha$  is user-specified on the ALPHA keyword on the CRITERIA subcommand.

## Bartlett's Test of Sphericity

Bartlett's test of sphericity is printed when the Residual SSCP matrix is requested.

### Hypotheses

In Bartlett's test of sphericity the null hypothesis is  $H_0 : \Sigma = \sigma^2 \mathbf{I}_r$  versus the alternative hypothesis  $H_1 : \Sigma \neq \sigma^2 \mathbf{I}_r$  where  $\sigma^2 > 0$  is unspecified and  $\mathbf{I}_r$  is an  $r \times r$  identity matrix.

### Likelihood Ratio Test Statistic

$$\lambda = \begin{cases} \frac{|\mathbf{A}|^{n/2}}{(\text{trace}(\mathbf{A})/r)^{nr/2}} & \text{if } \text{trace}(\mathbf{A}) > 0 \\ \text{SYSMIS} & \text{if } \text{trace}(\mathbf{A}) \leq 0 \end{cases}$$

where  $\mathbf{A} = (\mathbf{Y} - \mathbf{X}\hat{\mathbf{B}})' \mathbf{W} (\mathbf{Y} - \mathbf{X}\hat{\mathbf{B}})$  is the  $r \times r$  matrix of residual sums of squares and cross products.

### Chi-Square Approximation

Define  $W = \lambda^{2/n}$ . When  $n$  is large and under the null hypothesis that for  $n - r_X \geq 1$  and  $r \geq 2$ ,

$$\Pr(-\rho(n - r_X) \log W \leq c) = \Pr(\chi_f^2 \leq c) + \omega_2 (\Pr(\chi_{f+4}^2 \leq c) - \Pr(\chi_f^2 \leq c)) + O(n^{-3})$$

where

$$\begin{aligned} f &= r(r+1)/2 - 1 \\ \rho &= 1 - (2r^2 + r + 2)/(6r(n - r_X)) \\ \omega_2 &= \frac{(r+2)(r-1)(r-2)(2r^3 + 6r^2 + 3r + 2)}{288r^2(n - r_X)^2 \rho^2} \end{aligned}$$

### Chi-Square Statistic

$$c = \begin{cases} -\rho(n - r_X) \log W & \text{if } W > 0 \\ \text{SYSMIS} & \text{otherwise} \end{cases}$$

### Degrees of Freedom

$$f = r(r+1)/2 - 1$$

### Significance

$$1 - \text{CDF.CHISQ}(c, f) - \omega_2 (\text{CDF.CHISQ}(c, f+4) - \text{CDF.CHISQ}(c, f))$$

where CDF.CHISQ is the IBM® SPSS® Statistics function for the cumulative chi-square distribution. The significance is reset to zero whenever the computed value is less than zero due to floating point imprecision.

## Custom Hypothesis Tests

The TEST subcommand offers custom hypothesis tests. The hypothesis term is any effect specified (either explicitly or implicitly) in the DESIGN subcommand. The error term can be a linear combination of effects that are specified in the DESIGN subcommand or a sum of squares with specified degrees of freedom. The TEST subcommand is available only for univariate analysis; therefore, an F statistic is computed. When the error term is a linear combination of effects and no value for degrees of freedom is specified, the error degrees of freedom is approximated by the Satterthwaite (1946) method.

### Notation

The following notation is used in this section:

$S$	Number of effects in the linear combination
$q_s$	Coefficient of the $s$ th effect in the linear combination, $s=1,\dots,S$ .
$l_s$	Degrees of freedom of the $s$ th effect in the linear combination, $s=1,\dots,S$ .
$MS_s$	Mean square of the $s$ th effect in the linear combination, $s=1,\dots,S$ .
$Q$	Linear combination of effects
$l_Q$	Degrees of freedom of the linear combination
$MS_Q$	Mean square of the linear combination

### Error Mean Square

If the error term is a linear combination of effects, the error mean square is

$$MS_Q = \sum_{s=1}^S q_s \times MS_s$$

If the user supplied the mean squares,  $MS_Q$  is equal to the number specified after the keyword VS.

If  $MS_Q < 0$ , the custom error term is invalid, and  $MS_Q$  is equal to the system-missing value and an error message is issued.

### Degrees of Freedom

If  $MS_Q \geq 0$  and the user did not supply the error degrees of freedom, then the error degrees of freedom is approximated using the Satterthwaite (1946) method. Define

$$d_s = \begin{cases} (q_s MS_s)^2 / l_s & \text{if } l_s > 0 \\ 0 & \text{otherwise} \end{cases}$$

Then  $D = \sum_{s=1}^S d_s$ . The approximate error degrees of freedom is

$$l_Q = \begin{cases} (\text{MS}_Q)^2/D & \text{if } D > 0 \\ \text{SYSMIS} & \text{otherwise} \end{cases}$$

If  $\text{MS}_Q \geq 0$  and the user supplied the error degrees of freedom,  $l_Q$  is equal to the number following the keyword DF. If  $l_Q < 0$ , the custom degrees of freedom is invalid. In this case,  $l_Q$  is equal to the system-missing value and an error message is issued.

## F Statistic

The null hypothesis is that all parameters of the hypothesis effect are zero. The  $F$  statistic is used for testing this null hypothesis. Suppose the mean square and the degrees of freedom of the hypothesis effect are  $\text{MS}_H$  and  $l_H$ ; then the  $F$  statistic is

$$F = \begin{cases} \frac{\text{MS}_H}{\text{MS}_Q} & \text{if } \text{MS}_Q > 0 \text{ and } \text{MS}_H \geq 0 \\ \text{SYSMIS} & \text{otherwise} \end{cases}$$

## Significance

$$\text{significance} = \begin{cases} 1 - \text{CDF.F}(F, l_H, l_Q) & \text{if } l_H > 0, l_Q > 0 \text{ and } F \neq \text{SYSMIS} \\ \text{SYSMIS} & \text{otherwise} \end{cases}$$

where CDF.F is the IBM® SPSS® Statistics function for the F cumulative distribution function.

## Univariate Mixed Model

This section describes the algorithms pertaining to a random effects model. GLM offers mixed model analysis only for univariate models—that is, for  $r=1$ .

## Notation

The following notation is used throughout this section. Unless otherwise stated, all vectors are column vectors and all quantities are known.

$k$	Number of random effects.
$p_0$	Number of parameters in the fixed effects.
$p_i$	Number of parameters in the $i$ th random effect, $i=1, \dots, k$ .
$\sigma_i^2$	Unknown variance of the $i$ th random effect, $\sigma_i^2 \geq 0$ , $i=1, \dots, k$ .
$\sigma_e^2$	Unknown variance of the residual term, $\sigma_e^2 > 0$ .
$\mathbf{X}_i$	The $n \times p_i$ design matrix, $i=0, 1, \dots, k$ .
$\beta_0$	The length $p_0$ vector of parameters of the fixed effects.

$\beta_i$	The length $p_i$ vector of parameters of the $i$ th random effect, $i=1, \dots, k$ .
$\mathbf{L}$	The $s \times p$ full row rank matrix. The rows are estimable functions. $s \geq 1$

Relationships between these symbols and those defined at the beginning of the chapter are:

- $p = p_0 + p_1 + \dots + p_k$
- $\mathbf{X} = [\mathbf{X}_0 | \mathbf{X}_1 | \dots | \mathbf{X}_k]$
- $\mathbf{B} = \begin{bmatrix} \beta_0 \\ \beta_1 \\ \vdots \\ \beta_k \end{bmatrix}$

### Model

The mixed model is represented, following Rao (1973), as

$$\mathbf{Y} = \mathbf{X}_0 \beta_0 + \sum_{i=1}^k \mathbf{X}_i \beta_i + \mathbf{e}$$

The random vectors  $\beta_1, \dots, \beta_k$  and  $\mathbf{e}$  are assumed to be jointly independent. Moreover, the random vector  $\beta_i$  is distributed as  $N_{p_i}(\mathbf{0}, \sigma_i^2 \mathbf{I}_{p_i})$  for  $i=1, \dots, k$  and the residual vector  $\mathbf{e}$  is distributed as  $N_n(\mathbf{0}, \sigma_e^2 \mathbf{W}^{-1})$ . Thus,

$$E(\mathbf{Y}) = \mathbf{X}_0 \beta_0$$

$$cov(\mathbf{Y}) = \sum_{i=1}^k \sigma_i^2 \mathbf{X}_i \mathbf{X}_i' + \sigma_e^2 \mathbf{W}^{-1}$$

### Expected Mean Squares

For the estimable function  $\mathbf{L}$ , the expected hypothesis sum of squares is

$$E(SS_L) = E\left(\mathbf{Y}' \mathbf{W}^{\frac{1}{2}} \mathbf{A}_L \mathbf{W}^{\frac{1}{2}} \mathbf{Y}\right)$$

$$= \beta_0' \mathbf{X}_0' \mathbf{W}^{\frac{1}{2}} \mathbf{A}_L \mathbf{W}^{\frac{1}{2}} \mathbf{X}_0 \beta_0 + \sum_{i=1}^k \sigma_i^2 trace\left(\mathbf{X}_i' \mathbf{W}^{\frac{1}{2}} \mathbf{A}_L \mathbf{W}^{\frac{1}{2}} \mathbf{X}_i\right) + \sigma_e^2 trace(\mathbf{A}_L)$$

where

$$\mathbf{A}_L = \mathbf{W}^{\frac{1}{2}} \mathbf{X} \mathbf{G} \mathbf{L}' \left(\mathbf{L} \mathbf{G} \mathbf{L}'\right)^{-1} \mathbf{L} \mathbf{G} \mathbf{X}' \mathbf{W}^{\frac{1}{2}}$$

Since  $\mathbf{L} = \mathbf{L} \mathbf{G} \mathbf{X}' \mathbf{W} \mathbf{X}$ ,  $trace(\mathbf{A}_L) = s$  and  $\mathbf{X}' \mathbf{W}^{\frac{1}{2}} \mathbf{A}_L \mathbf{W}^{\frac{1}{2}} \mathbf{X} = \mathbf{L}' \left(\mathbf{L} \mathbf{G} \mathbf{L}'\right)^{-1} \mathbf{L}$ . The matrix  $\mathbf{X}' \mathbf{W}^{\frac{1}{2}} \mathbf{A}_L \mathbf{W}^{\frac{1}{2}} \mathbf{X}$  can therefore be computed in the following way:

1. Compute an  $s \times s$  upper triangular matrix  $\mathbf{U}$  such that  $\mathbf{U}' \mathbf{U} = \mathbf{L} \mathbf{G} \mathbf{L}'$  by the Cholesky decomposition.
2. Invert the matrix  $\mathbf{U}$  to give  $\mathbf{U}^{-1}$ .
3. Compute  $\mathbf{C} = \mathbf{L}' \mathbf{U}^{-1}$ .

Now we have  $\mathbf{X}'\mathbf{W}^{\frac{1}{2}}\mathbf{A}_L\mathbf{W}^{\frac{1}{2}}\mathbf{X} = \mathbf{C}\mathbf{C}'$ . If the rows of  $\mathbf{C}$  are partitioned into the same-size submatrices as those contained in  $\mathbf{X}$ —that is,

$$\mathbf{C} = \begin{bmatrix} \mathbf{C}_0 \\ \mathbf{C}_1 \\ \vdots \\ \mathbf{C}_k \end{bmatrix}$$

where  $\mathbf{C}_i$  is a  $p_i \times s$  submatrix—then  $\mathbf{X}'_k\mathbf{W}^{\frac{1}{2}}\mathbf{A}_L\mathbf{W}^{\frac{1}{2}}\mathbf{X}_k = \mathbf{C}_i\mathbf{C}'_i$ ,  $i=0,1,\dots,k$ .

Since  $\text{trace}(\mathbf{C}_i\mathbf{C}'_i)$  is equal to the sum of squares of the elements in  $\mathbf{C}_i$ , denoted by  $SSQ(\mathbf{C}_i)$ , the matrices  $\mathbf{C}_i\mathbf{C}'_i$  need not be formed. The preferred computational formula for the expected sum of squares is

$$E(SS_L) = \beta'_0\mathbf{C}_0\mathbf{C}'_0\beta_0 + \sum_{i=1}^k \sigma_i^2 SSQ(\mathbf{C}_i) + s\sigma_e^2$$

Finally the expected mean square is

$$E(MS_L) = \frac{1}{s}E(SS_L)$$

For the residual term, the expected residual mean square is:  $E(MSE) = \sigma_e^2$ .

*Note:* GLM does not compute the term  $\frac{1}{s}\beta'_0\mathbf{C}_0\mathbf{C}'_0\beta_0$  but reports the fixed effects whose corresponding row block in  $\mathbf{C}_0$  contains nonzero elements.

## Hypothesis Test in Mixed Models

Suppose  $MS_L$  is the mean square for the effect whose estimable function is  $\mathbf{L}$ , and  $s_L$  is the associated degrees of freedom. The  $F$  statistic for testing this effect is

$$F = \frac{MS_L}{MS_{E(L)}}$$

where  $MS_{E(L)}$  is the mean square of the error term with  $s_{E(L)}$  degrees of freedom.

### Null Hypothesis Expected Mean Squares

If the effect being tested is a fixed effect, its expected mean square is

$$E(MS_L) = \sigma_e^2 + c_1\sigma_1^2 + \cdots + c_k\sigma_k^2 + Q(L)$$

where  $c_1, \dots, c_k$  are coefficients and  $Q(L)$  is a quadratic term involving the fixed effects. Under the null hypothesis, it is assumed that  $Q(L) = 0$ . Although the quadratic term may involve effects that are unrelated to the effect being tested, such effects are assumed to be zero in order to draw a correct inference for the effect being tested. Therefore, under the null hypothesis, the expected mean square is

$$E(MS_L) = \sigma_e^2 + c_1\sigma_1^2 + \cdots + c_k\sigma_k^2$$

If the effect being tested is a random effect, say the  $j$ th ( $1 \leq j \leq k$ ) random effect, its expected mean square is

$$E(MS_L) = \sigma_e^2 + c_1\sigma_1^2 + \cdots + c_k\sigma_k^2$$

Under the null hypothesis  $\sigma_j^2 = 0$ ; hence, the expected mean square is

$$E(MS_L) = \sigma_e^2 + \sum_{1 \leq i \leq k, i \neq j} c_i\sigma_i^2$$

### Error Mean Squares

Let  $MS_i$  be the mean square of the  $i$ th ( $i = 1, \dots, k$ ) random effect. Let  $s_i$  be the corresponding degrees of freedom. The error term is then found as a linear combination of the expected mean squares of the random effects:

$$MS_{E(L)} = q_1MS_1 + \cdots + q_kMS_k + q_{k+1}MSE$$

such that

$$E(MS_{E(L)}) = q_1E(MS_1) + \cdots + q_kE(MS_k) + q_{k+1}E(MSE) = \sigma_e^2 + c_1\sigma_1^2 + \cdots + c_k\sigma_k^2$$

If  $s_i = 0$  ( $1 \leq i \leq k$ ) then  $q_i = 0$ .

The error degrees of freedom is computed using the Satterthwaite (1946) method:

$$s_{E(L)} = \frac{(MS_{E(L)})^2}{\sum_{1 \leq i \leq k; s_i > 0} (q_i MS_i)^2 / s_i}$$

If the design is balanced, the above  $F$  statistic is approximately distributed as an  $F$  distribution with degrees of freedom  $(s_L, s_{E(L)})$  under the null hypothesis. The statistic is exact when only one random effect is used as the error term—that is,  $q_{i_0} = 1$  and  $q_i = 0$  for  $i \neq i_0$ . If the design is not balanced, the above approximation may not be valid (even when only one random effect is used as the error term) because the hypothesis term and the error term may not be independent.

## Repeated Measures

The GLM (general linear model) procedure provides analysis of variance when the same measurement or measurements are made several times on each subject or case (repeated measures). The algorithms in this section apply solely to repeated measures designs.

### Notation

The notation used in “GLM Algorithms” is used here. Additional conventions are defined below:

$t$	The number of within-subjects factors.
$c$	The number of measures.

$r_k$	The number of levels of the $k$ th within-subjects factor. $r_k \geq 2, k = 1, \dots, t$
$\mathbf{M}_k$	The contrast matrix of the $k$ th within-subjects factor, $k = 1, \dots, t$ . It is a square matrix with dimension $r_k$ . Each element in the first column is usually equal to $1/r_k$ . For a polynomial contrast each element is $1/\sqrt{r_k}$ , or, for a user-specified contrast, a non-zero constant. The other columns have zero column sums.

### Number of Variables

It is required that  $c \times \prod_{k=1}^t r_k = r$ , the number of dependent variables in the model.

### Covariance Structure

As usual in GLM, the data matrix is related to the parameter matrix  $\mathbf{B}$  as  $\mathbf{Y} = \mathbf{XB} + \mathbf{E}$ . The rows of  $\mathbf{E}$  are uncorrelated and the  $i$ th row has the distribution  $N_r(0, w_i^{-1}\Sigma)$ . Repeated measures analysis has two additional assumptions:

- $\Sigma = \Sigma_C \otimes \Sigma_1 \otimes \dots \otimes \Sigma_t$  where  $\Sigma_C$  is the covariance matrix of the measures and  $\otimes$  is the Kronecker product operator.
- The Huynh and Feldt (1970) condition: Suppose  $\sigma_{rs}^{(k)}$  is the  $(r,s)$ -th element of  $\Sigma_k (k = 1, \dots, t)$ ; then  $\sigma_{rr}^{(k)} + \sigma_{ss}^{(k)} - 2\sigma_{rs}^{(k)} = \text{constant}$  for  $r \neq s$ . Matrices satisfying this condition result in orthonormally transformed variables with spherical covariance matrices; for this reason, the assumption is sometimes referred to as the sphericity assumption. A matrix that has the property of compound symmetry (that is, identical diagonal elements and identical off-diagonal elements) automatically satisfies this assumption.

### Tests on the Between-Subjects Effects

The procedure for testing the hypothesis of no between-subjects effects uses the following steps:

1. Compute  $\mathbf{M} = \mathbf{I}_c \otimes \mathbf{M}_{1;1} \otimes \dots \otimes \mathbf{M}_{t;1}$  where  $\mathbf{M}_{k;1}$  is the first column of the contrast matrix  $\mathbf{M}_k$  of the  $k$ th within-subjects factors. Note that  $\mathbf{M}$  is an  $r \times c$  matrix.
2. For each of the between-subjects effects including the intercept, get the  $\mathbf{L}$  matrix, according to the specified type of sum of squares.
3. Compute  $\mathbf{S}_H = (\mathbf{L}\hat{\mathbf{B}}\mathbf{M})' (\mathbf{L}\mathbf{G}\mathbf{L}') (\mathbf{L}\hat{\mathbf{B}}\mathbf{M})$  and  $\mathbf{S}_E = \mathbf{M}'\mathbf{S}\mathbf{M}$ . Both are  $c \times c$  matrices.
4. Compute the four multivariate test statistics: Wilks' lambda, Pillai's trace, Hotelling-Lawley trace, Roy's largest root, and the corresponding significance levels. Also compute the individual univariate  $F$  statistics.
5. Repeat steps 2 to 4 until all between-subjects effects have been tested.

## Multivariate Tests on the Within-Subjects Effects

The procedure for testing the hypothesis of no within-subjects effects uses the following steps:

1. For the  $k$ th within-subjects factor, compute  $\mathbf{M} = \mathbf{I}_c \otimes \mathbf{A}_1 \otimes \cdots \otimes \mathbf{A}_t$  where  $\mathbf{A}_k = \mathbf{M}_{k;2:r_k}$  which is the second-to-last column of  $\mathbf{M}_k$  when the  $k$ th within-subjects factor is involved in the effect. Otherwise,  $\mathbf{A}_k = \mathbf{M}_{k;1}$ . Note that  $\mathbf{M}$  is an  $r \times cd$  matrix, where  $d$  is the number of columns in the Kronecker product  $\mathbf{A}_1 \otimes \cdots \otimes \mathbf{A}_t$ . In general,  $d > 1$ .
2. For each of the between-subjects effects, get the  $\mathbf{L}$  matrix, according to the specified type of sum of squares.
3. Compute  $\mathbf{S}_H = (\mathbf{L}\hat{\mathbf{B}}\mathbf{M})'(\mathbf{L}\mathbf{G}\mathbf{L}')(\mathbf{L}\hat{\mathbf{B}}\mathbf{M})$  and  $\mathbf{S}_E = \mathbf{M}'\mathbf{S}\mathbf{M}$ . Both are  $cd \times cd$  matrices.
4. Compute the four multivariate test statistics: Wilks' lambda, Pillai's trace, Hotelling-Lawley trace, Roy's largest root, and the corresponding significance levels. Also compute the individual univariate  $F$  statistics.
5. Repeat steps 2 to 4 for the next between-subjects effect. When all the between-subjects effects are used, go to step 6.
6. Repeat steps 1 to 5 until all within-subjects effects have been tested.

## Averaged Tests on the Within-Subjects Effects

The procedure for the averaged test of the hypothesis of no within-subjects effects uses the following steps:

1. Take  $\mathbf{M}_k$  ( $k = 1, \dots, t$ ) the equally spaced polynomial contrast matrix.
2. Compute  $\mathbf{M} = \mathbf{I}_c \otimes \mathbf{A}_1 \otimes \cdots \otimes \mathbf{A}_t$  where  $\mathbf{A}_k = \mathbf{M}_{k;2:r_k}$  which is the 2nd to last column of  $\mathbf{M}_k$  when the  $k$ th within-subjects factor is involved in the effect. Otherwise,  $\mathbf{A}_k = \mathbf{1}_{r_k} / \sqrt{r_k}$ . Note that  $\mathbf{M}$  is an  $r \times cd$  matrix, where  $d$  is the number of columns in the Kronecker product  $\mathbf{A}_1 \otimes \cdots \otimes \mathbf{A}_t$ . In general,  $d > 1$ .
3. For each of the between-subjects effects, get the  $\mathbf{L}$  matrix, according to the specified type of sum of squares.
4. Compute  $\mathbf{S}_H = (\mathbf{L}\hat{\mathbf{B}}\mathbf{M})'(\mathbf{L}\mathbf{G}\mathbf{L}')(\mathbf{L}\hat{\mathbf{B}}\mathbf{M})$  and  $\mathbf{S}_E = \mathbf{M}'\mathbf{S}\mathbf{M}$ . Both are  $cd \times cd$  matrices.
5. Partition  $\mathbf{S}_H$  into  $c^2$  block matrices each of dimension  $d \times d$ . The  $(k, l)$ th block, denoted as  $\mathbf{S}_{H;k,l}$  ( $k=1, \dots, c$  and  $l=1, \dots, c$ ), is a sub-matrix of  $\mathbf{S}_H$  from row  $(k-1)d+1$  to row  $kd$ , and from column  $(l-1)d+1$  to column  $ld$ . Form the  $c \times c$  matrix, denoted by  $\bar{\mathbf{S}}_H$ , whose  $(k, l)$ th element is the trace of  $\mathbf{S}_{H;k,l}$ . The matrix  $\bar{\mathbf{S}}_E$  is obtained similarly.
6. Use  $\bar{\mathbf{S}}_H$  and  $\bar{\mathbf{S}}_E$  for computing the four multivariate test statistics: Wilks' lambda, Pillai's trace, Hotelling-Lawley trace, Roy's largest root, and the corresponding significance levels. *Note:* Set the degrees of freedom for  $\bar{\mathbf{S}}_H$  (same as the row dimension of  $\mathbf{L}$  in the test procedure) equal to  $dr_L$  and that for  $\bar{\mathbf{S}}_E$  equal to  $d(n - r_X)$  in the computations. Also compute the individual univariate  $F$  statistics and their significance levels.

7. Repeat steps 3 to 6 for each between-subjects effect. When all the between-subjects effects are used, go to step 8.
8. Repeat steps 2 to 7 until all within-subjects effects have been tested.

### **Adjustments to Degrees of Freedom of the F Statistics**

The adjustments to degrees of freedom of the univariate F test statistics are the Greenhouse-Geisser epsilon, the Huynh-Feldt epsilon, and the lower-bound epsilon.

For any of the three epsilons, the adjusted significance level is

$$1 - CDF.F(F, \epsilon d r_L, \epsilon d(n - r_X))$$

where  $\epsilon$  is one of the three epsilons.

#### **Greenhouse-Geisser epsilon**

$$\epsilon_{GG} = \frac{(\text{trace}(\mathbf{S}_E))^2}{d \times \text{trace}(\mathbf{S}_E^2)}$$

#### **Huynh-Feldt epsilon**

$$\epsilon_{HF} = \min\left(\frac{nd\epsilon_{GG}-2}{d(n-r_X)-d^2\epsilon_{GG}}, 1\right)$$

#### **Lower bound epsilon**

$$\epsilon_{LB} = 1/d$$

### **Mauchly's Test of Sphericity**

Mauchly's test of sphericity is displayed for every repeated measures model.

#### **Hypotheses**

In Mauchly's test of sphericity the null hypothesis is  $H_0 : \mathbf{M}'\Sigma\mathbf{M} = \sigma^2\mathbf{I}_m$ , versus the alternative hypothesis  $H_1 : \mathbf{M}'\Sigma\mathbf{M} \neq \sigma^2\mathbf{I}_m$ , where  $\sigma^2 > 0$  is unspecified,  $\mathbf{I}$  is an  $m \times m$  identity matrix, and  $\mathbf{M}$  is the  $r \times m$  orthonormal matrix associated with a within-subjects effect.  $\mathbf{M}$  is generated using equally spaced polynomial contrasts applied to the within-subjects factors (see the descriptions in "Averaged Tests on the Within-Subjects Effects").

#### **Mauchly's W Statistic**

$$W = \begin{cases} \frac{|\Xi|}{(\text{trace}(\Xi)/m)^m} & \text{if } \text{trace}(\Xi) > 0 \\ \text{SYSMIS} & \text{if } \text{trace}(\Xi) \leq 0 \end{cases}$$

where  $\Xi = M'AM$  and  $A = (\mathbf{Y} - \mathbf{X}\hat{\mathbf{B}})' \mathbf{W}(\mathbf{Y} - \mathbf{X}\hat{\mathbf{B}})$  is the  $r \times r$  matrix of residual sums of squares and cross products.

### Chi-Square Approximation

When  $n$  is large and under the null hypothesis that for  $n - r_X \geq 1$  and  $m \geq 2$ ,

$$\Pr(-\rho(n - r_X) \log W \leq c) = \Pr(\chi_f^2 \leq c) + \omega_2 \left( \Pr(\chi_{f+4}^2 \leq c) - \Pr(\chi_f^2 \leq c) \right) + O(n^{-3})$$

where

$$\begin{aligned} f &= m(m+1)/2 - 1 \\ \rho &= 1 - (2m^2 + m + 2)/(6m(n - r_X)) \\ \omega_2 &= \frac{(m+2)(m-1)(m-2)(2m^3 + 6m^2 + 3m + 2)}{288m^2(n - r_X)^2 \rho^2} \end{aligned}$$

### Chi-Square Statistic

$$c = \begin{cases} -\rho(n - r_X) \log W & \text{if } W > 0 \\ \text{SYSMIS} & \text{otherwise} \end{cases}$$

### Degrees of Freedom

$$f = m(m+1)/2 - 1$$

### Significance

$$1 - CDF.CHISQ(c, f) - \omega_2(CDF.CHISQ(c, f+4) - CDF.CHISQ(c, f))$$

where CDF.CHISQ is the IBM® SPSS® Statistics function for cumulative chi-square distribution. The significance will be reset to zero in case the computed value is less than zero due to floating point imprecision.

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# GLM: Testing for Heteroscedasticity

## Introduction

When fitting a linear regression model, researchers are always supposed to be aware of the assumption of homoscedasticity. When variance of the error is not constant across the observations, there would be loss in efficiency of the parameters estimated by ordinary least squares (OLS). While model parameters might still be estimated consistently by OLS, the inference

Although researchers may do graphic analysis to check the pattern of residuals by plotting them versus fitted values or predictors, the conclusion drawn from the plots may be subjective and implausible. To statistically test the homoscedasticity assumption, we may apply different statistical tests: White's test [White, 1980], the Breusch-Pagan test [T. S. Breusch, 1979], and the modified Breusch-Pagan test [Koenker, 1981, Koenker and Bassett Jr, 1982], all of which are based on the residuals of fitted linear regression models. However, SPSS Statistics 24 and its previous versions do not offer any procedures or options to conduct these tests.

To solve this problem and target SPSS Statistics 25, we provide in this document with the details on how to derive the statistics for both White's test and the (modified) Breusch-Pagan test. We derive the formulas of the test statistics from classic linear regression models and make illustrative examples on how to obtain the reference distributions. Through the following designed algorithms, we desire to offer White's test and two versions of the Breusch-Pagan test in SPSS Statistics 25.

## Notations

The following notations defined in this section will be used for the subsequent sections.

## Variables

$n$ : Number of complete cases in the data set, which is an integer and  $n \geq 1$ .

$k$ : Number of parameters, including the constant term (if exists), in the model. It is an integer and  $k \geq 1$ .

$\mathbf{Y}$ : A vector ( $n * 1$ ) of a continuous dependent variable.

$\mathbf{X}$ : A design matrix ( $n * k$ ), whose rows and columns represent the observations and the parameters, respectively.

$\mathbf{w}$ : A vector ( $n * 1$ ) of regression weights.

$\mathbf{f}$ : A vector ( $n * 1$ ) of frequency weights.

$N$ : Number of the effective sample size.  $N = \sum_{i=1}^n f_i$ . If there is no  $\mathbf{f}$ , then  $N = n$ .

$\boldsymbol{\beta}$ : A vector ( $k * 1$ ) of regression parameters to be estimated.

$\boldsymbol{\epsilon}$ : A vector ( $n * 1$ ) of unobserved errors.

## Models

We further define

- $\mathbf{y} = (y_1, y_2, \dots, y_n)^T$  denoting the observed values of  $\mathbf{Y}$ ;
- $\boldsymbol{\beta} = (\beta_1, \beta_2, \dots, \beta_n)^T$ , whose values are unknown;
- $\boldsymbol{\epsilon} = (\epsilon_1, \epsilon_2, \dots, \epsilon_n)^T$ , and assume  $\boldsymbol{\epsilon} \sim (\mathbf{0}, \mathbf{W}^{-1/2} \boldsymbol{\Omega} \mathbf{W}^{-1/2})$ , where  $\mathbf{W}^{-1/2} = \text{diag}(1/\sqrt{w_1}, 1/\sqrt{w_2}, \dots, 1/\sqrt{w_n})$ . Note that in ordinary linear models,  $\epsilon_i$ 's are assumed to be independent and homoscedastic with variance  $\sigma^2$ , and  $\boldsymbol{\Omega} = \sigma^2 \mathbf{I}_n$ , and

$$\bullet \mathbf{X} = \begin{bmatrix} 1 & x_{21} & x_{31} & \cdots & x_{k1} \\ 1 & x_{22} & x_{32} & \cdots & x_{k2} \\ \vdots & \vdots & \vdots & & \vdots \\ 1 & x_{2n} & x_{3n} & \cdots & x_{kn} \end{bmatrix}. \text{ Particularly, the } i^{\text{th}} \text{ row of } \mathbf{X} \text{ is denoted by } \mathbf{x}_i^T, \text{ where } i = 1, 2, \dots, n.$$

Given the ordinary linear regression model  $y_i = \beta_1 + \beta_2 x_{2i} + \beta_3 x_{3i} + \cdots + \beta_k x_{ki} + \epsilon_i$ , or in the matrix form  $\mathbf{y} = \mathbf{X}\boldsymbol{\beta} + \boldsymbol{\epsilon}$ , we are interested in testing the homoscedasticity of  $\boldsymbol{\epsilon}$ , and will be presenting the test statistics in the following sections.

## White's Test

### Testing Hypothesis

The null hypothesis for White's test is

$$H_0 : \sigma_i^2 = \sigma_0^2 \quad \text{for all } i. \quad (1)$$

Since White's test does not make any assumptions about the form of the heteroscedasticity, the alternative hypothesis for testing is simply the complement of  $H_0$ , or  $H_1 : \text{Not } H_0$ . It has been argued that the generality of White's test may lead to a significant observed test statistic due to model misspecification other than heteroscedasticity [Thursby, 1989]. Thus, the null hypothesis would be rejected if any one of the following facts is violated:

- The regression errors are not of homoscedasticity;
- The regression errors are not independent of the predictors;
- The regression model is not correctly specified.

### Test Statistic

#### Auxiliary regression

Let  $\hat{\epsilon}$  be the estimated  $\boldsymbol{\epsilon}$ . Consider the following regression model

$$\begin{aligned} \hat{\epsilon}^2 = & \theta_1 + \theta_2 \mathbf{x}_2 + \theta_3 \mathbf{x}_3 + \cdots + \theta_k \mathbf{x}_k \\ & + \theta_{22} \mathbf{x}_2^2 + \theta_{23} \mathbf{x}_2 \mathbf{x}_3 + \cdots + \theta_{2k} \mathbf{x}_2 \mathbf{x}_k \\ & + \theta_{33} \mathbf{x}_3^2 + \theta_{34} \mathbf{x}_3 \mathbf{x}_4 + \cdots + \theta_{3k} \mathbf{x}_3 \mathbf{x}_k \\ & + \cdots \\ & + \theta_{(k-1)(k-1)} \mathbf{x}_{k-1}^2 + \theta_{(k-1)k} \mathbf{x}_{k-1} \mathbf{x}_k \\ & + \theta_{kk} \mathbf{x}_k^2 + e, \end{aligned} \quad (2)$$

which regresses the squared estimated residuals on all levels, squares, and second order cross products of the design matrix  $\mathbf{X}$  as well as a constant term. Note that the square of factors are not allowed. Actually, there should be no redundant terms in the regression model (2). As pointed as an example in [White, 1980], if  $\mathbf{x}_{i1} = 1$  and  $\mathbf{x}_{i3} = \mathbf{x}_{i2}^2$ , it turns out that  $\mathbf{x}_{i1}\mathbf{x}_{i3} = \mathbf{x}_{i2}^2$  and thus only one term is allowed.

#### The observed test statistic

White's test is based on the estimated (constant-adjusted) correlation coefficient  $R_{\hat{\epsilon}^2}^2$  obtained from the regression model (2). We let  $\mathbf{u} = (w_1 \hat{\epsilon}_1^2, w_2 \hat{\epsilon}_2^2, \dots, w_n \hat{\epsilon}_n^2)^T$  denoting a vector ( $n * 1$ ) of squared weighted residuals, and set

$$\bar{u} = \frac{1}{n} \sum_{i=1}^n w_i \hat{\epsilon}_i^2 \quad \text{and} \quad \bar{\mathbf{u}} = \underbrace{(\bar{u}, \bar{u}, \dots, \bar{u})^T}_n. \quad (3)$$

Thus, the observed test statistic for White's test is derived by

$$\begin{aligned}
 t_{\text{White}} &= n * R_{\hat{\epsilon}}^2 \\
 &= n * \frac{(\mathbf{u} - \bar{\mathbf{u}})^T \mathbf{Z} (\mathbf{Z}^T \mathbf{Z})^{-1} \mathbf{Z}^T (\mathbf{u} - \bar{\mathbf{u}})}{(\mathbf{u} - \bar{\mathbf{u}})^T (\mathbf{u} - \bar{\mathbf{u}})} \\
 &= n * \frac{\mathbf{u}^T \mathbf{Z} (\mathbf{Z}^T \mathbf{Z})^{-1} \mathbf{Z}^T \mathbf{u} - n \bar{\mathbf{u}}^2}{\mathbf{u}^T \mathbf{u} - n \bar{\mathbf{u}}^2}, \tag{4}
 \end{aligned}$$

where  $\mathbf{Z}$  is a design matrix including the constant term and unique levels, squares, and cross products of  $\mathbf{X}$ . For instance, if

$$\mathbf{X} = \begin{bmatrix} 1 & 1 & x_{31} & x_{41} \\ 1 & 0 & x_{32} & x_{42} \\ 1 & 0 & x_{33} & x_{43} \\ 1 & 1 & x_{34} & x_{44} \end{bmatrix}, \tag{5}$$

where  $\mathbf{x}_2$  is a dummy variable, and  $\mathbf{x}_3$  is an independent continuous predictor, then

$$\mathbf{Z} = \begin{bmatrix} 1 & 1 & x_{31} & x_{41} & x_{31}^2 & x_{41}^2 & x_{31} & x_{41} & x_{31}x_{41} \\ 1 & 0 & x_{32} & x_{42} & x_{32}^2 & x_{42}^2 & 0 & 0 & x_{32}x_{42} \\ 1 & 0 & x_{33} & x_{43} & x_{33}^2 & x_{43}^2 & 0 & 0 & x_{33}x_{43} \\ 1 & 1 & x_{34} & x_{44} & x_{34}^2 & x_{44}^2 & x_{34} & x_{44} & x_{34}x_{44} \end{bmatrix}. \tag{6}$$

Set  $K_z =$  number of columns in  $\mathbf{Z}$ . Under the null hypothesis (1),  $t_{\text{White}} \sim \chi_{\nu}^2$ , where  $\nu = K_z - 1$ . For  $\mathbf{Z}$  in Equation (6),  $\nu = 9 - 1 = 8$ .

Note that  $\nu$  can also be verified by

$$\nu = \frac{k * (k + 1)}{2} - \text{number of redundant or constant terms in } \mathbf{X}. \tag{7}$$

So for  $\mathbf{X}$  in Equation (5),  $\nu = 4 * (4 + 1) / 2 - 2 = 8$ , since there are two constant terms including a dummy predictor in  $\mathbf{X}$ .

## The Modified Breusch-Pagan Test

As an alternative approach to White's test, the Breusch-Pagan test is based on the Lagrangian multiplier test [T. S. Breusch, 1979, Aitchison and Silvey, 1960].

### Testing Hypothesis

The null hypothesis for the Breusch-Pagan test is

$$H_0 : \sigma_i^2 = \sigma^2 h(\alpha_0 + \boldsymbol{\alpha} \mathbf{z}_i) \text{ and } \boldsymbol{\alpha} = \mathbf{0}, \tag{8}$$

where  $h(\cdot)$  is a function not indexed by  $i$ ;  $\sigma_i^2$  is the error variance for the  $i^{\text{th}}$  observation; and  $\alpha_0$  and  $\boldsymbol{\alpha}$  are regression coefficients. Note that the Breusch-Pagan test assumes that the error terms are normally distributed. It tests the null hypothesis of homoscedasticity versus the alternative hypothesis that the error terms have a variance varying with the predictors.

### Test Statistic

The observed test statistic for the Breusch-Pagan test is

$$t_{\text{BP}} = \frac{1}{2} \left[ \mathbf{g}^T \mathbf{Z} (\mathbf{Z}^T \mathbf{Z})^{-1} \mathbf{Z}^T \mathbf{g} \right], \tag{9}$$

where

$$\mathbf{g} = \hat{\epsilon}^2 \circ \frac{n}{\hat{\epsilon}^T \hat{\epsilon}} - \mathbf{1}, \tag{10}$$

where “ $\circ$ ” denotes the Hadamard product, or element-wise multiplication, in matrix manipulation.

For an implementation purpose and in presence of weights, Equation (9) is equivalent to

$$t_{\text{BP}} = \frac{\mathbf{u}^T \mathbf{Z} (\mathbf{Z}^T \mathbf{Z})^{-1} \mathbf{Z}^T \mathbf{u} - n \bar{u}^2}{2 \bar{u}^2}, \quad (11)$$

where all the variables are defined in the same way as in Equation (4). Under the null hypothesis (8),  $t_{\text{BP}} \sim \chi_{\nu}^2$ , where  $\nu = K_z - 1$ .

As aforementioned, the Breusch-Pagan test assumes that the residuals are normally distributed. A modified test was suggested by [Koenker, 1981] and [Koenker and Bassett Jr, 1982] based on a more robust estimator of the variance of  $\epsilon^2$ . The observed test statistic for the modified Breusch-Pagan test is

$$t_{\text{MBP}} = n * \frac{\mathbf{u}^T \mathbf{Z} (\mathbf{Z}^T \mathbf{Z})^{-1} \mathbf{Z}^T \mathbf{u} - n \bar{u}^2}{\mathbf{u}^T \mathbf{u} - n \bar{u}^2}, \quad (12)$$

which shares the same form with White’s test. Similarly, under the null hypothesis (8),  $t_{\text{MBP}} \sim \chi_{\nu}^2$ , where  $\nu = K_z - 1$ .

### A Few Remarks

- The reference distribution is  $\chi_{\nu}^2$ , which is the same for White’s test (Equation (4)), Breusch-Pagan test (Equation (11)), and the modified Breusch-Pagan test (Equation (12)). The degree of freedom  $\nu = K_z - 1$  is determined by the number of columns in  $\mathbf{Z}$ .
- The difference between White’s test and the modified Breusch-Pagan test lies in the regressors contained in  $\mathbf{Z}$ . In White’s test,  $\mathbf{Z}$  contains the regressors of all levels, squares, and cross products of those regressors in  $\mathbf{X}$ , or in the original regression model. For the modified Breusch-Pagan test,  $\mathbf{Z}$  contains a set of user-specified regressors. If  $\mathbf{Z}$  is the same for the two tests, then  $t_{\text{W}} = t_{\text{MBP}}$ . From this perspective, White’s test is a special case of the modified Breusch-Pagan test.
- The modified Breusch-Pagan test releases the assumption of normality.
- White’s test is general, since it makes no assumptions about the form of the heteroscedasticity. For the (modified) Breusch-Pagan test, the alternative hypothesis is that the variance of  $\epsilon$  varies with a set of regressors, not necessarily the design matrix  $\mathbf{X}$  in the original model.

## F-Test

### Testing Hypothesis

Wooldridge once proposed an  $F$ -statistic that did not require the normality assumption [Wooldridge, 2015]. Reconsider the regression model (2), and let  $\mathbf{Z} = \mathbf{X}$ , or

$$\hat{\epsilon}^2 = \theta_1 + \theta_2 \mathbf{x}_2 + \theta_3 \mathbf{x}_3 + \cdots + \theta_k \mathbf{x}_k + \mathbf{e}. \quad (13)$$

If the homoscedasticity assumption holds, we would expect  $\theta_2 = \theta_3 = \cdots = \theta_k = 0$ . Actually, it is equivalent to test whether there is an overall significance of the regression model.

### Test Statistic

The observed  $F$ -test statistic for the regression model (13) is

$$t_F = \left( \frac{R_{\hat{\epsilon}^2}^2}{k - 1} \right) / \left( \frac{1 - R_{\hat{\epsilon}^2}^2}{n - k} \right), \quad (14)$$

where  $R_{\hat{\epsilon}^2}^2$  is defined by Equation (4), and  $n$  and  $k$  are defined in Section . Under the null hypothesis that the homoscedasticity holds,  $t_F \sim F_{k-1, n-k}$ .

## Testing by Using Predicted Values

To look at these proposed tests from a different perspective, a new idea occurs that we can regress square errors on (high-order) fitted values. Consider a second-order auxiliary regression model using the fitted  $\hat{\mathbf{y}}$  as the regressors

$$\hat{\epsilon}^2 = \theta_0 + \theta_1 \hat{\mathbf{y}} + \theta_2 \hat{\mathbf{y}}^2 + e, \quad (15)$$

where we are interested in testing  $H_0 : \theta_1 = \theta_2 = 0$ .

Similar to the Breusch-Pagan test, the modified Breusch-Pagan test, and  $F$ -test, we can construct  $t_{BP}$ ,  $t_{MBP}$ , and  $f$  as we have done in Equations (11), (12), and (14), respectively. The equations remain the same, but instead use the fitted values to construct the design matrix  $\mathbf{Z}$ .

## Two Special Scenarios

### When $\mathbf{Z}$ Contains Only Constant Term & Predicted Values

In this section, we talk about one special scenario in which the auxiliary regression model only contains  $\hat{\mathbf{y}}$  and a constant term. Consider Equation 16

$$\hat{\epsilon}^2 = \theta_0 + \theta_1 \hat{\mathbf{y}} + e \quad (16)$$

the auxiliary regression model by default, if it specifies no regressors when testing for heteroscedasticity. In this scenario, the design matrix becomes

$$\mathbf{Z} = \begin{bmatrix} 1 & \hat{y}_{21} \\ 1 & \hat{y}_{22} \\ 1 & \hat{y}_{23} \\ 1 & \hat{y}_{24} \end{bmatrix}, \text{ which has only two columns.} \quad (17)$$

We can use this  $\mathbf{Z}$  matrix to construct the Breusch-Pagan, the Modified Breusch-Pagan, and the  $F$  test statistics aforementioned. Under the null hypothesis, we have

$$t_{BP} = \frac{\mathbf{u}^T \mathbf{Z} (\mathbf{Z}^T \mathbf{Z})^{-1} \mathbf{Z}^T \mathbf{u} - n \bar{u}^2}{2 \bar{u}^2} \sim \chi_1^2, \quad (18)$$

$$t_{MBP} = n * \frac{\mathbf{u}^T \mathbf{Z} (\mathbf{Z}^T \mathbf{Z})^{-1} \mathbf{Z}^T \mathbf{u} - n \bar{u}^2}{\mathbf{u}^T \mathbf{u} - n \bar{u}^2} \sim \chi_1^2, \quad (19)$$

and

$$t_F = \frac{(n-2) R_{\hat{\epsilon}^2}^2}{1 - R_{\hat{\epsilon}^2}^2} \sim F_{1, n-2}, \quad (20)$$

since  $K_z = 2$  for all of the statistics.

### When $\mathbf{Z} = \mathbf{X}$

In this section, we talk about the other special scenario in which the auxiliary and the original regression model share the same regressors, or  $\mathbf{Z} = \mathbf{X}$ . Then we can just replace  $\mathbf{Z}$  with  $\mathbf{X}$  in the previously derived test statistics. Under the null hypothesis, we have

$$t_{BP} = \frac{\mathbf{u}^T \mathbf{X} (\mathbf{X}^T \mathbf{X})^{-1} \mathbf{X}^T \mathbf{u} - n \bar{u}^2}{2 \bar{u}^2} \sim \chi_\nu^2, \quad (21)$$

$$t_{MBP} = n * \frac{\mathbf{u}^T \mathbf{X} (\mathbf{X}^T \mathbf{X})^{-1} \mathbf{X}^T \mathbf{u} - n \bar{u}^2}{\mathbf{u}^T \mathbf{u} - n \bar{u}^2} \sim \chi_\nu^2, \quad (22)$$

and

$$t_F = \left( \frac{R_{\hat{\epsilon}^2}^2}{k-1} \right) / \left( \frac{1 - R_{\hat{\epsilon}^2}^2}{n-k} \right) \sim F_{1, n-2}. \quad (23)$$

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# GLM/UNIANOVA: Robust Standard Errors

## Introduction

The GLM and UNIANOVA procedures for fitting the general linear model offer ordinary least squares (OLS) estimation and weighted least squares (WLS) estimation using a user-supplied known weighting variable. The standard assumption of homoscedastic or homogeneous errors is commonly violated in unknown ways, rendering these methods inefficient. So-called robust or heteroscedasticity-consistent (HC) estimators of the covariance matrix (and therefore of the standard errors) of the parameter estimates are a popular approach to dealing with this problem, and users of SPSS Statistics have been requesting inclusion of such methods for some time. These enhancements offer a set of HC covariance matrix estimation options.

## Notation

The following notation is used throughout the document unless otherwise stated:

$n$	Number of distinct records in the dataset. It is an integer and $n \geq 1$ .
$p$	Number of parameters (including parameters for dummy variables but excluding the intercept). It is an integer and $p \geq 0$ .
$p^*$	Number of non-redundant parameters (excluding intercept if it exists). It is an integer and $0 \leq p^* \leq p$ .
$y$	$n \times 1$ vector of single dependent variable consists of $y_i$ .
$f$	$n \times 1$ vector of frequency count variable. If an element is not an integer, it is computed by rounding the value to the nearest integer. If it is less than 0.5 or if it is missing, the corresponding case is not used.
$g$	$n \times 1$ vector of regression weight. If there is no regression weight specified, $g = 1$ . If regression weight $g_i$ for case $i$ is zero, negative or missing, the corresponding case is not used.
$N$	Effective sample size. it is a integer number, $N = \sum_{i=1}^n f_i$ . If frequency count variable $f$ is not used, $N=n$ .
$X$	$n \times (p + 1)$ design matrix. The rows represent the cases and the columns represent the parameters. The $i^{\text{th}}$ row is $\mathbf{x}_i = (x_{i0}, \dots, x_{ip})$ , $i = 1, 2, \dots, n$ , with $x_{i0} = 1$ , The $j^{\text{th}}$ column is

	$\mathbf{X}_j = (x_{1j}, \dots, x_{nj})^T$ , $j = 0, 1, \dots, p$ , with $\mathbf{X}_0 = (1, \dots, 1)^T$ . If there is no intercept, $\mathbf{X} = \{\mathbf{X}_j\}_{j=1}^p$ is a $n \times p$ matrix.
$\mathbf{G}$	Symmetric generalized inverse of $\mathbf{X}^T \mathbf{W} \mathbf{X}$ , $(\mathbf{X}^T \mathbf{W} \mathbf{X})^-$
$\boldsymbol{\varepsilon}$	$n \times 1$ vector of unobserved errors.
$\boldsymbol{\beta}$	$(p+1) \times 1$ vector of unknown parameters. $\boldsymbol{\beta} = (\beta_0, \beta_1, \dots, \beta_p)$ . $\beta_0$ is the intercept, if it exists. If there is no intercept, $\boldsymbol{\beta} = (\beta_1, \dots, \beta_p)^T$ is a $p \times 1$ vector.
$\hat{\boldsymbol{\beta}}$	$(p+1) \times 1$ vector of estimated $\boldsymbol{\beta}$ . $\hat{\boldsymbol{\beta}} = (\hat{\beta}_0, \hat{\beta}_1, \dots, \hat{\beta}_p)$ . If there is an intercept, $\hat{\beta}_0$ is its estimate, else $\hat{\boldsymbol{\beta}} = (\hat{\beta}_1, \dots, \hat{\beta}_p)^T$ is a $p \times 1$ vector.
$\hat{\mathbf{y}}$	Predicted value of $\mathbf{y}$ , consists of $\hat{y}_i$
$\mathbf{e}$	$n \times 1$ vector of residuals, $\mathbf{y} - \hat{\mathbf{y}}$ .
$h$	$n \times 1$ vector of leverages

## Model

The standard general linear model of variable  $\mathbf{y}$  on the design matrix  $\mathbf{X}$  has the form

$$\mathbf{y} = \mathbf{X}\boldsymbol{\beta} + \boldsymbol{\varepsilon} \quad (1)$$

where  $\boldsymbol{\varepsilon}$  follows a normal distribution with mean  $\mathbf{0}$  and variance  $\sigma^2 \mathbf{D}^{-1}$ , i.e.,  $\boldsymbol{\varepsilon} \sim N_n(\mathbf{0}, \sigma^2 \mathbf{D}^{-1})$

with  $\mathbf{D}^{-1} = \text{diag}(1/g_1, \dots, 1/g_n)$ . Then the dependent variable  $\mathbf{y}$  also follows a normal distribution with mean  $\mathbf{X}\boldsymbol{\beta}$  and variance  $\sigma^2 \mathbf{D}^{-1}$ ,  $\mathbf{y} \sim N_n(\mathbf{X}\boldsymbol{\beta}, \sigma^2 \mathbf{D}^{-1})$ .

### Notes:

1. The elements of  $\boldsymbol{\varepsilon}$  are independent with each other, so are those of  $\mathbf{y}$ .
2.  $\mathbf{X}$  can be any combination of continuous and categorical effects and interaction effects, though in many cases only continuous covariates will be involved. See Lam (1995a) for further details on the parameterization of the design matrix  $\mathbf{X}$ .

## Least Squares Coefficient Estimation

The coefficients are estimated by the least squares (LS) method with the following closed form solution

$$\hat{\beta} = (\mathbf{X}^T \mathbf{W} \mathbf{X})^{-1} \mathbf{X}^T \mathbf{W} \mathbf{y}, \quad (2)$$

where  $\mathbf{W} = \text{diag}(w_1, \dots, w_n) = \text{diag}(g_1 f_1, \dots, g_n f_n)$ .

The actual computation of  $\hat{\beta}$  is done by applying sweep operations instead of applying equation (2). See Lam (1995b) for details.

## Robust Covariance Matrix and Standard Errors

### Homoscedasticity assumption

The homoscedasticity assumption is that variance of the error ( $\sigma^2$ ) is constant across all cases. When the assumption is violated, the OLS coefficient estimates are still consistent, but not efficient. So for valid inference, according to Huber (1967) or White (1980), a heteroscedastic consistent (HC) or robust estimator of covariance matrix of the estimated coefficient should be used.

### Robust Estimation of the Covariance Matrix of the Estimated Parameters

A robust estimator of the covariance matrix of the estimated model parameters is:

$$\hat{\Psi} = \mathbf{G} \mathbf{X}^T \mathbf{W}^{1/2} \hat{\Omega} \mathbf{W}^{1/2} \mathbf{X} \mathbf{G}, \quad (3)$$

where  $\hat{\Omega}$  is a diagonal matrix of variance estimates of weighted residuals,  $\hat{\Omega} = \text{diag}(\omega_1, \dots, \omega_n)$ ,

and there are 5 estimators differ in their choice of the  $\omega_i$ :

$$\text{HC0:} \quad \omega_i = u_i = g_i e_i^2 \quad (4)$$

$$\text{HC1: } \omega_i = \frac{N}{(N - \text{rank}(X))} u_i \quad (5)$$

$$\text{HC2: } \omega_i = \frac{1}{1 - h_i} u_i \quad (6)$$

$$\text{HC3: } \omega_i = \frac{1}{(1 - h_i)^2} u_i \quad (7)$$

$$\text{HC4: } \omega_i = \frac{1}{(1 - h_i)^{\delta_i}} u_i \quad (8)$$

$$\text{where } \delta_i = \min\left(4, \frac{Nh_i}{\text{rank}(X)}\right)$$

and  $h_i$  is the  $i^{\text{th}}$  diagonal element of  $XGX^T = x_i G x_i^T$ .

**Notes:**

- The estimator HC0 is introduced by White (1980), is justified by asymptotic arguments.
- The estimator HC1 – HC3 are suggested by MacKinnon and White (1985) to improve the performance in small samples and Long and Ervin (2000) concluded that HC3 provided the best performance in sample samples based on Monte Carlo simulation.
- The estimator HC4 was introduced by Cribari-Neto (2004) and was compared with earlier estimators via simulations and bootstrap tests and performed better than the other estimators.

**Affected statistics**

Many statistics computed previously would be affected by replacing the original or model-based covariance matrix  $\hat{\Psi} = s^2 \mathbf{G}$  with the robust estimator  $\hat{\Psi} = \mathbf{G} X' W^{1/2} \hat{\Omega} W^{1/2} X \mathbf{G}$  (assume the  $(i, j)$  element in  $\hat{\Psi}$  is  $\psi_{i,j}$ ) and they are listed according to areas:

- **Statistics related to coefficient estimates:**

$$\hat{\sigma}_{\hat{\beta}_j} = \psi_{j+1, j+1}, \quad j = 0, \dots, p \quad (\text{note that } \hat{\Psi} \text{ includes intercept term if there is one); then t-}$$

statistics,  $p$ -values and confidence intervals should be updated as well.

- **Statistics related to tests of individual effects:**

When the robust estimator is used, F-statistics cannot be computed based on sums of squares any more. For each effect  $j$ , the F-statistic should be computed as

$$F_j = \frac{\hat{\boldsymbol{\beta}}^T \mathbf{L}_j^T (\mathbf{L}_j \hat{\boldsymbol{\Psi}} \mathbf{L}_j^T)^{-1} \mathbf{L}_j \hat{\boldsymbol{\beta}}}{r_j} \quad (9)$$

where  $r_j$  is the rank of  $\mathbf{L}_j$ .

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# HILOGLINEAR Algorithms

HILOGLINEAR fits hierarchical loglinear models to multidimensional contingency tables using an iterative proportional-fitting algorithm.

## The Model Minimum Configuration

Consider an  $I \times J \times K$  table. Let  $n_{ijk}$  be the observed frequency and  $m_{ijk}$  the expected frequency for cell  $(i, j, k)$ . A simple way to construct a saturated linear model in the natural logarithms of the expected cell frequencies is by analogy with analysis of variance (ANOVA) models:

$$L_{ijk} \equiv \log(m_{ijk}) = u + u_i^A + u_j^B + u_k^C + u_{ij}^{AB} + u_{ik}^{AC} + u_{jk}^{BC} + u_{ijk}^{ABC}$$

where  $1 \leq i \leq I, 1 \leq j \leq J$ , and  $1 \leq k \leq K$ . In general, each of the seven subscripted  $u$ -terms sums to zero over each lettered subscript.

It can be shown (Bishop, Feinberg, and Holland, 1975), p. 65, that, under the commonly encountered sampling plans, the log-likelihood is

$$\Phi + Nu + \sum_i n_{i++} u_i^A + \sum_j n_{+j+} u_j^B + \sum_k n_{++k} u_k^C + \sum_{i,j} n_{ij+} u_{ij}^{AB} + \sum_{i,k} n_{i+k} u_{ik}^{AC} + \sum_{j,k} n_{+jk} u_{jk}^{BC} + \sum_{i,j,k} n_{ijk} u_{ijk}^{ABC}$$

where  $\Phi$  is independent of any parameters and  $N$  is total number of observations. Also, the  $n$ -terms adjacent to the unknown parameters are the sufficient statistics. The formulation of the above log likelihood is based on the saturated model. When we consider unsaturated models, terms drop out and those that remain give the sufficient statistics. For instance, if we assume that there is no three-factor effect, that is,  $u_{ijk}^{ABC} = 0$  for all  $i, j$ , and  $k$ , or more briefly  $u_{ijk} = 0$ , then

$$\log(m_{ijk}) = u + u_i^A + u_j^B + u_k^C + u_{ij}^{AB} + u_{ik}^{AC} + u_{jk}^{BC}$$

and  $n_{i++}, n_{+j+}, n_{++k}, n_{ij+}, n_{i+k}$  and  $n_{+jk}$  are the sufficient statistics for this reduced model. These statistics can be considered as tables of sums configurations and denoted by  $C$  with proper subscripts. For example,  $\{n_{ij+}\}$  is the configuration  $C_{12}$  and  $\{n_{++k}\}$  is the configuration  $C_3$ . Note that  $\{n_{i++}\}, \{n_{+j+}\}$ , and  $\{n_{++k}\}$  can be obtained from  $\{n_{ij+}\}, \{n_{i+k}\}$  and  $\{n_{+jk}\}$ . We then call the last three configurations  $C_{12}, C_{13}$  and  $C_{23}$  **minimal configurations** or **minimal statistics**.

## Notation for Unlimited Number of Dimensions

To generalize results, we denote the complete set of subscripts by a single symbol  $\theta$ . Thus,  $n_\theta$  is the observed frequency in an elementary cell and  $w_\theta$  is the cell weight. We add a subscript to  $\theta$  to denote a reduced dimensionality so that  $n_{\theta_i}$  is the observed sum in a cell of  $C_{\theta_i}$ . We use the second subscript,  $i$ , solely to distinguish between different configurations.

## Iterative Proportional Fitting Procedure (IPFP)

We can obtain MLEs for the elementary cells under any hierarchical model by iterative fitting of the minimal sufficient configurations. To illustrate the algorithm, we consider the unsaturated model. The MLEs must fit the configurations  $C_{12}$ ,  $C_{13}$  and  $C_{23}$ . The basic IPFP chooses an initial table  $m_{ijk}^{(0)}$  and then sequentially adjusts the preliminary estimates to fit  $C_{12}$ ,  $C_{13}$  and  $C_{23}$ . Fitting to  $C_{12}$  gives

$$\hat{m}_{ijk}^{(1)} = \hat{m}_{ijk}^{(0)} \frac{n_{ij+}}{\hat{m}_{ij+}^{(0)}}$$

Subsequent fitting to  $C_{13}$  gives

$$\hat{m}_{ijk}^{(2)} = \hat{m}_{ijk}^{(1)} \frac{n_{i+k}}{\hat{m}_{i+k}^{(1)}}$$

and similarly, after fitting  $C_{23}$  we have

$$\hat{m}_{ijk}^{(3)} = \hat{m}_{ijk}^{(2)} \frac{n_{+jk}}{\hat{m}_{+jk}^{(2)}}$$

We repeat this three-step cycle until convergence to the desired accuracy is attained. The extension of the above procedure to the general procedure for fitting  $s$  configurations is straightforward. Let the minimal configurations be  $C_{\theta_i}$  for  $i=1, \dots, s$ , with cell entries  $n_{\theta_i}$ , respectively. The procedure is as follows:

### Initial Cell Estimates

To start the iterations, if CWEIGHT is not specified, set

$$m_{\theta}^{(0)} = \begin{cases} 1 & \text{if } n_{\theta} \geq 0 \\ 0 & \text{otherwise} \end{cases}$$

If CWEIGHT is specified, set

$$m_{\theta}^{(0)} = \begin{cases} 1 & \text{if } CWEIGHT \geq 1 \\ 0 & \text{if } CWEIGHT \leq 0 \\ CWEIGHT & \text{if } 0 < CWEIGHT < 1 \end{cases}$$

### Intermediate Computations

After obtaining the initial cell estimates, the algorithm proceeds to fit each of these configurations in turn. After  $r$  cycles, the relations are

$$\hat{m}_{\theta}^{(sr+i)} = \hat{m}_{\theta}^{(sr+i-1)} \frac{n_{\theta_i}}{\hat{m}_{\theta_i}^{(sr+i-1)}} \quad \text{for } 1 \leq i \leq s; r \geq 0$$

### Convergence Criteria

The computations stop either when a complete cycle, which consists of  $s$  steps, does not cause any cell to change by more than a preset amount  $\epsilon$ ; that is,

$$\left| \hat{m}_\theta^{(sr)} - \hat{m}_\theta^{(sr-s)} \right| < \epsilon \quad \text{for all } \theta$$

or the number of cycles is larger than a preset integer *max*. Both  $\epsilon$  and *max* can be specified. The default for  $\epsilon$  is

$$\epsilon = \max_\theta \left\{ 0.25; \frac{n_\theta w_\theta}{1000} \right\}$$

and the default for *max* is 20.

## Goodness of Fit Tests

The Pearson chi-square statistic is

$$\chi^2 = \sum_\theta \frac{(n_\theta - \hat{m}_\theta)^2}{\hat{m}_\theta}$$

and the likelihood-ratio chi-square statistic is

$$L^2 = 2 \sum_\theta n_\theta \ln(n_\theta / \hat{m}_\theta)$$

where the first summation is done over the cells with nonzero estimated cell frequencies while the second summation is done over cells with positive observed and estimated cell frequencies. The degrees of freedom for the above two statistics are computed as follows:

### Adjusted Degrees of Freedom

Let  $T_c$  be the total number of the cells and  $P$  the number of parameters in the model. Also, let  $z_c$  be the number of cells such that  $\hat{m}_\theta = 0$ . The adjusted degrees of freedom is

$$\text{adjusted df} = T_c - P - z_c$$

### Unadjusted Degrees of Freedom

$$\text{unadjusted df} = T_c - P$$

## Parameter Estimates and Standard Errors

If a saturated model is fitted and neither  $n_\theta + \delta$  nor  $w_\theta$  is equal to zero for all cells, then the parameter estimates and their standard errors will be computed. Each estimate of the parameters in the saturated model can be expressed as a linear combination of the logarithms of the observed cell frequencies plus user-specified  $\delta$ , where the coefficients used in the linear combination add to zero. We discuss the rule of obtaining the coefficients. Consider, in general case, a  $J_1 \times J_2 \times \dots \times J_M$  frequency table with defining variables  $X_1, \dots, X_M$ . Let  $u_{j_{s1}, \dots, j_{sL}}^{X_{s1}, \dots, X_{sL}}$  denote an  $L$ -term interaction involving  $X_{s1}, \dots, X_{sL}$  at level  $j_{s1}, \dots, j_{sL}$  respectively. Denote  $A$  as a vector that is constructed in the way that its nonzero components correspond to the variables in the

parameter to be estimated and are set to the level of the variable. Let  $C_{j_1, \dots, j_M}$  be a  $M$ -dim vector with components equal to cell IDs. That is,

$$C_{j_1, \dots, j_M} = (j_1, \dots, j_M); \quad 1 \leq j_1 \leq J_1, \quad 1 \leq i \leq M$$

The coefficient  $\beta_{j_1, \dots, j_M}$  is determined through the comparison of the components of  $A$  and  $C_{j_1, \dots, j_M}$ . Let  $s$  be the number of nonzero components of  $A$  that do not match (equal) the corresponding components of  $C_{j_1, \dots, j_M}$ . Also, let matching occur at component  $i_1, \dots, i_k$ . Then the coefficient for cell  $(j_1, \dots, j_M)$  is

$$\beta_{j_1, \dots, j_M} = (-1)^s (J_{i_1} - 1) \times \dots \times (J_{i_k} - 1)$$

The estimate  $\hat{u}_{j_1, \dots, j_M}^{X_{s1}, \dots, X_{sL}}$  of  $u_{j_1, \dots, j_M}^{X_{s1}, \dots, X_{sL}}$  is then

$$\hat{u}_{j_1, \dots, j_M}^{X_{s1}, \dots, X_{sL}} = \sum_{j_1, \dots, j_M} \beta_{j_1, \dots, j_M} \ln(n_{j_1, \dots, j_M} + \delta)$$

The large-sample variance of the estimate is

$$\sum_{j_1, \dots, j_M} \beta^2 [\ln(n_{j_1, \dots, j_M} + \delta)]^{-1}$$

For a large sample, the estimate approximately follows a normal distribution with the above mean and variance if the sampling model follows a Poisson, multinomial, or product-multinomial distribution. The confidence interval for the parameter can be computed based on the asymptotic normality.

## Residuals

The following residuals are computed.

### Raw Residuals

$$\text{raw residual} = n_\theta - \hat{m}_\theta$$

### Standardized Residuals

$$\text{standardized residual} = (n_\theta - \hat{m}_\theta) / \sqrt{\hat{m}_\theta}$$

where  $\hat{m}_\theta$  must be greater than 0.

## Partial Associations and Partial Chi-squares

Partial associations of effects can be requested when a saturated model is specified. Let  $\chi^2(k)$  be the chi-square for the model that contains the effects up to and including the  $k$ -interaction terms. The test of the significance of the  $k$ th-order interaction can be based on

$$\chi^2(k-1) - \chi^2(k)$$

Degrees of freedom are obtained by subtracting the degrees of freedom for the corresponding models.

## ***Model Selection Via Backward Elimination***

The selection process starts with the model specified (either via DESIGN or MAXORDER subcommand). The partial chi-square is calculated for every term in the generating class. Any term with zero partial chi-square is deleted, then the effect with the largest observed significance level for the change in chi-square is deleted, provided the significance level is larger than 0.05, the default. With the removal of a highest-order term, a new model with new generating class is generated. The above process of removing a term is repeated for the new model and is continued until no remaining terms in the model can be deleted.

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# HOMALS Algorithms

The iterative HOMALS algorithm is a modernized version of Guttman (1941). The treatment of missing values, described below, is based on setting weights in the loss function equal to zero, and was first described in De Leeuw and Van Rijckevorsel (1980). Other possibilities do exist and can be accomplished by recoding the data (Gifi, 1981; Meulman, 1982).

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$n$	Number of cases (objects)
$m$	Number of variables
$p$	Number of dimensions

For variable  $j$ ;  $j = 1, \dots, m$

$h_j$	$n$ -vector with categorical observations
$k_j$	Number of valid categories (distinct values) of variable $j$
$\mathbf{G}_j$	Indicator matrix for variable $j$ , of order $n \times k_j$

$$g_{(j)ir} = \begin{cases} 1 & \text{when the } i \text{th object is in the } r \text{th category of variable } j \\ 0 & \text{when the } i \text{th object is not in the } r \text{th category of variable } j \end{cases}$$

$\mathbf{D}_j$	Diagonal matrix, containing the univariate marginals; that is, the column sums of $\mathbf{G}_j$
$\mathbf{M}_j$	Binary diagonal $n \times n$ matrix, with diagonal elements defined as

$$m_{(j)ii} = \begin{cases} 1 & \text{when the } i \text{th observation is within the range } [1, k_j] \\ 0 & \text{when the } i \text{th observation outside the range } [1, k_j] \end{cases}$$

The quantification matrices and parameter vectors are:

$\mathbf{X}$	Object scores, of order $n \times p$
$\mathbf{Y}_j$	Category quantifications, of order $k_j \times p$ .
$\mathbf{Y}$	Concatenated category quantification matrices, of order $\sum_j k_j \times p$

*Note:* The matrices  $\mathbf{G}_j$ ,  $\mathbf{M}_j$ , and  $\mathbf{D}_j$  are exclusively notational devices; they are stored in reduced form, and the program fully profits from their sparseness by replacing matrix multiplications with selective accumulation.

## Objective Function Optimization

The HOMALS objective is to find object scores  $\mathbf{X}$  and a set of  $\mathbf{Y}_j$  (for  $j = 1, \dots, m$ ) so that the function

$$\sigma(\mathbf{X}; \mathbf{Y}) = 1/m \sum_j \text{tr} \left( (\mathbf{X} - \mathbf{G}_j \mathbf{Y}_j)' \mathbf{M}_j (\mathbf{X} - \mathbf{G}_j \mathbf{Y}_j) \right)$$

is minimal, under the normalization restriction  $\mathbf{X}' \mathbf{M}_* \mathbf{X} = mn \mathbf{I}$ , where the matrix  $\mathbf{M}_* = \sum_j \mathbf{M}_j$ , and  $\mathbf{I}$  is the  $p \times p$  identity matrix. The inclusion of  $\mathbf{M}_j$  in  $\sigma(\mathbf{X}; \mathbf{Y})$  ensures that there is no influence of data values outside the range  $[1, k_j]$ , which may be really missing or merely regarded as such;  $\mathbf{M}_*$  contains the number of “active” data values for each object. The object scores are also centered; that is, they satisfy  $\mathbf{u}' \mathbf{M}_* \mathbf{X} = 0$ , with  $\mathbf{u}$  denoting an  $n$ -vector with ones.

Optimization is achieved through the following iteration scheme:

1. Initialization
2. Update object scores
3. Orthonormalization
4. Update category quantifications
5. Convergence test: repeat steps 2-4 or continue
6. Rotation

These steps are explained below.

### **Initialization**

The object scores  $\mathbf{X}$  are initialized with random numbers, which are normalized so that  $\mathbf{u}' \mathbf{M}_* \mathbf{X} = 0$  and  $\mathbf{X}' \mathbf{M}_* \mathbf{X} = mn \mathbf{I}$ , yielding  $\tilde{\mathbf{X}}$ . Then the first category quantifications are obtained as  $\tilde{\mathbf{Y}}_j = \mathbf{D}_j^{-1} \mathbf{G}'_j \tilde{\mathbf{X}}$ .

### **Update object scores**

First the auxiliary score matrix  $\mathbf{Z}$  is computed as

$$\mathbf{Z} \leftarrow \sum_j \mathbf{M}_j \mathbf{G}_j \tilde{\mathbf{Y}}_j$$

and centered with respect to  $\mathbf{M}_*$ :

$$\tilde{\mathbf{Z}} \leftarrow \left\{ \mathbf{M}_* - \left( \mathbf{M}_* \mathbf{u} \mathbf{u}' \mathbf{M}_* / \mathbf{u}' \mathbf{M}_* \mathbf{u} \right) \right\} \mathbf{Z}.$$

These two steps yield locally the best updates when there are no orthogonality constraints.

### **Orthonormalization**

The orthonormalization problem is to find an  $\mathbf{M}_*$ -orthonormal  $\mathbf{X}^+$  that is closest to  $\tilde{\mathbf{Z}}$  in the least squares sense. In HOMALS, this is done by setting

$$\mathbf{X}^+ \leftarrow m^{1/2} \mathbf{M}_*^{-1/2} \text{GRAM} \left( \mathbf{M}_*^{-1/2} \tilde{\mathbf{Z}} \right)$$

which is equal to the genuine least squares estimate up to a rotation. The notation  $\text{GRAM}(\ )$  is used to denote the Gram-Schmidt transformation (Björk and Golub, 1973).

### **Update category quantifications**

For  $j=1,\dots,m$ , the new category quantifications are computed as:

$$\mathbf{Y}_j^+ = \mathbf{D}_j^{-1} \mathbf{G}'_j \tilde{\mathbf{X}}$$

### **Convergence test**

The difference between consecutive loss function values  $\sigma(\tilde{\mathbf{X}}; \tilde{\mathbf{Y}}) - \sigma(\mathbf{X}^+; \mathbf{Y}^+)$  is compared with the user-specified convergence criterion  $\varepsilon$  — a small positive number. Steps 2 to 4 are repeated as long as the loss difference exceeds  $\varepsilon$ .

### **Rotation**

As indicated in step 3, during iteration the orientation of  $\mathbf{X}$  and  $\mathbf{Y}$  with respect to the coordinate system is not necessarily correct; this also reflects that  $\sigma(\mathbf{X}; \mathbf{Y})$  is invariant under simultaneous rotations of  $\mathbf{X}$  and  $\mathbf{Y}$ . From theory it is known that solutions in different dimensionality should be nested; that is, the  $p$ -dimensional solution should be equal to the first  $p$  columns of the  $(p+1)$ -dimensional solution. Nestedness is achieved by computing the eigenvectors of the matrix  $1/m \sum_j \mathbf{Y}'_j \mathbf{D}_j \mathbf{Y}_j$ . The corresponding eigenvalues are printed after the convergence message of the program. The calculation involves tridiagonalization with Householder transformations followed by the implicit QL algorithm (Wilkinson, 1965).

### **Diagnostics**

The following diagnostics are available.

#### **Maximum Rank (may be issued as a warning when exceeded)**

The maximum rank  $p_{\max}$  indicates the maximum number of dimensions that can be computed for any dataset. In general:

$$p_{\max} = \min \{ (n - 1), ((\sum_j k_j) - \max(m_1, 1)) \}$$

where  $m_1$  is the number of variables with no missing values. Although the number of nontrivial dimensions may be less than  $p_{\max}$  when  $m=2$ , HOMALS does allow dimensionalities all the way up to  $p_{\max}$ .

## **Marginal Frequencies**

The frequencies table gives the univariate marginals and the number of missing values (that is, values that are regarded as out of range for the current analysis) for each variable. These are computed as the column sums of  $\mathbf{D}_j$  and the total sum of  $\mathbf{M}_j$ .

## **Discrimination Measure**

These are the dimensionwise variances of the quantified variables. For variable  $j$  and dimension  $s$ :

$$\eta_{js}^2 = \mathbf{y}'_{(j)s} \mathbf{D}_j \mathbf{y}_{(j)s} / n$$

where  $\mathbf{y}_{(j)s}$  is the  $s$ th column of  $\mathbf{Y}_j$ , corresponding to the  $s$ th quantified variable  $\mathbf{G}_j \mathbf{y}_{(j)s}$ .

## **Eigenvalues**

The computation of the eigenvalues that are reported after convergence is discussed in step 6. With the HISTORY option, the sum of the eigenvalues is reported during iteration under the heading “total fit.” Due to the fact that the sum of the eigenvalues is equal to the trace of the original matrix, the sum can be computed as  $1/m \sum_j \sum_s \eta_{js}^2$ . The value of  $\sigma(\mathbf{X}; \mathbf{Y})$  is equal to  $p - 1/m \sum_j \sum_s \eta_{js}^2$ .

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# KM Algorithms

This procedure estimates the survival function for time to occurrence of an event. Some of the times may be “censored” in that the event does not occur during the observation period, or contact is lost with participants (loss to follow-up).

If the subjects are divided into treatment groups, KM produces a survival function for each treatment group (factor level) and a test of equality of the survival functions across treatment groups. The survival functions across treatment groups can also be compared while controlling for categories of a stratification variable.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$p$	Number of levels (strata) for the stratification variable
$g$	Number of levels (treatment groups) for the factor variable

## Estimation and SE for Survival Distribution

Suppose that for a given combination of the stratification and factor variables, a random sample of  $n$  individuals yields a sample with  $k$  distinct observed failure times (uncensored). Let  $t_1 < \dots < t_k$  represent the observed life times and  $T_L$  be the largest observation in the sample. (Note that  $T_L = t_k$  if the largest observation is uncensored.) Define

$n_i$  = Number of subjects who are at risk at time  $t_i$   
 $d_i$  = Number of failures (deaths) at  $t_i$   
 $\lambda_i$  = Number of censorings in interval  $[t_i, t_{i+1})$

Note that

$$\begin{aligned}n_0 &= n \\n_{i+1} &= n_i - d_i - \lambda_i, \quad i = 0, 1, \dots, k-1 \\t_0 &= 0 \\t_{k+1} &= \infty \\d_0 &= 0 \\ \lambda_0 &= 0\end{aligned}$$

The Kaplan-Meier estimate  $\hat{S}(t)$  for the survival function is computed as

$$\hat{S}(t) = \prod_{t_i < t} \left(1 - \frac{d_i}{n_i}\right)$$

Note that

$$\hat{S}(t_l^+) = \prod_{i=1}^l \left(1 - \frac{d_i}{n_i}\right), l = 1, 2, \dots, k.$$

$$\hat{S}(t_0^+) = 1$$

$$\hat{S}(t_{l+1}^+) = \hat{S}(t_l^+) \left(1 - \frac{d_{l+1}}{n_{l+1}}\right)$$

$$\hat{S}(t_k^+) = 0 \text{ if } n_k = d_k \text{ (} T_L = t_k \text{ and } \lambda_k = 0\text{), otherwise}$$

$$\hat{S}(t_k^+) = \prod_{l=1}^k \left(1 - \frac{d_l}{n_l}\right), T_L \geq t \geq t_k$$

$\hat{S}(t_1^+), \dots, \hat{S}(t_k^+)$  are the survival functions shown in the table.

The asymptotic standard error for  $\hat{S}(t_l^+)$  is computed as the square root of

$$\text{var}\left(\hat{S}(t_l^+)\right) = \left[\hat{S}(t_l^+)\right]^2 \sum_{i=1}^l \frac{d_i}{n_i(n_i - d_i)}, \quad l = 1, \dots, k.$$

*Note:* When  $n_k = d_k$  ( $T_L = t_k$  and  $\lambda_k = 0$ ),  $\hat{S}(t_k^+) = 0$  and  $\text{var}\left(\hat{S}(t_k^+)\right) = 0$ .

### Estimation of Mean Survival Time and Standard Error

$$\hat{\mu} = \begin{cases} \sum_{i=0}^{k-1} \hat{S}(t_i^+) (t_{i+1} - t_i) & \text{if } T_L = t_k \\ \sum_{i=0}^{k-1} \hat{S}(t_i^+) (t_{i+1} - t_i) + \hat{S}(t_k^+) (T_L - t_k) & \text{otherwise} \end{cases}$$

The variance of the mean survival time is

$$\text{var}(\hat{\mu}) = \sum_{i=1}^k \frac{a_i^2 d_i}{n_i(n_i - d_i)}$$

$$a_i = \sum_{l=i}^{k-1} \hat{S}(t_l^+) (t_{l+1} - t_l) + \hat{S}(t_k^+) (T_L - t_k)$$

$$d = \sum_{i=1}^k d_i$$

unless there are both censored and uncensored occurrences of the largest survival time. In that case,

$$\text{var}(\hat{\mu}) = \frac{d}{d-1} \sum_{i=1}^{k-1} \frac{a_i^2 d_i}{n_i(n_i - d_i)}$$

$$a_i = \sum_{l=i}^{k-1} \hat{S}(t_l^+) (t_{l+1} - t_l)$$

The standard error is the square root of the variance.

## Plots

The following plots are available.

### **Survival Functions versus Time**

The survival function  $\hat{S}(t)$  is plotted against  $t$ .

### **Log Survival Functions versus Time**

$\ln(\hat{S}(t))$  is plotted against  $t$ .

### **Cumulative Hazard Functions versus Time**

$-\ln(\hat{S}(t))$  is plotted against  $t$ .

## **Estimation of Percentiles and Standard Error**

100 $p$  percentile of the survival time, where  $p$  is between 0 and 1, is computed as

$$t_p = \inf\{t_i | (\hat{S}(t_i) \leq p)\}$$

The asymptotic variance of  $t_p$  is estimated by

$$\text{var}(t_p) = \frac{\text{var}(\hat{S}(t_p))}{(\hat{f}(t_p))^2}$$

where  $\hat{f}(t_p)$  is computed as

$$\hat{f}(t_p) = \frac{\hat{S}(u_{p+0.05}) - \hat{S}(t_{p-0.05})}{t_{p-0.05} - u_{p+0.05}}$$

where  $u_q = \sup\{t_i | (\hat{S}(t_i) \geq q)\}$ .

## **Testing the Equality of the Survival Functions**

Three statistics are computed to test the equality of survival distributions in the presence of arbitrary right censorship. These statistics are the logrank (Mantel-Cox), the modified Wilcoxon test statistic (Breslow), and an alternative test statistic proposed by Tarone and Ware (1977).

Using the regression model proposed by Cox (1972), all three test statistics have been modified for testing monotonic trend in hazard functions.

### **Test Statistics**

Let  $n^{(s)}$  be the number of subjects in stratum  $s$ . Let

$$t_1^{(s)} < \dots < t_{m_s}^{(s)}$$

be the observed failure times (responses) and

$n_{li}^{(s)}$  = in stratum  $s$  the number of individuals in group  $l$  at risk just prior to  $t_i^{(s)}$

$d_{li}^{(s)}$  = number of deaths at  $t_i^{(s)}$  in group  $l$

and

$$d_i^{(s)} = \sum_{l=1}^g d_{li}^{(s)}$$

$$n_i^{(s)} = \sum_{l=1}^g n_{li}^{(s)}$$

Hence, the expected number of events in group  $l$  at time  $t_i^{(s)}$  is given by

$$E_{li}^{(s)} = \frac{d_{li}^{(s)} n_{li}^{(s)}}{n_i^{(s)}}$$

Define

$$U_s = \left( U_1^{(s)}, \dots, U_{g-1}^{(s)} \right)'$$

with

$$U_l^{(s)} = \sum_{i=1}^{m_s} w_i^{(s)} \left( d_{li}^{(s)} - E_{li}^{(s)} \right) \quad \text{for } l = 1, \dots, g-1$$

Also, let  $V_s$  be a  $(g-1) \times (g-1)$  covariance matrix with

$$V_{jl}^{(s)} = \sum_{i=1}^{m_s} \left( w_i^{(s)} \right)^2 \frac{d_{li}^{(s)} \left( n_i^{(s)} - d_i^{(s)} \right)}{n_i^{(s)} - 1} \frac{n_{ji}^{(s)}}{n_i^{(s)}} \left( \delta_{jl} - \frac{n_{li}^{(s)}}{n_i^{(s)}} \right) \quad \text{for } j, l = 1, \dots, g-1$$

where

$w_i^{(s)} = 1$  for log-rank test

$w_i^{(s)} = n_i^{(s)}$  for Breslow test

$w_i^{(s)} = \sqrt{n_i^{(s)}}$  for Tarone Ware test

and

$$\delta_{jl} = \begin{cases} 1 & \text{if } j = l \\ 0 & \text{otherwise} \end{cases}$$

Define

$$U = \sum_{s=1}^p U_s$$

and

$$V = \sum_{s=1}^p V_s$$

The test statistic for the equality of the  $g$  survival functions is defined by

$$\chi^2 = U'V^{-1}U$$

$\chi^2$  has an asymptotic chi-square distribution with  $g-1$  degrees of freedom.

### Test Statistic for Trend

Let

$$t = (t_1, \dots, t_g)'$$

be a vector with  $t_j =$  trend weighting coefficient for group  $j$ . Form the vector

$$U_{(s)} = (U_1^{(s)}, \dots, U_g^{(s)})'$$

$U_{(s)}$  differs from  $U_s$  only in the last component.

Let  $V^{(s)}$  be a  $g \times g$  matrix with element  $V_{lj}^{(s)}$  for  $1 \leq l, j \leq g$ . The test statistic is defined by

$$\chi_t^2 = \frac{(t'U)^2}{t'Vt}$$

where

$$U = \sum_{s=1}^p U_{(s)}$$

$$V = \sum_{s=1}^p V_{(s)}$$

The logrank, Breslow, and Tarone Ware tests may involve trend. Each of the test statistics has a chi-square distribution with one degree of freedom.

The default trend is defined as follows:

$$t = \begin{cases} (-(g-1), \dots, -3, -1, 1, 3, \dots, (g-1)) & \text{if } g \text{ is even} \\ (-\frac{(g-1)}{2}, \dots, -1, 0, 1, \dots, \frac{(g-1)}{2}) & \text{otherwise} \end{cases}$$

### References

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*KM Algorithms*

# KNN Algorithms

Nearest Neighbor Analysis is a method for classifying cases based on their similarity to other cases. In machine learning, it was developed as a way to recognize patterns of data without requiring an exact match to any stored patterns, or cases. Similar cases are near each other and dissimilar cases are distant from each other. Thus, the distance between two cases is a measure of their dissimilarity.

Cases that are near each other are said to be “neighbors.” When a new case (holdout) is presented, its distance from each of the cases in the model is computed. The classifications of the most similar cases – the nearest neighbors – are tallied and the new case is placed into the category that contains the greatest number of nearest neighbors.

You can specify the number of nearest neighbors to examine; this value is called  $k$ . The pictures show how a new case would be classified using two different values of  $k$ . When  $k = 5$ , the new case is placed in category  $I$  because a majority of the nearest neighbors belong to category  $I$ . However, when  $k = 9$ , the new case is placed in category  $O$  because a majority of the nearest neighbors belong to category  $O$ .

Nearest neighbor analysis can also be used to compute values for a continuous target. In this situation, the average or median target value of the nearest neighbors is used to obtain the predicted value for the new case.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$Y$	Optional $1 \times N$ vector of responses with element $y_n$ , where $n=1, \dots, N$ indexes the cases.
$X^0$	$P^0 \times N$ matrix of features with element $x_{pn}^0$ , where $p=1, \dots, P^0$ indexes the features and $n=1, \dots, N$ indexes the cases.
$X$	$P \times N$ matrix of encoded features with element $x_{pn}$ , where $p=1, \dots, P$ indexes the features and $n=1, \dots, N$ indexes the cases.
$P$	Dimensionality of the feature space; the number of continuous features plus the number of categories across all categorical features.
$N$	Total number of cases.
$N_j, j = 1, 2, \dots, J$	The number of cases with $Y = j$ , where $Y$ is a response variable with $J$ categories
$\hat{N}_j$	The number of cases which belong to class $j$ and are correctly classified as $j$ .
$\hat{N}_j^*$	The total number of cases which are classified as $j$ .

## Preprocessing

Features are coded to account for differences in measurement scale.

**Continuous**

Continuous features are optionally coded using adjusted normalization:

$$x_{pn} = \frac{2(x_{pn}^0 - \min(x_p^0))}{\max(x_p^0) - \min(x_p^0)} - 1$$

where  $x_{pn}$  is the normalized value of input feature  $p$  for case  $n$ ,  $x_p^0$  is the original value of the feature for case  $n$ ,  $\min(x_p^0)$  is the minimum value of the feature for all training cases, and  $\max(x_p^0)$  is the maximum value for all training cases.

**Categorical**

Categorical features are always temporarily recoded using one-of- $c$  coding. If a feature has  $c$  categories, then it is stored as  $c$  vectors, with the first category denoted  $(1,0,\dots,0)$ , the next category  $(0,1,0,\dots,0)$ , ..., and the final category  $(0,0,\dots,0,1)$ .

## Training

Training a nearest neighbor model involves computing the distances between cases based upon their values in the feature set. The nearest neighbors to a given case have the smallest distances from that case. The distance metric, choice of number of nearest neighbors, and choice of the feature set have the following options.

### Distance Metric

We use one of the following metrics to measure the similarity of query cases and their nearest neighbors.

**Euclidean Distance.** The distance between two cases is the square root of the sum, over all dimensions, of the weighted squared differences between the values for the cases.

$$Euclidean_{ih} = \sqrt{\sum_{p=1}^P w_{(p)} (x_{(p)i} - x_{(p)h})^2}$$

**City Block Distance.** The distance between two cases is the sum, over all dimensions, of the weighted absolute differences between the values for the cases.

$$CityBlock_{ih} = \sum_{p=1}^P w_{(p)} |x_{(p)i} - x_{(p)h}|$$

The feature weight  $w_{(p)}$  is equal to 1 when feature importance is not used to weight distances; otherwise, it is equal to the normalized feature importance:

$$w_{(p)} = FI_{(p)} / \sum_{p=1}^P FI_{(p)}$$

See “Output Statistics ” for the computation of feature importance  $FI_{(p)}$ .

### Crossvalidation for Selection of $k$

Cross validation is used for automatic selection of the number of nearest neighbors, between a minimum  $k_{\min}$  and maximum  $k_{\max}$ . Suppose that the training set has a cross validation variable with the integer values  $1, 2, \dots, V$ . Then the cross validation algorithm is as follows:

- ▶ For each  $k \in [k_{\min}, k_{\max}]$  compute the average error rate or sum-of square error of  $k$ :  $CV_k = \sum_{v=1}^V e_v / V$ , where  $e_v$  is the error rate or sum-of square error when we apply the Nearest Neighbor model to make predictions on the cases with  $X = v$ ; that is, when we use the other cases as the training dataset.
- ▶ Select the optimal  $k$  as:  $\hat{k} = \arg\{\min CV_k : k_{\min} \leq k \leq k_{\max}\}$ .

*Note:* If multiple values of  $k$  are tied on the lowest average error, we select the smallest  $k$  among those that are tied.

### Feature Selection

Feature selection is based on the wrapper approach of Cunningham and Delany (2007) and uses forward selection which starts from  $J_{\text{Forced}}$  features which are entered into the model. Further features are chosen sequentially; the chosen feature at each step is the one that causes the largest decrease in the error rate or sum-of squares error.

Let  $S_J$  represent the set of  $J$  features that are currently chosen to be included,  $S_J^c$  represents the set of remaining features and  $e_J$  represents the error rate or sum-of-squares error associated with the model based on  $S_J$ .

The algorithm is as follows:

- ▶ Start with  $J = J_{\text{Forced}}$  features.
- ▶ For each feature in  $S_J^c$ , fit the  $k$  nearest neighbor model with this feature plus the existing features in  $S_J$  and calculate the error rate or sum-of square error for each model. The feature in  $S_J^c$  whose model has the smallest error rate or sum-of square error is the one to be added to create  $S_{J+1}$ .
- ▶ Check the selected stopping criterion. If satisfied, stop and report the chosen feature subset. Otherwise,  $J=J+1$  and go back to the previous step.

*Note:* the set of encoded features associated with a categorical predictor are considered and added together as a set for the purpose of feature selection.

**Stopping Criteria**

One of two stopping criteria can be applied to the feature selection algorithm.

**Fixed number of features.** The algorithm adds a fixed number of features,  $J_{add}$ , in addition to those forced into the model. The final feature subset will have  $J_{add} + J_{Forced}$  features.  $J_{add}$  may be user-specified or computed automatically; if computed automatically the value is

$$J_{add} = \max \{ \min (20, P^0) - J_{Forced}, 0 \}$$

When this is the stopping criterion, the feature selection algorithm stops when  $J_{add}$  features have been added to the model; that is, when  $J_{add} = J + 1$ , stop and report  $S_{J+1}$  as the chosen feature subset.

*Note:* if  $J_{add} = 0$ , no features are added and  $S_J$  with  $J = J_{Forced}$  is reported as the chosen feature subset.

**Change in error rate or sum of squares error.** The algorithm stops when the change in the absolute error ratio indicates that the model cannot be further improved by adding more features. Specifically, if  $e_{J+1} = 0$  or  $e_J \geq e_{J+1}$  and

$$\frac{|e_J - e_{J+1}|}{e_J} \leq \Delta_{\min}$$

where  $\Delta_{\min}$  is the specified minimum change, stop and report  $S_{J+1}$  as the chosen feature subset.

If  $e_J < e_{J+1}$  and

$$\frac{|e_J - e_{J+1}|}{e_J} > 2\Delta_{\min}$$

stop and report  $S_J$  as the chosen feature subset.

*Note:* if  $e_J = 0$  for  $J = J_{Forced}$ , no features are added and  $S_J$  with  $J = J_{Forced}$  is reported as the chosen feature subset.

**Combined k and Feature Selection**

The following method is used for combined neighbors and features selection.

1. For each  $k$ , use the forward selection method for feature selection.
2. Select the  $k$ , and accompanying feature set, with the lowest error rate or the lowest sum-of-squares error.

**Output Statistics**

The following statistics are available.

**Percent correct for class  $j$**

$$\frac{\hat{N}_j}{N_j} \times 100\%$$

**Overall percent for class  $j$**

$$\frac{\hat{N}_j^*}{N} \times 100\%$$

**Intersection of Overall percent and percent correct**

$$\left( \sum_{j=1}^J \hat{N}_j / N \right) \times 100\%$$

**Error rate of classification**

$$\left( 1 - \sum_{j=1}^J \hat{N}_j / N \right) \times 100\%$$

**Sum-of-Square Error for continuous response**

$$\sum_{n=1}^N (y_n - \hat{y}_n)^2$$

where  $\hat{y}_n$  is the estimated value of  $y_n$ .

**Feature Importance**

Suppose there are  $X_{(1)}, X_{(2)} \cdots X_{(m)}$  ( $1 \leq m \leq P^0$ ) in the model from the forward selection process with the error rate or sum-of-squares error  $e$ . The importance of feature  $X_{(p)}$  in the model is computed by the following method.

- ▶ Delete the feature  $X_{(p)}$  from the model, make predictions and evaluate the error rate or sum-of-squares error  $e_{(p)}$  based on features  $X_{(1)}, X_{(2)} \cdots X_{(p-1)}, X_{(p+1)}, \cdots, X_{(m)}$ .
- ▶ Compute the error ratio  $e_{(p)} + \frac{1}{m}$ .

The feature importance of  $X_{(p)}$  is  $FI_{(p)} = e_{(p)} + \frac{1}{m}$

## Scoring

After we find the  $k$  nearest neighbors of a case, we can classify it or predict its response value.

**Categorical response**

Classify each case by majority vote of its  $k$  nearest neighbors among the training cases.

- ▶ If multiple categories are tied on the highest predicted probability, then the tie should be broken by choosing the category with largest number of cases in training set.
- ▶ If multiple categories are tied on the largest number of cases in the training set, then choose the category with the smallest data value among the tied categories. In this case, categories are assumed to be in the ascending sort or lexical order of the data values.

We can also compute the predicted probability of each category. Suppose  $k_j$  is the number of cases of the  $j$ th category among the  $k$  nearest neighbors. Instead of simply estimating the predicted probability for the  $j$ th category by  $\frac{k_j}{k}$ , we apply a Laplace correction as follows:

$$\frac{k_j + 1}{k + J}$$

where  $J$  is the number of categories in the training data set.

The effect of the Laplace correction is to shrink the probability estimates towards to  $1/J$  when the number of nearest neighbors is small. In addition, if a query case has  $k$  nearest neighbors with the same response value, the probability estimates are less than 1 and larger than 0, instead of 1 or 0.

**Continuous response**

Predict each case using the mean or median function.

**Mean function.**

**Median function.** Suppose that  $y_m, m \in \text{Nearest}(n)$  are the values of the continuous response variable, and we arrange  $y_m, m \in \text{Nearest}(n)$  from the lowest value to the highest value and denote them as  $y_{(j_1)} \leq y_{(j_2)} \leq \dots \leq y_{(j_k)}$ , then the median is

$$\hat{y}_n = \begin{cases} y_{(\frac{k+1}{2})} & k \text{ is odd} \\ \frac{y_{(\frac{k}{2})} + y_{(\frac{k}{2}+1)}}{2} & k \text{ is even} \end{cases}$$

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# Linear modeling algorithms

Linear models predict a continuous target based on linear relationships between the target and one or more predictors.

For algorithms on enhancing model accuracy, enhancing model stability, or working with very large datasets, see “Ensembles Algorithms”.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$n$	Number of distinct records in the dataset. It is an integer and $n \geq 1$ .
$p$	Number of parameters (including parameters for dummy variables but excluding the intercept) in the model. It is an integer and $p \geq 0$ .
$p^*$	Number of non-redundant parameters (excluding the intercept) currently in the model. It is an integer and $0 \leq p^* \leq p$ .
$p^c$	Number of non-redundant parameters currently in the model. $p^c = p^* + 1$
$p^e$	Number of effects excluding the intercept. It is an integer and $0 \leq p^e \leq p$
$\mathbf{y}$	$n \times 1$ target vector with elements $y_i$ .
$f$	$n \times 1$ frequency weight vector.
$g$	$n \times 1$ regression weight vector.
$N$	Effective sample size. It is an integer and $N = \sum_{i=1}^n f_i$ . If there is no frequency weight vector, $N=n$ .
$\mathbf{X}$	$n \times (p+1)$ design matrix with element $x_{ij}$ . The rows represent the records and the columns represent the parameters.
$\epsilon$	$n \times 1$ vector of unobserved errors.
$\beta$	$(p+1) \times 1$ vector of unknown parameters; $\beta = (\beta_0, \beta_1, \dots, \beta_p)$ . $\beta_0$ is the intercept.
$\hat{\beta}$	$(p+1) \times 1$ vector of parameter estimates.
$b$	$(p+1) \times 1$ vector of standardized parameter estimates. It is the result of a sweep operation on matrix $\mathbf{R}$ . $b_0$ is the standardized estimate of the intercept and is equal to 0.
$\hat{\mathbf{y}}$	$n \times 1$ vector of predicted target values.
$\bar{X}_j$	Weighted sample mean for $X_j$ , $j = 1, 2, \dots, p$
$\bar{y}$	Weighted sample mean for $\mathbf{y}$ .
$S_{ij}$	Weighted sample covariance between $X_i$ and $X_j$ , $i, j = 1, 2, \dots, p$ .
$S_{iy}$	Weighted sample covariance between $X_i$ and $\mathbf{y}$ .
$S_{yy}$	Weighted sample variance for $\mathbf{y}$ .
$\mathbf{R}$	$(p+1) \times (p+1)$ weighted sample correlation matrix for $\mathbf{X}$ (excluding the intercept, if it exists) and $\mathbf{y}$ .
$\tilde{\mathbf{R}}$	The resulting matrix after a sweep operation whose elements are $\tilde{r}_{ij}$ .



## Model

Linear regression has the form

$$\mathbf{y} = \mathbf{X}\boldsymbol{\beta} + \boldsymbol{\varepsilon}$$

where  $\boldsymbol{\varepsilon}$  follows a normal distribution with mean 0 and variance  $\sigma^2\mathbf{D}^{-1}$ , where  $\mathbf{D}^{-1} = \text{diag}(1/g_1, \dots, 1/g_n)$ . The elements of  $\boldsymbol{\varepsilon}$  are independent with respect to each other.

Notes:

- $\mathbf{X}$  can be any combination of continuous and categorical effects.
- Constant columns in the design matrix are not used in model building.
- If  $n=1$  or the target is constant, no model is built.

### Missing values

Records with missing values are deleted listwise.

## Least squares estimation

The coefficients are estimated by the least squares (LS) method. First, we transform the model by pre-multiplying  $\mathbf{D}^{1/2}$  as follows:

$$\mathbf{D}^{1/2}\mathbf{y} = \mathbf{D}^{1/2}\mathbf{X}\boldsymbol{\beta} + \mathbf{D}^{1/2}\boldsymbol{\varepsilon}$$

so that the new unobserved error  $\mathbf{D}^{1/2}\boldsymbol{\varepsilon}$  follows a normal distribution  $N_n(0, \sigma^2\mathbf{I})$ , where  $\mathbf{I}$  is an identity matrix and  $\mathbf{D}^{1/2} = \text{diag}(\sqrt{g_1}, \dots, \sqrt{g_n})$ . Then the least squares estimates of  $\boldsymbol{\beta}$  can be obtained from the following formula

$$\hat{\boldsymbol{\beta}} = \underset{\boldsymbol{\beta}}{\text{arg min}} \left( \mathbf{D}^{1/2}\mathbf{y} - \mathbf{D}^{1/2}\mathbf{X}\boldsymbol{\beta} \right)^T \mathbf{F} \left( \mathbf{D}^{1/2}\mathbf{y} - \mathbf{D}^{1/2}\mathbf{X}\boldsymbol{\beta} \right)$$

where  $\mathbf{F} = \text{diag}(f_1, \dots, f_n)$ . Note that

$$\begin{aligned} & \left( \mathbf{D}^{1/2}\mathbf{y} - \mathbf{D}^{1/2}\mathbf{X}\boldsymbol{\beta} \right)^T \mathbf{F} \left( \mathbf{D}^{1/2}\mathbf{y} - \mathbf{D}^{1/2}\mathbf{X}\boldsymbol{\beta} \right) \\ &= (\mathbf{y} - \mathbf{X}\boldsymbol{\beta})^T \mathbf{D}^{1/2} \mathbf{F} \mathbf{D}^{1/2} (\mathbf{y} - \mathbf{X}\boldsymbol{\beta}) \\ &= (\mathbf{y} - \mathbf{X}\boldsymbol{\beta})^T \mathbf{W} (\mathbf{y} - \mathbf{X}\boldsymbol{\beta}) \end{aligned}$$

where  $\mathbf{W} = \text{diag}(w_1, \dots, w_n) = \text{diag}(g_1 f_1, \dots, g_n f_n)$ , so the closed form solution of  $\hat{\boldsymbol{\beta}}$  is

$$\hat{\boldsymbol{\beta}} = \left( \mathbf{X}^T \mathbf{W} \mathbf{X} \right)^{-1} \mathbf{X}^T \mathbf{W} \mathbf{y}$$

$\hat{\beta}$  is computed by applying sweep operations instead of the equation above. In addition, sweep operations are applied to the transformed scale of  $\mathbf{X}$  and  $\mathbf{y}$  to achieve numerical stability. Specifically, we construct the weighted sample correlation matrix  $\mathbf{R}$  then apply sweep operations to it. The  $\mathbf{R}$  matrix is constructed as follows.

First, compute weighted sample means, variances and covariances among  $\mathbf{X}_i$ ,  $\mathbf{X}_j$ ,  $i, j = 1, \dots, p$ ; and  $\mathbf{y}$  :

Weighted sample means of  $\mathbf{X}_i$  and  $\mathbf{y}$  are  $\bar{X}_i = \frac{1}{\sum_{k=1}^n w_k} \sum_{k=1}^n w_k x_{ki}$  and  $\bar{y} = \frac{1}{\sum_{k=1}^n w_k} \sum_{k=1}^n w_k y_k$ ;

Weighted sample covariance for  $\mathbf{X}_i$  and  $\mathbf{X}_j$  is  $S_{ij} = \frac{1}{N-1} \sum_{k=1}^n w_k (x_{ki} - \bar{X}_i)(x_{kj} - \bar{X}_j)$ ;

Weighted sample covariance for  $\mathbf{X}_i$  and  $\mathbf{y}$  is  $S_{iy} = \frac{1}{N-1} \sum_{k=1}^n w_k (x_{ki} - \bar{X}_i)(y_k - \bar{y})$ ;

Weighted sample variance for  $\mathbf{y}$  is  $S_{yy} = \frac{1}{N-1} \sum_{k=1}^n w_k (y_k - \bar{y})^2$ .

Second, compute weighted sample correlations  $r_{ij} = \frac{S_{ij}}{\sqrt{S_{ii}S_{jj}}}$ ,  $i, j = 1, \dots, p$  and  $y$ .

Then the matrix  $\mathbf{R}$  is

$$\mathbf{R} = \begin{bmatrix} r_{11} & r_{12} & \cdots & r_{1p} & r_{1y} \\ r_{21} & r_{22} & \cdots & r_{2p} & r_{2y} \\ \vdots & \vdots & \ddots & \vdots & \vdots \\ r_{p1} & r_{p2} & \cdots & r_{pp} & r_{py} \\ r_{y1} & r_{y2} & \cdots & r_{yp} & r_{yy} \end{bmatrix} = \begin{bmatrix} \mathbf{R}_{11} & \mathbf{R}_{12} \\ \mathbf{R}_{12}^T & R_{22} \end{bmatrix}$$

If the sweep operations are repeatedly applied to each row of  $\mathbf{R}_{11}$ , where  $\mathbf{R}_{11}$  contains the predictors in the model at the current step, the result is

$$\tilde{\mathbf{R}} = \begin{bmatrix} \mathbf{R}_{11}^{-1} & \mathbf{R}_{11}^{-1}\mathbf{R}_{12} \\ -\mathbf{R}_{12}^T\mathbf{R}_{11}^{-1} & R_{22} - \mathbf{R}_{12}^T\mathbf{R}_{11}^{-1}\mathbf{R}_{12} \end{bmatrix}$$

The last column  $\mathbf{R}_{11}^{-1}\mathbf{R}_{12}$  contains the standardized coefficient estimates; that is,  $\mathbf{b} = \mathbf{R}_{11}^{-1}\mathbf{R}_{12}$ . Then the coefficient estimates, except the intercept estimate if there is an intercept in the model, are:

$$\hat{\beta}_j = b_j \sqrt{\frac{S_{yy}}{S_{jj}}}$$

## Model selection

The following model selection methods are supported:

- None, in which no selection method is used and effects are force entered into the model. For this method, the singularity tolerance is set to 1e-12 during the sweep operation.

- Forward stepwise, which starts with no effects in the model and adds and removes effects one step at a time until no more can be added or removed according to the stepwise criteria.
- Best subsets, which checks “all possible” models, or at least a larger subset of the possible models than forward stepwise, to choose the best according to the best subsets criterion.

### Forward stepwise

The basic idea of the forward stepwise method is to add effects one at a time as long as these additions are worthy. After an effect has been added, all effects in the current model are checked to see if any of them should be removed. Then the process continues until a stopping criterion is met. The traditional criterion for effect entry and removal is based on their  $F$ -statistics and corresponding  $p$ -values, which are compared with some specified entry and removal significance levels; however, these statistics may not actually follow an  $F$  distribution so the results might be questionable. Hence the following additional criteria for effect entry and removal are offered:

- Maximum adjusted  $R^2$ ;
- Minimum corrected Akaike information criterion (AICC); and
- Minimum average squared error (ASE) over the overfit prevention data

### Candidate statistics

Some additional notations are needed describe the addition or removal of a continuous effect  $X_j$  or categorical effect  $\{X_{j_s}\}_{s=1}^{\ell}$ , where  $\ell$  is the number of categories.

$\ell^*$	The number of non-redundant parameters of the eligible effect $X_j$ or $\{X_{j_s}\}_{s=1}^{\ell}$ .
$p^c$	The number of non-redundant parameters in the current model (including the intercept).
$p^r$	The number of non-redundant parameters in the resulting model (including the intercept). Note that $p^r = \begin{cases} p^c + \ell^* & \text{for entering an effect} \\ p^c - \ell^* & \text{for removing an effect} \end{cases}$
$SSe_p$	The weighted residual sum of squares for the current model.
$SSe_{p+\ell}$	The weighted residual sum of squares for the resulting model after entering the effect.
$SSe_{p-\ell}$	The weighted residual sum of squares for the resulting model after removing the effect.
$r_{yy}$	The last diagonal element in the current $\mathbf{R}$ matrix.
$\tilde{r}_{yy}$	The last diagonal element in the resulting $\tilde{\mathbf{R}}$ matrix.

**F statistics.** The  $F$  statistics for entering or removing an effect from the current model are:

$$F_{enter_j} = \frac{(SSe_p - SSe_{p+\ell})/\ell^*}{SSe_{p+\ell}/(N - p^r)} = \frac{(r_{yy} - \tilde{r}_{yy})(N - p^r)}{\tilde{r}_{yy} \times \ell^*}$$

$$F_{remove_j} = \frac{(SSe_{p-\ell} - SSe_p)/\ell^*}{SSe_p/(N - p^c)} = \frac{(\tilde{r}_{yy} - r_{yy})(N - p^c)}{r_{yy} \times \ell^*}$$

and their corresponding  $p$ -values are:

$$p_{enter_j} = P(F_{\ell^*, N-p^r} \geq F_{enter_j}) = 1 - P(F_{\ell^*, N-p^r} \leq F_{enter_j})$$

$$p_{remove_j} = P(F_{\ell^*, N-p^c} \geq F_{remove_j}) = 1 - P(F_{\ell^*, N-p^c} \leq F_{remove_j})$$

**Adjusted R-squared.** The adjusted  $R^2$  value for entering or removing an effect from the current model is:

$$\text{adj.}R^2 = 1 - \frac{(N-1)\tilde{r}_{yy}}{N-p^r}$$

**Corrected Akaike Information Criterion (AICC).** The AICC value for entering or removing an effect from the current model is:

$$AICC = N \ln \left( \frac{(N-1)S_{yy} \times \tilde{r}_{yy}}{N} \right) + \frac{2p^r N}{N-p^r-1}$$

**Average Squared Error (ASE).** The ASE value for entering or removing an effect from the current model is:

$$ASE = \frac{1}{\sum_{t=1}^T f_t} \sum_{t=1}^T w_t (y_t - \hat{y}_t)^2$$

where  $\hat{y}_t = {}_t\hat{\beta}$  are the predicted values of  $y_t$  and  $T$  is the number of distinct testing cases in the overfit prevention set.

### The Selection Process

There are slight variations in the selection process, depending upon the model selection criterion:

- The  $F$  statistic criterion is to select an effect for entry (removal) with the minimum (maximum)  $p$ -value and continue doing it until the  $p$ -values of all candidates for entry (removal) are equal to or greater than (less than) a specified significance level.
- The other three criteria are to compare the statistic (adjusted  $R^2$ , AICC or ASE) of the resulting model after entering (removing) an effect with that of the current model. Selection stops at a local optimal value (a maximum for the adjusted  $R^2$  criterion and a minimum for the AICC and ASE).

The following additional definitions are needed for the selection process:

<b>FLAG</b>	A $p^c \times 1$ index vector which records the status of each effect. $FLAG_i = 1$ means the effect $i$ is in the current model, $FLAG_i = 0$ means it is not. $ \{i   FLAG_i = 1\} $ denotes the number of effects with $FLAG_i = 1$ .
<b>MAXSTEP</b>	The maximum number of iteration steps. The default value is $3 \times p^c$ .
<b>MAXEFFECT</b>	The maximum number of effects (excluding intercept if exists). The default value is $p^c$ .

$P_{in}$	The significance level for effect entry when the $F$ -statistic criterion is used. The default is 0.05.
$P_{out}$	The significance level for effect removal when the $F$ statistic criterion is used. The default is 0.1.
$\Delta F$	The $F$ statistic change. It is $F_{enter_j}$ or $F_{remove_j}$ for entering or removing an effect $X_j$ (here $X_j$ could represent continuous or categorical for simpler notation).
$p_{\Delta F}$	The corresponding $p$ -value for $\Delta F$ .
$MSC_{current}$	The adjusted $R^2$ , AICC, or ASE value for the current model.

1. Set  $\{FLAG_i\}_{i=1}^p = 0$  and  $iter = 0$ . The initial model is  $\hat{y} = \bar{y}$ . If the adjusted  $R^2$ , AICC, or ASE criterion is used, compute the statistic for the initial model and denote it as  $MSC_{current}$ .
2. If  $\{i|FLAG_i = 0\} \neq \emptyset$ ,  $iter \leq MAXSTEP$  and  $|\{i|FLAG_i = 1\}| < MAXEFFECT$ , go to the next step; otherwise stop and output the current model .
3. Based on the current model, for every effect  $j$  eligible for entry (see Condition below),  
 If FC (the  $F$  statistic criterion) is used, compute  $F_{enter_j}$  and  $p_{enter_j}$ ;  
 If MSC (the adjusted  $R^2$ , AICC, or ASE criterion) is used, compute  $MSC_j$ .
4. If FC is used, choose the effect  $X_{j^*}$ ,  $j^* = arg \min_j \{p_{enter_j}\}$  and if  $p_{enter_{j^*}} < P_{in}$ , enter  $X_{j^*}$  to the current model.  
 If MSC is used, choose the effect  $X_{j^*}$ ,  $j^* = arg \min_j \{MSC_j\}$  and if  $MSC_{j^*} < MSC_{current}$ , enter  $X_{j^*}$  to the current model. (For the adjusted  $R^2$  criterion, replace min with max and reverse the inequality)  
 If the inequality is not satisfied, stop and output the current model.
5. If the model with the new effect is the same as any previously obtained model, stop and output the current model; otherwise update the current model by doing the sweep operation on corresponding row(s) and column(s) associated with  $X_{j^*}$  in the current  $\mathbf{R}$  matrix. Set  $FLAG_{j^*} = 1$  and  $iter = iter + 1$ .  
 If FC is used, let  $\Delta F = F_{enter_{j^*}}$  and  $p_{\Delta F} = p_{enter_{j^*}}$ ;  
 If MSC is used, let  $MSC_{current} = MSC_{j^*}$ .
6. For every effect  $k$  in the current model; that is,  $FLAG_k = 1, \forall k$ ,  
 If FC is used, compute  $F_{remove_k}$  and  $p_{remove_k}$ ;  
 If MSC is used, compute  $MSC_k$ .
7. If FC is used, choose the effect  $X_{k^*}$ ,  $k^* = arg \max_k \{p_{remove_k}\}$  and if  $p_{remove_{k^*}} > P_{out}$ , remove  $X_{k^*}$  from the current model.  
 If MSC is used, choose the effect  $X_{k^*}$ ,  $k^* = arg \min_k \{MSC_k\}$  and if  $MSC_{k^*} < MSC_{current}$ , remove  $X_{k^*}$  from the current model. (For the adjusted  $R^2$  criterion, replace min with max and reverse the inequality)  
 If the inequality is met, go to the next step; otherwise go back to step 2.

8. If the model with the effect removed is the same as any previously obtained model, stop and output the current model; otherwise update the current model by doing the sweep operation on corresponding row(s) and column(s) associated with  $X_{j^*}$  in the current  $\mathbf{R}$  matrix. Set  $FLAG_{j^*} = 0$  and  $iter = iter + 1$ .

If FC is used, let  $\Delta F = F_{remove_{k^*}}$  and  $p_{\Delta F} = p_{remove_{k^*}}$ ;

If AC is used, let  $AICC_{current} = AICC_{k^*}$ . Then go back to step 6.

**Condition.** In order for effect  $j$  to be eligible for entry into the model, the following conditions must be met:

For continuous a effect  $X_j$ ,  $r_{jj} \geq t$ ; ( $t$  is the singularity tolerance with a value of  $1e-4$ )

For categorical effect  $\{X_{j_s}\}_{s=1}^{\ell}$ ,  $\max\{r_{j_1j_1}, r_{j_2j_2}, \dots, r_{j_{\ell}j_{\ell}}\} \geq t$ ;

where  $t$  is the singularity tolerance, and  $r_{jj}$  and  $r_{j_sj_s}$ ,  $s = 1, \dots, \ell$ , are diagonal elements in the current  $\mathbf{R}$  matrix (before entering).

For each continuous effect  $X_k$  that is currently in the model,  $\tilde{r}_{kk}t \leq 1$ .

For each categorical effect  $\{X_{k_s}\}_{s=1}^{\ell'}$  with  $\ell'$  levels that is currently in the model,  $\max\{\tilde{r}_{k_1k_1}, \tilde{r}_{k_2k_2}, \dots, \tilde{r}_{k_{\ell'}k_{\ell'}}\}t \leq 1$ .

where  $\tilde{r}_{kk}$  and  $\tilde{r}_{k_s k_s}$ ,  $s = 1, \dots, \ell'$ , are diagonal elements in the resulting  $\mathbf{R}$  matrix; that is, the results after doing the sweep operation on corresponding row(s) and column(s) associated with  $X_k$  or  $\{X_{k_s}\}_{s=1}^{\ell'}$  in the current  $\mathbf{R}$  matrix. The above condition is imposed so that entry of the effect does not reduce the tolerance of other effects already in the model to unacceptable levels.

## Best subsets

Stepwise methods search fewer combinations of sub-models and rarely select the best one, so another option is to check all possible models and select the “best” based upon some criterion. The available criteria are the maximum adjusted  $R^2$ , minimum AICC, and minimum ASE over the overfit prevention set.

Since there are  $p^e$  free effects, we do an exhaustive search over  $2^{p^e}$  models, which include intercept-only model ( $\hat{y} = \bar{y}$ ). Because the number of calculations increases exponentially with  $p^e$ , it is important to have an efficient algorithm for carrying out the necessary computations. However, if  $p^e$  is too large, it may not be practical to check all of the possible models.

We divide the problem into 2 tiers in terms of the number of effects:

- when  $p^e \leq 20$ , we search all possible subsets
- when  $p^e > 20$ , we apply a hybrid method which combines the forward stepwise method and the all possible subsets method.

**Searching All Possible Subsets**

An efficient method that minimizes the number of sweep operations on the **R** matrix (Schatzoff 1968), is applied to traverse all the models and outlined as follows:

Each sweep step(s) on an effect results in a model. So  $2^{p^e}$  models can be obtained through a sequence of exactly  $2^{p^e}$  sweeps on effects. Assuming that the all possible models on  $p^e - 1$  effects can be obtained in a sequence  $S_{p^e-1}$  of exactly  $2^{p^e-1}$  sweeps on the first  $2^{p^e-1}$  pivotal effects, and sweeping on the last effect will produce a new model which adds the last effect to the model produced by the sequence  $S_{p^e-1}$ , then repeating the sequence  $S_{p^e-1}$  will produce another  $2^{p^e-1}$  distinct models (including the last effect). It is a recursive algorithm for constructing the sequence; that is,  $S_{p^e} = (S_{p^e-1}, k, S_{p^e-1}) = (S_{p^e-2}, k-1, S_{p^e-2}, k, S_{p^e-2}, k-1, S_{p^e-2}) = \dots$ , and so on.

The sequence of models produced is demonstrated in the following table:

$k$	$S_k$	Sequence of models produced
0	0	Only intercept
1	1	(1)
2	121	(1),(12),(2)
3	1213121	(1),(12),(2),(23),(123),(13),(3)
4	121312141213121	(1),(12),(2),(23),(123),(13),(3),(34),(134),(1234),(234),(24),(124),(14),(4)
...	...	...
$p^e$	$S_{p^e-1}, p^e, S_{p^e-1}$	All $2^{p^e}$ models including the intercept model.

The second column indicates the indexes of effects which are pivoted on. Each parenthesis in the third column represents a regression model. The numbers in the parentheses indicate the effects which are included in that model.

**Hybrid Method**

If  $p^e > 20$ , we apply a hybrid method by combining the forward stepwise method with the all possible subsets method as follows:

Select the effects using the forward stepwise method with the same criterion chosen for best subsets. Say that  $p^s$  is the number of effects chosen by the forward stepwise method.

Apply one of the following approaches, depending on the value of  $p^s$ , as follows:

- If  $p^s \leq 20$ , do an exhaustive search of all possible subsets on these selected effects, as described above.
- If  $20 < p^s \leq 40$ , select  $p^s - 20$  effects based on the  $p$ -values of type III sum of squares tests from all  $p^s$  effects (see ANOVA in “Model evaluation”) and enter them into the model, then do an exhaustive search of the remaining 20 effects via the method described above.
- If  $40 < p^s$ , do nothing and assume the best model is the one with these  $p^s$  effects (with a warning message that the selected model is based on the forward stepwise method).

## Model evaluation

The following output statistics are available.

### ANOVA

#### Weighted total sum of squares

$$SS_t = \sum_{i=1}^n w_i (y_i - \bar{y})^2 = (N - 1) S_{yy} \quad \text{with d.f.} = df_t = N - 1$$

where d.f. means degrees of freedom. It is called “SS (sum of squares) for Corrected Total”.

#### Weighted residual sum of squares

$$SS_e = \sum_{i=1}^n w_i (y_i - \hat{y}_i)^2 = \tilde{r}_{yy} (N - 1) S_{yy}$$

with d.f. =  $df_e = N - p^c$ . It is also called “SS for Error”.

#### Weighted regression sum of squares

$$SS_r = \sum_{i=1}^n w_i (\hat{y}_i - \bar{y})^2 = (1 - \tilde{r}_{yy}) (N - 1) S_{yy} = SS_t - SS_e$$

with d.f. =  $df_r = p^*$ . It is called “SS for Corrected Model” if there is an intercept.

#### Regression mean square error

$$SS_r / df_r$$

#### Residual mean square error

$$SS_e / df_e$$

#### F statistic for corrected model

$$F = \frac{SS_r / df_r}{SS_e / df_e} = \frac{SS_r \cdot df_e}{SS_e \cdot df_r}$$

which follows an  $F$  distribution with degrees of freedom  $df_r$  and  $df_e$ , and the corresponding  $p$ -value can be calculated accordingly.

#### Type III sum of squares for each effect

To compute type III SS for the effect  $j$ ,  $j = 1, \dots, p^e$ , the type III test matrix  $\mathbf{L}_j$  needs to be constructed first. Construction of  $\mathbf{L}_j$  is based on the generating matrix  $\mathbf{H}_\omega = (\mathbf{X}^T \mathbf{D} \mathbf{X})^{-1} \mathbf{X}^T \mathbf{D} \mathbf{X}$ , where  $\mathbf{D} = \text{diag}(g_1, \dots, g_n)$ , such that  $\mathbf{L}_j \boldsymbol{\beta}$  is estimable. It involves parameters only for the given effect and the effects containing the given effect. For type III analysis,  $\mathbf{L}_j$  doesn't depend on the order of effects specified in the model. If such a matrix cannot be constructed, the effect is not testable. For each effect  $j$ , the type III SS is calculated as follows

$$\mathbf{S}_j = \hat{\boldsymbol{\beta}}^T \mathbf{L}_j^T \left( \mathbf{L}_j \mathbf{G} \mathbf{L}_j^T \right)^{-1} \mathbf{L}_j \hat{\boldsymbol{\beta}}$$

where  $\mathbf{G} = (\mathbf{X}^T \mathbf{W} \mathbf{X})^{-1}$ .

#### F statistic for each effect

The SS for the effect  $j$  is also used to compute the  $F$  statistic for the hypothesis test  $H_0: \mathbf{L}_j \boldsymbol{\beta} = \mathbf{0}$  as follows:

$$F_j = \frac{\mathbf{S}_j / r_j}{SS_e / df_e}$$

where  $r_j$  is the full row rank of  $\mathbf{L}_j$ . It follows an  $F$  distribution with degrees of freedom  $r_j$  and  $df_e$ , then the  $p$ -values can be calculated accordingly.

#### Model summary

##### Adjusted R square

$$\text{adj.}R^2 = 1 - \frac{SS_e / df_e}{SS_t / df_t} = R^2 - \frac{(1 - R^2) p^*}{df_e} = 1 - \frac{df_t \times \tilde{r}_{yy}}{df_e}$$

where

$$R^2 = \frac{SS_r}{SS_t} = 1 - \frac{SS_e}{SS_t} = 1 - \tilde{r}_{yy}.$$

##### Model information criteria

##### Corrected Akaike information criterion (AICC)

$$AICC = N \ln \left( \frac{SS_e}{N} \right) + \frac{2p^c N}{N - p^c - 1}$$

## Coefficients and statistical inference

After the model selection process, we can get the coefficients and related statistics from the swept correlation matrix. The following statistics are computed based on the  $\mathbf{R}$  matrix.

**Unstandardized coefficient estimates**

$$\hat{\beta}_j = b_j \sqrt{\frac{S_{yy}}{S_{jj}}} = \tilde{r}_{jy} \sqrt{\frac{S_{yy}}{S_{jj}}}$$

for  $j = 1, \dots, p^*$ .

**Standard errors of regression coefficients**

The standard error of  $\hat{\beta}_j$  is

$$\hat{\sigma}_{\hat{\beta}_j} = \sqrt{\text{var}(\hat{\beta}_j)} = \sqrt{\frac{\tilde{r}_{jj} \tilde{r}_{yy} S_{yy}}{S_{jj} df_e}}$$

**Intercept estimation**

The intercept is estimated by all other parameters in the model as

$$\hat{\beta}_0 = \bar{y} - \sum_{j=1}^p \hat{\beta}_j \bar{X}_j$$

The standard error of  $\hat{\beta}_0$  is estimated by

$$\hat{\sigma}_{\hat{\beta}_0} = \sqrt{\hat{\sigma}_{\hat{\beta}_0}^2}$$

where

$$\begin{aligned} \hat{\sigma}_{\hat{\beta}_0}^2 &= \frac{(N-1)\tilde{r}_{yy}S_{yy}}{N(N-p^*-1)} + \sum_{j=1}^p \bar{X}_j^2 \hat{\sigma}_{\hat{\beta}_j}^2 + 2 \sum_{j=1}^{p-1} \sum_{k=j+1}^p \bar{X}_k \bar{X}_j \text{cov}(\hat{\beta}_k, \hat{\beta}_j) \\ &= \frac{SS_e}{N \times df_e} + \sum_{j=1}^p \bar{X}_j^2 \hat{\sigma}_{\hat{\beta}_j}^2 + 2 \sum_{j=1}^{p-1} \sum_{k=j+1}^p \bar{X}_k \bar{X}_j \frac{\tilde{r}_{kj} \times SS_e}{\sqrt{S_{kk} S_{jj}} \times (N-1) df_e}. \end{aligned}$$

$\hat{\sigma}_{\hat{\beta}_k}^2 = \frac{(N-1)\tilde{r}_{yy}S_{yy}}{N(N-p^*-1)} + \sum_{j=1}^p \bar{X}_j^2 \hat{\sigma}_{\hat{\beta}_j}^2 + 2 \sum_{j=1}^{p-1} \sum_{k=j+1}^p \bar{X}_k \bar{X}_j \text{cov}(\hat{\beta}_k, \hat{\beta}_j)$  and  $\text{cov}(\hat{\beta}_k, \hat{\beta}_j)$  is the  $k$ th row and  $j$ th column element in the parameter estimates covariance matrix.

**t statistics for regression coefficients**

$$t = \frac{\hat{\beta}_j}{\hat{\sigma}_{\hat{\beta}_j}} = \tilde{r}_{jy} \sqrt{\frac{df_e}{\tilde{r}_{yy} \tilde{r}_{jj}}}$$

for  $j = 1, \dots, p^*$ , with degrees of freedom  $df_e$  and the  $p$ -value can be calculated accordingly.

**100(1- $\alpha$ )% confidence intervals**

$$\hat{\beta}_j \pm \hat{\sigma}_{\hat{\beta}_j} \times t_{\alpha/2, df_e}$$

*Note:* For redundant parameters, the coefficient estimates are set to zero and standard errors, t statistics, and confidence intervals are set to missing values.

## Scoring

### Predicted values

$$\hat{y}_k = \sum_{i=0}^p x_{ki} \hat{\beta}_i, k = 1, \dots, n.$$

## Diagnostics

The following values are computed to produce various diagnostic charts and tables.

### Residuals

$$e_k = y_k - \hat{y}_k$$

### Studentized residuals

This is the ratio of the residual to its standard error.

$$SRES_k = \frac{e_k}{s \sqrt{\frac{(1-h_k)}{g_k}}}$$

where  $s$  is the square root of the mean square error; that is,  $s = \sqrt{SS_e/df_e}$ , and  $h_k$  is the leverage value for the  $k$ th case (see below).

### Cook's distance

$$COOK_k = \frac{e_k^2 h_k g_k}{s^2 (1 - h_k)^2 p^c}$$

where the “leverage”

$$h_k = g_k \mathbf{x}_k \mathbf{G} \mathbf{x}_k^T$$

is the  $k$ th diagonal element of the hat matrix

$$\mathbf{H} = \mathbf{W}^{1/2} \mathbf{X} \left( \mathbf{X}^T \mathbf{W} \mathbf{X} \right)^{-1} \mathbf{X}^T \mathbf{W}^{1/2} = \mathbf{W}^{1/2} \mathbf{X} \mathbf{G} \mathbf{X}^T \mathbf{W}^{1/2}$$

A record with Cook's distance larger than  $\frac{4}{N-p^c}$  is considered influential (Fox, 1997).

## Predictor importance

We use the leave-one-out method to compute the predictor importance, based on the residual sum of squares (SSE) by removing one predictor at a time from the final full model.

If the final full model contains  $p$  predictors,  $X_1, X_2, \dots, X_p$ , then the predictor importance can be calculated as follows:

1.  $i=1$
2. If  $i > p$ , go to step 5.
3. Do a sweep operation on the corresponding row(s) and column(s) associated with  $X_i$  in the  $\tilde{\mathbf{R}}$  matrix of the full final model.
4. Get the last diagonal element in the current  $\tilde{\mathbf{R}}$  and denote it  $\tilde{r}_{yy}^{(i)}$ . Then the predictor importance of  $X_i$  is  $VI_i = \left( \tilde{r}_{yy}^{(i)} - \tilde{r}_{yy} \right) (N - 1) SS_{yy}$ . Let  $i = i + 1$ , and go to step 2.
5. Compute the normalized predictor importance of  $X_i$ :

$$NormVI_i = \frac{VI_i}{\sum_{i=1}^p VI_i}$$

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# LOGISTIC REGRESSION Algorithms

Logistic regression regresses a dichotomous dependent (target) variable on a set of independent (predictor) variables. Several methods are implemented for selecting the independent variables.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$n$	The number of observed cases
$p$	The number of parameters
$y$	$n \times 1$ vector with element $y_i$ , the observed value of the $i$ th case of the dichotomous dependent variable
$X$	$n \times p$ matrix with element $x_{ij}$ , the observed value of the $i$ th case of the $j$ th parameter
$\beta$	$p \times 1$ vector with element $\beta_j$ , the coefficient for the $j$ th parameter
$w$	$n \times 1$ vector with element $w_i$ , the weight for the $i$ th case
$l$	Likelihood function
$L$	Log-likelihood function
$I$	Information matrix

## Model

The linear logistic model assumes a dichotomous dependent variable  $Y$  with probability  $\pi$ , where for the  $i$ th case,

$$\pi_i = \frac{\exp(\eta_i)}{1 + \exp(\eta_i)}$$

or

$$\ln\left(\frac{\pi_i}{1 - \pi_i}\right) = \eta_i = \mathbf{X}'_i \beta$$

Hence, the likelihood function  $l$  for  $n$  observations  $y_1, \dots, y_n$ , with probabilities  $\pi_1, \dots, \pi_n$  and case weights  $w_1, \dots, w_n$ , can be written as

$$l = \prod_{i=1}^n \pi_i^{w_i y_i} (1 - \pi_i)^{w_i (1 - y_i)}$$

It follows that the logarithm of  $l$  is

$$L = \ln(l) = \sum_{i=1}^n (w_i y_i \ln(\pi_i) + w_i (1 - y_i) \ln(1 - \pi_i))$$

and the derivative of  $L$  with respect to  $\beta_j$  is

$$L^*_{X_j} = \frac{\partial L}{\partial \beta_j} = \sum_{i=1}^n w_i (y_i - \pi_i) x_{ij}$$



## Maximum Likelihood Estimates (MLE)

The maximum likelihood estimates for  $\beta$  satisfy the following equations

$$\sum_{i=1}^n w_i (y_i - \hat{\pi}_i) x_{ij} = 0, \text{ for the } j\text{th parameter}$$

where  $x_{i0} = 1$  for  $i = 1, \dots, n$ .

Note the following:

1. A Newton-Raphson type algorithm is used to obtain the MLEs. Convergence can be based on
  - Absolute difference for the parameter estimates between the iterations
  - Percent difference in the log-likelihood function between successive iterations
  - Maximum number of iterations specified
2. During the iterations, if  $\hat{\pi}_i(1 - \hat{\pi}_i)$  is smaller than  $10^{-8}$  for all cases, the log-likelihood function is very close to zero. In this situation, iteration stops and the message “All predicted values are either 1 or 0” is issued.

After the maximum likelihood estimates  $\hat{\beta}$  are obtained, the asymptotic covariance matrix is estimated by  $I^{-1}$ , the inverse of the information matrix  $I$ , where

$$I = - \left[ E \left( \frac{\partial^2 L}{\partial \beta_i \partial \beta_j} \right) \right] = \mathbf{X}' \mathbf{W} \hat{\mathbf{V}} \mathbf{X},$$

$$\hat{\mathbf{V}} = \text{Diag}\{\hat{\pi}_1(1 - \hat{\pi}_1), \dots, \hat{\pi}_n(1 - \hat{\pi}_n)\},$$

$$\mathbf{W} = \text{Diag}\{w_1, \dots, w_n\},$$

$$\hat{\pi}_i = \frac{\exp(\hat{\eta}_i)}{1 + \exp(\hat{\eta}_i)},$$

and

$$\hat{\eta}_i = \mathbf{X}_i' \hat{\beta}$$

## Stepwise Variable Selection

Several methods are available for selecting independent variables. With the forced entry method, any variable in the variable list is entered into the model. There are two stepwise methods: forward and backward. The stepwise methods can use either the Wald statistic, the likelihood ratio, or a conditional algorithm for variable removal. For both stepwise methods, the score statistic is used to select variables for entry into the model.

### Forward Stepwise (FSTEP)

1. If FSTEP is the first method requested, estimate the parameter and likelihood function for the initial model. Otherwise, the final model from the previous method is the initial model for FSTEP.

Obtain the necessary information: MLEs of the parameters for the current model, predicted probability, likelihood function for the current model, and so on.

2. Based on the MLEs of the current model, calculate the score statistic for every variable eligible for inclusion and find its significance.
3. Choose the variable with the smallest significance. If that significance is less than the probability for a variable to enter, then go to step 4; otherwise, stop FSTEP.
4. Update the current model by adding a new variable. If this results in a model which has already been evaluated, stop FSTEP.
5. Calculate LR or Wald statistic or conditional statistic for each variable in the current model. Then calculate its corresponding significance.
6. Choose the variable with the largest significance. If that significance is less than the probability for variable removal, then go back to step 2; otherwise, if the current model with the variable deleted is the same as a previous model, stop FSTEP; otherwise, go to the next step.
7. Modify the current model by removing the variable with the largest significance from the previous model. Estimate the parameters for the modified model and go back to step 5.

### ***Backward Stepwise (BSTEP)***

1. Estimate the parameters for the full model which includes the final model from previous method and all eligible variables. Only variables listed on the BSTEP variable list are eligible for entry and removal. Let the current model be the full model.
2. Based on the MLEs of the current model, calculate the LR or Wald statistic or conditional statistic for every variable in the model and find its significance.
3. Choose the variable with the largest significance. If that significance is less than the probability for a variable removal, then go to step 5; otherwise, if the current model without the variable with the largest significance is the same as the previous model, stop BSTEP; otherwise, go to the next step.
4. Modify the current model by removing the variable with the largest significance from the model. Estimate the parameters for the modified model and go back to step 2.
5. Check to see any eligible variable is not in the model. If there is none, stop BSTEP; otherwise, go to the next step.
6. Based on the MLEs of the current model, calculate the score statistic for every variable not in the model and find its significance.
7. Choose the variable with the smallest significance. If that significance is less than the probability for variable entry, then go to the next step; otherwise, stop BSTEP.
8. Add the variable with the smallest significance to the current model. If the model is not the same as any previous models, estimate the parameters for the new model and go back to step 2; otherwise, stop BSTEP.

## Stepwise Statistics

The statistics used in the stepwise variable selection methods are defined as follows.

### Score Statistic

The score statistic is calculated for each variable not in the model to determine whether the variable should enter the model. Assume that there are  $r_1$  variables, namely,  $\alpha_1, \dots, \alpha_{r_1}$  in the model and  $r_2$  variables,  $\gamma_1, \dots, \gamma_{r_2}$ , not in the model. The score statistic for  $\gamma_i$  is defined as

$$S_i = (\mathbf{L}_{\gamma_i}^*)^2 \mathbf{B}_{22,i}$$

if  $\gamma_i$  is not a categorical variable. If  $\gamma_i$  is a categorical variable with  $m$  categories, it is converted to a  $(m-1)$ -dimension dummy vector. Denote these new  $m-1$  variables as  $\tilde{\gamma}_i, \dots, \tilde{\gamma}_{i+m-2}$ . The score statistic for  $\gamma_i$  is then

$$S_i = (\mathbf{L}_{\tilde{\gamma}_i}^*)' \mathbf{B}_{22,i} \mathbf{L}_{\tilde{\gamma}_i}^*$$

where  $(\mathbf{L}_{\tilde{\gamma}_i}^*)' = (L_{\tilde{\gamma}_i}^*, \dots, L_{\tilde{\gamma}_{i+m-2}}^*)$  and the  $(m-1) \times (m-1)$  matrix  $\mathbf{B}_{22,i}$  is

$$\mathbf{B}_{22,i} = (\mathbf{A}_{22,i} - \mathbf{A}_{21,i} \mathbf{A}_{11}^{-1} \mathbf{A}_{12,i})^{-1}$$

with

$$\begin{aligned} \mathbf{A}_{11} &= \tilde{\alpha}' \tilde{\mathbf{V}} \alpha, \\ \mathbf{A}_{12,i} &= \tilde{\alpha}' \tilde{\mathbf{V}} \tilde{\gamma}_i, \\ \mathbf{A}_{22,i} &= \tilde{\gamma}_i' \tilde{\mathbf{V}} \tilde{\gamma}_i \end{aligned}$$

in which  $\alpha$  is the design matrix for variables  $\alpha_1, \dots, \alpha_{r_1}$  and  $\tilde{\gamma}_i$  is the design matrix for dummy variables  $\tilde{\gamma}_i, \dots, \tilde{\gamma}_{i+m-2}$ . Note that  $\tilde{\alpha}$  contains a column of ones unless the constant term is excluded from  $\eta$ . Based on the MLEs for the parameters in the model,  $\mathbf{V}$  is estimated by  $\tilde{\mathbf{V}} = \text{Diag}\{\hat{\pi}_1(1-\hat{\pi}_1), \dots, \hat{\pi}_n(1-\hat{\pi}_n)\}$ . The asymptotic distribution of the score statistic is a chi-square with degrees of freedom equal to the number of variables involved.

Note the following:

1. If the model is through the origin and there are no variables in the model,  $\mathbf{B}_{22,i}$  is defined by  $\mathbf{A}_{22,i}^{-1}$  and  $\tilde{\mathbf{V}}$  is equal to  $\frac{1}{4} \mathbf{I}_n$ .
2. If  $\mathbf{B}_{22,i}$  is not positive definite, the score statistic and residual chi-square statistic are set to be zero.

### Wald Statistic

The Wald statistic is calculated for the variables in the model to determine whether a variable should be removed. If the  $i$ th variable is not categorical, the Wald statistic is defined by

$$Wald_i = \frac{\hat{\beta}_i^2}{\hat{\sigma}_{\hat{\beta}_i}^2}$$

If it is a categorical variable, the Wald statistic is computed as follows:

Let  $\hat{\beta}_i$  be the vector of maximum likelihood estimates associated with the  $m - 1$  dummy variables, and  $\mathbf{C}$  the asymptotic covariance matrix for  $\hat{\beta}_i$ . The Wald statistic is

$$Wald_i = \hat{\beta}_i' \mathbf{C}^{-1} \hat{\beta}_i$$

The asymptotic distribution of the Wald statistic is chi-square with degrees of freedom equal to the number of parameters estimated.

### **Likelihood Ratio (LR) Statistic**

The LR statistic is defined as two times the log of the ratio of the likelihood functions of two models evaluated at their MLEs. The LR statistic is used to determine if a variable should be removed from the model. Assume that there are  $r_1$  variables in the current model which is referred to as a full model. Based on the MLEs of the full model,  $l(full)$  is calculated. For each of the variables removed from the full model one at a time, MLEs are computed and the likelihood function  $l(reduced)$  is calculated. The LR statistic is then defined as

$$LR = -2 \ln \left( \frac{l(reduced)}{l(full)} \right) = -2(L(reduced) - L(full))$$

LR is asymptotically chi-square distributed with degrees of freedom equal to the difference between the numbers of parameters estimated in the two models.

### **Conditional Statistic**

The conditional statistic is also computed for every variable in the model. The formula for the conditional statistic is the same as the LR statistic except that the parameter estimates for each reduced model are conditional estimates, not MLEs. The conditional estimates are defined as follows. Let  $\hat{\beta} = (\hat{\beta}_1, \dots, \hat{\beta}_{r_1})'$  be the MLE for the  $r_1$  variables in the model and  $\mathbf{C}$  be the asymptotic covariance matrix for  $\hat{\beta}$ . If variable  $x_i$  is removed from the model, the conditional estimate for the parameters left in the model given  $\hat{\beta}$  is

$$\tilde{\beta}_{(i)} = \hat{\beta}_{(i)} - \mathbf{c}_{12}^{(i)} \left( \mathbf{c}_{22}^{(i)} \right)^{-1} \hat{\beta}_i$$

where  $\hat{\beta}_{(i)}$  is the MLE for the parameter(s) associated with  $x_i$  and  $\hat{\beta}_{(i)}$  is  $\hat{\beta}$  with  $\hat{\beta}_i$  removed,  $\mathbf{c}_{12}^{(i)}$  is the covariance between  $\hat{\beta}_{(i)}$  and  $\hat{\beta}_i$ , and  $\mathbf{c}_{22}^{(i)}$  is the covariance of  $\hat{\beta}_i$ . Then the conditional statistic is computed by

$$-2 \left( L(\tilde{\beta}_{(i)}) - L(full) \right)$$

where  $L(\tilde{\beta}_{(i)})$  is the log-likelihood function evaluated at  $\tilde{\beta}_{(i)}$ .

## **Statistics**

The following output statistics are available.

### Initial Model Information

If  $\beta_0$  is not included in the model, the predicted probability is estimated to be 0.5 for all cases and the log-likelihood function  $L(0)$  is

$$L(0) = W \ln(0.5) = -0.6931472W$$

with  $W = \sum_{i=1}^n w_i$ . If  $\beta_0$  is included in the model, the predicted probability is estimated as

$$\hat{\pi}_0 = \frac{\sum_{i=1}^n w_i y_i}{W}$$

and  $\beta_0$  is estimated by

$$\hat{\beta}_0 = \ln\left(\frac{\hat{\pi}_0}{1-\hat{\pi}_0}\right)$$

with asymptotic standard error estimated by

$$\hat{\sigma}_{\hat{\beta}_0} = \frac{1}{\sqrt{W \hat{\pi}_0 (1-\hat{\pi}_0)}}$$

The log-likelihood function is

$$L(0) = W \left[ \hat{\pi}_0 \ln\left(\frac{\hat{\pi}_0}{1-\hat{\pi}_0}\right) + \ln(1-\hat{\pi}_0) \right]$$

### Model Information

The following statistics are computed if a stepwise method is specified.

#### -2 Log-Likelihood

$$-2 \sum_{i=1}^n (w_i y_i \ln(\hat{\pi}_i) + w_i (1 - y_i) \ln(1 - \hat{\pi}_i))$$

#### Model Chi-Square

2(log-likelihood function for current model – log-likelihood function for initial model)

The initial model contains a constant if it is in the model; otherwise, the model has no terms. The degrees of freedom for the model chi-square statistic is equal to the difference between the numbers of parameters estimated in each of the two models. If the degrees of freedom is zero, the model chi-square is not computed.

#### Block Chi-Square

2(log-likelihood function for current model – log-likelihood function for the final model from the previous method)

The degrees of freedom for the block chi-square statistic is equal to the difference between the numbers of parameters estimated in each of the two models.

#### **Improvement Chi-Square**

2(log-likelihood function for current model – log-likelihood function for the model from the last step)

The degrees of freedom for the improvement chi-square statistic is equal to the difference between the numbers of parameters estimated in each of the two models.

#### **Goodness of Fit**

$$\sum_{i=1}^n \frac{w_i(y_i - \hat{\pi}_i)^2}{\hat{\pi}_i(1 - \hat{\pi}_i)}$$

#### **Cox and Snell's R-Square (Cox and Snell, 1989; Nagelkerke, 1991)**

$$R_{CS}^2 = 1 - \left( \frac{l(0)}{l(\hat{\beta})} \right)^{\frac{2}{W}}$$

where  $l(\hat{\beta})$  is the likelihood of the current model and  $l(0)$  is the likelihood of the initial model; that is,  $l(0) = W \log(0.5)$  if the constant is not included in the model;  $l(0) = W[\hat{\pi}_o \log\{\hat{\pi}_o/(1 - \hat{\pi}_o)\} + \log(1 - \hat{\pi}_o)]$  if the constant is included in the model, where  $\hat{\pi}_o = \sum_i^n w_i y_i / W$ .

#### **Nagelkerke's R-Square (Nagelkerke, 1981)**

$$R_N^2 = R_{CS}^2 / \max(R_{CS}^2)$$

where  $\max(R_{CS}^2) = 1 - \{l(0)\}^{2/W}$ .

### **Hosmer-Lemeshow Goodness-of-Fit Statistic**

The test statistic is obtained by applying a chi-square test on a  $2 \times g$  contingency table. The contingency table is constructed by cross-classifying the dichotomous dependent variable with a grouping variable (with  $g$  groups) in which groups are formed by partitioning the predicted probabilities using the percentiles of the predicted event probability. In the calculation, approximately 10 groups are used ( $g=10$ ). The corresponding groups are often referred to as the “deciles of risk” (Hosmer and Lemeshow, 2000).

If the values of independent variables for observation  $i$  and  $i'$  are the same, observations  $i$  and  $i'$  are said to be in the same block. When one or more blocks occur within the same decile, the blocks are assigned to this same group. Moreover, observations in the same block are not divided when they are placed into groups. This strategy may result in fewer than 10 groups (that is,  $g \leq 10$ ) and consequently, fewer degrees of freedom.

Suppose that there are  $Q$  blocks, and the  $q$ th block has  $m_q$  number of observations,  $q = 1, \dots, Q$ . Moreover, suppose that the  $k$ th group ( $k = 1, \dots, g$ ) is composed of the  $q_1$ th, ...,  $q_k$ th blocks of observations. Then the total number of observations in the  $k$ th group is  $s_k = \sum_{q_1}^{q_k} m_j$ . The total observed frequency of events (that is,  $Y=1$ ) in the  $k$ th group, call it  $O_{1k}$ , is the total number of observations in the  $k$ th group with  $Y=1$ . Let  $E_{1k}$  be the total expected frequency of the event in the  $k$ th group; then  $E_{1k}$  is given by  $E_{1k} = s_k \xi_k$ , where  $\xi_k$  is the average predicted event probability for the  $k$ th group.

$$\xi_k = \sum_{q_1}^{q_k} m_j \hat{\pi}_j / s_k$$

The Hosmer-Lemeshow goodness-of-fit statistic is computed as

$$\chi_{HL}^2 = \sum_{k=1}^g \frac{(O_{1k} - E_{1k})^2}{E_{1k}(1 - \xi_k)}$$

The  $p$  value is given by  $\Pr(\chi^2 \geq \chi_{HL}^2)$  where  $\chi^2$  is the chi-square statistic distributed with degrees of freedom  $(g-2)$ .

### Information for the Variables Not in the Equation

For each of the variables not in the equation, the score statistic is calculated along with the associated degrees of freedom, significance and partial  $R$ . Let  $X_i$  be a variable not currently in the model and  $S_i$  the score statistic. The partial  $R$  is defined by

$$Partial\_R = \begin{cases} \sqrt{\frac{S_i - 2 \times df}{-2L(initial)}} & \text{if } S_i > 2 \times \\ 0 & \text{df otherwise} \end{cases}$$

where  $df$  is the degrees of freedom associated with  $S_i$ , and  $L(initial)$  is the log-likelihood function for the initial model.

The residual Chi-Square printed for the variables not in the equation is defined as

$$R_{CS} = (L_g^*)' B_{22} L_g^*$$

$$\text{where } L_g^* = (L_{\gamma_1}^*, \dots, L_{\gamma_{r_2}}^*)'$$

### Information for the Variables in the Equation

For each of the variables in the equation, the MLE of the Beta coefficients is calculated along with the standard errors, Wald statistics, degrees of freedom, significances, and partial  $R$ . If  $X_i$  is not a categorical variable currently in the equation, the partial  $R$  is computed as

$$Partial\_R = \begin{cases} \text{sign}(\hat{\beta}_i) \sqrt{\frac{Wald_i - 2}{-2L(initial)}} & \text{if } Wald_i > 2 \\ 0 & \text{otherwise} \end{cases}$$

If  $X_i$  is a categorical variable with  $m$  categories, the partial  $R$  is then

$$Partial\_R = \begin{cases} \sqrt{\frac{Wald_i - 2(m-1)}{-2L(initial)}} & \text{if } Wald_i > 2(m-1) \\ 0 & \text{otherwise} \end{cases}$$

### Casewise Statistics

The following statistics are computed for each case.

#### Individual Deviance

The deviance of the  $i$ th case,  $G_i$ , is defined as

$$G_i = \begin{cases} \sqrt{2(y_i \ln(\hat{\pi}_i) + (1 - y_i) \ln(1 - \hat{\pi}_i))} & \text{if } y_i > \hat{\pi}_i \\ -\sqrt{2(y_i \ln(\hat{\pi}_i) + (1 - y_i) \ln(1 - \hat{\pi}_i))} & \text{otherwise} \end{cases}$$

#### Leverage

The leverage of the  $i$ th case,  $h_i$ , is the  $i$ th diagonal element of the matrix

$$\hat{V}^{\frac{1}{2}} \mathbf{X} (\mathbf{X}' \mathbf{C} \hat{V} \mathbf{X})^{-1} \mathbf{X}' \hat{V}^{\frac{1}{2}}$$

where

$$\hat{V} = \text{Diag}\{\hat{\pi}_1(1 - \hat{\pi}_1), \dots, \hat{\pi}_n(1 - \hat{\pi}_n)\}$$

#### Studentized Residual

$$\tilde{G}_i^* = \frac{G_i}{\sqrt{1 - h_i}}$$

#### Logit Residual

$$\tilde{e}_i = \frac{e_i}{\hat{\pi}_i(1 - \hat{\pi}_i)}$$

where  $e_i = y_i - \hat{\pi}_i$

#### Standardized Residual

$$z_i = \frac{e_i}{\sqrt{\hat{\pi}_i(1 - \hat{\pi}_i)}}$$

#### Cook's Distance

$$D_i = \frac{z_i^2 h_i}{1 - h_i}$$

#### DFBETA

Let  $\Delta\beta_i$  be the change of the coefficient estimates from the deletion of case  $i$ . It is computed as

$$\Delta\beta_i = \frac{(\mathbf{X}'\mathbf{C}\hat{\mathbf{V}}\mathbf{X})^{-1}\mathbf{X}'_i e_i}{1-h_i}$$

**Predicted Group**

If  $\hat{\pi}_i \geq 0.5$ , the predicted group is the group in which

$y=1$ . Note the following:

For the unselected cases with nonmissing values for the independent variables in the analysis, the leverage ( $\tilde{h}_i$ ) is computed as

$$\tilde{h}_i = h_i - \frac{\hat{V}_i h_i^2}{1 + \hat{V}_i h_i}$$

where

$$h_i = \hat{V}_i \mathbf{X}'_i (\mathbf{X}'\mathbf{C}\hat{\mathbf{V}}\mathbf{X})^{-1} \mathbf{X}_i$$

For the unselected cases, the Cook's distance and DFBETA are calculated based on  $\tilde{h}_i$ .

# LOGLINEAR Algorithms

The LOGLINEAR procedure models cell frequencies using the multinomial response model and produces maximum likelihood estimates of parameters by the Newton-Raphson method. The contingency tables are converted to two-way  $I \times J$  tables, with  $I$  and  $J$  being the dimensions of the independent and dependent categorical variables respectively.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$n_{ij}$	Observed frequency of cell $(i, j)$
$I$	Dimension of the row variable, associated with independent variables
$J$	Dimension of the column variable, associated with dependent variables
$w_{ij}$	Weight of cell $(i, j)$
$\beta_k$	Coefficients in the loglinear model; $1 \leq k \leq p$
$\beta_k^{(l)}$	Estimate of $\beta_k$ at the $l$ th iteration
$\hat{\beta}_k$	Final estimate of $\beta_k$
$m_{ij}$	Expected values of $n_{ij}$
$m_{ij}^{(l)}$	Estimate of $m_{ij}$ at the $l$ th iteration
$\hat{m}_{ij}$	Estimate of $m_{ij}$ at the final iteration
$\hat{M}_{i.}$	$\sum_{j=1}^J \hat{m}_{ij}$
$\hat{M}_{.j}$	$\sum_{i=1}^I \hat{m}_{ij}$
$M$	$\sum_{j=1}^J \sum_{i=1}^I \hat{m}_{ij}$

## Model

In the general LOGLINEAR model, the logarithms of the cell frequencies are formulated as a linear function of the parameters. The actual form of the model is determined by the contrast and the effects specified. The model has the form

$$y_{ij} \equiv \ln \left( \frac{m_{ij}}{w_{ij}} \right) = \lambda_i + \sum_{k=1}^p \beta_k x_{ijk} \quad 1 \leq i \leq I, 1 \leq j \leq J$$

where  $\lambda_i$  are chosen so that  $\sum_j m_{ij} = \sum_j n_{ij}$ , and  $x_{ijk}$  are the independent variables in the linear model.

## Contrasts

The values of  $x_{ijk}$  are determined by the types of contrasts specified in the procedure. The default contrast is DEVIATION.

## Computational Algorithm

To estimate the coefficients, a series of weighted regressions is used for iterative calculations. The iterative process is outlined (also see Haberman, 1978) as follows:

- (1) Obtain initial approximations  $y_{ij}^{(0)}$  and use them to obtain  $\beta_k^{(0)}$ .
- (2) Obtain the next approximations  $y_{ij}^{(1)}$  and  $m_{ij}^{(1)}$ .
- (3) Use the updated  $y_{ij}^{(1)}$  in (2) to obtain the next approximations  $\beta_k^{(1)}$ .
- (4) Repeat steps 2 and 3, replacing  $\beta_k^{(l)}$  with  $\beta_k^{(l+1)}$ . Continue repeating this until convergence is achieved.

The computations begin with selection of initial approximations  $m_{ij}^{(0)} = n_{ij} + \delta$  for  $n_{ij}$ . The default for  $\delta$  is 0.5. If the model is saturated,  $\delta$  is added to  $n_{ij}$  permanently. If the model is not saturated,  $\delta$  is added to  $n_{ij}$  only at the initial step and is then subtracted at the second step.

The maximum likelihood estimates  $\hat{\beta}_k$  of  $\beta_k$  are found by the Newton-Raphson method. Let  $\beta^{(l)}$  be the column vector containing the ML estimates at the  $l$ th iteration; then

$$\beta^{(0)} = (C^{(0)})^{-1} a^{(0)}$$

$$\beta^{(l+1)} = \beta^{(l)} + (C^{(l+1)})^{-1} a^{(l+1)}, \quad \text{for } l \geq 0,$$

where the  $(k, l)$ -element of  $C^{(l)}$  is

$$c_{kl}^{(l)} = \sum_{j=1}^J \sum_{i=1}^I (x_{ijk} - \theta_{ik}^{(l)}) (x_{ijl} - \theta_{il}^{(l)}) m_{ij}^{(l)}$$

with

$$\theta_{ik}^{(l)} = \frac{\sum_j m_{ij}^{(l)} x_{ijk}}{\sum_j m_{ij}^{(l)}} \quad \text{for } 1 \leq i \leq I, 1 \leq k \leq p$$

and the  $k$ th element of  $a^{(0)}$  is

$$a_k^{(0)} = \sum_{i,j} x_{ijk} y_{ij}^{(0)} m_{ij}^{(0)} - \frac{\left( \sum_{i,j} x_{ijk} m_{ij}^{(0)} \right) \left( \sum_{i,j} y_{ij} m_{ij}^{(0)} \right)}{\sum_{i,j} m_{ij}^{(0)}}$$

and the  $k$ th element of  $a^{(l)}$  is

$$a_k^{(l)} = \sum_{i,j} x_{ijk} (n_{ij} - m_{ij}^{(l)}) \quad \text{for } l \geq 1$$

The estimated cell means are updated by

$$m_{ij}^{(l)} = \frac{T w_{ij} \exp(v_{ij}^{(l-1)})}{\sum_{i,j} w_{ij} \exp(v_{ij}^{(l-1)})} \quad \text{for } l \geq 1$$

where

$$T = \begin{cases} \sum_{i,j} (n_{ij} + \delta) & \text{if the model is saturated} \\ \sum_{i,j} (n_{ij}) & \text{otherwise} \end{cases}$$

and

$$v_{ij}^{(l-1)} = \sum_{k=1}^p x_{ijk} \beta_k^{(l-1)}$$

The iterative process stops when either the maximum number of iterations (default=20) is reached or

$$\max_{i,j} |v_{ij}^{(l+1)} - v_{ij}^{(l)}| < \epsilon \quad (\text{with default } \epsilon = 0.001).$$

## Computed Statistics

The following output statistics are available.

### Correlation Matrix of Parameter Estimates

Let  $C$  be the final  $C^{(l)}$  and  $H = C^{-1}$ . The correlation between  $\hat{\beta}_i$  and  $\hat{\beta}_j$  is computed as

$$\frac{h_{ij}}{\sqrt{h_{ii}h_{jj}}}$$

### Goodness of Fit

The Pearson chi-square is computed as

$$\chi^2 = \sum_{i,j} \frac{(n_{ij} - \hat{m}_{ij})^2}{\hat{m}_{ij}}$$

and the likelihood-ratio chi-square is

$$L = 2 \sum_{i,j} n_{ij} \ln \left( \frac{n_{ij}}{\hat{m}_{ij}} \right)$$

The degrees of freedom are  $I \times (J - 1) - p - E$ , where  $E$  is the number of cells with  $n_{ij}w_{ij} \leq 0$  and  $p$  is the number of coefficients in the model.

## Residuals

The following residuals are available.

### Unadjusted Residuals

$$residual_{ij} = n_{ij} - \hat{m}_{ij}$$

### Standardized Residuals

$$standard\ residual_{ij} = \frac{n_{ij} - \hat{m}_{ij}}{\sqrt{\hat{m}_{ij}}}$$

### Adjusted Residuals

$$adjusted\ residual_{ij} = \frac{n_{ij} - \hat{m}_{ij}}{\sqrt{s_{ij}}}$$

where

$$s_{ij} = \hat{m}_{ij} \left[ 1 - \frac{\hat{m}_{ij}}{T} - \hat{m}_{ij} \sum_{k,l} (x_{ijk} - \hat{\theta}_{ik})(x_{ijl} - \hat{\theta}_{il}) h_{kl} \right]$$

$$\hat{\theta}_{ik} = \frac{\sum_j \hat{m}_{ij} x_{ijk}}{\sum_j \hat{m}_{ij}}$$

## Generalized Residuals

Consider a linear combination of the cell counts

$$\sum_{i,j} d_{ij} n_{ij}$$

The estimated expected value is computed as

$$\sum_{i,j} d_{ij} \hat{m}_{ij}$$

Two generalized residuals are computed.

### Unadjusted Residuals

$$residual = \sum_{i,j} d_{ij} n_{ij} - \sum_{i,j} d_{ij} \hat{m}_{ij}$$

### Adjusted Residuals

$$\text{adjusted residual} = \frac{\sum_{i,j} d_{ij} n_{ij} - \sum_{i,j} d_{ij} \hat{m}_{ij}}{\sqrt{C_1}}$$

where

$$C_1 = \sum_{i,j} d_{ij}^2 \hat{m}_{ij} - \sum_i \left[ \frac{\left( \sum_j \hat{m}_{ij} d_{ij} \right)^2}{\sum_j \hat{m}_{ij}} \right] - \sum_{k=1}^p \sum_{l=1}^p f_k f_l h_{kl}$$

$$f_k = \sum_{i,j} \hat{m}_{ij} d_{ij} (x_{ijk} - \hat{\theta}_{ik})$$

### Analysis of Dispersion

Following Haberman (1982), define

$S(Y)$  = Total dispersion

$S(Y|X)$  = Conditional dispersion

$S(X)$  = Dispersion due to fit

$R = \frac{S(X)}{S(Y)}$  = Measure of association

For entropy

$$S(Y) = -M \sum_{j=1}^J \hat{p}_j \ln(\hat{p}_j)$$

$$S(Y|X) = -\sum_{i=1}^I \hat{M}_{i\bullet} \sum_{j=1}^J \hat{p}_{i|j} \ln(\hat{p}_{i|j})$$

$$S(X) = S(Y) - S(Y|X)$$

For concentration

$$S(Y) = M \times \left( 1 - \sum_{j=1}^J \hat{p}_j^2 \right)$$

$$S(Y|X) = \sum_{i=1}^I \hat{M}_{i\bullet} \left( 1 - \sum_{j=1}^J \hat{p}_{i|j}^2 \right)$$

$$S(X) = S(Y) - S(Y|X)$$

where

$$\hat{p}_j = \frac{\hat{M}_{\bullet j}}{M}$$

$$\hat{p}_{j|i} = \frac{\hat{m}_{ij}}{M_{i\bullet}}$$

Haberman (1977) shows that, under the hypothesis that  $Y$  and  $X$  are independent,

$$\psi_E = 2S(X) \rightarrow \chi^2_{I(J-1)}$$

in the case of entropy, and

$$\psi_C = \frac{M(J-1)S(X)}{S(Y)} \rightarrow \chi^2_{I-1}$$

in the case of concentration.

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# MANOVA Algorithms

The program performs univariate and multivariate analysis of variance and covariance for any crossed and/or nested design.

## Analysis of Variance

The following topics detail computational formulas for MANOVA's use in the analysis of variance.

### Notation

The experimental design model (the model with covariates will be discussed later) can be expressed as

$$\mathbf{Y}_{N \times p} = \mathbf{W}_{N \times m} \boldsymbol{\beta}_{m \times p} + \mathbf{E}_{N \times p}$$

where

$\mathbf{Y}$	is the observed matrix
$\mathbf{W}$	is the design matrix
$\boldsymbol{\beta}$	is the matrix of parameters
$\mathbf{E}$	is the matrix of random errors
$N$	is the total number of observations
$p$	is the number of dependent variables
$m$	is the number of parameters

Since the rows of  $\mathbf{W}$  will be identical for all observations in the same cell, the model is rewritten in terms of cell means as

$$\mathbf{Y}_{\bullet}{}_{g \times p} = \mathbf{A}_{g \times m} \boldsymbol{\beta}_{m \times p} + \mathbf{E}_{\bullet}{}_{g \times p}$$

where  $g$  is the number of cells and  $\mathbf{Y}_{\bullet}$  and  $\mathbf{E}_{\bullet}$  denote matrices of means.

### Reparameterization

The reparameterization of the model (Bock, 1975; Finn, 1977) is done by factoring  $\mathbf{A}$  into

$$\mathbf{A}_{g \times m} = \mathbf{K}_{g \times r} \mathbf{L}_{r \times m}$$

$\mathbf{K}$  forms a column basis for the model and has rank  $r$ . The contrast matrix  $\mathbf{L}$  contains the coefficients of linear combinations of parameters and has rank  $r$ .  $\mathbf{L}$  can be specified by the user.

Given  $\mathbf{L}$ ,  $\mathbf{K}$  can be obtained from  $\mathbf{A}\mathbf{L}'(\mathbf{L}\mathbf{L}')^{-1}$ . For designs with more than one factor,  $\mathbf{L}$ , and hence  $\mathbf{K}$ , can be constructed from Kronecker products of contrast matrices of each factor. After reparameterization, the model can be expressed as

$$\begin{aligned} \mathbf{Y} &= \mathbf{A}\beta + \mathbf{E} \\ g \times p & \\ &= \mathbf{K}(\mathbf{L}\beta) + \mathbf{E} \\ &= \begin{matrix} \mathbf{K} & \mathbf{q} & + & \mathbf{E} \\ g \times r & r \times p & & g \times p \end{matrix} \end{aligned}$$

### Parameter Estimation

An orthogonal decomposition (Golub, 1969) is performed on  $\mathbf{K}$ . That is,  $\mathbf{K}$  is represented as

$$\mathbf{K} = \mathbf{Q}\mathbf{R}$$

where  $\mathbf{Q}$  is an orthonormal matrix such that  $\mathbf{Q}'\mathbf{D}\mathbf{Q} = \mathbf{I}$ ;  $\mathbf{D}$  is the diagonal matrix of cell frequencies; and  $\mathbf{R}$  is an upper-triangular matrix.

The normal equation of the model is

$$(\mathbf{K}'\mathbf{D}\mathbf{K})\hat{\theta} = \mathbf{K}'\mathbf{D}\mathbf{Y}$$

or

$$\mathbf{R}\hat{\theta} = \mathbf{Q}'\mathbf{D}\mathbf{Y} = \mathbf{U}$$

This triangular system can therefore be solved forming the cross-product matrix.

### Significance Tests

The sum of squares and cross-products (SSCP) matrix due to the model is

$$\hat{\theta}'\mathbf{R}'\mathbf{R}\hat{\theta} = \mathbf{U}'\mathbf{U}$$

and since  $\text{var}(\mathbf{U}) = \mathbf{R}\text{var}(\theta)\mathbf{R}' = \mathbf{I} \otimes \mathbf{S}$  the SSCP matrix of each individual effect can be obtained from the components of

$$\mathbf{U}'\mathbf{U} = (U_1, \dots, U_k) \begin{pmatrix} U'_1 \\ \vdots \\ U'_k \end{pmatrix} = U_1U'_1 + \dots + U_kU'_k$$

Therefore the hypothesis SSCP matrix for testing  $H_o : \theta_h = \mathbf{0}$  is

$$\mathbf{S}_H = \begin{matrix} \mathbf{U}_h & \mathbf{U}'_h \\ p \times p & p \times n_h & n_h \times p \end{matrix}$$

The default error SSCP matrix is the pooled within-groups SSCP:

$$\mathbf{S}_E = \mathbf{Y}'\mathbf{Y} - \mathbf{Y}'\mathbf{D}\mathbf{Y}$$

if the pooled within-groups SSCP matrix does not exist, the residual SSCP matrix is used:

$$\mathbf{S}_E = \mathbf{Y}'\mathbf{Y} - \mathbf{U}'\mathbf{U}$$

Four test criteria are available. Each of these statistics is a function of the nonzero eigenvalues  $\lambda_i$  of the matrix  $\mathbf{S}_H \mathbf{S}_E^{-1}$ . The number of nonzero eigenvalues,  $s$ , is equal to  $\min(p, n_h)$ .

### **Pillai's Criterion (Pillai, 1967)**

$$T = \sum_{i=1}^s \lambda_i / (1 + \lambda_i)$$

Approximate  $F = (n_e - p - s)T / (b(s - T))$  with  $b_s$  and  $s(n_e - p + s)$  degrees of freedom, where

$$\begin{aligned} n_e &= \text{degrees of freedom } S_E \\ b &= \max(p, n_h) \end{aligned}$$

### **Hotelling's Trace**

$$T = \sum_{i=1}^s \lambda_i$$

Approximate  $F = 2(sn + 1)T / (s^2(2m + s + 1))$  with  $s(2m + s + 1)$  and  $2(sn + 1)$  degrees of freedom where

$$\begin{aligned} m &= (|n_h - p| - 1) / 2 \\ n &= (n_e - p - 1) / 2 \end{aligned}$$

### **Wilks' Lambda (Rao, 1973)**

$$T = \prod_{i=1}^s 1 / (1 + \lambda_i)$$

Approximate  $F = (1 - T^{1/l})(Ml + 1 - n_h p / 2) / (T^{1/l} n_h p)$  with  $n_h p$  and  $(Ml + 1 - n_h p / 2)$  degrees of freedom, where

$$\begin{aligned} l^2 &= (p^2 n_h^2 - 4) / (p^2 + n_h^2 - 5) \\ M &= n_e - (p + 1 - n_h) / 2 \end{aligned}$$

### **Roy's Largest Root**

$$T = \lambda_1 / (1 + \lambda_1)$$

## **Stepdown F Tests**

The stepdown  $F$  statistics are

$$F_i = \frac{(t^2 - t_e^2) / n_h}{t_e^2 / (n_e - i + 1)}$$

with  $n_h$  and  $n_e - i + 1$  degrees of freedom, where  $t_e$  and  $t$  are the  $i$ th diagonal element of  $\mathbf{T}_E$  and  $\mathbf{T}$  respectively, and where

$$\begin{aligned} \mathbf{S}_E &= \mathbf{T}'_E \mathbf{T}_E \\ \mathbf{S}_E + \mathbf{S}_H &= \mathbf{T}' \mathbf{T} \end{aligned}$$

## Design Matrix

$\mathbf{K}$

## Estimated Cell Means

$$\hat{\mathbf{Y}}_{\bullet} = \mathbf{K}\hat{\boldsymbol{\theta}}$$

## Analysis of Covariance

$$\mathbf{Y}_{\bullet} = \mathbf{K} \boldsymbol{\theta} + \mathbf{X}_{\bullet} \mathbf{B} + \mathbf{E}_{\bullet}$$

$g \times p \quad g \times r \quad r \times p \quad g \times q \quad q \times p \quad g \times p$

where  $g$ ,  $p$ , and  $r$  are as before and  $q$  is the number of covariates, and  $\mathbf{X}_{\bullet}$  is the mean of  $\mathbf{X}$ , the matrix of covariates.

## Parameter Estimation and Significance Tests

For purposes of parameter estimation, no initial distinction is made between dependent variables and covariates.

Let

$$\mathbf{V} = (\mathbf{Y}\mathbf{X})$$

$$\mathbf{V}_{\bullet} = (\mathbf{Y}_{\bullet}\mathbf{X}_{\bullet})$$

The normal equation of the model

$$\mathbf{V}_{\bullet} = \mathbf{K} \boldsymbol{\theta} + \mathbf{E}_{\bullet}$$

$g \times (p+q) \quad g \times r \quad r \times (p+q) \quad g \times (p+q)$

is

$$(\mathbf{K}'\mathbf{D}\mathbf{K})\hat{\boldsymbol{\theta}} = \mathbf{K}'\mathbf{D}\mathbf{Y}_{\bullet}$$

or

$$\mathbf{R}\hat{\boldsymbol{\theta}} = \mathbf{Q}'\mathbf{D}\mathbf{V}_{\bullet} = \mathbf{U}$$

or

$$\hat{\boldsymbol{\theta}} = \begin{pmatrix} \hat{\boldsymbol{\theta}}_Y & \hat{\boldsymbol{\theta}}_X \end{pmatrix}$$

$r \times (p+q) \quad r \times p \quad r \times q$

If  $\mathbf{S}_E$  and  $\mathbf{S}_T$  are partitioned as

$$\mathbf{S}_E = \begin{pmatrix} \mathbf{S}_E^{(Y)} & \mathbf{S}_E^{(YX)} \\ \mathbf{S}_E^{(XY)} & \mathbf{S}_E^{(X)} \end{pmatrix}$$

$$\mathbf{S}_T = \begin{pmatrix} \mathbf{S}_T^{(Y)} & \mathbf{S}_T^{(YX)} \\ \mathbf{S}_T^{(XY)} & \mathbf{S}_T^{(X)} \end{pmatrix}$$

then the adjusted error SSCP matrix is

$$\mathbf{S}_E^* = \mathbf{S}_E^{(Y)} - \mathbf{S}_E^{(YX)} \left( \mathbf{S}_E^{(X)} \right)^{-1} \mathbf{S}_E^{(XY)}$$

and the adjusted total SSCP matrix is

$$\mathbf{S}_T^* = \mathbf{S}_T^{(Y)} - \mathbf{S}_T^{(YX)} \left( \mathbf{S}_T^{(X)} \right)^{-1} \mathbf{S}_T^{(XY)}$$

The adjusted hypothesis SSCP matrix is then

$$\mathbf{S}_H^* = \mathbf{S}_T^* - \mathbf{S}_E^*$$

The estimate of  $\mathbf{B}$  is

$$\hat{\mathbf{B}} = \left( \mathbf{S}_T^{(X)} \right)^{-1} \mathbf{S}_T^{(XY)}$$

The adjusted parameter estimates are

$$\hat{\theta}^* = \hat{\theta}_Y - \hat{\theta}_X \hat{\mathbf{B}}$$

The adjusted cell means are

$$\hat{\mathbf{Y}}^* = \mathbf{K} \hat{\theta}^*$$

## Repeated Measures

The following topics detail computational formulas for MANOVA's use in the analysis of repeated measures data.

### Notation

The following notation is used within this section unless otherwise stated:

$k$	Degrees of freedom for the within-subject factor
$\mathbf{SSE}^*$	Orthonormal transformed error matrix
$N$	Total number of observations
$ndfb$	Degrees of freedom for all between-subject factors (including the constant)

### Statistics

The following statistics are available.

#### Greenhouse-Geisser Epsilon

$$ggeps = \frac{(\text{tr}(\mathbf{SSE}^*))^2}{k \times \text{tr}((\mathbf{SSE}^*)^2)}$$

**Huynh-Feldt Epsilon**

$$hfeps = \frac{N \times k \times ggeps - 2}{k \times (N - ndfb) - k^2 \times ggeps}$$

if hfeps > 1, set hfeps = 1

**Lower Bound Epsilon**

$$lbeps = \frac{1}{k}$$

**Effect Size**

The effect size gives a partial eta-squared value for each effect and parameter estimate

**Notation**

The following notation is used within this section unless otherwise stated:

<i>dfh</i>	Hypothesis degrees of freedom
<i>dfe</i>	Error degrees of freedom
<i>F</i>	F test
<i>W</i>	Wilks' lambda
<i>s</i>	Number of non-zero eigenvalues of $\mathbf{HE}^{-1}$
<i>T</i>	Hotelling's trace
<i>V</i>	Pillai's trace

**Statistic**

$$\text{Partial eta-squared} = \frac{dfh \times F}{dfh \times F + dfe} = \frac{\text{SS hyp}}{\text{SS hyp} + \text{SS error}}$$

$$\text{Eta - squared(Wilks')} = 1 - W^{1/s}$$

$$\text{Eta - squared(Hotelling's)} = \frac{T/s}{T/s + 1}$$

$$\text{Total eta-squared} = \frac{\text{sum of squares for effect}}{\text{total(corrected)sum of squares}}$$

$$\text{Hay's omega-squared} = \frac{\text{SS for effect} - \text{df(effect)} \times \text{MSE}}{\text{corrected total SS} + \text{MSE}}$$

$$\text{Pillai} = V/S$$

**Power**

The following statistics pertain to the observed power of *F* and *t* tests performed by the procedure.

**Univariate Non-Centrality**

$$\lambda = \frac{SS_{\text{hyp}}}{SS_{\text{error}}} \times dfe$$

**Multivariate Non-Centrality**

For a single degree of freedom hypothesis

$$\lambda = T \times dfe$$

where  $T$  is Hotelling's trace and  $dfe$  is the error degrees of freedom. Approximate power non-centrality based on Wilks' lambda is

$$\lambda = \frac{\text{Wilks' eta square}}{1 - \text{Wilks' eta square}} \times dfe(W)$$

where  $dfe(W)$  is the error  $df$  from Rao's  $F$ -approximation to the distribution of Wilks' lambda.

**Hotelling's Trace**

$$\lambda = \frac{\text{Hotelling's eta square}}{1 - \text{Hotelling's eta square}} \times dfe(H)$$

where  $dfe(H)$  is the error  $df$  from the  $F$ -approximation to the distribution of Hotelling's trace.

**Pillai's Trace**

$$\lambda = \frac{\text{Pillai's eta square}}{1 - \text{Pillai's eta square}} \times dfe(P)$$

where  $dfe(P)$  is the error  $df$  from the  $F$ -approximation to the distribution of Pillai's trace.

**Approximate Power**

Approximate power is computed using an Edgeworth Series Expansion (Mudholkar, Chaubey, and Lin, 1976).

$$r = v_1 + \lambda$$

$$b = \lambda/r$$

$$K_1 = \left\{ \left( \frac{r}{v_1} \right)^{1/3} \left( 1 - \frac{2(b+1)}{9r} - \frac{40b^2}{3^4 r^2} + \frac{80(1+3b+33b^2-77b^3)}{3^7 r^3} + \frac{176(1+4b-210b^2+2380b^3-2975b^4)}{3^9 r^4} \right) \right\} \\ - c^{1/3} \left\{ \left( 1 - \frac{2}{9v_2} + \frac{80}{3^7 v_2^3} + \frac{176}{3^9 v_2^4} \right) \right\}$$

$$K_2 = \left\{ \left( \frac{r}{v_1} \right)^{2/3} \left( \frac{2(b+1)}{9r} + \frac{16b^2}{3^3 r^2} - \frac{8(13+39b+405b^2-1025b^3)}{3^7 r^3} + \frac{160(1+4b-87b^2+1168b^3-1544b^4)}{3^8 r^4} \right) \right\} \\ + c^{2/3} \left( \frac{2}{9v_2} - \frac{104}{3^7 v_2^3} - \frac{160}{3^8 v_2^4} \right)$$

$$K_3 = \left\{ \left( \frac{-r}{v_1} \right) \left( \frac{8b^2}{27r^2} - \frac{32(1+3b+21b^2-62b^3)}{3^6 r^3} - \frac{32(8+32b-177b^2+4550b^3-6625b^4)}{3^8 r^4} \right) \right\} \\ - c \left( \frac{32}{3^6 v_2^3} + \frac{256}{3^8 v_2^4} \right)$$

$$K_4 = \left\{ \left( \frac{r}{v_1} \right)^{4/3} \left( \frac{16(1+3b+12b^2-44b^3)}{3^6 r^3} + \frac{256(1+4b+6b^2+247b^3-458b^4)}{3^8 r^4} \right) \right\}$$

$$-c^{4/3} \left( \frac{16}{3^6 v_2^3} + \frac{256}{3^8 v_2^4} \right)$$

$$Y = \frac{K_1}{\sqrt{K_2}}$$

$$\text{Power} = 1 - \Phi(Y) - \frac{1}{\sqrt{2\pi}} e^{-Y^2/2} \left\{ \frac{K_3}{6} (Y^2 - 1) + \frac{K_4}{24} (Y^3 - 3Y) \frac{K_1^2}{72} (Y^5 - 10Y^3 + 15Y) \right\}$$

### Confidence Intervals

The intervals are calculated as follows:

Lower bound = parameter estimate  $-k * \text{stderr}$

Upper bound = parameter estimate  $+k * \text{stderr}$

where  $\text{stderr}$  is the standard error of the parameter estimate, and  $k$  is the critical constant whose value depends upon the type of confidence interval requested.

#### Univariate Individual Confidence Intervals

$$k = \sqrt{(F(a; 1, ne))}$$

where

$ne$  is the error degrees of freedom

$a$  is the confidence level desired

$F$  is the percentage point of the  $F$  distribution

#### Univariate Intervals Joint Confidence Intervals

For Scheffé intervals:

$$k = \sqrt{(nh * F(a; nh, ne))}$$

where

$ne$  is the error degrees of freedom

$nh$  is the hypothesis degrees of freedom

$a$  is the confidence level desired

$F$  is the percentage point of the  $F$  distribution

For Bonferroni intervals:

$$k = t(a/(2 * nh), ne)$$

where

$ne$  is the error degrees of freedom

$nh$  is the hypothesis degrees of freedom

$a$  is 100 minus the confidence level desired

$F$  is the percentage point of Student's  $t$  distribution

### **Multivariate Intervals**

The value of the multipliers for the multivariate case is computed as follows:

Let

$p$  = the number of dependent variables

$nh$  = the hypothesis degrees of freedom

$ne$  = the error degrees of freedom

$a$  = the desired confidence level

$$s = \min(p, nh)$$

$$m = (|nh - p| - 1)/2$$

$$n = (ne - p - 1)/2$$

For Roy's largest root, define

$$c = G/(1 - G)$$

where

$G = \text{GCR}(a; s, m, n)$ ; the percentage point of the largest root distribution

For Wilks' lambda, define

$$t = (p * nh)^2 - 4$$

$$b = p * p + nh * nh - 5$$

$$r = \sqrt{(t/b)} \text{ if } b \neq 0, \text{ else } r = 1$$

$$u = (p * nh - 2)/4$$

$$t = p * nh$$

$$b = (nh + ne - (p + nh + 1)/2) * r - 2 * u$$

$$f = (t * F(a; t, b))/b$$

$$W = (1/(1 + c))^f$$

$$c = (1 - W)/W$$

For Hotelling's trace, define

$$\begin{aligned}
 t &= s(2m + s + 1) \\
 b &= 2(sn + 1) \\
 T &= (stF(a; t, b))/b \\
 c &= T
 \end{aligned}$$

For Pillai's trace, define

$$\begin{aligned}
 t &= s(\max(p, nh)) \\
 b &= s(ne - p + s) \\
 D &= (F(a; t, b)t)/b \\
 V &= (sc)/(c + 1) \\
 c &= V/(1 - V)
 \end{aligned}$$

Now for each of the above criteria, the critical value is

$$K = \sqrt{(ne * c)}$$

For Bonferroni intervals,

$$K = t(a/(2p(nh)); ne)$$

where  $t$  is the percentage point of the Student's  $t$  distribution.

## Regression Statistics

Correlation between independent variables and predicted dependent variables

$$r(X_i, \hat{Y}_j) = \frac{r_{ij}}{R_j}$$

where

$X_i = i$  th predictor (covariate)

$\hat{Y}_j = j$  th predicted dependent variable

$r_{ij} =$  correlation between  $i$  th predictor and  $j$  th dependent variable

$R_j =$  multiple  $R$  for  $j$  th dependent variable across all predictors

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# MEANS Algorithms

Cases are cross-classified on the basis of multiple independent variables, and for each cell of the resulting cross-classification, basic statistics are calculated for a dependent variable.

## Notation

The following notation is used throughout this section unless otherwise stated:

Table 58-1

Notation

Notation	Description
$X_{ip}$	Value for the $p$ th independent variable for case $i$
$Y_i$	Value for the dependent variable for case $i$
$w_i$	Weight for case $i$
$P$	Number of independent variables
$N$	Number of cases

## Statistics

For each value of the first independent variable ( $X_1$ ), for each value of the pair ( $X_1, X_2$ ), for the triple ( $X_1, X_2, X_3$ ), and similarly for the  $P$ -tuple ( $X_1, X_2, \dots, X_P$ ), the following are computed:

### Sum of Case Weights for the Cell

$$W = \sum_{i=1}^N w_i l_i$$

where  $l_i = 1$  if the  $i$ th case is in the cell,  $l_i = 0$  otherwise.

### The Sum and Corrected Sum of Squares

$$SMY = \sum_{i=1}^N w_i l_i Y_i$$

$$SSY = \sum_{i=1}^N w_i l_i Y_i^2$$

$$CSS = SSY - SMY^2/W$$



### **The Mean**

$$\bar{Y} = \frac{\sum_{i=1}^N w_i l_i Y_i}{W}$$

### **Harmonic mean**

$$\bar{Y}_h = \frac{\sum_{i=1}^N w_i}{\sum_{i=1}^N w_i y_i^{-1}}$$

Both summations are over cases with positive  $w_i$  values.

### **Geometric mean**

$$\bar{Y}_g = \left( \prod_{i=1}^N y_i^{w_i} \right)^{1/W}$$

The product is taken over cases with positive  $w_i$  values.

### **Variance**

$$S^2 = \frac{CSS}{W - 1}$$

### **Standard Deviation**

$$S = \sqrt{\text{variance}}$$

### **Standard Error of the Mean**

$$SEM = \frac{S}{\sqrt{W}}$$

### **Skewness (computed if $W \geq 3$ and $S > 0$ ), and its standard error**

$$g_1 = \frac{WM_3}{(W-1)(W-2)S^3} \quad se(g_1) = \sqrt{\frac{6W(W-1)}{(W-2)(W+1)(W+3)}}$$

**Kurtosis (computed if  $W \geq 4$  and  $S > 0$ ), and its standard error**

$$g_2 = \frac{W(W+1)M_4 - 3(W-1)M_2^2}{(W-1)(W-2)(W-3)S^4} \quad se(g_2) = \sqrt{\frac{4(W^2-1)se(g_1)^2}{(W-3)(W+5)}}$$

**Minimum**

$$\min_i X_i$$

**Maximum**

$$\max_i X_i$$

**Range**

Maximum – Minimum

**Percent of Total N**

For each category  $j$  of the independent variable,

$$\%TotN_j = \left( \frac{\sum_{i=1}^N w_i l_i}{W} \right) \times 100$$

where  $l_i = 1$  if the  $i$ th case is in the  $j$ th category,  $l_i = 0$  otherwise.

**Percent of Total Sum**

For each category  $j$  of the independent variable,

$$\%TotSum_j = \left( \frac{\sum_{i=1}^N w_i l_i Y_i}{W} \right) \times 100$$

where  $l_i = 1$  if the  $i$ th case is in the  $j$ th category,  $l_i = 0$  otherwise.

**Median**

Find the first score interval ( $x_2$ ) containing more than  $t$  cases.

$$\text{median} = \begin{cases} x_2 & \text{if } t - cp_1 \geq 100/W \\ \left\{ \begin{array}{l} 1 - [(W + 1)/2 - cc_1]x_1 \\ + [(W + 1)/2 - cc_1]x_2 \end{array} \right\} & \text{if } t - cp_1 < 100/W \end{cases}$$

where

$$t = (W + 1)/2$$

$$cp_1 < t < cp_2$$

$x_1$  and  $x_2$  are the values corresponding to  $cp_1$  and  $cp_2$ , respectively

$cc_1$  is the cumulative frequency up to  $x_1$

$cp_1$  is the cumulative percent up to  $x_1$

**Grouped Median**

For more information, see the topic “Grouped Percentiles”.

**ANOVA and Test for Linearity**

If the analysis of variance table or test for linearity are requested, only the first independent variable is used. Assume it takes on  $J$  distinct values (groups). The previously described statistics are calculated and printed for each group separately, as well as for all cases pooled. Symbols subscripted from 1 to  $J$  will denote group statistics, unsubscripted the total. Thus for group  $j$ ,

- $SMY_j$  is the sum of the dependent variable.

and

- $X_j$  the value of the independent variable. Note that the standard deviation and sum of squares printed in the last row of the summary table are pooled within group values.

**Analysis of Variance**

Source	Sum of Squares	df
Between Groups	Total-Within Groups	$J - 1$
Regression	$\frac{\left( \sum_{j=1}^J X_j SMY_j - \left( \sum_{j=1}^J w_j X_j \right) \left( \sum_{j=1}^J SMY_j \right) / W \right)^2}{\sum_{j=1}^J w_j X_j^2 - \left( \sum_{j=1}^J w_j X_j \right)^2 / W}$	1
Deviation from Regression	Between-Regression	$J - 2$

Source	Sum of Squares	df
Within Groups	$\sum_{j=1}^J CSS_j$	$W - J$
Total	$\sum_{j=1}^J SSY_j - \left( \sum_{j=1}^J SMY_j \right)^2 / W$	$W - 1$

The mean squares are calculated by dividing each sum of squares by its degrees of freedom. The  $F$  ratios are the mean squares for each source divided by the within groups mean square. The significance level for the  $F$  is from the  $F$  distribution with the degrees of freedom for the numerator and denominator mean squares. If there is only one group the ANOVA is not done; if there are fewer than three groups or the independent variable is a string variable, the test for linearity is not done.

### Correlation Coefficient

$$r = \frac{\sum_{j=1}^J X_j SMY_j - \left( \sum_{j=1}^J W_j X_j \right) SMY / W}{\sqrt{\left( \sum_{j=1}^J W_j X_j^2 - \left( \sum_{j=1}^J W_j X_j \right)^2 / W \right) (SSY - SMY^2 / W)}}$$

### Eta

$$(\eta)^2 = \frac{\text{Sum of Squares Between Groups}}{\text{Total Sum of Squares}}$$

### References

- Blalock, H. M. 1972. *Social statistics*. New York: McGraw-Hill.
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- Hays, W. L. 1973. *Statistics for the social sciences*. New York: Holt, Rinehart, and Winston.

## Meta Analysis: Binary Outcomes Algorithms

Meta-analysis is the statistical analysis of a collection of the results from different studies for the purpose of integrating the findings [?]. Combining the findings across the studies tend to strengthen the evidence about the treatment efficacy in clinical trials. In this document, we discuss how to build fixed-effects or common-effect models to combine the effect sizes estimated across the primary studies with binary outcomes.

### Notations and Settings

The following notations will be used in Section unless otherwise stated.

- $\hat{\theta}$ : Variable denoting the estimate of the population effect size.
- $\hat{\sigma}^2$ : Variable denoting the estimate of the within-study variance of  $\hat{\theta}$ .
- $N$ : Number of valid cases (or primary studies) in the data set, with each denoting an independent study.
- $k$ : Study index, and  $k$  is an integer, where  $1 \leq k \leq N$ .
- $\hat{\theta}_k$ : Observed value of  $\hat{\theta}$  for the  $k$ -th primary study.
- $\hat{\sigma}_k^2$ : Observed value of  $\hat{\sigma}^2$  for the  $k$ -th primary study, and  $\hat{\sigma}_k^2 > 0$ .
- $a_k$ : The counts of successes of the treatment group for the  $k$ -th primary study, and  $a_k \geq 0$ .
- $b_k$ : The counts of failures of the treatment group for the  $k$ -th primary study, and  $b_k \geq 0$ .
- $c_k$ : The counts of successes of the control group for the  $k$ -th primary study, and  $c_k \geq 0$ .
- $d_k$ : The counts of failures of the control group for the  $k$ -th primary study, and  $d_k \geq 0$ .
- $n_{1k}$ : Group size of the treatment group for the  $k$ -th primary study, and  $n_{1k} = a_k + b_k$ .
- $n_{2k}$ : Group size of the control group for the  $k$ -th primary study, and  $n_{2k} = c_k + d_k$ .
- $n_k$ : Total sample size of the  $k$ -th primary study, and  $n_k = n_{1k} + n_{2k}$ .
- $\theta_0$ : Test value formulated by the null hypothesis.
- $\alpha$ : The significance level to reflect the type I error, and  $\alpha \in (0, 1)$ .

Note that tweaking the zero-count of  $a_k$ ,  $b_k$ ,  $c_k$ , and  $d_k$  is not discussed in the following sections. This has been covered in “Effect size for meta-analysis.pdf” to estimate the effect sizes of the binary outcomes.

Let  $\theta$  denote the unknown parameter of the population effect size, and  $\theta_k$  the population effect size of the  $k$ -th primary study. The corresponding estimated effect size  $\hat{\theta}$  and  $\hat{\theta}_k$  may be either provided in the active data set or estimated by the algorithm discussed in “Effect size for meta-analysis.pdf.”

Let  $\hat{\sigma}$  denote the estimate of the standard error of  $\hat{\theta}$ , which may be either provided or estimated. If provided in the active data set as a certain variable, we allow the form expressed in either the standard error  $\hat{\sigma}_k$  or the variance  $\hat{\sigma}_k^2$ .

### Fixed-effects or Common-effect Models

The approaches discussed in this section are based on the fixed-effects or common-effect model assumption. They are applied to those meta-analysis comparing binary outcomes with the effect size estimated by risk difference, (log) risk ratio, (log) odds ratio, and (log) Peto’s odds ratio.

#### Mantel-Haenszel Method

Depending on the type of effect size, the Mantel-Haenszel method combines the results across the primary studies by formulating the weights and computing the overall effect size in different ways.

### Risk Difference

The overall effect size measured by risk difference is estimated by

$$\hat{\theta}_{\text{MH}} = \frac{\sum_{k=1}^N w_k \hat{\theta}_k}{\sum_{k=1}^N w_k}, \quad (0.0.1)$$

where  $\hat{\theta}_k$  is the point estimation of the risk difference for the  $k$ -th primary study, and the weight  $w_k$  is estimated by

$$w_k = \frac{n_{1k}n_{2k}}{n_k}. \quad (0.0.2)$$

The sampling variance of  $\hat{\theta}_{\text{MH}}$ , suggested by [?], is

$$\mathbb{V}(\hat{\theta}_{\text{MH}}) = \frac{\sum_{k=1}^N (a_k b_k n_{2k}^3) / (n_{1k} n_{2k} n_k^2)}{(\sum_{k=1}^N n_{1k} n_{2k} / n_k)^2}. \quad (0.0.3)$$

The standard error of  $\hat{\theta}_{\text{MH}}$  is the square root of Equation (0.0.3), or

$$se(\hat{\theta}_{\text{MH}}) = \sqrt{\mathbb{V}(\hat{\theta}_{\text{MH}})}. \quad (0.0.4)$$

### Risk Ratio

The overall effect size measured by risk ratio is estimated by

$$\hat{\theta}_{\text{MH}} = \frac{\sum_{k=1}^N w_k \hat{\theta}_k}{\sum_{k=1}^N w_k}, \quad (0.0.5)$$

where  $\hat{\theta}_k$  is the point estimation of the risk ratio for the  $k$ -th primary study, and the weight  $w_k$  is estimated by

$$w_k = \frac{n_{1k}c_k}{n_k}. \quad (0.0.6)$$

We also calculate the log overall risk ratio  $\log \hat{\theta}_{\text{MH}}$ , where  $\hat{\theta}_{\text{MH}}$  is estimated by Equation (0.0.5). The sampling variance of  $\log \hat{\theta}_{\text{MH}}$ , suggested by [?], is

$$\mathbb{V}(\log \hat{\theta}_{\text{MH}}) = \frac{\sum_{k=1}^N [n_{1k}n_{2k}(a_k + c_k) - a_k c_k n_k] / n_k^2}{(\sum_{k=1}^N a_k n_{2k} / n_k)(\sum_{k=1}^N c_k n_{1k} / n_k)}. \quad (0.0.7)$$

The standard error of  $\log \hat{\theta}_{\text{MH}}$  is the square root of Equation (0.0.7), or

$$se(\log \hat{\theta}_{\text{MH}}) = \sqrt{\mathbb{V}(\log \hat{\theta}_{\text{MH}})}. \quad (0.0.8)$$

### Odds Ratio

The overall effect size measured by odds ratio is estimated by

$$\hat{\theta}_{\text{MH}} = \frac{\sum_{k=1}^N w_k \hat{\theta}_k}{\sum_{k=1}^N w_k}, \quad (0.0.9)$$

where  $\hat{\theta}_k$  is the point estimation of the odds ratio for the  $k$ -th primary study, and the weight  $w_k$  is estimated by

$$w_k = \frac{b_k c_k}{n_k}. \quad (0.0.10)$$

We also calculate the log overall odds ratio  $\log \hat{\theta}_{\text{MH}}$ , where  $\hat{\theta}_{\text{MH}}$  is estimated by Equation (0.0.9). The sampling variance of  $\log \hat{\theta}_{\text{MH}}$ , suggested by [?, ?], is

$$\mathbb{V}(\log \hat{\theta}_{\text{MH}}) = \frac{\sum_{k=1}^N P_k R_k}{2(\sum_{k=1}^N R_k)^2} + \frac{\sum_{k=1}^N (P_k S_k + Q_k R_k)}{2 \sum_{k=1}^N R_k \sum_{k=1}^N S_k} + \frac{\sum_{k=1}^N Q_k S_k}{2(\sum_{k=1}^N S_k)^2}, \quad (0.0.11)$$

where

$$P_k = \frac{a_k + d_k}{n_k}, \quad Q_k = \frac{b_k + c_k}{n_k}, \quad R_k = \frac{a_k d_k}{n_k}, \quad \text{and} \quad S_k = \frac{b_k c_k}{n_k}. \quad (0.0.12)$$

The standard error of  $\log \hat{\theta}_{\text{MH}}$  is the square root of Equation (0.0.11), or

$$se(\log \hat{\theta}_{\text{MH}}) = \sqrt{\mathbb{V}(\log \hat{\theta}_{\text{MH}})}. \quad (0.0.13)$$

## Peto's Method

The Peto's method is only applied to the estimation of odds ratio. It combines the log odds ratios across the primary studies by computing the overall effect size

$$\log \hat{\theta}_{\text{Peto}} = \frac{\sum_{k=1}^N w_k \log \hat{\theta}_k}{\sum_{k=1}^N w_k}, \quad (0.0.14)$$

where  $\hat{\theta}_k$  is the point estimation of the Peto's odds ratio for the  $k$ -th primary study, and the weight  $w_k$  is estimated by

$$w_k = \frac{n_{1k} n_{2k} (a_k + c_k)(b_k + d_k)}{n_k^2 (n_k - 1)}. \quad (0.0.15)$$

The sampling variance of  $\log \hat{\theta}_{\text{Peto}}$  is

$$\mathbb{V}(\log \hat{\theta}_{\text{Peto}}) = \frac{1}{\sum_{k=1}^N w_k}, \quad (0.0.16)$$

where  $w_k$  is estimated by Equation (0.0.15). The standard error of  $\log \hat{\theta}_{\text{Peto}}$  is the square root of Equation (0.0.16), or

$$se(\log \hat{\theta}_{\text{Peto}}) = \sqrt{\mathbb{V}(\log \hat{\theta}_{\text{Peto}})}. \quad (0.0.17)$$

## Statistical Inference

To draw the statistical inference about  $\theta$ , we construct the  $Z$ -statistic and corresponding confidence interval. Depending on the type of the effect size, the test statistic and confidence interval limits will be formulated in different ways.

### Risk Difference

The observed test statistic is estimated by

$$Z = \frac{\hat{\theta}_{\text{MH}} - \theta_0}{se(\hat{\theta}_{\text{MH}})}, \quad (0.0.18)$$

where  $\hat{\theta}_{\text{MH}}$  and  $se(\hat{\theta}_{\text{MH}})$  are estimated by Equation (0.0.1) and (0.0.3), respectively. Under the null hypothesis  $\theta = \theta_0$ , where  $\theta_0 = 0$  by default, the test statistic  $Z$  follows the standard normal distribution. Thus, the two-sides significance is computed by

$$2 \times [1 - \text{CDFNORM}(|Z|)], \quad (0.0.19)$$

where  $Z$  is estimated by Equation (0.0.18). The lower and upper confidence limit of  $\theta$  are determined by

$$\hat{\theta}_{\text{MH}} \pm \text{IDF.NORMAL}(1 - \alpha/2, 0, 1) se(\hat{\theta}_{\text{MH}}), \quad (0.0.20)$$

where  $\hat{\theta}_{\text{MH}}$  and  $se(\hat{\theta}_{\text{MH}})$  are estimated by Equation (0.0.1) and (0.0.3), respectively.

### Risk Ratio

The observed test statistic is estimated by

$$Z = \frac{\log \hat{\theta}_{MH} - \log \theta_0}{se(\log \hat{\theta}_{MH})}, \quad (0.0.21)$$

where  $\hat{\theta}_{MH}$  and  $se(\log \hat{\theta}_{MH})$  are estimated by Equation (0.0.5) and (0.0.7), respectively. Under the null hypothesis  $\theta = \theta_0$ , where  $\theta_0 = 1$  by default, the test statistic  $Z$  follows the standard normal distribution. Thus, the two-sides significance is computed by

$$2 \times [1 - \text{CDFNORM}(|Z|)], \quad (0.0.22)$$

where  $Z$  is estimated by Equation (0.0.21). The lower and upper confidence limit of  $\log \theta$  are determined by

$$l_{RR} = \log \hat{\theta}_{MH} - \text{IDF.NORMAL}(1 - \alpha/2, 0, 1) se(\log \hat{\theta}_{MH}) \quad (0.0.23)$$

and

$$u_{RR} = \log \hat{\theta}_{MH} + \text{IDF.NORMAL}(1 - \alpha/2, 0, 1) se(\log \hat{\theta}_{MH}) \quad (0.0.24)$$

where  $\hat{\theta}_{MH}$  and  $se(\log \hat{\theta}_{MH})$  are estimated by Equation (0.0.5) and (0.0.7), respectively. Thus, the lower and upper confidence limit of  $\theta$  are determined by

$$l'_{RR} = \exp \{ \hat{l}_{RR} \} \quad \text{and} \quad u'_{RR} = \exp \{ \hat{u}_{RR} \}, \quad (0.0.25)$$

where  $l_{RR}$  and  $u_{RR}$  are estimated by Equation (0.0.23) and (0.0.24), respectively.

### Odds Ratio

The observed test statistic is estimated by

$$Z = \frac{\log \hat{\theta}_{MH} - \log \theta_0}{se(\log \hat{\theta}_{MH})}, \quad (0.0.26)$$

where  $\hat{\theta}_{MH}$  and  $se(\log \hat{\theta}_{MH})$  are estimated by Equation (0.0.9) and (0.0.11), respectively. Under the null hypothesis  $\theta = \theta_0$ , where  $\theta_0 = 1$  by default, the test statistic  $Z$  follows the standard normal distribution. Thus, the two-sides significance is computed by

$$2 \times [1 - \text{CDFNORM}(|Z|)], \quad (0.0.27)$$

where  $Z$  is estimated by Equation (0.0.26). The lower and upper confidence limit of  $\log \theta$  are determined by

$$l_{OR} = \log \hat{\theta}_{MH} - \text{IDF.NORMAL}(1 - \alpha/2, 0, 1) se(\log \hat{\theta}_{MH}) \quad (0.0.28)$$

and

$$u_{OR} = \log \hat{\theta}_{MH} + \text{IDF.NORMAL}(1 - \alpha/2, 0, 1) se(\log \hat{\theta}_{MH}) \quad (0.0.29)$$

where  $\hat{\theta}_{MH}$  and  $se(\log \hat{\theta}_{MH})$  are estimated by Equation (0.0.9) and (0.0.11), respectively. Thus, the lower and upper confidence limit of  $\theta$  are determined by

$$l'_{OR} = \exp \{ \hat{l}_{OR} \} \quad \text{and} \quad u'_{OR} = \exp \{ \hat{u}_{OR} \}, \quad (0.0.30)$$

where  $l_{OR}$  and  $u_{OR}$  are estimated by Equation (0.0.28) and (0.0.29), respectively.

## Peto's Odds Ratio

The observed test statistic is estimated by

$$Z = \frac{\log \hat{\theta}_{\text{Peto}} - \log \theta_0}{se(\log \hat{\theta}_{\text{Peto}})}, \quad (0.0.31)$$

where  $\log \hat{\theta}_{\text{Peto}}$  and  $se(\log \hat{\theta}_{\text{Peto}})$  are estimated by Equation (0.0.14) and (0.0.16), respectively. Under the null hypothesis  $\theta = \theta_0$ , where  $\theta_0 = 1$  by default, the test statistic  $Z$  follows the standard normal distribution. Thus, the two-sides significance is computed by

$$2 \times [1 - \text{CDFNORM}(|Z|)], \quad (0.0.32)$$

where  $Z$  is estimated by Equation (0.0.31). The lower and upper confidence limit of  $\log \theta$  are determined by

$$l_{\text{Peto}} = \log \hat{\theta}_{\text{Peto}} - \text{IDF.NORMAL}(1 - \alpha/2, 0, 1) se(\log \hat{\theta}_{\text{Peto}}) \quad (0.0.33)$$

and

$$u_{\text{Peto}} = \log \hat{\theta}_{\text{Peto}} + \text{IDF.NORMAL}(1 - \alpha/2, 0, 1) se(\log \hat{\theta}_{\text{Peto}}) \quad (0.0.34)$$

where  $\log \hat{\theta}_{\text{Peto}}$  and  $se(\log \hat{\theta}_{\text{Peto}})$  are estimated by Equation (0.0.14) and (0.0.16), respectively. Thus, the lower and upper confidence limit of  $\theta$  are determined by

$$l'_{\text{Peto}} = \exp \{l_{\text{Peto}}\} \quad \text{and} \quad u'_{\text{Peto}} = \exp \{u_{\text{Peto}}\}, \quad (0.0.35)$$

where  $l_{\text{Peto}}$  and  $u_{\text{Peto}}$  are estimated by Equation (0.0.33) and (0.0.34), respectively.

## Homogeneity Test

The methods discussed in Section and estimate  $\theta$  by pooling estimates from each study. This actually assumes the homogeneity of the population effect sizes across the studies, which could be tested by using the following procedure. For the common-effect model, we desire to test the null hypothesis  $H_0 : \theta_1 = \theta_2 = \dots = \theta_N$  versus the alternative hypothesis that at least one pair of the effect sizes is not equal.

## Risk Difference

To test the hypothesis, we construct the test statistic

$$Q = \sum_{k=1}^N w_k (\hat{\theta}_k - \hat{\theta}_{\text{MH}})^2, \quad (0.0.36)$$

where  $\hat{\theta}_k$  is the point estimation of the risk difference for the  $k$ -th primary study;  $\hat{\theta}_{\text{MH}}$  is estimated by Equation (0.0.1); and

$$w_k = \left( \frac{a_k b_k}{n_{1k}^3} + \frac{c_k d_k}{n_{2k}^3} \right)^{-1}. \quad (0.0.37)$$

Under the null hypothesis that all studies share the common population effect size, the test statistic  $Q$  follows the chi-square distribution with

$$df = N - 1 \quad (0.0.38)$$

degrees of freedom. Thus, the associated  $p$ -value is computed by

$$1 - \text{CDF.CHISQ}(Q, df), \quad (0.0.39)$$

where  $Q$  and  $df$  are estimated by Equation (0.0.36) and (0.0.38), respectively.

### Risk Ratio

To test the hypothesis, we construct the test statistic

$$Q = \sum_{k=1}^N w_k (\log \hat{\theta}_k - \log \hat{\theta}_{\text{MH}})^2, \quad (0.0.40)$$

where  $\log \hat{\theta}_k$  is the point estimation of the log risk ratio for the  $k$ -th primary study;  $\hat{\theta}_{\text{MH}}$  is estimated by Equation (0.0.5); and

$$w_k = \left( \frac{1}{a_k} + \frac{1}{c_k} - \frac{1}{n_{1k}} - \frac{1}{n_{2k}} \right)^{-1}. \quad (0.0.41)$$

Under the null hypothesis that all studies share the common population effect size, the test statistic  $Q$  follows the chi-square distribution. The associated  $p$ -value is computed by Equation (0.0.39), where  $Q$  and  $df$  are estimated by Equation (0.0.40) and (0.0.38), respectively.

### Odds Ratio

To test the hypothesis, we construct the test statistic

$$Q = \sum_{k=1}^N w_k (\log \hat{\theta}_k - \log \hat{\theta}_{\text{MH}})^2, \quad (0.0.42)$$

where  $\log \hat{\theta}_k$  is the point estimation of the log odds ratio for the  $k$ -th primary study;  $\hat{\theta}_{\text{MH}}$  is estimated by Equation (0.0.9); and

$$w_k = \left( \frac{1}{a_k} + \frac{1}{b_k} + \frac{1}{c_k} + \frac{1}{d_k} \right)^{-1}. \quad (0.0.43)$$

Under the null hypothesis that all studies share the common population effect size, the test statistic  $Q$  follows the chi-square distribution. The associated  $p$ -value is computed by Equation (0.0.39), where  $Q$  and  $df$  are estimated by Equation (0.0.40) and (0.0.38), respectively.

### Peto's Odds Ratio

To test the hypothesis, we construct the test statistic

$$Q = \sum_{k=1}^N w_k (\log \hat{\theta}_k - \log \hat{\theta}_{\text{Peto}})^2, \quad (0.0.44)$$

where  $\log \hat{\theta}_k$  is the point estimation of the log Peto's odds ratio for the  $k$ -th primary study;  $\log \hat{\theta}_{\text{Peto}}$  is estimated by Equation (0.0.14); and  $w_k$  is estimated by Equation (0.0.15). Under the null hypothesis that all studies share the common population effect size, the test statistic  $Q$  follows the chi-square distribution. The associated  $p$ -value is computed by Equation (0.0.39), where  $Q$  and  $df$  are estimated by Equation (0.0.44) and (0.0.38), respectively.

### Heterogeneity Measures

Given the  $Q$ -statistic estimated by Equation (0.0.36), (0.0.40), (0.0.42), or (0.0.44), the heterogeneity measures are defined by the following two metrics as proposed by [?].

$$H^2 = \frac{Q}{N-1} \quad (0.0.45)$$

and

$$I^2 = \begin{cases} 100 \times \left[ \frac{Q - (N-1)}{Q} \right] \% & \text{if } Q > N-1 \\ 0 & \text{otherwise} \end{cases}. \quad (0.0.46)$$

Note that  $I^2$  is expressed as a percentile if  $Q > N - 1$ .

To estimate the confidence interval of  $H^2$ , we first take the square root of Equation (0.0.45) to get  $H$ , and then estimate the lower limit

$$L_H = \{\exp[\log H - \text{IDF.NORMAL}(1 - \alpha/2, 0, 1) \text{se}(\log H)]\}^2 \quad (0.0.47)$$

and upper limit

$$U_H = \{\exp[\log H + \text{IDF.NORMAL}(1 - \alpha/2, 0, 1) \text{se}(\log H)]\}^2, \quad (0.0.48)$$

respectively, where

$$\text{se}(\log H) = \begin{cases} \frac{1}{2} \frac{\log Q - \log(N-1)}{\sqrt{2Q} - \sqrt{2N-3}} & \text{if } Q > N \\ \sqrt{\frac{1}{2(N-2)} \left[1 - \frac{1}{3(N-2)^2}\right]} & \text{otherwise} \end{cases}, \quad (0.0.49)$$

where  $Q$  is estimated by Equation (0.0.36), (0.0.40), (0.0.42), or (0.0.44). Finally, by rewriting  $I^2 = 1 - 1/H^2$ , we can estimate the confidence interval of  $I^2$  by calculating

$$L_I = \max\left\{0, 1 - \frac{1}{L_H}\right\} \quad \text{and} \quad U_I = \max\left\{0, 1 - \frac{1}{U_H}\right\}, \quad (0.0.50)$$

where  $L_I$  and  $U_H$  are estimated by Equation (0.0.47) and (0.0.48), respectively.

## Contrast Test

Let  $\mathbf{c} = (y_1, y_2, \dots, y_N)$  denote the user-supplied coefficients to formulate a contrast in the procedure. Theoretically, a valid contrast should satisfy that  $\sum_{k=1}^N y_k = 0$ . However, in estimating the effect size for the contrast, we simply ignore this restriction. The coefficients could be either inputted by users or stored as variables in the active data set. If keyed in by users, to formulate a valid user-supplied contrast, we require that the number of the coefficients match the number of the studies in meta-analysis after those studies with missing values or invalid variance values removed. Only valid contrasts will be analyzed by the method discussed later in this section. If specified by variables, multiple contrasts within the same procedure are allowed.

## Risk Difference

Considering a contrast formulated by a linear combination of group risk differences  $\gamma = \sum_{k=1}^N y_k \theta_k$ , we estimate

$$\hat{\gamma} = \sum_{k=1}^N y_k \hat{\theta}_k, \quad (0.0.51)$$

where  $\hat{\theta}_k$  is the point estimation of the risk difference for the  $k$ -th primary study, and

$$\mathbb{V}(\hat{\gamma}) = \sum_{k=1}^N y_k^2 \left( \frac{a_k b_k}{n_{1k}^3} + \frac{c_k d_k}{n_{2k}^3} \right). \quad (0.0.52)$$

We construct the test statistic

$$Z_y = \frac{\hat{\gamma}}{\sqrt{\mathbb{V}(\hat{\gamma})}}, \quad (0.0.53)$$

where  $\hat{\gamma}$  and  $\mathbb{V}(\hat{\gamma})$  are estimated by Equation (0.0.51) and (0.0.52), respectively. Under the null hypothesis that  $\gamma = 0$ , the test statistic  $Z_y$  follows the standard normal distribution. Thus, the two-sides significance is computed by

$$2 \times [1 - \text{CDFNORM}(|Z_y|)]. \quad (0.0.54)$$

The lower and upper confidence limit of  $\gamma$  are determined by

$$\hat{\gamma} \pm \text{IDF.NORMAL}(1 - \alpha/2, 0, 1) \sqrt{\mathbb{V}(\hat{\gamma})}, \quad (0.0.55)$$

where  $\hat{\gamma}$  and  $\mathbb{V}(\hat{\gamma})$  are estimated by Equation (0.0.51) and (0.0.52), respectively.

### Risk Ratio

Considering a contrast formulated by a linear combination of group log risk ratios  $\gamma = \sum_{k=1}^N y_k \log \theta_k$ , we estimate

$$\hat{\gamma} = \sum_{k=1}^N y_k \log \hat{\theta}_k, \quad (0.0.56)$$

where  $\log \hat{\theta}_k$  is the point estimation of the log risk ratio for the  $k$ -th primary study, and

$$\mathbb{V}(\hat{\gamma}) = \sum_{k=1}^N y_k^2 \left( \frac{1}{a_k} + \frac{1}{c_k} - \frac{1}{n_{1k}} - \frac{1}{n_{2k}} \right). \quad (0.0.57)$$

We construct the test statistic

$$Z_y = \frac{\hat{\gamma}}{\sqrt{\mathbb{V}(\hat{\gamma})}}, \quad (0.0.58)$$

where  $\hat{\gamma}$  and  $\mathbb{V}(\hat{\gamma})$  are estimated by Equation (0.0.56) and (0.0.57), respectively. Under the null hypothesis that  $\gamma = 0$ , the test statistic  $Z_y$  follows the standard normal distribution. Thus, the two-sides significance is computed by

$$2 \times [1 - \text{CDFNORM}(|Z_y|)]. \quad (0.0.59)$$

The lower and upper confidence limit of  $\gamma$  are determined by

$$\hat{\gamma} \pm \text{IDF.NORMAL}(1 - \alpha/2, 0, 1) \sqrt{\mathbb{V}(\hat{\gamma})}, \quad (0.0.60)$$

where  $\hat{\gamma}$  and  $\mathbb{V}(\hat{\gamma})$  are estimated by Equation (0.0.56) and (0.0.57), respectively.

### Odds Ratio

Considering a contrast formulated by a linear combination of group log odds ratios  $\gamma = \sum_{k=1}^N y_k \log \theta_k$ , we estimate

$$\hat{\gamma} = \sum_{k=1}^N y_k \log \hat{\theta}_k, \quad (0.0.61)$$

where  $\log \hat{\theta}_k$  is the point estimation of the log odds ratio for the  $k$ -th primary study, and

$$\mathbb{V}(\hat{\gamma}) = \sum_{k=1}^N y_k^2 \left( \frac{1}{a_k} + \frac{1}{b_k} + \frac{1}{c_k} + \frac{1}{d_k} \right). \quad (0.0.62)$$

We construct the test statistic

$$Z_y = \frac{\hat{\gamma}}{\sqrt{\mathbb{V}(\hat{\gamma})}}, \quad (0.0.63)$$

where  $\hat{\gamma}$  and  $\mathbb{V}(\hat{\gamma})$  are estimated by Equation (0.0.61) and (0.0.62), respectively. Under the null hypothesis that  $\gamma = 0$ , the test statistic  $Z_y$  follows the standard normal distribution. Thus, the two-sides significance is computed by

$$2 \times [1 - \text{CDFNORM}(|Z_y|)]. \quad (0.0.64)$$

The lower and upper confidence limit of  $\gamma$  are determined by

$$\hat{\gamma} \pm \text{IDF.NORMAL}(1 - \alpha/2, 0, 1) \sqrt{\mathbb{V}(\hat{\gamma})}, \quad (0.0.65)$$

where  $\hat{\gamma}$  and  $\mathbb{V}(\hat{\gamma})$  are estimated by Equation (0.0.61) and (0.0.62), respectively.

### Peto's Odds Ratio

Considering a contrast formulated by a linear combination of group log Peto's odds ratios  $\gamma = \sum_{k=1}^N y_k \log \theta_k$ , we estimate

$$\hat{\gamma} = \sum_{k=1}^N y_k \log \hat{\theta}_k, \quad (0.0.66)$$

where  $\log \hat{\theta}_k$  is the point estimation of the log Peto's odds ratio for the  $k$ -th primary study, and

$$\mathbb{V}(\hat{\gamma}) = \sum_{k=1}^N y_k^2 \frac{n_k^2(n_k - 1)}{n_{1k}n_{2k}(a_k + c_k)(b_k + d_k)}. \quad (0.0.67)$$

We construct the test statistic

$$Z_y = \frac{\hat{\gamma}}{\sqrt{\mathbb{V}(\hat{\gamma})}}, \quad (0.0.68)$$

where  $\hat{\gamma}$  and  $\mathbb{V}(\hat{\gamma})$  are estimated by Equation (0.0.66) and (0.0.67), respectively. Under the null hypothesis that  $\gamma = 0$ , the test statistic  $Z_y$  follows the standard normal distribution. Thus, the two-sides significance is computed by

$$2 \times [1 - \text{CDFNORM}(|Z_y|)]. \quad (0.0.69)$$

The lower and upper confidence limit of  $\gamma$  are determined by

$$\hat{\gamma} \pm \text{IDF.NORMAL}(1 - \alpha/2, 0, 1) \sqrt{\mathbb{V}(\hat{\gamma})}, \quad (0.0.70)$$

where  $\hat{\gamma}$  and  $\mathbb{V}(\hat{\gamma})$  are estimated by Equation (0.0.66) and (0.0.67), respectively.

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## Meta Analysis: Continuous Outcomes Algorithms

Meta-analysis is the statistical analysis of a collection of the results from different studies for the purpose of integrating the findings [DerSimonian and Laird, 1986]. Combining the findings across the studies tend to strengthen the evidence about the treatment efficacy in clinical trials. In this document, we discuss how to build fixed-effects or common-effect models to combine the effect sizes estimated across the primary studies with continuous outcomes.

### Notations and Settings

The following notations will be used in Section 2 unless otherwise stated.

- $\hat{\theta}$ : Variable denoting the estimate of the population effect size.
- $\hat{\sigma}^2$ : Variable denoting the estimate of the within-study variance of  $\hat{\theta}$ .
- $N$ : Number of valid cases (or primary studies) in the data set, with each denoting an independent study.
- $k$ : Study index, and  $k$  is an integer, where  $1 \leq k \leq N$ .
- $\hat{\theta}_k$ : Observed value of  $\hat{\theta}$  for the  $k$ -th primary study.
- $\hat{\sigma}_k^2$ : Observed value of  $\hat{\sigma}^2$  for the  $k$ -th primary study, and  $\hat{\sigma}_k^2 > 0$ .
- $\theta_0$ : Test value formulated by the null hypothesis. Note that  $\theta_0$  may take any real numbers, and we set  $\theta_0 = 0$  by default.
- $\alpha$ : The significance level to reflect the type I error, and  $\alpha \in (0, 1)$ .

Note that  $\hat{\theta}$  may also denote the estimated log odds ratio, log Peto's odds ratio, log risk ratio, or risk difference. Despite these statistics estimated based upon binary outcomes, the methods discussed in the following sections could also be applied to them.

Let  $\theta$  denote the unknown parameter of the population effect size, and  $\theta_k$  the population effect size of the  $k$ -th primary study. The corresponding estimated effect size  $\hat{\theta}$  and  $\hat{\theta}_k$  may be either provided in the active data set or estimated by the algorithm discussed in "Effect size for meta-analysis.pdf."

Let  $\hat{\sigma}$  denote the estimate of the standard error of  $\hat{\theta}$ , which may be either provided or estimated. If provided in the active data set as a certain variable, we allow the form expressed in either the standard error  $\hat{\sigma}_k$  or the variance  $\hat{\sigma}_k^2$ .

### Fixed-effects or Common-effect Models

Considering

$$\hat{\theta}_k = \theta + \epsilon_k, \quad (0.0.1)$$

where  $\theta$  is fixed while  $\epsilon_k$ 's are the random sampling errors, we are interested in drawing statistical inference about  $\theta$  with the information collected from the  $N$  primary studies. If Model (2.1) represents the fixed-effects model, it assumes that different primary studies have difference but fixed effect sizes, or  $\theta_1 \neq \theta_2 \neq \dots \neq \theta_N$ , and  $\hat{\theta}$  estimates the average of  $\theta_k$ 's. If Model (2.1) represents the common-effect model, it assumes a common effect size is true for all the primary studies, and  $\hat{\theta}$  estimates the true parameter  $\theta$ . Note that the fix-effects model and common-effect model share the same computation method. The following method, proposed by [Hedges and Vevea, 1998], is based on the assumption that

$$\epsilon_k \sim \text{Normal}(\theta, \sigma_k^2), \quad (0.0.2)$$

for any  $1 \leq k \leq N$ .

### Overall Mean Effect Size

The approach in this section is based on the inverse-variance methods for combining the results across the primary studies. Note that the precision, or the weight of the  $k$ -th study is

$$w_k = \frac{1}{\hat{\sigma}_k^2}. \quad (0.0.3)$$

The weighted mean that minimizes the variance, also the maximum-likelihood estimator of  $\theta$ , is

$$\hat{\theta} = \frac{\sum_{k=1}^N w_k \hat{\theta}_k}{\sum_{k=1}^N w_k}, \quad (0.0.4)$$

where  $w_k$  is defined by Equation (2.3). The sampling variance of  $\hat{\theta}$  is

$$\mathbb{V}(\hat{\theta}) = \frac{1}{\sum_{k=1}^N w_k}, \quad (0.0.5)$$

where  $w_k$  is defined by Equation (2.3). The standard error of  $\hat{\theta}$  is the square root of Equation (2.5), or

$$se(\hat{\theta}_w) = \sqrt{\mathbb{V}(\hat{\theta})}. \quad (0.0.6)$$

To draw the statistical inference about  $\theta$ , we construct the test statistic

$$Z = \frac{\hat{\theta} - \theta_0}{se(\hat{\theta})}, \quad (0.0.7)$$

where  $\hat{\theta}$  and  $se(\hat{\theta})$  are estimated by Equation (2.4) and (2.6), respectively. Under the null hypothesis  $\theta = \theta_0$ , the test statistic  $Z$  follows the standard normal distribution. Thus, the two-sides significance is computed by<sup>1</sup>

$$2 \times [1 - \text{CDFNORM}(|Z|)], \quad (0.0.8)$$

where  $Z$  is estimated by Equation (2.8). The lower and upper confidence limit of  $\theta$  are determined by<sup>2</sup>

$$\hat{\theta} \pm \text{IDF.NORMAL}(1 - \alpha/2, 0, 1) se(\hat{\theta}), \quad (0.0.9)$$

where  $\hat{\theta}$  and  $se(\hat{\theta})$  are estimated by Equation (2.4) and (2.6), respectively.

### Homogeneity Test

The method discussed in Section 2.1 estimates  $\theta$  by pooling estimates from each study. This actually assumes the homogeneity of the population effect sizes across the studies, which could be tested by using the following procedure.

For the common-effect model, we desire to test the null hypothesis  $H_0 : \theta_1 = \theta_2 = \dots = \theta_N$  versus the alternative hypothesis that at least one pair of the effect sizes is not equal. To test the hypothesis, we construct the test statistic

$$Q = \sum_{k=1}^N w_k (\hat{\theta}_k - \hat{\theta})^2, \quad (0.0.10)$$

---

<sup>1</sup> `CDFNORM(zvalue)` returns the probability that a random variable with mean 0 and standard deviation 1 is less than `zvalue`.

<sup>2</sup> `IDF.NORMAL(prob, mean, stddev)` returns the value from the normal distribution, with specified mean and standard deviation, for which the cumulative probability is `prob`.

where  $w_k$  and  $\hat{\theta}$  are estimated by Equation (2.3) and (2.4), respectively. Under the null hypothesis that all studies share the common population effect size, the test statistic  $Q$  follows the chi-square distribution with

$$df = N - 1 \quad (0.0.11)$$

degrees of freedom. Thus, the associated  $p$ -value is computed by<sup>3</sup>

$$1 - \text{CDF.CHISQ}(Q, df), \quad (0.0.12)$$

where  $Q$  and  $df$  are estimated by Equation (2.10) and (2.11), respectively.

### Heterogeneity Measures

Given the  $Q$ -statistic estimated by Equation (2.12), the heterogeneity measures are defined by the following two metrics as proposed by [Higgins and Thompson, 2002].

$$H^2 = \frac{Q}{N - 1} \quad (0.0.13)$$

and

$$I^2 = \begin{cases} 100 \times \left[ \frac{Q - (N - 1)}{Q} \right] \% & \text{if } Q > N - 1 \\ 0 & \text{otherwise} \end{cases} . \quad (0.0.14)$$

Note that  $I^2$  is expressed as a percentile if  $Q > N - 1$ .

To estimate the confidence interval of  $H^2$ , we first take the square root of Equation (2.13) to get  $H$ , and then estimate the lower limit

$$L_H = \{\exp[\log H - \text{IDF.NORMAL}(1 - \alpha/2, 0, 1) \text{ se}(\log H)]\}^2 \quad (0.0.15)$$

and upper limit

$$U_H = \{\exp[\log H + \text{IDF.NORMAL}(1 - \alpha/2, 0, 1) \text{ se}(\log H)]\}^2, \quad (0.0.16)$$

respectively, where

$$\text{se}(\log H) = \begin{cases} \frac{1}{2} \frac{\log Q - \log(N - 1)}{\sqrt{2Q} - \sqrt{2N - 3}} & \text{if } Q > N \\ \sqrt{\frac{1}{2(N - 2)} \left[ 1 - \frac{1}{3(N - 2)^2} \right]} & \text{otherwise} \end{cases}, \quad (0.0.17)$$

where  $Q$  is estimated by Equation (2.10). Finally, by rewriting  $I^2 = 1 - 1/H^2$ , we can estimate the confidence interval of  $I^2$  by calculating

$$L_I = \max \left\{ 0, 1 - \frac{1}{L_H} \right\} \quad \text{and} \quad U_I = \max \left\{ 0, 1 - \frac{1}{U_H} \right\}, \quad (0.0.18)$$

where  $L_I$  and  $U_I$  are estimated by Equation (2.15) and (2.16), respectively.

### Contrast Test

Let  $\mathbf{c} = (c_1, c_2, \dots, c_N)$  denote the user-supplied coefficients to formulate a contrast in the procedure. Theoretically, a valid contrast should satisfy that  $\sum_{k=1}^N c_k = 0$ . However, in estimating the effect size for the contrast, we simply ignore this restriction. The coefficients could be either inputted by users or stored as variables in the active data set. If keyed in by users, to formulate a valid user-supplied contrast, we require that the number of the coefficients match the number of the studies in meta-analysis after those

<sup>3</sup> CDF.CHISQ(*quant*, *df*) returns the cumulative probability that a value from the chi-square distribution, with *df* degrees of freedom, will be less than *quant*.

studies with missing values or invalid variance values removed. Only valid contrasts will be analyzed by the method discussed later in this section. If specified by variables, multiple contrasts within the same procedure are allowed.

Considering a contrast formulated by a linear combination of group means  $\gamma_c = \sum_{k=1}^N c_k \theta_k$ , we desire to test  $\gamma_c = 0$ . By noting that the contrast parameter specified by  $\mathbf{c}$  is estimated by the sample contrast

$$\hat{\gamma}_c = \sum_{k=1}^N c_k \hat{\theta}_k, \quad (0.0.19)$$

which has a normal sampling distribution with variance

$$\mathbb{V}(\hat{\gamma}_c) = \sum_{k=1}^N c_k^2 \hat{\sigma}_k^2, \quad (0.0.20)$$

we construct the test statistic

$$Z_c = \frac{\hat{\gamma}_c}{\sqrt{\mathbb{V}(\hat{\gamma}_c)}}, \quad (0.0.21)$$

where  $\hat{\gamma}_c$  and  $\mathbb{V}(\hat{\gamma}_c)$  are estimated by Equation (3.1) and (3.2), respectively. Under the null hypothesis that  $\gamma_c = 0$ , the test statistic  $Z_c$  follows the standard normal distribution. Thus, the two-sides significance is computed by

$$2 \times [1 - \text{CDFNORM}(|Z_c|)]. \quad (0.0.22)$$

The lower and upper confidence limit of  $\gamma_c$  are determined by

$$\hat{\gamma}_c \pm \text{IDF.NORMAL}(1 - \alpha/2, 0, 1) \sqrt{\mathbb{V}(\hat{\gamma}_c)}, \quad (0.0.23)$$

where  $\hat{\gamma}_c$  and  $\mathbb{V}(\hat{\gamma}_c)$  are estimated by Equation (3.1) and (3.2), respectively.

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# Meta Analysis: Meta Regression Algorithms

## Introduction

Meta-regression is to build a linear regression model between the effect size and the covariate. The target or the dependent variable is the effect size, and the predictors are the covariates which are also called moderators and recorded as the study level, for example, the study location, study test environment and drug administration method. The goal of the meta-regression is to explore and explain the between-study heterogeneity (difference in the true effect size of the individual studies) as a function of moderators.

In this document, two types of meta-regression models are discussed: fixed-effects (FE) meta-regression and random-effects (RE) meta-regression. A FE meta-regression assumes that all heterogeneity between study effect sizes can be accounted for by the included moderators. A RE meta-regression accounts for potential additional variability unexplained by the included moderators, also known as residual heterogeneity.

## General Notations

The following notation is used throughout the document unless otherwise stated:

$N$	Number of distinct records in the dataset. It is an integer and $n \geq 1$ .
$\theta_j$	The effect size of the $j^{\text{th}}$ study.
$\sigma_j$	The standard error of the effect size for the $j^{\text{th}}$ study.
$\boldsymbol{\theta}$	$N \times 1$ vector of consists of effect sizes $\theta_j, j = 1, 2 \dots, N$
$p$	Number of parameters (including parameters for dummy variables) in the model.
$p^*$	Number of non-redundant parameters in the model.
$\mathbf{x}_j$	$1 \times p$ vector of moderators for the $i^{\text{th}}$ study, $\mathbf{x}_j = (x_{j1}, \dots, x_{jp})$ . If intercept is included in the model, then $x_{j1} = 1$ .
$X$	$N \times p$ matrix, the $j^{\text{th}}$ row is $\mathbf{x}_j$ .
$\boldsymbol{\beta}$	$p \times 1$ vector of regression coefficients, $\boldsymbol{\beta} = (\beta_1, \dots, \beta_p)^T$ .
$\hat{\boldsymbol{\beta}}$	$p \times 1$ vector of estimated $\boldsymbol{\beta}$ , $\hat{\boldsymbol{\beta}} = (\hat{\beta}_1, \dots, \hat{\beta}_p)^T$ .
$\varepsilon_j$	The $j^{\text{th}}$ unobserved errors.
$\phi$	Multiplicative dispersion parameter.
$u_j$	The $j^{\text{th}}$ random-effects term.
$\tau^2$	Between study variance.

Please note that meta-regression support both continuous and categorical moderator. Therefore, each element of  $x_{j1}, x_{j2}, \dots, x_{jp}$  in  $\mathbf{x}_j$  may be a value from continuous moderator or from a categorical moderator by one hot encoding.

## Fixed-effects meta-regression

A FE meta-regression is given by

$$\theta_j = \mathbf{x}_j \boldsymbol{\beta} + \varepsilon_j \quad (3.1)$$

weighted by  $w_j = \frac{1}{\sigma_j^2}$ , and  $\varepsilon_j \sim N(0, \sigma_j^2)$ .

The regression coefficients can be estimated as

$$\hat{\boldsymbol{\beta}} = (\mathbf{X}^T \mathbf{W} \mathbf{X})^{-1} \mathbf{X}^T \mathbf{W} \boldsymbol{\theta} \quad (3.2)$$

where  $\mathbf{W} = \text{diag}(w_1, \dots, w_N)$ .

The FE regression does not account for the residual heterogeneity. This can lead to standard errors of coefficients too small. Thompson and Sharp (1999) incorporated residual heterogeneity into the model by including a multiplicative dispersion parameter. The model can be described as

$$\theta_j = \mathbf{x}_j \boldsymbol{\beta} + \varepsilon_j^\phi \quad (3.3)$$

weighted by  $w_j^\phi = \frac{1}{\phi \sigma_j^2}$  and  $\varepsilon_j^\phi \sim N(0, \phi \sigma_j^2)$ .

The regression coefficients estimates are the same as (3.2), but the standard errors of coefficients and related tests will be different, which will be discussed later.

## Coefficients and statistical inference

If the FE meta regression model (3.1) is used, the following statistics should be computed and output

- The number of observations:  $N$
- Coefficients:  $\hat{\beta}_j, j = 1, \dots, p$
- Standard error of  $\hat{\beta}_j$ :  $\sigma_{\hat{\beta}_j}$ , the square root of the  $j$ th diagonal elements of the matrix  $(\mathbf{X}^T \mathbf{W} \mathbf{X})^{-1}$ ,  $j = 1, \dots, p$ .
- Individual coefficient test  
The null hypothesis  $H_0: \hat{\beta}_j = 0$ , and the alternative hypothesis  $H_0: \hat{\beta}_j \neq 0$   
Z statistics:

$$z_j = \frac{\hat{\beta}_j}{\sigma_{\hat{\beta}_j}}, j = 1, \dots, p$$

p-value:

$$P_j = 2 \times (1 - \text{prob}(z \leq |z_j|)), j = 1, \dots, p,$$

where  $z$  is random variable following the standard normal distribution.

- 100(1 -  $\alpha$ )% confidence intervals

$$\left( \hat{\beta}_j - \sigma_{\hat{\beta}_j} * z_{1-\frac{\alpha}{2}}, \hat{\beta}_j + \sigma_{\hat{\beta}_j} * z_{1-\frac{\alpha}{2}} \right)$$

where  $z_p$  is the (100p) th percentile of the standard normal distribution.

- Model coefficient test

The test is used to test that all coefficients other than the intercept are equal to zero, i.e., the null hypothesis and alternative hypothesis are

$$H_0: \hat{\beta}_2 = \hat{\beta}_3 = \dots \hat{\beta}_p = 0, H_1: \text{at least there is one } \hat{\beta}_j \neq 0$$

The Wald Chi-Square test statistic is construct as

$$\chi_{Wald}^2 = \hat{\beta}^T L^T (L(X^T W X)^{-1} L^T)^{-1} L \hat{\beta}$$

where  $\hat{\beta} = (\hat{\beta}_1, \hat{\beta}_2, \dots, \hat{\beta}_p)^T$ ,  $L = [\mathbf{0}_{(p-1) \times 1}, \mathbf{I}_{(p-1) \times (p-1)}]$  if the intercept is included in the model, otherwise  $L = \mathbf{I}_{p \times p}$ . The  $\mathbf{0}_{(p-1) \times 1}$  is  $(p-1) \times 1$  vector with all elements being 0, and  $\mathbf{I}_{(p-1) \times (p-1)}$  and  $\mathbf{I}_{p \times p}$  are  $(p-1) \times (p-1)$  and  $p \times p$  identity matrix, respectively. The p-value is computed as

$$P = 1 - \text{prob}(\chi_{df}^2 \leq \chi_{Wald}^2)$$

Where  $\chi_{df}^2$  is a random variable following the chi-square distribution with degree of freedom being  $df$ . If the intercept is included in the model, then  $df = p^* - 1$ , otherwise,  $df = p^*$ .

If there is no coefficient other than intercept, the model coefficient test will not be performed.

- Residual homogeneity test:  
The test of null hypothesis and alternative hypothesis are

$$H_0: \text{residuals are homogeneity vs } H_1: \text{heterogeneity presents in residual}$$

The test statistic is

$$Q_{res} = \sum_{j=1}^N \left( \frac{\theta_j - x_j \hat{\beta}}{\sigma_j} \right)^2$$

And the p-value is

$$P = 1 - \text{prob}(\chi_{N-p^*}^2 \leq Q_{res})$$

where  $\chi_{N-p^*}^2$  is a random variable following the chi-square distribution with degree of freedom being  $N - p^*$ . If  $N - p^* = 0$ , the p-value will be set to system missing.

- Residual heterogeneity measure

Two residual heterogeneity measure are defined as follows:

The  $H_{res}^2$  statistic is defined as

$$H_{res}^2 = \frac{Q_{res}}{N - p^*}$$

and

$$I_{res}^2 = \frac{H_{res}^2 - 1}{H_{res}^2} \times 100\%$$

If  $N - p^* = 0$  or  $Q_{res} = 0$ , then  $H_{res}^2$  is set to 1. And if  $I_{res}^2 < 0$ , then it is also set to 0.

If the FE meta regression model with multiplicative dispersion parameter is used, i.e. model (3.3) is requested by user, then we first build a FE meta regression model (3.1), and then estimate the multiplicative dispersion parameter:

$$\hat{\phi} = \frac{1}{N-p^*} \sum_{j=1}^N \left( \frac{\theta_j - x_j \hat{\beta}}{\sigma_j} \right)^2 \quad (3.4)$$

If  $N - p^* = 0$ , the  $\hat{\phi}$  is fixed to 1, and output a warning message:

*The multiply dispersion parameter cannot be computed because the degrees of freedom is zero. The multiply dispersion parameter is fixed at one instead.*

If  $\hat{\phi} = 0$ , the  $\hat{\phi}$  is fixed to 1, and output a warning message:

*The multiply dispersion parameter is estimated to be zero, and the standard error of parameters cannot be revised. The multiply dispersion parameter is fixed at one instead.*

After multiplicative dispersion parameter is estimated, the following statistics are computed and output:

- The number of observations: N
- The estimation of dispersion parameter:  $\hat{\phi}$
- Residual homogeneity test:

The test of null hypothesis and alternative hypothesis are

$$H_0: \phi = 1 \text{ vs } H_1: \phi \neq 1$$

The test statistic is

$$Q_{res} = \sum_{j=1}^N \left( \frac{\theta_j - x_j \hat{\beta}}{\sigma_j} \right)^2$$

And the p-value is

$$P = 1 - \text{prob}(\chi_{N-p^*}^2 \leq Q_{res})$$

where  $\chi_{N-p^*}^2$  is a random variable following the chi-square distribution with degree of freedom being  $N - p^*$ . If  $N - p^* = 0$ , the p-value will set to system missing.

- Coefficients:  $\hat{\beta}_j, j = 1, \dots, p$
- Standard error of  $\hat{\beta}_j$ :  $\sigma_{\hat{\beta}_j}^{\phi} = \sqrt{\hat{\phi}} \sigma_{\hat{\beta}_j}, j = 1, \dots, p$ , where  $\sigma_{\hat{\beta}_j}$  is standard error of  $\hat{\beta}_j$  without the multiplicative dispersion parameter
- Individual coefficient test

When the FE meta-regression model is built, then the Z statistic is used for the individual coefficient test.

$$z_j = \frac{\hat{\beta}_j}{\sigma_{\hat{\beta}_j}^{\phi}}, j = 1, \dots, p$$

The p-value:

$$P_j = 2 \times (1 - \text{prob}(z \leq |z_j|)), j = 1, \dots, p,$$

- $100(1 - \alpha)\%$  confidence internals

$$\left( \hat{\beta}_j - \sigma_{\hat{\beta}_j}^\phi * z_{1-\frac{\alpha}{2}}, \hat{\beta}_j + \sigma_{\hat{\beta}_j}^\phi * z_{1-\frac{\alpha}{2}} \right)$$

where  $z_p$  is the (100p)th percentile of the standard normal distribution.

- Model coefficient test

The Wald Chi-Square test statistic is

$$\chi_{Wald,\phi}^2 = \chi_{Wald}^2 / \phi$$

The p-value is

$$P = 1 - prob(\chi_{df}^2 \leq \chi_{Wald,\phi}^2)$$

If the intercept is included in the model, then  $df = p^* - 1$ , otherwise,  $df = p^*$ .

If there is no coefficient other than intercept, the model coefficient test will not be performed.

Note: if user specifies the t-distribution for the individual coefficients test and confidence intervals, then t statistics are computed like the Z statistics, but the p values and confidence intervals are based on t distribution with  $N - p^*$  degree of freedom.

## Predict

Based on the FE meta-regression model, the following predictions can be obtained for each study:

- Fitted value:  $\hat{\theta}_j = \mathbf{x}_j \hat{\boldsymbol{\beta}}$

- Standard error of fitted value:  $SE(\mathbf{x}_j \hat{\boldsymbol{\beta}}) = \sqrt{\mathbf{x}_j (\mathbf{X}^T \mathbf{W} \mathbf{X})^{-1} \mathbf{x}_j^T}$

- $100(1 - \alpha)\%$  the confidence interval for fitted values:

$$\left( \hat{\theta}_j - SE(\mathbf{x}_j \hat{\boldsymbol{\beta}}) * z_{1-\frac{\alpha}{2}}, \hat{\theta}_j + SE(\mathbf{x}_j \hat{\boldsymbol{\beta}}) * z_{1-\frac{\alpha}{2}} \right)$$

If the t distribution is specified, the confidence interval will be

$$\left( \hat{\theta}_j - SE(\mathbf{x}_j \hat{\boldsymbol{\beta}}) * t_{1-\frac{\alpha}{2}, N-p^*}, \hat{\theta}_j + SE(\mathbf{x}_j \hat{\boldsymbol{\beta}}) * t_{1-\frac{\alpha}{2}, N-p^*} \right)$$

- Residual:  $e_j = \theta_j - \hat{\theta}_j$

- Standard error of residual:  $SE(e_j) = \sqrt{\sigma_j^2 - \mathbf{x}_j (\mathbf{X}^T \mathbf{W} \mathbf{X})^{-1} \mathbf{x}_j^T}$

- Leverage:  $h_j = \frac{1}{\sigma_j^2} \mathbf{x}_j (\mathbf{X}^T \mathbf{W} \mathbf{X})^{-1} \mathbf{x}_j^T$

For the multiplicate fixed-effects meta-regression,  $\mathbf{W}$  will be replaced with  $\mathbf{W}^\phi = \text{diag}(w_1^\phi, w_2^\phi, \dots, w_N^\phi)$

## Random-effects meta-regression

Random-effects meta-regression model incorporates residual heterogeneity by including an additive between-study variance component  $u_j$ :

$$\theta_j = \mathbf{x}_j \boldsymbol{\beta} + u_j + \varepsilon_j \quad (4.1)$$

where  $u_j \sim N(0, \tau^2)$  and  $\varepsilon_j \sim N(0, \sigma_j^2)$ .

The regression coefficients can be estimated using weighted least squares,

$$\hat{\boldsymbol{\beta}} = (\mathbf{X}^T \mathbf{W}^{\hat{\tau}^2} \mathbf{X})^{-1} \mathbf{X}^T \mathbf{W}^{\hat{\tau}^2} \boldsymbol{\theta} \quad (4.2)$$

where  $\mathbf{W}^{\hat{\tau}^2} = \text{diag}\left(\frac{1}{\sigma_1^2 + \hat{\tau}^2}, \frac{1}{\sigma_2^2 + \hat{\tau}^2}, \dots, \frac{1}{\sigma_N^2 + \hat{\tau}^2}\right)$ , and  $\hat{\tau}^2$  is an estimate of the unknown value  $\tau^2$ . Seven methods are supported to estimate the  $\tau^2$  in the following sections based on the matrix

$$\mathbf{P} = \mathbf{W}^* - \mathbf{W}^* \mathbf{X} (\mathbf{X}^T \mathbf{W}^* \mathbf{X})^{-1} \mathbf{X}^T \mathbf{W}^* \quad (4.3)$$

where  $\mathbf{W}^*$  is a  $N \times N$  diagonal weight matrix whose elements can change from one estimator to another (Viechtbauer et al 2015).

## Estimate for $\tau^2$

### Noniterative methods for computing $\tau^2$

#### Hedges (HE) Estimator

Hedges (1983) proposed a method of moments estimator of  $\tau^2$  in the random-effects meta-analysis. When moderators are included in the model, the extension of the HE estimator (Raudenbush, 2009) can be written as

$$\hat{\tau}_{HE}^2 = \frac{\boldsymbol{\theta}^T \mathbf{P} \boldsymbol{\theta} - \text{tr}(\mathbf{P} \mathbf{W}^{-1})}{N - p^*} = \frac{\sum_{j=1}^N (\theta_j - \mathbf{x}_j \hat{\boldsymbol{\beta}}_{ols})^2 - \sum_{j=1}^N \sigma_j^2 (1 - h_j)}{N - p^*}$$

Where  $\mathbf{P}$  is defined by (4.3) with  $\mathbf{W}^* = \mathbf{I}$ ,  $\text{tr}(\cdot)$  is the trace of the matrix in the parenthesis,  $\hat{\boldsymbol{\beta}}_{ols} = (\mathbf{X}^T \mathbf{X})^{-1} \mathbf{X}^T \boldsymbol{\theta}$ , and  $h_j$  is the  $j$ th diagonal element of the hat matrix  $\mathbf{X} (\mathbf{X}^T \mathbf{X})^{-1} \mathbf{X}^T$ . It is possible that the  $\hat{\tau}_{HE}^2$  is negative, which is a value outside the parameter space of a variance component. In this case, the value is truncated to 0. Also, if  $N - p^* = 0$ , we set the  $\hat{\tau}_{HE}^2$  to 0

#### Hunter and Schmidt (HS) Estimator

Hunter and Schmidt (2004) proposed an estimator of  $\tau^2$  in the random-effect model, and the extension for this estimator when the moderators are included in the model is given by

$$\hat{\tau}_{HS}^2 = \frac{\boldsymbol{\theta}^T \mathbf{P} \boldsymbol{\theta} - N}{\text{tr}(\mathbf{W})} = \frac{\sum_{j=1}^N w_j (\theta_j - \mathbf{x}_j \hat{\boldsymbol{\beta}})^2 - N}{\sum_{j=1}^N w_j}$$

where  $\mathbf{P}$  is defined by (4.3) with  $\mathbf{W}^* = \mathbf{W}$ ,  $w_j = \frac{1}{\sigma_j^2}$ , and  $\hat{\boldsymbol{\beta}} = (\mathbf{X}^T \mathbf{W} \mathbf{X})^{-1} \mathbf{X}^T \mathbf{W} \boldsymbol{\theta}$ . When the  $\hat{\tau}_{HS}^2$  turns out negative, then it is truncated to 0.

### DerSimonian and Laird(DL) Estimator

The estimator proposed by DerSimonian and Laird(1986) for random-effects models. When including moderators in the model, the extension is given by

$$\hat{\tau}_{DL}^2 = \frac{\boldsymbol{\theta}^T \mathbf{P} \boldsymbol{\theta} - (N - p^*)}{tr(\mathbf{P})} = \frac{\sum_{j=1}^N w_j (\theta_j - \mathbf{x}_j \hat{\boldsymbol{\beta}})^2 - (N - p^*)}{\sum_{j=1}^N w_j (1 - h_j)}$$

Where  $\mathbf{P}$  is defined by (4.3) with  $\mathbf{W}^* = \mathbf{W}$ ,  $w_j = \frac{1}{\sigma_j^2}$ , and  $h_j$  is the  $j$ th diagonal element of the hat matrix  $\mathbf{X}(\mathbf{X}^T \mathbf{W} \mathbf{X})^{-1} \mathbf{X}^T \mathbf{W}$  and  $\hat{\boldsymbol{\beta}} = (\mathbf{X}^T \mathbf{W} \mathbf{X})^{-1} \mathbf{X}^T \mathbf{W} \boldsymbol{\theta}$ . A negative value of  $\hat{\tau}_{DL}^2$  is truncated to 0. And if the denominator  $tr(\mathbf{P}) = 0$ , then we also set the  $\hat{\tau}_{DL}^2$  to 0.

### Sidik and Jonkman(SJ) Estimator

The estimator is proposed by Sidik and Jonkman(2005). It can be computed by starting with an initial estimator of  $\tau^2$ , denoted by  $\hat{\tau}_0^2$  and given by

$$\hat{\tau}_0^2 = \frac{\sum_{j=1}^N (\theta_j - \bar{\theta})^2}{N}$$

where  $\bar{\theta} = \frac{1}{N} \sum_{j=1}^N \theta_j$ . Then the SJ estimator is defined as

$$\hat{\tau}_{DL}^2 = \frac{\boldsymbol{\theta}^T \mathbf{P} \boldsymbol{\theta}}{N - p^*} = \frac{\sum_{j=1}^N w_j^{SJ} (\theta_j - \mathbf{x}_j \hat{\boldsymbol{\beta}}_{SJ})^2}{N - p^*}$$

where  $\mathbf{P}$  is defined by (4.3) with  $\mathbf{W}^* = \text{diag}(w_1^{SJ}, \dots, w_N^{SJ})$ ,  $w_j^{SJ} = \frac{\hat{\tau}_0^2}{\sigma_j^2 + \hat{\tau}_0^2}$ ,  $\hat{\boldsymbol{\beta}}_{SJ} = (\mathbf{X}^T \mathbf{W}^* \mathbf{X})^{-1} \mathbf{X}^T \mathbf{W}^* \boldsymbol{\theta}$ .

Please note if  $N - p^*$ , we set the  $\hat{\tau}_{DL}^2$  to 0

### Iterative methods for computing $\tau^2$

There are three iterative methods to give an estimate of  $\tau^2$ . These methods start with an initial estimate of  $\tau^2$ , then the estimate is updated based on a factor  $\Delta$  in each iteration using the below formula

$$\hat{\tau}_{i+1}^2 = \hat{\tau}_i^2 + \Delta$$

where the  $\hat{\tau}_i^2$  is the estimate of  $\tau^2$  after the  $i$ th iteration. The factor  $\Delta$  is a function of  $\hat{\tau}_i^2$  and will be computed based on the estimation method.

The process is described as below:

**Step 1.** Input the maximum number of iterations  $M$  (default is 100), the maximum number of step halving  $J$  (default is 5), the threshold of convergency tolerance  $\varepsilon_\Delta$  (default is  $10^{-6}$ ).

**Step 2.** Let  $i = 0$

**Step 3.** Compute the initial value using Hedges estimator:  $\hat{\tau}_0^2 = \hat{\tau}_{HE}^2$ .

**Step 4.** Compute  $\Delta(\hat{\tau}_i^2)$  using the formula in the estimation method described later. If  $|\Delta(\hat{\tau}_i^2)| < \varepsilon_\Delta$ , then stop and output the  $\hat{\tau}_i^2$ .

**Step 5.** Let  $k = 0$ .

**Step 6.** Compute the  $\hat{\tau}_{i+1,k}^2 = \hat{\tau}_i^2 + \frac{1}{2^k} \Delta(\hat{\tau}_i^2)$ .

**Step 7.** If  $\hat{\tau}_{i+1,k}^2 \geq 0$ , then  $\hat{\tau}_{i+1}^2 = \hat{\tau}_{i+1,k}^2$ , and go to step 8. If  $\hat{\tau}_{i+1,k}^2 < 0$ , let  $k=k+1$ . If  $k > J$ , then stop and output the  $\hat{\tau}_i^2$ . Otherwise, go back to the step 6.

**Step 8.**  $i = i + 1$ . If  $i > M$ , then stop and output  $\hat{\tau}_{i-1}^2$ . Otherwise, go to the step 4.

### Maximum Likelihood (ML) Estimator

The ML estimate of  $\tau^2$  is the value that maximizes the log-likelihood function

$$\ln L_{ML}(\tau^2) = -\frac{1}{2}N * \ln(2\pi) - \frac{1}{2} \ln|\tau^2 \mathbf{I} + \mathbf{W}^{-1}| - \frac{1}{2} \boldsymbol{\theta}^T \mathbf{P} \boldsymbol{\theta}$$

The factor  $\Delta$  is

$$\Delta(\hat{\tau}^2)_{ML} = \frac{\boldsymbol{\theta}^T \mathbf{P} \mathbf{P} \boldsymbol{\theta} - \text{tr}(\mathbf{W}^{\hat{\tau}^2})}{\text{tr}(\mathbf{W}^{\hat{\tau}^2} \mathbf{W}^{\hat{\tau}^2})} = \frac{\sum_{j=1}^N w_j^* (\theta_j - \mathbf{x}_j \hat{\boldsymbol{\beta}})^2 - \sum_{j=1}^N w_j^*}{\sum_{j=1}^N w_j^*}$$

where  $\mathbf{P}$  is defined (4.3) with  $\mathbf{W}^* = \mathbf{W}^{\hat{\tau}^2}$ ,  $w_j^* = \frac{1}{\sigma_j^2 + \hat{\tau}^2}$ , and  $\hat{\boldsymbol{\beta}} = (\mathbf{X}^T \mathbf{W}^{\hat{\tau}^2} \mathbf{X})^{-1} \mathbf{X}^T \mathbf{W}^{\hat{\tau}^2} \boldsymbol{\theta}$ .

### Restricted Maximum Likelihood (REML) Estimator

The REML estimate of  $\tau^2$  is the value that maximizes restricted the log-likelihood function

$$\ln L_{REML}(\tau^2) = \ln L_{ML}(\tau^2) - \frac{1}{2} \ln \left| \sum_{j=1}^N \frac{1}{\tau^2 + \sigma_j^2} \mathbf{x}_j^T \mathbf{x}_j \right| + \frac{p}{2} \ln(2\pi)$$

The factor  $\Delta$  is given by

$$\Delta(\hat{\tau}^2)_{REML} = \frac{\boldsymbol{\theta}^T \mathbf{P} \mathbf{P} \boldsymbol{\theta} - \text{tr}(\mathbf{P})}{\text{tr}(\mathbf{P} \mathbf{P})} = \frac{\sum_{j=1}^N w_j^* (\theta_j - \mathbf{x}_j \hat{\boldsymbol{\beta}})^2 - \sum_{j=1}^N w_j^* (1 - h_{jj})}{\sum_{j=1}^N w_j^* (1 - 2h_{jj}) + \sum_{i=1}^N \sum_{j=1}^N w_i^* h_{ij}^2}$$

where  $\mathbf{P}$  is defined by (4.3) with  $\mathbf{W}^* = \mathbf{W}^{\hat{\tau}^2}$ ,  $w_j^* = \frac{1}{\sigma_j^2 + \hat{\tau}^2}$ ,  $\hat{\boldsymbol{\beta}} = (\mathbf{X}^T \mathbf{W}^{\hat{\tau}^2} \mathbf{X})^{-1} \mathbf{X}^T \mathbf{W}^{\hat{\tau}^2} \boldsymbol{\theta}$ , and  $h_{ij}$  is the  $(i, j)$ th element of the hat matrix  $\mathbf{X}(\mathbf{X}^T \mathbf{W}^{\hat{\tau}^2} \mathbf{X})^{-1} \mathbf{X}^T \mathbf{W}^{\hat{\tau}^2}$ . If the denominator  $\text{tr}(\mathbf{P} \mathbf{P}) = 0$ , then we set  $\Delta = 0$ .

### Empirical Bayes (EB) Estimator

The estimator was first proposed by Morris (1983) and was later adapted to Berkely et al(1995). The method computes the factor  $\Delta$  as

$$\Delta(\hat{\tau}^2)_{EB} = \frac{N/(N - p^*) \boldsymbol{\theta}^T \mathbf{P} \boldsymbol{\theta} - N}{\text{tr}(\mathbf{W}^{\hat{\tau}^2})} = \frac{N/(N - p^*) \sum_{j=1}^N w_j^* (\theta_j - \mathbf{x}_j \hat{\boldsymbol{\beta}})^2 - N}{\sum_{j=1}^N w_j^*}$$

where  $\mathbf{P}$  is defined by (4.3) with  $\mathbf{W}^* = \mathbf{W}^{\hat{\tau}^2}$ ,  $w_j^* = \frac{1}{\sigma_j^2 + \hat{\tau}^2}$ , and  $\hat{\boldsymbol{\beta}} = (\mathbf{X}^T \mathbf{W}^{\hat{\tau}^2} \mathbf{X})^{-1} \mathbf{X}^T \mathbf{W}^{\hat{\tau}^2} \boldsymbol{\theta}$ .

## Coefficients and statistical inference

After the model building, the following statistics should be computed and output

- The number of observations:  $N$
- The between-study variance estimate:  $\hat{\tau}^2$
- Coefficients:  $\hat{\beta}_j, j = 1, \dots, p$
- Standard error of  $\hat{\beta}_j$ :  $\sigma_{\hat{\beta}_j}$ , the square root of the  $j$ th diagonal elements of the matrix  $(\mathbf{X}^T \mathbf{W} \hat{\tau}^2 \mathbf{X})^{-1}$ ,  $j = 1, \dots, p$ .
- Individual coefficient test  
The null hypothesis  $H_0: \hat{\beta}_j = 0$ , and the alternative hypothesis  $H_0: \hat{\beta}_j \neq 0$   
Z statistics:

$$z_j = \frac{\hat{\beta}_j}{\sigma_{\hat{\beta}_j}}, j = 1, \dots, p$$

p-value:

$$P_j = 2 \times (1 - \text{prob}(z \leq |z_j|)), j = 1, \dots, p,$$

where  $z$  is random variable following the standard normal distribution.

- 100(1 -  $\alpha$ )% confidence intervals

$$\left( \hat{\beta}_j - \sigma_{\hat{\beta}_j} * z_{1-\frac{\alpha}{2}}, \hat{\beta}_j + \sigma_{\hat{\beta}_j} * z_{1-\frac{\alpha}{2}} \right)$$

where  $z_p$  is the (100p)th percentile of the standard normal distribution.

- Model coefficient test

The Wald Chi-Square test is used to test that all coefficients other than the intercept are equal to zero, i.e., the null hypothesis and alternative hypothesis are

$$H_0: \hat{\beta}_2 = \hat{\beta}_3 = \dots = \hat{\beta}_p = 0, H_1: \text{at least there is one } \hat{\beta}_j \neq 0$$

The test statistic is construct as

$$\chi_{Wald}^2 = \hat{\boldsymbol{\beta}}^T \mathbf{L}^T (\mathbf{L} (\mathbf{X}^T \mathbf{W} \hat{\tau}^2 \mathbf{X})^{-1} \mathbf{L}^T)^{-1} \mathbf{L} \hat{\boldsymbol{\beta}}$$

where  $\hat{\boldsymbol{\beta}} = (\hat{\beta}_1, \hat{\beta}_2, \dots, \hat{\beta}_p)^T$ ,  $\mathbf{L} = [\mathbf{0}_{(p-1) \times 1}, \mathbf{I}_{(p-1) \times (p-1)}]$  if the intercept is included in the model, otherwise  $\mathbf{L} = \mathbf{I}_{p \times p}$ . The  $\mathbf{0}_{(p-1) \times 1}$  is  $(p-1) \times 1$  vector with all elements being 0, and  $\mathbf{I}_{(p-1) \times (p-1)}$  and  $\mathbf{I}_{p \times p}$  are  $(p-1) \times (p-1)$  and  $p \times p$  identity matrix, respectively.

The p-value is computed as

$$P = 1 - \text{prob}(\chi_{df}^2 \leq \chi_{Wald}^2)$$

Where  $\chi_{df}^2$  is a random variable following the chi-square distribution with degree of freedom being  $df$ . If the intercept is included in the model, then  $df = p^* - 1$ , otherwise,  $df = p^*$ .

If there is no coefficient other than intercept, the model coefficient test will not be performed

- Residual homogeneity test

The test of null hypothesis and alternative hypothesis are

$$H_0: \tau^2 = 0 \quad \text{vs} \quad H_1: \tau^2 \neq 0$$

The test statistic is

$$Q_{res} = \sum_{j=1}^N \left( \frac{\theta_j - x_j \hat{\beta}}{\sigma_j} \right)^2$$

where  $\hat{\beta} = (\mathbf{X}^T \mathbf{W} \mathbf{X})^{-1} \mathbf{X}^T \mathbf{W} \boldsymbol{\theta}$ .  
And the p-value is

$$P = 1 - \text{prob}(\chi_{N-p}^2 \leq Q_{res})$$

where  $\chi_{N-p}^2$  is a random variable following the chi-square distribution with degree of freedom being  $N - p^*$ . If  $N - p^* = 0$ , the p-value will be missing.

- Residual heterogeneity measure

Three residual heterogeneity measure are defined as follows:

The  $I_{res}^2$  statistic, which is defined by Higgins and Thompson (2002), represents the percentage of residual between-study variation relative to the total variability:

$$I_{res}^2 = \frac{\hat{\tau}^2}{\hat{\tau}^2 + s^2} \times 100\%$$

where  $s^2 = \frac{N-p^*}{\text{tr}(\mathbf{P})} = \frac{N-p^*}{\sum_{j=1}^N w_j(1-h_j)}$  and  $\mathbf{W}^* = \mathbf{W}$  is used for  $\mathbf{P}$  defined by (4.3),  $w_j = \frac{1}{\sigma_j^2}$ , and  $h_j$  is the  $j$ th diagonal element of the hat matrix  $\mathbf{X}(\mathbf{X}^T \mathbf{W} \mathbf{X})^{-1} \mathbf{X}^T \mathbf{W}$ .

The  $H_{res}^2$  statistic is defined as

$$H_{res}^2 = \frac{\hat{\tau}^2 + s^2}{s^2}$$

The  $R^2$  statistics is proposed in Harbord and Higgins (2016), which measures the proportion of the between-study variance that is explained by the moderators:

$$R^2 = \frac{\hat{\tau}_c^2 - \hat{\tau}^2}{\hat{\tau}_c^2}$$

where  $\hat{\tau}_c^2$  is the between-study variance estimated from an intercept only model.

If  $\hat{\tau}^2 + s^2 = 0$  then  $I_{res}^2$  is set to 0 and  $H_{res}^2$  is set to 1

For the  $R^2$ , it will be truncated to be 0 if it is negative.

**Note:** if user specifies the t-distribution for the individual coefficients test and confidence intervals, then t statistics are computed like Z statistics, but the p values and confidence intervals are based on t distribution with the degree of freedom  $N - p^*$ .

### Knapp-Hartung standard-error adjustment

Knapp and Hartung (2003) found that the Wald-type test for the individual regression coefficients and model test cannot control the Type I error rate adequately. They proposed a method that adjusts the estimate of variance-covariance matrix to improve the Type I error rate. The method is described as below:

The variance-covariance matrix can be adjusted by

$$\hat{\Sigma}_{KH} = s_{KH}^2 (\mathbf{X}^T \mathbf{W} \hat{\tau}^2 \mathbf{X})^{-1}$$

where

$$s_{KH}^2 = \frac{\boldsymbol{\theta}^T \mathbf{P} \boldsymbol{\theta}}{N - p^*} = \frac{\sum_{j=1}^N W_j^* (\theta_j - x_j \hat{\boldsymbol{\beta}})^2}{N - p^*}$$

where the  $P$  is defined by (4.3) with  $\mathbf{W}^* = \mathbf{W} \hat{\tau}^2$ ,  $W_j^* = \frac{1}{\sigma_j^2 + \hat{\tau}^2}$ , and  $\hat{\boldsymbol{\beta}} = (\mathbf{X}^T \mathbf{W} \hat{\tau}^2 \mathbf{X})^{-1} \mathbf{X}^T \mathbf{W} \hat{\tau}^2 \boldsymbol{\theta}$ .

The value of  $s_{KH}^2$  should be equal or greater than 1. So, we allow user to truncate the value if it is less than 1, i.e.,

$$s_{KH}^2 = \max\left(1, \frac{\boldsymbol{\theta}^T \mathbf{P} \boldsymbol{\theta}}{N - p^*}\right)$$

But please note that when the denominator  $N - p^* = 0$ ,  $s_{KH}^2$  will be set to 1 automatically, no matter the truncation method is used or not.

The following tests will be implemented based on adjusted variance-covariance matrix if Knapp-Hartung standard-error adjustment is used:

- Standard error of  $\hat{\beta}_j$ :  $\sigma_{\hat{\beta}_j}$ , the square root of the  $j$ th diagonal elements of the matrix  $\hat{\Sigma}_{KH}$ ,  $j = 1, \dots, p$ .
- Individual coefficient test  
T test is used for the coefficient test and the T statistics are

$$t_j = \frac{\hat{\beta}_j}{\sigma_{\hat{\beta}_j}}, j = 1, \dots, p$$

p-value:

$$P_j = 2 \times \left(1 - \text{prob}(t \leq |t_j|)\right), j = 1, \dots, p,$$

where  $t$  is random variable following the t distribution with  $N - p^*$  degree of freedom. Please note that the p-value will be missing if the  $N - p^* = 0$ .

- 100(1 -  $\alpha$ )% confidence internals

$$\left(\hat{\beta}_j - \sigma_{\hat{\beta}_j} * t_{1-\frac{\alpha}{2}, N-p^*}, \quad \hat{\beta}_j + \sigma_{\hat{\beta}_j} * t_{1-\frac{\alpha}{2}, N-p^*}\right)$$

where  $t_{p,df}$  is the (100p)th percentile of the t distribution with  $df$  degree of freedom. The  $t_{p,df}$  will be 0 if the  $N - p^* = 0$ .

- Model coefficient test

The F test will be used to test if all coefficients other than the intercept are equal to zero. The F statistic is construct as

$$F = \frac{1}{df_1} \hat{\boldsymbol{\beta}}^T \mathbf{L}^T (\mathbf{L} \hat{\Sigma}_{KH} \mathbf{L}^T)^{-1} \mathbf{L} \hat{\boldsymbol{\beta}}$$

where  $\hat{\boldsymbol{\beta}} = (\hat{\beta}_1, \hat{\beta}_2, \dots, \hat{\beta}_p)^T$ ,  $\mathbf{L} = [\mathbf{0}_{(p-1) \times 1}, \mathbf{I}_{(p-1) \times (p-1)}]$  if the intercept is included in the model, otherwise  $\mathbf{L} = \mathbf{I}_{p \times p}$ . The  $\mathbf{0}_{(p-1) \times 1}$  is  $(p-1) \times 1$  vector with all elements being 0, and  $\mathbf{I}_{(p-1) \times (p-1)}$  and  $\mathbf{I}_{p \times p}$  are  $(p-1) \times (p-1)$  and  $p \times p$  identity matrix, respectively. The p-value is computed as

$$P = 1 - \text{prob}(F_{df_1, df_2} \leq F)$$

Where  $F_{df_1, df_2}$  is a random variable following the F distribution with  $df_1 = p^* - 1$  numerator degree of freedom if the intercept is included, and  $df_1 = p^*$  otherwise, and  $df_2 = N - p^*$  for the denominator freedom of freedom.

If  $df_2=0$ , the p-value will be set to system missing.

If there is no coefficient other than intercept, the model coefficient test will not be performed.

## Predict

Based on the RE meta-regression model, the following predictions can be obtained for each study:

- Fixed-portion of linear prediction:  $\mathbf{x}_j \hat{\boldsymbol{\beta}}$
- Standard error of fixed-portion of linear prediction:  $SE(\mathbf{x}_j \hat{\boldsymbol{\beta}}) = \sqrt{\mathbf{x}_j (\mathbf{X}^T \mathbf{W} \hat{\tau}^2 \mathbf{X})^{-1} \mathbf{x}_j^T}$
- The best linear unbiased predictions (BLUPs) of the random effects:  $\hat{u}_j = \lambda_j (\theta_j - \mathbf{x}_j \hat{\boldsymbol{\beta}})$ , where  $\lambda_j = \frac{\hat{\tau}^2}{\sigma_j^2 + \hat{\tau}^2}$
- Standard error of BLUP:  $SE(\hat{u}_j) = \lambda_j \sqrt{\sigma_j^2 + \hat{\tau}^2 - \mathbf{x}_j (\mathbf{X}^T \mathbf{W} \hat{\tau}^2 \mathbf{X})^{-1} \mathbf{x}_j^T}$
- Fitted value:  $\hat{\theta}_j = \mathbf{x}_j \hat{\boldsymbol{\beta}} + \hat{u}_j$
- Standard error of fitted value  $SE(\hat{\theta}_j) = \sqrt{\lambda_j^2 (\sigma_j^2 + \hat{\tau}^2) + (1 - \lambda_j^2) \mathbf{x}_j (\mathbf{X}^T \mathbf{W} \hat{\tau}^2 \mathbf{X})^{-1} \mathbf{x}_j^T}$
- 100(1 -  $\alpha$ )% confidence interval for fitted values:
 
$$\left( \hat{\theta}_j - SE(\hat{\theta}_j) * z_{1-\frac{\alpha}{2}}, \hat{\theta}_j + SE(\hat{\theta}_j) * z_{1-\frac{\alpha}{2}} \right)$$

If the t distribution is specified, then the confidence interval will be:

$$\left( \hat{\theta}_j - SE(\hat{\theta}_j) * t_{1-\frac{\alpha}{2}, N-p^*}, \hat{\theta}_j + SE(\hat{\theta}_j) * t_{1-\frac{\alpha}{2}, N-p^*} \right)$$
- Residual:  $e_j = \theta_j - \hat{\theta}_j$
- Standard error of residual:  $SE(e_j) = \sqrt{(1 + \lambda_j^2) (\sigma_j^2 + \hat{\tau}^2 - \mathbf{x}_j (\mathbf{X}^T \mathbf{W} \hat{\tau}^2 \mathbf{X})^{-1} \mathbf{x}_j^T)}$
- Leverage:  $h_j = \frac{1}{\sigma_j^2 + \hat{\tau}^2} \mathbf{x}_j (\mathbf{X}^T \mathbf{W} \hat{\tau}^2 \mathbf{X})^{-1} \mathbf{x}_j^T$

Please note that if the Knapp-Hartung standard error adjustment is used, then the matrix  $(\mathbf{X}^T \mathbf{W} \hat{\mathbf{t}}^2 \mathbf{X})^{-1}$  will be multiplied by the factor  $s_{KH}^2 = \frac{\boldsymbol{\theta}^T \mathbf{P} \boldsymbol{\theta}}{N-p^*}$  when truncation method is not specified and  $s_{KH}^2 = \max\left(1, \frac{\boldsymbol{\theta}^T \mathbf{P} \boldsymbol{\theta}}{N-p^*}\right)$  when the truncation method is specified. And the  $100(1 - \alpha)\%$  confidence interval for fitted values will be computed based on t-distribution:

$$\left( \hat{\theta}_j - SE(\hat{\theta}_j) * t_{1-\frac{\alpha}{2}, N-p^*}, \hat{\theta}_j + SE(\hat{\theta}_j) * t_{1-\frac{\alpha}{2}, N-p^*} \right)$$

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# MIXED Algorithms

This document summarizes the computational algorithms for the linear mixed model (Wolfinger, Tobias, and Sall, 1994).

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$\theta$	Overall covariance parameter vector
$\theta_G$	A vector of covariance parameters associated with random effects.
$\theta_k$	A vector of covariance parameters associated with the $k$ th random effect.
$\theta_R$	A vector of covariance parameters associated with the residual term.
$K$	Number of random effects.
$S_r$	Number of repeated subjects.
$S_k$	Number of subjects in $k$ th random effect.
$\mathbf{V}$	The $n \times n$ covariance matrix of $\mathbf{y}$ . This matrix is sometimes denoted by $V_y(\theta)$ .
$\frac{\partial}{\partial \theta_s} \mathbf{V}$	First derivative of $\mathbf{V}$ with respect to the $s$ th parameter in $\theta$ .
$\frac{\partial^2}{\partial \theta_s \partial \theta_t} \mathbf{V}$	Second derivative of $\mathbf{V}$ with respect to the $s$ th and $t$ th parameters in $\theta$ .
$R$	The $n \times n$ covariance matrix of $\boldsymbol{\epsilon}$ . This matrix is sometimes denoted by $\mathbf{R}(\theta_R)$ .
$\frac{\partial}{\partial \theta_s} \mathbf{R}$	First derivative of $R$ with respect to the $s$ th parameter in $\theta_R$ .
$\frac{\partial^2}{\partial \theta_s \partial \theta_t} \mathbf{R}$	Second derivative of $R$ with respect to the $s$ th and $t$ th parameters in $\theta_R$ .
$\mathbf{G}$	The covariance matrix of random effects. This matrix is sometimes denoted by $\mathbf{G}(\theta_G)$ .
$\frac{\partial}{\partial \theta_s} \mathbf{G}$	First derivative of $G$ with respect to the $s$ th parameter in $\theta_G$ .
$\frac{\partial^2}{\partial \theta_s \partial \theta_t} \mathbf{G}$	Second derivative of $G$ with respect to the $s$ th and $t$ th parameters in $\theta_G$ .
$\mathbf{V}_k$	The covariance matrix of the $k$ th random effect for <i>one random subject</i> . This matrix is sometimes denoted by $\mathbf{V}_k(\theta_k)$ .
$\frac{\partial}{\partial \theta_s} \mathbf{V}_k$	First derivative of $\mathbf{V}_k$ with respect to the $s$ th parameter in $\theta_k$ .
$\frac{\partial^2}{\partial \theta_s \partial \theta_t} \mathbf{V}_k$	Second derivative of $\mathbf{V}_k$ with respect to the $s$ th and $t$ th parameters in $\theta_k$ .
$\mathbf{y}$	$n \times 1$ vector of dependent variable.
$\mathbf{X}$	$n \times p$ design matrix of fixed effects.
$\mathbf{Z}$	$n \times q$ design matrix of random effects.
$\mathbf{r}$	$n \times 1$ vector of residuals.
$\boldsymbol{\beta}$	$p \times 1$ vector of fixed effects parameters.
$\boldsymbol{\gamma}$	$q \times 1$ vector of random effects parameters.
$\boldsymbol{\epsilon}$	$n \times 1$ vector of residual error.



$\mathbf{W}_c$	$n \times n$ diagonal matrix of case weights.
$\mathbf{W}_{rw}$	$n \times n$ diagonal matrix of regression weights.

## Model

In this document, we assume a mixed effect model of the form

$$\mathbf{y} = \mathbf{X}\boldsymbol{\beta} + \mathbf{Z}\boldsymbol{\gamma} + \boldsymbol{\epsilon}$$

In this model, we assume that  $\boldsymbol{\epsilon}$  is distributed as  $N[0, \mathbf{R}]$  and  $\boldsymbol{\gamma}$  is independently distributed as  $N[0, \mathbf{G}]$ . Therefore  $\mathbf{y}$  is distributed as  $N[\mathbf{X}\boldsymbol{\beta}, \mathbf{V}]$ , where  $\mathbf{V} = \mathbf{Z}\mathbf{G}\mathbf{Z}^T + \mathbf{R}$ . The unknown parameters include the regression parameters in  $\boldsymbol{\beta}$  and covariance parameters in  $\boldsymbol{\theta}$ . Estimation of these model parameters relies on the use of a Newton-Raphson or scoring algorithm. When we use either algorithm for finding MLE or REML solutions, we need to compute  $\mathbf{V}^{-1}$  and its derivatives with respect to  $\boldsymbol{\theta}$ , which are computationally infeasible for large  $n$ . Wolfinger et.al.(1994) discussed methods that can avoid direct computation of  $\mathbf{V}^{-1}$ . They tackled the problem by using the SWEEP algorithm and exploiting the block diagonal structures of  $\mathbf{G}$  and  $\mathbf{R}$ . In the first half of this document, we will detail the algorithm for mixed models without subject blocking. In second half of the document we will refine the algorithm to exploit the structure of  $\mathbf{G}$ ; this is the actual implementation of the algorithm.

If there are regression weights, the covariance matrix  $\mathbf{R}$  will be replaced by  $\mathbf{R}^* = \mathbf{W}_{rw}^{-1/2} \mathbf{R} \mathbf{W}_{rw}^{-1/2}$ . For simpler notations, we will assume that the weights are already included in the matrix  $\mathbf{R}$  and they will not be displayed in the remainder of this document. When case weights are specified, they will be rounded to nearest integer and each case will be entered into the analysis multiple times depending on the rounded case weight. Since replicating a case will lead to duplicate repeated measures (Note: repeated measures are unique within a repeated subject), non-unity case weights will only be allowed for  $\mathbf{R}$  with scaled identity structure. In MIXED, only cases with positive case weight and regression weight will be included analysis.

### Fixed Effects Parameterization

The parameterization of fixed effects is the same as in the GLM procedure.

### Random Effects Parameterization

If we have  $K$  random effects and there are  $S_k$  random subjects in  $k$ th random effect, the design matrix  $\mathbf{Z}$  will be partitioned as

$$\mathbf{Z} = [\mathbf{Z}_1 \quad \mathbf{Z}_2 \quad \dots \quad \mathbf{Z}_K]$$

where  $\mathbf{Z}_k$  is the design matrix of the  $k$ th random effect. Each  $\mathbf{Z}_k$  can be partitioned further by random subjects as below,

$$\mathbf{Z}_k = [\mathbf{Z}_{k1} \quad \mathbf{Z}_{k2} \quad \dots \quad \mathbf{Z}_{kS_k}], k=1, \dots, K$$

The number of columns in the design matrix  $\mathbf{Z}_{kj}$  ( $j$ th random subject of  $k$ th random effect) is equal to number of levels of the  $k^{\text{th}}$  random effect variable.

Under this partition, the  $\mathbf{G}$  will be a block diagonal matrix which can be expressed as

$$\mathbf{G} = \oplus_{k=1}^K [\mathbf{I}_{S_k} \otimes \mathbf{V}_k]$$

It should also be noted that each random effect has its own parameter vector  $\theta_k$ ,  $k=1, \dots, K$ , and there are no functional constraints between elements in these parameter vectors. Thus  $\theta_{\mathbf{G}} = (\theta_1, \dots, \theta_K)$ .

When there are correlated random effects,  $\mathbf{Z}_{kj}$  will be a combined design matrix of the correlated random effects. Therefore in subsequent sections, each random effect can either be one single random effect or a set of correlated random effects.

### Repeated Subjects

When the REPEATED subcommand is used,  $\mathbf{R}$  will be a block diagonal matrix where the  $i$ th block is  $\mathbf{R}_i$ ,  $S_R$ . That is,

$$\mathbf{R} = \oplus_{i=1}^{S_R} \mathbf{R}_i$$

The dimension of  $\mathbf{R}_i$  will be equal to number of cases in one repeated subject but all  $\mathbf{R}_i$  share the same parameter vector  $\theta_{\mathbf{R}}$ .

### Likelihood Functions

Recall that the  $-2$  times log likelihood of the MLE is

$$-2l_{MLE}(\beta, \theta) = \log |\mathbf{V}| + \mathbf{r}^T \mathbf{V}^{-1} \mathbf{r} + n \log 2\pi$$

and the  $-2$  times log likelihood of the REML is

$$-2l_{MLE}(\theta) = \log |\mathbf{V}| + \mathbf{r}^T \mathbf{V}^{-1} \mathbf{r} + \log |\mathbf{X}^T \mathbf{V}^{-1} \mathbf{X}| + (n - p) \log 2\pi$$

where  $n$  is the number of observations and  $p$  is the rank of fixed effects design matrix. The key components of the likelihood functions are

$$\begin{aligned} l_1(\theta) &= \log |\mathbf{V}| \\ l_2(\theta) &= \mathbf{r}^T \mathbf{V}^{-1} \mathbf{r} \\ l_3(\theta) &= \log |\mathbf{X}^T \mathbf{V}^{-1} \mathbf{X}| \end{aligned}$$

Therefore, in each estimation iteration, we need to compute  $l_1(\theta)$ ,  $l_2(\theta)$  and  $l_3(\theta)$  as well as their 1st and 2nd derivatives with respect to  $\theta$ .

### Newton & Scoring Algorithms

Covariance parameters in  $\theta$  can be found by maximizing the MLE or REML log-likelihood; however, there are no closed form solutions in general. Therefore Newton and scoring algorithms are used to find the solution numerically. The algorithm is outlined as below,

1. Compute starting value and initial log-likelihood (REML or ML).
2. Compute gradient vector  $\mathbf{g}$  and Hessian matrix  $\mathbf{H}$  of the log-likelihood function using last iteration's estimate  $\theta_{i-1}$ . (See later section for computation of  $\mathbf{g}$  and  $\mathbf{H}$ )
3. Compute the new step  $\mathbf{d} = -\mathbf{H}^{-1}\mathbf{g}$ .
4. Let  $\rho = 1$ .
5. Compute estimates of  $i$ th iteration  $\theta_i = \theta_{i-1} + \rho\mathbf{d}$
6. Check if  $\theta_i$  generates valid covariance matrices and improve the likelihood. If not, reduce  $\rho$  by half and repeat step (5). If this process is repeated for pre-specified number of times and the stated conditions are still not satisfied, stop.
7. Check convergence of the parameter. If convergence criteria are met, then stop. Otherwise, go back to step (2).

Newton's algorithm performs well if the starting value is close to the solution. In order to improve the algorithm's robustness to bad starting values, the scoring algorithm is used in the first few iterations. This can be done easily by applying different formulae for the Hessian matrix at each iteration. Apart from improved robustness, the scoring algorithm is faster due to the simpler form of the Hessian matrix.

## Convergence Criteria

There are three types of convergence criteria: parameter convergence, log-likelihood convergence and Hessian convergence. For parameter and log-likelihood convergence, they are subdivided into absolute and relative. If we let  $\epsilon$  be some given tolerance level and  $\theta_{s,i}$  be the  $s$ th parameter in  $i$ th iteration,  $l_i$  be the log-likelihood in the  $i$ th iteration,  $\mathbf{g}_i$  be the gradient vector in  $i$ th iteration, and  $\mathbf{H}_i$  be the hessian matrix in  $i$ th iteration, then the criteria can be written as follows:

Absolute parameter convergence:  $\max_s |\theta_{s,i} - \theta_{s,i-1}| < \epsilon$

Relative parameter convergence:  $\max_s \frac{|\theta_{s,i} - \theta_{s,i-1}|}{|\theta_{s,i-1}|} < \epsilon$

Absolute log-likelihood convergence:  $|l_i - l_{i-1}| < \epsilon$

Relative log-likelihood convergence:  $\frac{|l_i - l_{i-1}|}{|l_{i-1}|} < \epsilon$

Absolute Hessian convergence:  $\mathbf{g}_i^T \mathbf{H}_i^{-1} \mathbf{g}_i < \epsilon$

Relative Hessian convergence:  $\frac{\mathbf{g}_i^T \mathbf{H}_i^{-1} \mathbf{g}_i}{|l_i|} < \epsilon$

Denominator terms that equal 0 are replaced by 1.

## Starting value of Newton's Algorithm

If no prior information is available, we can choose the initial values of  $\mathbf{G}$  and  $\mathbf{R}$  to be the identity. However, it is highly desirable to estimate the scale of the parameter. By ignoring the random effects, and assuming the residual errors are i.i.d. with variance  $\sigma^2$ , we can fit a GLM model and estimate  $\sigma^2$  by the residual sum of squares  $\hat{\sigma}^2$ . Then we choose the starting value of Newton's algorithm to be

$$\mathbf{G}_k = \frac{\hat{\sigma}^2}{K+1} \text{ and } \mathbf{R} = \frac{\hat{\sigma}^2}{K+1}$$

## Confidence Intervals of Covariance Parameters

The estimate  $\hat{\theta}$  (ML or REML) is asymptotically normally distributed. Its variance covariance matrix can be approximated by  $-2\mathbf{H}^{-1}$ , where  $\mathbf{H}$  is the hessian matrix of the log-likelihood function evaluated at  $\hat{\theta}$ . A simple Wald's type confidence interval for any covariance parameter can be obtained by using the asymptotic normality of the parameter estimates, however it is not very appropriate for variance parameters and correlation parameters that have a range of  $[0, \infty)$  and  $[-1, 1]$  respectively. Therefore these parameters are transformed to parameters that have range  $(-\infty, \infty)$ . Using the uniform delta method, see for example (van der Vaart, 1998), these transformed estimates still have asymptotic normal distributions.

Suppose we are estimating a variance parameter  $\sigma^2$  by  $\hat{\sigma}_n^2$  that is distributed as  $N[\sigma^2, Var(\hat{\sigma}_n^2)]$  asymptotically. The transformation we used is  $\log(\sigma^2)$  which can correct the skewness of  $\hat{\sigma}_n^2$ , moreover  $\log(\hat{\sigma}_n^2)$  has the range  $(-\infty, \infty)$  which matches that of normal distribution. Using the delta method, one can show that the asymptotic distribution of  $\log(\hat{\sigma}_n^2)$  is  $N[\log(\sigma^2), \sigma^{-4}Var(\hat{\sigma}_n^2)]$ . Thus, a  $(1-\alpha)100\%$  confidence interval of  $\log(\sigma^2)$  is given by

$$\log(\hat{\sigma}_n^2) \pm z_{1-\alpha/2} \hat{\sigma}_n^{-2} \sqrt{Var(\hat{\sigma}_n^2)}$$

where  $z_{1-\alpha/2}$  is the upper  $(1 - \alpha/2)$  percentage point of standard normal distribution. By this confidence interval, a  $(1-\alpha)100\%$  confidence interval for  $\sigma^2$  is given by

$$\exp\left(\log(\hat{\sigma}_n^2) \pm z_{1-\alpha/2} \hat{\sigma}_n^{-2} \sqrt{Var(\hat{\sigma}_n^2)}\right)$$

When we need a confidence interval for a correlation parameter  $\rho$ , a possible transformation will be its generalized logit  $arctanh(\rho) = 0.5 \log[(1 + \rho) / (1 - \rho)]$ . The resulting confidence interval for  $\rho$  will be

$$\tanh\left(arctanh(\hat{\rho}) \pm z_{1-\alpha/2} (1 - \hat{\rho}^2)^{-1} \sqrt{Var(\hat{\rho})}\right)$$

## Fixed and Random Effect Parameters: Estimation and Prediction

After we obtain an estimate of  $\theta$  the best linear unbiased estimator (BLUE) of  $\boldsymbol{\beta}$  and the best linear unbiased predictor (BLUP) of  $\boldsymbol{\gamma}$  can be found by solving the mixed model equations, Henderson (1984).

$$\begin{bmatrix} \mathbf{X}^T \hat{\mathbf{R}}^{-1} \mathbf{X} & \mathbf{X}^T \hat{\mathbf{R}}^{-1} \mathbf{Z} \\ \mathbf{Z}^T \hat{\mathbf{R}}^{-1} \mathbf{X} & \mathbf{Z}^T \hat{\mathbf{R}}^{-1} \mathbf{Z} + \hat{\mathbf{G}}^{-1} \end{bmatrix} \begin{pmatrix} \boldsymbol{\beta} \\ \boldsymbol{\gamma} \end{pmatrix} = \begin{bmatrix} \mathbf{X}^T \hat{\mathbf{R}}^{-1} \mathbf{y} \\ \mathbf{Z}^T \hat{\mathbf{R}}^{-1} \mathbf{y} \end{bmatrix}$$

The solution of this equation can be expressed as

$$\begin{aligned}\hat{\beta} &= (\mathbf{X}^T \hat{\mathbf{V}}^{-1} \mathbf{X})^{-1} \mathbf{X}^T \hat{\mathbf{V}}^{-1} \mathbf{y} \\ \hat{\gamma} &= \hat{\mathbf{G}} \mathbf{Z}^T \hat{\mathbf{V}}^{-1} (\mathbf{y} - \mathbf{X} \hat{\beta}) \\ &= \hat{\mathbf{G}} [\mathbf{Z}^T \hat{\mathbf{V}}^{-1} \mathbf{y} - \mathbf{Z}^T \hat{\mathbf{V}}^{-1} \mathbf{X} \hat{\beta}]\end{aligned}$$

The covariance matrix  $\mathbf{C}$  of  $\hat{\beta}$  and  $\hat{\gamma}$  is given by

$$\begin{aligned}\mathbf{C} &= Cov(\hat{\beta}, \hat{\gamma}) \\ &= \begin{bmatrix} \mathbf{X}^T \hat{\mathbf{R}}^{-1} \mathbf{X} & \mathbf{X}^T \hat{\mathbf{R}}^{-1} \mathbf{Z} \\ \mathbf{Z}^T \hat{\mathbf{R}}^{-1} \mathbf{X} & \mathbf{Z}^T \hat{\mathbf{R}}^{-1} \mathbf{Z} + \hat{\mathbf{G}}^{-1} \end{bmatrix}^{-1} \\ &= \begin{bmatrix} \hat{\mathbf{C}}_{11} & \hat{\mathbf{C}}^T \\ \hat{\mathbf{C}}_{21} & \hat{\mathbf{C}}_{22} \end{bmatrix}\end{aligned}$$

where

$$\begin{aligned}\hat{\mathbf{C}}_{11} &= (\mathbf{X}^T \hat{\mathbf{V}}^{-1} \mathbf{X})^{-1} \\ \hat{\mathbf{C}}_{21} &= -\hat{\mathbf{G}} \mathbf{Z}^T \hat{\mathbf{V}}^{-1} \mathbf{X} \hat{\mathbf{C}}_{11} \\ \hat{\mathbf{C}}_{22} &= (\mathbf{Z}^T \hat{\mathbf{R}}^{-1} \mathbf{Z} + \hat{\mathbf{G}}^{-1})^{-1} - \hat{\mathbf{C}}_{21} \mathbf{X}^T \hat{\mathbf{V}}^{-1} \mathbf{Z} \hat{\mathbf{G}}\end{aligned}$$

## Custom Hypotheses

In general, one can construct estimators or predictors for

$$\mathbf{Lb} = [\mathbf{L}_0 \quad \mathbf{L}_1] \begin{bmatrix} \beta \\ \gamma \end{bmatrix}$$

for some hypothesis matrix  $\mathbf{L}$ . Estimators or predictors of  $\mathbf{Lb}$  can easily be constructed by substituting  $\hat{\beta}$  and  $\hat{\gamma}$  into the equation for  $\mathbf{Lb}$  and its variance covariance matrix can be approximated by  $\mathbf{LCL}^T$ . If  $\mathbf{L}_1$  is zero and  $\mathbf{L}_0\beta$  is estimable,  $\mathbf{L}\hat{\mathbf{b}}$  is called the best linear unbiased estimator of  $\mathbf{L}_0\beta$ . If  $\mathbf{L}_1$  is nonzero and  $\mathbf{L}_0\beta$  is estimable,  $\mathbf{L}\hat{\mathbf{b}}$  is called the best linear unbiased predictor of  $\mathbf{Lb}$ .

To test the hypothesis  $H_0 : \mathbf{Lb} = \mathbf{a}$  for a given vector  $\mathbf{a}$ , we can use the statistic

$$\mathbf{F} = \frac{(\mathbf{L}\hat{\mathbf{b}} - \mathbf{a})^T (\mathbf{L}\hat{\mathbf{C}}\mathbf{L}^T)^{-1} (\mathbf{L}\hat{\mathbf{b}} - \mathbf{a})}{q}$$

where  $q$  is the rank of the matrix  $\mathbf{L}$ . This statistic has an approximate  $F$  distribution. The numerator degrees of freedom is  $q$  and the denominator degree of freedom can be obtained by Satterthwaite (1946) approximation. The method outlined below is similar to Giesbrecht and Burns (1985), McLean and Sanders (1988), and Fai and Cornelius (1996).

## Method for computing degrees of freedom

### Residual method

The value of degrees of freedom is given by  $N - \text{rank}(\mathbf{X})$ , where  $N$  is the effective sample size and  $\mathbf{X}$  is the design matrix of fixed effects.

### Satterthwaite's approximation

First perform the spectral decomposition  $\mathbf{L}\hat{\mathbf{C}}\mathbf{L}^T = \mathbf{\Gamma}^T\mathbf{D}\mathbf{\Gamma}$  where  $\mathbf{\Gamma}$  is an orthogonal matrix of eigenvectors and  $\mathbf{D}$  is a diagonal matrix of eigenvalues. If  $l_m$  is the  $m$ th row of  $\mathbf{\Gamma}\mathbf{L}$ ,  $d_m$  is the  $m$ th eigenvalues and

$$\nu_m = \frac{2d_m}{\mathbf{g}_m \Sigma(\hat{\theta})^{-1} \mathbf{g}_m}$$

where  $\mathbf{g}_m = \frac{\partial l_m \mathbf{C} l_m^T}{\partial \theta} \Big|_{\theta = \hat{\theta}}$  and  $\Sigma_{\hat{\theta}}$  is the asymptotic covariance matrix of  $\hat{\theta}$  obtained from the Hessian matrix of the objective function; that is,  $\Sigma_{\hat{\theta}} = 2\mathbf{H}^{-1}$ . If

$$E = \sum_{m=1}^q \frac{\nu_m}{\nu_m - 2} I(\nu_m > 2)$$

then the denominator degree of freedom is given by

$$\nu = \frac{2E}{E - q}$$

Note that the degrees of freedom can only be computed when  $E > q$ .

### Kenward-Roger approximation

Kenward and Roger (1997) proposed a scaled Wald statistic:

$$F^* = \lambda F = \frac{\lambda}{r_0} (\mathbf{L}_0 \hat{\boldsymbol{\beta}} - \mathbf{L}_0 \boldsymbol{\beta})^T (\mathbf{L}_0 \hat{\mathbf{C}}_{11}^A \mathbf{L}_0^T)^{-1} (\mathbf{L}_0 \hat{\boldsymbol{\beta}} - \mathbf{L}_0 \boldsymbol{\beta})$$

where  $r_0 = \text{rank}(\mathbf{L}_0 \hat{\mathbf{C}}_{11}^A \mathbf{L}_0^T)$ ,  $\hat{\mathbf{C}}_{11}^A$  is an approximate variance-covariance of the fixed effects parameters,  $\lambda$  and the degree of freedom of denominator,  $\nu$ , are computed as following:

$$\nu = 4 + \frac{r_0 + 2}{r_0 * \rho - 1}$$

and

$$\lambda = \frac{\nu}{E(F)(\nu - 2)}$$

where

$$\rho = \frac{V(F)}{2E(F)^2}$$

### **Type I and Type III Statistics**

Type I and type III test statistics are special cases of custom hypothesis tests.

### **Estimated Marginal Means (EMMEANS)**

Estimated marginal means are special cases of custom hypothesis test. The construction of the matrix for EMMEANS can be found in “Estimated Marginal Means” section of GLM’s algorithm document. If Bonferroni or Sidak adjustment is requested for multiple comparisons, they will be computed according to the algorithm detailed in Appendix 10:Post Hoc Tests.

### **Saved Values**

Predicted values are computed by

$$\hat{\mathbf{y}} = \mathbf{X}\hat{\boldsymbol{\beta}} + \mathbf{Z}\hat{\boldsymbol{\gamma}}$$

Fixed predicted values are be computed by

$$\hat{\mathbf{y}} = \mathbf{X}\hat{\boldsymbol{\beta}}$$

Residuals are computed by

$$\mathbf{r} = \hat{\mathbf{y}} - \mathbf{y}$$

If standard errors or degrees of freedom are requested for predicted values, a **L** matrix will be constructed for each case and the formula in custom hypothesis section will be used to obtain the requested values.

## Information Criteria

Information criteria are for model comparison, the following criteria are given in smaller is better form. If we let  $l$  be the log-likelihood of (REML or ML),  $n$  be total number of cases (or total of case weights if used) and  $d$  is number of model parameters, the formula for various criteria are given as below,

Akaike information criteria (AIC), Akaike (1974):

$$-2l + 2d$$

Finite sample corrected (AICC), Hurvich and Tsai (1989):

$$-2l + \frac{2d \times n}{(n-d-1)}$$

Bayesian information criteria (BIC), Schwarz (1978):

$$-2l + d \times \log(n)$$

Consistent AIC (CAIC), Bozdogan (1987):

$$-2l + d \times (\log(n) + 1)$$

For REML, the value of  $n$  is chosen to be total number of cases minus number fixed effect parameters and  $d$  is number of covariance parameters. For ML, the value of  $n$  is total number of cases and  $d$  is number of fixed effect parameters plus number of covariance parameters.

## Derivatives of Log-Likelihood

In each Newton or scoring iteration we need to compute the 1st and 2nd derivatives of the components of the log-likelihood  $l_k(\theta)$ ,  $k=1,2,3$ . Here we let  $\mathbf{g}_k = \frac{\partial}{\partial \theta} l_k(\theta)$  and  $\mathbf{H}_k = \frac{\partial^2}{\partial \theta^2} l_k(\theta)$ ,  $k=1,2,3$ , then the 1st derivatives with respect to the  $s$ th parameter in  $\boldsymbol{\theta}$  is given by

$$[\mathbf{g}_1]_s = tr \left( \mathbf{V}^{-1} \frac{\partial}{\partial \theta_s} \mathbf{V} \right)$$

$$[\mathbf{g}_2]_s = -\mathbf{r} \mathbf{V}^{-1} \left( \frac{\partial}{\partial \theta_s} \mathbf{V} \right) \mathbf{V}^{-1} \mathbf{r}$$

$$[\mathbf{g}_3]_s = -tr \left( \tilde{\mathbf{X}}^T \mathbf{V}^{-1} \left( \frac{\partial}{\partial \theta_s} \mathbf{V} \right) \mathbf{V}^{-1} \tilde{\mathbf{X}} \right)$$

and the 2nd derivatives with respect to  $s$  and  $t$ th parameter are given by

$$[\mathbf{H}_1]_{st} = -tr \left( \mathbf{V}^{-1} \left( \frac{\partial}{\partial \theta_s} \mathbf{V} \right) \mathbf{V}^{-1} \left( \frac{\partial}{\partial \theta_t} \mathbf{V} \right) \right) + tr \left( \mathbf{V}^{-1} \frac{\partial^2}{\partial \theta_s \partial \theta_t} \mathbf{V} \right)$$

$$\begin{aligned} [\mathbf{H}_2]_{st} = & 2\mathbf{r}^T \mathbf{V}^{-1} \left( \frac{\partial}{\partial \theta_s} \mathbf{V} \right) \mathbf{V}^{-1} \left( \frac{\partial}{\partial \theta_t} \mathbf{V} \right) \mathbf{V}^{-1} \mathbf{r} \\ & - 2\mathbf{r}^T \mathbf{V}^{-1} \left( \frac{\partial}{\partial \theta_s} \mathbf{V} \right) \mathbf{V}^{-1} \tilde{\mathbf{X}} \tilde{\mathbf{X}}^T \left( \frac{\partial}{\partial \theta_t} \mathbf{V} \right) \mathbf{V}^{-1} \mathbf{r} \\ & - \mathbf{r}^T \mathbf{V}^{-1} \left( \frac{\partial^2}{\partial \theta_s \partial \theta_t} \mathbf{V} \right) \mathbf{V}^{-1} \mathbf{r} \end{aligned}$$

$$\begin{aligned}
 [\mathbf{H}_3]_{st} = & 2tr \left( \tilde{\mathbf{X}}^T \mathbf{V}^{-1} \left( \frac{\partial}{\partial \theta_s} \mathbf{V} \right) \mathbf{V}^{-1} \left( \frac{\partial}{\partial \theta_t} \mathbf{V} \right) \mathbf{V}^{-1} \tilde{\mathbf{X}} \right) \\
 & -tr \left( \tilde{\mathbf{X}}^T \mathbf{V}^{-1} \left( \frac{\partial}{\partial \theta_s} \mathbf{V} \right) \mathbf{V}^{-1} \tilde{\mathbf{X}} \tilde{\mathbf{X}}^T \mathbf{V}^{-1} \left( \frac{\partial}{\partial \theta_t} \mathbf{V} \right) \mathbf{V}^{-1} \tilde{\mathbf{X}} \right) \\
 & -tr \left( \tilde{\mathbf{X}}^T \mathbf{V}^{-1} \left( \frac{\partial^2}{\partial \theta_s \partial \theta_t} \mathbf{V} \right) \mathbf{V}^{-1} \tilde{\mathbf{X}} \right)
 \end{aligned}$$

where  $\tilde{\mathbf{X}} = \mathbf{X}\mathbf{C}$  for a matrix  $\mathbf{C}$  satisfying  $\mathbf{C}\mathbf{C}^T = (\mathbf{X}'\mathbf{V}^{-1}\mathbf{X})^{-1} = \mathbf{P}$  and  $\mathbf{r} = \mathbf{y} - \mathbf{X}\hat{\beta}$ .

## Derivatives: Parameters in $\mathbf{G}$

Derivatives with respect to parameters in  $\mathbf{G}$  can be constructed by from the entries of

$$\begin{aligned}
 \mathbf{W}_1(\mathbf{X}; \mathbf{r}; \mathbf{Z}) &= \begin{bmatrix} \mathbf{W}_1(\mathbf{X}, \mathbf{X}) & \mathbf{W}_1(\mathbf{X}, \mathbf{Z}) & \mathbf{W}_1(\mathbf{X}, \mathbf{r}) \\ \mathbf{W}_1(\mathbf{Z}, \mathbf{X}) & \mathbf{W}_1(\mathbf{Z}, \mathbf{Z}) & \mathbf{W}_1(\mathbf{Z}, \mathbf{r}) \\ \mathbf{W}_1(\mathbf{r}, \mathbf{X}) & \mathbf{W}_1(\mathbf{r}, \mathbf{Z}) & \mathbf{W}_1(\mathbf{r}, \mathbf{r}) \end{bmatrix} \\
 &= \begin{bmatrix} \mathbf{X}^T \mathbf{V}^{-1} \mathbf{X} & \mathbf{X}^T \mathbf{V}^{-1} \mathbf{Z} & \mathbf{X}^T \mathbf{V}^{-1} \mathbf{r} \\ \mathbf{Z}^T \mathbf{V}^{-1} \mathbf{X} & \mathbf{Z}^T \mathbf{V}^{-1} \mathbf{Z} & \mathbf{Z}^T \mathbf{V}^{-1} \mathbf{r} \\ \mathbf{r}^T \mathbf{V}^{-1} \mathbf{X} & \mathbf{r}^T \mathbf{V}^{-1} \mathbf{Z} & \mathbf{r}^T \mathbf{V}^{-1} \mathbf{r} \end{bmatrix}
 \end{aligned}$$

The matrix  $\mathbf{W}_1(\mathbf{X}; \mathbf{r}; \mathbf{Z})$  can be computed from  $\mathbf{W}_1(\mathbf{X}; \mathbf{y}; \mathbf{Z})$  given in ‘‘Cross Product Matrices’’, by using the following relationship,

$$\mathbf{r} = \mathbf{y} - \mathbf{X}\mathbf{b}_0$$

where  $\mathbf{b}_0$  is the current estimate of  $\beta$ .

Using the above formula, we can obtain the following expressions,

$$\begin{aligned}
 \mathbf{r}^T \mathbf{V}^{-1} \mathbf{r} &= \mathbf{y}^T \mathbf{V}^{-1} \mathbf{y} - \mathbf{y}^T \mathbf{V}^{-1} \mathbf{X} \mathbf{b}_0 \\
 &= \mathbf{W}_1(\mathbf{y}, \mathbf{y}) - \mathbf{W}_1(\mathbf{y}, \mathbf{X}) \mathbf{b}_0 \\
 \mathbf{X}^T \mathbf{V}^{-1} \mathbf{r} &= \mathbf{X}^T \mathbf{V}^{-1} \mathbf{y} - \mathbf{X}^T \mathbf{V}^{-1} \mathbf{X} \mathbf{b}_0 \\
 &= \mathbf{W}_1(\mathbf{X}, \mathbf{y}) - \mathbf{W}_1(\mathbf{X}, \mathbf{X}) \mathbf{b}_0 \\
 \mathbf{Z}^T \mathbf{V}^{-1} \mathbf{r} &= \mathbf{Z}^T \mathbf{V}^{-1} \mathbf{y} - \mathbf{Z}^T \mathbf{V}^{-1} \mathbf{X} \mathbf{b}_0 \\
 &= \mathbf{W}_1(\mathbf{Z}, \mathbf{y}) - \mathbf{W}_1(\mathbf{Z}, \mathbf{X}) \mathbf{b}_0
 \end{aligned}$$

In terms of the elements in  $\mathbf{W}_1(\mathbf{X}; \mathbf{r}; \mathbf{Z})$ , we can write down the 1st derivatives of  $l_1$ ,  $l_2$  and  $l_3$  with respect to a parameter  $\theta_s$  of the  $\mathbf{G}$  matrix,

$$\begin{aligned}
 [\mathbf{g}_1]_{\mathbf{G},s} &= tr \left( \mathbf{W}_1(\mathbf{Z}, \mathbf{Z}) \frac{\partial}{\partial \theta_s} \mathbf{G} \right) \\
 [\mathbf{g}_2]_{\mathbf{G},s} &= -\mathbf{W}_1(\mathbf{Z}, \mathbf{r})^T \left( \frac{\partial}{\partial \theta_s} \mathbf{G} \right) \mathbf{W}_1(\mathbf{Z}, \mathbf{r}) \\
 [\mathbf{g}_3]_{\mathbf{G},s} &= -tr \left( \mathbf{W}_1(\mathbf{X}, \mathbf{Z}) \left( \frac{\partial}{\partial \theta_s} \mathbf{G} \right) \mathbf{W}_1(\mathbf{Z}, \mathbf{X}) \mathbf{P} \right)
 \end{aligned}$$

For the second derivatives, we first define the following simplification factors

$$\begin{aligned}
 \mathbf{H}_{\mathbf{G}1}^{st} &= -\mathbf{W}_1(\mathbf{Z}, \mathbf{Z}) \left( \frac{\partial}{\partial \theta_s} \mathbf{G} \right) \mathbf{W}_1(\mathbf{Z}, \mathbf{Z}) \left( \frac{\partial}{\partial \theta_t} \mathbf{G} \right) + \mathbf{W}_1(\mathbf{Z}, \mathbf{Z}) \frac{\partial^2}{\partial \theta_s \partial \theta_t} \mathbf{G} \\
 \mathbf{H}_{\mathbf{G}2}^s &= \mathbf{W}_1(\mathbf{X}, \mathbf{Z}) \left( \frac{\partial}{\partial \theta_s} \mathbf{G} \right) \mathbf{W}_1(\mathbf{Z}, \mathbf{r})
 \end{aligned}$$



$$\mathbf{H}_{\mathbf{G}2}^{st} = 2\mathbf{W}_1(\mathbf{r}, \mathbf{Z}) \left( \frac{\partial}{\partial \theta_s} \mathbf{G} \right) \mathbf{W}_1(\mathbf{Z}, \mathbf{Z}) \left( \frac{\partial}{\partial \theta_t} \mathbf{G} \right) \mathbf{W}_1(\mathbf{Z}, \mathbf{r}) - \mathbf{W}_1(\mathbf{r}, \mathbf{Z}) \left( \frac{\partial^2}{\partial \theta_s \partial \theta_t} \mathbf{G} \right) \mathbf{W}_1(\mathbf{Z}, \mathbf{r})$$

$$\mathbf{H}_{\mathbf{G}3}^s = \mathbf{W}_1(\mathbf{X}, \mathbf{Z}) \left( \frac{\partial}{\partial \theta_s} \mathbf{G} \right) \mathbf{W}_1(\mathbf{Z}, \mathbf{X})$$

$$\mathbf{H}_{\mathbf{G}3}^{st} = 2\mathbf{W}_1(\mathbf{X}, \mathbf{Z}) \left( \frac{\partial}{\partial \theta_s} \mathbf{G} \right) \mathbf{W}_1(\mathbf{Z}, \mathbf{Z}) \left( \frac{\partial}{\partial \theta_t} \mathbf{G} \right) \mathbf{W}_1(\mathbf{Z}, \mathbf{X}) - \mathbf{W}_1(\mathbf{X}, \mathbf{Z}) \left( \frac{\partial^2}{\partial \theta_s \partial \theta_t} \mathbf{G} \right) \mathbf{W}_1(\mathbf{Z}, \mathbf{X})$$

then second derivatives of  $l_1, l_2$  and  $l_3$  w.r.t.  $\theta_s$  and  $\theta_t$  (in  $\mathbf{G}$ ) are given by

$$[\mathbf{H}_1]_{\mathbf{G},st} = tr(\mathbf{H}_{\mathbf{G}1}^{st})$$

$$[\mathbf{H}_2]_{\mathbf{G},st} = \mathbf{H}_{\mathbf{G}2}^{st} - 2(\mathbf{H}_{\mathbf{G}2}^s)^T \mathbf{P} \mathbf{H}_{\mathbf{G}2}^t$$

$$[\mathbf{H}_3]_{\mathbf{G},st} = tr[\mathbf{H}_{\mathbf{G}3}^{st} \mathbf{P}] - [\mathbf{H}_{\mathbf{G}3}^s \mathbf{P} \mathbf{H}_{\mathbf{G}3}^t \mathbf{P}]$$

## Derivatives: Parameters in $\mathbf{R}$

To compute  $\mathbf{R}$  derivatives, we need to introduce the matrices

$$\mathbf{W}_0^{(1)s} = -\frac{\partial \mathbf{W}_0}{\partial \theta_s}$$

and

$$\mathbf{W}_0^{(2)st} = -\frac{\partial^2 \mathbf{W}_0}{\partial \theta_s \partial \theta_t}$$

where  $\theta_s$  and  $\theta_t$  are the  $s$ th and  $t$ th parameters of  $\mathbf{R}$ . Therefore,

$$\mathbf{W}_0(\mathbf{A}, \mathbf{B}) = \mathbf{A}^T \mathbf{R}^{-1} \mathbf{B}$$

$$\begin{aligned} \mathbf{W}_0^{(1)s}(\mathbf{A}, \mathbf{B}) &= \mathbf{A}^T \mathbf{R}^{-1} \left( \frac{\partial}{\partial \theta_s} \mathbf{R} \right) \mathbf{R}^{-1} \mathbf{B} \\ &= -\mathbf{A}^T \left[ \frac{\partial}{\partial \theta_s} \mathbf{R}^{-1} \right] \mathbf{B} \end{aligned}$$

$$\begin{aligned} \mathbf{W}_0^{(2)st}(\mathbf{A}, \mathbf{B}) &= \mathbf{A}^T \left[ \mathbf{R}^{-1} \left( \frac{\partial^2}{\partial \theta_s \partial \theta_t} \mathbf{R} \right) \mathbf{R}^{-1} - \mathbf{R}^{-1} \left( \frac{\partial}{\partial \theta_s} \mathbf{R} \right) \mathbf{R}^{-1} \left( \frac{\partial}{\partial \theta_t} \mathbf{R} \right) \mathbf{R}^{-1} \right. \\ &\quad \left. - \mathbf{R}^{-1} \left( \frac{\partial}{\partial \theta_t} \mathbf{R} \right) \mathbf{R}^{-1} \left( \frac{\partial}{\partial \theta_s} \mathbf{R} \right) \mathbf{R}^{-1} \right] \mathbf{B} \\ &= -\mathbf{A}^T \left[ \frac{\partial^2}{\partial \theta_s \partial \theta_t} \mathbf{R}^{-1} \right] \mathbf{B} \end{aligned}$$

The matrices  $\mathbf{A}$  and  $\mathbf{B}$  can be  $\mathbf{X}$ ,  $\mathbf{Z}$ ,  $\tilde{\mathbf{Z}}$  or  $\mathbf{r}$ , where

$$\tilde{\mathbf{Z}} = \mathbf{Z} \mathbf{M} = \mathbf{Z} (\mathbf{G}^{-1} + \mathbf{Z}^T \mathbf{R}^{-1} \mathbf{Z})^{-1}$$

and

$$\mathbf{r} = \left[ \mathbf{I} - \mathbf{X} (\mathbf{X}' \mathbf{V}^{-1} \mathbf{X})^{-1} \mathbf{X}' \mathbf{V}^{-1} \right] \mathbf{y} = \mathbf{y} - \mathbf{X} \mathbf{b}_0$$

*Note:* The matrix  $(\mathbf{G}^{-1} + \mathbf{Z}^T \mathbf{R}^{-1} \mathbf{Z})^{-1}$  involved in  $\tilde{\mathbf{Z}}$  can be obtained by pre/post multiplying  $(\mathbf{I} + \mathbf{L}^T \mathbf{Z}^T \mathbf{R}^{-1} \mathbf{Z} \mathbf{L})^{-1}$  by  $\mathbf{L}$  and  $\mathbf{L}^T$ .

Using these notations, the 1st derivatives of  $l_k(\theta)$  with respect to a parameter in  $\mathbf{R}$  are as follows,

$$[\mathbf{g}_1]_{\mathbf{R},s} = tr \left( \mathbf{R}^{-1} \frac{\partial}{\partial \theta_s} \mathbf{R} \right) - tr \left( \mathbf{W}_0^{(1)s} (\mathbf{Z}, \mathbf{Z}) \mathbf{M} \right)$$

$$[\mathbf{g}_2]_{\mathbf{R},s} = -\mathbf{W}_0^{(1)s} (\mathbf{r}, \mathbf{r}) + 2\mathbf{W}_0 \left( \mathbf{r}, \tilde{\mathbf{Z}} \right) \mathbf{W}_0^{(1)s} (\mathbf{Z}, \mathbf{r}) \\ - \mathbf{W}_0 \left( \mathbf{r}, \tilde{\mathbf{Z}} \right) \mathbf{W}_0^{(1)s} (\mathbf{Z}, \mathbf{Z}) \mathbf{W}_0 \left( \tilde{\mathbf{Z}}, \mathbf{r} \right)$$

$$[\mathbf{g}_3]_{\mathbf{R},s} = -tr (\mathbf{H}_{\mathbf{R}3}^s)$$

To compute 2nd derivatives w.r.t.  $\theta_s$  and  $\theta_t$  (of  $\mathbf{R}$ ), we need to consider the following simplification factors.

$$\mathbf{H}_{\mathbf{R}1}^{st} = -\mathbf{R}^{-1} \left( \frac{\partial}{\partial \theta_s} \mathbf{R} \right) \mathbf{R}^{-1} \left( \frac{\partial}{\partial \theta_t} \mathbf{R} \right) + \mathbf{R}^{-1} \left( \frac{\partial^2}{\partial \theta_s \partial \theta_t} \mathbf{R} \right) \\ - \mathbf{W}_0^{(2)st} (\mathbf{Z}, \mathbf{Z}) \mathbf{M} - \mathbf{W}_0^{(1)s} (\mathbf{Z}, \mathbf{Z}) \mathbf{M} \mathbf{W}_0^{(1)t} (\mathbf{Z}, \mathbf{Z}) \mathbf{M}$$

$$\mathbf{H}_{\mathbf{R}2}^s = \mathbf{W}_0^{(1)s} (\mathbf{X}, \mathbf{r}) + \mathbf{W}_0 \left( \mathbf{X}, \tilde{\mathbf{Z}} \right) \mathbf{W}_0^{(1)s} (\mathbf{Z}, \mathbf{Z}) \mathbf{W} \left( \tilde{\mathbf{Z}}, \mathbf{r} \right) \\ - \mathbf{W}_0 \left( \mathbf{X}, \tilde{\mathbf{Z}} \right) \mathbf{W}_0^{(1)s} (\mathbf{Z}, \mathbf{r}) - \mathbf{W}_0^{(1)s} (\mathbf{X}, \mathbf{Z}) \mathbf{W}_0 \left( \tilde{\mathbf{Z}}, \mathbf{r} \right)$$

$$\mathbf{H}_{\mathbf{R}2}^{st} = -\mathbf{W}_0^{(2)st} (\mathbf{r}, \mathbf{r}) \\ - \mathbf{W}_0 \left( \mathbf{r}, \tilde{\mathbf{Z}} \right) \mathbf{W}_0^{(2)st} (\mathbf{Z}, \mathbf{Z}) \mathbf{W}_0 \left( \tilde{\mathbf{Z}}, \mathbf{r} \right) \\ + 2\mathbf{W}_0 \left( \mathbf{r}, \tilde{\mathbf{Z}} \right) \mathbf{W}_0^{(2)st} (\mathbf{Z}, \mathbf{r}) \\ - 2 \left[ \mathbf{W}_0 \left( \mathbf{r}, \tilde{\mathbf{Z}} \right) \mathbf{W}_0^{(1)s} (\mathbf{Z}, \mathbf{Z}) - \mathbf{W}_0^{(1)s} (\mathbf{r}, \mathbf{Z}) \right] \mathbf{M} \\ \times \left[ \mathbf{W}_0^{(1)t} (\mathbf{Z}, \mathbf{Z}) \mathbf{W}_0 \left( \tilde{\mathbf{Z}}, \mathbf{r} \right) - \mathbf{W}_0^{(1)t} (\mathbf{Z}, \mathbf{r}) \right]$$

$$\mathbf{H}_{\mathbf{R}3}^s = \mathbf{W}_0^{(1)s} (\mathbf{X}, \mathbf{X}) - \mathbf{W}_0 \left( \mathbf{X}, \tilde{\mathbf{Z}} \right) \mathbf{W}_0^{(1)s} (\mathbf{Z}, \mathbf{X}) \\ - \mathbf{W}_0^{(1)s} (\mathbf{X}, \mathbf{Z}) \mathbf{W}_0 \left( \tilde{\mathbf{Z}}, \mathbf{X} \right) \\ + \mathbf{W}_0 \left( \mathbf{X}, \tilde{\mathbf{Z}} \right) \mathbf{W}_0^{(1)s} (\mathbf{Z}, \mathbf{Z}) \mathbf{W}_0 \left( \tilde{\mathbf{Z}}, \mathbf{X} \right)$$

$$\mathbf{H}_{\mathbf{R}3}^{st} = -\mathbf{W}_0^{(2)st} (\mathbf{X}, \mathbf{X}) \\ - \mathbf{W}_0 \left( \mathbf{X}, \tilde{\mathbf{Z}} \right) \mathbf{W}_0^{(2)st} (\mathbf{Z}, \mathbf{Z}) \mathbf{W}_0 \left( \tilde{\mathbf{Z}}, \mathbf{X} \right) \\ + 2\mathbf{W}_0 \left( \mathbf{X}, \tilde{\mathbf{Z}} \right) \mathbf{W}_0^{(2)st} (\mathbf{Z}, \mathbf{X}) \\ - 2 \left[ \mathbf{W}_0 \left( \mathbf{X}, \tilde{\mathbf{Z}} \right) \mathbf{W}_0^{(1)s} (\mathbf{Z}, \mathbf{Z}) - \mathbf{W}_0^{(1)s} (\mathbf{X}, \mathbf{Z}) \right] \mathbf{M} \\ \times \left[ \mathbf{W}_0^{(1)t} (\mathbf{Z}, \mathbf{Z}) \mathbf{W}_0 \left( \tilde{\mathbf{Z}}, \mathbf{X} \right) - \mathbf{W}_0^{(1)t} (\mathbf{Z}, \mathbf{X}) \right]$$

Based on these simplification terms, the entries of the Hessian matrices are given by

$$[\mathbf{H}_1]_{\mathbf{R},st} = tr (\mathbf{H}_{\mathbf{R}1}^{st})$$

$$[\mathbf{H}_2]_{\mathbf{R},st} = \mathbf{H}_{\mathbf{R}2}^{st} - 2(\mathbf{H}_{\mathbf{R}2}^s)^T \mathbf{P} \mathbf{H}_{\mathbf{R}2}^t$$

$$[\mathbf{H}_3]_{\mathbf{R},st} = tr (\mathbf{H}_{\mathbf{R}3}^{st} \mathbf{P} - \mathbf{H}_{\mathbf{R}3}^s \mathbf{P} \mathbf{H}_{\mathbf{R}3}^t \mathbf{P})$$

## ***G and R Cross-derivatives***

This section gives expressions for the 2nd derivatives of  $l_1, l_2$  and  $l_3$  with respect to a parameter  $\theta_s$  in  $\mathbf{G}$  and a parameter  $\theta_t$  in  $\mathbf{G}$ . First, we introduce the following simplification terms,

$$\begin{aligned} \mathbf{H}_{\mathbf{GR}1}^{st} = & -\mathbf{W}_0^{(1)s}(\mathbf{Z}, \mathbf{Z}) \left( \frac{\partial}{\partial \theta_t} \mathbf{G} \right) \\ & + 2\mathbf{W}_0^{1(s)}(\mathbf{Z}, \mathbf{Z}) \left( \frac{\partial}{\partial \theta_t} \mathbf{G} \right) \mathbf{W}_0(\mathbf{Z}, \tilde{\mathbf{Z}}) \\ & - \mathbf{W}_0^{(1)s}(\mathbf{Z}, \mathbf{Z}) \mathbf{W}_0(\tilde{\mathbf{Z}}, \mathbf{Z}) \left( \frac{\partial}{\partial \theta_t} \mathbf{G} \right) \mathbf{W}_0(\mathbf{Z}, \tilde{\mathbf{Z}}) \end{aligned}$$

$$\begin{aligned} \mathbf{H}_{\mathbf{GR}2}^{st} = & 2 \left[ \mathbf{W}_0^{(1)s}(\mathbf{r}, \mathbf{Z}) - \mathbf{W}_0(\mathbf{r}, \mathbf{Z}) \mathbf{M} \mathbf{W}_0^{(1)s}(\mathbf{Z}, \mathbf{Z}) \right] \\ & \times [\mathbf{M} \mathbf{W}_0(\mathbf{Z}, \mathbf{Z}) - \mathbf{I}] \left( \frac{\partial}{\partial \theta_t} \mathbf{G} \right) [\mathbf{W}_0(\mathbf{Z}, \mathbf{Z}) \mathbf{M} - \mathbf{I}] \\ & \times \mathbf{W}_0(\mathbf{Z}, \mathbf{r}) \end{aligned}$$

$$\begin{aligned} \mathbf{H}_{\mathbf{GR}3}^{st} = & 2 \left[ \mathbf{W}_0^{(1)s}(\mathbf{X}, \mathbf{Z}) - \mathbf{W}_0(\mathbf{X}, \mathbf{Z}) \mathbf{M} \mathbf{W}_0^{(1)s}(\mathbf{Z}, \mathbf{Z}) \right] \\ & \times [\mathbf{M} \mathbf{W}_0(\mathbf{Z}, \mathbf{Z}) - \mathbf{I}] \left( \frac{\partial}{\partial \theta_t} \mathbf{G} \right) [\mathbf{W}_0(\mathbf{Z}, \mathbf{Z}) \mathbf{M} - \mathbf{I}] \\ & \times \mathbf{W}_0(\mathbf{Z}, \mathbf{X}) \end{aligned}$$

Based on these simplification terms, the second derivatives are given by

$$[\mathbf{H}_1]_{\mathbf{GR},st} = tr(\mathbf{H}_{\mathbf{GR}1}^{st})$$

$$[\mathbf{H}_2]_{\mathbf{GR},st} = \mathbf{H}_{\mathbf{GR}2}^{st} - 2(\mathbf{H}_{\mathbf{G}2}^s)^T \mathbf{H}_{\mathbf{R}2}^t$$

$$[\mathbf{H}_3]_{\mathbf{GR},st} = tr(\mathbf{H}_{\mathbf{GR}3}^{st} \mathbf{P} - \mathbf{H}_{\mathbf{G}3}^s \mathbf{P} \mathbf{H}_{\mathbf{R}3}^t \mathbf{P})$$

## ***Gradient and Hessian of REML***

The restricted log likelihood is given by

$$\begin{aligned} -2l_{REML}(\theta|\mathbf{y}) = & \log |\mathbf{V}| + \mathbf{r}^T \mathbf{V}^{-1} \mathbf{r} \\ & + \log |\mathbf{X}^T \mathbf{V}^{-1} \mathbf{X}| + (n-p) \log 2\pi \end{aligned}$$

where  $p$  is equal to the rank of  $\mathbf{X}$ . Therefore the  $s$ th element of the gradient vector is given by

$$[\mathbf{g}]_s = [\mathbf{g}_1]_s + [\mathbf{g}_2]_s + [\mathbf{g}_3]_s$$

and the  $(s,t)$ th element of the Hessian matrix is given by

$$[\mathbf{H}]_{st} = [\mathbf{H}_1]_{st} + [\mathbf{H}_2]_{st} + [\mathbf{H}_3]_{st}$$

If scoring algorithm is used, the Hessian can be simplified to

$$[\mathbf{H}]_{st} = -[\mathbf{H}_1]_{st} + [\mathbf{H}_3]_{st}$$

## ***Gradient and Hessian of MLE***

The log likelihood is given by

$$-2l_{MLE}(\theta|\mathbf{y}) = \log|\mathbf{V}| + \mathbf{r}^T\mathbf{V}^{-1}\mathbf{r} + n \log 2\pi$$

Therefore the  $s$ th element of the gradient vector is given by

$$[\mathbf{g}]_s = [\mathbf{g}_1]_s + [\mathbf{g}_2]_s$$

and the  $(s,t)$ th element of the Hessian matrix is given by

$$[\mathbf{H}]_{st} = [\mathbf{H}_1]_{st} + [\mathbf{H}_2]_{st}$$

If scoring algorithm is used the Hessian can be simplified to

$$[\mathbf{H}]_{st} = -[\mathbf{H}_1]_{st}$$

It should be noted that the Hessian matrices for the scoring algorithm in both ML and REML are not 'exact'. In order to speed up calculation, some second derivative terms are dropped. Therefore, they are only used in intermediate step of optimization but not for standard error calculations.

## Cross Product Matrices

During estimation we need to construct several cross product matrices in each iteration, namely:  $\mathbf{W}_0(\mathbf{X};\mathbf{y};\mathbf{Z})$ ,  $\mathbf{W}_1(\mathbf{X};\mathbf{y};\mathbf{Z})$ ,  $\mathbf{W}_0^A(\mathbf{X};\mathbf{y};\mathbf{Z})$ ,  $\mathbf{W}_1^A(\mathbf{X};\mathbf{y};\mathbf{Z})$ ,  $\mathbf{W}_{b0}(\mathbf{X};\mathbf{y})$ , and  $\mathbf{W}_{b1}(\mathbf{X};\mathbf{y})$ . The sweep operator (see for example Goodnight (1979)) is used in constructing these matrices. Basically, the sweep operator performs the following transformation

$$\begin{bmatrix} \mathbf{A} & \mathbf{B} \\ \mathbf{B}' & \mathbf{C} \end{bmatrix} \Rightarrow \begin{bmatrix} \mathbf{A}^- & \mathbf{A}^-\mathbf{B} \\ -\mathbf{B}'\mathbf{A}^- & \mathbf{C} - \mathbf{B}'\mathbf{A}^-\mathbf{B} \end{bmatrix}$$

The steps needed to construct these matrices are outlined below:

STEP 1: Construct

$$\mathbf{W}_0(\mathbf{X};\mathbf{y};\mathbf{Z}) = \begin{bmatrix} \mathbf{X}^T\mathbf{R}^{-1}\mathbf{X} & \mathbf{X}^T\mathbf{R}^{-1}\mathbf{y} & \mathbf{X}^T\mathbf{R}^{-1}\mathbf{Z} \\ \mathbf{y}^T\mathbf{R}^{-1}\mathbf{X} & \mathbf{y}^T\mathbf{R}^{-1}\mathbf{y} & \mathbf{y}^T\mathbf{R}^{-1}\mathbf{Z} \\ \mathbf{Z}^T\mathbf{R}^{-1}\mathbf{X} & \mathbf{Z}^T\mathbf{R}^{-1}\mathbf{y} & \mathbf{Z}^T\mathbf{R}^{-1}\mathbf{Z} \end{bmatrix}$$

STEP 2:

Construct  $\mathbf{W}_0^A(\mathbf{X};\mathbf{y};\mathbf{Z})$  which is an augmented version of  $\mathbf{W}_0(\mathbf{X};\mathbf{y};\mathbf{Z})$ . It is given by the following expression.

$$\mathbf{W}_0^A(\mathbf{X};\mathbf{y};\mathbf{Z}) = \begin{bmatrix} \mathbf{I} + \mathbf{L}^T\mathbf{Z}^T\mathbf{R}^{-1}\mathbf{Z}\mathbf{L} & \mathbf{L}^T\mathbf{W}_0(\mathbf{Z},\cdot) \\ \mathbf{W}_0(\cdot,\mathbf{Z})\mathbf{L} & \mathbf{W}_0 \end{bmatrix}$$

where  $\mathbf{L}$  is the lower-triangular Cholesky root of  $\mathbf{G}$ , i.e.  $\mathbf{G}=\mathbf{L}\mathbf{L}^T$  and  $\mathbf{W}_0(\mathbf{Z};?,?)$  is the rows of  $\mathbf{W}_0$  corresponding to  $\mathbf{Z}$ .

STEP 3: Sweeping  $\mathbf{W}_0^A(\mathbf{X};\mathbf{y};\mathbf{Z})$  by pivoting on diagonal elements in upper-left partition will give us the matrix  $\mathbf{W}_1^A(\mathbf{X};\mathbf{y};\mathbf{Z})$ , which is shown below.

$$\mathbf{W}_1^{\mathbf{A}}(\mathbf{X}; \mathbf{y}; \mathbf{Z}) = \begin{bmatrix} \mathbf{W}_1^{\mathbf{A}}(1, 1) & \mathbf{W}_1^{\mathbf{A}}(1, 1) \mathbf{L}^T \mathbf{W}(\mathbf{Z}, \cdot) \\ -\mathbf{W}_0(\cdot, \mathbf{Z}) \mathbf{L} \mathbf{W}_1^{\mathbf{A}}(1, 1) & \mathbf{W}_1(\mathbf{X}; \mathbf{y}; \mathbf{Z}) \end{bmatrix}$$

where

$$\mathbf{W}_1(\mathbf{X}; \mathbf{y}; \mathbf{Z}) = \begin{bmatrix} \mathbf{X}^T \mathbf{V}^{-1} \mathbf{X} & \mathbf{X}^T \mathbf{V}^{-1} \mathbf{Z} & \mathbf{X}^T \mathbf{V}^{-1} \mathbf{y} \\ \mathbf{Z}^T \mathbf{V}^{-1} \mathbf{X} & \mathbf{Z}^T \mathbf{V}^{-1} \mathbf{Z} & \mathbf{Z}^T \mathbf{X}^{-1} \mathbf{y} \\ \mathbf{y}^T \mathbf{V}^{-1} \mathbf{X} & \mathbf{y}^T \mathbf{V}^{-1} \mathbf{Z} & \mathbf{y}^T \mathbf{V}^{-1} \mathbf{y} \end{bmatrix}$$

and

$$\mathbf{W}_1^{\mathbf{A}}(1, 1) = (\mathbf{I} + \mathbf{L}^T \mathbf{Z}^T \mathbf{R}^{-1} \mathbf{Z} \mathbf{L})^{-1}$$

During the sweeping, if we accumulate the log of the  $i$ th diagonal element just before  $i$ th sweep, we will obtain  $\log |\mathbf{I} + \mathbf{L}^T \mathbf{Z}^T \mathbf{R}^{-1} \mathbf{Z} \mathbf{L}| = \log |\mathbf{V}| - \log |\mathbf{R}|$  as a by-product. Thus, adding to this quantity by  $\log |\mathbf{R}|$  will give us  $l_1(\theta)$ .

STEP 4: Consider the following submatrix  $\mathbf{W}_{b_0}(\mathbf{X}; \mathbf{y})$  of  $\mathbf{W}_1(\mathbf{X}; \mathbf{y}; \mathbf{Z})$ ,

$$\mathbf{W}_{b_0}(\mathbf{X}; \mathbf{y}) = \begin{bmatrix} \mathbf{X}^T \mathbf{V}^{-1} \mathbf{X} & \mathbf{X}^T \mathbf{V}^{-1} \mathbf{y} \\ \mathbf{y}^T \mathbf{V}^{-1} \mathbf{X} & \mathbf{y}^T \mathbf{V}^{-1} \mathbf{y} \end{bmatrix}$$

Sweeping  $\mathbf{W}_{b_0}(\mathbf{X}; \mathbf{y})$  by pivoting on diagonal elements of  $\mathbf{X}^T \mathbf{V}^{-1} \mathbf{X}$  will give us

$$\mathbf{W}_{b_1}(\mathbf{X}; \mathbf{y}) = \begin{bmatrix} (\mathbf{X}^T \mathbf{V}^{-1} \mathbf{X})^{-1} & \mathbf{b}_0 \\ \mathbf{b}_0^T & l_2(\theta) \end{bmatrix}$$

where  $\mathbf{b}_0$  is an estimate of  $\boldsymbol{\beta}_0$  in the current iteration. After this step, we will obtain  $l_2(\theta)$  and  $l_3(\theta) = |\mathbf{X}^T \mathbf{V}^{-1} \mathbf{X}|$

## **Pseudo- $R^2$ and Intraclass Correlation Coefficient (ICC) measures**

### **Model Considerations**

The pseudo- $R^2$  and ICC measures were designed for hierarchical or multilevel models, a subset of mixed models having specific hierarchical structures for the random effects. The measures apply only to models where  $\mathbf{R}$  is a scaled identity matrix, with a single estimated residual covariance parameter (see Nakagawa & Schielzeth (2013, 2017) and Johnson (2014) for the framework). This is enforced by producing these measures only when no REPEATED or REGWGT subcommands are specified.

### **Components of Variance and Proportions of Variance Accounted For**

Two pseudo- $R^2$  measures are produced, a marginal version ( $R_m^2$ ) that estimates the proportion of total variance accounted for by the model's fixed effects, and a conditional version ( $R_c^2$ ) that estimates the proportion of total variance accounted for by the model's fixed and random effects.

The components of variance estimates are as follows:

$$\text{Fixed effects:} \quad \hat{\sigma}_f^2 = \text{Var}(\hat{y}_f) = \text{Var}(X\hat{\beta})$$

$$\text{Random effects:} \quad \hat{\sigma}_\gamma^2 = \text{Trace}(Z\hat{G}Z^T)/n$$

$$\text{Residual error:} \quad \hat{\sigma}_\varepsilon^2 = \text{Trace}(\hat{\varepsilon})/n$$

### **Pseudo- $R^2$ Measures**

$$R_m^2 = \frac{\hat{\sigma}_f^2}{\hat{\sigma}_f^2 + \hat{\sigma}_\gamma^2 + \hat{\sigma}_\varepsilon^2}$$

$$R_c^2 = \frac{\hat{\sigma}_f^2 + \hat{\sigma}_\gamma^2}{\hat{\sigma}_f^2 + \hat{\sigma}_\gamma^2 + \hat{\sigma}_\varepsilon^2}$$

- In the special case where no RANDOM subcommands are specified, the random effects variance is by definition 0, and the formulas reduce to the same thing:

$$R_m^2 = R_c^2 = \frac{\hat{\sigma}_f^2}{\hat{\sigma}_f^2 + \hat{\sigma}_\varepsilon^2}$$

- To ensure that this is the same as the  $R^2$  calculated for the fixed-effects model in GLM and UNIANOVA,  $\hat{\sigma}_\varepsilon^2$  is estimated using  $n-1$  as the divisor, rather than  $n$ . This matches the special case definition from Nakagawa et al. (2013) equations 20 and 21.
- If the model also does not include a fixed intercept, the  $R^2$  in MIXED will not generally match that from GLM and UNIANOVA. The MIXED version remains consistent with the definition from Nakagawa et al. (2013).

## ***Intraclass Correlation Coefficients (ICCs)***

Conditional and adjusted intraclass correlation coefficients for estimating levels of dependence among randomly selected units in the same subject grouping can be estimated as follows:

$$ICC_{con} = \frac{\hat{\sigma}_\gamma^2}{\hat{\sigma}_f^2 + \hat{\sigma}_\gamma^2 + \hat{\sigma}_\varepsilon^2}$$

$$ICC_{adj} = \frac{\hat{\sigma}_\gamma^2}{\hat{\sigma}_\gamma^2 + \hat{\sigma}_\varepsilon^2}$$

If no fixed effects are fitted, or only a fixed intercept,  $\hat{\sigma}_f^2 = 0$  so that  $ICC_{adj}$  equals  $ICC_{con}$ . Although Nakagawa et al. (2017) indicate that in this situation a measure should not be referred to as adjusted, since no non-zero effect has been estimated and excluded from the ICC calculation, we maintain the same label in the output.

For a model with more than two levels and random intercepts but no other random effects, the overall ICC measures can be decomposed into ICCs for each level of nesting, using the individual random intercept variances  $\hat{\sigma}_{\gamma_k}^2$ :

$$ICC_{con_k} = \frac{\hat{\sigma}_{\gamma_k}^2}{\hat{\sigma}_f^2 + \hat{\sigma}_{\gamma_k}^2 + \hat{\sigma}_\varepsilon^2}$$

$$ICC_{adj_k} = \frac{\hat{\sigma}_{\gamma_k}^2}{\hat{\sigma}_{\gamma_k}^2 + \hat{\sigma}_\varepsilon^2}$$

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## *MIXED Algorithms*

# MLP Algorithms

The multilayer perceptron (MLP) is a feed-forward, supervised learning network with up to two hidden layers. The MLP network is a function of one or more predictors (also called inputs or independent variables) that minimizes the prediction error of one or more target variables (also called outputs). Predictors and targets can be a mix of categorical and scale variables.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$X^{(m)} = (x_1^{(m)}, \dots, x_P^{(m)})$	Input vector, pattern $m$ , $m=1, \dots, M$ .
$Y^{(m)} = (y_1^{(m)}, \dots, y_R^{(m)})$	Target vector, pattern $m$ .
$I$	Number of layers, discounting the input layer.
$J_i$	Number of units in layer $i$ . $J_0 = P$ , $J_I = R$ , discounting the bias unit.
$\Gamma^c$	Set of categorical outputs.
$\Gamma$	Set of scale outputs.
$\Gamma_h$	Set of subvectors of $Y^{(m)}$ containing 1-of- $c$ coded $h$ th categorical variable.
$a_{i:j}^m$	Unit $j$ of layer $i$ , pattern $m$ , $j = 0, \dots, J_i$ ; $i = 0, \dots, I$ .
$w_{i:j,k}$	Weight leading from layer $i-1$ , unit $j$ to layer $i$ , unit $k$ . No weights connect $a_{i-1:j}^m$ and the bias $a_{i:0}^m$ ; that is, there is no $w_{i:j,0}$ for any $j$ .
$c_{i:k}^m$	$\sum_{j=0}^{J_{i-1}} w_{i:j,k} a_{i-1:j}^m, i=1, \dots, I.$
$\gamma_i(c)$	Activation function for layer $i$ .
$w$	Weight vector containing all weights $(w_{1:0,1}, w_{1:0,2}, \dots, w_{I:J_{I-1}, J_I})$ .

## Architecture

The general architecture for MLP networks is:

**Input layer:**  $J_0=P$  units,  $a_{0:1}, \dots, a_{0:J_0}$ ; with  $a_{0:j} = x_j$ .

**$i$ th hidden layer:**  $J_i$  units,  $a_{i:1}, \dots, a_{i:J_i}$ ; with  $a_{i:k} = \gamma_i(c_{i:k})$  and  $c_{i:k} = \sum_{j=0}^{J_{i-1}} w_{i:j,k} a_{i-1:j}$  where  $a_{i-1:0} = 1$

**Output layer:**  $J_I=R$  units,  $a_{I:1}, \dots, a_{I:J_I}$ ; with  $a_{I:k} = \gamma_I(c_{I:k})$  and  $c_{I:k} = \sum_{j=0}^{J_{I-1}} w_{I:j,k} a_{i-1:j}$  where  $a_{i-1:0} = 1$

Note that the pattern index and the bias term of each layer are not counted in the total number of units for that layer.

## Activation Functions

### Hyperbolic Tangent

$$\gamma(c) = \tanh(c) = \frac{e^c - e^{-c}}{e^c + e^{-c}}$$

### Sigmoid

$$\gamma(c) = \frac{1}{1 + \exp(-c)}$$

### Identity

$$\gamma(c) = c$$

This is only available for output layer units.

### Softmax

$$\gamma(c_k) = \frac{\exp(c_k)}{\sum_{j \in \Gamma_h} \exp(c_j)}$$

This is only available if all output layer units correspond to categorical variables and cross-entropy error is used.

## Error Functions

### Sum-of-Squares

$$E_T(w) = \sum_{m=1}^M E_m(w)$$

where

$$E_m(w) = \frac{1}{2} \sum_{r=1}^R \left( y_r^{(m)} - a_{I:r}^m \right)^2$$

### Cross-Entropy

$$E_T(w) = \sum_{m=1}^M E_m(w)$$

where

$$E_m(w) = - \sum_{r \in \Gamma^c} y_r^{(m)} \log \left( \frac{a_{l:r}^m}{y_r^{(m)}} \right)$$

This is only available if all output layer units correspond to categorical variables and the softmax activation function is used.

### Expert Architecture Selection

Expert architecture selection determines the “best” number of hidden units in a single hidden layer. The hyperbolic tangent activation function is used for the hidden layer, and the identity function is used for the output layer (softmax if the output is categorical).

A random sample is taken from the entire data set and split into training (70%) and testing samples (30%). The size of random sample is  $N = \min(1000, memsize)$ , where *memsize* is the user-controlled maximum number of cases stored in memory. If entire dataset has less than  $N$  cases, use all of them. If training and testing data sets are supplied separately, the random samples for training and testing should be taken from the respective datasets.

Given  $K_{\min}$  and  $K_{\max}$ , the algorithm is as follows.

1. Start with an initial network of  $k$  hidden units. The default is  $k = \min(g(R, P), 20, h(R, P))$ , where

$$g(R, P) = \begin{cases} \lfloor 4.5 + \sqrt{P + R} \rfloor & R < 5, P \geq 8 \\ \lfloor 0.5 + 0.5(P + R) \rfloor & \text{otherwise} \end{cases}$$

where  $\lfloor x \rfloor$  denotes the largest integer less than or equal to  $x$ .  $h(R, P) = \lfloor \frac{M-R}{P+R+1} \rfloor$  is the maximum number of hidden units that will not result in more weights than there are cases in the entire training set.

If  $k < K_{\min}$ , set  $k = K_{\min}$ . Else if  $k > K_{\max}$ , set  $k = K_{\max}$ . Train this network once via the alternated simulated annealing and training procedure (steps 1 to 5).

2. If  $k > K_{\min}$ , set *DOWN=TRUE*. Else if training error ratio  $> 0.01$ , *DOWN=FALSE*. Else stop and report the initial network.
3. If *DOWN=TRUE*, remove the weakest hidden unit (see below);  $k=k-1$ . Else add a hidden unit;  $k=k+1$ .
4. Using the previously fit weights as initial weights for the old weights and random weights for the new weights, train the old and new weights for the network once through the alternated simulated annealing and training procedure (steps 3 to 5) until the stopping conditions are met.
5. If the error on test data has dropped:

If *DOWN=FALSE*, If  $k < K_{\max}$  and training error is dropped but the error ratio is still above 0.01, return to step 3. Else stop and report the network with the minimum test error.

Else if *DOWN=TRUE*, If  $k > K_{\min}$ , return to step 3. Else, stop and report the network with the minimum test error.

Else if the error increased, If DOWN=TRUE, If  $k - k_0 > 1$ , stop and report the network with the minimum test error.

Else if training error ratio for  $k = k_0$  is bigger than 0.01, set DOWN = FALSE,  $k = k_0$  return to step 3. Else stop and report the initial network.

Else stop and report the network with the minimum test error.

If more than one network attains the minimum test error, choose the one with a smaller number of hidden units.

If the resulted network from above procedure has training error ratio (training error divided by error from the model using average of an output variable to predict that variable) bigger than 0.1, repeat above procedure with different initial weights until either the error ratio is  $\leq 0.1$  or the procedure is repeated  $K$  times already, say  $K=5$ . If the procedure is repeated  $K$  times, pick the one with smallest test error.

#### ***The weakest hidden unit***

For each hidden unit  $j$ , calculate the error on the test data when  $j$  is removed from the network. The weakest hidden unit is the one having the smallest total test error upon its removal.

## **Training**

Given the training type (online, batch, or mini-batch), the problem of estimating the weights consists of the following parts:

- ▶ Initializing the weights. Take a random sample (as described in “Expert Architecture Selection”) and apply the alternated simulated annealing and training procedure on the random sample to derive the initial weights. Training in step 3 is performed using all default training parameters.
- ▶ Computing the derivative of the error function with respect to the weights. This is solved via the error backpropagation algorithm.
- ▶ Updating the estimated weights. This is solved by the gradient descent or scaled conjugate gradient method.

## **Alternated Simulated Annealing and Training**

The following procedure uses simulated annealing and training alternately up to  $K_1$  times. Simulated annealing is used to break out of the local minimum that training finds by perturbing the local minimum  $K_2$  times. If break out is successful, simulated annealing sets a better initial weight for the next training. We hope to find the global minimum by repeating this procedure  $K_3$  times. This procedure is rather expensive for large data sets, so it is only used on a random sample to search for initial weights and in architecture selection. Let  $K_1=K_2=4$ ,  $K_3=3$ .

1. Randomly generate  $K_2$  weight vectors between  $[a_0-a, a_0+a]$ . This is a user controllable interval with default  $a_0=0$  and  $a=0.5$ . Calculate the training error for each weight vector. Pick the weights that give the minimum training error as the initial weights.

2. Set  $k_1=0$ .
3. Train the network with the specified initial weights. Call the trained weights  $\mathbf{w}$ .
4. If the training error ratio  $\leq 0.05$ , stop the  $k_1$  loop and use  $\mathbf{w}$  as the result of the loop. Else set  $k_1 = k_1+1$ .
5. If  $k_1 < K_1$ , perturb the old weight to form  $K_2$  new weights  $\mathbf{w}' = \mathbf{w} + \mathbf{w}_n$  by adding  $K_2$  different random noise  $\mathbf{w}_n$  between  $[a(k_1), a(k_1)]$  where  $a(k_1) = (0.5)^{k_1} a$ . Let  $\mathbf{w}_{\min}$  be the weights that give the minimum training error among all the perturbed weights. If  $E_T(\mathbf{w}_{\min}) < E_T(\mathbf{w})$ , set the initial weights to be  $\mathbf{w}_{\min}$ , return to step 3. Else stop and report  $\mathbf{w}$  as the final result.

Else stop the  $k_1$  loop and use  $\mathbf{w}$  as the result of the loop.

If the resulting weights have training error ratio bigger than 0.1, repeat this algorithm until either the training error ratio is  $\leq 0.1$  or the procedure is repeated  $K_3$  times, then pick the one with smallest test error among the result of the  $k_1$  loops.

## Error Backpropagation

Error-backpropagation is used to compute the first partial derivatives of the error function with respect to the weights.

$$\text{First note that } \gamma'(c) = \begin{cases} 1 - [\gamma(c)]^2 & \text{tanh} \\ \gamma(c)(1 - \gamma(c)) & \text{sigmoid} \\ 1 & \text{identity} \end{cases}$$

The backpropagation algorithm follows:

For each  $i,j,k$ , set  $\frac{\partial E_T}{\partial w_{i,k,j}} = 0$ .

For each  $m$  in group  $T$ ; For each  $p=1, \dots, J_I$ , let

$$\delta_{I:p}^m = \frac{\partial E_m}{\partial c_{I:p}^m} = \begin{cases} a_{I:p}^m - y_p^{(m)} & \text{if cross-entropy error is used} \\ \gamma'(c_{I:p}^m) (a_{I:p}^m - y_p^{(m)}) & \text{otherwise} \end{cases}$$

For each  $i=I, \dots, 1$  (start from the output layer); For each  $j=1, \dots, J_i$ ; For each  $k=0, \dots, J_{i-1}$

- ▶ Let  $\frac{\partial E_m}{\partial w_{i,k,j}} = \delta_{i,j}^m a_{i-1:k}^m$ , where  $\delta_{i,j}^m = \frac{\partial E_m}{\partial c_{i,j}^m}$
- ▶ Set  $\frac{\partial E_T}{\partial w_{i,k,j}} = \frac{\partial E_T}{\partial w_{i,k,j}} + \frac{\partial E_m}{\partial w_{i,k,j}}$
- ▶ If  $k > 0$  and  $i > 1$ , set  $\delta_{i-1:k}^m = \gamma'_{i-1}(c_{i-1:k}^m) \sum_{j=1}^{J_i} \delta_{i,j}^m w_{i:k,j}$

This gives us a vector of  $\sum_{i=0}^{I-1} (J_i + 1) J_{i+1}$  elements that form the gradient of  $E_T(w_k)$ .

## Gradient Descent

### Online or Mini-Batch

Given the learning rate parameters  $\eta_0$  and  $\eta_{low}$ , momentum rate  $\alpha$ , and learning rate decay factor  $\beta$ , the gradient descent method for online and mini-batch training is as follows.

1. Let  $k=0$ . Initialize the weight vector to  $w_0$ , learning rate to  $\eta_0$ . Let  $\Delta w_0 = 0$ .
2. Read records in  $T_k$  ( $T_k$  is randomly chosen) and find  $E_{T_k}(w_k)$  and its gradient  $g_k = \nabla E_{T_k}(w_k)$ .
3. If  $\eta_k |g_k| \leq \alpha |\Delta w_k|$ ,  $\alpha = 0.9 \eta_k \frac{|g_k|}{|\Delta w_k|}$ . This step is to make sure that the steepest gradient descent direction dominates weight change in next step. Without this step, the weight change in next step could be along the opposite direction of the steepest descent and hence no matter how small  $\eta_k$  is, the error will not decrease.
4. Let  $v = w_k - \eta_k g_k + \alpha \Delta w_k$ .
5. If  $E_{T_k}(v) < E_{T_k}(w_k)$ , then set  $w_{k+1} = v$  and  $\Delta w_{k+1} = w_{k+1} - w_k$ , Else  $w_{k+1} = w_k$ ,  $\Delta w_{k+1} = \Delta w_k$ .
6.  $\eta_{k+1} = e^{-\beta} \eta_k$ . If  $\eta_{k+1} < \eta_{low}$ , then set  $\eta_{k+1} = \eta_{low}$ .
7. If a stopping rule is met, exit and report the network as stated in the stopping criteria. Else let  $k=k+1$  and return to step 2.

### Batch

Given the learning rate parameter  $\eta_0$  and momentum rate  $\alpha$ , the gradient descent method for batch training is as follows.

1. Let  $k=0$ . Initialize the weight vector to  $w_0$ , learning rate to  $\eta_0$ . Let  $\Delta w_0 = 0$ .
2. Read all data and find  $E_T(w_k)$  and its gradient  $g_k = \nabla E_T(w_k)$ . If  $|g_k| < 10^{-6}$ , stop and report the current network.
3. If  $\eta_k |g_k| \leq \alpha |\Delta w_k|$ ,  $\alpha = 0.9 \eta_k \frac{|g_k|}{|\Delta w_k|}$ . This step is to make sure that the steepest gradient descent direction dominates weight change in next step. Without this step, the weight change in next step could be along the opposite direction of the steepest descent and hence no matter how small  $\eta_k$  is, the error will not decrease.
4. Let  $v = w_k - \eta_k g_k + \alpha \Delta w_k$ .
5. If  $E_T(v) < E_T(w_k)$ , then set  $w_{k+1} = v$ ,  $\Delta w_{k+1} = w_{k+1} - w_k$ , and  $\eta_{k+1} = \eta_k$ , Else  $\eta_k = .5 \eta_k$  and return to step 3.
6. If a stopping rule is met, exit and report the network as stated in the stopping criteria. Else let  $k=k+1$  and return to step 2.

## Scaled Conjugate Gradient

This method is only available to batch training. To begin, initialize the weight vector to  $\mathbf{w}_0$ , and let  $N$  be the total number of weights.

1.  $k=0$ . Choose scalars  $0 < \lambda_0 < 10^{-6}$ ,  $0 < \sigma < 10^{-4}$ ,  $\bar{\lambda}_0 = 0$ . Set  $\mathbf{r}_0 = \mathbf{p}_0 = -\nabla E_T(\mathbf{w}_0)$ , and *success=true*.
2. If *success=true*, find the second-order information:  $\sigma_k = \frac{\sigma}{|\mathbf{p}_k|}$ ,  $\mathbf{s}_k = \frac{\nabla E_T(\mathbf{w}_k + \sigma_k \mathbf{p}_k) - \nabla E_T(\mathbf{w}_k)}{\sigma_k}$ ,  $\delta_k = \mathbf{p}_k^t \mathbf{s}_k$ , where the superscript  $t$  denotes the transpose.
3. Set  $\delta_k = \delta_k + (\lambda_k - \bar{\lambda}_k) |\mathbf{p}_k|^2$ .
4. If  $\delta_k \leq 0$ , make the Hessian positive definite:  $\bar{\lambda}_k = 2\left(\lambda_k - \frac{\delta_k}{|\mathbf{p}_k|^2}\right)$ ,  $\delta_k = -\delta_k + \lambda_k |\mathbf{p}_k|^2$ ,  $\lambda_k = \bar{\lambda}_k$ .
5. Calculate the step size:  $\mu_k = \mathbf{p}_k^t \mathbf{r}_k$ ,  $\alpha_k = \frac{\mu_k}{\delta_k}$ .
6. Calculate the comparison parameter:  $\Delta_k = 2\delta_k \frac{[E_T(\mathbf{w}_k) - E_T(\mathbf{w}_k + \alpha_k \mathbf{p}_k)]}{\mu_k}$ .
7. If  $\Delta_k \geq 0$ , error can be reduced. Set  $\mathbf{w}_{k+1} = \mathbf{w}_k + \alpha_k \mathbf{p}_k$ ,  $\mathbf{r}_{k+1} = -\nabla E_T(\mathbf{w}_{k+1})$ , If  $|\mathbf{r}_{k+1}| < 10^{-6}$ , return  $\mathbf{w}_{k+1}$  as the final weight vector and exit. Set  $\bar{\lambda}_k = 0$ , *success=true*. If  $k \bmod N=0$ , restart the algorithm:  $\mathbf{p}_{k+1} = \mathbf{r}_{k+1}$ , else set  $\beta_k = \frac{|\mathbf{r}_{k+1}|^2 - \mathbf{r}_{k+1}^t \mathbf{r}_k}{\mu_k}$ ,  $\mathbf{p}_{k+1} = \mathbf{r}_{k+1} + \beta_k \mathbf{p}_k$ . If  $\Delta_k \geq .75$ , reduce the scale parameter:  $\lambda_k = \frac{1}{4} \lambda_k$ . else (if  $\Delta_k < 0$ ): Set  $\bar{\lambda}_k = \lambda_k$ , *success=false*.
8. If  $\Delta_k < .25$ , increase the scale parameter:  $\lambda_k = \lambda_k + \frac{\delta_k(1-\Delta_k)}{|\mathbf{p}_k|^2}$ .
9. If *success=false*, return to step 2. Otherwise if a stopping rule is met, exit and report the network as stated in the stopping criteria. Else set  $k=k+1$ ,  $\bar{\lambda}_{k+1} = \bar{\lambda}_k$ ,  $\lambda_{k+1} = \lambda_k$  and return to step 2.

*Note:* each iteration of batch training requires at least two data passes.

## Stopping Rules

Training proceeds through at least one complete pass of the data. Then the search should be stopped according to following criteria. These stopping criteria should be checked in the listed order. For batch training, check of any stopping criteria is performed after completion of an iteration. For online or mini-batch training, check of any of stopping criterion 1, 3, 4, and 5 is performed after completion of a data pass, only check of criterion 2 is performed after an iteration. Let step mean a data pass for online and mini-batch methods, an iteration for batch method. Let  $E_1$  denote the current minimum error and  $K_1$  denote the step where it occurs for training data,  $E_2$  and  $K_2$  are that for testing data, and  $K_3 = \min(K_1, K_2)$ .

1. If there is no testing dataset and the training method is online or mini-batch, compute the total error for training data at the end of each step. From step  $K_1$ , if the training error does not decrease below  $E_1$  over the next  $n$  steps, stop. Report the weights at step  $K_1$ . If there is a testing dataset, users have the following options:

Check testing data only: at the end of each step compute the total error for testing data. From step  $K_2$ , if the testing error does not decrease below  $E_2$  over the next  $n$  steps, stop. Report the weights at step  $K_2$ .

- Check both training and testing data: at the end of each step simultaneously check the total error for training and testing data. From step  $K_1$  for training and step  $K_2$  for testing, if either training or testing error does not decrease below its current minimum over the next  $n$  steps, stop. Report the weights at step  $K_3$ . Notice that for batch method there is no need to check the total error for training data because a decrease in total error for training data is guaranteed by the algorithm.
- The search has lasted beyond some maximum allotted time. For batch training, report the weights at step  $K_3$ . For on-line or mini-batch training, even though training stops before the completion of current step, treat this as a complete step. Calculate current errors for training and testing datasets and update  $E_1$ ,  $K_1$ ,  $E_2$ ,  $K_2$  correspondingly. Report the weights at step  $K_3$ .
  - The search has lasted more than some maximum number of data passes. Report the weights at step  $K_3$ .
  - When current training error is the minimum ( $E_1 = E_T(w_k)$ , always true for batch), stop if the relative change in training error is small:  $\frac{|E_T(w_k) - E_T(w_{k-1})|}{\frac{1}{2}(E_T(w_k) + E_T(w_{k-1}) + \delta)} < \epsilon_1$  for  $\delta = 10^{-10}$  and  $\epsilon_1$ , where  $w_{k-1}$ ,  $w_k$  are the weight vectors of two consecutive steps. Report weights at step  $K_3$ .
  - The current training error ratio is small compared with the initial error:  $\left| \frac{E_T(w_k)}{\overline{E_T} + \delta} \right| < \epsilon_2$  for  $\delta = 10^{-10}$  and  $\epsilon_2$ , where  $\overline{E_T}$  is the total error from the model using the average of an output variable to predict that variable;  $\overline{E_T}$  is calculated by using  $a_{I:r}^m = \frac{1}{M} \sum_{K_3=1}^M y_r^{(m)}$  in the error function, where  $w_k$  is the weight vector of one step. Report weights at step  $K_3$ .

*Note:* In criteria 4 and 5, the total error for whole training data is needed. For batch training, the error is always calculated, but for online or mini-batch training, error is not available without passing the training data one more time. So for online and mini-batch training, criterion 4 and 5 will not be checked if user decides to use testing data only in criterion 1.

## Missing Values

Missing values are not allowed.

## Output Statistics

The following output statistics are available. Note that, for scale variables, output statistics are reported in terms of the rescaled values of the variables.

### Sum-of-Squares or Cross Entropy Error

As described in “Error Functions”. The cross entropy error is displayed if the output layer activation function is softmax, otherwise the sum-of-squares error is shown.

**Relative Error**

For each scale target  $r$ :

$$\frac{\sum_{m=1}^M \left( y_r^{(m)} - \hat{y}_r^{(m)} \right)^2}{\sum_{m=1}^M \left( y_r^{(m)} - \bar{y}_r \right)^2}$$

For each categorical target  $r$ , report  $p_r$ , the percent of incorrect predictions

**Average Overall Relative Error**

If there is at least one scale target:

$$\frac{\sum_{m=1}^M \sum_{r=1}^R \left( y_r^{(m)} - \hat{y}_r^{(m)} \right)^2}{\sum_{m=1}^M \sum_{r=1}^R \left( y_r^{(m)} - \bar{y}_r \right)^2}$$

where  $\bar{y}_r$  is the mean of  $y_r^{(m)}$  over patterns.

If all targets are categorical, report the average percent of incorrect predictions:

$$\frac{1}{C} \sum_{r=1}^C p_r$$

where  $C$  is the number of categorical variables.

**Sensitivity Analysis**

For each predictor  $p$  and each input pattern  $m$ , compute:

$$d_{pm} = \max_{x_{p_1}, x_{p_2} \in S_p} \left\| \hat{Y}_{p_1}^{(m)} - \hat{Y}_{p_2}^{(m)} \right\|$$

where  $\hat{Y}_{p_k}^{(m)}$  is the predicted output vector (standardized if standardization of output variable is used in training) using  $(x_1^{(m)}, \dots, x_{p-1}^{(m)}, x_{p_k}^{(m)}, x_{p+1}^{(m)}, \dots, x_P^{(m)})$  as its input, and  $S_p = \{x_p^{\min}, x_p^{(2)}, x_p^{(3)}, x_p^{(4)}, x_p^{\max}\}$  for scale predictors and  $\{(1, 0, \dots, 0), (0, 1, 0, \dots, 0), \dots, (0, 0, \dots, 1)\}$  for categorical predictors.

Then compute:

$$d_p = \frac{1}{M} \sum_{m=1}^M d_{pm}$$

and normalize the  $d_{p,s}$  to sum to 1, and report these normalized values as the sensitivity values for the predictors. This is the average maximum amount we can expect the output to change based on changes in the  $p$ th predictor. The greater the sensitivity, the more we expect the output to change when the predictor changes.

## References

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# MULTIPLE CORRESPONDENCE

## Algorithms

Multiple Correspondence Analysis, also known as homogeneity analysis, quantifies nominal (categorical) data by assigning numerical values to the cases (objects) and categories, such that in the low-dimensional representation of the data, objects within the same category are close together and objects in different categories are far apart. Each object is as close as possible to the category points of categories that apply to the object. In this way, the categories divide the objects into homogeneous subgroups. Variables are considered homogeneous when they classify objects that are in the same categories into the same subgroups.

### Notation

The following notation is used throughout this chapter unless otherwise stated:

$n$	Number of analysis cases (objects)
$n_w$	Weighted number of analysis cases: $\sum_{i=1}^n w_i$
$n_{tot}$	Total number of cases (analysis + supplementary)
$w_i$	Weight of object $i$ ; $w_i = 1$ if cases are unweighted; $w_i = 0$ if object $i$ is supplementary.
<b>W</b>	Diagonal $n_{tot} \times n_{tot}$ matrix, with $w_i$ on the diagonal.
$m$	Number of analysis variables
$m_w$	Weighted number of analysis variables ( $m_w = \sum_{j=1}^m v_j$ )
$m_{tot}$	Total number of variables (analysis + supplementary)
<b>H</b>	The data matrix (category indicators), of order $n_{tot} \times m_{tot}$ , after discretization, imputation of missings, and listwise deletion, if applicable.
$p$	Number of dimensions

For variable  $j$ ;  $j = 1, \dots, m_{tot}$

$v_j$	Variable weight; $v_j = 1$ if weight for variable $j$ is not specified or if variable $j$ is supplementary
$k_j$	Number of categories of variable $j$ (number of distinct values in $\mathbf{h}_j$ , thus, including supplementary objects)
<b>G<sub>j</sub></b>	Indicator matrix for variable $j$ , of order $n_{tot} \times k_j$

The elements of **G<sub>j</sub>** are defined as  $i = 1, \dots, n_{tot}$ ;  $r = 1, \dots, k_j$

$$g_{(j)ir} = \begin{cases} 1 & \text{when the } i\text{th object is in the } r\text{th category of variable } j \\ 0 & \text{when the } i\text{th object is not in the } r\text{th category of variable } j \end{cases}$$

$D_j$  Diagonal  $k_j \times k_j$  matrix, containing the weighted univariate marginals; ie, the weighted column sums of  $G_j$  ( $D_j = G_j' W G_j$ )

$M_j$  Diagonal  $n_{tot} \times n_{tot}$  matrix, with diagonal elements defined as

$$m_{(j)ii} = \begin{cases} 0 & \text{when the } i\text{th observation is missing and missing strategy variable } j \text{ is passive} \\ 0 & \text{when the } i\text{th object is in } r\text{th category of variable } j \text{ and } r\text{th category is only} \\ & \text{used by supplementary objects (i.e. when } d_{(j)rr} = 0) \\ v_j & \text{otherwise} \end{cases}$$

$M_*$   $\Sigma_j M_j$

The quantification matrices and parameter vectors are:

$X$  Object scores, of order  $n_{tot} \times p$

$X_w$  Weighted object scores ( $X_w = W X$ )

$X^n$   $X$  normalized according to requested normalization option

$Y_j$  Category quantifications, of order  $k_j \times p$ .

*Note:* The matrices  $W$ ,  $G_j$ ,  $M_j$ ,  $M_*$ , and  $D_j$  are exclusively notational devices; they are stored in reduced form, and the program fully profits from their sparseness by replacing matrix multiplications with selective accumulation.

## Discretization

Discretization is done on the unweighted data.

### **Multiplying**

First, the original variable is standardized. Then the standardized values are multiplied by 10 and rounded, and a value is added such that the lowest value is 1.

### **Ranking**

The original variable is ranked in ascending order, according to the alphanumerical value.

### **Grouping into a specified number of categories with a normal distribution**

First, the original variable is standardized. Then cases are assigned to categories using intervals as defined in Max (1960).

**Grouping into a specified number of categories with a uniform distribution**

First the target frequency is computed as divided by the number of specified categories, rounded. Then the original categories are assigned to grouped categories such that the frequencies of the grouped categories are as close to the target frequency as possible.

**Grouping equal intervals of specified size**

First the intervals are defined as lowest value + interval size, lowest value + 2\*interval size, etc. Then cases with values in the  $k$ th interval are assigned to category  $k$ .

**Imputation of Missing Values**

When there are variables with missing values specified to be treated as active (impute mode or extra category), then first the  $k_j$ 's for these variables are computed before listwise deletion. Next the category indicator with the highest weighted frequency (mode; the smallest if multiple modes exist), or  $k_j + 1$  (extra category) is imputed. Then listwise deletion is applied if applicable. And then the  $k_j$ 's are adjusted.

**Configuration**

MULTIPLE CORRESPONDENCE can read a configuration from a file, to be used as the initial configuration or as a fixed configuration in which to fit variables.

For an initial configuration see step 1 in the Optimization section.

A fixed configuration  $\mathbf{X}$  is centered and orthonormalized as described in the optimization section in step 3 (with  $\mathbf{X}$  instead of  $\mathbf{Z}$ ) and step 4 (except for the factor  $n_w^{1/2}$ ), and the result is postmultiplied with  $\Lambda^{1/2}$  (this leaves the configuration unchanged if it is already centered and orthogonal). The analysis variables are set to supplementary and variable weights are set to one. Then MULTIPLE CORRESPONDENCE proceeds as described in the Supplementary Variables section.

**Objective Function Optimization**

The MULTIPLE CORRESPONDENCE objective is to find object scores  $\mathbf{X}$  and a set of  $\mathbf{Y}_j$  (for  $j=1, \dots, m$ ) — the underlining indicates that they may be restricted in various ways — so that the function

$$\sigma(\mathbf{X}; \mathbf{Y}) = (n_w p)^{-1} \sum_j \text{tr} \left( (\mathbf{X} - \mathbf{G}_j \mathbf{Y}_j)' \mathbf{M}_j \mathbf{W} (\mathbf{X} - \mathbf{G}_j \mathbf{Y}_j) \right)$$

is minimal, under the normalization restriction  $\mathbf{X}' \mathbf{M}_* \mathbf{W} \mathbf{X} = n_w m_w \mathbf{I}$  ( $\mathbf{I}$  is the  $p \times p$  identity matrix). The inclusion of  $\mathbf{M}_j$  in  $\sigma(\mathbf{X}; \mathbf{Y})$  ensures that there is no influence of passive missing values (missing values in variables that have missing option passive, or missing option not specified).  $\mathbf{M}_*$  contains the number of active data values for each object. The object scores are also centered; that is, they satisfy  $\mathbf{u}' \mathbf{M}_* \mathbf{W} \mathbf{X} = \mathbf{0}$  with  $\mathbf{u}$  denoting an  $n$ -vector with ones.

Optimization is achieved by executing the following iteration scheme:

1. Initialization
2. Update category quantifications
3. Update object scores
4. Orthonormalization
5. Convergence test: repeat (2) through (4) or continue
6. Rotation

These steps are explained below.

**Initialization**

If an initial configuration is not specified, the object scores  $\mathbf{X}$  are initialized with random numbers. Then  $\mathbf{X}$  is orthonormalized (see step 4) so that  $\mathbf{u}'\mathbf{M}_* \mathbf{W} \mathbf{X} = \mathbf{0}$  and  $\mathbf{X}'\mathbf{M}_* \mathbf{W} \mathbf{X} = n_w m_w \mathbf{I}$ , yielding  $\mathbf{X}_w^+$ .

**Update Category Quantifications; Loop Across Analysis Variables**

With fixed current values  $\mathbf{X}_w^+$  the unconstrained update of  $\mathbf{Y}_j$  is

$$\tilde{\mathbf{Y}}_j = \mathbf{D}_j^{-1} \mathbf{G}'_j \mathbf{X}_w^+$$

**Update Object Scores**

First the auxiliary score matrix  $\mathbf{Z}$  is computed as

$$\mathbf{Z} \leftarrow \sum_j \mathbf{M}_j \mathbf{G}_j \tilde{\mathbf{Y}}_j^+$$

and centered with respect to  $\mathbf{W}$  and  $\mathbf{M}_*$ :

$$\mathbf{X}^* = \left( \mathbf{I} - \mathbf{M}_* \mathbf{u} \mathbf{u}' \mathbf{W} / \left( \mathbf{u}' \mathbf{M}_* \mathbf{W} \mathbf{u} \right) \right) \mathbf{Z}$$

These two steps yield locally the best updates when there would be no orthogonality constraints.

**Orthonormalization**

To find an  $\mathbf{M}_*$ -orthonormal  $\mathbf{X}^+$  that is closest to  $\mathbf{X}^*$  in the least squares sense, we use for the Procrustes rotation (Cliff, 1966) the singular value decomposition  $m_w^{1/2} \mathbf{M}_*^{-1/2} \mathbf{W}^{1/2} \mathbf{X}^* = \mathbf{K} \mathbf{\Lambda}^{1/2} \mathbf{L}'$ , then yields  $n_w^{1/2} m_w^{1/2} \mathbf{M}_*^{-1/2} \mathbf{W}^{1/2} \mathbf{K} \mathbf{L}'$ -orthonormal weighted object scores:  $\mathbf{X}_w^+ \leftarrow n_w^{1/2} m_w \mathbf{M}_*^{-1} \mathbf{W} \mathbf{X}^* \mathbf{\Lambda}^{-1/2} \mathbf{L}'$ , and  $\mathbf{X}^+ = \mathbf{W}^{-1} \mathbf{X}_w^+$ . The calculation of  $\mathbf{L}$  and  $\mathbf{\Lambda}$  is based on tridiagonalization with Householder transformations followed by the implicit QL algorithm (Wilkinson, 1965).

### **Convergence Test**

The difference between consecutive values of the quantity

$$\text{TFIT} = (pn_w)^{-1} \sum_j v_j \text{tr}(\mathbf{Y}'_j \mathbf{D}_j \mathbf{Y}_j)$$

is compared with the user-specified convergence criterion  $\varepsilon$  - a small positive number. It can be shown that  $\text{TFIT} = m_w - \sigma(\mathbf{X}; \mathbf{Y})$ . Steps (2) through (4) are repeated as long as the loss difference exceeds  $\varepsilon$ .

After convergence TFIT is also equal to  $\text{tr}(\mathbf{\Lambda}^{1/2})$ , with  $\mathbf{\Lambda}$  as computed in step (4) during the last iteration. (See also Model Summary, and Correlations Transformed Variables for interpretation of  $\mathbf{\Lambda}^{1/2}$ ).

### **Rotation**

To achieve principal axes orientation,  $\mathbf{X}^+$  is rotated with the matrix  $\mathbf{L}$ . Then step (2) is executed, yielding the rotated quantifications.

## **Supplementary Objects**

To compute the object scores for supplementary objects, after convergence steps (2) and (3) are repeated, with the zero's in  $\mathbf{W}$  temporarily set to ones in computing  $\mathbf{Z}$  and  $\mathbf{X}^+$ . If a supplementary object has missing values, passive treatment is applied.

## **Supplementary Variables**

The quantifications for supplementary variables are computed after convergence by executing step (2) once.

## **Diagnostics**

The following diagnostics are available.

### **Maximum Rank (may be issued as a warning when exceeded)**

The maximum rank  $p_{\max}$  indicates the maximum number of dimensions that can be computed for any dataset. In general

$$p_{\max} = \min\left(n - 1, \left(\sum_{j \in J} k_j\right) - m\right)$$

if there are no variables with missing values to be treated as passive. If variables do have missing values to be treated as passive, the maximum rank is

$$p_{\max} = \min\left(n - 1, \left(\sum_{j \in J} k_j\right) - \max(m_1, 1)\right)$$

with  $m_1$  the number of variables without missing values to be treated as passive.

Here  $k_j$  is exclusive supplementary objects (that is, a category only used by supplementary objects is not counted in computing the maximum rank). Although the number of nontrivial dimensions may be less than  $p_{\max}$  when  $m=2$ , MULTIPLE CORRESPONDENCE does allow dimensionalities all the way up to  $p_{\max}$ . When, due to empty categories in the actual data, the rank deteriorates below the specified dimensionality, the program stops.

### **Descriptives**

The descriptives tables gives the weighted univariate marginals and the weighted number of missing values (system missing, user defined missing, and values less than or equal to 0) for each variable.

### **Fit and Loss Measures**

When the HISTORY option is in effect, the following fit and loss measures are reported:

**Fit (VAF).** This is the quantity TFIT as defined in step (5).

**Loss.** This is  $\sigma(\mathbf{X}; \mathbf{Y})$ .

### **Model Summary**

Model summary information consists of Cronbach's alpha, the variance accounted for, and the inertia.

#### **Cronbach's Alpha**

Cronbach's Alpha per dimension ( $s=1, \dots, p$ ):

$$\alpha_s = m_w \left( \lambda_s^{1/2} - 1 \right) / \left( \lambda_s^{1/2} (m_w - 1) \right)$$

Total Cronbach's Alpha is

$$\alpha = m_w \left( \sum_s \lambda_s^{1/2} - 1 \right) / \sum_s \lambda_s^{1/2} (m_w - 1)$$

with  $\lambda_s$  the  $s^{\text{th}}$  diagonal element of  $\mathbf{\Lambda}$  as computed in step (4) during the last iteration.

#### **Variance Accounted For**

Variance Accounted For per dimension ( $s=1, \dots, p$ ):

$$\text{VAF}_s = n_w^{-1} \sum_{j \in J} v_j \text{tr} \left( \mathbf{y}'_{(j)s} \mathbf{D}_j \mathbf{y}_{(j)s} \right), \text{ (% of variance is } \text{VAF}_s \times 100 / m_w \text{)},$$

Eigenvalue per dimension:

$$\lambda_s^{1/2} = \text{VAF}_s,$$

with  $\lambda_s$  the  $s^{\text{th}}$  diagonal element of  $\Lambda$  as computed in step (4) during the last iteration. (See also Optimization step (5), and Correlations Transformed Variables for interpretation of  $\Lambda^{1/2}$ ).

The Total Variance Accounted For is the mean over dimensions. So, the total eigenvalue is

$$\text{tr}(\Lambda^{1/2}) = p^{-1} \sum_s \text{VAF}_s.$$

If there are no passive missing values, the eigenvalues  $\Lambda^{1/2}$  are those of the correlation matrix (see the Correlations and Eigenvalues section) weighted with variable weights:

$$r_{jj}^{\mathbf{W}} = v_j r_{jj}, \text{ and } r_{jl}^{\mathbf{W}} = r_{lj}^{\mathbf{W}} = v_j^{1/2} r_{jl}$$

If there are passive missing values, then the eigenvalues are those of the matrix  $m_w \mathbf{Q}'_c \mathbf{M}_*^{-1} \mathbf{Q}_c$ , with  $\mathbf{Q}_c = n_w^{-1/2} (\mathbf{I} - \mathbf{M}_* \mathbf{u} \mathbf{u}' \mathbf{W} / (\mathbf{u}' \mathbf{M}_* \mathbf{W} \mathbf{u})) \mathbf{Q}$ , (for  $\mathbf{Q}$  see the Correlations and Eigenvalues section) which is not necessarily a correlation matrix, although it is positive semi-definite. This matrix is weighted with variable weights in the same way as  $\mathbf{R}$ .

### ***Inertia***

The inertia per dimension is the eigenvalue per dimension divided by  $m_w$ . The total inertia is the total eigenvalue divided by  $m_w$ .

## ***Correlations and Eigenvalues***

### ***Before transformation***

$\mathbf{R} = n_w^{-1} \mathbf{H}'_c \mathbf{W} \mathbf{H}_c$ , with  $\mathbf{H}_c$  weighted centered and normalized  $\mathbf{H}$ . For the eigenvalue decomposition of  $\mathbf{R}$  (to compute the eigenvalues), first row  $j$  and column  $j$  are removed from  $\mathbf{R}$  if  $j$  is a supplementary variable, and then  $r_{ij}$  is multiplied by  $(v_i v_j)^{1/2}$ .

If passive missing treatment is applicable for a variable, missing values are imputed with the variable mode, regardless of the passive imputation specification.

### ***After transformation***

After transformation,  $p$  correlation matrices are computed ( $s=1, \dots, p$ ):

$$\mathbf{R}_{(s)} = n_w^{-1} \mathbf{Q}'_{(s)} \mathbf{W} \mathbf{Q}_{(s)},$$

$$\text{with } \mathbf{q}_{(s)j} = n_w^{1/2} \mathbf{G}_j \mathbf{Y}_{(j)s} \left( \mathbf{Y}'_{(j)s} \mathbf{D}_j \mathbf{Y}_{(j)s} \right)^{-1/2}.$$

Usually, for the higher eigenvalues, the first eigenvalue of  $\mathbf{R}_{(s)}$  is equal to  $\lambda_s^{1/2}$  (see Model Summary section). The lower values of  $\Lambda^{1/2}$  are in most cases the second or subsequent eigenvalues of  $\mathbf{R}_{(s)}$ .

If there are missing values, specified to be treated as passive, the mode of the quantified variable or the quantification of an extra category (as specified in syntax; if not specified, default (mode) is used) is imputed before computing correlations. Then the eigenvalues of the correlation matrix do not equal  $\Lambda^{1/2}$  (see Model Summary section). The quantification of an extra category is computed as

$$\mathbf{Y}_{(j)(k_{j+1})s} = \left( \sum_{i \in I} w_i \right)^{-1} \sum_{i \in I} w_i x_{is},$$

with  $I$  an index set recording which objects have missing values.

For the eigenvalue decomposition of  $\mathbf{R}$  (to compute the eigenvalues), first row  $j$  and column  $j$  are removed from  $\mathbf{R}$  if  $j$  is a supplementary variable, and then  $r_{jj}$  is multiplied by  $(v_i v_j)^{1/2}$ .

### Discrimination measures

The discrimination measures are the dimensionwise variances of the quantified variables, which are equal to the dimensionwise squared correlations of the quantified variables with the object scores. For variable  $j$  and dimension the discrimination measure is

$$\text{Discr}_{js} = n_w^{-1} \mathbf{y}'_{(j)s} \mathbf{D}_j \mathbf{y}_{(j)s}$$

which is equal to the squared correlation between  $\mathbf{G}_j \mathbf{y}_{(j)s}$  and  $\mathbf{x}_s$ .

### Object Scores

If  $\Lambda^{1/2}$  gives the eigenvalues, then  $\Lambda^{1/4}$  gives the singular values, that can be used to spread the inertia over the object scores  $\mathbf{X}$  and the category quantifications  $\mathbf{Y}$ . During the optimization phase, variable principal normalization is used, then  $\mathbf{X}^n = \mathbf{X}$  and  $\mathbf{Y}^n = \mathbf{Y}$ , else  $\mathbf{X}^n = \mathbf{X} (m_w^{-1} \Lambda)^{a/4}$  and  $\mathbf{Y}^n = \mathbf{Y} (m_w^{-1} \Lambda)^{1/4(b-1)}$ , with  $a=(1+q)/2$ ,  $b=(1-q)/2$ , and  $q$  any real value in the closed interval  $[-1,1]$ , except for independent normalization: then there is no  $q$  value and  $a=b=1$ .  $q=1$  is equal to variable principal normalization,  $q=-1$  is equal to object principal normalization,  $q=0$  is equal to symmetrical normalization.

#### Mass

The mass of object  $i$  is

$$\text{Mass}_i = \frac{m_{*ii}}{\text{tr}(\mathbf{M}, \mathbf{W})}$$

#### Inertia

The inertia of object  $i$  is

$$\text{Inertia}_i = \frac{1}{m_{*ii}} \sum_{j, h_{ij} \neq 0} \frac{v_j}{d_{(j)h_{ij}}} - \text{Mass}_i$$

where  $d_{(j)h_{ij}}$  is the frequency of the category of object  $i$  on variable  $j$ , and  $h_{ij} \neq \emptyset$  indicates to exclude a variable if object  $i$  has a missing value on the variable and the missing option for the variable is passive.

### **Contribution of point to inertia of dimension**

The contribution of object  $i$  to the inertia of dimension  $s$  is

$$\text{Contribution}_{is} = \frac{m_{*ii} x_{is}^2}{n_w m_w}$$

### **Contribution of dimension to inertia of point**

The contribution of dimension  $s$  to the inertia of object  $i$  is

$$\text{Contribution}_{si} = \frac{\frac{m_{*ii} x_{is}^2}{n_w m_w} \text{Inertia}_s}{\text{Inertia}^i}$$

## **Quantifications**

The quantifications are the centroid coordinates. If a category is only used by supplementary objects (i.e. treated as a passive missing), the centroid coordinates for this category are computed as

$$y_{(j)r} = n_w^{-1/2} n_{jr}^{-1} \sum_{i \in I} x_i \Lambda^{1/4(b-1)}$$

where  $y_{(j)r}$  is the  $r^{\text{th}}$  row of  $\mathbf{Y}_j$ ,  $n_{jr}$  is the number of objects that have category  $r$ , and  $I$  is an index set recording which objects are in category  $r$ .

### **Mass**

The mass of category  $r$  of variable  $j$  is

$$\text{Mass}_{(j)r} = \frac{d_{(j)rr}}{\text{tr}(\mathbf{M}_* \mathbf{W})}$$

### **Inertia**

The inertia of category  $r$  of variable  $j$  is

$$\text{Inertia}_{(j)r} = \frac{\sum_{i=1}^n w_i m_{*ii} g_{(j)ir}}{d_{(j)rr}} - \text{Mass}_{(j)r}$$

if there are no missing values with missing option passive, this is equal to  $\frac{1}{m_w} - \text{Mass}_{(j)r}$ , and then the total inertia for variable  $j$  is  $\frac{v_j(k_j-1)}{m_w}$ .

### **Contribution of point to inertia of dimension**

The contribution of category  $r$  of variable  $j$  to the inertia of dimension  $s$  is

$$\text{Contribution}_{(j)rs} = \frac{d_{(j)rr} \frac{y_{(j)rs}^2}{n_{jj}m_{jj}}}{\text{Inertia}_s}$$

the total contribution of variable  $j$  to the inertia of dimension  $s$  is  $v_j \frac{\text{Discr}_{js}}{\lambda_s^{1/2}}$ .

### **Contribution of dimension to inertia of point**

The contribution of dimension  $s$  to the inertia of category  $r$  of variable  $j$  is

$$\text{Contribution}_{s(j)r} = \frac{d_{(j)rr} \frac{y_{(j)rs}^2}{n_{jj}m_{jj}}}{\text{Inertia}_{(j)r}}$$

### **Residuals**

Plots per dimension are produced of  $G_j y_{(j)s}^n$  against the approximation  $x_s^n$ .

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# Multiple Imputation Algorithms

Multiple imputation imputes missing values multiple times. This algorithm only considers the imputation phase. See “Multiple Imputation: Pooling Algorithms” for the algorithm for combining analysis results of multiply imputed data sets.

Univariate and multivariate methods are given here. Univariate methods are used in situations where only the variable to be imputed has missing values, and all variables used as predictors in the imputation have no missing values. Multivariate methods are used in situations where variables are used both as dependents and predictors during imputation.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$\mathbf{x}$	Set of variables that have no missing values.
$y_{ij}$	The data value for case $i$ , variable $j$ . It may be missing.
$Y_j^{obs}$	The collection of observed values of variable $j$ .
$Y_j^{mis}$	The collection of missing values of variable $j$ .
$Y^{obs} = (Y_1^{obs}, \dots, Y_J^{obs})$	The collection of all observed data.
$Y^{mis} = (Y_1^{mis}, \dots, Y_J^{mis})$	The collection of all missing data.
$f_i$	Frequency (replication) weight for case $i$ . Must be integer.
$F = \text{diag}(f_1, \dots, f_n)$	Frequency weight matrix, diagonal with case frequency weight on the diagonal.
$w_i$	Regression or analysis weight for case $i$ .
$W = \text{diag}(w_1, \dots, w_n)$	Regression weight matrix.
$n$	The total number of cases. Each case may represent more than one observation due to frequency (replication) weights.
$N = \sum_{i=1}^n f_i$	The total number of observations.
$N_w = \sum_{i=1}^n w_i f_i$	The total weight.

## Univariate Methods

$y$ : the variable to be imputed, has missing values.

$\mathbf{x}$ : predictor variables, no missings.

## Linear Regression

The variable to be imputed,  $y$ , is a continuous variable and is to be used as the dependent variable in the regression model. Both frequency and regression weights are accepted.

Model  $y_i = \mathbf{x}'_i \beta + e_i$  with  $e_i \sim N\left(0, \frac{\sigma^2}{w_i}\right)$  is used.

Prior:  $\Pr(\beta, \log \sigma^2) \propto 1$ , or equivalently  $\Pr(\beta, \sigma^2) \propto 1/\sigma^2$

Using the complete cases, fit the regression model, assuming that all redundant parameters are removed if there are any. Denote the fitted parameters as  $(\hat{\beta}, \hat{\sigma}^2)$  such that

$$\hat{\beta} = (X'_c F_c W_c X_c)^{-1} X'_c F_c W_c Y_c$$

$$\hat{\sigma}^2 = (Y_c - X_c \hat{\beta})' F_c W_c (Y_c - X_c \hat{\beta}) / (N_{obs} - p)$$

where  $N_{obs} = \sum_{i \in obs(Y)} f_i$  is the number of complete cases,  $p$  is the number of parameters, and  $Y_c, X_c, F_c, W_c$  are the dependent vector, design matrix and frequency weight, regression weight matrix for complete cases.

The posterior distributions are:

$$\beta | \sigma^2, Y_c, X_c \sim N\left(\hat{\beta}, (X'_c F_c W_c X_c)^{-1} \sigma^2\right)$$

$$\sigma^2 | Y_c, X_c \sim (N_{obs} - p) \hat{\sigma}^2 / \chi^2_{N_{obs} - p}$$

Let  $A$  be the upper triangular matrix of Cholesky decomposition  $(X'_c F_c W_c X_c)^{-1} = A' A$ .

Draw parameters from the posterior distributions.

- ▶ Draw  $(\sigma^*)^2$ : draw a random value  $u$  from  $\chi^2_{N_{obs} - p}$  then  $(\sigma^*)^2 = (N_{obs} - p) \hat{\sigma}^2 / u$ .
- ▶ Draw  $\beta^*$ : draw  $p$  independent  $N(0,1)$  values to create a random vector  $\mathbf{v}$ ,  $\beta^* = \hat{\beta} + \sigma^* A' \mathbf{v}$ .

Impute missing values. For  $i$  in  $\text{mis}(Y)$ , draw  $z_i$  from  $N(0,1)$ ; imputation is  $y_i^* = \mathbf{x}'_i \beta^* + \frac{\sigma}{\sqrt{w_i}} z_i$ .

Repeat the drawing of parameters and imputation of missing values to generate multiple imputations.

### Incorporate restrictions

Using the linear regression method, a continuous variable may have an imputed value well outside the range of observed values, so the imputed values of continuous variables can be restricted to fall within a user-specified range,  $R$ . When an imputed value falls outside  $R$ , the algorithm draws another imputed value until a value is drawn within  $R$  or  $r_1$  draws have been made (the maximum number of tries allowed for drawing each missing case under the given parameter). If the  $r_1$  limit is reached, a new set of parameters are drawn from the posterior distributions (discarding any successfully imputed values for this variable during this imputation) and the process of imputing

missing values is repeated until a set of imputed values is obtained for this variable and this imputation or  $r_2$  sets of parameters have been drawn (the maximum number of tries allowed for drawing parameters).

If the  $r_2$  limit is reached, the algorithm stops and issues an error.

### Predictive Mean Matching

This is the same as the linear regression method, but with the following changes.

Replace the impute missing values step of linear regression by the following:

Calculate  $\hat{Y}^{obs} = \{\hat{y}_i^{obs} = \mathbf{x}'_i \beta^* : i \in obs(Y)\}$ . For  $i$  in  $mis(Y)$ :

- ▶  $y_i^* = \mathbf{x}'_i \beta^*$ ;
- ▶ Among  $Y^{obs}$ , find the observation whose corresponding predicted values are closest to  $y_i^*$ ;
- ▶ Pick that one as the imputation.

### Logistic Regression

The variable to be imputed,  $y$ , is a categorical variable with  $K$  categories taking values 1, 2, ...,  $K$ , and is used as dependent variable in the logistic regression model. In the following,  $p_{\mathbf{x}}(k) = \Pr(y = k | \mathbf{x})$ , and  $p_i(k) = p_{\mathbf{x}_i}(k)$  for case  $i$ .

Model:  $\log \frac{p_{\mathbf{x}}(k)}{p_{\mathbf{x}}(K)} = \mathbf{x}' \beta_k$  for  $k = 1, \dots, K-1$ .

Prior:  $\Pr(\beta) \propto 1$ , where  $\beta' = (\beta'_1, \dots, \beta'_{K-1})$

Using the complete cases, fit the logistic regression model with user specified frequency and analysis/regression weight variables. Denote the fitted parameter vector and its variance matrix as  $\hat{\beta}, \hat{V}(\hat{\beta})$ . The posterior distribution is approximately:  $\beta | Y_c, X_c \sim N(\hat{\beta}, \hat{V})$ . Let  $A$  be the upper triangular matrix of the Cholesky decomposition.  $\hat{V} = A'A$ .

Draw parameters from the posterior distributions: draw  $\beta^*$ : draw length  $(\beta)$  independent  $N(0,1)$  values to create a random vector  $\mathbf{z}$ , then  $\beta^* = \hat{\beta} + A\mathbf{z}$ .

Impute missing values. For  $i$  in  $mis(Y)$ :

- ▶ Calculate  $p_i(k) = \frac{\exp(\mathbf{x}'_i \beta_k^*)}{1 + \sum_{j=1}^{K-1} \exp(\mathbf{x}'_i \beta_j^*)}$  for  $k = 1, \dots, K-1$ .
- ▶ Draw a random value  $u$  from uniform distribution  $[0,1]$ .

- ▶ Imputation is  $y_i^* = \begin{cases} 1 & u < P_i(1) \\ k & P_i(k-1) \leq u < P_i(k) \text{ where } P_i(k) = \sum_{j=1}^k p_i(j). \\ K & u \geq P_i(K-1) \end{cases}$

Repeat the drawing of parameters and imputation of missing values to generate multiple imputations.

## Multivariate Methods

Multivariate methods apply to situations in which multiple variables have missing values. Patterns of missing values are important here because a fast non-iterative procedure can be used for monotone missing patterns. For general missing patterns, the fully conditional specification (FCS) is available. This is an iterative MCMC method.

### Monotone Method

Missing patterns are monotone if the variables can be ordered such that, for each case, all earlier variables are observed if the later variable is observed. This method also assumes that the parameters of individual imputation models have independent priors.

Let  $Y_1, \dots, Y_K$  be variables with missing values in the sorted monotone order such that  $Y_1$  has the smallest number of missing values. Let  $X$  be the set of variables without missing values. Starting from  $Y_1$ , sequentially use univariate method with the previous  $Y$  variables and  $X$  variables as predictors to impute.

- ▶ Given  $X, Y_1^{obs}$  and imputation model for  $Y_1$ , impute  $Y_1^{mis}$  by univariate method  $m$  times to get  $m$  complete variable  $Y_1^{*(1)}, \dots, Y_1^{*(m)}$ .
- ▶ For  $l = 1, \dots, m$ , given  $X, Y_1^{*(l)}, Y_2^{obs}$  and imputation model for  $Y_2$ , impute  $Y_2^{mis}$  by univariate method once to get  $Y_2^{*(l)}$ .
- ▶ For  $l = 1, \dots, m$ , given  $X, Y_1^{*(l)}, Y_2^{*(l)}, Y_3^{obs}$  and imputation model for  $Y_3$ , impute  $Y_3^{mis}$  by univariate method once to get  $Y_3^{*(l)}$ .
- ▶ Continue until last variable  $Y_K^{mis}$  is imputed.

Notes:

- The imputation model for variable  $Y_j$  can only use variables from  $X, Y_1, \dots, Y_{j-1}$  as predictors. In the case of no  $X$  variables, a constant model for  $Y_1$  is used.
- The posterior distribution used to draw parameters for imputing  $Y_j^{mis}$  doesn't depend on previously imputed values  $\left\{ \left\{ Y_k^{*(l)} \right\}_{l=1}^m \right\}_{k=1}^{j-1}$ .

### Fully Conditional Specification (FCS)

In this method, an imputation model for each variable with missing values is specified. This method is an iterative MCMC procedure. In each iteration, it sequentially imputes missing values starting from the first variable with missing values.

- ▶ Set initial values for missing values in all variables  $Y_1^{(0)}, \dots, Y_K^{(0)}$  (see below).

- ▶ At iteration  $t$ , for  $j = 1$  to  $K$ : Given  $X, Y_1^{(t)}, \dots, Y_{j-1}^{(t)}, Y_{j+1}^{(t-1)}, \dots, Y_K^{(t-1)}$ ; that is, the most recently imputed values of all other variables,  $X, Y_2^{(t-1)}, \dots, Y_K^{(t-1)}$  for  $j=1$ , and  $X, Y_1^{(t)}, \dots, Y_{K-1}^{(t)}$  for  $j=K$ , use a univariate method to impute all missing values in the  $j$ th variable,  $Y_j^{(t)}$ .
- ▶ Continue iterations until the maximum number of iterations is reached.

We create multiple imputations by the multiple chain method; that is, we repeat above steps  $m$  times to get  $m$  imputations. Each chain starts with a different seed for random numbers and different initial values.

### **Initial Values**

For a continuous variable with missing values, use the non-missing values to find its sample mean and standard deviation, then fill in the missing values with random draws from a normal distribution with mean and standard deviation equal to the sample values, limited within the range of the observed minimum and maximum values.

For a categorical variable with missing values, use the non-missing values to find the observed proportion of each category, then fill in the missing values with random draws from a multinomial distribution with category probabilities equal to the observed category proportions.

### **Assessment of Convergence**

For each imputation and each iteration, missing values are imputed for each variable. Let  $Y_j^{*mis(l,t)}$  be the vector of imputed values of  $Y_j^{mis}$  at iteration  $t$ , imputation  $l$ . For each  $(l, t)$ , calculate the sample mean and standard deviation of  $Y_j^{*mis(l,t)}$ :

$$m_j^{(l,t)} = \text{mean} \left( Y_j^{*mis(l,t)} \right)$$

$$s_j^{(l,t)} = \sqrt{\text{var} \left( Y_j^{*mis(l,t)} \right)}$$

Sequence plots of  $m_j^{(l,t)}$  versus  $t$  and  $s_j^{(l,t)}$  versus  $t$  are useful in assessing convergence. If there are 5 imputations, then there will be 5 lines (different color) in the same plot. On convergence, for each variable  $j$ , the traces of different  $l$  should be intermingled with each other without showing any definite trends, and the variance between different sequences is no larger than the variance with each individual sequence. When frequency and analysis weights are involved, the mean and standard deviation are calculated using the weights as well.

## **Automatic Selection of Imputation Method**

If automatic selection of the imputation method is selected, the method is chosen as follows:

- ▶ If the pattern of missing values is monotone, then the monotone method is used.
- ▶ Otherwise, the fully conditional specification (FCS) method is used.

*Note:* only main effects models are used during automatic selection.

## **Special Situations**

When the variable to be imputed is constant over all its observed values, we use this constant to impute its missing values.

## **Missing Values**

The following cases are not used during imputation.

- Cases with every variable missing.
- Cases with zero/negative replication or analysis weight.

## **References**

Raghunathan, T. E., J. M. Lepkowski, J. van Hoewyk, and P. Solenberger. 2001. A multivariate technique for multiply imputing missing values using a sequence of regression models. *Survey Methodology*, 27, 85–95.

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Schafer, J. L. 1997. *Analysis of Incomplete Multivariate Data*. London: Chapman and Hall.

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Van Buuren, S., H. C. Boshuizen, and D. L. Knook. 1999. Multiple imputation of missing blood pressure covariates in survival analysis. *Statistics in Medicine*, 18, 681–694.

# Multiple Imputation: Pooling Algorithms

Analysis of missing values consists of two sequential steps: analysis of each individual complete data set to create multiple analysis results and then combining (pooling) these multiple analysis results. This algorithm only considers combining the multiple analysis results assuming that multiple complete datasets are created and the analysis of each individual complete dataset is complete. See “Multiple Imputation Algorithms” for the algorithm for creating multiply imputed data sets. See the algorithm of the analysis you’re performing for details on the analysis an individual complete data set.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$m$	The number of multiply imputed sets of complete data. $m \geq 2$ is assumed.
$\mathbf{Q} = (Q_1, \dots, Q_k)'$	Parameter vector (with $k$ elements) to be estimated.
$\hat{\mathbf{Q}}^{(i)} = (\hat{Q}_1^{(i)}, \dots, \hat{Q}_k^{(i)})'$	Estimated parameter vector using the $i$ -th set of completed data, $i=1, \dots, m$ .
$\mathbf{U}^{(i)}$	Estimated covariance matrix of $\hat{\mathbf{Q}}^{(i)}$
$\bar{\mathbf{Q}}$	The final combined estimate of $\mathbf{Q}$

## Rubin’s Rules

Across all the complete datasets, it is assumed that:

- the model of the same effects in the same order is fit,
- a categorical variable has the same set of categories and the reference category is the same.

Assuming that each individual analysis result  $\{\hat{\mathbf{Q}}^{(i)}, \mathbf{U}^{(i)}\}_{i=1}^m$  is available, the goal is to derive the final combined result based on these  $m$  individual results.

## Combining Results after Multiple Imputation

The final estimate of  $\mathbf{Q}$  is simply the average of individual ones:

$$\bar{\mathbf{Q}} = \frac{1}{m} \sum_{i=1}^m \hat{\mathbf{Q}}^{(i)}$$

The estimated total variance is

$$\mathbf{T} = \bar{\mathbf{U}} + \left(1 + \frac{1}{m}\right) \mathbf{B}$$

where  $\mathbf{B}$  and  $\bar{\mathbf{U}}$  are respectively the between-imputation and average within-imputation variance calculated by

$$\mathbf{B} = \frac{1}{m-1} \sum_{i=1}^m \left( \hat{\mathbf{Q}}^{(i)} - \bar{\mathbf{Q}} \right) \left( \hat{\mathbf{Q}}^{(i)} - \bar{\mathbf{Q}} \right)'$$

$$\bar{\mathbf{U}} = \frac{1}{m} \sum_{i=1}^m \mathbf{U}^{(i)}$$

### Special Situations

**Redundant parameters.** Standard procedures set redundant parameter estimates at 0 and variance/covariance as missing. If a parameter is redundant across all imputations, then the combined parameter is still redundant. If there is a parameter that is redundant in some imputations but not in others, this causes an error. The reason is that the combined results depend on the order of effects in the model (for example  $x_1, x_2, x_3$  or  $x_3, x_1, x_2$  when  $x_3 = x_1 + x_2$  holds in some imputations but not in others) which makes the combined results arbitrary and useless.

**Different sets of parameters.** There may be situations in which some model coefficients occur in some model fits but not in others (for example, a certain combination of two categorical variables occurs in some complete datasets but not in others). If the parameters across imputations are different, this causes an error. The reason is that the combined results depend on the choice of reference categories of categorical predictors which makes the results arbitrary and useless.

**Missing Elements.** If there are any missing elements in  $\{\hat{\mathbf{Q}}^{(i)}, \mathbf{U}^{(i)}\}_{i=1}^m$ , then we will only use the non-missing part to do calculations.

### Scalar $Q$

If  $Q$  is a scalar ( $k=1$ ), then

$$(\bar{Q} - Q) / \sqrt{T}$$

has an approximate Student's  $t$  distribution with degrees of freedom

$$\nu_m = (m-1) [1 + r^{-1}]^2$$

where  $r$  is the relative increase in variance due to non-response

$$r = \frac{(1 + m^{-1}) B}{\bar{U}}$$

The fraction of missing information about  $Q$  due to missing values is

$$\lambda = \frac{r + 2 / (\nu_m + 3)}{r + 1}$$

The relative efficiency (RE) of using the finite  $m$  imputation estimator, rather than using an infinite number for the fully efficient imputation, in units of variance, is approximately

$$RE = (1 + \lambda/m)^{-1}$$

## Vector $\mathbf{Q}$

If the number of imputations  $m$  is big enough (at least 50,000), then

$$\frac{1}{k}(\bar{\mathbf{Q}} - \mathbf{Q})^T \mathbf{T}^{-1} (\bar{\mathbf{Q}} - \mathbf{Q})$$

has an approximate  $F$  distribution with  $k$  numerator degrees of freedom and denominator degrees of freedom

$$\nu = (m - 1) [1 + \bar{r}^{-1}]^2$$

where

$$\bar{r} = \frac{1}{k} (1 + m^{-1}) \text{trace} (\mathbf{B}\bar{\mathbf{U}}^{-1})$$

But for small  $m$  (this usually is the case in practice), this approximation is bad because the estimate of  $\mathbf{B}$  is unstable and when  $m \leq k$ ,  $\mathbf{B}$  is not even full rank. Alternatively, we assume that  $\mathbf{B}$  and  $\bar{\mathbf{U}}$  are proportional to one another. Under this assumption, a more stable estimate of total variance is

$$\tilde{\mathbf{T}} = (1 + \bar{r}) \bar{\mathbf{U}}$$

and

$$\frac{1}{k}(\bar{\mathbf{Q}} - \mathbf{Q})^T \tilde{\mathbf{T}}^{-1} (\bar{\mathbf{Q}} - \mathbf{Q}) \sim F_{k, \tilde{\nu}}$$

has an approximate  $F$  distribution with  $k$  numerator degrees of freedom and denominator degrees of freedom  $\tilde{\nu}$  (Li, Raghunathan and Rubin (1991)), let  $t = k(m - 1)$ ,

$$\tilde{\nu} = \begin{cases} t (1 + k^{-1}) (1 + \bar{r}^{-1})^2 / 2 & t \leq 4 \\ 4 + (t - 4) [1 + (1 - 2t^{-1}) \bar{r}^{-1}]^2 & t > 4 \end{cases}$$

*Note:*

- When  $k=1$ ,  $\tilde{T}$  reduces to  $T$  for a scalar statistic.
- When  $k=1$ ,  $\tilde{\nu} = v_m$  if  $m \leq 5$ , and  $\tilde{\nu} < v_m$  if  $m > 5$ .

## Output Statistics

Other than  $\bar{Q}, \bar{U}, \mathbf{B}, \mathbf{T}$ , we are also interested in some statistics for each individual element of  $\mathbf{Q}$  (for example the vector of regression coefficients). For the  $j$ th element of  $\mathbf{Q}$ , we calculate the following. Please notice that the following listed quantities do not use the off diagonal elements of matrix  $\mathbf{T}$ , or  $\mathbf{B}$ , or  $\mathbf{U}$ . They are the same as treating each element as scalar and calculating them separately. In the following  $t_\nu$  denotes a random variable following a Student's  $t$  distribution with degrees of freedom  $\nu$ , and  $t_{\nu, 1-\alpha/2}$  denotes the 100(1 -  $\alpha/2$ ) percentile of the distribution such that  $\Pr [t_\nu \leq t_{\nu, 1-\alpha/2}] = 1 - \alpha/2$ .

Estimate:  $\bar{Q}_j$

Standard error:  $se_j = \sqrt{T_{jj}}$

Degrees of freedom:  $\nu_j$

Confidence interval:  $\bar{Q}_j \pm t_{\nu_j, 1-\alpha/2} se_j$

$t$ -value:  $\tilde{t}_j = \bar{Q}_j / se_j$

$p$ -value for hypothesis test :  $H_0 : Q_j = 0: p = 2 \Pr [t_{\nu_j} \geq |\tilde{t}_j|]$

Relative increase in variance due to non-response:  $r_j = (1 + m^{-1}) \frac{B_{jj}}{U_{jj}}$

Fraction of missing information:  $\lambda_j$

Relative efficiency (RE):  $RE_j = (1 + \lambda_j/m)^{-1}$

## Hypothesis Tests

The  $p$ -value for testing  $H_0 : \mathbf{Q} = \mathbf{Q}_0$  is

$$p = \Pr (F_{k, \nu} \geq F)$$

where

$$F = \frac{1}{k} (\bar{\mathbf{Q}} - \mathbf{Q}_0)^T \tilde{\mathbf{T}}^{-1} (\bar{\mathbf{Q}} - \mathbf{Q}_0)$$

$$k = \text{rank}(\tilde{\mathbf{T}})$$

$$\nu = \tilde{\nu}$$

We will also apply this test to scalar statistics. Note that for  $k = 1$  this test does not necessarily reduce to the equivalent student  $t$  test mentioned in the scalar  $Q$  section due to possibly different degrees of freedom.

**General Linear Contrast of Model Parameters**

The above test can be applied to test hypotheses about linear combinations of parameters. For a given matrix  $\mathbf{L}$  and a vector  $\mathbf{K}$ ,  $H_0 : \mathbf{L}\beta = \mathbf{K}$  can be tested, where  $\beta$  is a model parameter vector (regression coefficients for example). Let  $\mathbf{Q} = \mathbf{L}\beta$ ,  $\hat{\mathbf{Q}}_i = \mathbf{L}\hat{\beta}_i$ , and  $\mathbf{U}_i = \mathbf{L}Var(\hat{\beta}_i)\mathbf{L}'$ . This test becomes testing  $H_0 : \mathbf{Q} = \mathbf{K}$

It is likely that only  $\mathbf{K}$ ,  $\hat{\mathbf{Q}}_i$  and diagonal elements of  $\mathbf{U}_i$  are available, so the simultaneous test of  $H_0$  cannot be done. Instead, we will test each row of  $H_0$  separately. Denote the  $l$ -th row hypothesis of  $H_0$  as  $H_{0l} : Q_l = K_l$ . Let  $p_l$  be the  $p$ -value for testing  $H_{0l}$  alone. If multiple comparisons are requested, the  $p$ -values are adjusted as usual.

In multivariate GLM, there is a parameter matrix,  $\mathbf{B}$ , instead of a vector. In multivariate GLM  $H_0 : \mathbf{LBM} = \mathbf{K}$  can be tested for the given matrices  $\mathbf{L}$ ,  $\mathbf{M}$ ,  $\mathbf{K}$ . Where possible, we separately test each element of the hypotheses  $H_{0ij} : Q_{ij} = \mathbf{l}'_i \mathbf{Bm}_j = k_{ij}$  where  $\mathbf{l}'_i$  is the  $i$ -th row vector of matrix  $\mathbf{L}$ , and  $k_{ij}$  is the  $ij$ th element of vector  $\mathbf{K}$ . Again, if multiple comparisons are requested, the  $p$ -values are adjusted as usual.

**References**

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- Schafer, J. L. 1997. *Analysis of Incomplete Multivariate Data*. London: Chapman and Hall.

# MVA Algorithms

The Missing Value procedure provides descriptions of missing value patterns; estimates of means, standard deviations, covariances, and correlations (using a listwise, pairwise, EM, or regression method); and imputation of values by either EM or regression.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$\mathbf{X}$	Data matrix
$x_{ij}$	Value of the $i$ th case, $j$ th variable
$v$	Number of variables
$m$	Number of cases
$n_i$	Number of nonmissing values of the $i$ th variable
$n_{ij}$	Number of nonmissing value pairs of the $i$ th and $j$ th variables
$n_c$	Number of complete cases
$J$	Index of all variables
$J_{\#}=J(\text{condition})$	Index of variables satisfying “condition”
$I$	Index of all cases
$I(k_1, \dots, k_t)$	Index of cases at which variables are not missing
$I(J)$	Index of complete cases
$\mathbf{a} = [a_i]$	Vector whose $i$ th element is $a_i$
$\mathbf{A} = [a_{ij}]$	Matrix whose $i$ th row, $j$ th column element is $a_{ij}$

### Example to Illustrate Notation

$$\mathbf{X} = \begin{bmatrix} 43 & 76 & 34 \\ . & 45 & 72 \\ 44 & 15 & 52 \\ . & & 65 \\ . & & 43 \\ 54 & 12 & \\ 43 & 67 & 34 \end{bmatrix}$$

$x_{2,3} = 72$	The 2nd row, 3rd element
$v = 3$	Number of variables
$n=7$	Number of cases
$n_2 = 5$	Number of nonmissing values in the 2nd variable
$n_{2,3} = 4$	Number of nonmissing value pairs in the 2nd and 3rd variables
$n_c = 3$	Number of complete cases
$J=\{1,2,3\}$	Index of variables



$J(2 \text{ or more missing})=\{1,2\}$	The 1st and 2nd variables have two or more missing values
$I=\{1,2,3,4,5,6,7\}$	Index of cases
$I(2)=\{1,2,3,6,7\}$	Index of cases at which the 2nd variable is not missing
$I(2,3)=\{1,2,3,7\}$	Index of cases at which the 2nd and 3rd variables are not missing
$I(J)=\{1,7\}$	Index of complete cases
$\bar{x}_2 = 43.0$	The 2nd element of the vector $\bar{x} = [\bar{x}_1, \bar{x}_2, \bar{x}_3]$

## Univariate Statistics

The index  $j$  refers to quantitative variables.

### Mean

$$\bar{x} = [\bar{x}_j] = [\sum_i x_{ij} / n_j; i \in I(j)]$$

### Standard Deviation

$$\hat{\sigma} = [\hat{\sigma}_j] = \left[ \left( \sum_i (x_{ij} - \bar{x}_j)^2 / (n_j - 1) \right)^{1/2}; i \in I(j) \right]$$

### Extreme Low

$$NL = [nl_j] = [\text{number of } x_{ij} \text{ values} < \text{low\_limit}_j]$$

### Extreme High

$$NH = [nh_j] = [\text{number of } x_{ij} \text{ values} > \text{high\_limit}_j]$$

where

$$\text{low\_limit}_j = \begin{cases} \bar{x}_j - 2 * \hat{\sigma}_j & \text{if } v * n * \log_{10}(n) > 150,000 \\ \text{25th percentile of the } j\text{th variable} & \text{if } v * n * \log_{10}(n) \leq 150,000 \end{cases}$$

and

$$\text{high\_limit}_j = \begin{cases} \bar{x}_j + 2 * \hat{\sigma}_j & \text{if } v * n * \log_{10}(n) > 150,000 \\ \text{75th percentile of the } j\text{th variable} & \text{if } v * n * \log_{10}(n) \leq 150,000 \end{cases}$$

## Separate Variance T Test

The index  $k$  refers to quantitative variables, and index  $j$  refers to all variables.

$$t_{jk} = \frac{\bar{x}_{jk}^P - \bar{x}_{k|\text{variable } j \text{ is missing}}}{\left( \frac{\hat{\sigma}_{jk}^P}{n_{jk}} + \frac{\hat{\sigma}_{k|\text{variable } j \text{ is missing}}}{n_{kk} - n_{jk}} \right)^{1/2}}$$

where  $\bar{x}_{jk}^P$  and  $\hat{\sigma}_{jk}^P$  are defined in “Pairwise Statistics”.

$$\text{df}_{jk} = \frac{\left( \frac{\hat{\sigma}_{jk}^P}{n_{jk}} + \frac{\hat{\sigma}_{k|\text{variable } j \text{ is missing}}}{n_{kk} - n_{jk}} \right)^2}{\frac{(\hat{\sigma}_{jk}^P)^2}{n_{jk} - 1} + \frac{(\hat{\sigma}_{k|\text{variable } j \text{ is missing}})^2}{n_{kk} - n_{jk} - 1}} \cdot p(2\text{-tail})_{jk} = 1 - 2 * |0.5 - \text{tcdf}(t_{jk}, \text{df}_{jk})|$$

where “tcdf” is the  $t$  cumulative distribution function

## Listwise Statistics

The indices  $j$  and  $k$  refer to quantitative variables.

### Mean

$$\bar{\mathbf{X}}^L = [\bar{x}_j^L] = [\sum_i x_{ij} / n_c; i \in I(J)]$$

### Covariance

$$\mathbf{C}^L = [c_{jk}^L] = [\sum_i (x_{ij} - \bar{x}_j^L) * (x_{ik} - \bar{x}_k^L) / (n_c - 1); i \in I(J)]$$

### Correlation

$$\mathbf{R}^L = [r_{jk}^L] = [c_{jk}^L / (c_{jj}^L * c_{kk}^L)^{1/2}]$$

## Pairwise Statistics

The indices  $j$  and  $k$  refer to quantitative variables, and  $l$  refers to all variables.

### Mean

$$\bar{\mathbf{X}}^P = [\bar{x}_{lk}^P] = [\sum_i x_{ik} / n_{lk}; i \in I(l, k)]$$

**Standard Deviation**

$$\hat{\sigma}^P = [\hat{\sigma}_{lk}^P] = \left[ \left( \sum_i (x_{ik} - \bar{x}_{lk}^P)^2 / (n_{lk} - 1) \right)^{1/2}; i \in I(l, k) \right]$$

**Covariance**

$$\mathbf{C}^P = [c_{jk}^P] = \left[ \sum_i (x_{ik} - \bar{x}_{jk}^P) * (x_{ij} - \bar{x}_{kj}^P) / (n_{jk} - 1); i \in I(j, k) \right]$$

**Correlation**

$$\mathbf{R}^P = [r_{jk}^P] = \left[ c_{jk}^P / (\hat{\sigma}_{jk}^P * \hat{\sigma}_{kj}^P) \right]$$

**Regression Estimated Statistics**

The indices  $j$  and  $k$  refer to quantitative variables, and  $l$  refers to predictor variables.

**Estimates of Missing****Values**

$$x_{ij}^R = \begin{cases} x_{ij} & \text{if } x_{ij} \text{ is not missing} \\ \text{regression estimated } x_{ij} & \text{if } x_{ij} \text{ is missing} \end{cases}$$

where the regression estimated  $x_{ij}$  is

$$x_{ij}^R = \beta_{0,ij} + \sum_l \beta_{l,ij} * x_{il} + \epsilon_{ij} \quad l \in J_1 = J(l : x_{il} \text{ not missing and } l \neq j)$$

where:

$[\beta_{0,ij}, \beta_{l,ij}]$  is computed from  $\text{Diag}(\bar{\mathbf{X}}^P) = [\bar{x}_{jj}^P]$  and by pivoting on the “best” “q” of the  $J_1$  diagonals of  $\mathbf{C}^P$ .

“best” is forward stepwise selected.

“q” is less than or equal to the user-specified maximum number of predictors; it may also be limited by the user-specified  $F$ -to-enter limit.

“ $\epsilon_{ij}$ ” is the optional random error term, as specified:

1. residual of a randomly selected complete case
2. random normal deviate, scaled by the standard error of estimate
3. random t(df) deviate, scaled by the standard error of estimate, df is specified by the user
4. no error term adjustment

Note that for each missing value  $x_{ij}$ , a unique set of regression coefficients  $(\beta_{0,ij}, \beta_{l,ij})$  and error terms  $\epsilon_{ij}$  is computed.

### Mean

$$\bar{\mathbf{X}}^R = \left[ \bar{x}_j^R \right] = \left[ \sum_i x_{ij}^R / n; i \in I \right]$$

### Covariance

$$\mathbf{C}^R = \left[ c_{jk}^R \right] = \left[ \sum_i (x_{ij}^R - \bar{x}_j^R) * (x_{ik}^R - \bar{x}_k^R) / (n - 1); i \in I \right]$$

### Correlation

$$\mathbf{R}^R = \left[ r_{jk}^R \right] = \left[ c_{jk}^R / (c_{jj}^R * c_{kk}^R)^{1/2} \right]$$

## EM Estimated Statistics

The indices  $j$  and  $k$  refer to quantitative variables, and  $l$  refers to predictor variables.

### Estimates of Missing Values, Mean Vector, and Covariance Matrix

$$\begin{aligned} \bar{\mathbf{X}}_0 &= \left[ \bar{x}_j^0 \right] = \text{Diag}(\bar{\mathbf{X}}^P) = \left[ \bar{x}_{jj}^P \right] \\ \mathbf{C}_0 &= \left[ c_{jk}^0 \right] = \mathbf{C}^P = \left[ c_{jk}^P \right] \end{aligned}$$

For  $m=1$  to  $M$ , or until convergence is attained:

If  $x_{ij}$  is not missing then  $x_{ij}^m = x_{ij}$ .

If  $x_{ij}$  is missing then it is estimated in the  $m$ th iteration as:

$$x_{ij}^m = \beta_{0,ij}^{m-1} + \sum_l \beta_{l,ij}^{m-1} * x_{il}; \quad l \in J_2 = J(l : x_{il} \text{ is not missing and } l \neq j)$$

where  $[\beta_{0,ij}^{m-1}, \beta_{l,ij}^{m-1}]$  is computed from  $\bar{\mathbf{x}}_{m-1}$  and  $\mathbf{C}_{m-1}$ .

$$\bar{\mathbf{X}}_m = \left[ \bar{x}_j^m \right] = \left[ \sum_i w_i * x_{ij}^m / \sum_i w_i; \quad i \in I \right]$$

$$\mathbf{C}_m = \left[ c_{jk}^m \right] = \left[ \frac{\sum_i w_i * x_{ij}^m (x_{ij}^m - \bar{x}_j^m) * (x_{ik}^m - \bar{x}_k^m) + \sum_i \sum_{s \in J_2} c_{j,s}^{m-1}}{(n-1) * \sum_i w_i / n}; i \in J_2, s \notin J_2, \text{ and } s \neq j \right]$$

where  $c_{j,s}^{m-1}$  is the  $j$ th row,  $s$ th element of the  $J_2$  pivoted  $\mathbf{C}_{m-1}$ .

Note that some sources (Little & Rubin, 1987, for example) simply use  $n$  as the denominator of the formula for  $C_m$ , which produces full maximum likelihood (ML) estimates. The formula used by MVA produces restricted maximum likelihood (REML) estimates, which are  $n/(n-1)$  times the ML estimates.

$$w_i = \begin{cases} 1 & \text{for multivariate normal} \\ \frac{1-\alpha+\alpha*\lambda^{1+p/2}*\exp((1-\lambda)*D^2/2)}{1-\alpha+\alpha*\lambda^{p/2}*\exp((1-\lambda)*D^2/2)} & \text{for contaminated normal} \\ (\text{df} + p)/(\text{df} + D^2) & \text{fort(df)} \end{cases}$$

$\alpha =$  proportion of contamination  
 $\lambda =$  ratio of standard deviations  
 $p =$  number of predictors = number of indices in  $J_2$   
 $D^2 =$  Mahalanobis distance square of the current case from the mean  
 $= \sum_{jk} (x_{ij}^m - \bar{x}_j^m) * (c_{jk}^m)^{-1} * (x_{ik}^m - \bar{x}_k^m)$

where  $(c_{jk}^m)^{-1}$  is the  $jk$ th element of  $C_m^{-1}$ .

### Convergence

The algorithm is declared to have converged if, for all  $j$ ,

$$\left| c_{jj}^m - c_{jj}^{m-1} \right| / c_{jj}^m \leq \text{CONVERGENCE}$$

### Filled-In Data

$$X_i^E = [x_{ij}^E] = [x_{ij}^{m'}]$$

where  $m'$  is the last value of  $m$ .

### Mean

$$\bar{X}^E = [\bar{x}_j^E] = \bar{X}_{m'} = [\bar{x}_j^{m'}]$$

### Covariance

$$C^E = [c_{jk}^E] = C_{m'} = [c_{jk}^{m'}]$$

### Correlation

$$R^E = [r_{jk}^E] = \left[ c_{jk}^E / (c_{jj}^E * c_{kk}^E)^{1/2} \right]$$

$$\chi^2_{\text{MCAR}} = \sum_{\text{each unique pattern}} (\text{no. of cases in pattern}) * (\text{MD})$$

$$\text{DF}_{\text{MCAR}} = \sum_{\text{each unique pattern}} (\text{no. of nonmissing variables}) - v$$

where

MD = Mahalanobis  $D^2$  of pattern mean from  $\bar{\mathbf{x}}^E$

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# NAIVE BAYES Algorithms

The Naive Bayes model is an old method for classification and predictor selection that is enjoying a renaissance because of its simplicity and stability.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

Table 65-1

Notation

Notation	Description
$J_0$	Total number of predictors.
$\mathbf{X}$	Categorical predictor vector $\mathbf{X}' = (X_1, \dots, X_J)$ , where $J$ is the number of predictors considered.
$M_j$	Number of categories for predictor $X_j$ .
$Y$	Categorical target variable.
$K$	Number of categories of $Y$ .
$N$	Total number of cases or patterns in the training data.
$N_k$	The number of cases with $Y = k$ in the training data.
$N_{jmk}$	The number of cases with $Y = k$ and $X_j = m$ in the training data.
$\pi_k$	The probability for $Y = k$ .
$p_{jmk}$	The probability of $X_j = m$ given $Y = k$ .

## Naive Bayes Model

The Naive Bayes model is based on the conditional independence model of each predictor given the target class. The Bayesian principle is to assign a case to the class that has the largest posterior probability. By Bayes' theorem, the posterior probability of  $Y$  given  $\mathbf{X}$  is:

$$P(Y = k | \mathbf{X} = \mathbf{x}) = \frac{P(\mathbf{X} = \mathbf{x} | Y = k) P(Y = k)}{\sum_{i=1}^K P(\mathbf{X} = \mathbf{x} | Y = i) P(Y = i)}$$

Let  $X_1, \dots, X_J$  be the  $J$  predictors considered in the model. The Naive Bayes model assumes that  $X_1, \dots, X_J$  are conditionally independent given the target; that is:

$$P(\mathbf{X} = \mathbf{x} | Y = k) = \prod_{j=1}^J P(X_j = x_j | Y = k)$$

These probabilities are estimated from training data by the following equations:

$$\pi_k = P(Y = k) = \frac{N_k + \lambda}{N + K\lambda}$$

$$p_{jmk}^j = P(X_j = m | Y = k) = \frac{N_{jmk}^j + f}{\sum_{l=1}^{M_j} N_{jlk}^j + M_j f}$$

Where  $N_k$  is calculated based on all non-missing  $Y$ ,  $N_{jmk}^j$  is based on all non-missing pairs of  $X_j$  and  $Y$ , and the factors  $\lambda$  and  $f$  are introduced to overcome problems caused by zero or very small cell counts. These estimates correspond to Bayesian estimation of the multinomial



probabilities with Dirichlet priors. Empirical studies suggest  $\lambda = f = \frac{1}{N}$  (Kohavi, Becker, and Sommerfield, 1997).

A single data pass is needed to collect all the involved counts.

For the special situation in which  $J = 0$ ; that is, there is no predictor at all,  $P(Y = k | \mathbf{X} = \mathbf{x}) = P(Y = k)$ . When there are empty categories in the target variable or categorical predictors, these empty categories should be removed from the calculations.

## Preprocessing

The following steps are performed before building the Naive Bayes model.

### Missing Values

A predictor is ignored if every value is missing or if it has only one observed category. A case is ignored if the value of the target variable or the values of all predictors are missing. For each case missing some, but not all, of the values of the predictors, only the predictors with nonmissing values are used to predict the case, as suggested in (Kohavi et al., 1997).

This implies the following equation:

$$P(\mathbf{X} = \mathbf{x}_i | Y = y_i) = \prod_{\{j: x_{ji} \text{ not missing}\}} P(X_j = x_{ji} | Y = y_i)$$

This also implies the following equation for  $B(J)$  in average log-likelihood calculations:

$$B(J) = -\frac{1}{N} \sum_{i=1}^N \log \left( \sum_{k=1}^K \pi_k \prod_{\{j: x_{ji} \text{ not missing}\}} p_{x_{ji}k}^j \right)$$

Where the  $\log()$  term for case  $i$  is ignored if all the values of the predictors considered in the model are missing. For more information, see the topic ‘‘Average Log-likelihood’’.

### Continuous Variables

The Naive Bayes model assumes that the target and predictor variables are categorical. If there are continuous variables, they need to be discretized. There are many ways to discretize a continuous variable; the simplest is to divide the domain of a variable into equal width bins. This method performs well with the Naive Bayes model while no obvious improvement is found when complex methods are used (Hsu, Huang, and Wong, 2000).

Sometimes the equal width binning method may produce empty bins. In this case, empty bins are eliminated by changing bin boundary points. Let  $b_1 < b_2 < \dots < b_n$  be the bin boundary points produced by the equal width binning method. The two end bins  $(-\infty, b_1]$  and  $(b_n, \infty)$  are non-empty by design. Suppose that bin  $(b_i, b_{i+1}]$  is empty, and suppose that the closest left non-empty bin has right boundary point  $b_j (< b_i)$  and the closest right non-empty bin has left boundary point  $b_k (>$

$b_j$ ). Then empty bins are eliminated by deleting all boundary points from  $b_j$  to  $b_k$ , and setting a new boundary point at  $(b_j+b_k)/2$ .

## Feature Selection

Given a total of  $J_0$  predictors, the goal of feature selection is to choose a subset of  $J$  predictors using the Naive Bayes model (Natarajan and Pednault, 2001). This process has the following steps:

- Collect the necessary summary statistics to estimate all possible model parameters.
- Create a sequence of candidate predictor subsets that has an increasing number of predictors; that is, each successive subset is equal to the previous subset plus one more predictor.
- From this sequence, find the “best” subset.

### Collect Summary Statistics

One pass through the training data is required to collect the total number of cases, the number of cases per category of the target variable, and the number of cases per category of the target variable for each category of each predictor.

### Create the Sequence of Subsets

Start with an initial subset of predictors considered vital to the model, which can be empty. For each predictor not in the subset, a Naive Bayes model is fit with the predictor plus the predictors in the subset. The predictor that gives the largest average log-likelihood is added to create the next larger subset. This continues until the model includes the user-specified:

- Exact number of predictors

or

- Maximum number of predictors

Alternatively, the maximum number of predictors,  $J_{\text{Max}}$ , may be automatically chosen by the following equation:

$$J_{\text{Max}} = \min \{ J_{\text{Must}} + \min \{ 100, \max (20, \frac{J_0}{5}) \}, J_0 \}$$

where  $J_{\text{Must}}$  is the number of predictors in the initial subset.

### Find the “Best” Subset

If you specify an exact number of predictors, the final subset in the sequence is the final model. If you specify a maximum number of predictors, the “best” subset is determined by one of the following:

- A test data criterion based on the average log-likelihood of the test data.
- A pseudo-BIC criterion that uses the average log-likelihood of the training data and penalizes overly complex models using the number of predictors and number of cases. This criterion is used if there are no test data.

Smaller values of these criteria indicate “better” models. The “best” subset is the one with the smallest value of the criterion used.

Test Data Criterion

$$Q(J) = -\bar{l}_{\text{Test}}(J)$$

Where  $\bar{l}_{\text{Test}}(J)$  is the average log-likelihood for test data.

Pseudo-BIC Criterion

$$Q(J) = -\bar{l}_{\text{Train}}(J) + \frac{1}{2}J\frac{\log(N)}{N}$$

Where  $J$  denotes the number of predictors in the model, and  $-\bar{l}_{\text{Train}}(J)$  is the average log-likelihood for training data.

### Average Log-likelihood

The average (conditional) log-likelihood for data  $\{\mathbf{x}_i, y_i\}_{i=1}^N$  with  $J$  predictors is

$$\begin{aligned} \bar{l}(J) &= \frac{1}{N} \log L = \frac{1}{N} \sum_{i=1}^N \log P(Y = y_i | \mathbf{X} = \mathbf{x}_i) \\ &= \frac{1}{N} \sum_{i=1}^N \log P(Y = y_i) + \frac{1}{N} \sum_{i=1}^N \log P(\mathbf{X} = \mathbf{x}_i | Y = y_i) \\ &\quad - \frac{1}{N} \sum_{i=1}^N \log \left( \sum_{k=1}^K P(\mathbf{X} = \mathbf{x}_i | Y = k) P(Y = k) \right) \\ &= \frac{1}{N} \sum_{k=1}^K N_k \log(\pi_k) + \frac{1}{N} \sum_{k=1}^K \sum_{j=1}^J \sum_{m=1}^{M_j} N_{mk}^j \log(p_{mk}^j) - \frac{1}{N} \sum_{i=1}^N \log \left( \sum_{k=1}^K \pi_k \prod_{j=1}^J p_{x_{ji}k}^j \right) \end{aligned}$$

Let

$$A(J) = \frac{1}{N} \sum_{k=1}^K N_k \log(\pi_k) + \frac{1}{N} \sum_{k=1}^K \sum_{j=1}^J \sum_{m=1}^{M_j} N_{mk}^j \log(p_{mk}^j)$$

$$B(J) = -\frac{1}{N} \sum_{i=1}^N \log \left( \sum_{k=1}^K \pi_k \prod_{j=1}^J p_{x_{ji}k}^j \right)$$

then

$$\bar{l}(J) = A(J) + B(J)$$

*Note:* for the special situation in which  $J = 0$ ; that is, there are no predictors,

$$\bar{l}(J) = \frac{1}{N} \sum_{i=1}^N \log P(Y = y_i) = \frac{1}{N} \sum_{k=1}^K N_k \log(\pi_k)$$

Calculation of average log-likelihood by sampling

When adding each predictor to the sequence of subsets, a data pass is needed to calculate  $B(J)$ . When the data set is small enough to fit in the memory, this is not a problem. When the data set cannot fit in memory, this can be costly. The Naive Bayes model uses simulated data to calculate  $B(J)$ . Other research has shown that this approach yields good results (Natarajan et al., 2001). The formula for  $B(J)$  can be rewritten as, for a data set of  $m$  cases:

$$B(J) = -\frac{1}{m} \sum_{i=1}^m \log \left( \sum_{k=1}^K \pi_k \prod_{j=1}^J p_{x_{j i} k}^j \right)$$

By default  $m = 1000$ .

## Classification

The target category with the highest posterior probability is the predicted category for a given case.

$$\hat{y}(\mathbf{x}) = \arg \max_k \{P(Y = k | \mathbf{X} = \mathbf{x})\} = \arg \max_k \{P(\mathbf{X} = \mathbf{x} | Y = k) P(Y = k)\}$$

Ties are broken in favor of the target category with greater prior probability  $\pi_k$ .

When cases being classified contain categories of categorical predictors that did not occur in the training data, these new categories are treated as missing.

## Classification Error

If there is test data, the error equals the misclassification ratio of the test data. If there is no test data, the error equals the misclassification ratio of the training data.

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# NLR Algorithms

NLR produces the least square estimates of the parameters for models that are not linear in their parameters. Unlike in other procedures, the weight function is not treated as a case replicate in NLR.

## Model

Consider the model

$$f = f(\mathbf{x}, \Theta)$$

where  $\Theta$  is a  $p \times 1$  parameter vector,  $\mathbf{x}$  is an independent variable vector, and  $f$  is a function of  $\mathbf{x}$  and  $\Theta$ .

## Goal

Find the least square estimate  $\Theta^*$  of  $\Theta$  such that  $\Theta^*$  minimizes the objective function

$$F(\Theta) = \mathbf{R}'\mathbf{W}\mathbf{R}$$

where

$$\begin{aligned}\mathbf{R}' &= (R_1, \dots, R_n) \\ R_i &= y_i - f_i \\ f_i &= f(x_i, \Theta^*), \quad i = 1, \dots, n \\ \mathbf{W} &= \text{Diag}(W_1, \dots, W_n)\end{aligned}$$

and  $n$  is the number of cases. For case  $i$ ,  $y_i$  is the observed dependent variable,  $x_i$  is the vector of observed independent variables,  $W_i$  is the weight function which can be a function of  $\Theta$ .

The gradient of  $F$  at  $\Theta$  is defined as

$$\nabla F = 2\mathbf{J}'_{.j}\mathbf{W}\mathbf{R}$$

where  $\mathbf{J}_{.j}$  is the  $j$ th column of the  $n \times p$  Jacobian matrix  $\mathbf{J}$  whose  $(i, j)$ th element is defined by

$$J_{ij} = \frac{R_i}{2W_i} \frac{\partial W_i}{\partial \Theta_j} - \frac{\partial f_i}{\partial \Theta_j}$$

## Estimation

The modified Levenberg-Marquardt algorithm (Moré, 1977) that is contained in MINPACK is used in NLR to solve the objective function.

Given an initial value  $\Theta^{(0)}$  for  $\Theta$ , the algorithm is as follows:

At stage  $k + 1$ ,  $k = 0, 1, 2, \dots$

► Compute

$$f_i^{(k)} = f_i(\Theta^{(k)}), R_i^{(k)} = y_i - f_i^{(k)}, F_k = F(\Theta^{(k)}) \text{ and } J^{(k)} = J(\Theta^{(k)})$$

- ▶ Choose an appropriate non-negative scalar such that

$$F(\Theta^{(k)} + h_k) < F_k$$

where

$$h_k = -\left(\mathbf{J}^{(k)'}\mathbf{J}^{(k)} + \alpha_k\mathbf{I}\right)^{-1}\mathbf{J}^{(k)'}\mathbf{R}^{(k)}$$

- ▶ Set

$$\Theta^{(k+1)} = \Theta^{(k)} + h_k$$

and compute  $\mathbf{J}^{(k+1)}, \mathbf{R}^{(k+1)}, \mathbf{W}^{(k+1)}, F_{k+1}$

- ▶ Check the following conditions:

1.  $1 - (F_{k-1}/F_k) < \epsilon_1$  (*SSCON*)
2. For every element of  $h_k$

$$\left|h_{ki}/\Theta_i^{(k)}\right| < \epsilon_2$$
 (*PCON*)

3.  $k + 1 \geq ITER$  (maximum number of iterations)
4. For every parameter  $\Theta_j$ , the gradient of  $F$  at  $\Theta_j$ ,  $\nabla F_j$ , is evaluated at  $\Theta^{(k+1)}$  by checking

$$\left|r_j^{(k+1)}\right| < \epsilon_2$$
 (*RCON*)

where  $r_j^{(k+1)}$  is the correlation between the  $j$ th column  $\mathbf{J}_j^{(k+1)}$  of  $\mathbf{J}^{(k+1)}$  and  $\mathbf{W}^{(k+1)}\mathbf{R}^{(k+1)}$ .

If any of these four conditions is satisfied, the algorithm will stop. Then the final parameter estimate  $\Theta^*$

$$\Theta^* = \Theta^{(k+1)}$$

and the termination reason is reported. Otherwise, iteration continues.

## Statistics

When the estimation algorithm terminates, the following statistics are printed.

### Parameter Estimates and Standard Errors

The asymptotic standard error of  $\Theta_j^*$  is estimated by the square root of the  $j$ th diagonal element  $a_{jj}$  of  $\mathbf{A}$ , where

$$\mathbf{A} = \frac{F(\Theta^*)}{n-p}(\mathbf{J}^*\mathbf{W}^*\mathbf{J}^*)^{-1}$$

and  $\mathbf{J}^*$  and  $\mathbf{W}^*$  are the Jacobian matrix  $\mathbf{J}$  and weight function  $\mathbf{W}$  evaluated at  $\Theta^*$ , respectively.

### Asymptotic 95% Confidence Interval for Parameter Values

$$\Theta_j^* \pm t(0.975, n - p) a_{jj}$$

### Asymptotic Correlation Matrix of the Parameter Estimates

$$\mathbf{C} = \mathbf{D}^{-1/2} \mathbf{A} \mathbf{D}^{-1/2}$$

where

$$\mathbf{D} = \text{Diag}(a_{11}, \dots, a_{pp})$$

and  $a_{ii}$  is the  $i$ th diagonal element of  $\mathbf{A}$ .

### Analysis of Variance Table

Source	df	Sum of Squares
Residual	$n-p$	$F(\Theta^*)$
Regression	$p$	$SS_{\text{uncorrected}} - F(\Theta^*)$
Uncorrected Total	$n$	$SS_{\text{uncorrected}}$
Corrected Total	$n-1$	$SS_{\text{uncorrected}} - \bar{y}^2 \sum_{i=1}^n W_i(\Theta^*)$

where

$$SS_{\text{uncorrected}} = \sum_{i=1}^n W_i(\Theta^*) y_i^2$$

$$\bar{y} = \left( \sum_{i=1}^n W_i(\Theta^*) y_i \right) / \left( \sum_{i=1}^n W_i(\Theta^*) \right)$$

### References

Moré, J. J. 1977. The Levenberg-Marquardt algorithm: implementation and theory in numerical analysis. In: *Lecture Notes in Mathematics*, G. A. Watson, ed. Berlin: Springer-Verlag, 105–116.

# NOMREG Algorithms

The purpose of the Multinomial Logistic Regression procedure is to model the dependence of a nominal categorical response on a set of discrete and/or continuous predictor variables.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$Y$	The response variable, which takes integer values from 1 to $J$ .
$J$	The number of categories of the nominal response.
$m$	The number of subpopulations.
$X^A$	$m \times p^A$ matrix with vector-element $x_i^A$ , the observed values at the $i$ th subpopulation, determined by the independent variables specified in the command.
$X$	$m \times p$ matrix with vector-element $x_i$ , the observed values of the location model's independent variables at the $i$ th subpopulation.
$f_{ijs}$	The frequency weight for the $s$ th observation which belongs to the cell corresponding to $Y=j$ at subpopulation $i$ .
$n_{ij}$	The sum of frequency weights of the observations that belong to the cell corresponding to $Y=j$ at subpopulation $i$ .
$N$	The sum of all $n_{ij}$ 's.
$\pi_{ij}$	The cell probability corresponding to $Y=j$ at subpopulation $i$ .
$\log(\pi_{ij}/\pi_{ik})$	The logit of response category $j$ to response category $k$ .
$\beta_j = (\beta_{j1}, \dots, \beta_{jp})'$	$p \times 1$ vector of unknown parameters in the $j$ -th logit (i.e., logit of response category $j$ to response category $J$ ).
$p$	Number of parameters in each logit. $p \geq 1$ .
$p_j^{nr}$	Number of non-redundant parameters in logit $j$ after maximum likelihood estimation. $p \geq p_j^{nr} \geq 0$ .
$p^{nr}$	The total number of non-redundant parameters after maximum likelihood estimation. $p^{nr} = \sum_{j=1}^{J-1} p_j^{nr}$ .
$\mathbf{B} = (\beta'_1, \dots, \beta'_{J-1})'$	$(J-1)p \times 1$ vector of unknown parameters in the model.
$\hat{\mathbf{B}} = (\hat{\beta}'_1, \dots, \hat{\beta}'_{J-1})'$	The maximum likelihood estimate of $\mathbf{B}$ .
$\hat{\pi}_{ij}$	The maximum likelihood estimate of $\pi_{ij}$ .

## Data Aggregation

Observations with negative or missing frequency weights are discarded. Observations are aggregated by the definition of subpopulations. Subpopulations are defined by the cross-classifications of either the set of independent variables specified in the command or the set of independent variables specified in the SUBPOP subcommand.

Let  $n_i$  be the marginal count of subpopulation  $i$ ,



$$n_i = \sum_{j=1}^J n_{ij}$$

If there is no observation for the cell of  $Y=j$  at subpopulation  $i$ , it is assumed that  $n_{ij} = 0$ , provided that  $n_i \neq 0$ . A non-negative scalar  $\delta \in [0, 1)$  may be added to any zero cell (i.e., cell with  $n_{ij} = 0$ ) if its marginal count  $n_i$  is nonzero. The value of  $\delta$  is zero by default.

## Data Assumptions

Let  $(n_{i1}, \dots, n_{iJ})^T$  be the  $J \times 1$  vector of counts for the categories of  $Y$  at subpopulation. It is assumed that each  $(n_{i1}, \dots, n_{iJ})^T$  is independently multinomial distributed with probability vector  $(\pi_{i1}, \dots, \pi_{iJ})^T$  of dimension  $J \times 1$  and fixed total  $n_i$ .

## Model

NOMREG fits a generalized logit model that can also be used to model the results of 1-1 matched case-control studies.

### Generalized Logit Model

In a Generalized Logit model, the probability  $\pi_{ij}$  of response category  $j$  at subpopulation  $i$  is

$$\pi_{ij} = \frac{\exp(\mathbf{x}'_i \beta_j)}{1 + \sum_{k=1}^{J-1} \exp(\mathbf{x}'_i \beta_k)}$$

where the last category  $J$  is assumed to be the reference category.

In terms of logits, the model can be expressed as

$$\log\left(\frac{\pi_{ij}}{\pi_{iJ}}\right) = \mathbf{x}'_i \beta_j$$

for  $j = 1, \dots, J-1$ .

When  $J = 2$ , this model is equivalent to the binary Logistic Regression model. Thus, the above model can be thought of as an extension of the binary Logistic Regression model from binary response to polytomous nominal response.

### 1-1 Matched Case Control Model by Conditional Likelihood Approach

The above model can also be used to estimate the parameters in the conditional likelihood of the 1-1 Matched Case Control Model. In this case, let  $m$  be the number of matching pairs,  $x_{i1}$  be the vector of independent variables for the case and  $x_{i2}$  that for the control. The conditional log-likelihood for the  $m$  matched pairs is given by

$$l = \frac{\exp\{(\mathbf{x}_{i1} - \mathbf{x}_{i2})' \beta\}}{1 + \exp\{(\mathbf{x}_{i1} - \mathbf{x}_{i2})' \beta\}}$$

in which  $\beta$  is the vector of parameters for the difference between the values of independent variables of the case and those of the control. This conditional likelihood is identical to the unconditional log-likelihood of a binary (i.e.,  $k = 2$ ) logistic regression model when

- There is no intercept term in the model.
- The set of subpopulations is defined by the set of matching pairs.
- The independent variables in the model are set to equal to the differences between the values for the case and the control.
- The number of response categories is  $J = 2$ , and the value of the response is 1 (or a constant), i.e.,  $Y = 1$ .

## Log-likelihood

The log-likelihood of the model is given by

$$\begin{aligned} l(\mathbf{B}) &= \sum_{i=1}^m \sum_{j=1}^J n_{ij} \log(\pi_{ij}) \\ &= \sum_{i=1}^m \sum_{j=1}^J n_{ij} \log \left( \frac{\exp(\mathbf{x}'_i \beta_j)}{1 + \sum_{k=1}^{J-1} \exp(\mathbf{x}'_i \beta_k)} \right) \end{aligned}$$

A constant that is independent of parameters has been excluded here. The value of the constant is

$$c = \sum_{i=1}^m \log \{n_i! / (n_{i1}! \dots n_{iJ}!)\}$$

## Parameter Estimation

Estimation of the model parameters proceeds as follows.

### First and Second Derivatives of the Log-likelihood

For any  $j = 1, \dots, J-1, s = 1, \dots, p$ , the first derivative of  $l$  with respect to  $\beta_{js}$  is

$$\frac{\partial l}{\partial \beta_{js}} = \sum_{i=1}^m x_{is} (n_{ij} - n_i \pi_{ij})$$

For any  $j, j' = 1, \dots, J-1, s, t = 1, \dots, p$ , the second derivative of  $l$  with respect to  $\beta_{js}$  and  $\beta_{j't}$  is

$$\frac{\partial^2 l}{\partial \beta_{js} \partial \beta_{j't}} = - \sum_{i=1}^m n_i x_{is} x_{it} \pi_{ij} (\delta_{jj'} - \pi_{ij'})$$

where  $\delta_{jj'} = 1$  if  $j = j'$ , 0 otherwise.

### Maximum Likelihood Estimate

To obtain the maximum likelihood estimate of  $\mathbf{B}$ , a Newton-Raphson iterative estimation method is used. Notice that this method is the same as Fisher-Scoring iterative estimation method in this model, since the expectation of the second derivative of  $l$  with respect to  $\mathbf{B}$  is the same as the observed one.

Let  $\partial l / \partial \mathbf{B}$  be the  $(J-1)p \times 1$  vector of the first derivative of  $l$  with respect to  $\mathbf{B}$ . Moreover, let  $[\partial^2 l / \partial \mathbf{B} \partial \mathbf{B}]$  be the  $(J-1)p \times (J-1)p$  matrix of the second derivative of  $l$  with respect to  $\mathbf{B}$ . Notice that  $-[\partial^2 l / \partial \mathbf{B} \partial \mathbf{B}] = \sum_{i=1}^m \mathbf{X}_i^* \Delta_i \mathbf{X}_i^{*t}$  where  $\Delta_i$  is a  $(J-1) \times (J-1)$  matrix

$$\Delta_i = n_i \left( \text{Diag} \left( \pi_i^{(-J)} \right) - \pi_i^{(-J)} \pi_i^{(-J)t} \right)$$

in which  $\pi_i^{(-J)} = (\pi_{i1}, \dots, \pi_{iJ-1})'$  and  $\text{Diag}(\pi_i^{(-J)})$  is a  $(J-1) \times (J-1)$  diagonal matrix of  $\pi_i^{(-J)}$ . Let  $\mathbf{B}^{(\nu)}$  be the parameter estimate at iteration  $\nu$ , the parameter estimate  $\mathbf{B}^{(\nu+1)}$  at iteration  $\nu+1$  is updated as

$$\mathbf{B}^{(\nu+1)} = \mathbf{B}^{(\nu)} + \xi \left( \sum_{i=1}^m \mathbf{X}_i^* \Delta_i^{(\nu)} \mathbf{X}_i^{*t} \right)^{-1} \frac{\partial l}{\partial \mathbf{B}^{(\nu)}}$$

and  $\xi > 0$  is a stepping scalar such that  $l(\mathbf{B}^{(\nu+1)}) - l(\mathbf{B}^{(\nu)}) \geq 0$ ,  $\mathbf{X}_i^*$  is a  $(J-1)p \times (J-1)$  matrix of independent vectors,

$$\mathbf{X}_i^* = \begin{pmatrix} \mathbf{x}_i & 0 & \cdots & 0 \\ 0 & \mathbf{x}_i & & \vdots \\ \vdots & & \ddots & 0 \\ 0 & \cdots & 0 & \mathbf{x}_i \end{pmatrix}$$

and  $\Delta_i^{(\nu)}$  is  $\Delta_i$  and  $\partial l / \partial \mathbf{B}^{(\nu)}$  is  $\partial l / \partial \mathbf{B}$ , both evaluated at  $\mathbf{B} = \mathbf{B}^{(\nu)}$ .

### Stepping

Use step-halving method if  $l(\mathbf{B}^{(\nu+1)}) - l(\mathbf{B}^{(\nu)}) < 0$ . Let  $V$  be the maximum number of steps in step-halving, the set of values of  $\xi$  is  $\{1/2^v: v = 0, \dots, V-1\}$ .

### Starting Values of the Parameters

If intercepts are included in the model, set  $\beta_j^{(0)} = (\beta_{j1}^{(0)}, 0, \dots, 0)'$  where

$$\beta_{j1}^{(0)} = \log \left( \frac{\bar{\pi}_{ij}}{\bar{\pi}_{iJ}} \right) = \log \left( \frac{\sum_{i=1}^m n_{ij}}{\sum_{i=1}^m n_{iJ}} \right)$$

for  $j = 1, \dots, J-1$ .

If intercepts are not included in the model, set

$$\beta_j^{(0)} = (0, \dots, 0)'$$

for  $j = 1, \dots, J-1$ .

### **Convergence Criteria**

Given two convergence criteria  $\epsilon_k > 0$  and  $\epsilon_p > 0$ , the iteration is considered to be converged if one of the following criteria are satisfied:

1.  $|l(\mathbf{B}^{(\nu+1)}) - l(\mathbf{B}^{(\nu)})| < \epsilon_k$
2.  $\max_i |\mathbf{B}_i^{(\nu+1)} - \mathbf{B}_i^\nu| < \epsilon_p$
3. The maximum above element in  $\partial l / \partial \mathbf{B}^{(\nu+1)}$  is less than  $\min(\epsilon_l, \epsilon_p)$ .

### **Stepwise Variable Selection**

Several methods are available for selecting independent variables. With the forced entry method, any variable in the variable list is entered into the model. The forward stepwise, backward stepwise, and backward entry methods use either the Wald statistic or the likelihood ratio statistic for variable removal. The forward stepwise, forward entry, and backward stepwise use the score statistic or the likelihood ratio statistic to select variables for entry into the model.

#### **Forward Stepwise (FSTEP)**

1. Estimate the parameter and likelihood function for the initial model and let it be our current model.
2. Based on the MLEs of the current model, calculate the score statistic or likelihood ratio statistic for every variable eligible for inclusion and find its significance.
3. Choose the variable with the smallest significance (p-value). If that significance is less than the probability for a variable to enter, then go to step 4; otherwise, stop FSTEP.
4. Update the current model by adding a new variable. If this results in a model which has already been evaluated, stop FSTEP.
5. Calculate the significance for each variable in the current model using LR or Wald's test.
6. Choose the variable with the largest significance. If its significance is less than the probability for variable removal, then go back to step 2. If the current model with the variable deleted is the same as a previous model, stop FSTEP; otherwise go to the next step.
7. Modify the current model by removing the variable with the largest significance from the previous model. Estimate the parameters for the modified model and go back to step 5.

### **Forward Only (FORWARD)**

1. Estimate the parameter and likelihood function for the initial model and let it be our current model.
2. Based on the MLEs of the current model, calculate the score or LR statistic for every variable eligible for inclusion and find its significance.
3. Choose the variable with the smallest significance. If that significance is less than the probability for a variable to enter, then go to step 4; otherwise, stop FORWARD.
4. Update the current model by adding a new variable. If there are no more eligible variable left, stop FORWARD; otherwise, go to step 2.

### **Backward Stepwise (BSTEP)**

1. Estimate the parameters for the full model that includes the final model from previous method and all eligible variables. Only variables listed on the BSTEP variable list are eligible for entry and removal. Let current model be the full model.
2. Based on the MLEs of the current model, calculate the LR or Wald's statistic for every variable in the BSTEP list and find its significance.
3. Choose the variable with the largest significance. If that significance is less than the probability for a variable removal, then go to step 5. If the current model without the variable with the largest significance is the same as the previous model, stop BSTEP; otherwise go to the next step.
4. Modify the current model by removing the variable with the largest significance from the model. Estimate the parameters for the modified model and go back to step 2.
5. Check to see any eligible variable is not in the model. If there is none, stop BSTEP; otherwise, go to the next step.
6. Based on the MLEs of the current model, calculate LR statistic or score statistic for every variable not in the model and find its significance.
7. Choose the variable with the smallest significance. If that significance is less than the probability for the variable entry, then go to the next step; otherwise, stop BSTEP.
8. Add the variable with the smallest significance to the current model. If the model is not the same as any previous models, estimate the parameters for the new model and go back to step 2; otherwise, stop BSTEP.

### **Backward Only (BACKWARD)**

1. Estimate the parameters for the full model that includes all eligible variables. Let the current model be the full model.
2. Based on the MLEs of the current model, calculate the LR or Wald's statistic for all variables eligible for removal and find its significance.
3. Choose the variable with the largest significance. If that significance is less than the probability for a variable removal, then stop BACKWARD; otherwise, go to the next step.

4. Modify the current model by removing the variable with the largest significance from the model. Estimate the parameters for the modified model. If all the variables in the BACKWARD list are removed then stop BACKWARD; otherwise, go back to step 2.

### Stepwise Statistics

The statistics used in the stepwise variable selection methods are defined as follows.

#### Score Function and Information Matrix

The score function for a model with parameter  $B$  is:

$$U(B) = \frac{\partial l(B)}{\partial B}$$

The  $(j,s)$ th element of the score function can be written as

$$\begin{aligned} [U(B)]_{js} &= \frac{\partial l(B)}{\partial \beta_{js}} \\ &= \sum_{i=1}^m x_{is} (n_{ij} - n_i \pi_{ij}) \end{aligned}$$

Similarly, elements of the information matrix are given by

$$\begin{aligned} [I(B)]_{js,j't} &= \frac{\partial^2 l(B)}{\partial \beta_{js} \partial \beta_{j't}} \\ &= - \sum_{i=1}^m n_i x_{is} x_{it} \pi_{ij} (\delta_{jj'} - \pi_{ij'}) \end{aligned}$$

where  $\delta_{jj'} = 1$  if  $j = j'$ , 0 otherwise.

(Note that  $\pi_{ij}$  in the formula are functions of  $B$ )

#### Block Notations

By partitioning the parameter  $B$  into two parts,  $B_1$  and  $B_2$ , the score function, information matrix, and inverse information matrix can be written as partitioned matrices:

$$\begin{aligned} U(B_1, B_2) &= \begin{pmatrix} U_1(B_1, B_2) \\ U_2(B_1, B_2) \end{pmatrix} \\ &= \begin{pmatrix} \frac{\partial l(B_1, B_2)}{\partial B_1} \\ \frac{\partial l(B_1, B_2)}{\partial B_2} \end{pmatrix} \end{aligned}$$

where  $l(B_1, B_2) = l(B)$

$$\begin{aligned} I(B) &= I(B_1, B_2) \\ &= \begin{pmatrix} I_{11}(B_1, B_2) & I_{12}(B_1, B_2) \\ I_{21}(B_1, B_2) & I_{22}(B_1, B_2) \end{pmatrix} \\ &= \begin{pmatrix} \frac{\partial^2 l(B_1, B_2)}{\partial B_1 \partial B_1} & \frac{\partial^2 l(B_1, B_2)}{\partial B_1 \partial B_2} \\ \frac{\partial^2 l(B_1, B_2)}{\partial B_2 \partial B_1} & \frac{\partial^2 l(B_1, B_2)}{\partial B_2 \partial B_2} \end{pmatrix} \end{aligned}$$

$$J(B) = I(B_1, B_2)^- = \begin{pmatrix} J_{11}(B_1, B_2) & J_{12}(B_1, B_2) \\ J_{21}(B_1, B_2) & J_{22}(B_1, B_2) \end{pmatrix}$$

where

$$\begin{aligned} J_{11} &= I_{11}^- + I_{11}^- I_{12} J_{22} I_{21} I_{11}^- \\ J_{12} &= -I_{11}^- I_{12} J_{22} \\ J_{21} &= J_{12}^T \\ J_{22} &= [I_{22} - I_{21} I_{11}^- I_{12}]^- \end{aligned}$$

Typically,  $B_1$  and  $B_2$  are parameters corresponding to two different sets of effects. The dimensions of the 1st and 2nd partition in  $U$ ,  $I$  and  $J$  are equal to the numbers of parameters in  $B_1$  and  $B_2$  respectively.

### Score Test

Suppose a base model with parameter vector  $B_{base}$  with the corresponding maximum likelihood estimate  $\hat{B}_{base}$ . We are interested in testing the significance of an extra effect E if it is added to the base model. For convenience, we will call the model with effect E the augmented model. Let  $B_E$  be the vector of extra parameters associated with the effect E, then the hypothesis can be written as

$$H_0 : B_E = 0 \text{ v.s. } H_1 : B_E \neq 0$$

Using the block notations, the score function, information matrix and inverse information of the augmented model can be written as

$$\begin{aligned} U(B_{base}, B_E) &= \begin{pmatrix} U_{base}(B_{base}, B_E) \\ U_E(B_{base}, B_E) \end{pmatrix} \\ I(B_{base}, B_E) &= \begin{pmatrix} I_{base,base}(B_{base}, B_E) & I_{base,E}(B_{base}, B_E) \\ I_{E,base}(B_{base}, B_E) & I_{E,E}(B_{base}, B_E) \end{pmatrix} \\ J(B_{base}, B_E) &= \begin{pmatrix} J_{base,base}(B_{base}, B_E) & J_{base,E}(B_{base}, B_E) \\ J_{E,base}(B_{base}, B_E) & J_{E,E}(B_{base}, B_E) \end{pmatrix} \end{aligned}$$

Then the score statistic for testing our hypothesis will be

$$s = U_E(\hat{B}_{base}, 0)^T J_{E,E}(\hat{B}_{base}, 0) U_E(\hat{B}_{base}, 0)$$

where  $U_E(\hat{B}_{base}, 0)$  and  $J_{E,E}(\hat{B}_{base}, 0)$  are the 2nd partition of score function and inverse information matrix evaluated at  $B_{base} = \hat{B}_{base}$  and  $B_E = 0$ .

Under the null hypothesis, the score statistic  $s$  has a chi-square distribution with degrees of freedom equal to the rank of  $J_{E,E}(B_1, B_2)$ . If the rank of  $J_{E,E}(B_1, B_2)$  is zero, then the score statistic will be set to 0 and the  $p$ -value will be 1. Otherwise, if the rank of  $J_{E,E}(B_1, B_2)$  is  $r_E: r_E > 0$ , then the  $p$ -value of the test is equal to  $1 - F(s; r_E)$  is the cumulative distribution function of a chi-square distribution with  $r_E$  degrees of freedom.

### Computational Formula for Score Statistic

When we compute the score statistic  $s$ , it is not necessary to re-compute  $U(\hat{B}_{base}, 0)$  and  $I(\hat{B}_{base}, 0)$  from scratch. The score function and information matrix of the base model can be reused in the calculation. Using the block notations introduced earlier, we have

$$U(\hat{B}_{base}, 0) = \begin{pmatrix} U_{base}(\hat{B}_{base}, 0) \\ U_E(\hat{B}_{base}, 0) \end{pmatrix} = \begin{pmatrix} U(\hat{B}_{base}) \\ U_E(\hat{B}_{base}, 0) \end{pmatrix}$$

and

$$I(\hat{B}_{base}, 0) = \begin{pmatrix} I(\hat{B}_{base}) & I_{base,E}(\hat{B}_{base}, 0) \\ I_{E,base}(\hat{B}_{base}, 0) & I_{E,E}(\hat{B}_{base}, 0) \end{pmatrix}$$

In stepwise logistic regression, it is necessary to compute one score test for each effect that are not in the base model. Since the 1st partition of  $U(\hat{B}_{base}, 0)$  and  $I(\hat{B}_{base}, 0)$  depend only on the base model, we only need to compute  $U_E(\hat{B}_{base}, 0)$ ,  $I_{base,E}(\hat{B}_{base}, 0)$  and  $I_{E,E}(\hat{B}_{base}, 0)$  for each new effect.

If  $\beta_{js}$  is the  $s$ -th parameter of the  $j$ -th logit in  $B_{base}$  and  $\beta_{kt}$  is the  $t$ -th parameter of  $k$ -th logit in  $B_E$ , then the elements of  $U_E(\hat{B}_{base}, 0)$ ,  $I_{base,E}(\hat{B}_{base}, 0)$  and  $I_{E,E}(\hat{B}_{base}, 0)$  can be expressed as follows:

$$\left[ U_E(\hat{B}_{base}, 0) \right]_{kt} = \sum_{i=1}^m x_{it} (n_{ik} - n_i \hat{\pi}_{ik})$$

$$\left[ I_{E,E}(\hat{B}_{base}, 0) \right]_{kt, k't'} = - \sum_{i=1}^m n_i x_{it} x_{i't'} \hat{\pi}_{ik} (\delta_{kk'} - \hat{\pi}_{ik'})$$

$$\left[ I_{base,E}(\hat{B}_{base}, 0) \right]_{js, kt} = - \sum_{i=1}^m n_i x_{is} x_{it} \hat{\pi}_{ij} (\delta_{jk} - \hat{\pi}_{ik})$$

where  $\hat{\pi}_{ik}$ ,  $\hat{\pi}_{ik'}$  are computed under the base model.

### Wald's Test

In backward stepwise selection, we are interested in removing an effect  $F$  from an already fitted model. For a given base model with parameter vector  $B_{base}$ , we want to use Wald's statistic to test if effect  $F$  should be removed from the base model. If the parameter vector for the effect  $F$  is  $B_F$ , then the hypothesis can be formulated as

$$H_0 : B_F = 0 \quad \text{vs.} \quad H_1 : B_F \neq 0$$

In order to write down the expression of the Wald's statistic, we will partition our parameter vector (and its estimate) into two parts as follows:

$$B_{base} = \begin{pmatrix} B_{base \setminus F} \\ B_F \end{pmatrix} \text{ and } \hat{B}_{base} = \begin{pmatrix} \hat{B}_{base \setminus F} \\ \hat{B}_F \end{pmatrix}$$

The first partition contains parameters that we intended to keep in the model and the 2nd partition contains the parameters of the effect  $F$ , which may be removed from the model. The information matrix and inverse information will be partitioned accordingly,

$$I(B_{base}) = \begin{pmatrix} I_{base \setminus F, base \setminus F}(B_{base \setminus F}, B_{base \setminus F}) & I_{base \setminus F, F}(B_{base \setminus F}, B_F) \\ I_{F, base \setminus F}(B_{base \setminus F}, B_F) & I_{F, F}(B_{base \setminus F}, B_F) \end{pmatrix}$$

and

$$J(B_{base}) = \begin{pmatrix} J_{base \setminus F, base \setminus F}(B_{base \setminus F}, B_{base \setminus F}) & J_{base \setminus F, F}(B_{base \setminus F}, B_F) \\ J_{F, base \setminus F}(B_{base \setminus F}, B_F) & J_{F, F}(B_{base \setminus F}, B_F) \end{pmatrix}$$

Using the above notations, the Wald's statistic for effect  $F$  can be expressed as

$$w = \hat{B}_F [J_{F, F}(B_{base \setminus F}, B_F)]^{-1} \hat{B}_F$$

Under the null hypothesis,  $w$  has a chi-square distribution with degrees of freedom equal to the rank of  $J_{F, F}(B_{base \setminus F}, B_F)$ . If the rank of  $J_{F, F}(B_{base \setminus F}, B_F)$  is zero, then Wald's statistic will be set to 0 and the  $p$ -value will be 1. Otherwise, if the rank of  $J_{F, F}(B_{base \setminus F}, B_F)$  is  $r_F : r_F > 0$ , then the  $p$ -value of the test is equal to  $1 - F(w; r_F)$ , where  $F(w; r_F)$  is the cumulative distribution function of a chi-square distribution with  $r_F$  degrees of freedom.

## Statistics

The following output statistics are available.

## Model Information

The model information (-2 log-likelihood) is available for the initial and final model.

### Initial Model, Intercept-Only

If intercepts are included in the model, the predicted probability for the initial model (that is, the model with intercepts only) is

$$\tilde{\pi}_{ij} = \frac{\sum_{i=1}^m n_{ij}}{N}$$

and the value of the -2 log-likelihood of the initial model is

$$-2l(\tilde{\pi}) = -2 \sum_{i=1}^m \sum_{j=1}^J n_{ij} \log(\tilde{\pi}_{ij})$$

**Initial Model, Empty**

If intercepts are not included in the model, the predicted probability for the initial model is

$$\tilde{\pi}_{ij} = \frac{1}{J}$$

and the value of the -2 log-likelihood of the initial model is

$$-2l(\tilde{\pi}) = -2N \log\left(\frac{1}{J}\right)$$

**Final Model**

The value of -2 log-likelihood of the final model is

$$-2l(\hat{\pi}) = -2 \sum_{i=1}^m \sum_{j=1}^J n_{ij} \log(\hat{\pi}_{ij})$$

**Model Chi-Square**

The Model Chi-square is given by

$$-2l(\tilde{\pi}) - \{-2l(\hat{\pi})\}$$

**Model with Intercepts versus Intercept-only Model**

If the final model includes intercepts, then the initial model is an intercept-only model. Under the null hypothesis that  $H_0 : \beta^{\text{intercepts}} = \mathbf{0}$ , the Model Chi-square is asymptotically chi-squared distributed with  $p^{\text{nr}} - (J - 1)$  degrees of freedom.

**Model without Intercepts versus Empty Model**

If the model does not include intercepts, then the initial model is an empty model. Under the null hypothesis that  $H_0 : \beta = \mathbf{0}$ , the Model Chi-square is asymptotically chi-squared distributed with  $p^{\text{nr}}$  degrees of freedoms.

**Pseudo R-Square**

The  $R^2$  statistic cannot be exactly computed for multinomial logistic regression models, so these approximations are computed instead.

**Cox and Snell's R-Square**

$$R_{\text{CS}}^2 = 1 - \left( \frac{L(\tilde{\pi})}{L(\hat{\pi})} \right)^{\frac{2}{n}}$$

**Nagelkerke's R-Square**

$$R_N^2 = \frac{R^2_{CS}}{1 - L(\hat{\pi})^{2/n}}$$

**McFadden's R-Square**

$$R_M^2 = 1 - \left( \frac{l(\hat{\pi})}{l(\bar{\pi})} \right)$$

**Measures of Monotone Association**

When the response variable has exactly two levels; that is,  $k = 2$ , measures of monotone association are available.

Without loss of generality, let the predicted probability for the category which is not the base category be  $\pi_{i1}$ . Also, let  $s_i = [500 \times \pi_{i1}]/500$  where  $[x]$  is the integer part of the value  $x$ .

Take a pair of observations indexed by  $i_1$  and  $i_2$  with different observed responses; the smaller index corresponds to a lower predictor value. This pair is a concordant pair if  $s_{i_1} < s_{i_2}$  for  $i_1 < i_2$ . This pair is a discordant pair if  $s_{i_1} > s_{i_2}$  for  $i_1 < i_2$ . If the pair is neither concordant nor discordant, it is a tied pair. Suppose there are a total of  $t$  pairs with different responses,  $m_c$  pairs are concordant,  $m_d$  pairs are discordant, and  $t - m_c - m_d$  pairs are tied. The following measures of monotone association are computed.

**Somers' D**

$$D = (m_c - m_d)/t$$

**Goodman-Kruskal's Gamma**

$$\text{Gamma} = (m_c - m_d)/(m_c + m_d)$$

**Kendall's Tau-a**

$$\text{Tau} - a = 2(m_c - m_d)/(n(n - 1))$$

where  $n$  is the total sum of all frequencies  $n = \sum_{i=1}^m \sum_{j=1}^k n_{ij}$ .

**Concordance Index C**

$$C = (m_c + (t - m_c - m_d)/2)/t$$

## Goodness of Fit Measures

The following tests of the null hypothesis that the model adequately fits the data are available.

### Pearson Goodness of Fit Measure

$$X^2 = \sum_{i=1}^m \sum_{j=1}^J \frac{(n_{ij} - n_i \hat{\pi}_{ij})^2}{n_i \hat{\pi}_{ij}}$$

Under the null hypothesis, the Pearson goodness-of-fit statistic is asymptotically chi-squared distributed with  $m(J - 1) - p^{nr}$  degrees of freedom.

### Deviance Goodness of Fit Measure

$$D = 2 \sum_{i=1}^m \sum_{j=1}^J n_{ij} \log \left( \frac{n_{ij}}{n_i \hat{\pi}_{ij}} \right)$$

Under the null hypothesis, the Deviance goodness-of-fit statistic is asymptotically chi-squared distributed with  $m(J - 1) - p^{nr}$  degrees of freedom.

## Overdispersion Adjustments

Let  $\hat{\kappa} > 0$  be an estimate of the overdispersion parameter. Possible estimates of this parameter are:

- A positive value specified in the command. If no value is specified, 1 is assumed.
- The ratio of Pearson goodness-of-fit measure to its degrees of freedom:

$$\hat{\kappa} = \frac{X^2}{m(k-1) - p^{nr}}$$

- The ratio of Deviance goodness of fit measure to its degrees of freedoms:

$$\hat{\kappa} = \frac{D}{m(k-1) - p^{nr}}$$

## Covariance and Correlation Matrices

The estimate of the covariance matrix of the parameters is the inverse of the negative of the second derivative of the log-likelihood evaluated at  $\mathbf{B} = \mathbf{B}^{(\nu)}$ , multiplied by the estimate of the overdispersion parameter.

$$\text{Cov}(\hat{\mathbf{B}}) = \hat{\kappa} \left[ \sum_{i=1}^m \mathbf{X}_i^* \hat{\Delta}_i \mathbf{X}_i^{*t} \right]^{-1}$$

Let  $\hat{\sigma}$  be the  $(J-1)p + 1$  vector of the square roots of the diagonal elements in  $\text{Cov}(\hat{\mathbf{B}})$ . The estimate of the correlation matrix of  $\hat{\mathbf{B}}$  is

$$\text{Cor}(\hat{\mathbf{B}}) = \text{Diag}(\hat{\sigma}^{-1}) \text{Cov}(\hat{\mathbf{B}}) \text{Diag}(\hat{\sigma}^{-1})$$

### Parameter Statistics

An estimate of the standard deviation of  $\hat{B}_{js}$  is  $\hat{\sigma}_{js}$ . The Wald statistic for  $\hat{B}_{js}$  is

$$\text{Wald}_{js} = \frac{\hat{B}_{js}}{\hat{\sigma}_{js}}$$

Under the null hypothesis that  $H_0 : B_{js} = 0$ ,  $\text{Wald}_{js}^2$  is asymptotically chi-square distributed with 1 degree of freedom.

Based on the asymptotic normality of the parameter estimate, a  $100(1-\alpha)\%$  Wald confidence interval for  $\hat{B}_{js}$  is

$$\hat{B}_{js} \pm z_{1-\alpha/2} \hat{\sigma}_{js}$$

where  $z_{1-\alpha/2}$  is the upper  $(1-\alpha/2)100$ th percentile of the standard normal distribution.

### Predicted Cell Counts

At each subpopulation  $i$ , the predicted count for response category  $Y=j$  is

$$\hat{n}_{ij} = n_i \hat{\pi}_{ij}$$

The (raw) residual is  $n_{ij} - \hat{n}_{ij}$  and the standardized residual is  $(n_{ij} - \hat{n}_{ij}) / \sqrt{n_i \hat{\pi}_{ij} (1 - \hat{\pi}_{ij})}$ .

### Likelihood Based Partial Effects

A likelihood ratio test is performed for any effect (except intercept) in the model. The procedure to perform a likelihood ratio test for any effect  $e$  is as follows:

1. Form a submodel that has all the effects in the working model but the one ( $e$ ) of interest.
2. Fit the submodel and calculate the value of its  $-2 \log$ -likelihood, denote it by  $-2l(\hat{\pi}_{(e)})$ . Moreover, let the number of non-redundant parameters in this submodel be  $p_{(e)}^{nr}$ .
3. Calculate the difference between the  $-2 \log$ -likelihood of the submodel and that of the working model,  $\{-2l(\hat{\pi}_{(e)})\} - \{-2l(\hat{\pi})\}$ .

Under the null hypothesis that the effect  $e$  of interest is zero,  $\{-2l(\hat{\pi}_{(e)})\} - \{-2l(\hat{\pi})\}$  is asymptotically chi-square distributed with  $p^{nr} - p_{(e)}^{nr}$  degrees of freedom.

### Linear Hypothesis Testing

For each  $q \times p$  matrix of linear combinations  $\mathbf{L}$ ,  $J$  Wald's tests are performed. Each of the first  $J - 1$  Wald's tests corresponds to a Wald's test on each of the  $J - 1$  logits. The last Wald's test corresponds to a joint Wald's test for all the  $J - 1$  logits. In the following, it is assumed that  $q = \text{Rank}(\mathbf{L}) \leq p$ .

The Wald's test corresponding to the  $j$ th logit is

$$Wald(\mathbf{L}, j) = (\mathbf{L}\hat{\beta}_j)' \{LCov(\hat{\beta}_j)\mathbf{L}'\}^{-1} (\mathbf{L}\hat{\beta}_j)$$

Under the null hypothesis,  $H_0 : \mathbf{L}\beta_j = \mathbf{0}$ ,  $Wald(\mathbf{L}, j)$  is asymptotically chi-square distributed with  $q$  degrees of freedom.

Let  $\mathbf{L}^*$  be a  $(J-1)q \times (J-1)p$  matrix,

$$\mathbf{L}^* = \begin{pmatrix} \mathbf{L} & \mathbf{0} & \dots & \mathbf{0} \\ \mathbf{0} & \mathbf{L} & & \vdots \\ \vdots & & \ddots & \mathbf{0} \\ \mathbf{0} & \dots & \mathbf{0} & \mathbf{L} \end{pmatrix}$$

The Wald's joint test for all logits is

$$Wald(\mathbf{L},) = (\mathbf{L}^*\hat{\mathbf{B}})' \{\mathbf{L}^*Cov(\hat{\mathbf{B}})\mathbf{L}^{*'}\}^{-1} (\mathbf{L}^*\hat{\mathbf{B}})$$

Under the null hypothesis,  $H_0 : \mathbf{L}^*\mathbf{B} = \mathbf{0}$ ,  $Wald(\mathbf{L},)$  is asymptotically chi-square distributed with  $(J-1)q$  degrees of freedom.

## Classification Table

Suppose that  $c(j, j')$  is the  $(j, j')$ -th element of the classification table,  $j, j' = 1, \dots, J$ .  $c(j, j')$  is the sum of the frequencies for the observations whose actual response category is  $j$  (as row) and predicted response category is  $j'$  (as column) respectively.

The predicted response category for subpopulation  $i$  is

$$j^* : \hat{\pi}_{ij^*} = \max_j (\hat{\pi}_{ij})$$

Should there be a tie, choose the category with the smallest category number.

For  $j, j' = 1, \dots, J$ ,  $c(j, j')$  is given as

$$c(j, j') = \sum_{i=1}^m n_{ij} \delta_{j^*j'}$$

The percentage of total correct predictions of the model is

$$p() = \left( \frac{\sum_{j=1}^n c(j, j)}{n} \right) 100\%$$

The percentage of correct predictions of the model for response category  $j$  is

$$p() = \left( \frac{c(j, j)}{\sum_{i=1}^m n_{ij}} \right) 100\%$$

## Checking for Separation

The algorithm checks for separation in the data starting with iteration  $\nu^{\text{chksep}}$  (20 by default). To check for separation:

1. For each subpopulation  $i$ , find  $j^* : \hat{\pi}_{ij^*} = \max_j (\hat{\pi}_{ij})$ .
2. If  $n_{ij^*} = n_i$ , then there is a perfect prediction for subpopulation  $i$ .
3. If all subpopulations have perfect prediction, then there is complete separation. If some patterns have perfect prediction and the Hessian of  $\hat{B}$  is singular, then there is quasi-complete separation.

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# NONPAR CORR Algorithms

If a WEIGHT variable is specified, it is used to replicate a case as many times as indicated by the weight value rounded to the nearest integer. If the workspace requirements are exceeded and sampling has been selected, a random sample of cases is chosen for analysis using the algorithm described in SAMPLE. For the RUNS test, if sampling is specified, it is ignored. The tests are described in (Siegel, 1956).

## Spearman Correlation Coefficient

For each of the variables  $X$  and  $Y$  separately, the observations are sorted into ascending order and replaced by their ranks. In situations where  $t$  observations are tied, the average rank is assigned. Each time  $t > 1$ , the quantity  $t^3 - t$  is calculated and summed separately for each variable. These sums will be designated  $ST_x$  and  $ST_y$ .

For each of the  $N$  observations, the difference between the rank of  $X$  and rank of  $Y$  is computed as:

$$d_i = R(X_i) - R(Y_i)$$

Spearman's rho ( $\rho$ ) is calculated as (Siegel, 1956):

$$\rho_s = \frac{T_x + T_y - \sum_{i=1}^N d_i^2}{2\sqrt{T_x T_y}}$$

where

$$T_x = \frac{N^3 - N - ST_x}{12} \quad \text{and} \quad T_y = \frac{N^3 - N - ST_y}{12}$$

If  $T_x$  or  $T_y$  is 0, the statistic is not computed.

The significance level is calculated assuming that, under the null hypothesis,

$$t = \rho_s \sqrt{\frac{N - 2}{1 - \rho_s^2}}$$

is distributed as a  $t$  with  $N - 2$  degrees of freedom. A one- or two-tailed significance level is printed depending on the user-selected option.

## Kendall's Tau

For each of the variables  $X$  and  $Y$  separately, the observations are sorted into ascending order and replaced by their ranks. In situations where  $t$  observations are tied, the average rank is assigned.

Each time  $t > 1$ , the following quantities are computed and summed over all groups of ties for each variable separately.

$$\begin{aligned}\tau_v &= \Sigma t^2 - t \\ \tau'_v &= \Sigma(t^2 - t)(t - 2) \\ \tau''_v &= \Sigma(t^2 - t)(2t + 5), \text{ and } v = x \text{ or } y\end{aligned}$$

Each of the  $N$  cases is compared to the others to determine with how many cases its ranking of  $X$  and  $Y$  is concordant or discordant. The following procedure is used. For each distinct pair of cases  $(i, j), i < j$  the quantity

$$d_{ij} = [R(X_j) - R(X_i)][R(Y_j) - R(Y_i)]$$

is computed. If the sign of this product is positive, the pair of observations  $(i, j)$  is concordant, since both members of observation  $i$  are either less than or greater than their respective measurement in observation  $j$ . If the sign is negative, the pair is discordant.

The number of concordant pairs minus the number of discordant pairs is

$$S = \sum_{i=1}^{N-1} \sum_{j=i+1}^N \text{sign}(d_{ij})$$

where  $\text{sign}(d_{ij})$  is defined as +1 or -1 depending on the sign of  $d_{ij}$ . Pairs in which  $d_{ij} = 0$  are ignored in the computation of  $S$ .

Kendall's tau ( $\tau$ ) is computed as

$$\tau = \frac{S}{\sqrt{\frac{N^2 - N - \tau_x}{2}} \sqrt{\frac{N^2 - N - \tau_y}{2}}}$$

If the denominator is 0, the statistic is not computed.

The variance of  $S$  is estimated by (Kendall, 1955):

$$d = \frac{1}{18} \left\{ K(2N + 5) - \tau''_x - \tau''_y \right\} + \frac{\tau'_x \tau'_y}{9K(N - 2)} + \frac{\tau_x \tau_y}{2K}$$

where

$$K = N^2 - N$$

The significance level is obtained using

$$Z = \frac{S}{\sqrt{d}}$$

which, under the null hypothesis, is approximately normally distributed. The significance level is either one- or two-sided, depending on the user specification.

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# Nonparametric Tests Algorithms

Nonparametric tests make minimal assumptions about the underlying distribution of the data. The available nonparametric tests can be grouped into three broad categories based on how the data are organized: one-sample tests, related-samples tests, and independent-samples tests. A one-sample test analyzes one field. A test for related samples compares two or more fields for the same set of records. An independent-samples test analyzes one field that is grouped by categories of another field.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$\{x_i, f_i\}_{i=1}^n$	Data for one sample tests: $x_i$ is the $i$ th observed value, and $f_i$ is the frequency/replication weight for $x_i$ .
$\{x_{i1}, \dots, x_{iK}, f_i\}_{i=1}^n$	Data for $K$ related samples tests: each $x$ -column represents one sample, $f_i$ is the frequency/replication weight for row/record $i$ .
$\{x_i, g_i, f_i\}_{i=1}^N$	Data for $K$ independent samples: $g_i$ indicates the sample that observation $x_i$ belongs to, $f_i$ is the frequency/replication weight.
$G_j = \{i : g_i = j\}$	All record indices in the $j$ th sample.
$n_j$	The number of records in the $j$ th sample, ignoring the frequency weight.
$n_{j,f} = \sum_{i \in G_j} f_i$	The number of records in the $j$ th sample, incorporating frequency weight.
$\text{rank}(g(x_i); D)$	The rank of $g(x_i)$ when all $\{g(x) : x \in D\}$ are jointly ranked. If there are ties, the average rank is used.
$\text{rank}(g(x_i); D, \mathbf{f})$	Like $\text{rank}(g(x_i); D)$ but frequency weights are incorporated when calculating the ranks.
$F_k(x)$	The cumulative distribution function of population $k$ .
$\Phi(z)$	The cumulative distribution function for the standard normal distribution such that.
$\alpha$	The critical value for determining whether to reject the null hypothesis.

## One-Sample Tests

The following one-sample tests are available.

### Binomial Test

For a categorical field with 2 values (or recoded categorical field with more than 2 values or recoded continuous field), this tests:

$H_0$ : The probability of success is equal to the hypothesized success probability  $p_0$ .

$H_A$  (if  $p_0=0.5$ ): The probability of success is not equal to the hypothesized success probability (use the two-tailed  $p$ -value)

$H_A$  (if  $p_0 > 0.5$ ): The probability of success is greater than the hypothesized success probability (use the one-tailed  $p$ -value)

$H_A$  (if  $p_0 < 0.5$ ): The probability of success is less than the hypothesized success probability (use the one-tailed  $p$ -value)

Let  $n_{1,f}$  and  $n_{2,f}$  be the numbers of records in the success and failure categories, incorporating the frequency weight.

If  $n_{1,f} + n_{2,f} \leq 25$ , then one-tailed exact probability is

$$p_1 = \min \{ \Pr (T \leq n_{1,f} | H_0), \Pr (T \geq n_{1,f} | H_0) \}$$

where

$$\Pr (T \leq n_{1,f} | H_0) = \sum_{i=0}^{n_{1,f}} \binom{n_{1,f} + n_{2,f}}{i} p_0^i (1 - p_0)^{(n_{1,f} + n_{2,f}) - i}$$

and

$$\Pr (T \geq n_{1,f} | H_0) = \sum_{i=n_{1,f}}^{n_{1,f} + n_{2,f}} \binom{n_{1,f} + n_{2,f}}{i} p_0^i (1 - p_0)^{(n_{1,f} + n_{2,f}) - i}$$

The two-tailed exact probability is  $p = 2p_1$ .

If  $n_{1,f} + n_{2,f} > 25$ , a normal approximation is used. Letting

$$Z_1 = \frac{n_{1,f} + 0.5 - (n_{1,f} + n_{2,f}) p_0}{\sqrt{(n_{1,f} + n_{2,f}) p_0 (1 - p_0)}}$$

and

$$Z_2 = \frac{n_{1,f} - 0.5 - (n_{1,f} + n_{2,f}) p_0}{\sqrt{(n_{1,f} + n_{2,f}) p_0 (1 - p_0)}}$$

the one-tailed approximate probability is

$$p_1 = \min \{ \Phi (Z_1), 1 - \Phi (Z_2) \}$$

and the two-tailed approximate probability is  $p = 2p_1$ .

$p < \alpha$  rejects the two-tailed test if  $p_0 = 0.5$ ; otherwise  $p_1 < \alpha$  rejects the one-tailed test.

### Confidence Interval for Binomial Success Rate

Without loss of generality we assume that  $x_i = 0$  or  $1$  with  $1$  representing success. We want to estimate the success probability  $p = \Pr(x = 1)$  and its confidence interval. Let  $T = \sum_{i=1}^n f_i I(x_i = 1) = \sum_{i=1}^n f_i x_i$ ,  $n_f = \sum_{i=1}^n f_i$ . The estimate of the success probability is  $\hat{p} = \frac{T}{n_f}$ . For confidence interval  $(p_L, p_U)$ , we provide the following three ways of calculating it. For all three methods,  $p_L = 0$  if  $\hat{p} = 0$  and  $p_U = 1$  if  $\hat{p} = 1$ .

#### Clopper-Pearson confidence interval

The Clopper-Pearson confidence interval is an exact confidence interval based on inverting the exact equal-tailed binomial test  $H_0 : p = p_0$ . The lower and upper confidence limits are found by solving

$$\sum_{i=T}^{n_f} \binom{n_f}{i} p_L (1 - p_L)^{n_f - i} = \alpha/2$$

$$\sum_{i=0}^T \binom{n_f}{i} p_U (1 - p_U)^{n_f - i} = \alpha/2$$

The solutions to these two equations are (Leemis and Trivedi, 1996)

$$p_L = \left( 1 + \frac{n_f - T + 1}{TF_{\alpha/2}(2T, 2(n_f - T + 1))} \right)^{-1}$$

$$p_U = \left( 1 + \frac{n_f - T}{(T + 1)F_{1-\alpha/2}(2(T + 1), 2(n_f - T))} \right)^{-1}$$

where  $F_{\alpha/2}(v_1, v_2)$  is the  $\alpha/2$  percentile of the  $F$ -distribution  $F(v_1, v_2)$ .

*Note:* The Clopper-Pearson confidence interval is conservative (coverage probability is at least  $1 - \alpha$ ) because of the discreteness of the binomial distribution. The coverage probability can be much larger than  $1 - \alpha$  unless sample size is very big.

#### Jeffreys confidence interval

Jeffreys confidence interval is a Bayesian interval based on the posterior probability of  $p$  using the Jeffreys prior  $Beta(\frac{1}{2}, \frac{1}{2})$ . The resulting posterior for  $p$  is  $Beta(T + \frac{1}{2}, n_f - T + \frac{1}{2})$ . Then the lower and upper confidence limits of  $p$  are the  $\frac{\alpha}{2}$  and  $1 - \frac{\alpha}{2}$  percentiles of this beta distribution

$$p_L = B_{\frac{\alpha}{2}}(T + \frac{1}{2}, n_f - T + \frac{1}{2})$$

$$p_U = B_{1-\frac{\alpha}{2}}(T + \frac{1}{2}, n_f - T + \frac{1}{2})$$

**Likelihood ratio confidence interval**

The likelihood ratio confidence interval is constructed by inverting the acceptance region of the likelihood ratio test which accepts the null hypothesis  $H_0 : p = p_0$  if

$$-2 \log \left( \frac{\text{Lik}(p_0)}{\sup_p (\text{Lik}(p))} \right) \leq \chi_{1-\alpha}^2(1)$$

or

$$-2 \left( l(p_0) - \sup_p (l(p)) \right) \leq \chi_{1-\alpha}^2(1)$$

where  $\chi_{1-\alpha}^2(1)$  is the  $1 - \alpha$  percentile of the chi-square distribution with 1 degree of freedom,  $\text{Lik}(p)$  and  $l(p)$  are likelihood and log likelihood functions. The log likelihood function is

$$l(p) = \log(\text{Lik}(p)) = T \log p + (n_f - T) \log(1 - p)$$

with the convention  $0 \log(0) = 0$ .

Inverting the likelihood ratio test is to find a range  $(p_L, p_U)$  for  $p_0$  such that within this range  $-2(l(p_0) - l(\hat{p})) \leq \chi_{1-\alpha}^2(1)$  or equivalently  $l(p_0) - l(\hat{p}) + \frac{\chi_{1-\alpha}^2(1)}{2} \geq 0$  is satisfied. The function  $h(p_0) = l(p_0) - l(\hat{p}) + \frac{\chi_{1-\alpha}^2(1)}{2}$  is well behaved with  $h(0) = -\infty$ ,  $h(1) = -\infty$ , maximum at  $h(\hat{p}) = \frac{\chi_{1-\alpha}^2(1)}{2}$ , increasing for  $p_0 < \hat{p}$  and decreasing for  $p_0 > \hat{p}$  because its first derivative is

$$h'(p_0) = \frac{T - n_f p_0}{p_0(1 - p_0)} = \frac{n_f(\hat{p} - p_0)}{p_0(1 - p_0)} = \begin{cases} > 0 & p_0 < \hat{p} \\ = 0 & p_0 = \hat{p} \\ < 0 & p_0 > \hat{p} \end{cases}$$

The two solutions for  $h(p_0) = 0$ , one on each side of  $\hat{p}$ , correspond to  $p_L (< \hat{p})$  and  $p_U (> \hat{p})$ . To obtain the solutions, the Newton-Raphson iterative method is used to solve the equation  $h(p_0) = 0$ . Letting  $p^{(v)}$  be the solution at iteration step  $v$ , the solution  $p^{(v+1)}$  at iteration step  $v + 1$  is updated as

$$p^{(v+1)} = p^{(v)} - \xi \frac{h(p^{(v)})}{h'(p^{(v)})} = p^{(v)} - \xi \frac{p^{(v)}(1 - p^{(v)})}{T - n_f p^{(v)}} h(p^{(v)})$$

The stepping scalar  $\xi > 0$  is used to make sure  $|h(p^{(v+1)})| < |h(p^{(v)})|$  and  $0 < p^{(v+1)} < 1$ . We use the step-halving method if either  $|h(p^{(v+1)})| < |h(p^{(v)})|$  or  $0 < p^{(v+1)} < 1$  is not satisfied. Let  $s$  be the maximum number of steps in step-halving, the set of values of  $\xi$  is  $\{1/2^r : r = 0, \dots, s-1\}$ .

Iterations start with an initial value  $p^{(0)}$  and continue until one of the stopping criteria is reached. Only  $p_U$  needs to be calculated when  $\hat{p} = 0$  because  $p_L = 0$ ; and only  $p_L$  needs to be calculated when  $\hat{p} = 1$  because  $p_U = 1$ . In fact, a closed form solution exists in these special situations,  $p_U = 1 - \exp\left(-\frac{\chi_{1-\alpha}^2(1)}{2n_f}\right)$  for  $\hat{p} = 0$ , and  $p_L = \exp\left(-\frac{\chi_{1-\alpha}^2(1)}{2n_f}\right)$  for  $\hat{p} = 1$ .

**Initial values.** Any initial value  $p^{(0)} \in (0, \hat{p})$  will lead to a solution for  $p_L$ , and any initial value  $p^{(0)} \in (\hat{p}, 1)$  will lead to  $p_U$ . Let  $p_{L,J}, p_{U,J}$  be the Jeffreys lower and upper confidence limits. We will take the following as the initial values for the lower and upper confidence limits

$$p_L^{(0)} = \begin{cases} p_{L,J} & \text{if } p_{L,J} < \hat{p} \\ \hat{p}/2 & \text{otherwise} \end{cases}$$

$$p_U^{(0)} = \begin{cases} p_{U,J} & \text{if } p_{U,J} > \hat{p} \\ (\hat{p} + 1) / 2 & \text{otherwise} \end{cases}$$

**Stopping criteria.** Let  $\epsilon = 10^{-8}$ . The following stopping criteria are checked in the following order.

1. Absolute argument convergence criterion:  $|p^{(v+1)} - p^{(v)}| < \epsilon$
2. Relative argument convergence criterion:  $\frac{|p^{(v+1)} - p^{(v)}|}{|p^{(v)}| + 10^{-12}} < \epsilon$
3. Function convergence criterion:  $|h(p^{(v+1)})| < \epsilon$
4. The maximum number of iterations, default at 50, is reached, or the maximum number of steps in step-halving is reached, default at 20.

## Chi-Square Test

For a categorical field, this tests:

$H_0$ : The probability of each category  $i$  equals the hypothesized probability  $P_i$ .

$H_A$ : At least one category's probability does not equal its hypothesized probability.

The test statistic is

$$\chi^2 = \sum_{i=1}^k \frac{(O_{i,f} - EXP_i)^2}{EXP_i}$$

where  $O_{i,f}$  and  $EXP_i = P_i n_f$  are the observed and expected frequencies of category  $i$ .

The one-sided  $p$ -value is

$$p = \Pr(\chi_{k-1}^2 \geq \chi^2) = 1 - \Pr(\chi_{k-1}^2 \leq \chi^2)$$

where  $\chi_{k-1}^2$  follows a chi-square distribution with  $k - 1$  degrees of freedom.

$p < \alpha$  rejects the null hypothesis.

## Kolmogorov-Smirnov Test

For a continuous field, this tests:

$H_0$ :  $F(x) = F_0(x)$  for all  $x$ , where  $F(x)$  is the distribution of the sample and  $F_0(x)$  is the hypothesized distribution which can be the uniform, the Poisson, the normal or the exponential distribution.

$H_A$ :  $F(x) \neq F_0(x)$  for some  $x$ .

### Empirical cumulative distribution function

The observations are sorted into ascending order:  $x_{(1)} < x_{(2)} < \dots < x_{(m)}$ , where  $m$  is the number of distinct values of  $X$ . Then the empirical cdf is

$$\hat{F}(x) = \begin{cases} 0, & -\infty < x < x_{(1)} \\ \frac{\sum_{i=1}^m f_i I\{x < x_{(k+1)}\}}{n}, & x_{(k)} \leq x < x_{(k+1)}, k = 1, \dots, m-1 \\ \sum_{i=1}^m f_i \\ 1, & x_{(m)} \leq x < \infty \end{cases}$$

### Theoretical cumulative distribution function

#### Uniform

$$F_0(x_i) = \frac{x_i - \min}{\max - \min}$$

where min and max are user-specified (default sample minimum and maximum).

#### Poisson

$$F_0(x_i) = \sum_{l=0}^{x_i} \frac{e^{-\lambda} \lambda^l}{l!}$$

where  $\lambda$  is user-specified (default sample mean). If  $\lambda \geq 100,000$ , the normal approximation is used with  $\mu = \lambda$  and  $\sigma = \sqrt{\lambda}$ .

#### Normal

$$F_0(x_i) = \Phi\left(\frac{x_i - \mu}{\sigma}\right)$$

where  $\mu$  and  $\sigma$  are user-specified (default sample mean and standard deviation).

#### Exponential

$$F_0(x_i) = 1 - e^{-\beta x_i}$$

where  $\beta$  is user-specified (default inverse sample mean).

**Test statistic and p-value**

The test statistic is calculated based on differences between the empirical cumulative distribution and the theoretical cumulative distribution. For the uniform, normal and exponential distributions, two differences are computed:

$$D_i = \hat{F}(x_{(i-1)}) - F_0(x_{(i)})$$

$$\tilde{D}_i = \hat{F}(x_{(i)}) - F_0(x_{(i)})$$

for  $i=1, \dots, m$ . For the Poisson:

$$D_i = \begin{cases} \hat{F}(x_{(i)} - 1) - F_0(x_{(i)} - 1), & x_{(i)} > 0, \\ 0 & x_{(i)} = 0 \end{cases}$$

$$\tilde{D}_i = \hat{F}(x_{(i)}) - F_0(x_{(i)})$$

for  $i=1, \dots, m$ .

The test statistic is

$$Z = \sqrt{\sum_{j=1}^n f_j \max_i (|D_i|, |\tilde{D}_i|)}$$

The two-tailed probability level is estimated using the first three terms of the Smirnov (1948) formula.

$$p = \begin{cases} 1 & 0 \leq Z < 0.27 \\ 1 - \frac{\sqrt{2\pi}}{Z} (Q + Q^9 + Q^{25}), & Q = e^{-\pi^2/8Z^2} & 0.27 \leq Z < 1 \\ 2(Q - Q^4 + Q^9 - Q^{16}), & Q = e^{-2Z^2} & 1 \leq Z < 3.1 \\ 0 & & Z \geq 3.1 \end{cases}$$

$p < \alpha$  rejects the null hypothesis.

*Note:* If the distribution is normal and parameters are estimated from the data, then the Lilliefors method is used to compute the test statistic and p value instead of the method described in this section. For more information, see the topic “Kolmogorov-Smirnov Statistic with Lilliefors’ Significance”.

### Kolmogorov-Smirnov Statistic with Lilliefors' Significance

In the case that the distribution is normal and parameters are estimated from the data, the Lilliefors method (Lilliefors, 1967) is used to compute the test statistic and p value. The Lilliefors significance  $p$  is calculated based on the formulas and critical value tables from Lilliefors (Lilliefors et al., 1967) and Dallal and Wilkinson (Dallal and Wilkinson, 1986).

The test statistic is

$$D = \max_i \left( |D_i|, \left| \tilde{D}_i \right| \right)$$

Let  $n_f = \sum_{j=1}^n f_j$ . If  $n_f < 5$ , the p value is set to the system missing value.

If  $n_f \geq 5$ , then the Lilliefors significance  $p$  is calculated as follows:

**Step 1.** Compute the critical value  $D_{0.1}$  for upper tail probability 0.1:

$$D_{0.1} = \frac{\left( -b - \sqrt{b^2 - 4ac} \right)}{2a}$$

where, if  $n_f \leq 100$ , then  $a = -7.01256(n_f + 2.78019)$ ,  $b = 2.99587\sqrt{n_f + 2.78019}$ , and  $c = 2.1804661 + \frac{0.974598}{\sqrt{n_f}} + \frac{1.67997}{n_f}$

and if  $n_f > 100$ , then  $a = -7.90289126054 * n_f^{0.98}$ ,  $b = 3.180370175721 * n_f^{0.49}$ , and  $c = 2.2947256$

**Step 2.** If  $D = D_{0.1}$ , then  $p = 0.1$

If  $D > D_{0.1}$ , then  $p = \exp \{ aD^2 + bD + c - 2.3025851 \}$

Otherwise go to step 3

**Step 3.** If there is an entry in Table 69-1 for sample size  $n_f$ , then go to step 4 to compute the p value. Otherwise, linear interpolation is used to calculate the critical values for a sample size of  $n_f$ .

For example, for  $n_f = 22$ , which is between sample sizes  $s1 = 20$  and  $s2 = 25$  with critical values  $c1 = 0.159$  and  $c2 = 0.143$  respectively, the critical value for upper tail probability 0.2 is computed as:

$$\frac{c2 - c1}{s2 - s1} * (n_f - s1) + c1 = \frac{0.143 - 0.159}{25 - 20} * (22 - 20) + 0.159 = 0.1526$$

The critical value for upper tail probability 0.15 (for  $n_f = 22$ ) is computed in a similar manner.

**Step 4.** If  $D_{0.15} \leq D < D_{0.1}$  or  $D_{0.2} \leq D < D_{0.15}$ , then linear interpolation is used to compute the p value, where  $D_{0.2}$  and  $D_{0.15}$  are the critical values for upper tail probability 0.2 and probability 0.15 (corresponding to sample size  $n_f$ ) respectively.

For example, for  $n_f = 20$ , use step 1 to compute the critical value for upper tail probability 0.1 as  $D_{0.1} = 0.1772025$ . If  $D = 0.170$ , then  $0.166 = D_{0.15} < D < D_{0.1}$ . The p value can be computed as:

$$p = \frac{0.1 - 0.15}{D_{0.1} - D_{0.15}} * (D - D_{0.15}) + 0.15 = 0.1321469$$

If  $D < D_{0.2}$  then p is reported as  $> 0.2$ .

Table 69-1  
Upper tail probability and corresponding critical values

Sample size	p value 0.2	p value 0.15
5	0.289	0.303
6	0.269	0.281
7	0.252	0.264
8	0.239	0.250
9	0.227	0.238
10	0.217	0.228
11	0.208	0.218
12	0.200	0.210
13	0.193	0.202
14	0.187	0.196
15	0.181	0.190
16	0.176	0.184
17	0.171	0.179
18	0.167	0.175
19	0.163	0.170
20	0.159	0.166
25	0.143	0.150
30	0.131	0.138
40	0.115	0.120
100	0.074	0.077
400	0.037	0.039
900	0.025	0.026
Over 900	$\frac{0.736}{n_f}$	$\frac{0.768}{n_f}$

### Runs Test

For a categorical field with 2 values (or a recoded categorical field with more than 2 values or a recoded continuous field), this tests:

$H_0$ : The observed order of observations of a field is attributable to chance variation.

**Number of runs**

The number of times that the category changes; that is, where  $x_i$  belongs to one category and  $x_{i+1}$  belongs to the other, as well as the number of records in category 1 ( $n_{1,f}$ ) and category 2 ( $n_{2,f}$ ), are determined. The number of runs,  $R$ , is the number of sign changes plus one.

**Test statistic and p-value**

The sampling distribution of the number of runs is approximately normal with

$$\mu_R = \frac{2n_{1,f}n_{2,f}}{n_{1,f} + n_{2,f}} + 1$$

$$\sigma_R = \sqrt{\frac{2n_{1,f}n_{2,f}(2n_{1,f}n_{2,f} - n_{1,f} - n_{2,f})}{(n_{1,f} + n_{2,f})^2(n_{1,f} + n_{2,f} - 1)}}$$

The test statistic is

$$z = \frac{R - \mu_R}{\sigma_R}, \text{ if } n_f \geq 50, \text{ otherwise}$$

$$z = \begin{cases} (R - \mu_R + 0.5) / \sigma_R & \text{if } R - \mu_R \leq -0.5 \\ (R - \mu_R - 0.5) / \sigma_R & \text{if } R - \mu_R \geq 0.5 \\ 0 & \text{if } |R - \mu_R| < 0.5 \end{cases}$$

The one sided  $p$ -value is  $p_1 = \Pr(Z \geq |z|) = 1 - \Phi(|z|)$  and the two sided  $p$ -value is  $p_2 = 2p_1$ .

$p_2 < \alpha$  rejects the null hypothesis.

**Wilcoxon Signed-Rank Test**

For a continuous field, this tests:

$H_0$ : median ( $X$ ) =  $\theta$  where  $\theta$  is user-specified (default to sample median).

Let  $d_i = x_i - \theta$   $D = \{d_i : |d_i| \neq 0\}$  The test statistic is the sum of positive ranks incorporating the frequency weights:

$$T = \sum_{i \in D} f_i \text{rank}(|d_i|; D, \mathbf{f}) I(\text{sgn}(d_i) > 0)$$

The standardized test statistic is

$$T^* = \frac{T - \mu_T}{\sigma_T}$$

where

$$\mu_T = \frac{1}{4}n_f(n_f + 1)$$

$$\sigma_T^2 = \frac{1}{24}n_f(n_f + 1)(2n_f + 1) - \frac{1}{48}\sum_{j=1}^M(t_{j,f}^3 - t_{j,f})$$

$$n_f = \sum_{i \in D} f_i$$

where  $M$  is the total number of distinct rank values of  $|d_i| > 0$  and  $t_{j,f}$  is the number of records tied at the  $j$ th distinct value, incorporating the frequency weights.

The asymptotic one-sided and two-sided  $p$ -values are

$$p_1 = \Pr(Z \geq |T^*|) = 1 - \Phi(|T^*|)$$

$$p = 2p_1$$

$p_1 < \alpha$  rejects the null hypothesis in favor of  $\text{median}(X) > \theta$  if  $T^* > 0$  and in favor of  $\text{median}(X) < \theta$  if  $T^* < 0$ .

*Note:* The one-sample Wilcoxon signed-rank test is equivalent to the matched-pairs Wilcoxon signed-rank test when the second sample replaced by a constant  $\theta$ .

## Independent Samples Tests

The following independent-samples tests are available.

### Mann-Whitney Test

For two independent samples from a continuous field, this tests:

$H_0$ :  $F_1(x) = F_2(x)$ ; that is, the two samples are from populations with the same distribution function

$$H_A: F_1(x) \geq F_2(x)$$

$$H'_A: F_1(x) \leq F_2(x)$$

The first group is defined by the first value of the grouping field in ascending order.

#### Calculation of Sums of Ranks

The combined data from both specified groups are sorted and ranks assigned to all records, with average rank being used in the case of ties. The sum of ranks for each group is

$$S_{1,f} = \sum_{i \in G_1} f_i \text{rank}(x_i; D_1 \cup D_2, \mathbf{f}) I(x_i \in D_1)$$

$$S_{2,f} = \sum_{i \in G_2} f_i \text{rank}(x_i; D_1 \cup D_2, \mathbf{f}) I(x_i \in D_2)$$

The average rank for each group is

$$\bar{S}_i = S_{i,f} / n_{i,f}$$

where  $n_{i,f} = \sum_{i \in G_i^*} f_i I(x_i \in D_i)$ .

If there are tied records, the number of records tied at the  $j$ th distinct value incorporating the frequency weight,  $t_{j,f}$  are counted.

### Test statistic and p-value

The Wilcoxon rank sum  $W$  statistic is  $W = S_{2,f}$ . The Mann-Whiney  $U$  statistic for group 1 is

$$U = \sum_{i \in G_1} \sum_{j \in G_2} f_i f_j I(x_i < x_j) + \frac{1}{2} \sum_{i \in G_1} \sum_{j \in G_2} f_i f_j I(x_i = x_j)$$

$$= n_{1,f} n_{2,f} + \frac{n_{1,f}(n_{1,f}+1)}{2} - S_{1,f}$$

$$= S_{2,f} - \frac{n_{2,f}(n_{2,f}+1)}{2}$$

If  $n_{1,f} n_{2,f} \leq 400$  and  $n_{1,f} n_{2,f} / 2 + \min(n_{1,f}, n_{2,f}) \leq 220$ , the exact significance level is based on an algorithm of Dineen and Blakesley (1973), which is given as follows:

Let  $f_{ij}(u)$  be the sampling frequency of the Mann-Whitney statistic for a value of  $U$  and with sample size  $i$  and  $j$ . Then the frequency distribution of the Mann-Whiney  $U$  statistic can be derived by summing two lower order distributions:

$$f_{n_{1,f}, n_{2,f}}(u) = f_{n_{1,f}-1, n_{2,f}}(u - n_{2,f}) + f_{n_{1,f}, n_{2,f}-1}(u)$$

Each of the lower order distribution is symmetrical about a different value of  $U$  and the sum gives a result which is also symmetrical. The algorithm starts with known distribution for  $i=1$  (or  $j=1$ ) and then uses the above equation and symmetry properties to derive the full distribution for  $i=2$  (or  $j=2$ ). This procedure is repeated until the distribution for the required value for  $i = n_{1,f}$  (or  $j = n_{2,f}$ ).

After the complete distribution of  $U$  is obtained, the one sided and two sided  $p$ -values are

$$p_1 = \begin{cases} \sum_{u=0}^{\lfloor U \rfloor} f_{n_{1,f}, n_{2,f}}(u) & \text{if } U \leq \frac{n_{1,f} n_{2,f} + 1}{2} \\ 1 - \sum_{u=0}^{\lfloor U \rfloor} f_{n_{1,f}, n_{2,f}}(u) & \text{if } U > \frac{n_{1,f} n_{2,f} + 1}{2} \end{cases}$$

$$p = 2p_1$$

where  $\lfloor x \rfloor$  is the floor integer of  $x$ .

The test statistic corrected for ties is

$$T = \frac{(U - \mu_T)}{\sigma_T}$$

where

$$\mu_T = \frac{n_{1,f}n_{2,f}}{2}$$

$$\sigma_T^2 = \frac{n_{1,f}n_{2,f}}{n_{1 \text{ and } 2,f} (n_{1 \text{ and } 2,f} - 1)} \left( \frac{n_{1 \text{ and } 2,f}^3 - n_{1 \text{ and } 2,f}}{12} - \sum_{i=1}^M T_i \right)$$

$$n_{1 \text{ and } 2,f} = n_{1,f} + n_{2,f}$$

$$T_i = \frac{t_{i,f}^3 - t_{i,f}}{12}$$

and  $M$  is the total number of distinct rank values. The one sided and two sided  $p$ -values are respectively

$$p_1 = \Pr(Z \geq |T|) = 1 - \Phi(|T|)$$

$$p = 2p_1$$

$p_1 < \alpha$  will reject the null hypothesis and in favor of  $H'_A$  if  $T < 0$  in favor of  $H_A$  if  $T > 0$ .  $p < \alpha$  will reject the null hypothesis in favor of either  $H'_A$  or  $H_A$ .

### **Wald-Wolfowitz Test**

For two independent samples from a continuous field, this tests:

$H_0$ :  $F_1(x) = F_2(x)$ ; that is, the two samples are from populations with the same distribution function

$H_A$ :  $F_1(x) \neq F_2(x)$  for some  $x$

#### **Calculation of Number of Runs**

Then all observations from the two groups  $G_1$  and  $G_2$  are pooled and sorted into ascending order. The number of changes in the group corresponding to the ordered data is counted. The number of runs ( $R$ ) is the number of group changes plus one. If there are ties involving observations from the two groups, both the minimum and maximum numbers of runs possible are calculated.

Suppose that  $m$  distinct values in groups  $G_1$  and  $G_2$  are sorted into ascending order:

$$x_{(1)} < x_{(2)} < \dots < x_{(m)}$$

Let  $s_{i,f}$  and  $t_{i,f}$  be the numbers of records of  $x_{(i)}$  in  $G_1$  and  $G_2$  respectively, incorporating the frequency weight

$$s_{i,f} = \sum_{j \in G_1} f_j I(x_j = x_{(i)})$$

and

$$t_{i,f} = \sum_{j \in G_2} f_j I(x_j = x_{(i)})$$

Let  $MinRun$  and  $MaxRun$  be the minimum and maximum number of runs respectively,  $g_1$  be the group indicators at the last run when computing the maximum number of runs, and  $g_2$  be the group indicator when computing the minimum number of runs. Then the following algorithm will compute the minimum and maximum number of runs.

1.  $MinRun=0, MaxRun=0, g_1=0, g_2=0, d=0$ , and  $i=0$
2.  $i=i+1$ . If  $i>m$ , stop and output  $MinRun$  and  $MaxRun$ .
3.  $d = s_{i,f} - t_{i,f}$ ,  $Minim = \min(s_{i,f}, t_{i,f})$ . If  $Minim=0$ , then go to step 6.
4.  $MaxRun = MaxRun + 2Minim$ ,  $MinRun = \max(MinRun + 1, 2)$ .
5. If  $d \neq 0$  and  $d \times g_1 \leq 0$ , then  $MaxRun = MaxRun + 1$ . If  $d \neq 0$ , then  $g_1 = d$ .  $g_2 = -g_2$ . Go to step 2.
6. If  $g_2 \times d < 0$  or  $i=1$ , then  $MinRun = MinRun + 1$ . If  $g_1 \times d \leq 0$ , then  $MaxRun = MaxRun + 1$ .  $g_2=d, g_1=d$ . Go to step 2.

**Test statistic and p-value**

Let  $n_{1,f} = \sum_{i \in G_1} f_i$  and  $n_{2,f} = \sum_{i \in G_2} f_i$ . The distribution of the number of runs,  $R$ , is approximately normal with

$$\mu_R = \frac{2n_{1,f}n_{2,f}}{n_{1,f} + n_{2,f}} + 1$$

$$\sigma_R = \sqrt{\frac{2n_{1,f}n_{2,f}(2n_{1,f}n_{2,f} - n_{1,f} - n_{2,f})}{(n_{1,f} + n_{2,f})^2(n_{1,f} + n_{2,f} - 1)}}$$

The test statistic is

$$z = \frac{R - \mu_R}{\sigma_R}, \text{ if } n_{1,f} + n_{2,f} \geq 50. \text{ Otherwise}$$

$$z_C = \begin{cases} (R - \mu_R + 0.5) / \sigma_R & \text{if } |R - \mu_R| \geq 0.5 \\ 0 & \text{if } |R - \mu_R| < 0.5 \end{cases}$$

The one sided  $p$ -value is  $p_1 = \Pr(Z \leq z) = \Phi(z)$  or  $p = \Pr(Z \leq z_C) = \Phi(z_C)$ , but if  $n_{1,f} + n_{2,f} \leq 30$  we use the following exact method to compute the one sided  $p$ -value and do not use the above approximate normal method even if the test statistic was computed. The one-sided exact  $p$ -value is calculated from

$$p_1 = \Pr(r \leq R) = \sum_{r=2}^R f_R(r)$$

where

$$f_R(r) = \frac{2 \binom{n_{1,f} - 1}{r/2 - 1} \binom{n_{2,f} - 1}{r/2 - 1}}{\binom{n_{1,f} + n_{2,f}}{n_{1,f}}}$$

when  $r$  is even and when  $r$  is odd

$$f_R(r) = \frac{\binom{n_{1,f} - 1}{(r-1)/2} \binom{n_{2,f} - 1}{(r-3)/2} + \binom{n_{1,f} - 1}{(r-3)/2} \binom{n_{2,f} - 1}{(r-1)/2}}{\binom{n_{1,f} + n_{2,f}}{n_{1,f}}}$$

The conservative decision is made using the biggest number of runs.  $p_1 < \alpha$  will reject the null hypothesis.

### **Kolmogorov-Smirnov Test**

For two independent samples from a continuous field, this tests:

$H_0$ :  $F_1(x) = F_2(x)$ ; that is, the two samples are from populations with the same distribution function

$H_A$ :  $F_1(x) \neq F_2(x)$  for some  $x$

#### **Calculation of the empirical cumulative distribution functions and differences**

For each of the two groups, distinct values are sorted into ascending order:

Group 1:  $x_{(1)}^* < x_{(2)}^* < \dots < x_{(n_1)}^*$ ,

where  $x_{(i)}^* \in D_1$  and  $n_1$  is the number of distinct values in  $G_1$ .

Group 2:  $x_{(1)}^{**} < x_{(2)}^{**} < \dots < x_{(n_2)}^{**}$ ,

where  $x_{(i)}^{**} \in D_2$  and  $n_2$  is the number of distinct values in  $G_2$ .

Then the empirical cumulative distribution functions for Group 1 and Group 2 are computed as:

$$\hat{F}_1(x) = \begin{cases} 0 & -\infty < x < x_{(1)}^* \\ \frac{\sum_{i \in G_1} f_i I\{x \leq x_{(k)}^*\}}{n_{1,f}} & x_{(k)}^* \leq x < x_{(k+1)}^* \\ 1 & x_{(n_1)}^* \leq x < \infty \end{cases}$$

and

$$\hat{F}_2(x) = \begin{cases} 0 & -\infty < x < x_{(1)}^{**} \\ \frac{\sum_{i \in G_2} f_i I\{x \leq x_{(k)}^{**}\}}{n_{2,f}} & x_{(k)}^{**} \leq x < x_{(k+1)}^{**} \\ 1 & x_{(n_2)}^{**} \leq x < \infty \end{cases}$$

where  $n_{1,f} = \sum_{i \in G_1} f_i$  and  $n_{2,f} = \sum_{i \in G_2} f_i$ .

For each  $x_j$ , the difference between the two groups is

$$\text{If } n_{1,f} \geq n_{2,f}, d_j = \hat{F}_1(x_j) - \hat{F}_2(x_j)$$

$$\text{If } n_{1,f} < n_{2,f}, d_j = \hat{F}_2(x_j) - \hat{F}_1(x_j)$$

The maximum positive, negative and absolute differences are also computed.

#### **Test statistic and p-value**

The test statistic (Smirnov, 1948) is

$$Z = \max_j |d_j| \sqrt{\frac{n_{1,f} n_{2,f}}{n_{1,f} + n_{2,f}}}$$

The  $p$ -value is calculated using the Smirnov approximation described in the K-S one-sample test.

$p < \alpha$  rejects the null hypothesis.

### **Hodges-Lehmann Estimates**

Here we assume that two samples follow the same distribution except in the location parameters; that is, if the first sample follows  $F(x)$ , the second sample follows  $F(x + \theta)$ . We want to estimate and find the confidence interval for  $\theta$ .

Let  $d_{ij} = x_i - x_j, i \in G_1, j \in G_2$ . Incorporating the frequency weight  $f_i$  for  $x_i$  and  $f_j$  for  $x_j$  the frequency weight for  $d_{ij}$  is  $f_{ij}^* = f_i f_j$ . Let  $B_{(1)} \leq \dots \leq B_{(L)}, L = n_1 n_2$ , be the ordered values of  $d_{ij}$ , and the corresponding frequency weights are  $f_{(1)}^*, \dots, f_{(L)}^*$ .

The Hodges-Lehmann estimator for  $\theta$  is  $\hat{\theta} = \text{median}\{\mathbf{B}; \mathbf{f}^*\}$ .

The Moses' confidence interval for  $\theta$  is  $(B_{(k_1)}, B_{(k_2)}]$ .

where the median,  $k_1$  and  $k_2$  are calculated by the same formula as that in the Hodges-Lehmann estimate for paired samples (see “Hodges-Lehmann Estimates”) but with  $\mu_T$  and  $\sigma_T$  replaced by the expected value and standard deviation of the test statistics under null hypothesis in Mann-Whitney’s

$$\mu_T = \frac{n_{1,f}n_{2,f}}{2}$$

$$\begin{aligned} \sigma_T^2 &= \frac{n_{1,f}n_{2,f}}{12N_f(N_f-1)} \left( N_f (N_f^2 - 1) - \sum_{i=1}^M t_{i,f} (t_{i,f}^2 - 1) \right) \\ &= \frac{n_{1,f}n_{2,f}(N_f+1)}{12} \left( 1 - \frac{\sum_{i=1}^M t_{i,f}(t_{i,f}^2-1)}{N_f(N_f-1)} \right) \end{aligned}$$

$$N_f = n_{1,f} + n_{2,f}$$

where  $M$  is the total number of distinct values among all combined observations, and  $t_{i,f}$  is the number of occurrences of the  $i$ th distinct value, incorporating the frequency weight.

### **Moses Test of Extreme Reactions**

For two independent samples from a continuous field, this tests:

$H_0$ : Extreme values are equally likely in both populations

$H_A$ : Extreme values are more likely to occur in the population from which the sample with the larger range was drawn.

#### **Span computation**

Observations from both specified groups are jointly sorted and ranked, with the average rank being assigned in the case of ties. The smallest and largest ranks of the control group (the group defined by the first value in ascending order) are determined, and the span is computed as

SPAN = The largest rank of control group - the smallest rank of control group + 1

If SPAN is not an integer, then it will be rounded to its nearest integer.

#### **Significance Level**

Let  $n_{c,f}$  and  $n_{e,f}$  be the numbers of records in the control group and experiment group respectively, incorporating the frequency weight, and  $g = \text{SPAN} - n_{c,f} + 2h$ . Then the exact one-tailed probability of span  $s$  is

$$p_1 = \Pr(s \leq \text{SPAN}) = \frac{\sum_{i=0}^g \left[ \binom{i + n_{c,f} - 2h - 2}{i} \binom{n_{e,f} + 2h + 1 - i}{n_{e,f} - i} \right]}{\binom{n_{c,f} + n_{e,f}}{n_{c,f}}}$$

where  $h=0$ . The same formula is used below where  $h$  is not zero.

### **Censoring the Range**

The previous test is repeated, dropping the  $h$  lowest and  $h$  highest ranks from the control group, where  $h$  is a positive user-specified integer (default at the integer part of  $0.05n_{c,f}$  or 1, whichever is greater). If  $2h > n_{c,f} - 2$ , then the test will be implemented using the largest integer such that  $2h \leq (n_{c,f} - 2)$ .

The exact one-tailed probability is calculated by the formula above, and  $p_1 \leq \alpha$  rejects the null hypothesis.

## **Kruskal-Wallis Test**

For  $k$  independent samples from a continuous field, this tests:

$H_0$ : The distributions of the  $k$  samples are the same

$H_A$ : At least one sample is different

### **Sum of Ranks**

Observations from all  $k$  nonempty groups are jointly sorted and ranked, with the average rank being assigned in the case of ties. The number of records tied at the  $j$ th distinct value  $t_{j,f}$  is calculated incorporating the frequency weight, and the sum of  $T_{j,f} = t_{j,f}^3 - t_{j,f}$  is also accumulated. For each group the sum of ranks,  $R_{i,f}$ , as well as the number of observations,  $n_{i,f}$ , is obtained.

### **Test statistic and p-value**

The test statistic unadjusted for ties is

$$H = \frac{12}{N_f(N_f + 1)} \sum_{i=1}^k R_{i,f}^2/n_{i,f} - 3(N_f + 1)$$

where  $N_f = \sum_{i=1}^k n_{i,f}$ . The statistic adjusted for ties is

$$H' = \frac{H}{1 - \sum_{i=1}^m T_{i,f} / (N_f^3 - N_f)}$$

where  $m$  is the total number of tied sets.

The one-sided  $p$ -value is  $p_1 = \Pr(x_{k-1}^2 \geq H') = 1 + \Pr(x_{k-1}^2 \leq H')$ , where  $x_{k-1}^2$  follows a chi-square distribution with  $k - 1$  degrees of freedom.

$p_1 < \alpha$  will reject the null hypothesis.

### Median Test

For  $k$  independent samples from a continuous field, this tests:

$H_0$ :  $\theta_0 = \theta_1 = \theta_2 = \dots = \theta_k$ ; that is, the  $k$  samples are from populations with the same median

$H_A$ : At least one population median is different

#### Table Construction

$\theta_0$  is user-specified (default at the sample median of the combined  $k$  samples).

The number of records in each of the groups that exceed the median are counted and the following table is formed, where  $O_{1i,f}$  denotes the number of records that are less than or equal to the median, and  $O_{2i,f}$  is the number of records that are greater than the median, in the  $i$ th group, incorporating

the frequency weight.  $n_{j,f} = O_{1j,f} + O_{2j,f}$ ,  $R_{i,f} = \sum_{j=1}^k O_{ij,f}$  and  $N_f = R_{1,f} + R_{2,f}$ .

	1	2	...	$k$	Total
LE median	$O_{11,f}$	$O_{12,f}$	...	$O_{1k,f}$	$R_{1,f}$
GT median	$O_{21,f}$	$O_{22,f}$	...	$O_{2k,f}$	$R_{2,f}$
Total	$n_{1,f}$	$n_{2,f}$	...	$n_{k,f}$	$N_f$

#### Test statistic and p-value

The  $\chi^2$  statistic for all nonempty groups is calculated as

$$\chi^2 = \sum_{j=1}^k \sum_{i=1}^2 (O_{ij} - E_{ij})^2 / E_{ij}$$

where  $E_{ij} = \frac{R_{i,f} n_{j,f}}{N_f}$ .

If  $k=2$  and  $n_f > 30$ , Yates' Continuity Correction for the chi-square statistic is applied

$$\chi_c^2 = \frac{(|O_{21,f}(n_{2,f} - O_{22,f}) - O_{22,f}(n_{1,f} - O_{21,f})| - N_f/2)^2 N_f}{(O_{21,f} + O_{22,f})(n_{1,f} + n_{2,f} - O_{21,f} - O_{22,f})n_{1,f}n_{2,f}}$$

The one sided  $p$ -value is  $p_1 = \Pr(\chi_{k-1}^2 \geq \chi^2) = 1 - \Pr(\chi_{k-1}^2 \leq \chi^2)$ , where  $\chi_{k-1}^2$  follows a chi-square distribution with  $k - 1$  degrees of freedom, where  $k$  is the number of nonempty groups.

$p_1 < \alpha$  rejects the null hypothesis. The results may be questionable if any cell has an expected value less than one, or more than 20% of the cells have expected values less than five.

If  $k=2$  and  $n_f \leq 30$ , the two sided  $p$ -value is computed using Fisher's exact test. For more information, see the topic "Significance Levels for Fisher's Exact Test".

### Jonckheere-Terpstra Test

For  $k$  independent samples from a continuous field, this tests:

$H_0$ :  $F_1(x) = F_2(x) = \dots = F_K(x)$ ; that is, the  $k$  samples are from populations with the same distribution function

$H_A$ :  $H_A : F_1(x) \geq F_2(x) \geq \dots \geq F_K(x)$  or  $H'_A : F_1(x) \leq F_2(x) \leq \dots \leq F_K(x)$  with at least one strict inequality.

Under the assumption that all distribution functions are the same except the location parameters; that is,  $F_k(x) = F(x - \tau_k)$ ,  $k = 1, \dots, K$ , the null and alternative hypotheses become:

$$H_0 : \tau_1 = \tau_2 = \dots = \tau_K$$

$$H_A : \tau_1 \leq \tau_2 \leq \dots \leq \tau_K \text{ or } H'_A : \tau_1 \geq \tau_2 \geq \dots \geq \tau_K \text{ with at least one strict inequality.}$$

For the  $k_1$ th sample and the  $k_2$ th sample, the Mann-Whitney  $U$  count is

$$\begin{aligned} U_{k_1 k_2} &= \sum_{i \in G_{k_1}} \sum_{j \in G_{k_2}} f_i f_j I(x_i < x_j) + \frac{1}{2} \sum_{i \in G_{k_1}} \sum_{j \in G_{k_2}} f_i f_j I(x_i = x_j) \\ &= n_{k_1, f} n_{k_2, f} + \frac{n_{k_1, f}(n_{k_1, f} + 1)}{2} - S_{k_1}(k_1, k_2) \\ &= S_{k_2}(k_1, k_2) - \frac{n_{k_2, f}(n_{k_2, f} + 1)}{2} \end{aligned}$$

where  $n_{k, f} = \sum_{i \in G_k} f_i$  and  $S_{k_1}(k_1, k_2)$  is the sum of ranks of sample  $k_1$  when sample  $k_1$  and sample  $k_2$  are jointly ranked incorporating frequency weight; that is,  $S_{k_1}(k_1, k_2) = \sum_{i \in G_{k_1}} f_i \text{rank}(x_i, (D_{k_1}, D_{k_2}), \mathbf{f})$ .

The test statistics is

$$T = \sum_{k_1=1}^{K-1} \sum_{k_2=k_1+1}^K U_{k_1 k_2}$$

The standardized test statistic is

$$T^* = \frac{T - \mu_T}{\sigma_T}$$

where

$$\mu_T = \frac{1}{4} \left( N_f^2 - \sum_{k=1}^K n_{k, f}^2 \right)$$

$$\sigma_T^2 = \frac{1}{72} \left( N_f (N_f - 1) (2N_f + 5) - \sum_{k=1}^K n_{k,f} (n_{k,f} - 1) (2n_{k,f} + 5) - 2A_2 - 5A_1 \right) + \frac{\left( \sum_{k=1}^K n_{k,f} (n_{k,f} - 1) \right) A_1}{8N_f(N_f-1)} + \frac{\left( \sum_{k=1}^K n_{k,f} (n_{k,f} - 1)(n_{k,f} - 2) \right) (A_2 - 2A_1)}{36N_f(N_f-1)(N_f-2)}$$

$$N_f = \sum_{k=1}^K n_{k,f}$$

$$A_1 = \sum_{i=1}^M t_{i,f} (t_{i,f} - 1)$$

$$A_2 = \sum_{i=1}^M t_{i,f}^2 (t_{i,f} - 1)$$

and  $M$  is the total number of distinct values among all combined observations, and  $t_{i,f}$  is the number of occurrences of the  $i$ th distinct value considering the frequency weight.

The one sided and two sided  $p$ -values are

$$p_1 = \Pr(Z \geq |T^*|) = 1 - \Phi(|T^*|)$$

$$p = 2p_1$$

$p_1 < \alpha$  will reject the null hypothesis in favor of  $H'_A : F_1(x) \leq F_2(x) \leq \dots \leq F_K(x)$  if  $T^* < 0$  and in favor of  $H_A : F_1(x) \geq F_2(x) \geq \dots \geq F_K(x)$  if  $T^* > 0$ .

$p < \alpha$  will reject the null hypothesis in favor of an ordered alternative (either direction of ordering).

*Note:* When there are only two samples,  $K = 2$ , the Jonckheere-Terpstra test reduces to the Mann-Whitney test.

### One-sided test

If the direction of the alternative is specified, this becomes a one-sided test. The previously defined one-sided  $p$ -value is not the  $p$ -value for a fixed one-sided test, and cannot be used alone to make decision for one-sided test.

If the alternative is  $H'_A : F_1(x) \leq F_2(x) \leq \dots \leq F_K(x)$ , the  $p$ -value for the one-sided test is

$$p = \Pr(Z \leq T^*) = \Phi(T^*) = \begin{cases} 1 - p_1 & T^* \geq 0 \\ p_1 & T^* < 0 \end{cases}$$

If the alternative is  $H_A : F_1(x) \geq F_2(x) \geq \dots \geq F_K(x)$ , the  $p$ -value for the one-sided test is

$$p = \Pr(Z \geq T^*) = 1 - \Phi(T^*) = \begin{cases} p_1 & T^* \geq 0 \\ 1 - p_1 & T^* < 0 \end{cases}$$

*Note:* The one-sided test will be used in multiple comparisons for Jonckheere-Terpstra test.

## Related Samples Tests

The following related samples tests are available.

### McNemar's Test

For two related samples from a categorical field with 2 values (or a recoded categorical field with more than 2 values), this tests:

$H_0$ : The two samples have the same marginal distribution.

Let  $n_{1,f}$  be the number of records in which  $x_i$  is a success and  $y_i$  is a failure, and  $n_{2,f}$  be the number of records in which  $x_i$  is a failure and  $y_i$  is a success, incorporating the frequency weights.

If  $n_{1,f} + n_{2,f} \leq 25$ , the two-sided exact probability is

$$p = 2 \sum_{i=0}^r \binom{n_{1,f} + n_{2,f}}{i} 0.5^{n_{1,f} + n_{2,f}}$$

where  $r = \min(n_{1,f}, n_{2,f})$ .

If  $n_{1,f} + n_{2,f} > 25$ , the test statistic is

$$\chi_c^2 = \frac{(|n_{1,f} - n_{2,f}| - 1)^2}{n_{1,f} + n_{2,f}}$$

The one sided  $p$ -value is

$$p = \Pr(\chi_1^2 \geq \chi^2) = 1 - \Pr(\chi_1^2 \leq \chi^2)$$

where  $\chi_1^2$  has a chi-square distribution with 1 degree of freedom.

$p < \alpha$  will reject the null hypothesis.

### Wilcoxon Signed-Rank Test

For two related samples from a continuous field, this tests:

$H_0: \theta = \text{Median}(X_1 - X_2) = 0$

$H_A: \theta < 0 \text{ or } \theta > 0$

### Computing Ranked Differences

For each record, the difference  $d_i = x_{i1} - x_{i2}$  is computed, as well as the absolute value. All nonzero absolute differences are sorted into ascending order, and ranks are assigned. In the case of ties, the average rank is used. Let  $D = \{d_i : |d_i| \neq 0\}$ , then the sums of the ranks corresponding to positive and negative differences are

$$S_p = \sum_{i \in D} f_i \text{rank}(|d_i|; D, \mathbf{f}) I(\text{sign}(d_i) > 0)$$

and

$$S_n = \sum_{i \in D} f_i \text{rank}(|d_i|; D, \mathbf{f}) I(\text{sign}(d_i) < 0)$$

respectively. Then the average positive rank and average negative rank are

$$\bar{X}_p = S_p / n_{p,f}$$

and

$$\bar{X}_n = S_n / n_{n,f}$$

where  $n_p$  is the number of records with positive differences and  $n_n$  the number with negative differences.

### Test statistic and p-value

The test statistic is

$$T = \frac{S_p - \mu_T}{\sigma_T}$$

where

$$\mu_T = \frac{n_f (n_f + 1)}{4}$$

$$\sigma_T^2 = n_f (n_f + 1) (2n_f + 1) / 24 - \sum_{j=1}^l (t_{j,f}^3 - t_{j,f}) / 48$$

$$n_f = \sum_{i \in D} f_i$$

where  $l$  is the total number of distinct rank values and  $t_{j,f}$  is the number of records tied at the  $j$ th distinct value, incorporating the frequency weight.

The one-sided and two-sided  $p$ -values are

$$p_1 = \Pr(Z \geq |T|) = 1 - \Phi(|T|)$$

$$p = 2p_1$$

$p_1 < \alpha$  will reject the null hypothesis in favor of  $\theta > 0$  if  $T > 0$  and  $\theta < 0$  if  $T < 0$ .

$p < \alpha$  will reject the null hypothesis in favor of  $\theta > 0$  or  $\theta < 0$ .

### Sign Test

For two related samples from a continuous field, this tests:

$$H_0: \theta = \text{Median}(X_1 - X_2) = 0$$

$$H_A: \theta < 0 \text{ or } \theta > 0$$

#### Counting Signs

For each record, the difference  $d_i = x_{i1} - x_{i2}$  is computed and the number of positive ( $n_{p,f}$ ) and negative ( $n_{n,f}$ ) differences, incorporating the frequency weight, are counted:

$$n_{p,f} = \sum_{i=1}^n f_i I(d_i > 0)$$

$$n_{n,f} = \sum_{i=1}^n f_i I(d_i < 0)$$

Cases with  $x_{i1} = x_{i2}$  are ignored.

#### Test statistic and p-value

If  $n_{p,f} + n_{n,f} = 0$ , then the one-sided exact probability is  $p_1 = 0.5$ .

If  $0 < n_{p,f} + n_{n,f} \leq 25$ , then  $p_1$  is calculated recursively from the binomial distribution:

$$p_1 = \min \{p^*, p^{**}\}$$

where

$$p^* = \sum_{i=0}^{n_{p,f}} \binom{n_{p,f} + n_{n,f}}{i} 0.5^{n_{p,f} + n_{n,f}}$$

and

$$p^{**} = 1 - \sum_{i=0}^{n_{p,f}-1} \binom{n_{p,f} + n_{n,f}}{i} 0.5^{n_{p,f} + n_{n,f}}$$

If  $n_{p,f} + n_{n,f} > 25$ , the test statistic is

$$z_c = \frac{\max(n_{p,f}, n_{n,f}) - 0.5(n_{p,f} + n_{n,f}) - 0.5}{0.5\sqrt{n_{p,f} + n_{n,f}}}$$

The one sided and two sided  $p$ -values are

$$p_1 = \Pr(Z \geq |z_c|) = 1 - \Phi(|z_c|)$$

$$p = 2p_1$$

$p_1 < \alpha$  rejects the null hypothesis in favor of  $\theta > 0$  if  $n_{p,f} > n_{n,f}$  and  $\theta < 0$  if  $n_{p,f} < n_{n,f}$ .

$p < \alpha$  will reject the null hypothesis in favor of  $\theta > 0$  or  $\theta < 0$ .

### **Marginal Homogeneity**

For two related samples from an ordinal field, this tests:

$H_0$ : The two samples have the same marginal distribution.

Let  $n_{uv,f}$  be the cell count incorporating the frequency weight for cell ( $x_1 = u, x_2 = v$ )

$$n_{uv,f} = \sum_{i=1}^n I(x_{i1} = u, x_{i2} = v) f_i$$

The test statistic is

$$T = \sum_u \sum_{v \neq u} w_u n_{uv,f}$$

The standardized test statistics is

$$T^* = \frac{T - \mu_T}{\sigma_T}$$

where

$$\mu_T = \frac{1}{2} \sum_u \sum_{v \neq u} (w_u + w_v) n_{uv,f}$$

$$\sigma_T^2 = \sum_u \sum_{v \neq u} \left( \frac{w_u - w_v}{2} \right)^2 n_{uv,f}$$

The asymptotic one sided  $p$ -value is  $p_1 = \Pr(Z \geq |T^*|) = 1 - \Phi(|T^*|)$ .

$p_1 < \alpha$  rejects the null hypothesis in favor of  $F_1(x) \geq F_2(x)$  if  $T^* < 0$  or  $F_1(x) \leq F_2(x)$  if  $T^* > 0$  with at least one  $x$  gives strict inequality.

The asymptotic two sided  $p$ -value is  $p = 2p_1$ .

*Note:* Any linear transformation of scores produces the same standardized test statistic and  $p$ -value.

### Hodges-Lehmann Estimates

For two related samples from a continuous field, this finds a confidence interval for the median difference: letting  $d_i = x_{i1} - x_{i2}$ , we assume that  $d_i$  follows a symmetric distribution with median  $\theta$ .

Let  $A_{ij} = \frac{d_i + d_j}{2}$ ,  $i \leq j$ . Incorporating the frequency weight  $f_i$  for  $d_i$  and  $f_j$  for  $d_j$ , the frequency weight for  $A_{ij}$  is

$$f_{ij}^* = \begin{cases} \frac{1}{2} f_i (f_i + 1) & i = j \\ f_i f_j & j \end{cases}$$

Let  $B_{(1)} \leq \dots \leq B_{(L)}$ ,  $L = \frac{n(n+1)}{2}$ , be the ordered values of  $A_{ij}$ ,  $i \leq j$ , and the corresponding frequency weights are  $f_{(1)}^*, \dots, f_{(L)}^*$ .

The Hodges-Lehmann estimator for  $\theta$  is the median of  $B_{(1)}, \dots, B_{(L)}$  incorporating the frequency weights

$$\hat{\theta} = \text{median}\{\mathbf{B}; \mathbf{f}^*\} = \begin{cases} \frac{B_{(k)} + B_{(k+1)}}{2} & W_{(L)} = \text{even and } W_{(k)} < \frac{W_{(L)} + 1}{2} < W_{(k)} + 1 \\ B_{(k)} & \text{otherwise } \frac{W_{(L)} + 1}{2} \in [W_{(k-1)} + 1, W_{(k)}] \end{cases}$$

where  $W_{(k)} = \sum_{i=1}^k f_{(i)}^*$ .

The Tukey's confidence interval for  $\theta$  is

$$(B_{(k_1)}, B_{(k_2)})]$$

where  $k_1$  and  $k_2$  are integers such that

$$\begin{aligned} i_1 &\in [W_{(k_1-1)} + 1, W_{(k_1)}] \\ i_2 &\in [W_{(k_2-1)} + 1, W_{(k_2)}] \end{aligned}$$

with

$$i_1 = 1 + \lfloor \mu_T - z_{\alpha/2} \sigma_T \rfloor$$

$$i_2 = \lceil \mu_T + z_{\alpha/2} \sigma_T \rceil$$

and  $\lfloor x \rfloor$  and  $\lceil x \rceil$  are the floor and ceiling integers of  $x$ ,  $\mu_T$  and  $\sigma_T$  are the expected value and standard deviation of the test statistic  $T$  under the null hypothesis in the Wilcoxon signed rank test, and  $z_{\alpha/2}$  is the right tail percentile such that  $\Pr(Z > z_{\alpha/2}) = \alpha/2$  where  $Z$  is a random variate following a standard normal distribution.

### Cochran's Q Test

For  $k$  related samples from a categorical field with 2 values (or recoded categorical field with more than 2 values), this tests:

$H_0$ : The distributions of these  $k$  samples are the same.

For each record, the number of successes across samples is counted. The number of successes for record  $i$  is

$$R_{i,f} = \sum_{j=1}^k I(\text{if } x_{ij} \text{ is success})$$

and the total number of successes for sample  $l$ , incorporating the frequency weights, is

$$C_{l,f} = \sum_{i=1}^n f_i I(\text{if } x_{il} \text{ is success})$$

The test statistic is

$$Q = \frac{(k-1) \left[ k \sum_{l=1}^k C_{l,f}^2 - \left( \sum_{l=1}^k C_{l,f} \right)^2 \right]}{k \sum_{l=1}^k C_{l,f} - \sum_{i=1}^n f_i R_{i,f}^2}$$

The one-sided  $p$ -value is

$$p = \Pr(\chi_{k-1}^2 \geq \chi^2) = 1 - \Pr(\chi_{k-1}^2 \leq \chi^2)$$

where  $\chi_{k-1}^2$  follows a chi-square distribution with  $k-1$  degrees of freedom.

$p < \alpha$  rejects the null hypothesis.

### **Friedman's Test**

For  $k$  related samples from a continuous field, this tests:

$H_0$ : The distributions of these  $k$  samples are the same.

For each record, the  $k$  samples are sorted and ranked, with average rank being assigned in the case of ties. For each sample, the sum of ranks over the records is calculated, incorporating the frequency weight, as follows:

$$C_{l,f} = \sum_{i=1}^n f_i \text{rank}(x_{il}, D_i, \mathbf{f})$$

where  $D_i = \{x_{ij}, j = 1, \dots, k\}$ . The average rank for each sample is

$$\bar{R}_{l,f} = C_{l,f}/n_f$$

where  $n_f = \sum_{i=1}^n f_i$ .

The test statistic is

$$\chi^2 = \frac{(12/n_f k(k+1)) \sum_{l=1}^k C_{l,f}^2 - 3n_f(k+1)}{1 - \sum T/n_f k(k^2 - 1)}$$

where

$$\sum T = \sum_{i=1}^n \sum_{j=1}^{m_i} (t_{ij,f}^3 - t_{ij,f})$$

and  $m_i$  is the total number of distinct rank values of the  $i$ th record and  $t_{ij}$  is the number of fields tied at the  $j$ th distinct value of the  $i$ th record, incorporating the frequency weight. The one-sided  $p$ -value is

$$p = \Pr(\chi_{k-1}^2 \geq \chi^2) = 1 - \Pr(\chi_{k-1}^2 \leq \chi^2)$$

where  $\chi_{k-1}^2$  follows a chi-square distribution with  $k - 1$  degrees of freedom.

$p < \alpha$  rejects the null hypothesis.

### **Kendall's Coefficient of Concordance**

For  $k$  related samples from a continuous field, this tests:

$H_0$ : The distributions of these  $k$  samples are the same.

The coefficient of concordance (W) is

$$W = \left( \frac{F}{n_f (k - 1)} \right)$$

where  $F$  is the Friedman  $\chi^2$  statistic and  $n_f = \sum_{i=1}^n f_i$ .

The test statistic is

$$\chi^2 = n_f (k - 1) W$$

The one-sided  $p$ -value is calculated as

$$p = \Pr(\chi_{k-1}^2 \geq \chi^2) = 1 - \Pr(\chi_{k-1}^2 \leq \chi^2)$$

where  $\chi_{k-1}^2$  follows a chi-square distribution with  $k - 1$  degrees of freedom.

$p < \alpha$  rejects the null hypothesis.

## Multiple Comparisons

Tests such as Kruskal-Wallis involve more than two samples. They test if all samples are from populations with the same characteristics. This characteristic may be the distribution, mean or median depending on the hypotheses. Denote the overall null hypothesis as  $H_0 : \theta_1 = \dots = \theta_K$ . When this overall hypothesis is rejected at the user-specified significance level  $\alpha$  (using two-sided  $p$ -values except for the Jonckheere-Terpstra test here), we may want to know where the differences are among the populations. Two multiple comparison procedures are considered to answer this question: pairwise multiple comparisons and a stepwise stepdown procedure for multiple comparisons.

### Pairwise Multiple Comparisons

All possible pairwise hypotheses like  $H_{0,jk} : \theta_j = \theta_k$  for  $1 \leq j < k \leq K$  are tested. There are  $K(K - 1)/2$  of them. In order to control the familywise type I error; that is, the probability of rejecting at least one pair hypothesis given all pairwise hypotheses are true, adjusted  $p$ -values are calculated and used to make the decision for each pair. For pair  $(j, k)$ , reject  $H_{0,jk}$  at level  $\alpha$  if  $p_{adj,jk} < \alpha$ . The adjusted  $p$ -values are calculated the following way.

Calculate the  $p$ -value, for each of the pairwise hypotheses.

Calculate the adjusted  $p$ -value as  $p_{adj} = pK(K - 1)/2$ .

**Notes**

- If the adjusted  $p$ -value is bigger than 1, it is set to 1. The calculation of the  $p$ -value in step 1 depends on the specific method used to do the overall test. The details are listed below; in the following, two-sided  $p$ -values are used except for the Jonckheere-Terpstra test.
- The Kruskal-Wallis, Friedman and Kendall, and Cochran tests use the procedure proposed by Dunn (1964) (originally designed for the Kruskal-Wallis test). The procedure uses ranks (or successes for the Cochran test) based on considering all samples rather than just the two involved in a given comparison.

**Kruskal-Wallis test**

Let  $R_j = \sum_{i \in G_j} f_i \text{rank}(x_i, D, f)$  be the sum of ranks for sample  $j$ , incorporating frequency weights.

For testing  $H_{0,jk} : \theta_j = \theta_k$ , the test statistic is  $T_{jk} = \frac{R_j}{n_{j,f}} - \frac{R_k}{n_{k,f}}$ .

The standardized test statistic is  $T_{jk}^* = \frac{T_{jk}}{\sigma_{jk}}$  where

$$\sigma_{jk}^2 = A \left( \frac{1}{n_{j,f}} + \frac{1}{n_{k,f}} \right)$$

$$A = \left( \frac{N_f(N_f + 1)}{12} - \frac{\sum_{i=1}^M (t_{i,f}^3 - t_{i,f})}{12(N_f - 1)} \right)$$

and  $M$  is the total number of distinct values among all observations, and  $t_{i,f}$  is the number of occurrences of the  $i$ th distinct value incorporating the frequency weight.

The two-sided  $p$ -value is

$$p_{jk} = \Pr(|Z| > |T_{jk}^*|) = 2(1 - \Phi(|T_{jk}^*|))$$

**K-sample median test**

For  $H_{0,jk} : \theta_j = \theta_k$ , perform the median test using data only consisting of sample  $j$  and sample  $k$  as if other samples don't exist. In this test the median of the two samples is found, and the number above and below that median is used in the test.

**Jonckheere-Terpstra test for ordered alternatives**

For pair  $(j, k)$ ,  $j < k$ , the null and alternative hypotheses are  $H_{0,jk} : \theta_j = \theta_k$  vs  $H_{A,jk} : \theta_j > \theta_k$  if the overall alternative hypotheses  $H_A : \theta_1 \geq \dots \geq \theta_K$  is specified or favored (it is favored if  $T^* > 0$  where  $T^*$  is the standardized test statistic in the overall Jonckheere-Terpstra test), or vs  $H_{A,jk} : \theta_j < \theta_k$  if  $H_A : \theta_1 \leq \dots \leq \theta_K$  is specified or favored (it is favored if  $T^* < 0$ ). Use Mann-Whitney's  $U$  test on each pair of hypotheses to calculate the  $p$ -value for the one-sided test.

---

### **Friedman's test and Kendall's Coefficient of Concordance**

For treatment  $j$ , let  $R_{j,f} = \sum_{i=1}^n f_i \text{rank}(x_{ij}, \text{row } i \text{ of } D)$  be the sum of ranks for sample  $j$ .

For testing  $H_{0,jk} : \theta_j = \theta_k$  the test statistic is  $T_{jk} = \frac{R_{j,f} - R_{k,f}}{n_f}$ .

The standardized test statistic is  $T_{jk}^* = \frac{T_{jk}}{\sigma}$  where  $\sigma^2 = \frac{K(K+1)}{6n_f}$ .

The two-sided  $p$ -value is  $p_{jk} = \Pr(|Z| > |T_{jk}^*|) = 2(1 - \Phi(|T_{jk}^*|))$ .

### **Cochran's Q Test**

Using  $x_{ij} = 1$  to represent success and  $x_{ij} = 0$  to represent failure, let  $C_{j,f} = \sum_{i=1}^n f_i x_{ij}$  be the total number of successes for sample  $j$  incorporating frequency weights, and  $R_i = \sum_{j=1}^K x_{ij}$  be the total number of successes for record  $i$ .

The test statistic for  $H_{0,jk} : \theta_j = \theta_k$  is  $T_{jk} = \frac{C_{j,f} - C_{k,f}}{n_f}$ .

The standardized test statistic is  $T_{jk}^* = \frac{T_{jk}}{\sigma}$  where

$$\sigma^2 = 2 \frac{K \sum_{i=1}^n f_i R_i - \sum_{i=1}^n f_i R_i^2}{n_f^2 K (K - 1)}$$

The two-sided  $p$ -value is  $p_{jk} = \Pr(|Z| > |T_{jk}^*|) = 2(1 - \Phi(|T_{jk}^*|))$ .

## **Stepwise Stepdown Multiple Comparisons**

The procedure described in this section is an extension of the ad hoc procedure developed by Campbell and Skillings (1985). This procedure starts with the overall hypothesis involving all  $K$  populations, and if the hypothesis is rejected, then it considers the sub-hypotheses involving  $K-1$  populations, continuing until the hypothesis only involves two populations or no hypotheses are rejected. If all sub-hypotheses are considered, it may be computationally too expensive when  $K$  is big, so a shortcut is used on the sorted samples. This procedure returns a sequence of subsets of populations with homogeneous characteristics.

### **Sort the samples**

The  $K$  samples are sorted from the smallest to largest by test-specific criteria. Let (1), ..., (K) index the sorted samples.

- Kruskal-Wallis: average treatment rank, where rank is the joint rank of all the observations. Use the treatment median to break ties.
- Median: treatment median
- Jonckheere-Terpstra test: given by the user-specified alternative hypothesis order.
- Friedman: average treatment rank (same as using treatment rank sum) where rank is the joint within row/block ranking.

- Kendall's coefficient of concordance: same as Friedman
- Cochran's Q: average treatment mean, which is the same as using the treatment sum.

#### **Find the homogeneous subsets**

Starting with sample (1), sequentially test  $H_0 : \theta_{(1)} = \theta_{(2)}$ , then  $H_0 : \theta_{(1)} = \theta_{(2)} = \theta_{(3)}$ , and so on, until the null hypothesis is rejected when sample ( $j$ ) is added. Samples (1) through ( $j-1$ ) are considered homogenous. The process repeats starting with sample ( $j$ ) and continues until sample ( $K$ ).

## **References**

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# ***NPAR TESTS Algorithms***

If a WEIGHT variable is specified, it is used to replicate a case as many times as indicated by the weight value rounded to the nearest integer. If the workspace requirements are exceeded and sampling has been selected, a random sample of cases is chosen for analysis using the algorithm described in SAMPLE. For the RUNS test, if sampling is specified, it is ignored. The tests are described in (Siegel, 1956).

## ***One-Sample Chi-Square Test***

Cell Specification

If the (lo, hi) specification is used, each integer value in the lo to hi range is designated a cell. Otherwise, each distinct value encountered is considered a cell.

Observed Frequencies

If (lo, hi) has been selected, every observed value is truncated to an integer and, if it is in the lo to hi range, it is included in the frequency count for the corresponding cell. Otherwise, a count of the frequency of occurrence of the distinct values is obtained.

Expected Frequencies

If none or EQUAL is specified,

$$EXP_i = \frac{\text{number of observations } (N)[\text{in range}]}{\text{number of cells } (k)}$$

When the expected values ( $E_i$ ) are specified either as counts, percentages, or proportions,

$$EXP_i = \left( \frac{E_i}{\sum_{i=1}^k E_i} \right) N$$

If there are cells with expected values less than 5, the number of such cells and the minimum expected value are printed.

If the number of user-supplied expected frequencies is not equal to the number of cells generated, or if an expected value is less than or equal to zero, the test terminates with an error message.

Chi-Square and Its Degrees of Freedom

$$\chi^2 = \sum_{i=1}^k \frac{(O_i - EXP_i)^2}{EXP_i}$$
$$df = k - 1$$

The significance level is from the chi-square distribution with  $k - 1$  degrees of freedom.

## **Kolmogorov-Smirnov One-Sample Test**

### **Calculation of Empirical Cumulative Distribution Function**

The observations are sorted into ascending order  $X_{(1)}$  to  $X_{(N)}$ . The empirical cdf,  $\hat{F}(X)$ , is

$$\hat{F}(X) = \begin{cases} 0 & -\infty < X < X_{(1)} \\ i/N & X_{(i)} \leq X < X_{(i+1)} \\ 1 & X_{(N)} \leq X < \infty \end{cases} \quad i = 1, \dots, N - 1$$

### **Estimation of Parameters for Theoretical Distribution**

It is possible to test that the underlying distribution is either uniform, normal, or Poisson. If the parameters are not specified, they are estimated from the data.

Uniform

$$\begin{aligned} \text{minimum} &= X_{(1)} \\ \text{maximum} &= X_{(N)} \end{aligned}$$

Normal

$$\text{mean } (\bar{X}) = \sum_{i=1}^N X_i / N$$

$$\text{standard deviation } (S) = \sqrt{\left( \sum_{i=1}^N X_i^2 - \left( \sum_{i=1}^N X_i / N \right) \left( \sum_{i=1}^N X_i \right) \right) / (N - 1)}$$

Poisson

$$\text{mean } (\lambda) = \sum_{i=1}^N X_i / N$$

The test is not done if, for the uniform, all data are not within the user-specified range or, for the Poisson, the data are not non-negative integers. If the variance of the normal or the mean of the Poisson is zero, the test is also not done.

### **Calculation of Theoretical Cumulative Distribution Functions**

For Uniform

$$F_0(X_i) = \frac{X_i - \min}{\max - \min}$$

For Poisson

$$F_0(X_i) = \sum_{l=0}^{X_i} \frac{e^{-\lambda} \lambda^l}{l!}$$

If  $\lambda \geq 100,000$ , the normal approximation is used.

For Normal

$$F_0(X_i) = F_{0,1}\left(\frac{X_i - \bar{X}}{S}\right)$$

where the generation of  $F_{0,1}(Z)$  is described in “Significance Level of a Standard Normal Deviate”.

### Calculation of Differences

For the Uniform and Normal, two differences are computed:

$$\begin{aligned} D_i &= \hat{F}(X_{i-1}) - F_0(X_i) \\ \tilde{D}_i &= \hat{F}(X_i) - F_0(X_i) \quad i = 1, \dots, N \end{aligned}$$

For the Poisson:

$$\begin{aligned} D_i &= \begin{cases} \hat{F}(X_i - 1) - F(X_i - 1) & X_i > 0 \\ 0 & X_i = 0 \end{cases} \quad i = 1, 2, \dots, N, \\ \tilde{D}_i &= \hat{F}(X_i) - F(X_i) \end{aligned}$$

The maximum positive, negative, and absolute differences are printed.

### Test Statistic and Significance

The test statistic is

$$Z = \sqrt{N} \max_i \left( |D_i|, |\tilde{D}_i| \right)$$

The two-tailed probability level is estimated using the first three terms of the Smirnov (1948) formula.

$$\begin{aligned} \text{if } 0 \leq Z < 0.27, \quad p &= 1 \\ \text{if } 0.27 \leq Z < 1, \quad p &= 1 - \frac{2.506628}{Z} (Q + Q^9 + Q^{25}) \end{aligned}$$

where  $Q = e^{-1.233701Z^{-2}}$ .

$$\text{if } 1 \leq Z < 3.1, \quad p = 2(Q - Q^4 + Q^9 - Q^{16})$$

$$\text{where } Q = e^{-2Z^2}.$$

$$\text{if } Z \geq 3.1, \quad p = 0$$

*Note:* If the distribution is normal and parameters are estimated from the data, then the Lilliefors method is used to compute the test statistic and p value instead of the method described in this section. For more information, see the topic “Kolmogorov-Smirnov Statistic with Lilliefors’ Significance”.

## Runs Test

### Computation of Cutting Point

The cutting point which is used to dichotomize the data can be specified as a particular number, or the value of a statistic which is to be calculated. The possible statistics are

$$\text{Mean} = \sum_{i=1}^N X_i / N$$

$$\text{Median} = \begin{cases} (X_{(N/2+1)} + X_{(N/2)}) / 2 & \text{if } N \text{ is even} \\ X_{((N+1)/2)} & \text{if } N \text{ is odd} \end{cases}$$

where the data are sorted in ascending order from  $X_{(1)}$ , the smallest, to  $X_{(N)}$ , the largest.

Mode = most frequently occurring value

If there are multiple modes, the one largest in value is selected and a warning printed.

### Number of Runs

For each of the data points, in the sequence in the file, the difference

$$D_i = X_i - \text{CUTPOINT}$$

is computed. If  $D_i \geq 0$ , the difference is considered positive, otherwise negative. The number of times the sign changes, that is,  $D_i \geq 0$  and  $D_{i+1} < 0$ , or  $D_i < 0$  and  $D_{i+1} \geq 0$ , as well as the number of positive ( $n_p$ ) and ( $n_a$ ) signs, are determined. The number of runs ( $R$ ) is the number of sign changes plus one.

### Significance Level

The sampling distribution of the number of runs ( $R$ ) is approximately normal with

$$\mu_r = \frac{2n_p n_a}{n_p + n_a} + 1$$

$$\sigma_r = \sqrt{\frac{2n_p n_a (2n_p n_a - n_a - n_p)}{(n_p + n_a)^2 (n_p + n_a - 1)}}$$

The two-sided significance level is based on

$$Z = \frac{R - \mu_r}{\sigma_r}$$

unless  $n < 50$ ; then

$$Z_c = \begin{cases} (R - \mu_r + 0.5)/\sigma_r & \text{if } R - \mu_r \leq 0.5 \\ (R - \mu_r - 0.5)/\sigma_r & \text{if } R - \mu_r \geq 0.5 \\ 0 & \text{if } |R - \mu_r| < 0.5 \end{cases}$$

### Binomial Test

Table 70-1

Notation

Notation	Description
$n_1$	Number of observations in the first (test) category
$n_2$	Number of observations in the second category
$p$	Test probability
$m$	$\min(n_1, n_2)$
$N$	$n_1 + n_2$
$p^*$	$p$ if $m = n_1$ , $1 - p$ if $m = n_2$

When the test probability is equal to 0.5, a two-tailed test is performed. The two-tailed probability is

$$\min\left(1, 2\left(\sum_{i=0}^m \binom{N}{i} 0.5^N\right)\right)$$

When the test probability is not equal to 0.5, a one-tailed test is performed. The one-tailed probability is

$$\sum_{i=0}^m \binom{N}{i} p^{*i} (1 - p^*)^{N-i}$$

### McNemar's Test

Table Construction

The data values are searched to determine the two unique response categories. If the variables  $X$  and  $Y$  take on more than two values, or only one value, a message is printed and the test is not done. The number of cases that have  $X_i < Y_i(n_1)$  or  $X_i > Y_i(n_2)$  are counted.

#### Test Statistic and Significance Level

If  $n_1 + n_2 \leq 25$ , the exact probability of  $r$  or fewer “successes” occurring in  $n_1 + n_2$  trials when  $p = 0.5$  and  $r = \min(n_1, n_2)$  is calculated recursively from the binomial.

$$p(X \leq r) = \sum_{i=0}^r \binom{n_1 + n_2}{i} (0.5)^{n_1 + n_2}$$

The two-tailed probability level is obtained by doubling the computed value. If  $n_1 + n_2 > 25$ , a  $\chi^2$  approximation with a correction for continuity is used.

$$\chi_c^2 = \frac{(|n_1 - n_2| - 1)^2}{n_1 + n_2}, \quad df = 1$$

## Sign Test

#### Count of Signs

For each case, the difference

$$D_i = X_i - Y_i$$

is computed and the number of positive ( $n_p$ ) and negative ( $n_n$ ) differences counted. Cases in which  $X_i = Y_i$  are ignored.

#### Test Statistic and Significance Level

If  $n_p + n_n \leq 25$ , the exact probability of  $r$  or fewer “successes” occurring in  $n_p + n_n$  trials, when  $p = 0.5$  and  $r = \min(n_p, n_n)$ , is calculated recursively from the binomial

$$p(X \leq r) = \sum_{i=0}^r \binom{n_p + n_n}{i} (0.5)^{n_p + n_n}$$

If  $n_p + n_n > 25$ , the significance level is based on the normal approximation

$$Z_c = \frac{\max(n_p, n_n) - 0.5(n_p + n_n) - 0.5}{0.5\sqrt{n_p + n_n}}$$

A two-tailed significance level is printed.

## Wilcoxon Matched-Pairs Signed-Rank Test

#### Computation of Ranked Differences

For each case, the difference

$$D_i = X_i - Y_i$$

is computed, as well as the absolute value of  $D_i$ . All nonzero absolute differences are then sorted into ascending order, and ranks are assigned. In the case of ties, the average rank is used. The sums of the ranks corresponding to positive differences ( $S_p$ ) and negative differences ( $S_n$ ) are calculated. The average positive rank is

$$\bar{X}_p = S_p/n_p$$

and the average negative rank is

$$\bar{X}_n = S_n/n_n$$

where  $n_p$  is the number of cases with positive differences and  $n_n$  the number with negative differences.

#### Test Statistic and Significance Level

The test statistic is

$$Z = \frac{\min(S_p, S_n) - (n(n+1)/4)}{\sqrt{n(n+1)(2n+1)/24 - \sum_{j=1}^l (t_j^3 - t_j)/48}}$$

where

Table 70-2

Notation

Notation	Description
$n$	Number of cases with non-zero differences
$l$	Number of ties
$t_j$	Number of elements in the $j$ -th tie, $j = 1, \dots, l$

For large sample sizes the distribution of  $Z$  is approximately standard normal. A two-tailed probability level is printed.

## Cochran's Q Test

### Computation of Basic Statistics

For each of the  $N$  cases, the  $k$  variables specified may take on only one of two possible values. If more than two values, or only one, are encountered, a message is printed and the test is not done. The first value encountered is designated a "success" and for each case the number of variables

that are “successes” are counted. The number of “successes” for case  $i$  will be designated  $R_i$  and the total number of “successes” for variable  $l$  will be designated  $C_l$ .

Test Statistic and Level of Significance

Cochran’s  $Q$  is calculated as

$$Q = \frac{(k - 1) \left[ k \sum_{l=1}^k C_l^2 - \left( \sum_{l=1}^k C_l \right)^2 \right]}{k \sum_{l=1}^k C_l - \sum_{i=1}^N R_i^2}$$

The significance level of  $Q$  is from the  $\chi^2$  distribution with  $k - 1$  degrees of freedom.

## **Friedman’s Test**

Sum of Ranks

For each of the  $N$  cases, the  $k$  variables are sorted and ranked, with average rank being assigned in the case of ties. For each of the  $k$  variables, the sum of ranks over the cases is calculated. This will be denoted as  $C_l$ . The average rank for each variable is

$$\bar{R}_l = C_l / N$$

Test Statistic and Significance Level

The test statistic is

$$\chi^2 = \frac{(12 / Nk(k + 1)) \sum_{l=1}^k C_l^2 - 3N(k + 1)}{1 - \Sigma T / Nk(k^2 - 1)}$$

where  $\Sigma T$  is the same as in Kendall’s coefficient of concordance. See (Lehmann, 1985) p. 265.

The significance level is from the  $\chi^2$  distribution with  $k - 1$  degrees of freedom.

## **Kendall’s Coefficient of Concordance**

$N$ ,  $k$ , and  $l$  are the same as in Friedman, in the previous section.

Coefficient of Concordance (W)

$$W = \left( \frac{F}{N(k-1)} \right) \left( \frac{N^2 k(k^2-1)/12}{N^2 k(k^2-1)/12 - N\Sigma T/12} \right)$$

where  $F$  = Friedman  $\chi^2$  statistic.

$$\Sigma T = \sum_{i=1}^N \sum_{l=1}^k (t^3 - t)$$

with  $t$  = number of variables tied at each tied rank for each case.

Test Statistic and Significance Level

$$\chi^2 = N(k-1)W$$

The significance level is from the  $\chi^2$  distribution with  $k-1$  degrees of freedom.

## The Two-Sample Median Test

Table Construction

If the median value is not specified by the user, the combined data from both samples are sorted and the median calculated.

$$Md = \begin{cases} (X_{[N/2]} + X_{[N/2+1]})/2 & \text{if } N \text{ is even} \\ X_{[(N+1)/2]} & \text{otherwise} \end{cases}$$

where  $X_{[N]}$  is the largest value and  $X_{[1]}$  the smallest. The number of cases in each of the two groups which exceed the median are counted. These will be denoted as  $g_1$  and  $g_2$ , and the corresponding sample sizes as  $n_1$  and  $n_2$ .

Test Statistic and Significance Level

- If  $N \leq 30$ , the significance level is from Fisher's exact test. (See Appendix 5.)
- If  $N > 30$ , the test statistic is

$$\chi_c^2 = \frac{[|g_1(n_2 - g_2) - g_2(n_1 - g_1)| - N/2]^2 N}{(g_1 + g_2)(n_1 + n_2 - g_1 - g_2)n_1 n_2}$$

which is distributed as a  $\chi^2$  with 1 degree of freedom.

## Mann-Whitney U Test

Calculation of Sums of Ranks

The combined data from both groups are sorted and ranks assigned to all cases, with average rank being used in the case of ties. The sum of ranks for each of the groups ( $S_1$  and  $S_2$ ) is calculated, as well as, for tied observations,  $T_i = \frac{t^3 - t}{12}$ , where  $t$  is the number of observations tied for rank  $i$ . The average rank for each group is

$$\bar{S}_i = S_i/n_i$$

where  $n_i$  is the sample size in group  $i$ .

Test Statistic and Significance Level

The  $U$  statistic for group 1 is

$$U = n_1 n_2 + \frac{n_1(n_1 + 1)}{2} - S_1$$

- If  $U > n_1 n_2 / 2$ , the statistic used is

$$U' = n_1 n_2 - U$$

- If  $n_1 n_2 \leq 400$  and  $n_1 n_2 / 2 + \min(n_1, n_2) \leq 220$  the exact significance level is based on an algorithm of Dineen and Blakesley (1973).
- The test statistic corrected for ties is

$$Z = \frac{(U - n_1 n_2 / 2)}{\sqrt{\frac{n_1 n_2}{N(N-1)} \left( \frac{N^3 - N}{12} - \sum_i T_i \right)}}$$

which is distributed approximately as a standard normal. A two-tailed significance level is printed.

Wilcoxon Rank Sum  $W$  Statistic

If  $U > n_1 n_2 / 2$ , then  $W = S_1$ ; otherwise  $W = S_2$ .

## Kolmogorov-Smirnov Two-Sample Test

Calculation of the Empirical Cumulative Distribution Functions and Differences

For each of the two groups separately the data sorted into ascending order, from  $X_{[1]}$  to  $X_{[n_i]}$ , and the empirical cdf for group  $i$  is computed as

$$\hat{F}_i(X) = \begin{cases} 0 & -\infty < X < X_{[1]} \\ j/n_i & X_{[j]} \leq X < X_{[j+1]} \\ 1 & X_{[n_i]} \leq X < \infty \end{cases}$$

For all of the  $X_j$  values in the two groups, the difference between the two groups is

$$D_j = \hat{F}_1(X_j) - \hat{F}_2(X_j)$$

where  $\hat{F}_1(X_j)$  is the cdf for the group with the larger sample size. The maximum positive, negative, and absolute differences are also computed.

Test Statistic and Level of Significance

The test statistic (Smirnov, 1948) is

$$Z = \max_j |D_j| \sqrt{\frac{n_1 n_2}{n_1 + n_2}}$$

and the significance level is calculated using the Smirnov approximation described in the K-S one sample test.

## Wald-Wolfowitz Runs Test

Calculation of Number of Runs

All observations from the two samples are pooled and sorted into ascending order. The number of changes in the group numbers corresponding to the ordered data are counted. The number of runs ( $R$ ) is the number of group changes plus one.

If there are ties involving observations from the two groups, both the minimum and maximum number of runs possible are calculated.

Significance Level

If  $n_1 + n_2$ , the total sample size, is less than or equal to 30, the one-sided significance level is exactly calculated from

$$P(r \leq R) = \frac{2}{\binom{n_1 + n_2}{n_1}} \sum_{r=2}^R \binom{n_1 - 1}{r/2 - 1} \binom{n_2 - 1}{r/2 - 1}$$

when  $R$  is even. When  $R$  is odd

$$P(r \leq R) = \frac{1}{\binom{n_1 + n_2}{n_1}} \sum_{r=2}^R \left[ \binom{n_1 - 1}{k - 1} \binom{n_2 - 1}{k - 2} + \binom{n_1 - 1}{k - 2} \binom{n_2 - 1}{k - 1} \right]$$

where

$$r = 2k - 1.$$

For sample sizes greater than 30, the normal approximation is used (see "Runs Test").

## Moses Test of Extreme Reaction

### Span Computation

Observation from both groups are jointly sorted and ranked, with the average rank being assigned in the case of ties. The ranks corresponding to the smallest and largest control group (first group) members are determined, and the span is computed as

$$\text{SPAN} = \text{Rank(Largest Control Value)} - \text{Rank(Smallest Control Value)} + 1$$

rounded to the nearest integer.

### Significance Level

The exact one-tailed probability level is computed from

$$P(\text{SPAN} \leq n_c - 2h + g) = \frac{\sum_{i=0}^g \left[ \binom{i + n_c - 2h - 2}{i} \binom{n_e + 2h + 1 - i}{n_e - i} \right]}{\binom{n_c + n_e}{n_c}}$$

where  $h = 0$ ,  $n_c$  is the number of cases in the control group, and  $n_e$  is the number of cases in the experimental group. The same formula is used in the next section where  $h$  is not zero.

### Censoring of Range

The previous test is repeated, dropping the  $h$  lowest and  $h$  highest ranks from the control group. If not specified by the user,  $h$  is taken to be the integer part of  $0.05n_c$  or 1, whichever is greater. If  $h$  is user specified, the integer value is used unless it is less than one. The significance level is determined as in the previous section.

## K-S ample Median Test

### Table Construction

If the median value is not specified by the user, the combined data from all groups are sorted and the median is calculated.

$$\text{Md} = \begin{cases} (X_{[N/2]} + X_{[N/2+1]})/2 & \text{if } N \text{ is even} \\ X_{[(N+1)/2]} & \text{if } N \text{ is odd} \end{cases}$$

where  $X_{[N]}$  is the largest value and  $X_{[1]}$  the smallest.

The number of cases in each of the groups that exceed the median are counted and the following table is formed.

	Group 1	Group 2	Group 3	...	Group $k$	
LE Md	$O_{11}$	$O_{12}$	$O_{13}$	...	$O_{1k}$	$R_1$
GT Md	$O_{21}$	$O_{22}$	$O_{23}$	...	$O_{2k}$	$R_2$
	$n_1$	$n_2$	$n_3$	...	$n_k$	$N$

### Test Statistic and Level of Significance

The  $\chi^2$  statistic for all nonempty groups is calculated as

$$\chi^2 = \sum_{j=1}^k \sum_{i=1}^2 (O_{ij} - E_{ij})^2 / E_{ij}$$

where

$$E_{ij} = \frac{R_i n_j}{N}$$

The significance level is from the  $\chi^2$  distribution with  $k - 1$  degrees of freedom, where  $k$  is the number of nonempty groups. A message is printed if any cell has an expected value less than one, or more than 20% of the cells have expected values less than five.

## Kruskal-Wallis One-Way Analysis of Variance

### Computation of Sums of Ranks

Observations from all  $k$  nonempty groups are jointly sorted and ranked, with the average rank being assigned in the case of ties. The number of tied scores in a set of ties,  $t_i$ , is also found, and the sum of  $T_i = t_i^3 - t_i$  is accumulated. For each group the sum of ranks,  $R_i$ , as well as the number of observations,  $n_i$ , is obtained.

### Test Statistic and Level of Significance

The test statistic unadjusted for ties is

$$H = \frac{12}{N(N+1)} \sum_{i=1}^k R_i^2 / n_i - 3(N+1)$$

where  $N$  is the total number of observations.

Adjusted for ties, the statistic is

$$H' = \frac{H}{1 - \sum_{i=1}^m T_i / (N^3 - N)}$$

where  $m$  is the total number of tied sets.

The significance level is based on the  $\chi^2$  distribution, with  $k - 1$  degrees of freedom.

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# ONEWAY Algorithms

For post hoc range tests and pairwise multiple comparisons, see *Post Hoc Tests*.

## Notation

The following notation is used throughout this section unless otherwise stated:

Table 71-1

### Notation

Notation	Description
$X_{lj}$	Value of the $j$ th observation in group $l$
$w_{lj}$	Weight for the $j$ th observation in group $l$
$W_{l,j}$	Sum of weights of the first $j$ cases in group $l$
$W_l$	Sum of weights of all cases in group $l$
$k_i$	Number of groups, determined as maximum group values minus minimum plus one
$k'$	Number of nonempty groups
$n_l$	Number of cases in group $l$
$W$	Sum of weights of cases in all groups

## Group Statistics

The following group statistics are available.

### Computation of Group Statistics

A weighted version of the Young-Cramer (1971) algorithm is used to compute recursively the corrected sum of squares for each group.

$$SSQ_{l,i} = SSQ_{l,i-1} + \frac{w_{li} \left( X_{li} W_{l,i-1} - \sum_{j=1}^{i-1} w_{lj} X_{lj} \right)^2}{W_{l,i-1} W_{li}}$$

The initial value is 0; the value for each group after the last observation has been processed is the corrected sum of squares.

$$SS_l = SSQ_{l,n_l}$$

The sum and mean for each group are

$$T_l = \sum_{i=1}^{n_l} X_{li} w_{li}$$

$$\bar{T}_l = T_l/W_l$$

The variance is

$$S_l^2 = SS_l/(W_l - 1)$$

The grand sum is

$$G = \sum_{i=1}^k T_i$$

### Group Statistics from Summary Statistics

With matrix data input, the user supplies sum of weights in each group ( $W_l$ ), means ( $\bar{T}_l$ ), and standard deviations ( $S_l$ ). From these,

$$T_l = W_l \bar{T}_l$$

$$SS_l = (W_l - 1)S_l^2$$

$$G = \sum_{i=1}^k T_i$$

If the user supplies the pooled variance  $S_p^2$  and its degrees of freedom ( $D$ ) instead of the individual  $S_l$ , and  $D < 1$ , the program will reset it to

$$D = \sum_{l=1}^k W_l - k'$$

The within-group sum of squares is

$$WSS = S_p^2 D$$

### The ANOVA Table

Table 71-2  
ANOVA table

Source of Variation	SS	df
Between (BSS)	$\sum_{l=1}^k T_l^2/n_l - G^2/W$	$k' - 1$

Source of Variation	SS	df
Within (WSS)	$\sum_{l=1}^k SS_l$ ( $s_p^2 D$ for matrix input)	$W - k$ ( $D$ )
Total (TSS)	$BSS + WSS$	$W - 1$

Mean squares are calculated by dividing each sum of squares by its degree of freedom. The  $F$  ratio for testing equality of group means is

$$F = \frac{\text{Mean Square Between}}{\text{Mean Square Within}} = \frac{BSSM}{WSSM}$$

The significance level is obtained from the  $F$  distribution with numerator and denominator degrees of freedom.

## Basic Statistics

The following basic statistics are available.

### Descriptive Statistics

$$\text{Sample size} = W_q$$

$$\text{Mean} = \bar{T}_q$$

$$\text{Standard deviation} = S_q$$

$$\text{Standard error} = S_q / \sqrt{W_q}$$

### 95% Confidence Interval for the Mean

$$\bar{T}_q \pm t_{W_q-1} S_q / \sqrt{W_q}$$

where  $t_{W_q-1}$  is the upper 2.5% critical value for the  $t$  distribution with  $W_q - 1$  degrees of freedom.

### Variance Estimates and Confidence Interval for Mean

Computation depends upon whether a fixed-effects or random-effects model is fit.

### **Fixed-Effects Model**

Fixed-effects factors are generally thought of as variables whose values of interest are all represented in the data file.

#### **Pooled Standard Deviation**

$$S_p = \sqrt{WSSM}$$

#### **Standard Error**

$$\text{Standard error} = \sqrt{WSSM/W}$$

#### **95% Confidence Interval for the Mean**

$$\bar{G} \pm t_{W-k'} \sqrt{WSSM/W}$$

where  $t_{W-k'}$  is the upper 2.5% critical value for the  $t$  distribution with  $W - k'$  degrees of freedom.

### **Random-Effects Model**

Random-effects factors are variables whose values in the data file can be considered a random sample from a larger population of values. They are useful for explaining excess variability in the dependent variable.

#### **Between-Groups Component of Variance (Snedecor and Cochran 1967)**

$$\omega^2 = \frac{(BSSM - WSSM)(W(k' - 1))}{\left(W^2 - \sum_{i=1}^k W_i^2\right)}$$

#### **Standard Error of the Mean (Brownlee 1965)**

$$V(\bar{G}) = \frac{\left(\sum_{i=1}^k W_i^2\right)(k' - 1)(BSSM - WSSM)}{W\left(W^2 - \sum_{i=1}^k W_i^2\right)} + \frac{WSSM}{W}$$

If  $BSSM < WSSM$ ,  $V(\bar{G}) = \frac{WSSM}{W}$  and a warning is printed that the variance component estimate is negative.

**95% Confidence Interval for the Mean**

$$\bar{G} \pm t_{k'-1} \sqrt{V(\bar{G})}$$

where  $t_{k'-1}$  is the upper 2.5% critical value for the  $t$  distribution with  $k' - 1$  degrees of freedom

**Levene Test for Homogeneity of Variances**

$$L = \frac{(W - k') \sum_{i=1}^{k'} W_i (\bar{Z}_i - \bar{Z})^2}{(k' - 1) \sum_{i=1}^{k'} \sum_{l=1}^{n_i} w_{il} (Z_{il} - \bar{Z}_i)^2}$$

where

$$Z_{il} = |X_{il} - \bar{T}_i|$$

$$\bar{Z}_i = \frac{\sum_{l=1}^{n_i} w_{il} Z_{il}}{W_i}$$

$$\bar{Z} = \frac{\sum_{i=1}^{k'} W_i \bar{Z}_i}{W}$$

**User-Supplied Contrasts**

Let  $C_1$  through  $C_k$  be the coefficients for a particular contrast. If the sum of the coefficients is not 0, a warning is printed and the contrast number is starred. For each contrast the following are printed.

**Value of the Contrast**

$$V = \sum_{i=1}^k \bar{T}_i C_i$$

**Pooled Variance Statistics**

The following statistics are computed.

Standard Error

$$SE = \sqrt{S_p^2 \sum_{i=1}^k C_i^2 / W_i}$$

t Value

$$t = V / SE$$

Degrees of Freedom

$$W - k'$$

And a two-tailed significance level based on the  $t$  distribution with  $W - k'$  degrees of freedom.

### **Separate Variance Statistics**

The following statistics are computed.

Standard Error

$$SE = \sqrt{\sum_{i=1}^k C_i^2 (S_i^2 / W_i)}$$

t Value

$$t = V / SE$$

Degrees of Freedom (Brownlee 1965)

$$df = \frac{\left( \sum_{i=1}^k C_i^2 S_i^2 / W_i \right)^2}{\sum_{i=1}^k (C_i^2 S_i^2 / W_i)^2 / (W_i - 1)}$$

And a two-tailed significance level based on the  $t$  distribution with  $df$  degrees of freedom

### **Polynomial Contrasts (Speed 1976)**

If the specified degree of the polynomial ( $NP$ ) is less than or equal to 0, or greater than 5, a message is printed and the procedure is terminated. If the degree of the polynomial specified is greater than the number of nonempty groups, it is set to  $k' - 1$ . If the sums of the weights in each

group are equal, only the WEIGHTED contrasts will be generated. For unequal sample sizes with equal spacing between groups, both WEIGHTED and UNWEIGHTED contrasts are computed. For unequal sample sizes and unequal spacing, only WEIGHTED contrasts are computed. The metric for the polynomial is the group code.

## UNWEIGHTED Contrasts and Statistics

The coefficients for the orthogonal polynomial are calculated recursively from the following relations:

$$c_{i,q} = (i - A_q)c_{i,q-1} - C_q c_{i,q-2}$$

for

$$q = 1, 2, \dots, NP$$

$$i = 1, 2, \dots, k$$

with the initial values

$$c_{i,-1} = 0, \quad c_{i,0} = 1$$

and

$$A_q = \frac{\sum_{i=1}^k i c_{i,q-1}^2}{\sum_{i=1}^k c_{i,q-1}^2}$$

$$C_q = \frac{\sum_{i=1}^k c_{i,q-1}^2}{\sum_{i=1}^k c_{i,q-2}^2} \quad \text{for } q \geq 2$$

$$C_q = 0 \quad \text{for } q = 1$$

The  $F$  statistic for the  $q$ th degree contrast is computed as

$$F = \frac{\left[ \sum_{i=1}^k (\bar{T}_i - \bar{G}) c_{i,q} \right]^2}{\sum_{i=1}^k c_{i,q}^2 / W_i} / WSSM$$

where  $WSSM$  is the mean square within. The significance level is obtained from the  $F$  distribution with 1 and  $W - k'$  degrees of freedom.

### **WEIGHTED Contrasts and Statistics (Emerson 1968; Robson 1959)**

The contrast for the  $q$ th degree polynomial component is computed from the following recursive relations:

$$d_{i,q} = (i - A'_q) d_{i,q-1} - C'_q d_{i,q-2}$$

for

$$q = 1, 2, \dots, NP.$$

$$i = 1, 2, \dots, k.$$

with initial values

$$d_{i,0} = 1, d_{i,-1} = 0$$

$$A'_q = \frac{\sum_{i=1}^k i W_i d_{i,q-1}^2}{\sum_{i=1}^k W_i d_{i,q-1}^2}$$

$$C'_q = \frac{\sum_{i=1}^k i W_i d_{i,q-1} d_{i,q-2}}{\sum_{i=1}^k W_i d_{i,q-2}^2} \quad \text{for } q \geq 2$$

$$C'_q = 0 \quad \text{for } q = 1$$

The test for the contribution of the  $q$ th degree orthogonal polynomial component is based on

$$F = D_q / WSSM$$

where

$$D_q = \frac{\left( \sum_{i=1}^k W_i \bar{T}_i d_{i,q} \right)^2}{\sum_{i=1}^k W_i d_{i,q}^2}$$

The significance level is computed from the  $F$  distribution with degrees of freedom 1 and  $W - k'$ .

The test for deviation from the  $q$ th degree polynomial is based on

$$F = DD_q / WSSM$$

where

$$DD_q = \left( BSS - \sum_{j=1}^q D_j \right) / (k' - q - 1)$$

The significance level is computed from the  $F$  distribution with degrees of freedom  $k' - q - 1$  and  $W - k'$ . The highest degree printed will be the minimum of  $(k' - 2)$  and 5.

## Multiple Comparisons (Winer 1971)

### Generation of Ranges

The Student-Newman-Keuls (SNK), TUKEY, and TUKEYB procedures are all based on the studentized range,  $S_{r,f}$ , where  $r$  is the number of steps between means and  $f$  is the degrees of freedom for the within-groups mean square. For the above tests, only  $\alpha = 0.05$  can be used.

The appropriate range of values for the tests are

$$\text{SNK. } R_r = S_{r,f}, r = 2, \dots, k'$$

$$\text{TUKEY. } R_r = S_{k',f}$$

$$\text{TUKEYB. } R_r = \frac{(S_{r,f} + S_{k',f})}{2}$$

For the DUNCAN procedure, alphas of 0.01, 0.05, and 0.10 can be used. The ranges  $(D_{r,f})$  are generated using the algorithm of Gebhardt (1966).

$$\text{DUNCAN. } R_r = D_{r,f}, r = 2, \dots, k'$$

The Scheffé, LSD, and modified LSD procedures all use critical points from the  $F$  distribution. Any  $\alpha \leq 0.5$  can be used.

**SCHEFFE.**  $R_r = \sqrt{2(k' - 1)F_{1-\alpha}(k' - 1, f)}$

**LSD.**  $R_r = \sqrt{2F_{1-\alpha}(1, f)}$

**MODLSD.**  $R_r = \sqrt{2F_{1-\alpha'}(1, f)}$

where

$$\alpha' = \frac{2\alpha}{k'(k' - 1)}$$

Compute the multiplier of the ranges for the difference of means  $i$  and  $j$ .

$$M_{i,j} = S_p \sqrt{\frac{1}{2} \left( \frac{1}{n_i} + \frac{1}{n_j} \right)} \quad (\text{default})$$

$$M_{i,j} = S_p \sqrt{\frac{\sum_{l=1}^k 1/n_l}{k'}} \quad (\text{harmonic mean for all groups})$$

## Establishment of Homogeneous Subsets

If the sample sizes in all groups are equal, or the harmonic mean for all groups has been selected, or the multiple comparison procedure is SNK or DUNCAN, homogeneous subsets are established as follows:

The means are sorted into ascending order from  $\bar{T}_{(1)}$  to  $\bar{T}_{(k')}$ . Values of  $i$  and  $q$  such that

$$|\bar{T}_{(q)} - \bar{T}_{(i)}| \leq R_{q-i+1} M_{q,i} \quad (*)$$

are systematically searched for and

$$\{\bar{T}_{(i)}, \dots, \bar{T}_{(q)}\}$$

is considered a homogeneous subset. The search procedure is as follows:

At each step  $t$ , the value of  $i$  is incremented by 1 (the starting value is 1), and  $q = k'$ . The value of  $q$  is then decremented by one until  $(*)$  is true. Call this value  $q_t$ . If  $q_t > q_{t-1}$  and  $(*)$  is true,

$$\{\bar{T}_{(i)}, \dots, \bar{T}_{(q_t)}\}$$

is considered homogeneous. Otherwise  $i$  is incremented and the next step is done. The procedure terminates when  $i = k$  or  $q_t = k$ .

In all other situations, all nonredundant pairs of groups are compared using the criteria of (\*). A table containing all pairs of groups is printed with symbols indicating group means that are significantly different.

## Welch Test

In Welch (1947,1951), he derived the an approximate test for equality of means without the homogeneous variance assumption. The statistic is given by

$$F_{Welch} = \frac{\sum_{l=1}^k \omega_l \left[ (\bar{T}_l - \tilde{X})^2 / (k-1) \right]}{1 + \frac{2(k-2)}{(k^2-1)} \sum_{l=1}^k \left[ \left(1 - \frac{\omega_l}{u}\right)^2 / (W_l - 1) \right]}$$

where  $\omega_l = W_l/S_l^2$ ,  $u = \sum_{l=1}^k \omega_l$ , and  $\tilde{X} = \sum_{l=1}^k \omega_l \bar{T}_l / u$ .

The Welch statistic has an approximate F distribution with k-1 and f degrees of freedom, where

$$f = \left[ \frac{3}{k^2 - 1} \sum_{l=1}^k \left(1 - \frac{\omega_l}{u}\right)^2 / (W_l - 1) \right]^{-1}$$

Since the weight used in Welch statistic is  $\omega_l = W_l/S_l^2$ , one cannot compute the statistic if any one group has zero standard deviation. Moreover, sample sizes of all groups have to be greater than or equal to zero.

## Brown-Forsythe Test

In (Brown and Forsythe, 1974a) and (Brown and Forsythe, 1974b), a test statistic for equal means was proposed. The statistic has the following form,

$$F_{BF} = \frac{\sum_{l=1}^k W_l (\bar{T}_l - \bar{G})^2}{\sum_{l=1}^k (1 - W_l/W) S_l^2}$$

The statistic has an approximate F distribution with (k-1) and f degrees of freedom, where

$$\frac{1}{f} = \sum_{l=1}^k c_l^2 / (W_l - 1)$$

and

$$c_l = \frac{(1 - W_l/W) S_l^2}{\sum_{l=1}^k (1 - W_l/W) S_l^2}$$

When we look at the denominator of  $F_{BF}$ , we can see that it tries to estimate the ‘pooled variance’ by

$$S_{pool}^2 = \sum_{l=1}^k \omega_l^* S_l^2$$

where

$$\omega_l^* = \frac{(W - W_l)}{W(k - 1)}$$

The Brown & Forsythe statistic cannot be computed if all groups have zero standard deviation or any group has sample size less than or equal to 1. In the situation that some groups have zero standard deviations, the statistic can be computed but the approximation may not work.

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## Effect Size for One-way ANOVA

Effect size constitutes one of the major findings in a quantitative research study [Sullivan and Feinn, 2012]. It could be measured by the magnitude of group difference, strength of association, corrected estimates, or risk estimates [Ferguson, 2009]. In this document, we focus on the squared association indices, and present the methods to estimate the effect size in one-way ANOVA. The following sections cover both point and interval estimation of the eta-squared ( $\eta^2$ ), epsilon-squared ( $\epsilon^2$ ), and omega-squared ( $\omega^2$ ). Furthermore, we desire to add a novel feature to the One-Way ANOVA procedure which automates the effect size computation.

## Effect Size for Overall Test

### Notations

The following notations will be used in Section and unless otherwise stated.

- $i$ : Iteration index used in recursively computing and updating the sum of squares.
- $j$ : Case index.
- $k$ : Number of groups.
- $k'$ : Number of nonempty groups.
- $l$ : Group index.
- $x_{lj}$ : Observed value of variable  $X$  for the  $j$ -th case in group  $l$ .
- $w_{lj}$ : Frequency weight for the  $j$ -th case in group  $l$ .
- $W_l$ : Sum of weights of all cases in group  $l$ .
- $W_{i,j}$ : Sum of weights of the first  $j$  cases in group  $l$ .
- $n_l$ : Number of cases in group  $l$ .
- $W$ : Sum of weights of cases in all groups  $W = \sum_{l=1}^k \sum_{j=1}^{n_l} w_{lj}$ .
- $\alpha$ : The significance level to reflect the type I error. Note that the `/CRITERIA = CILEVEL(value)` in the syntax design (See section ?? for details) resets the value of the confidence interval. Here,  $\alpha = 1 - \text{value}$ , where `value` = 0.95 by default in the syntax.

The following statistics should have already been computed by the existing ONEWAY algorithm for the one-way ANOVA procedure.

Corrected sum of squares for each group:

$$SSQ_{l,i} = SSQ_{l,i} + \frac{w_{li} \left( x_{li} W_{l,i-1} - \sum_{j=1}^{i-1} w_{lj} x_{lj} \right)^2}{W_{l,i-1} W_{li}}, \quad (0.0.1)$$

where  $SSQ_{l,0} = 0$ , and  $SSQ_{l,i}$  is updated for each  $i = 1, 2, \dots, n_l$ . The corrected sum of squares for each group is the value after the last observation has been processed, or

$$SS_l = SSQ_{l,n_l}. \quad (0.0.2)$$

Sum for each group:

$$T_l = \sum_{j=1}^{n_l} w_{lj} x_{lj}. \quad (0.0.3)$$

Mean for each group:

$$\bar{T}_l = \frac{T_l}{W_l}. \quad (0.0.4)$$

Variance for each group:

$$S_l^2 = SS_l / (W_l - 1). \quad (0.0.5)$$

Grand sum:

$$G = \sum_{l=1}^k T_l. \quad (0.0.6)$$

Between-group sum of squares:

$$\mathbb{BSS} = \sum_{l=1}^k \frac{T_l^2}{n_l} - \frac{G^2}{W}. \quad (0.0.7)$$

Within-group sum of squares:

$$\mathbb{WSS} = \sum_{l=1}^k SS_l. \quad (0.0.8)$$

Total sum of squares:

$$\mathbb{TSS} = \mathbb{BSS} + \mathbb{WSS}. \quad (0.0.9)$$

Mean square between groups:

$$\mathbb{BSSM} = \frac{\mathbb{BSS}}{k' - 1}. \quad (0.0.10)$$

Mean square within groups:

$$\mathbb{WSSM} = \frac{\mathbb{WSS}}{W - k'}. \quad (0.0.11)$$

The  $F$  statistic:

$$F = \frac{\mathbb{BSSM}}{\mathbb{WSSM}}. \quad (0.0.12)$$

### Point Estimation

To facilitate the following presentation, we let

$$df_{\text{effect}} = k' - 1, \quad df_{\text{within}} = W - k', \quad \text{and} \quad df_{\text{total}} = W - 1, \quad (0.0.13)$$

denote the degrees of freedom used in the one-way ANOVA. Note that these quantities should already be available in the ONEWAY algorithm.

Assuming the fixed-effect design,  $\eta^2$  is estimated by

$$\hat{\eta}^2 = \frac{\mathbb{BSS}}{\mathbb{TSS}}, \quad (0.0.14)$$

where  $\mathbb{BSS}$  and  $\mathbb{TSS}$  are estimated by Equation (0.0.7) and (0.0.9), respectively. It should be noted that  $\hat{\eta}^2$ , an uncorrected effect size estimator, may not be appropriate in comparing different study designs with the total sum of squares varying [Lakens, 2013].

Assuming the fixed-effect design,  $\epsilon^2$  is estimated by

$$\hat{\epsilon}^2 = \frac{\mathbb{BSS} - df_{\text{effect}} \mathbb{WSSM}}{\mathbb{TSS}}, \quad (0.0.15)$$

where  $\mathbb{BSS}$ ,  $\mathbb{TSS}$ , and  $\mathbb{WSSM}$  are estimated by Equation (0.0.7), (0.0.9), and (0.0.11), respectively, and  $df_{\text{effect}}$  and  $df_{\text{total}}$  are defined by Equation (0.0.13). Actually,  $\hat{\epsilon}^2$  is an adjusted and less biased estimator which is applicable to measure the proportion of the variance in population [Smithson, 2001].

The more popular  $\omega^2$  is estimated by

$$\hat{\omega}^2 = \begin{cases} \frac{\mathbb{BSS} - df_{\text{effect}} \mathbb{WSSM}}{\mathbb{TSS} + \mathbb{WSSM}} & \text{for the fixed-effect design} \\ \frac{\mathbb{BSSM} - \mathbb{WSSM}}{\mathbb{BSSM} + df_{\text{total}} \mathbb{WSSM}} & \text{for the random-effect design} \end{cases}, \quad (0.0.16)$$

where  $\mathbb{BSS}$ ,  $\mathbb{TSS}$ , and  $\mathbb{WSSN}$  are estimated by Equation (0.0.7), (0.0.9), and (0.0.11), respectively, and  $df_{\text{effect}}$  and  $df_{\text{total}}$  are defined by Equation (0.0.13) [Snyder and Lawson, 1993]. For the fixed-effect design,  $\hat{\omega}^2$  is always less than  $\hat{\epsilon}^2$ , and both  $\hat{\omega}^2$  and  $\hat{\epsilon}^2$  are conserved estimators recommended for ANOVA designs [Ferguson, 2009].

Particularly, since  $\hat{\epsilon}^2$  and  $\hat{\omega}^2$  are adjusted estimators, they may become negative under some rare scenarios in which  $\mathbb{BSS} < df_{\text{effect}} \mathbb{WSSM}$ . In this case, we simply output the negative estimates.

### Interval Estimation

The interval estimation is based on the noncentral  $F$ -distribution [Steiger, 2004]. We let  $\lambda$  denote the noncentrality parameter. Note that the lower and upper confidence limit of  $\lambda$  are<sup>1</sup>

$$\begin{aligned}\hat{\lambda}_l &= \text{FindNCParmF}(\text{funArg} = F, \text{df1} = df_{\text{effect}}, \text{df2} = df_{\text{within}}, \text{prob} = 1 - \alpha/2) \quad \text{and} \\ \hat{\lambda}_u &= \text{FindNCParmF}(\text{funArg} = F, \text{df1} = df_{\text{effect}}, \text{df2} = df_{\text{within}}, \text{prob} = \alpha/2),\end{aligned}\tag{0.0.17}$$

respectively, where  $F$  is estimated by Equation (0.0.12), and  $df_{\text{effect}}$  and  $df_{\text{within}}$  are defined by Equation (0.0.13). Thus, the lower and upper confidence limit for  $\eta^2$  are

$$\hat{\eta}_l^2 = \frac{\hat{\lambda}_l}{\hat{\lambda}_l + df_{\text{effect}} + df_{\text{within}} + 1} \quad \text{and} \quad \hat{\eta}_u^2 = \frac{\hat{\lambda}_u}{\hat{\lambda}_u + df_{\text{effect}} + df_{\text{within}} + 1},\tag{0.0.18}$$

respectively, where  $\hat{\lambda}_l$  and  $\hat{\lambda}_u$  are computed by Equation (0.0.18), and  $df_{\text{effect}}$  and  $df_{\text{within}}$  are defined by Equation (0.0.13).

Note that Equation (0.0.15) can be rewritten as

$$\hat{\epsilon}^2 = \frac{\mathbb{BSS} - df_{\text{effect}} \mathbb{WSSM}}{\mathbb{TSS}} = \hat{\eta}^2 - \frac{df_{\text{effect}}}{df_{\text{within}}}(1 - \hat{\eta}^2),\tag{0.0.19}$$

where  $\hat{\eta}^2$  is estimated by Equation (0.0.14). Equation (0.0.19) is a monotonic strictly increasing function with respect to  $\hat{\eta}^2$  in the domain  $\hat{\eta}^2 \in [0, 1]$  given  $df_{\text{effect}}$  and  $df_{\text{within}}$ , and therefore the lower and upper confidence limit for  $\epsilon^2$  are

$$\hat{\epsilon}_l^2 = \hat{\eta}_l^2 - \frac{df_{\text{effect}}}{df_{\text{within}}}(1 - \hat{\eta}_l^2) \quad \text{and} \quad \hat{\epsilon}_u^2 = \hat{\eta}_u^2 - \frac{df_{\text{effect}}}{df_{\text{within}}}(1 - \hat{\eta}_u^2),\tag{0.0.20}$$

where  $\hat{\eta}_l$  and  $\hat{\eta}_u$  are computed by Equation (0.0.18), and  $df_{\text{effect}}$  and  $df_{\text{within}}$  are defined by Equation (0.0.13).

Similarly,  $\hat{\omega}^2$  for the fixed-effect design in Equation (0.0.16) can be rewritten as

$$\hat{\omega}^2 = \frac{\mathbb{BSS} - df_{\text{effect}} \mathbb{WSSM}}{\mathbb{TSS} + \mathbb{WSSM}} = \frac{df_{\text{total}} \hat{\eta}^2 - df_{\text{effect}}}{-\hat{\eta}^2 + df_{\text{within}} + 1},\tag{0.0.21}$$

where  $\hat{\eta}^2$  is estimated by Equation (0.0.14). Equation (0.0.21) is a monotonic strictly increasing function with respect to  $\hat{\eta}^2$  in the domain  $\hat{\eta}^2 \in [0, 1]$  given  $df_{\text{effect}}$  and  $df_{\text{within}}$ , and therefore the lower and upper confidence limit for  $\omega^2$  are

$$\hat{\omega}_l^2 = \frac{df_{\text{total}} \hat{\eta}_l^2 - df_{\text{effect}}}{-\hat{\eta}_l^2 + df_{\text{within}} + 1} \quad \text{and} \quad \hat{\omega}_u^2 = \frac{df_{\text{total}} \hat{\eta}_u^2 - df_{\text{effect}}}{-\hat{\eta}_u^2 + df_{\text{within}} + 1},\tag{0.0.22}$$

where  $\hat{\eta}_l$  and  $\hat{\eta}_u$  are computed by Equation (0.0.18),  $df_{\text{effect}}$ ,  $df_{\text{within}}$ , and  $df_{\text{total}}$  are defined by Equation (0.0.13).

The same strategy can be applied to  $\hat{\omega}^2$  for the random-effect design in Equation (0.0.16) by rewriting

$$\hat{\omega}^2 = \frac{\mathbb{BSSM} - \mathbb{WSSM}}{\mathbb{BSSM} + df_{\text{total}} \mathbb{WSSM}} = \frac{df_{\text{total}} \hat{\eta}^2 - df_{\text{effect}}}{(df_{\text{within}} - df_{\text{total}} df_{\text{effect}}) \hat{\eta}^2 + df_{\text{total}} df_{\text{effect}}}.\tag{0.0.23}$$

<sup>1</sup> FindNCParmF finds the noncentrality parameter NC from the equation NonCentralCdfF(funArg, df1, df2, NC) = prob, where NonCentralCdfF is cumulative  $F$ -distribution function; funArg is the function argument; df1 is the numerator degrees of freedom; df2 is the denominator degrees of freedom; and prob is the probability. Source code link: [https://github.ibm.com/SPSS/corecomponents/blob/branch-9100/analytic\\_components/shared/cpp/src/mcmath/mcdistfun.h](https://github.ibm.com/SPSS/corecomponents/blob/branch-9100/analytic_components/shared/cpp/src/mcmath/mcdistfun.h)

The lower and upper confidence limit for  $\omega^2$  are

$$\hat{\omega}_l^2 = \frac{df_{\text{total}} \hat{\eta}_l^2 - df_{\text{effect}}}{(df_{\text{within}} - df_{\text{total}} df_{\text{effect}}) \hat{\eta}_l^2 + df_{\text{total}} df_{\text{effect}}} \quad \text{and} \quad \hat{\omega}_u^2 = \frac{df_{\text{total}} \hat{\eta}_u^2 - df_{\text{effect}}}{(df_{\text{within}} - df_{\text{total}} df_{\text{effect}}) \hat{\eta}_u^2 + df_{\text{total}} df_{\text{effect}}}, \quad (0.0.24)$$

where  $\hat{\eta}_l$  and  $\hat{\eta}_u$  are computed by Equation (0.0.18), and  $df_{\text{effect}}$ ,  $df_{\text{within}}$ , and  $df_{\text{total}}$  are defined by Equation (0.0.13).

Similar to the point estimation, the confidence limits for  $\epsilon^2$  and  $\omega^2$  could be negative. Still, the negative estimates would directly be outputted with no further manipulations.

### Effect Size for Contrast Test

Let  $\mathbf{c} = (C_1, C_2, \dots, C_k)$  denote the user-supplied coefficients to formulate a contrast in the procedure. Theoretically, a valid contrast should satisfy that  $\sum_{l=1}^k C_l = 0$ . However, in estimating the effect size for the contrast, we simply ignore this restriction, and treat all user-supplied contrasts valid. The following statistics should have already been computed by the existing ONEWAY algorithm for the one-way ANOVA procedure.

Value of the user-supplied contrast:

$$V = \sum_{l=1}^k \bar{T}_l C_l. \quad (0.0.25)$$

Pooled standard deviation for fixed-effect model:

$$S_p = \sqrt{\text{WSSM}}. \quad (0.0.26)$$

Standard error of the user-supplied contrast:

$$S_e = \sqrt{S_p^2 \sum_{l=1}^k C_l^2 / W_l}. \quad (0.0.27)$$

The  $t$  statistic of the user-supplied contrast:

$$t_c = \frac{V}{S_e}. \quad (0.0.28)$$

### Point Estimation

Depending on how to compute the standardizer, there are multiple ways to estimate the effect size for a contrast test [Olejnik and Algina, 2000]. We discuss two popular methods, and support both of them in the design. To facilitate the following presentation, we define  $J(a)$ , a factor proposed by [Hedges, 1981],

$$J(a) = \frac{\Gamma(a/2)}{\sqrt{a/2} \Gamma((a-1)/2)}, \quad (0.0.29)$$

where  $a > 1$ , and  $\Gamma(\cdot)$  denotes the gamma function. To estimate  $J(a)$  in practice, we may first evaluate

$$\log J(a) = \log \Gamma\left(\frac{a}{2}\right) - 0.5 \log \frac{a}{2} - \log \Gamma\left(\frac{a-1}{2}\right), \quad (0.0.30)$$

and then exponentiate it to obtain  $J(a)$ .

### Computing Standardizer Using All Groups

If the evidence supports that the equality of variance assumption is met, it should be preferred to use the pooled standard deviation for all groups as the standardizer. For a particular user-supplied contrast, the Cohen's  $d$  is estimated by

$$d = \frac{V}{S_p}, \quad (0.0.31)$$

where  $V$  and  $S_p$  are estimated by Equation (0.0.25) and (0.0.26), respectively. Note that for a different contrast,  $V$  must be recalculated, but  $S_p$  remains the same. The Hedges'  $g$  is estimated by

$$g = d * J(W - k'), \quad (0.0.32)$$

where  $d$  is estimated by Equation (0.0.31), and  $J(W - k')$  is Equation (0.0.29) evaluated at  $a = W - k'$ .

### Computing Standardizer Using the Groups Involved in the Contrast

An alternative way is to only consider the sample sizes and variances for the groups included in the contrast. For a particular user-supplied contrast  $\mathbf{c} = (C_1, C_2, \dots, C_k)$ , we first estimate the contrast-specific pooled standard deviation

$$S_c = \left[ \frac{\sum_{l=1}^k S_l^2 (W_l - 1) I_{(C_l \neq 0)}}{df_c} \right]^{1/2}, \quad (0.0.33)$$

where

$$df_c = \sum_{l=1}^k (W_l - 1) I_{(C_l \neq 0)}; \quad (0.0.34)$$

$S_l^2$  is estimated by Equation (0.0.5);  $W_l$  is the sum of weights of all cases in group  $l$ ; and  $I_{(C_l \neq 0)}$  is the indicator function which takes 1 if  $C_l \neq 0$ , and 0, otherwise. The Cohen's  $d$  is estimated by

$$d = \frac{V}{S_c}, \quad (0.0.35)$$

where  $V$  and  $S_c$  are estimated by Equation (0.0.25) and (0.0.33), respectively. Note that for a different contrast, both  $V$  and  $S_c$  must be recalculated. The Hedges'  $g$  is estimated by

$$g = d * J(df_c), \quad (0.0.36)$$

where  $df_c$  and  $d$  are estimated by Equation (0.0.34) and (0.0.35), respectively, and  $J(df_c)$  is Equation (0.0.29) evaluated at  $a = df_c$ .

### Interval Estimation

Similar to the point estimation, we discuss the interval estimation in two different scenarios.

### Computing Standardizer Using All Groups

Note that the Cohen's  $d$  follows a noncentral  $t$ -distribution with the noncentrality parameter estimated by

$$\hat{\lambda} = d \sqrt{\tilde{W}}, \quad (0.0.37)$$

where

$$\tilde{W} = \left( \sum_{l=1}^k C_l^2 / W_l \right)^{-1}, \quad (0.0.38)$$

where  $C_l$  is the user-supplied coefficient for group  $l$  to formulate a contrast, and  $W_l$  is the sum of weights of all cases in group  $l$ . The lower and upper confidence limit of  $\lambda$  are<sup>2</sup>

$$\begin{aligned}\hat{\lambda}_l &= \text{FindNCParmT}(\text{funArg} = |t_c|, \text{df} = W - k', \text{prob} = 1 - \alpha/2) \quad \text{and} \\ \hat{\lambda}_u &= \text{FindNCParmT}(\text{funArg} = |t_c|, \text{df} = W - k', \text{prob} = \alpha/2),\end{aligned}\tag{0.0.39}$$

respectively, where  $t_c$  is estimated by Equation (0.0.28) for a particular user-supplied contrast. Thus, the lower and upper confidence limit for the Cohen's  $d$  are

$$d_l = \begin{cases} \hat{\lambda}_l / \sqrt{\tilde{W}} & \text{if } t_c \geq 0 \\ -\hat{\lambda}_u / \sqrt{\tilde{W}} & \text{otherwise} \end{cases} \quad \text{and} \quad d_u = \begin{cases} \hat{\lambda}_u / \sqrt{\tilde{W}} & \text{if } t_c \geq 0 \\ -\hat{\lambda}_l / \sqrt{\tilde{W}} & \text{otherwise} \end{cases},\tag{0.0.40}$$

respectively, where  $\hat{\lambda}_l$  and  $\hat{\lambda}_u$  are computed by Equation (0.0.39),  $\tilde{W}$  is defined by Equation (0.0.38), and  $t_c$  is estimated by Equation (0.0.28). Correspondingly, the lower and upper confidence limit for the Hedges'  $g$  are

$$g_l = d_l * J(W - k') \quad \text{and} \quad g_u = d_u * J(W - k'),\tag{0.0.41}$$

respectively, where  $d_l$  and  $d_u$  are computed by Equation (0.0.40), and  $J(W - k')$  is Equation (0.0.29) evaluated at  $a = W - k'$ .

### Computing Standardizer Using the Groups Involved in the Contrast

Still considering the noncentral  $t$ -distribution, we reevaluate the lower and upper confidence limit of  $\lambda$  by

$$\begin{aligned}\hat{\lambda}_l &= \text{FindNCParmT}(\text{funArg} = |t'_c|, \text{df} = df_c, \text{prob} = 1 - \alpha/2) \quad \text{and} \\ \hat{\lambda}_u &= \text{FindNCParmT}(\text{funArg} = |t'_c|, \text{df} = df_c, \text{prob} = \alpha/2),\end{aligned}\tag{0.0.42}$$

respectively, where, for a particular user-supplied contrast,  $df_c$  is estimated by Equation (0.0.34), and

$$t'_c = \frac{V}{S_c \sqrt{\sum_{l=1}^k C_l^2 / W_l}},\tag{0.0.43}$$

where  $V$  is estimated by Equation (0.0.25);  $S_c$  is estimated by Equation (0.0.33);  $C_l$  is the user-supplied coefficient for group  $l$  to formulate a contrast;  $W_l$  is the sum of weights of all cases in group  $l$ ; and  $I_{(C_l \neq 0)}$  is the indicator function which takes 1 if  $C_l \neq 0$ , and 0, otherwise. Thus, the lower and upper confidence limit for the Cohen's  $d$  are

$$d_l = \begin{cases} \hat{\lambda}_l / \sqrt{\tilde{W}} & \text{if } t'_c \geq 0 \\ -\hat{\lambda}_u / \sqrt{\tilde{W}} & \text{otherwise} \end{cases} \quad \text{and} \quad d_u = \begin{cases} \hat{\lambda}_u / \sqrt{\tilde{W}} & \text{if } t'_c \geq 0 \\ -\hat{\lambda}_l / \sqrt{\tilde{W}} & \text{otherwise} \end{cases},\tag{0.0.44}$$

respectively, where  $\hat{\lambda}_l$  and  $\hat{\lambda}_u$  are computed by Equation (0.0.42). Correspondingly, the lower and upper confidence limit for the Hedges'  $g$  are

$$g_l = d_l * J(df_c) \quad \text{and} \quad g_u = d_u * J(df_c),\tag{0.0.45}$$

respectively, where  $d_l$  and  $d_u$  are computed by Equation (0.0.44);  $df_c$  is estimated by Equation (0.0.34); and  $J(df_c)$  is Equation (0.0.29) evaluated at  $a = df_c$ .

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<sup>2</sup> FindNCParmT finds the noncentrality parameter NC from the equation NonCentralCdfT(funArg, df, NC) = prob, where NonCentralCdfT is cumulative  $t$ -distribution function; funArg is the function argument; df is the degrees of freedom; and prob is the probability. Source code link: [https://github.ibm.com/SPSS/corecomponents/blob/branch-9100/analytic\\_components/shared/cpp/src/mcmath/mcdist.fun.h](https://github.ibm.com/SPSS/corecomponents/blob/branch-9100/analytic_components/shared/cpp/src/mcmath/mcdist.fun.h)

# One-way ANOVA contrasts confidence intervals

## Introduction

This document discusses the estimation of the confidence intervals for the one-way ANOVA contrasts. The newly-design output will be integrated to the Contrast Tests table in the ONEWAY procedure.

## Notations

The following notations will be used in Section unless otherwise stated.

- $i$ : Iteration index used in recursively computing and updating the sum of squares.
- $j$ : Case index.
- $k$ : Number of groups.
- $k'$ : Number of nonempty groups.
- $l$ : Group index.
- $x_{lj}$ : Observed value of variable  $X$  for the  $j$ -th case in group  $l$ .
- $w_{lj}$ : Frequency weight for the  $j$ -th case in group  $l$ .
- $W_l$ : Sum of weights of all cases in group  $l$ .
- $W_{i,j}$ : Sum of weights of the first  $j$  cases in group  $l$ .
- $n_l$ : Number of cases in group  $l$ .
- $W$ : Sum of weights of cases in all groups  $W = \sum_{l=1}^k \sum_{j=1}^{n_l} w_{lj}$ . Note that  $w_{ij}$ 's are rounded to the nearest integer to calculate  $W$ .  $W = \sum_{l=1}^k n_l$  if no weights are present.
- $\alpha$ : The significance level to reflect the type I error.

Let  $\mathbf{c} = (C_1, C_2, \dots, C_k)$  denote the coefficients of a user-supplied contrast. The following statistics should have already been computed by the existing ONEWAY algorithm for the one-way ANOVA procedure.

Corrected sum of squares for each group:

$$SSQ_{l,i} = SSQ_{l,i-1} + \frac{w_{li} \left( x_{li} W_{l,i-1} - \sum_{j=1}^{i-1} w_{lj} x_{lj} \right)^2}{W_{l,i-1} W_{li}}, \quad (0.0.1)$$

where  $SSQ_{l,0} = 0$ , and  $SSQ_{l,i}$  is updated for each  $i = 1, 2, \dots, n_l$ . The corrected sum of squares for each group is the value after the last observation has been processed, or

$$SS_l = SSQ_{l,n_l}. \quad (0.0.2)$$

Sum for each group:

$$T_l = \sum_{j=1}^{n_l} w_{lj} x_{lj}. \quad (0.0.3)$$

Mean for each group:

$$\bar{T}_l = \frac{T_l}{W_l}. \quad (0.0.4)$$

Variance for each group:

$$S_l^2 = SS_l / (W_l - 1). \quad (0.0.5)$$

Within-group sum of squares:

$$\text{WSS} = \sum_{l=1}^k SS_l. \quad (0.0.6)$$

Mean square within groups:

$$\text{WSSM} = \frac{\text{WSS}}{W - k'} . \quad (0.0.7)$$

Value of the user-supplied contrast:

$$V = \sum_{l=1}^k \bar{T}_l C_l . \quad (0.0.8)$$

Pooled standard deviation for fixed-effect model:

$$S_p = \sqrt{\text{WSSM}} . \quad (0.0.9)$$

Standard error of the user-supplied contrast assuming equal variances:

$$S_e = S_p \sqrt{\sum_{l=1}^k C_l^2 / W_l} . \quad (0.0.10)$$

Degrees of freedom assuming equal variances:

$$df = W - k' . \quad (0.0.11)$$

Standard error of the user-supplied contrast not assuming equal variances:

$$S'_e = \sqrt{\sum_{l=1}^k C_l^2 (S_l^2 / W_l)} . \quad (0.0.12)$$

Degrees of freedom not assuming equal variances:

$$df' = \frac{\left( \sum_{l=1}^k C_l^2 S_l^2 / W_l \right)^2}{\sum_{l=1}^k (C_l^2 S_l^2 / W_l)^2 / (W_l - 1)} . \quad (0.0.13)$$

## Estimate Confidence Interval Limits

For each user-supplied contrast  $c$ , if assuming equal variances, we estimate the lower and upper limit of the  $100(1 - \alpha)\%$  confidence interval

$$c_l = V - \text{IDF.T}(1 - \alpha/2, df) * S_e \quad \text{and} \quad c_u = V + \text{IDF.T}(1 - \alpha/2, df) * S_e , \quad (0.0.14)$$

respectively, where  $V$  is estimated by Equation (0.0.8),  $S_e$  is estimated by (0.0.10), and  $df$  is estimated Equation (0.0.11). If not assuming equal variances, we estimate the lower and upper limit of the  $100(1 - \alpha)\%$  confidence interval

$$c'_l = V - \text{IDF.T}(1 - \alpha/2, df') * S'_e \quad \text{and} \quad c'_u = V + \text{IDF.T}(1 - \alpha/2, df') * S'_e , \quad (0.0.15)$$

respectively, where  $V$  is estimated by Equation (0.0.8),  $S'_e$  is estimated by (0.0.12), and  $df'$  is estimated Equation (0.0.13).

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# OPTIMAL BINNING Algorithms

The Optimal Binning procedure performs MDLP (minimal description length principle) discretization of scale variables. This method divides a scale variable into a small number of intervals, or bins, where each bin is mapped to a separate category of the discretized variable.

MDLP is a univariate, supervised discretization method. Without loss of generality, the algorithm described in this document only considers one continuous attribute in relation to a categorical guide variable — the discretization is “optimal” with respect to the categorical guide. Therefore, the input data matrix  $S$  contains two columns, the scale variable  $A$  and categorical guide  $C$ .

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$S$	The input data matrix, containing a column of the scale variable $A$ and a column of the categorical guide $C$ . Each row is a separate observation, or instance.
$A$	A scale variable, also called a continuous attribute.
$S(i)$	The value of $A$ for the $i$ th instance in $S$ .
$N$	The number of instances in $S$ .
$D$	A set of all distinct values in $S$ .
$S_i$	A subset of $S$ .
$C$	The categorical guide, or class attribute; it is assumed to have $k$ categories, or classes.
$T$	A cut point that defines the boundary between two bins.
$T_A$	A set of cut points.
$\text{Ent}(S)$	The class entropy of $S$ .
$E(A, T, S)$	The class entropy of partition induced by $T$ on $A$ .
$\text{Gain}(A, T, S)$	The information gain of the cut point $T$ on $A$ .
$n$	A parameter denoting the number of cut points for the equal frequency method.
$W$	A weight attribute denoting the frequency of each instance. If the weight values are not integer, they are rounded to the nearest whole numbers before use. For example, 0.5 is rounded to 1, and 2.4 is rounded to 2. Instances with missing weights or weights less than 0.5 are not used.

## Simple MDLP

This section describes the supervised binning method (MDLP) discussed in Fayyad and Irani (1993).

### Class Entropy

Let there be  $k$  classes  $C_1, \dots, C_k$  and let  $P(C_i, S)$  be the proportion of instances in  $S$  that have class  $C_i$ . The class entropy  $\text{Ent}(S)$  is defined as

$$Ent(S) = - \sum_{i=1}^k P(C_i, S) \log_2(P(C_i, S))$$

### Class Information Entropy

For an instance set  $S$ , a continuous attribute  $A$ , and a cut point  $T$ , let  $S_1 \subset S$  be the subset of instances in  $S$  with the values of  $A \leq T$ , and  $S_2 = S - S_1$ . The class information entropy of the partition induced by  $T$ ,  $E(A, T; S)$ , is defined as

$$E(A, T; S) = \frac{|S_1|}{|S|} Ent(S_1) + \frac{|S_2|}{|S|} Ent(S_2)$$

### Information Gain

Given a set of instances  $S$ , a continuous attribute  $A$ , and a cut point  $T$  on  $A$ , the information gain of a cut point  $T$  is

$$Gain(A, T; S) = Ent(S) - E(A, T; S)$$

### MDLP Acceptance Criterion

The partition induced by a cut point  $T$  for a set  $S$  of  $N$  instances is accepted if and only if

$$Gain(A, T; S) > \frac{\log_2(N-1)}{N} + \frac{\Delta(A, T; S)}{N}$$

and it is rejected otherwise.

Here  $\Delta(A, T; S) = \log_2(3^k - 2) - [k \cdot Ent(S) - k_1 Ent(S_1) - k_2 Ent(S_2)]$  in which  $k_i$  is the number of classes in the subset  $S_i$  of  $S$ .

*Note:* While the MDLP acceptance criterion uses the association between  $A$  and  $C$  to determine cut points, it also tries to keep the creation of bins to a small number. Thus there are situations in which a high association between  $A$  and  $C$  will result in no cut points. For example, consider the following data:

$D$	Class	
	2	3
1	1	0
2	0	6

Then the potential cut point is  $T = 1$ . In this case:

$$Gain(A, T; S) = 0.5916728$$

$$\frac{\log_2(N-1)}{N} + \frac{\Delta(A, T; S)}{N} = 0.6530774$$

Since  $0.5916728 < 0.6530774$ ,  $T$  is not accepted as a cut point, even though there is a clear relationship between  $A$  and  $C$ .

### Algorithm: BinaryDiscretization

1. Calculate  $E(A, d_i; S)$  for each distinct value  $d_i \in D$  for which  $d_i$  and  $d_{i+1}$  do not belong to the same class. A distinct value belongs to a class if all instances of this value have the same class.
2. Select a cut point  $T$  for which  $E(A, T; S)$  is minimum among all the candidate cut points, that is,
 
$$T = \arg \min_{d_i} E(A, d_i; S)$$

### Algorithm: MDLPCut

1. BinaryDiscretization( $A, T; D, S$ ).
2. Calculate Gain( $A, T; S$ ).
3. If  $Gain(A, T; S) > \frac{\log_2(N-1)}{N} + \frac{\Delta(A, T; S)}{N}$  then
  - a)  $T_A = T_A \cup T$
  - b) Split  $D$  into  $D_1$  and  $D_2$ , and  $S$  into  $S_1$  and  $S_2$ .
  - c) MDLPCut( $A, T_A; D_1, S_1$ ).
  - d) MDLPCut( $A, T_A; D_2, S_2$ ). where  $S_1 \subset S$  be the subset of instances in  $S$  with  $A$ -values  $\leq T$ , and  $S_2 = S - S_1$ .  $D_1$  and  $D_2$  are the sets of all distinct values in  $S_1$  and  $S_2$ , respectively.

Also presented is the iterative version of MDLPCut( $A, T_A; D, S$ ). The iterative implementation requires a stack to store the  $D$  and  $S$  remaining to be cut.

First push  $D$  and  $S$  into *stack*. Then, while ( $stack \neq \emptyset$ ) do

1. Obtain  $D$  and  $S$  by popping *stack*.
2. BinaryDiscretization( $A, T; D, S$ ).
3. Calculate Gain( $A, T; S$ ).
4. If  $Gain(A, T; S) > \frac{\log_2(N-1)}{N} + \frac{\Delta(A, T; S)}{N}$  then
  - i)  $T_A = T_A \cup T$
  - ii) Split  $D$  into  $D_1$  and  $D_2$ , and  $S$  into  $S_1$  and  $S_2$ .
  - iii) Push  $D_1$  and  $S_1$  into *stack*.
  - iv) Push  $D_2$  and  $S_2$  into *stack*.

*Note:* In practice, all operations within the algorithm are based on a global matrix  $M$ . Its element,  $m_{ij}$ , denotes the total number of instances that have value  $d_i \in D$  and belong to the  $j$ th class in  $S$ . In addition,  $D$  is sorted in ascending order. Therefore, we do not need to push  $D$  and  $S$  into *stack*, but only two integer numbers, which denote the bounds of  $D$ , into *stack*.

### **Algorithm: SimpleMDLP**

1. Sort the set  $S$  with  $N$  instances by the value  $A$  in ascending order.
2. Find a set of all distinct values,  $D$ , in  $S$ .
3.  $T_A = \emptyset$ .
4. MDLPCut( $A, T_A; D, S$ )
5. Sort the set  $T_A$  in ascending order, and output  $T_A$ .

### **Hybrid MDLP**

When the set  $D$  of distinct values in  $S$  is large, the computational cost to calculate  $E(A, d_i; S)$  for each  $d_i \in D$  is large. In order to reduce the computational cost, the unsupervised equal frequency binning method is used to reduce the size of  $D$  and obtain a subset  $D_{ef} \in D$ . Then the MDLPCut( $A, T_A; D_s, S$ ) algorithm is applied to obtain the final cut point set  $T_A$ .

### **Algorithm: EqualFrequency**

It divides a continuous attribute  $A$  into  $n$  bins where each bin contains  $N/n$  instances.  $n$  is a user-specified parameter, where  $1 < n < N$ .

1. Sort the set  $S$  with  $N$  instances by the value  $A$  in ascending order.
2.  $D_{ef} = \emptyset$
3.  $j=1$ .
4. Use the empirical percentile method to generate the  $d_{p,i}$  which denote the  $(\frac{i \cdot N}{n} \times 100)$ th percentiles.
5.  $D_{ef} = D_{ef} \cup d_{p,i}; i=i+1$
6. If  $i \leq n$ , then go to step 4.
7. Delete the duplicate values in the set  $D_{ef}$ .

*Note:* If, for example, there are many occurrences of a single value of  $A$ , the equal frequency criterion may not be met. In this case, no cut points are produced.

### **Algorithm: HybridMDLP**

1.  $D = \emptyset$ ;

2. EqualFrequency( $A, n, D; S$ ).
3.  $T_A = \emptyset$ .
4. MDLPCut( $A, T_A; D, S$ ).
5. Output  $T_A$ .

## Model Entropy

The model entropy is a measure of the predictive accuracy of an attribute  $A$  binned on the class variable  $C$ . Given a set of instances  $S$ , suppose that  $A$  is discretized into  $I$  bins given  $C$ , where the  $i$ th bin has the value  $A_i$ . Letting  $S_i \subset S$  be the subset of instances in  $S$  with the value  $A_i$ , the model entropy is defined as:

$$E_m = \sum_{i=1}^I P(A_i) \left( - \sum_{j=1}^J P(C_j|A_i) \log_2 P(C_j|A_i) \right)$$

where  $P(A_i) = \frac{|S_i|}{|S|}$  and  $P(C_j|A_i) = \frac{P(C_j, A_i)}{P(A_i)} = P(C_j, S_i)$ .

## Merging Sparsely Populated Bins

Occasionally, the procedure may produce bins with very few cases. The following strategy deletes these pseudo cut points:

- ▶ For a given variable, suppose that the algorithm found  $n_{\text{final}}$  cut points, and thus  $n_{\text{final}}+1$  bins. For bins  $i = 2, \dots, n_{\text{final}}$  (the second lowest-valued bin through the second highest-valued bin), compute
 
$$\frac{\text{sizeof}(b_i)}{\min(\text{sizeof}(b_{i-1}), \text{sizeof}(b_{i+1}))}$$
 where  $\text{sizeof}(\text{bin})$  is the number of cases in the bin.
- ▶ When this value is less than a user-specified merging threshold,  $b_i$  is considered sparsely populated and is merged with  $b_{i-1}$  or  $b_{i+1}$ , whichever has the lower class information entropy. For more information, see the topic ‘‘Class Information Entropy’’.

The procedure makes a single pass through the bins.

## Example

The following example shows the process of simple MDLP using an artificial data set  $S$  with 250 instances.  $S$  is not shown here, but can be reconstructed (sorted in ascending order of values of  $A$ ) from the matrix  $M$  below.

First, sort  $S$  by the value of  $A$  in ascending order. Then find a set,  $D$ , of all distinct values in  $S$ .

$|D| = 46$ .

$D = \{-2.6, -2.4, -2.1, -2, -1.9, -1.8, -1.7, -1.6, -1.5, -1.4, -1.3, -1.2, -1.1, -1, -0.9, -0.8, -0.7, -0.6, -0.5, -0.4, -0.3, -0.2, -0.1, 0, 0.1, 0.2, 0.3, 0.4, 0.5, 0.6, 0.7, 0.8, 0.9, 1, 1.1, 1.2, 1.3, 1.4, 1.5, 1.6, 1.7, 1.8, 1.9, 2, 2.1, 2.3\}$

Compute the frequencies of instances with respect to each class for each distinct value  $d_i \in D$  and construct a matrix  $M$ . Its element,  $m_{ij}$ , denotes the total number of instances that have value  $d_i$  and belong to the  $j$ th class.

Table 72-1  
2-Dimensional matrix  $M$

$D$	Class				$D$	Class			
	0	1	2	3		0	1	2	3
-2.6	0	1	0	0	0	0	0	0	14
-2.4	0	1	0	0	0.1	0	0	0	6
-2.1	0	2	0	0	0.2	0	0	0	10
-2	0	0	2	0	0.3	0	0	0	14
-1.9	0	0	2	0	0.4	0	0	0	12
-1.8	0	0	3	0	0.5	0	0	0	4
-1.7	0	0	2	0	0.6	0	0	0	9
-1.6	0	0	3	0	0.7	0	0	0	5
-1.5	0	0	3	0	0.8	0	0	0	3
-1.4	0	0	2	0	0.9	0	0	0	10
-1.3	0	0	4	0	1	3	0	0	0
-1.2	0	0	3	0	1.1	8	0	0	0
-1.1	0	0	3	0	1.2	5	0	0	0
-1	0	0	8	0	1.3	7	0	0	0
-0.9	0	0	6	0	1.4	2	0	0	0
-0.8	0	0	7	0	1.5	2	0	0	0
-0.7	0	0	13	0	1.6	3	0	0	0
-0.6	0	0	8	0	1.7	3	0	0	0
-0.5	0	0	4	0	1.8	4	0	0	0
-0.4	0	0	6	0	1.9	4	0	0	0
-0.3	0	0	7	0	2	2	0	0	0
-0.2	0	0	13	0	2.1	2	0	0	0
-0.1	0	0	14	0	2.3	1	0	0	0

$MDLPCut(A, T_A; D, S)$

Calculate  $E(A, d_i; S)$  for each  $d_i \in D$  for which  $d_i$  and  $d_{i+1}$  do not belong to the same class.

$d_i$	-2.1	-0.1	0.9
$E(A, d_i; D, S)$	1.4742	0.5955	0.9038
$T_A = \{-0.1\}$			

$D_1 = \{-2.6, -2.4, -2.1, -2, -1.9, -1.8, -1.7, -1.6, -1.5, -1.4, -1.3, -1.2, -1.1, -1, -0.9, -0.8, -0.7, -0.6, -0.5, -0.4, -0.3, -0.2, -0.1\}$

$S_1 = \{\text{all instances with } A\text{-values} \leq -0.1\}$

$D_2 = \{ 0, 0.1, 0.2, 0.3, 0.4, 0.5, 0.6, 0.7, 0.8, 0.9, 1, 1.1, 1.2, 1.3, 1.4, 1.5, 1.6, 1.7, 1.8, 1.9, 2, 2.1, 2.3 \}$

$S_2 = \{ \text{all instances with } A\text{-values} > -0.1 \}$

Calculate  $E(A, d_i; S_1)$  for each  $d_i \in D_1$  for which  $d_i$  and  $d_{i+1}$  do not belong to the same class.

$d_i$	-2.1
$E(A, d_i; D_1, S_1)$	0.0
$T_A = \{-0.1, -2.1\}$	

$D_{1,1} = \{-2.6, -2.4, -2.1\}$

$S_{1,1} = \{ \text{all instances with } A\text{-values between } -2.6 \text{ and } -2.1 \}$

$D_{1,2} = \{-2, -1.9, -1.8, -1.7, -1.6, -1.5, -1.4, -1.3, -1.2, -1.1, -1, -0.9, -0.8, -0.7, -0.6, -0.5, -0.4, -0.3, -0.2, -0.1\}$

$S_{1,2} = \{ \text{all instances with } A\text{-values between } -2 \text{ and } -0.1 \}$

All instances in  $S_{1,1}$  belong to the same class, thus  $S_{1,1}$  can't be split further.

All instances in  $S_{1,2}$  belong to the same class, thus  $S_{1,2}$  can't be split further.

Calculate  $E(A, d_i; S_2)$  for each  $d_i \in D_2$  for which  $d_i$  and  $d_{i+1}$  do not belong to the same class.

$d_i$	0.9
$E(A, d_i; D_2, S_2)$	0.0
$T_A = \{-0.1, -2.1, 0.9\}$	

$D_{2,1} = \{0, 0.1, 0.2, 0.3, 0.4, 0.5, 0.6, 0.7, 0.8, 0.9\}$

$S_{2,1} = \{ \text{all instances with } A\text{-values between } 0 \text{ and } 0.9 \}$

$D_{2,2} = \{1, 1.1, 1.2, 1.3, 1.4, 1.5, 1.6, 1.7, 1.8, 1.9, 2, 2.1, 2.3\}$

$S_{2,2} = \{ \text{all instances with } A\text{-values between } 1 \text{ and } 2.3 \}$

All instances in  $S_{2,1}$  belong to the same class, thus  $S_{2,1}$  can't be split further.

All instances in  $S_{2,2}$  belong to the same class, thus  $S_{2,2}$  can't be split further.

## References

Fayyad, U., and K. Irani. 1993. Multi-interval discretization of continuous-value attributes for classification learning. In: *Proceedings of the Thirteenth International Joint Conference on Artificial Intelligence*, San Mateo, CA: Morgan Kaufmann, 1022–1027.

Dougherty, J., R. Kohavi, and M. Sahami. 1995. Supervised and unsupervised discretization of continuous features. In: *Proceedings of the Twelfth International Conference on Machine Learning*, Los Altos, CA: Morgan Kaufmann, 194–202.

Liu, H., F. Hussain, C. L. Tan, and M. Dash. 2002. Discretization: An Enabling Technique. *Data Mining and Knowledge Discovery*, 6, 393–423.

# ORTHOPLAN Algorithms

This procedure generates an orthogonal main-effects design. It will find the smallest orthogonal plan to fit the factors having at least as many combinations as requested.

## Selecting the Plan

From a library of prepared plans, select the shortest plan that can be adapted to the design and that satisfies the minimum size requirement provided by the user. If no plan exists that satisfies the minimum size requirement, pick the largest plan that can be adapted.

## Adapting the Prepared Plans

### Generating Multiple Factors from One Column

A four-level factor can be transformed into three two-level factors using the rule in the following table.

Table 73-1  
Converting a four-level factor to three two-level factors

Original Code	A	B	C
0	0	0	0
1	0	1	1
2	1	0	1
3	1	1	0

An eight-level factor can be transformed into seven two-level factors using the rule in the following table.

Table 73-2  
Converting an eight-level factor to seven two-level factors

Original Code	A	B	C	D	E	F	G
0	0	0	0	0	0	0	0
1	1	0	0	1	1	0	1
2	0	1	0	1	0	1	1
3	1	1	0	0	1	1	0
4	0	0	1	0	1	1	1
5	1	0	1	1	0	1	0
6	0	1	1	1	1	0	0
7	1	1	1	0	0	0	1

A nine-level factor can be transformed into four three-level factors using the rule in the following table.

Table 73-3  
Converting a nine-level factor to four three-level factors

Original Code	A	B	C	D
0	0	0	0	0

Original Code	A	B	C	D
1	0	1	1	2
2	0	2	2	1
3	1	0	1	1
4	1	1	2	0
5	1	2	0	2
6	2	0	2	2
7	2	1	0	1
8	2	2	1	0

**Changing the Number of Levels in a Column**

Any factor of  $m$  levels can be transformed into a factor of  $n < m$  levels by many-to-one mappings without changing its orthogonality. Any mapping can be used;  $i \bmod n$  is used here.

**Library of Prepared Plans**

This section describes previously developed plans.

**Plackett-Burman Plans**

Plackett and Burman (1946) describe a series of plans that can be generated from a single column by rotation. The general algorithm for generating any of these plans is:

- Let  $L$  be the number of levels for which the plan is designed. No factor in the specific design can have more than  $L$  levels.
- Let  $N$  be the number of rows (combinations) finally to be generated. Note that  $N=F+1$  where  $F$  is defined below.
- Starting with a given column of  $N-1$  level codes, rotate one position to generate each new column.
- Finally, add a row of zeroes.

$\frac{(N-1)}{(L-1)}$  orthogonal columns can be generated in this fashion.

The Plackett-Burman plans used here are designated  $PBL.F$ , where  $L$  is the maximum number of levels and  $F$  is the number of factors:

Label	Generating Column
PB 2.7	11101 00
PB 2.11	11011 10001 0
PB 2.15	11110 10110 01000
PB 2.19	11001 11101 01000 0110
PB 2.23	11111 01011 0110 01010 000
PB 2.31	00001 01011 10110 00111 11001 10100 1
PB 2.35	01011 10001 11110 111 00 10000 10101 10010
PB 2.43	11001 01001 11011 11100 01011 10000 01000 11010 110

Label	Generating Column
PB 2.47	11111 01111 00101 01110 01001 10110 00101 01100 00100 00
PB 2.59	11011 10101 00100 11101 11100 11111 00000 11000 01000 11011 01010 0010
PB 3.4	01220 211
PB 3.13	00101 21120 11100 20212 21022 2
PB 3.40	01111 20121 12120 20221 10201 10012 22021 00200 02222 10212 21210 10112 20102 20021 11012 00100
PB 5.6	04112 10322 42014 43402 3313
PB 7.8	01262 21605 32335 20413 11430 65155 61024 54425 03646 634

### Addelman Plans

Addelman (1961) described general methods for generating orthogonal main effects plans. That paper included a number of such designs, and using those methods, the authors generated more.

Table 73-4  
18 rows, 7 columns of 3 levels each

0000000	0021011
0112111	0100122
0221222	0212200
1011120	1002221
1120201	1111002
1202012	1220110
2022102	2010212
2101210	2122020
2210021	2201101

Table 73-5  
8 rows, 1 column of 4 levels plus 4 columns of 2 levels

0	0000
0	1111
1	0011
1	1100
2	0101
2	1010
3	0110
3	1001

Table 73-6  
16 rows, 5 columns of 4 levels each

00000	02231
10111	12320
20222	22013
30333	32102
01123	03312
11032	13203

21301  
31210

23130  
33021

Table 73-7  
32 rows, 9 columns of 4 levels each

000000000  
011231111  
022312222  
033123333  
101111032  
110320123  
123203210  
132032301  
202223102  
213012013  
220131320  
231300231  
303332130  
312103021  
321020312  
330211203

002130213  
013301302  
020222031  
031013120  
103021221  
112210330  
121333003  
130102112  
200313311  
211122200  
222001133  
233230022  
301202323  
310033232  
323110101  
332321010

Table 73-8  
64 rows, 21 columns of 4 levels each

00000000000000000000  
111111111111111100000  
22222222222222200000  
33333333333333300000  
123012301230123012301  
032103210321032112301  
301230123012301212301  
210321032103210312301  
231023102310231023102  
320132013201320123102  
013201320132013223102  
102310231023102323102  
312031203120312031203  
203120312031203131203  
130213021302130231203  
021302130213021331203  
000111122223333011110  
111000033332222111110  
222333300001111211110  
333222211110000311110  
123103223013210003211  
032012332102301103211

000222233331111022220  
111333322220000122220  
22200001111333322220  
333111100002222322220  
123230132101032030121  
032321023010123130121  
301012310323210230121  
210103201232301330121  
231201331021320001322  
320310220130231101322  
013023113203102201322  
102132002312013301322  
312213030211203013023  
203302121300312113023  
130031212033021213023  
021120303122130313023  
000333311112222033330  
111222200003333133330  
222111133330000233330  
333000022221111333330  
123321010322301021031  
032230101233210121031

301321001231032203211  
 210230110320123303211  
 231132020133102032012  
 3200231310220131 32012  
 013310202311320232012  
 102201313200231332012  
 312120321303021020313  
 203031230212130120313  
 130302103121203220313  
 021213012030312320313

301103232100123221031  
 210012323011032321031  
 231310213202013010232  
 3202013023131021 10232  
 013132031020231210232  
 102023120131320310232  
 312302112032130002133  
 203213003123021102133  
 130120330210312202133  
 021031221301203302133

Table 73-9  
 16 rows, 1 column of 8 levels plus 8 columns of 2 levels

0	00000000	0	11111111
1	01010101	1	10101010
2	00001111	2	11110000
3	01011010	3	10100101
4	00111100	4	11000011
5	01101001	5	10010110
6	00110011	6	11001100
7	01100110	7	10011001

Table 73-10  
 31 rows, 1 column of 8 levels plus 8 columns of 4 levels

0	00000000	0	22222222
1	01230123	1	23012301
2	02021313	2	20203131
3	03211230	3	21033012
4	00113322	4	22331100
5	01323201	5	23101023
6	02132031	6	20310213
7	03302112	7	21120330
0	11111111	0	33333333
1	10321032	1	32103210
2	13130202	2	31312020
3	12300321	3	30122103
4	11002233	4	33220011
5	10232310	5	32010132
6	13023120	6	31201302
7	12213003	7	30031221

Table 73-11  
 64 rows, 9 columns of 8 levels each

00000000	20222222	40444444	60666666
011234567	213016745	415670123	617452301
022456713	220647531	426021357	624203175
033651274	231473056	437215630	635037412

044517326	246735104	440153762	642371540
055723641	257501463	451367205	653145927
066172435	264350617	462536071	660714253
077346152	275164370	473702516	671520734
101111111	303333333	505555555	707777777
110325476	312107654	514761032	7165432210
123574602	321756420	527130246	725312064
132140365	330562147	536304721	734126503
145406237	347624015	541042673	743260451
154632750	356410572	550276314	752054136
167063524	356241706	563427160	761605342
176257043	374075261	572613407	770481625

Table 73-12  
27 rows, 1 column of 9 levels plus 9 columns of 3 levels

0	00000000	3	011001111	6	022002222
0	112121212	3	120122020	6	101120101
0	221212121	3	202210202	6	210211010
1	000111122	4	011112200	7	022110011
1	112202001	4	120200112	7	101201220
1	221020210	4	202021021	7	210022102
2	000222211	5	011220022	8	022221100
2	112010120	5	120011201	8	101012012
2	221101002	5	202102110	8	210100221

Table 73-13  
81 rows, 10 columns of 9 levels each

000000000	0336258147	0663174285
101111111	1347036258	1674285063
202222222	2358147036	2685063174
303333333	3360582471	3606417528
404444444	4371360582	4617528306
505555555	5382471360	5628306417
606666666	6303825714	6630741852
707777777	7314603825	7641852630
808888888	8325714603	8652630741
0112345678	0448561723	0775426831
1120453786	1456372804	1783507642
2101534867	2437480615	2764318750
3145678012	3472804156	3718750264
4153786120	4480615237	4726831075
5134867201	5461723048	5707642183
6178012345	6415237480	6742183507
7186120453	7423048561	7750264318
8167201534	8404156372	8731075426
0221687354	0557813462	0884732516

1202768435	1538624570	1865840327
2210876543	2546705381	2873651408
3254021687	3581246705	3827165840
4235102768	4562057813	4808273651
5243210876	5570138624	5816084732
6287354021	6524570138	6851408273
7268435102	7505381246	7832516084
8276543210	8513462057	8840327165

### Decision Rules

Each value of  $L$  (the maximum number of levels in the design) has a distinct decision rule. In their descriptions, the following notation is used:

$M$	The user-supplied minimum number of rows desired in the plan
$F$	The number of factors in the design

#### $L = 2$

If all factors have two levels, simply select the smallest two-level Plackett-Burman plan for which  $N_{plan} \geq \max(M, F + 1)$

#### $L = 3$

Let  $P$  = the number of factors with more than two levels, and let  $K = F + 2P$ .

If  $M < 9$  and  $F < 6$  and  $P < 2$ , base the plan on Table 73-5 “8 rows, 1 column of 4 levels plus 4 columns of 2 levels”.

If  $M < 10$  and  $F < 5$ , base the plan on PB 3.4.

Otherwise, if  $M < 17$  and  $K < 16$ , base it on Table 73-6 “16 rows, 5 columns of 4 levels each”.

Otherwise, if  $M < 19$  and  $K < 8$ , base it on Table 73-4 “18 rows, 7 columns of 3 levels each”.

Otherwise, if  $M < 28$  and  $K < 14$ , base it on PB 3.13.

Otherwise, if  $M < 65$  and  $K < 22$ , use the rules for  $L = 4$ .

Otherwise, if  $F < 41$ , base the plan on PB 3.40.

If  $F > 40$ , there are too many factors.

#### $L = 4$

Let  $P$  = the number of factors with more than two levels, and let  $K = F + 2P$ .

If  $M < 9$  and  $F < 6$  and  $P < 2$ , base the plan on Table 73-5 “8 rows, 1 column of 4 levels plus 4 columns of 2 levels”.

Otherwise, if  $M < 17$  and  $K < 15$ , base it on Table 73-6 “16 rows, 5 columns of 4 levels each”.

Otherwise, if  $M < 26$  and  $K < 19$ , base it on PB 5.6.

Otherwise, if  $M < 33$  and  $K < 28$ , base it on Table 73-7 “32 rows, 9 columns of 4 levels each”.

Otherwise, if  $M < 49$  and  $K < 23$ , use the rules for  $L=7$ .

Otherwise, if  $K < 64$ , base the plan on Table 73-8 “64 rows, 21 columns of 4 levels each”.

Otherwise, there are too many factors.

A four-level factor can be transformed into three two-level factors using the rule in Table 73-1 “Converting a four-level factor to three two-level factors”.

#### **$L = 5$**

Create a plan based on the  $L=7$  rules.

If that plan has 26 or more rows and  $M < 26$  and  $F < 7$ , base the plan on PB 5.6.

Otherwise, use the plan generated in step 1.

#### **$L = 6$**

Treat this case as  $L=7$ .

#### **$L = 7$**

Generate the best plan based on  $L=8$ .

If that plan has more than 49 rows and  $M < 50$  and  $F < 9$ , base the plan on PB 7.8.

Otherwise, use the plan generated in step 1.

#### **$L = 8$**

Let  $P$  be the number of factors with more than two levels, and  $Q$  be the number of factors with more than four levels.

If  $M < 17$  and  $F < 10$  and  $P < 2$ , then base the plan on Table 73-9 “16 rows, 1 column of 8 levels plus 8 columns of 2 levels”.

Otherwise, if  $M < 28$  and  $F < 11$  and only one factor has more than three levels, base the plan on the  $L=9$  rules.

Otherwise, if  $M < 33$  and  $Q < 2$  and  $F + 2P + 4Q < 32$ , base the plan on Table 73-10 “31 rows, 1 column of 8 levels plus 8 columns of 4 levels”.

Otherwise, if  $M < 65$  and  $F + 6P < 64$ , base it on Table 73-11 “64 rows, 9 columns of 8 levels each”.

Otherwise, base the plan on the  $L=9$  rules.

An eight-level factor can be transformed into seven two-level factors using the rule in Table 73-2 “Converting an eight-level factor to seven two-level factors”.

### **$L = 9$**

Let  $P$  be the number of factors with more than three levels, and  $K = F + 3P$ .

If  $M < 28$  and  $F < 11$  and  $P < 2$ , then base the plan on Table 73-12 “27 rows, 1 column of 9 levels plus 9 columns of 3 levels”.

Otherwise, if  $K < 41$ , base it on Table 73-13 “81 rows, 10 columns of 9 levels each”.

Otherwise, there are too many factors.

A nine-level factor can be transformed into four three-level factors using the rule in Table 73-3 “Converting a nine-level factor to four three-level factors”.

## **Randomization**

After a basic plan has been selected, columns are selected at random (if possible) to fit the given design. If the basic plan is asymmetric; that is, one column has more levels than the others, then the factor in the plan with many levels must be assigned to the factor in the design with many levels, and the remaining plan factors must be assigned randomly to the remaining design factors.

If factors are to be transformed into multiple factors (for example, eight-level factors transformed into two-level factors), you can randomly assign columns from the plan to design factors with many levels first, then transform the remaining columns, and then select from the transformed columns at random the columns needed.

## **References**

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# OVERALS Algorithms

The OVERALS algorithm was first described in Gifi (1981) and Van der Burg, De Leeuw and Verdegaal (1984); also see Verdegaal (1986), Van de Geer(1987), Van der Burg, De Leeuw and Verdegaal (1988), and Van der Burg (1988). Characteristic features of OVERALS, conceived by De Leeuw (1973), are the partitioning of the variables into  $K$  sets and the ability to specify any of a number of measurement levels for each variable separately. Analogously to the situation in multiple regression and canonical correlation analysis, OVERALS focuses on the relationships between sets; any particular variable contributes to the results only inasmuch as it provides information that is independent of the other variables in the same set.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$n$	Number of cases (objects)
$m$	Number of variables
$p$	Number of dimensions
$K$	Number of sets

For variable  $j$ ;  $j = 1, \dots, m$

$k_j$	Number of valid categories (distinct values) of variable $j$
$\mathbf{G}_j$	Indicator matrix for variable $j$ , of order $n \times k_j$

$$g_{(j)ir} = \begin{cases} 1 & \text{when the } i\text{th object is in the } r\text{th category of variable } j \\ 0 & \text{when the } i\text{th object is not in the } r\text{th category of variable } j \end{cases}$$

$\mathbf{D}_j$	Diagonal matrix, containing the univariate marginals; that is, the column sums of $\mathbf{G}_j$
----------------	--

For set  $k$ ;  $k = 1, \dots, K$

$J(k)$	Index set of the variables that belong to set $k$ (so that you can write $j \in J(k)$ )
$\mathbf{m}_k$	Number of variables in set $k$ (number of elements in $J(k)$ )
$\mathbf{M}_j$	Binary diagonal $n \times n$ matrix, with diagonal elements defined as

$$m_{(j)ii} = \begin{cases} 1 & \text{when the } i\text{th observation is within the range } [1, k_j] \text{ for all } j \in J(k) \\ 0 & \text{when the } i\text{th observation outside the range } [1, k_j] \text{ for all } j \in J(k) \end{cases}$$

The quantification matrices and parameter vectors are:

$X$	Object scores, of order $n \times p$
$\mathbf{X}_j$	Auxiliary matrix of order $n \times p$ , with corrected object scores when fitting variable $j$
$\mathbf{Y}_j$	Category quantifications for multiple variables, of order $k_j \times p$
$y_j$	Category quantifications for single variables, of order $k_j$

$\mathbf{a}_j$	Variable weights for single variables, of order $p$
$\mathbf{Q}_k$	Quantified variables of the $k$ th set, of order $n \times m_k$ with columns $\mathbf{q}_j = \mathbf{G}_j \mathbf{y}_j$
$\underline{\mathbf{Y}}$	Collection of multiple and single category quantifications across variables and sets.

*Note:* The matrices  $\mathbf{M}_k$ ,  $\mathbf{G}_j$ ,  $\mathbf{M}_j$ , and  $\mathbf{D}_j$  are exclusively notational devices; they are stored in reduced form, and the program fully profits from their sparseness by replacing matrix multiplications with selective accumulation.

## Objective Function Optimization

The OVERALS objective is to find object scores  $\mathbf{X}$  and a set of  $\underline{\mathbf{Y}}_j$  (for  $j=1, \dots, m$ ) — the underlining indicates that they may be restricted in various ways — so that the function

$$\sigma(\mathbf{X}; \underline{\mathbf{Y}}) = 1/K \sum_k \text{tr} \left[ \left( \mathbf{X} - \sum_{j \in J(k)} \mathbf{G}_j \underline{\mathbf{Y}}_j \right)' \mathbf{M}_k \left( \mathbf{X} - \sum_{j \in J(k)} \mathbf{G}_j \underline{\mathbf{Y}}_j \right) \right]$$

is minimal, under the normalization restriction  $\mathbf{X}' \mathbf{M}_* \mathbf{X} = kn \mathbf{I}$  where  $\mathbf{M}_* = \sum_k \mathbf{M}_k$  and  $\mathbf{I}$  is the  $p \times p$  identity matrix. The inclusion of  $\mathbf{M}_k$  in  $\sigma(\mathbf{X}; \underline{\mathbf{Y}})$  provides the following mechanism for weighting the loss: whenever any of the data values for object  $i$  in set  $k$  falls outside its particular range  $[1, k_j]$ , a circumstance that may indicate either genuine missing values or simulated missing values for the sake of analysis, all other data values for object  $i$  in set  $k$  are disregarded (listwise deletion per set). The diagonal of  $\mathbf{M}_*$  contains the number of “active” sets for each object. The object scores are also centered; that is, they satisfy  $\mathbf{u}' \mathbf{M}_* \mathbf{W} \mathbf{X} = \mathbf{0}$  with  $\mathbf{u}$  denoting an  $n$ -vector with ones.

## Optimal Scaling Levels

The following optimal scaling levels are distinguished in OVERALS:

**Multiple Nominal.**  $\underline{\mathbf{Y}}_j = \mathbf{Y}_j$  (equality restriction only).

**(Single) Nominal.**  $\underline{\mathbf{Y}}_j = \mathbf{y}_j \mathbf{a}'_j$  (equality and rank – one restrictions).

**(Single) Ordinal.**  $\underline{\mathbf{Y}}_j = \mathbf{y}_j \mathbf{a}'_j$  and  $\mathbf{y}_j \in \mathbf{C}_j$  (equality, rank – one, and monotonicity restrictions). The monotonicity restriction  $\mathbf{y}_j \in \mathbf{C}_j$  means that  $\mathbf{y}_j$  must be located in the convex cone of all  $k_j$ -vectors with nondecreasing elements.

**(Single) Numerical.**  $\underline{\mathbf{Y}}_j = \mathbf{y}_j \mathbf{a}'_j$  and  $\mathbf{y}_j \in \mathbf{L}_j$  (equality, rank – one, and linearity restrictions). The linearity restriction  $\mathbf{y}_j \in \mathbf{L}_j$  means that  $\mathbf{y}_j$  must be located in the subspace of all  $k_j$ -vectors that are a linear transformation of the vector consisting of  $k_j$  successive integers.

For each variable, these levels can be chosen independently. The general requirement for all options is that equal category indicators receive equal quantifications. The general requirement for the non-multiple options is  $\underline{\mathbf{Y}}_j = \mathbf{y}_j \mathbf{a}'_j$ ; that is,  $\underline{\mathbf{Y}}_j$  is of rank one; for identification purposes,  $\mathbf{y}_j$  is always normalized so that  $\mathbf{y}'_j \mathbf{D}_j \mathbf{y}_j = n_w$ .

## Optimization

Optimization is achieved by executing the following iteration scheme:

1. Initialization I or II
2. Loop across sets and variables
3. Eliminate contributions of other variables
4. Update category quantifications
5. Update object scores
6. Orthonormalization
7. Convergence test: repeat (2) through (6) or continue
8. Rotation

Steps (1) through (8) are explained below.

### Initialization

#### I. Random

The object scores  $\mathbf{X}$  are initialized with random numbers. Then  $\mathbf{X}$  is normalized so that  $\mathbf{u}' \mathbf{M}_* \mathbf{W} \mathbf{X} = \mathbf{0}$  and  $\mathbf{X}' \mathbf{M}_* \mathbf{X} = kn \mathbf{I}$ , yielding  $\tilde{\mathbf{X}}$ . For multiple variables, the initial category quantifications are set equal to 0. For single variables, the initial category quantifications  $\tilde{\mathbf{y}}_j$  are defined as the first  $k_j$  successive integers normalized in such a way that  $\mathbf{u}' \mathbf{D}_j \tilde{\mathbf{y}}_j = 0$  and  $\tilde{\mathbf{y}}_j' \mathbf{D}_j \tilde{\mathbf{y}}_j = n$ , and the initial variable weights are set equal to 0.

#### II. Nested

In this case, the above iteration scheme is executed twice. In the first cycle, (initialized with initialization I) all single variables are temporarily treated as single numerical, so that for the second, proper cycle, all relevant quantities can be copied from the results of the first one.

### Loop across sets and variables

The next two steps are repeated for  $k=1, \dots, K$  and all  $j \in J(k)$ . During the updating of variable  $j$ , all parameters of the remaining variables are fixed at their current values.

### Eliminate contributions of other variables

For quantifying variable  $j$  in set  $k$ , define the auxiliary matrix

$$\mathbf{V}_{(k)j} = \sum_{j \in J(k)} \mathbf{G}_j \underline{\mathbf{Y}}_j - \mathbf{G}_j \underline{\mathbf{Y}}_j$$

which accumulates the contributions of the other variables in set  $k$ ; then in  $(\mathbf{X} - \mathbf{V}_{(k)j})$ , the contributions of the other variables are eliminated from the object scores. This device enables you to write the loss  $\sigma(\mathbf{X}; \underline{\mathbf{Y}}_j)$  as a function of  $\mathbf{X}$  and  $\underline{\mathbf{Y}}_j$  only:

$$\sigma(\mathbf{X}; \underline{\mathbf{Y}}_j) = \text{constant} + 1/K \text{tr} \left[ ((\mathbf{X} - \mathbf{V}_{(k)j}) - \mathbf{G}_j \underline{\mathbf{Y}}_j)' \mathbf{M}_k ((\mathbf{X} - \mathbf{V}_{(k)j}) - \mathbf{G}_j \underline{\mathbf{Y}}_j) \right]$$

With fixed current values  $\tilde{\mathbf{X}}$  the unconstrained minimum over  $\underline{\mathbf{Y}}_j$  is attained for the matrix

$$\tilde{\mathbf{Y}}_j = \left( \mathbf{G}'_j \mathbf{M}_k \mathbf{G}_j \right)^{-1} \mathbf{G}'_j \mathbf{M}_k (\tilde{\mathbf{X}} - \mathbf{V}_{(k)j})$$

which forms the basis of the further computations. When switching to another variable  $l$  in the same set, the matrix  $\mathbf{V}_{(k)l}$  is not computed from scratch, but updated:

$$\mathbf{V}_{(k)l} \leftarrow \mathbf{V}_{(k)j} + \mathbf{G}_j \underline{\mathbf{Y}}_j - \mathbf{G}_l \underline{\mathbf{Y}}_l$$

#### **Update category quantifications**

For multiple nominal variables, the new category quantifications are simply

$$\underline{\mathbf{Y}}_j^+ = \tilde{\mathbf{Y}}_j$$

For single variables one cycle of an ALS algorithm (De Leeuw et al., 1976) is executed for computing the rank-one decomposition of  $\tilde{\mathbf{Y}}_j$ , with restrictions on the left-hand vector. This cycle starts from the previous category quantification  $\tilde{\mathbf{y}}_j$  with

$$\mathbf{a}_j^+ = \tilde{\mathbf{Y}}_j' \mathbf{D}_j \tilde{\mathbf{y}}_j$$

When the current variable is numerical, we are ready; otherwise we compute

$$\mathbf{y}_j^* = \tilde{\mathbf{Y}}_j \mathbf{a}_j^+.$$

Now, when the current variable is single nominal, you can simply obtain  $\mathbf{y}_j^+$  by normalizing  $\mathbf{y}_j^*$  in the way indicated below; otherwise the variable must be ordinal, and you have to insert the weighted monotonic regression process

$$\mathbf{y}_j^* \leftarrow \text{WMON} \left( \begin{matrix} * \\ \mathbf{y}_j^* \end{matrix} \right).$$

The notation  $\text{WMON}(\cdot)$  is used to denote the weighted monotonic regression process, which makes  $\mathbf{y}_j^*$  monotonically increasing. The weights used are the diagonal elements of  $\mathbf{D}_j$  and the subalgorithm used is the up-and-down-blocks minimum violators algorithm (Kruskal, 1964; Barlow et al., 1972). The result is normalized:

$$\mathbf{y}_j^+ = n_w^{1/2} \mathbf{y}_j^* \left( \mathbf{y}_j^{*'} \mathbf{D}_j \mathbf{y}_j^* \right)^{-1/2}$$

Finally, we set  $\underline{\mathbf{Y}}_j^+ = \mathbf{y}_j^+ \mathbf{a}_j^{+'}$ .

**Update object scores**

First the auxiliary score matrix  $\mathbf{W}$  is computed as

$$\mathbf{W} \leftarrow \mathbf{W} + \mathbf{M}_k \sum_{j \in J(k)} \mathbf{G}_j \underline{\mathbf{Y}}_j^+$$

and centered with respect to  $\mathbf{M}_*$ :

$$\mathbf{X}^* = \left\{ \mathbf{I} - \mathbf{M}_* \mathbf{u} \mathbf{u}' / \mathbf{u}' \mathbf{M}_* \mathbf{u} \right\} \mathbf{W}$$

These two steps yield locally the best updates when there would be no orthogonality constraints.

**Orthonormalization**

The problem is to find an  $\mathbf{M}_*$ -orthonormal  $\mathbf{X}^+$  that is closest to  $\mathbf{M}_*^{-1} \mathbf{X}^*$  in the  $\mathbf{M}_*$ -weighted least squares sense. In OVERALS, this is done by setting

$$\mathbf{X}^+ \leftarrow m^{1/2} \mathbf{M}_*^{-1/2} \text{PROCRU} \left( \mathbf{M}_*^{-1/2} \mathbf{X}^* \right)$$

The notation  $\text{PROCRU}(\ )$  is used to denote the Procrustes orthonormalization process. If the singular value decomposition of the input matrix  $\mathbf{M}_*^{-1/2} \mathbf{X}^*$  is denoted by  $\mathbf{K} \mathbf{\Lambda}' \mathbf{L}'$ , with  $\mathbf{K}' \mathbf{K} = \mathbf{I}$ ,  $\mathbf{L}' \mathbf{L} = \mathbf{I}$ , and  $\mathbf{\Lambda}$  diagonal, then the output matrix  $\mathbf{K} \mathbf{L}' = \mathbf{M}_*^{-1/2} \mathbf{X}^* \mathbf{L} \mathbf{\Lambda}'^{-1} \mathbf{L}'$  satisfies orthonormality in the metric  $\mathbf{M}_*$ . The calculation of  $\mathbf{L}$  and  $\mathbf{\Lambda}$  is based on tridiagonalization with Householder transformations followed by the implicit QL algorithm (Wilkinson, 1965).

**Convergence test**

The difference between consecutive values of  $\Lambda^4$  is compared with the user-specified convergence criterion  $\varepsilon$  - a small positive number. After convergence, the badness-of-fit values is also given. Steps (2) through (6) are repeated as long as the loss difference exceeds  $\varepsilon$ .

**Rotation**

The OVERALS loss function  $\sigma(\mathbf{X}; \underline{\mathbf{Y}})$  is invariant under simultaneous rotations of  $\mathbf{X}$  and  $\underline{\mathbf{Y}}$ . It can be shown that the solution is related to the principal axes of the average projection operator

$$\mathbf{Q}_* = 1 / K \sum_k \mathbf{M}_k \mathbf{Q}_k \left( \mathbf{Q}'_k \mathbf{M}_k \mathbf{Q}_k \right)^{-1} \mathbf{Q}'_k \mathbf{M}_k$$

In order to achieve principal axes orientation, which is useful for purposes of interpretation and comparison, it is sufficient to find a rotation matrix that makes the cross-products of the matrix  $\mathbf{M}_*^{-1/2} \mathbf{X}^*$  diagonal - a matrix identical to the one used in the Procrustes orthonormalization in step (6). In the terminology of that section, we rotate the matrices  $\mathbf{X}^+$ ,  $\underline{\mathbf{Y}}^+$ , and the vectors  $\mathbf{a}_j$  with the matrix  $\mathbf{L}$ . The rotation matrix  $\mathbf{L}$  is taken from the last PROCRU operation as described in step (6).

**Diagnostics**

The following diagnostics are available.

## Maximum Rank

The maximum rank  $\rho_{\max}$  indicates the maximum number of dimensions that can be computed for any dataset (if exceeded, OVERALS adjusts the number of dimensions if possible and issues a message). In general,

$$\rho_{\max} = \begin{cases} \min\{(n-1), r_1, r_2\} & \text{if } K = 2 \\ \min\{(n-1), \max r_k\} & \text{if } K > 2 \end{cases}$$

where the quantities  $r_k$  are defined as

$$r_k = \sum_{j \in JM(k)} k_j + m_{k1} - m_{k2}$$

Here  $m_{k1}$  is the number of multiple variables with no missing values in set  $k$ ,  $m_{k2}$  is the number of single variables in set  $k$ , and  $JM(k)$  is an index set recording which variables are multiple in set  $k$ . Furthermore, OVERALS stops when any one of the following conditions is not satisfied:

1.  $r_k < n_k - 1$
2.  $n_k > 2$
3.  $\sum_k r_k \leq \sum_k (n_k - 1) - (n_{\max} - 1)$

Here  $n_k$  denotes the number of nonmissing objects in set  $k$ , and  $n_{\max}$  denotes the maximum across all of  $n_k$ .

## Marginal Frequencies

The frequencies table gives the univariate marginals and the number of missing values (that is, values that are regarded as out of range for the current analysis) for each variable. These are computed as the column sums of  $\mathbf{D}_j$  and the total sum of  $\mathbf{M}_k$  for  $j \in J(k)$ .

## Fit and Loss Measures

In the Summary of Analysis, loss and fit measures are reported.

### Loss Per Set

This is  $K$  times  $\sigma(\mathbf{X}; \mathbf{Y})$ , partitioned with respect to sets and dimensions; the means per dimension are also given.

### Eigenvalue

The values listed here are 1 minus the means per dimension defined above, forming a partitioning of FIT, which is  $\rho - \sigma(\mathbf{X}; \mathbf{Y})$  when convergence is reached. These quantities are the eigenvalues of  $\mathbf{Q}_*$  defined in section (8).

**Multiple Fit**

This measure is computed as the diagonal of the matrix  $\underline{Y}_j' \underline{D}_j \underline{Y}_j$ , computed for all variables (rows) with dimensions given in the columns.

**Single Fit**

This table gives the squared weights, computed only for variables that are single. The sum of squares of the weights:  $\underline{a}'_j \underline{a}_j$ .

**Single Loss**

Single loss is equal to multiple fit minus single fit for single variables only. It is the loss incurred by the imposition of the rank-one measurement level restrictions.

**Component Loadings (for Single Variables)**

Loadings are the lengths of the projections of the quantified (single) variables onto the object space:  $\underline{q}'_j \underline{X}$ . When there are no missing data, the loadings are equal to the correlations between the quantified variables and the object scores (the principal components).

**Category Quantifications**

**Single Coordinates.** For single variables only:  $\underline{Y}_j = \underline{y}_j \underline{a}'_j$

**Multiple Coordinates.** These are  $\tilde{\underline{Y}}_j$  defined previously; that is, the unconstrained minimizers of the loss function, for multiple variables equal to the category quantifications.

**Category Centroids**

The centroids of all objects that share the same category,  $\underline{D}_j^{-1} \underline{G}'_j \underline{X}$ . Note that they are not necessarily equal to the multiple coordinates.

**Projected Category Centroids**

For single variables only,  $\underline{y}_j \underline{b}'_j$ . These are the points on a line in the direction given by the loadings  $\underline{b}_j$  that result from projection of the category centroids with weights  $\underline{D}_j$ .

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# PARTIAL CORR Algorithms

PARTIAL CORR produces partial correlation coefficients that describe the relationship between two variables while adjusting for the effects of one or more additional variables.

## Notation

The following notation is used throughout this section unless otherwise stated:

Table 75-1

Notation

Notation	Description
$N$	Number of cases
$X_{kl}$	Value of variable $k$ for case $l$
$w_l$	Weight for case $l$
$W_{ij}$	Sum of the weights of cases used in computation of statistics for variable $i$ and $j$
$W_i$	Sum of the weights of cases used in computation of statistics for variable $i$

## Statistics

### Zero-Order Correlations

$$r_{ij} = \frac{\sum_{l=1}^N w_l X_{il} X_{jl} - \left( \sum_{l=1}^N w_l X_{il} \right) \left( \sum_{l=1}^N w_l X_{jl} \right) / W_{ij}}{\sqrt{\left( \sum_{l=1}^N w_l X_{il}^2 - \left( \sum_{l=1}^N w_l X_{il} \right)^2 / W_{ij} \right) \left( \sum_{l=1}^N w_l X_{jl}^2 - \left( \sum_{l=1}^N w_l X_{jl} \right)^2 / W_{ij} \right)}}$$

Noncomputable coefficients are set to system missing. The significance level for  $r_{ij}$  is based on

$$t = r_{ij} \sqrt{\frac{W_{ij} - 2}{1 - r_{ij}^2}}$$

which, under the null hypothesis, is distributed as a  $t$  with  $W_{ij} - 2$  degrees of freedom. By default, one-tailed significance levels are printed.

### Means and Standard Deviations

$$\bar{X}_j = \sum_{i=1}^N w_i X_{ji} / W_j$$
$$S_j = \sqrt{\left( \sum_{i=1}^N w_i X_{ji}^2 - \bar{X}_j^2 W_j \right) / (W_j - 1)}$$

If pairwise deletion is selected, means and standard deviations are based on *all* nonmissing cases. For listwise deletion, only cases with no missing values on any specified variables are included.

### Partial Correlations

Partial correlations are calculated recursively from the lower-order coefficients using

$$r_{ij.k} = \frac{r_{ij} - r_{ki}r_{kj}}{\sqrt{(1 - r_{ki}^2)(1 - r_{kj}^2)}} \text{(first order)}$$

$$r_{ij.kl} = \frac{r_{ij.k} - r_{il.k}r_{jl.k}}{\sqrt{(1 - r_{il.k}^2)(1 - r_{jl.k}^2)}} \text{(second order)}$$

and similarly for higher orders ((Morrison, 1976) p. 94).

If the denominator is less than  $10^{-20}$ , or if any of the lower-order coefficients necessary for calculations are system missing, the coefficient is set to system missing. If a coefficient in absolute value is greater than 1, it is set to system missing. (This may occur with pairwise deletion.)

### Significance Level

The significance level is based on

$$t = r \sqrt{\frac{df}{1 - r^2}}$$

The degrees of freedom are

$$df = M - \theta - 2$$

where  $\theta$  is the order of the coefficient and  $M$  is the minimum sum of weights from which the zero-order coefficients involved in the computations were calculated. Thus, for  $r_{ij.kl}$

$$M = \min(W_{ij}, W_{ki}, W_{kj}, W_{il}, W_{lk}, W_{jl})$$

where  $W_{ij}$  is the sum of weights of the cases used to calculate  $r_{ij}$ . If listwise deletion of missing values (default) was used, all  $W_{ij}$  are equal. By default, the significance level is one-tailed.

### References

Morrison, D. F. 1976. *Multivariate statistical methods*. New York: McGraw-Hill.

# PLS Algorithms

Partial least squares (PLS) regression fits a model for one or more dependent variables based upon one or more predictors. It is especially useful when the predictors exhibit multicollinearity, or there are more predictors than cases.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

Table 76-1

Notation

Notation	Description
$\mathbf{X}$	$N \times n$ design matrix of independent variables, centered and perhaps standardized. Note that there is no intercept term.
$\mathbf{Y}$	$N \times m$ matrix of dependent variables, centered and perhaps standardized
$\mathbf{c}$	$m \times 1$ column vector of weights
$\mathbf{u}$	$N \times 1$ column vector of Y scores
$\mathbf{w}$	$n \times 1$ column vector of weights
$\mathbf{t}$	$N \times 1$ column vector of X scores
$d$	number of PLS factors to extract
$\mathbf{P}$	$n \times 1$ loading vector
$\mathbf{q}$	$m \times 1$ loading vector
$\mathbf{P}$	$n \times d$ loading matrix
$\mathbf{Q}$	$m \times d$ loading matrix
$\mathbf{T}$	$N \times d$ score matrix, $\mathbf{T} = \mathbf{X}\mathbf{W}^*$
$\mathbf{U}$	$N \times d$ score matrix
$\mathbf{W}$	$n \times d$ matrix of X-weights
$\mathbf{W}^*$	$n \times d$ matrix of X-weights in original coordinates; these weights can be directly applied to $\mathbf{X}$ , $\mathbf{W}^* = \mathbf{W}(\mathbf{P}'\mathbf{W})^{-1}$
$\mathbf{C}$	$m \times d$ matrix of Y-weights; these weights can be directly applied to $\mathbf{Y}$ .
$\mathbf{B}$	$n \times m$ matrix of regression parameters, $\mathbf{B} = \mathbf{W}^*\mathbf{C}'$
$\mathbf{E}$	$N \times n$ matrix of residuals, $\mathbf{E} = \mathbf{X} - \mathbf{TP}'$
$\mathbf{F}$	$N \times m$ matrix of residuals, $\mathbf{F} = \mathbf{Y} - \mathbf{UQ}' = \mathbf{Y} - \mathbf{XB}$
<b>DModX</b>	$N \times 1$ vector of distances of $\mathbf{X}$ variables to the model
<b>DModY</b>	$N \times 1$ vector of distances of $\mathbf{Y}$ variables to the model
<b>VIP</b>	$n \times d$ matrix of Variable Importance in the Projection

## Preprocessing

The following steps are performed before the estimation algorithm commences.

### Design Matrix

The design matrix  $\mathbf{X}$  is constructed from the independent variables as in GLM models without an intercept.

### Categorical Variable Encoding

The procedure temporarily recodes categorical dependent variables using one-of- $c$  coding for the duration of the procedure. If there are  $c$  categories of a variable, then the variable is stored as  $c$  vectors, with the first category denoted  $(1,0,\dots,0)$ , the next category  $(0,1,0,\dots,0)$ , ..., and the final category  $(0,0,\dots,0,1)$ .

Categorical dependent variables are represented using dummy coding; that is, simply omit the indicator corresponding to the reference category. In particular, when there is a single dependent variable with exactly two levels, there will be a single indicator, and convergence will occur in a single NIPALS iteration.

### Missing Values

Cases with user- or system-missing values are handled as follows:

**Listwise Deletion.** Only cases with complete values for all  $\mathbf{X}$  and  $\mathbf{Y}$  variables will be used.

### Center and Standardize Variables

Given a matrix of independent variables  $\mathbf{X}$  and of dependent variables  $\mathbf{Y}$  (with the design matrix, categorical variable encoding, and missing values), compute the mean and standard deviation of each variable, and replace  $\mathbf{X}$  with the centered and standardized variates

$\mathbf{X} := (\mathbf{X} - \mu_{\mathbf{X}})\Sigma_{\mathbf{X}}^{-1}$  where  $\Sigma_{\mathbf{X}}$  is a diagonal matrix of standard deviations and  $\mu_{\mathbf{X}}$  is the vector

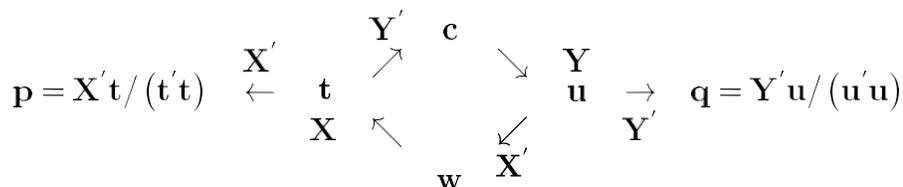
of means; similarly for  $\hat{\mathbf{Y}} := \mathbf{Y}\Sigma_{\mathbf{Y}}^{-1} + \mu_{\mathbf{Y}}$ . This change of coordinates must be reversed after all

components have been extracted;  $\hat{\mathbf{Y}} := \mathbf{Y}\Sigma_{\mathbf{Y}}^{-1} + \mu_{\mathbf{Y}}$ .

### Estimation

When there is only one dependent variable ( $m=1$ ), use the NIPALS algorithm. Only one iteration will be required. When there is more than one dependent variable ( $m>1$ ), solve the equivalent eigenproblem, solving for the vector with the smallest dimension. Use the resulting eigenvector as the input to NIPALS, checking the vector with the greatest length for convergence. (This check may turn out to be unneeded, in which case one iteration of NIPALS will still be needed to obtain all the required vectors.)

This diagram illustrates the relationship between the vectors and matrices used in the NIPALS algorithm, where the vectors should be taken as determined only up to scalar multiples:



### NonLinear Iterative Partial Least Squares (NIPALS) Algorithm

The classical NIPALS algorithm explicitly takes  $\mathbf{c}$  and  $\mathbf{w}$  to have unit norm. In particular, note that if there is only one dependent variable  $\mathbf{Y}$ , then  $\mathbf{c}$  is a  $1 \times 1$  unit vector so  $\mathbf{c} = 1$ , and this will be the most useful starting point: initialize  $\mathbf{u} = \mathbf{Y}$ ; otherwise, initialize  $\mathbf{u}$  or any of the vectors to some random starting value. Also, when  $\mathbf{c} = 1$ , then NIPALS converges in only one iteration.

The following loop may be entered at any point which is most convenient, most especially when  $m = 1$ ,  $\mathbf{c} = 1$ , begin at step 1 with  $\mathbf{u} = \mathbf{Y}$ :

Repeat until convergence:

1.  $\mathbf{w} = \mathbf{X}'\mathbf{u}/(\mathbf{u}'\mathbf{u})$
2.  $\mathbf{w} := \mathbf{w}/\|\mathbf{w}\|$
3.  $\mathbf{t} = \mathbf{X}\mathbf{w}$
4.  $\mathbf{c} = \mathbf{Y}'\mathbf{t}/(\mathbf{t}'\mathbf{t})$
5.  $\mathbf{c} := \mathbf{c}/\|\mathbf{c}\|$
6.  $\mathbf{u} = \mathbf{Y}\mathbf{c}$

Although the NIPALS algorithm will in practice be replaced with the solution of an eigenproblem (see "NIPALS-Equivalent Eigenproblem") the relationships defined in the sequence above will be used to obtain all the matrices and vectors required.

Regress  $\mathbf{X}$  on  $\mathbf{t}$  and  $\mathbf{Y}$  on  $\mathbf{u}$ :

1.  $\mathbf{p} = \mathbf{X}'\mathbf{t}/(\mathbf{t}'\mathbf{t})$
2.  $\mathbf{q} = \mathbf{Y}'\mathbf{u}/(\mathbf{u}'\mathbf{u})$

Deflate  $\mathbf{X}$  and  $\mathbf{Y}$  matrices:

1.  $\mathbf{X} := \mathbf{X} - \mathbf{t}\mathbf{p}'$
2.  $\mathbf{Y} := \mathbf{Y} - \mathbf{t}\mathbf{c}'$  (use  $\mathbf{c}$  from step 4, not step 5, above)

Note that the deflated matrices are the errors  $\mathbf{E}$ ,  $\mathbf{F}$  at that stage.

Repeat  $d$  times, assembling the  $\mathbf{t}$ ,  $\mathbf{p}$ ,  $\mathbf{u}$ ,  $\mathbf{q}$  vectors into matrices to obtain the desired factorizations into scores  $\mathbf{T}$ ,  $\mathbf{U}$ , loadings  $\mathbf{P}$ ,  $\mathbf{Q}$ , weights  $\mathbf{W}$ ,  $\mathbf{C}$ , and residuals  $\mathbf{E}$ ,  $\mathbf{F}$ :

- $\mathbf{X} = \mathbf{TP}' + \mathbf{E}$
- $\mathbf{Y} = \mathbf{UQ}' + \mathbf{F}$

Since the matrices  $\mathbf{X}$ ,  $\mathbf{Y}$  are centered, note that  $(\mathbf{t}'\mathbf{t})^{-1}\mathbf{t}'\mathbf{Y}$  is the normal equation for a regression of  $\mathbf{Y}$  on  $\mathbf{t}$ , likewise  $(\mathbf{u}'\mathbf{u})^{-1}\mathbf{u}'\mathbf{X}$  regresses  $\mathbf{X}$  on  $\mathbf{u}$ . Thus the NIPALS algorithm alternates between regression and projection. If vectors are considered to be determined only up to length, there is no longer any distinction between the two.

The matrix of regression coefficients for predicting  $\mathbf{Y}$  from  $\mathbf{X}$  is given by either any of the following expressions, and is independent of the scalings of  $\mathbf{T}$  and  $\mathbf{U}$ :

$$\begin{aligned} \mathbf{B} &= \mathbf{W}^* \mathbf{C}' \\ \mathbf{B} &= \mathbf{W} (\mathbf{P}' \mathbf{W})^{-1} \mathbf{C}' \\ \mathbf{B} &= \mathbf{X}' \mathbf{U} (\mathbf{T}' \mathbf{X} \mathbf{X}' \mathbf{U})^{-1} \mathbf{T}' \mathbf{Y} \end{aligned}$$

$\mathbf{W}$  and  $\mathbf{C}$  are obtained by assembling the  $\mathbf{w}$  and  $\mathbf{c}$  vectors into  $n \times d$  and  $m \times d$  matrices. This solves the PLS Regression equation:

$$\mathbf{Y} = \mathbf{X}\mathbf{B} + \mathbf{F}$$

Until now the  $\mathbf{X}$  and  $\mathbf{Y}$  matrices have been assumed to be centered, and (optionally) standardized. The parameters  $\mathbf{B}$  and residuals  $\mathbf{E}$  and  $\mathbf{F}$  must be restored to their original coordinates  $\mathbf{B}^* = \Sigma_{\mathbf{X}}^{-1} \mathbf{B} \Sigma_{\mathbf{Y}}$ ,  $\mathbf{E}^* = \mathbf{E} \Sigma_{\mathbf{X}}$ , with the final regression equation in the original coordinates given by  $\hat{\mathbf{Y}} = \mathbf{X}\mathbf{B}^* + (\mu_{\mathbf{Y}} - \mu_{\mathbf{X}} \mathbf{B}^*)$ . Also, the residuals  $\mathbf{F}$  left over after deflating the  $\mathbf{Y}$  matrix should not be used, but are recalculated from the predictions in the centered and rescaled coordinates as  $\mathbf{F} = \mathbf{Y} - \mathbf{X}\mathbf{B}$ ;  $\mathbf{F}^* = \mathbf{F} \Sigma_{\mathbf{Y}}$  in the original coordinates.

### ***NIPALS-Equivalent Eigenproblem***

Regarding the vectors as determined only up to length allows the NIPALS loop to be replaced by an eigenproblem. One can choose to solve any of the following; typically selecting the matrix with the smallest dimension, which will often be the first equation:

$$\begin{aligned} \mathbf{Y}' \mathbf{X} \mathbf{X}' \mathbf{Y} \mathbf{c} &= \lambda \mathbf{c} \\ \mathbf{Y}' \mathbf{Y}' \mathbf{X} \mathbf{X}' \mathbf{u} &= \lambda \mathbf{u} \\ \mathbf{X}' \mathbf{Y}' \mathbf{Y}' \mathbf{X} \mathbf{w} &= \lambda \mathbf{w} \\ \mathbf{X} \mathbf{X}' \mathbf{Y}' \mathbf{Y}' \mathbf{t} &= \lambda \mathbf{t} \end{aligned}$$

Once  $\mathbf{c}$  (or any of the others) are determined, the rest of the vectors can be determined; at this point it is important to keep track of the lengths.

The eigenproblem can be solved by the Power Method.

### ***Power Method***

$$\begin{aligned} \mathbf{x}_{i+1} &= \mathbf{A} \mathbf{x}_i \\ \lambda_i &= \mathbf{x}_i' \mathbf{A} \mathbf{x}_i = \mathbf{x}_i' \mathbf{x}_{i+1} \\ \mathbf{x}_{i+1} &:= \mathbf{x}_{i+1} / \|\mathbf{x}_{i+1}\| \end{aligned}$$

Initialize a vector  $\mathbf{x}_0$  say to the vector  $\mathbf{1}$ , normalize to unit length, then iterate until convergence. The sequence of iterates is guaranteed to converge to the eigenvector associated to the dominant (that is, the largest) eigenvalue. Moreover the dominant eigenvalue is guaranteed to be unique.

Rather than continue to iterate using the power method, switch to Rayleigh Quotient Iteration (RQI).

### Rayleigh Quotient Iteration

Begin with initial estimates of  $\mathbf{x}_0$  and  $\lambda_0$  obtained from one or two iterations of the Power Method. Then repeat until convergence:

$$\begin{aligned} (\mathbf{A} - \lambda_i \mathbf{I})\mathbf{w} &= \mathbf{x}_i \quad (\text{solve for } \mathbf{w}) \\ \mathbf{x}_{i+1} &= \mathbf{w} / \|\mathbf{w}\| \\ \lambda_{i+1} &= \mathbf{x}'_{i+1} \mathbf{A} \mathbf{x}_{i+1} \end{aligned}$$

The conjugate gradient method may be used to solve for  $\mathbf{w}$ .

The eigenproblem is considered solved when the difference between two iterations is small enough. However, the eigenproblem is typically solved for  $\mathbf{c}$ , but the vector of interest is  $\mathbf{t}$ . One iteration of NIPALS is used to obtain the vectors  $(\mathbf{c}, \mathbf{u}, \mathbf{w}, \mathbf{t})$ .

### Output Statistics

The following output statistics are available.

#### Proportion of Variance Explained

The proportion of variance explained by the extraction of factor  $k$  is given by computing:

$$\begin{aligned} SS_k(\mathbf{Y}) &= (\mathbf{t}'_{(k)} \mathbf{t}_{(k)}) \cdot \text{trace}(\mathbf{c}_{(k)} \mathbf{c}'_{(k)}) \\ &= (\mathbf{t}'_{(k)} \mathbf{t}_{(k)}) \cdot (\mathbf{c}'_{(k)} \mathbf{c}_{(k)}) \\ \text{VarProp}_k(\mathbf{Y}) &= \frac{SS_k(\mathbf{Y})}{\text{trace}(\mathbf{Y}'\mathbf{Y})} \end{aligned}$$

The cumulative proportion of variance explained is

$$\text{CumVarProp}_k(\mathbf{Y}) = \sum_{i=1}^k \text{Var}_i(\mathbf{Y})$$

Here  $\mathbf{t}_{(k)}$  and  $\mathbf{c}_{(k)}$  are the column vectors obtained after  $k$  factors have been extracted; that is, the  $k$ th columns of  $\mathbf{T}$  and  $\mathbf{C}$ . Note that  $\mathbf{c}_{(k)}$  is taken from step 4 of the NIPALS algorithm, and is not rescaled to unit length as in step 5.

The proportion of variance explained in  $\mathbf{X}$  is similar:

$$\begin{aligned} SS_k(\mathbf{X}) &= (\mathbf{t}'_{(k)} \mathbf{t}_{(k)}) \cdot \text{trace}(\mathbf{p}_{(k)} \mathbf{p}'_{(k)}) \\ &= (\mathbf{t}'_{(k)} \mathbf{t}_{(k)}) \cdot (\mathbf{p}'_{(k)} \mathbf{p}_{(k)}) \\ \text{VarProp}_k(\mathbf{X}) &= \frac{SS_k(\mathbf{X})}{\text{trace}(\mathbf{X}'\mathbf{X})} \end{aligned}$$

$$CumVarProp_k(\mathbf{X}) = \sum_{i=1}^k Var_i(\mathbf{X})$$

### Variable Importance in the Projection (VIP)

The VIP statistic is computed for each variable and latent factor as

$$VIP_{jk} = \sqrt{\frac{n \sum_{l=1}^k w_{jl}^{*2} \cdot SS_l(\mathbf{Y})}{\sum_{l=1}^k SS_l(\mathbf{Y})}}$$

Here  $1 \leq j \leq n$  and  $1 \leq k \leq d$ ;  $w_{jk}^*$  is the  $j$ th element of  $\mathbf{w}_{(k)}^*$ , where  $\mathbf{w}_{(k)}^*$  is the  $k$ th column of  $\mathbf{W}$ .

### Distance to the Model

Distance to the model, sometimes denoted DModX and DModY, is given by:

$$DModX_i = \sqrt{\mathbf{e}'_i \mathbf{e}_i}$$

$$DModY_i = \sqrt{\mathbf{f}_i \mathbf{f}_i}$$

for each row  $\mathbf{e}_i$  of  $\mathbf{E}$  and  $\mathbf{f}_i$  of  $\mathbf{F}$ . This may be normalized to:

$$DModX_i = \sqrt{\frac{N}{N-d-1} \mathbf{e}'_i \mathbf{e}_i}$$

$$DModY_i = \sqrt{\frac{N}{N-d-1} \mathbf{f}_i \mathbf{f}_i}$$

### PRESS Statistic

The PRESS residuals are  $\mathbf{f}'_i \mathbf{f}$ , that is,  $DModY_i^2$  before any normalizations are carried out. The PRESS statistic is simply

$$PRESS = \sum_{i=1}^N DModY_i^2$$

“Jackknifed”, or more correctly, leave-one-out PRESS residuals are calculated as  $\mathbf{f}_{(i)} = \frac{\mathbf{Y}_i - \hat{\mathbf{Y}}_i}{\sqrt{1-h_{ii}}}$  where  $\mathbf{Y}_i$  is the  $i$ th row of  $\mathbf{Y}$ ,  $\hat{\mathbf{Y}}_i$  is the predicted value for that row, and  $h_{ii}$  is the  $i$ th diagonal element of the “hat” matrix  $\mathbf{X}(\mathbf{X}'\mathbf{X})^{-1}\mathbf{X}'$ . Leave-one-out PRESS residuals are not available when there are more variables than cases, or when  $\mathbf{X}'\mathbf{X}$  is not invertible for any other

reason. The Jackknifed PRESS statistic for model selection is the sum of the squared norm of the Jackknifed PRESS residuals:

$$PRESS = \sum_{i=1}^N \mathbf{f}'_{(i)} \mathbf{f}_{(i)}$$

## References

Rosipal, R., and N. Krämer. 2006. Overview and Recent Advances in Partial Least Squares. In: *Subspace, Latent Structure and Feature Selection Techniques*, C. Saunders, M. Grobelnik, S. Gunn, and J. Shawe-Taylor, eds. Berlin: Springer-Verlag, 34–51.

# PLUM Algorithms

The purpose of the PLUM procedure is to model the dependence of an ordinal categorical response variable on a set of categorical and scale independent variables.

Since the choice and the number of response categories can be quite arbitrary, it is essential to model the dependence such that the choice of the response categories does not affect the conclusion of the inference. That is, the final conclusion should be the same if any two or more adjacent categories of the old scale are combined. Such considerations lead to modeling the dependence of the response on the independent variables by means of the cumulative response probability.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

Table 77-1  
Notation

Notation	Description
$Y$	The response variable, which takes integer values from 1 to $J$ .
$J$	The number of categories of the ordinal response.
$m$	The number of subpopulations.
$X^A$	$m \times p^A$ matrix with vector-element $x_i^A$ , the observed values at the $i$ th subpopulation, determined by the independent variables specified in the command.
$X$	$m \times p$ matrix with vector-element $x_i$ , the observed values of the location model's independent variables at the $i$ th subpopulation.
$Z$	$m \times p$ matrix with vector-element $z_i$ , the observed values of the scale model's independent variables at the $i$ th subpopulation.
$f_{ijs}$	The frequency weight for the $s$ th observation which belongs to the cell corresponding to $Y=j$ at subpopulation $i$ .
$n_{ij}$	The sum of frequency weights of the observations that belong to the cell corresponding to $Y=j$ at subpopulation $i$ .
$r_{ij}$	The cumulative total up to and including $Y=j$ at subpopulation $i$ .
$n_i$	The marginal frequency of subpopulation $i$ .
$n$	The sum of all frequency weights.
$\pi_{ij}$	The cell probability corresponding to $Y=j$ at subpopulation $i$ .
$\gamma_{ij}$	The cumulative response probability up to and including $Y=j$ at subpopulation $i$ .
$\theta$	$(J-1) \times 1$ vector of threshold parameters in the location part of the model.
$\beta$	$p \times 1$ vector of location parameters in the location part of the model.
$\tau$	$q \times 1$ vector of scale parameters in the scale part of the model.
$\mathbf{B} = (\theta^T, \beta^T, \tau^T)^T$	The $\{(J-1) + p + q\} \times 1$ vector of unknown parameters in the general model.
$\hat{\mathbf{B}} = (\hat{\theta}^T, \hat{\beta}^T, \hat{\tau}^T)^T$	The $\{(J-1) + p + q\} \times 1$ vector of maximum likelihood estimates of the parameters in the general model.
$\tilde{\mathbf{B}} = (\tilde{\theta}^T, \tilde{\beta}^T)^T$	The $\{(J-1) + p\} \times 1$ vector of maximum likelihood estimates of the parameters in the location-only model.
$\hat{\gamma}_{ij}$	The cumulative response probability estimate based on the maximum likelihood estimate $\hat{\mathbf{B}}$ in the general model.

Notation	Description
$\check{\gamma}_{ij}$	The cumulative response probability estimate based on the maximum likelihood estimate $\check{\mathbf{B}}$ in the location-only model.
$\hat{\pi}_{ij}$	The cell response probability estimate based on the maximum likelihood estimate $\hat{\mathbf{B}}$ in the general model.
$\check{\pi}_{ij}$	The cell response probability estimate based on the maximum likelihood estimate $\check{\mathbf{B}}$ in the location-only model.
$\hat{e}$	Number of non-redundant parameters in the general model. If all parameters are non-redundant, $\hat{e} = (J-1) + p + q$ .
$\check{e}$	Number of non-redundant parameters in the location-only model. If all parameters are non-redundant, $\check{e} = (J-1) + p$ .

## Data Aggregation

Observations with negative or missing frequency weights are discarded. Observations are aggregated by the definition of subpopulations. Subpopulations are defined by the cross-classifications of either the set of independent variables specified in the command or the set of independent variables specified in the subpopulation command.

Let  $n_i$  be the marginal count of subpopulation  $i$ ,

$$n_i = \sum_{j=1}^J n_{ij}$$

If there is no observation for the cell of  $Y=j$  at subpopulation  $i$ , it is assumed that  $n_{ij} = 0$ , provided that  $n_i \neq 0$ . A non-negative scalar  $\delta \in [0, 1)$  may be added to any zero cell (i.e., cell with  $n_{ij} = 0$ ) if its marginal count  $n_i$  is nonzero. The value of  $\delta$  is zero by default.

## Data Assumptions

Let  $(n_{i1}, \dots, n_{iJ})^T$  be the  $J \times 1$  vector of counts for the categories of  $Y$  at subpopulation. It is assumed that each  $(n_{i1}, \dots, n_{iJ})^T$  is independently multinomial distributed with probability vector  $(\pi_{i1}, \dots, \pi_{iJ})^T$  of dimension  $J \times 1$  and fixed total  $n_i$ .

## Model

Let  $\gamma_{ij} = Prob(Y \leq j | x_i)$  be the cumulative response probability for  $Y$ ; that is,

$$\gamma_{ij} = \sum_{l=1}^j \pi_{il}$$

for  $j = 1, \dots, J-1$ . Note that  $\gamma_{iJ} = 1$ , hence only the first  $J-1$   $\gamma$ 's are needed in the model.

## General Model

The general model is given by

$$\eta_{ij} = \frac{\theta_j - \mathbf{b}^T \mathbf{x}_i}{\sigma(z_i)}$$

where

$$\eta_{ij} = \text{link}(\gamma_{ij})$$

Possible link functions are

$$\text{link}(\gamma) = \begin{cases} \log\left(\frac{\gamma}{1-\gamma}\right) & \text{Logit link} \\ \log(-\log(1-\gamma)) & \text{Complementary log-log link} \\ -\log(-\log(\gamma)) & \text{Negative Log-log link} \\ \Phi^{-1}(\gamma) & \text{Probit link} \\ \tan(\pi(\gamma - 0.5)) & \text{Cauchit (Inverse Cauchy) link} \end{cases}$$

The numerator in the right hand side of the general model specifies the location of the model,  $\theta_j - \mathbf{b}^T \mathbf{x}_i$ . In the location part of the model,  $\boldsymbol{\theta}$  is the vector of thresholds. Values of the thresholds are subject to a monotonicity property  $\theta_1 \leq \dots \leq \theta_{J-1}$ .  $\boldsymbol{\beta}$  is the vector of location

parameters. The denominator is the scale part of the model,  $\sigma(z)$ . Possible forms are:

$$\sigma(z) = \begin{cases} 1 & \text{if unity scale is assumed} \\ \exp(\boldsymbol{\tau}^T z) & \text{if non-constant scale is assumed} \end{cases}$$

$\boldsymbol{\tau}$  is the vector of scale parameters.

### Location-Only Model

If unity scale is assumed, then the general model is said to reduce to the location-only model. The parameter  $\mathbf{B}$  reduces to  $\mathbf{B} = (\boldsymbol{\theta}^T, \boldsymbol{\beta}^T)^T$ .

### Log-likelihood Function

The log-likelihood of the model is

$$l = \sum_{i=1}^m \sum_{j=1}^{J-1} r_{ij} \varphi_{ij} - r_{i(j+1)} g(\varphi_{ij})$$

where

$$r_{ij} = \sum_{k=1}^j nk$$

and

$$\varphi_{ij} = \log\left(\frac{\gamma_{ij}}{\gamma_{ij+1} - \gamma_{ij}}\right)$$

and

$$g(\varphi) = \log(1 + \exp(\varphi)) = \log\left(\frac{\gamma_{ij+1}}{\gamma_{ij+1} - \gamma_{ij}}\right)$$

Note: a constant term  $c = \sum_{i=1}^m \log \{n_i! / (n_{i1}! \dots n_{iJ}!)\}$  which is independent of the unknown parameters has been excluded here. Thus,  $l$  is in fact the kernel of the true log-likelihood function.

## Derivatives of the Log-likelihood Function

The derivatives of the log-likelihood function are used in the iterative parameter estimation algorithm.

### First Derivative

The first derivative of  $l$  with respect to  $B_k, k = 1, \dots, (J-1) + p + q$ , is

$$\frac{\partial l}{\partial B_k} = \sum_{i=1}^m \sum_{j=1}^{J-1} \frac{\partial l_i}{\partial \varphi_{ij}} U_{ij} Q_{ijk}$$

where

$$\frac{\partial l_i}{\partial \varphi_{ij}} = r_{ij} - r_{i(j+1)} \frac{\gamma_{ij}}{\gamma_{ij+1}}$$

$$U_{ij} = \frac{\gamma_{ij+1}}{\gamma_{ij}(\gamma_{ij+1} - \gamma_{ij})}$$

and

$$Q_{ijk} = P_{ijk} \frac{\partial \gamma_{ij}}{\partial \eta_{ij}} - P_{ij+1k} \frac{\gamma_{ij}}{\gamma_{ij+1}} \frac{\partial \gamma_{ij+1}}{\partial \eta_{ij+1}}$$

where

$$P_{ijk} = \frac{\partial \eta_{ij}}{\partial B_k} = \begin{cases} \frac{\delta_{jk}}{\exp(\mathbf{T} z_i)} & \text{if } 1 \leq k \leq (J-1) \\ \frac{-x_{i[k-(J-1)]}}{\exp(\mathbf{T} z_i)} & \text{if } (J-1) + 1 \leq k \leq (J-1) + p \\ -z_{i[k-\{(J-1)+p\}]} \eta_{ij} & \text{if } (J-1) + p + 1 \leq k \leq (J-1) + p + q \end{cases}$$

$\delta_{jk} = 1$  if  $j = k$ , 0 otherwise, and  $P_{jJk} = 0$ . For  $i = 1, \dots, m, j = 1, \dots, J-1$ ,

$$\frac{\partial \gamma_{ij}}{\partial \eta_{ij}} = \begin{cases} \gamma_{ij} (1 - \gamma_{ij}) & \text{Logit link} \\ -(1 - \gamma_{ij}) \log(1 - \gamma_{ij}) & \text{Complementary log-log link} \\ -\gamma_{ij} \log(\gamma_{ij}) & \text{Negative Log-log link} \\ \phi(\Phi^{-1}(\gamma_{ij})) & \text{Probit link} \\ \cos^2(\pi(\gamma_{ij} - 0.5)) / \pi & \text{Cauchit link} \end{cases}$$

and  $\partial \gamma_{iJ} / \partial \eta_{iJ} = 0$ .

### Second Derivative

The second derivative is

$$\frac{\partial^2 l}{\partial B_s \partial B_k} = \sum_{i=1}^m \sum_{j=1}^{J-1} \left( \frac{\partial^2 l_i}{\partial B_s \partial \varphi_{ij}} U_{ij} Q_{ijk} + \frac{\partial l_i}{\partial \varphi_{ij}} \frac{\partial U_{ij}}{\partial B_s} Q_{ijk} + \frac{\partial l_i}{\partial \varphi_{ij}} U_{ij} \frac{\partial Q_{ijk}}{\partial B_s} \right)$$

for  $s, k = 1, \dots, (J-1) + p + q$ . The first term of the equation is

$$\frac{\partial^2 l_i}{\partial B_s \partial \varphi_{ij}} U_{ij} Q_{ijk} = -\frac{r_{ij+1}}{\gamma_{ij+1}} U_{ij} Q_{ijs} Q_{ijk}$$

The second term is

$$\frac{\partial l_i}{\partial \varphi_{ij}} \frac{\partial U_{ij}}{\partial B_s} Q_{ijk} = -\left(r_{ij} - r_{ij+1} \frac{\gamma_{ij}}{\gamma_{ij+1}}\right) \left(\frac{1}{\gamma_{ij}^2} U_{ij} Q_{ijs} + \frac{1}{(\gamma_{ij+1} - \gamma_{ij})^2} (U_{ij+1} Q_{ij+1s} - U_{ij} Q_{ijs})\right) Q_{ijk}$$

To calculate the third term, notice that

$$\begin{aligned} \frac{\partial Q_{ijk}}{\partial B_s} &= \frac{\partial P_{ijk}}{\partial B_s} \frac{\partial \gamma_{ij}}{\partial \eta_{ij}} + P_{ijk} \frac{\partial^2 \gamma_{ij}}{\partial B_s \partial \eta_{ij}} - \frac{\partial P_{ij+1k}}{\partial B_s} \frac{\gamma_{ij}}{\gamma_{ij+1}} \frac{\partial \gamma_{ij+1}}{\partial \eta_{ij+1}} \\ &\quad - P_{ij+1k} \frac{Q_{ijs}}{\gamma_{ij+1}} \frac{\partial \gamma_{ij+1}}{\partial \eta_{ij+1}} - P_{ij+1l} \frac{\gamma_{ij}}{\gamma_{ij+1}} \frac{\partial^2 \gamma_{ij+1}}{\partial B_s \partial \eta_{ij+1}} \end{aligned}$$

where

$$\frac{\partial P_k}{\partial B_s} = \begin{cases} 0 & 1 \leq k \leq (J-1) + p \text{ and } 1 \leq s \leq (J-1) + p \\ -z_{i[s-\{(J-1)+p\}]} P_{ijk} & 1 \leq k \leq (J-1) + p \text{ and } (J-1) + p + 1 \leq s \leq (J-1) + p + q \\ -z_{i[k-\{(J-1)+p\}]} P_{ijs} & (J-1) + p + 1 \leq k \leq (J-1) + p + q \end{cases}$$

and  $\partial P_{ijk} / \partial B_s = 0$ . Moreover,

$$\frac{\partial^2 \gamma_{ij}}{\partial B_s \partial \eta_{ij}} = R_{ij} \frac{\partial \gamma_{ij}}{\partial \eta_{ij}} P_{ijs}$$

and  $\partial^2 \gamma_{ij} / \partial B_s \partial \eta_{ij} = 0$ .  $R_{ij}$  has the following form:

$$R_{ij} = \begin{cases} 1 - 2\gamma_{ij} & \text{Logit link} \\ 1 + \log(1 - \gamma_{ij}) & \text{Complementary log-log link} \\ -(1 + \log \gamma_{ij}) & \text{Negative Log-log link} \\ -\phi(\Phi^{-1}(\gamma_{ij})) \Phi^{-1}(\gamma_{ij}) & \text{Probit link} \\ \sin(2\pi\gamma_{ij}) & \text{Cauchit link} \end{cases}$$

The third term can be calculated by applying these equations.

### Expectation of the Second Derivative

For  $s, k = 1, \dots, (J-1) + p + q$ .

$$\begin{aligned} \mathbb{E}\left(\frac{\partial^2 l}{\partial B_s \partial B_k}\right) &= \sum_{i=1}^m \sum_{j=1}^{J-1} \mathbb{E}\left(\frac{\partial^2 l_i}{\partial B_s \partial \varphi_{ij}} U_{ij} Q_{ijk}\right) \\ &= \sum_{i=1}^m \sum_{j=1}^{J-1} \mathbb{E}\left(-\frac{r_{ij+1}}{\gamma_{ij+1}} U_{ij} Q_{ijs} Q_{ijk}\right) \\ &= -\sum_{i=1}^m n_i \sum_{j=1}^{J-1} U_{ij} Q_{ijs} Q_{ijk} \end{aligned}$$

## Parameter Estimation

Further details of parameter estimation are described here.

## Maximum Likelihood Estimate

To obtain the maximum likelihood estimate of  $\mathbf{B}$ , a Fisher Scoring iterative estimation method or Newton-Raphson iterative estimation method can be used. Let  $\mathbf{B}^{(t)}$  be the parameter vector at iteration  $t$  and  $\partial l / \partial \mathbf{B}^{(t)}$  be a vector of the first derivatives of  $l$  evaluated at  $\mathbf{B} = \mathbf{B}^{(t)}$ . Moreover, let  $\mathbf{A}^{(t)}$  be a  $\{(J-1)+p+q\} \times \{(J-1)+p+q\}$  matrix such that

$$[\mathbf{A}^{(t)}]_{sk} = \begin{cases} -\frac{\partial^2 l}{\partial B_s \partial B_k} \Big|_{\mathbf{B}=\mathbf{B}^{(t)}} & \text{Newton-Raphson approach} \\ -\mathbf{E} \left( \frac{\partial^2 l}{\partial B_s \partial B_k} \right) \Big|_{\mathbf{B}=\mathbf{B}^{(t)}} & \text{Fisher Scoring approach} \end{cases}$$

For a location-only model, the corresponding formulas use the first  $(J-1)+p$  elements of  $\partial l / \partial \mathbf{B}^{(t)}$  and the upper  $\{(J-1)+p\} \times \{(J-1)+p\}$  submatrix of  $\mathbf{A}^{(t)}$ .

The parameter vector  $\mathbf{B}$  at iteration  $t+1$  is updated by  $\mathbf{B}^{(t+1)}$  where

$$\mathbf{A}^{(t)} \mathbf{B}^{(t+1)} = \mathbf{A}^{(t)} \mathbf{B}^{(t)} + \xi \frac{\partial l}{\partial \mathbf{B}^{(t)}}$$

and  $\xi > 0$  is a stepping scalar such that  $l(\mathbf{B}^{(t+1)}) - l(\mathbf{B}^{(t)}) \geq 0$ .

## Stepping

Use the step-halving method if  $l(\mathbf{B}^{(t+1)}) - l(\mathbf{B}^{(t)}) < 0$ . Let  $V$  be the maximum number of steps in step-halving; then the set of values of  $\xi$  is  $\{1/2^v: v = 0, \dots, V-1\}$ .

## Starting Values of the Parameters

Location-Only Model

If a location-only model is specified, set  $\mathbf{B}^{(0)} = (\mathbf{q}^{(0)\mathbf{T}}, \mathbf{0}^{\mathbf{T}})^{\mathbf{T}}$  where

$$\theta_j^{(0)} = \text{link} \left( \frac{\sum_{i=1}^m \sum_{k=1}^j n_{ik}}{\sum_{i=1}^m n_i} \right)$$

for  $j = 1, \dots, J-1$ .

General Model

If a general model is specified, first ignore the scale part; that is, by assuming that  $\boldsymbol{\tau} = \mathbf{0}$  and treating the model as if it is a location-only model, and use  $\mathbf{B}^{(0)} = (\mathbf{q}^{(0)\mathbf{T}}, \mathbf{0}^{\mathbf{T}})^{\mathbf{T}}$  as the starting value to obtain the maximum likelihood estimate  $\check{\mathbf{B}}$ . After  $\check{\mathbf{B}}$  is obtained, find the maximum likelihood estimate  $\hat{\mathbf{B}}$  of the general model by starting at  $(\check{\boldsymbol{\theta}}^{\mathbf{T}}, \check{\boldsymbol{\beta}}^{\mathbf{T}}, \mathbf{0}^{\mathbf{T}})^{\mathbf{T}}$ .

The above practice is essentially the same as taking  $\mathbf{B}^{(0)} = (\mathbf{q}^{(0)\top}, \mathbf{0}^\top, \mathbf{0}^\top)^\top$ . The advantage is that the maximum likelihood estimate  $\check{\mathbf{B}}$  can be obtained in the process of finding  $\hat{\mathbf{B}}$ .

### **Ordinal Adjustments for the Threshold Parameters**

If the monotonicity property  $\theta_1 \leq \dots \leq \theta_{J-1}$  is not preserved at the end of any iteration, an ad hoc adjustment will be taken before the next iteration starts. If  $\theta_j^{(t)} > \theta_{j+1}^{(t)}$  for some  $j$ , then both  $\theta_j^{(t)}$  and  $\theta_{j+1}^{(t)}$  are set to  $(\theta_j^{(t)} + \theta_{j+1}^{(t)})/2$  before the next iteration. This value is then compared with  $\theta_{j+2}^{(t)}$  and so on.

### **Convergence Criteria**

Given convergence criteria  $\epsilon_k > 0$  and  $\epsilon_p > 0$ , the iteration is considered to be converged if one of the following criteria are satisfied:

$$|l(\mathbf{B}^{(t+1)}) - l(\mathbf{B}^{(t)})| < \epsilon_k$$

$$\max_i |\mathbf{B}_i^{(t+1)} - \mathbf{B}_i^t| < \epsilon_p$$

### **Statistics**

The following statistics are available.

### **Model Information**

The model information is the  $-2 \log$ -likelihood of the model, computed for a given vector of parameter estimates.

#### **Final Model, General**

The value of  $-2 \log$ -likelihood of the model is given by

$$-2l(\hat{\mathbf{B}})$$

where  $l(\hat{\mathbf{B}})$  is the value of the log-likelihood evaluated at  $\hat{\mathbf{B}}$ .

#### **Final Model, Location-Only**

If unity scale is assumed, the general model reduces to the location-only model. The value of  $-2 \log$ -likelihood of the model is given by

$$-2l(\check{\mathbf{B}})$$

### **Initial Model, Intercept-Only**

In the initial model, when the intercepts are the only parameters in the model, the parameter vector is  $\mathbf{B}^{(0)} = \left( q^{(0)\text{T}}, \mathbf{0}^{\text{T}}, \mathbf{0}^{\text{T}} \right)^{\text{T}}$ . The value of the  $-2$  log-likelihood is

$$-2l(\mathbf{B}^{(0)})$$

### **Model Chi-Square**

The value of the Model Chi-square statistic is given by the difference between any two nesting models of interest.

#### **General Model versus Intercept-Only Model**

The following statistic is available when a general model is specified. The Model Chi-square statistic is given by

$$-2l(\mathbf{B}^{(0)}) - 2l(\hat{\mathbf{B}})$$

Under that null hypothesis that  $H_0 : \mathbf{b} = \mathbf{0}$  and  $\mathbf{t} = \mathbf{0}$ , the Model Chi-square is asymptotically chi-squared distributed with  $\hat{e} - (J - 1)$  degrees of freedoms.

#### **Location-Only Model versus Intercept-Only Model**

The following statistic is available when a location-only model is specified. The Model Chi-square statistic is given by

$$-2l(\mathbf{B}^{(0)}) - 2l(\check{\mathbf{B}})$$

Under that null hypothesis that  $H_0 : \mathbf{b} = \mathbf{0}$ , the Model Chi-square is asymptotically chi-squared distributed with  $\check{e} - (J - 1)$  degrees of freedoms.

#### **General Model versus Location-Only Model**

The following statistic is available when a general model is specified. The Model Chi-square statistic is given by

$$-2l(\check{\mathbf{B}}) - 2l(\hat{\mathbf{B}})$$

Under that null hypothesis that  $H_0 : \mathbf{t} = \mathbf{0}$ , the Model Chi-square is asymptotically chi-squared distributed with  $\hat{e} - \check{e}$  degrees of freedoms.

#### **Likelihood Ratio Test for Equal Slopes Assumption**

For location-only model, a likelihood ratio test of parallel lines in the location is performed. If the regression lines are not parallel, the location can be specified as

$$\eta_{ij} = \theta_j - \mathbf{b}_j x_i$$

for  $j = 1, \dots, J-1$ . That is, the location parameters  $\mathbf{b}$  (or slopes) vary with the levels of the response. The parameter for the above “non-parallel” location-only model is

$\mathbf{B} = (\mathbf{q}^T, \mathbf{b}_1^T, \dots, \mathbf{b}_{J-1}^T)^T$  which is of dimension  $\{(J-1)+(J-1)p\} \times 1$ . The first derivative  $\partial l / \partial \mathbf{B}$  of the log-likelihood is the same as in the “parallel” model, except that  $P_{ijk} = \partial \eta_{ij} / \partial B_k$  is replaced by the following:

$$P_{ijk} = \frac{\partial \eta_{ij}}{\partial B_k} = \begin{cases} \delta_{jk} & 1 \leq k \leq (J-1) \\ -x_{i[k-\{(J-1)+sp\}]} & (J-1) + sp \leq k \leq (J-1) + sp + p, s = 1, \dots, (J-2) \end{cases}$$

Similarly, the expected value of the second derivative is the same as in the parallel model, except that the  $P_{ijk}$  is replaced by the above equation.

To test the null hypothesis of parallelism  $H_0 : \mathbf{b}_1 = \dots = \mathbf{b}_{J-1}$ , find the maximum likelihood estimate  $\check{\mathbf{B}}$  of the parallel location-only model and the maximum likelihood estimate  $\breve{\mathbf{B}}$  of the non-parallel model. The Model Chi-square statistic is given by

$$-2l(\check{\mathbf{B}}) - 2l(\breve{\mathbf{B}})$$

Under the null hypothesis, the Model Chi-square statistic is asymptotically chi-squared distributed with  $(k-2)p$  degrees of freedoms.

### Pseudo R-Squares

Replace  $\hat{\mathbf{B}}$  by  $\breve{\mathbf{B}}$  for a location-only model in the equations below.

#### Cox and Snell's R-Square

$$R_{CS}^2 = 1 - \left( \frac{L(\mathbf{B}^{(0)})}{L(\breve{\mathbf{B}})} \right)^{\frac{2}{n}}$$

#### Nagelkerke's R-Square

$$R_N^2 = \frac{R_{CS}^2}{1 - L(\mathbf{B}^{(0)})^{2/n}}$$

#### McFadden's R-Square

$$R_M^2 = 1 - \left( \frac{l(\hat{\mathbf{B}})}{l(\mathbf{B}^{(0)})} \right)$$

### Predicted Cell Counts

The estimated cell response probability based on the maximum likelihood estimate for the general model is

$$\hat{\pi}_{ij} = \begin{cases} \hat{\gamma}_{i1} & j = 1 \\ \hat{\gamma}_{ij} - \hat{\gamma}_{ij-1} & j = 2, \dots, J-1 \\ 1 - \hat{\gamma}_{i,J-1} & j = J \end{cases}$$

At each subpopulation  $i$ , the predicted count for response category  $Y=j$  is

$$\hat{n}_{ij} = n_i \hat{\pi}_{ij}$$

The (raw) residual is  $n_{ij} - \hat{n}_{ij}$  and the standardized residual is  $(n_{ij} - \hat{n}_{ij}) / \sqrt{n_i \hat{\pi}_{ij} (1 - \hat{\pi}_{ij})}$ .

Replace  $\hat{\gamma}_{ij}$  by  $\check{\gamma}_{ij}$ ,  $\hat{\pi}_{ij}$  by  $\check{\pi}_{ij}$ , and  $\hat{n}_{ij}$  by  $\check{n}_{ij}$  for a location-only model.

### **Predicted Cumulative Totals**

The predicted cumulative total up to and including  $Y=j$  is

$$\hat{r}_{ij} = n_i \hat{\gamma}_{ij}$$

The (raw) residual is  $r_{ij} - \hat{r}_{ij}$  and the standardized residual is  $(r_{ij} - \hat{r}_{ij}) / \sqrt{n_i \hat{\gamma}_{ij} (1 - \hat{\gamma}_{ij})}$ .

Replace  $\hat{\gamma}_{ij}$  by  $\check{\gamma}_{ij}$  and  $\hat{r}_{ij}$  by  $\check{r}_{ij}$  for a location-only model.

### **Goodness of Fit Measures**

These are chi-square statistics used to test whether the model adequately fits the data.

#### **Pearson Goodness of Fit Measure**

The Pearson goodness of fit measure for a general model is

$$X^2 = \sum_{i=1}^m \sum_{j=1}^J \frac{(n_{ij} - n_i \hat{\pi}_{ij})^2}{n_i \hat{\pi}_{ij}}$$

Under the null hypothesis, the Pearson goodness-of-fit statistic is asymptotically chi-squared distributed with  $m(J-1) - \hat{e}$  degrees of freedom.

Replace  $\hat{\pi}_{ij}$  by  $\check{\pi}_{ij}$  and  $\hat{e}$  by  $\check{e}$  for a location-only model.

#### **Deviance Goodness of Fit Measure**

The Deviance goodness of fit measure for a general model is

$$D = 2 \sum_{i=1}^m \sum_{j=1}^J n_{ij} \log \left( \frac{n_{ij}}{n_i \hat{\pi}_{ij}} \right)$$

Under the null hypothesis, the Deviance goodness-of-fit statistic is asymptotically chi-squared distributed with  $m(J-1) - \hat{e}$  degrees of freedom.

Replace  $\hat{\pi}_{ij}$  by  $\check{\pi}_{ij}$  and  $\hat{e}$  by  $\check{e}$  for a location-only model.

## Covariance and Correlation Matrices

The estimate of the covariance matrix of  $\hat{\mathbf{B}}$  is

$$\text{Cov}(\hat{\mathbf{B}}) = \begin{cases} -\frac{\partial^2 l}{\partial \mathbf{B} \partial \mathbf{B}} \Big|_{\mathbf{B}=\hat{\mathbf{B}}} & \text{Newton-Raphson method} \\ -\mathbf{E} \left( \frac{\partial^2 l}{\partial \mathbf{B} \partial \mathbf{B}} \right) \Big|_{\mathbf{B}=\hat{\mathbf{B}}} & \text{Fisher Scoring method} \end{cases}$$

Let be the  $\{(J-1)+p+q\} \times 1$  vector of the square roots of the diagonal elements in  $\hat{\mathbf{B}}$ . The estimate of the correlation matrix of  $\hat{\mathbf{B}}$  is

Replace  $\hat{\mathbf{B}}$  by  $\check{\mathbf{B}}$  and by (a  $\{(J-1)+p\} \times 1$  vector) for a location-only model.

## Parameter Statistics

An estimate of the standard deviation of  $\hat{B}_k$  is  $\hat{\sigma}_k$ . The Wald statistic for  $\hat{B}_k$  is

$$\text{Wald}_k = \frac{\hat{B}_k}{\hat{\sigma}_k}$$

Under the null hypothesis that  $H_0 : B_k = 0$ ,  $\text{Wald}_k$  is asymptotically chi-squared distributed with 1 degree of freedom.

Based on the asymptotic normality of the parameter estimate, a  $100(1-\alpha) \%$  Wald confidence interval for  $\hat{B}_k$  is

$$\hat{B}_k \pm z_{1-\alpha/2} \hat{\sigma}_k$$

where  $z_{1-\alpha/2}$  is the upper  $(1-\alpha/2)100$ th percentile of the standard normal distribution.

Replace  $\hat{B}_k$  by  $\check{B}_k$  and  $\hat{\sigma}_k$  by  $\check{\sigma}_k$  for a location-only model.

## Linear Hypothesis Testing

For a general model, let  $\mathbf{L}$  be a matrix of coefficients for the linear hypotheses

$$H_0 : \mathbf{L}\mathbf{B} = \mathbf{c}$$

where  $\mathbf{c}$  is a  $k \times 1$  vector of constants. The Wald statistic for  $H_0$  is

$$\text{Wald}(\mathbf{L}, \mathbf{c}) = (\mathbf{L}\hat{\mathbf{B}} - \mathbf{c})^T \left\{ \mathbf{L} \text{Cov}(\hat{\mathbf{B}}) \mathbf{L}^T \right\}^{-1} (\mathbf{L}\hat{\mathbf{B}} - \mathbf{c})$$

Under the null hypothesis,  $\text{Wald}(\mathbf{L}, \mathbf{c})$  is asymptotically chi-squared distributed with  $l$  degrees of freedom, where  $l$  is the rank of  $\mathbf{L}$ .

Replace  $\hat{\mathbf{B}}$  by  $\check{\mathbf{B}}$  for a location-only model.

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# POWER MEANS INDEPENDENT Algorithms

## Introduction

The power of a hypothesis test to detect a correct alternative hypothesis is the probability that the test will reject the test hypothesis. Since the probability of a type II error is the probability of accepting the null hypothesis when the alternative hypothesis is true, the power can be expressed as (1-probability of a type II error), which is the probability of rejecting the null hypothesis when the alternative hypothesis is true.

Power analysis plays a pivotal role in a study plan, design, and conduction. The calculation of power is usually before any sample data have been collected, except possibly from a small pilot study. The precise estimation of the power may tell investigators how likely it is that a statistically significant difference will be detected based on a finite sample size under a true alternative hypothesis. If the power is too low, there is little chance of detecting a significant difference, and nonsignificant results are likely even if real differences truly exist. In light of the concerns of power, a well-designed feature or function may make a positive contribution to its estimation and then the a research study proposal.

In this document, we focus on the  $t$ -tests and statistical inference about population means. We present different power estimation formulas under various conditions, and further describe the features that are offered in SPSS Statistics.

## Independent-sample Analysis

In this section, the observed data contain two independent samples. We assume that the data in each sample independently and identically follow a normal distribution with a fixed mean and variance, and would like to draw statistical inference about the difference of the two means. The following notations are used in this section.

$k$ : The group index,  $k = 1, 2$ .

$\mu_k$ : The population mean of group  $k$  for comparison in a  $t$ -test, and  $\mu_k \in (-\infty, +\infty)$ .

$\mu_d$ : The population mean difference of the two groups for comparison in a  $t$ -test,  $\mu_d = \mu_1 - \mu_2$ , and  $\mu_d \in (-\infty, +\infty)$ .

$\sigma_k$ : The population standard deviation of group  $k$ , and  $\sigma_k > 0$ .

$n_k$ : The sample size for group  $k$ , and  $n_k > 1$ , which is an integer. Note that  $n_k$  is required to be double-precision in the following calculation unless otherwise stated.

$\alpha$ : The significance level to reflect the type I error rate, and  $\alpha \in (0, 1)$ .

We further define the ratio of the sample size

$$r = \frac{n_2}{n_1}, \quad (0.0.1)$$

and rewrite  $n_2 = rn_1$ .

## Two-sample Test for Mean Difference with Equal Group Variances

In this section, we assume that the two independent groups for comparison share the common variance, or  $\sigma_1 = \sigma_2 = \sigma$ . Users are required to specify the values for  $\mu_d$  (or  $\mu_k$ ),  $\sigma$ ,  $n_1$ ,  $n_2$ , and  $\alpha$ . The default setting is  $\alpha = 0.05$ .

### Nondirectional or two-sided testing hypothesis

For a nondirectional test, we formulate two-sided testing hypotheses  $H_0 : \mu_1 = \mu_2$  versus  $H_1 : \mu_1 \neq \mu_2$ . Under the null hypothesis  $H_0$ , the test statistic follows a Student's  $t$ -distribution with the degrees of freedom,

$$\nu = n_1 + n_2 - 2 = (1 + r)n_1 - 2. \quad (0.0.2)$$

The critical value is therefore

$$t^* = \text{IDF.T} \left( 1 - \frac{\alpha}{2}, \nu \right). \quad (0.0.3)$$

Under the alternative hypothesis, the test statistic follows a noncentral  $t$ -distribution with the same degrees of freedom  $\nu$  in Equation (0.0.2), and the noncentrality parameter computed as

$$\lambda = \frac{\mu_d}{\sqrt{\sigma^2/n_1 + \sigma^2/n_2}} = \frac{\mu_1 - \mu_2}{\sqrt{\sigma^2/n_1 + \sigma^2/n_2}} = \delta \frac{\sqrt{n_1 n_2}}{\sqrt{n_1 + n_2}} = \delta \frac{\sqrt{n_1 r}}{\sqrt{r + 1}}, \quad (0.0.4)$$

where

$$\delta = \frac{\mu_d}{\sigma} = \frac{\mu_1 - \mu_2}{\sigma}. \quad (0.0.5)$$

Note that the effect size of the nondirectional test is defined as the absolute value of Equation (0.0.5). The power for an independent-sample nondirectional  $t$ -test with equal group variances is therefore

$$\Omega = 1 - \text{NCDF.T}(t^*, \nu, \lambda) + \text{NCDF.T}(-t^*, \nu, \lambda), \quad (0.0.6)$$

where  $t^*$ ,  $\nu$  and  $\lambda$  are defined by Equations (0.0.3), (0.0.2) and (0.0.4), respectively.

### Directional or one-sided testing hypothesis

For a directional test, we formulate one-sided testing hypotheses  $H_0 : \mu_1 = \mu_2$  versus  $H_1 : \mu_1 > \mu_2$  (or  $H_1 : \mu_1 < \mu_2$ ). The power is computed as

$$\Omega = 1 - \text{NCDF.T}(t^*, \nu, \lambda), \quad (0.0.7)$$

where

$$t^* = \text{IDF.T}(1 - \alpha, \nu), \quad (0.0.8)$$

$\nu$  is defined by Equation (0.0.2), and

$$\lambda = \frac{|\mu_d|}{\sqrt{\sigma^2/n_1 + \sigma^2/n_2}} = \frac{|\mu_1 - \mu_2|}{\sqrt{\sigma^2/n_1 + \sigma^2/n_2}} = |\delta| \frac{\sqrt{n_1 r}}{\sqrt{r + 1}}, \quad (0.0.9)$$

respectively.

### Two-sample Test for Mean Difference with Unequal Group Variances

In this section, we assume that the two independent groups for comparison do *not* have equal variances, or  $\sigma_1 \neq \sigma_2$ . Users are required to specify the values for  $\mu_d$  (or  $\mu_k$ ),  $\sigma_k$ ,  $n_1$ ,  $n_2$ , and  $\alpha$ .

### Nondirectional or two-sided testing hypothesis

For a nondirectional test, we formulate two-sided testing hypotheses  $H_0 : \mu_1 = \mu_2$  versus  $H_1 : \mu_1 \neq \mu_2$ . Under the null hypothesis  $H_0$ , the test statistic follows a Student's  $t$ -distribution with the degrees of freedom,

$$\nu = \frac{(\sigma_1^2/n_1 + \sigma_2^2/n_2)^2}{(\sigma_1^2/n_1)^2/(n_1 - 1) + (\sigma_2^2/n_2)^2/(n_2 - 1)} = \frac{(r\sigma_1^2 + \sigma_2^2)^2}{(r\sigma_1^2)^2/(n_1 - 1) + (\sigma_2^2)^2/(n_1 r - 1)}. \quad (0.0.10)$$

The critical value is therefore

$$t^* = \text{IDF.T} \left( 1 - \frac{\alpha}{2}, \nu \right). \quad (0.0.11)$$

Under the alternative hypothesis, the test statistic follows a noncentral  $t$ -distribution with the same degrees of freedom  $\nu$  in Equation (0.0.10), and the noncentrality parameter computed as<sup>1</sup>

$$\lambda = \frac{\mu_d}{\sqrt{\sigma_1^2/n_1 + \sigma_2^2/n_2}} = \frac{\mu_1 - \mu_2}{\sqrt{\sigma_1^2/n_1 + \sigma_2^2/n_2}} = \frac{(\mu_1 - \mu_2)\sqrt{r n_1}}{\sqrt{r\sigma_1^2 + \sigma_2^2}}. \quad (0.0.12)$$

The power for an independent-sample nondirectional  $t$ -test with unequal group variances is therefore

$$\Omega = 1 - \text{NCDF.T}(t^*, \nu, \lambda) + \text{NCDF.T}(-t^*, \nu, \lambda), \quad (0.0.13)$$

where  $t^*$ ,  $\nu$  and  $\lambda$  are defined by Equations (0.0.11), (0.0.10) and (0.0.12), respectively.

**Directional or one-sided testing hypothesis**

For a directional test, we formulate one-sided testing hypotheses  $H_0 : \mu_1 = \mu_2$  versus  $H_1 : \mu_1 > \mu_2$  (or  $H_1 : \mu_1 < \mu_2$ ). The power is computed as

$$\Omega = 1 - \text{NCDF.T}(t^*, \nu, \lambda), \quad (0.0.14)$$

where

$$t^* = \text{IDF.T}(1 - \alpha, \nu), \quad (0.0.15)$$

$\nu$  is defined by Equation (0.0.10), and

$$\lambda = \frac{|\mu_d|}{\sqrt{\sigma_1^2/n_1 + \sigma_2^2/n_2}} = \frac{|\mu_1 - \mu_2|}{\sqrt{\sigma_1^2/n_1 + \sigma_2^2/n_2}} = \frac{|\mu_1 - \mu_2|\sqrt{rn_1}}{\sqrt{r\sigma_1^2 + \sigma_2^2}}, \quad (0.0.16)$$

respectively.

---

<sup>3</sup>Remarks: To estimate the power for two-sample test for mean difference with unequal group variances, it is generally not straightforward to define the effect size  $\delta$  independent of the sample size unless  $n_1 = n_2$  or  $\sigma_1 = \sigma_2$ , the latter of which actually assumes the equal group variances. Although Cohen's standardized mean difference may be the most popular effect size, the metric relies on the sample size, and is more often calculated in the *post-hoc* power estimation. In light of this, we would like to consider the difference between  $\mu_1$  and  $\mu_2$  as a factor to predict the power, and plot the estimated power  $\Omega$  versus the difference between  $\mu_1$  and  $\mu_2$  to illustrate the relationship between them.

## Appendices

We discuss the method to reversely solve for the sample size given the user-supplied power values with all the other parameters already specified in the procedure. The following notations are used in this section.

- $\omega_0$ : The user-supplied power value which is one of the test assumptions, and  $0 < \omega_0 < 1$ .
- $\Omega_0$ : The actual power the test reaches.
- $N_0$ : The least sample size that is required to reach  $\Omega_0$ . For the related-sample analysis,  $N_0$  denotes the group pairs. For the independent-sample analysis,  $N_0$  denotes the sample size estimated for group 1.
- $N'_0$ : The sample size estimated for group 2 in the independent-sample analysis.
- $r_0$ : The ratio of the group sample sizes in the independent-sample analysis discussed later in section , which is defined by  $r_0 = N'_0/N_0$ . To avoid extreme unbalanced situations, we let  $0.01 \leq r_0 \leq 100$ , and the default setting is  $r_0 = 1$ .

To numerically estimate  $N_0$ , we apply the RTBIS Routine, demonstrated by Algorithm (1), to a given power function under certain conditions. Here we give some implementation notes.

- The input function `*function` denotes the power function we desire to solve in terms of the sample size. Its form depends on the test conditions, and will be discussed in later sections.
- We let  $x_1$  and  $x_2$  denote the sample size in the routine.
- The arguments of the power function `*function` include the sample size, either  $x_1$  or  $x_2$ , and the other parameters specified by users all combined in `param` depending on the test conditions.

## Independent-sample Analysis

### .0.1 Two-sample test for mean difference with equal group variances

Users are required to specify the values for  $\mu_d$  (or  $\mu_k$ ),  $\sigma$ ,  $\omega_0$ ,  $r_0$ , and  $\alpha$ . The default setting is  $r_0 = 1$  and  $\alpha = 0.05$ .

#### Nondirectional or two-sided testing hypothesis

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , we construct `*function` based on Equation (0.0.6)

$$\text{*function}(N; \text{param}) = 1 - \text{NCDF.T}(t^*, \nu, \lambda) + \text{NCDF.T}(-t^*, \nu, \lambda) - \omega_0, \quad (.0.17)$$

and feed it to Algorithm (1) to solve for  $n_1 = \text{rtb}$ . Note that the sample estimated for group 2 is

$$N'_0 = \max \{ \lceil \text{rtb} * r_0 \rceil, 2 \}. \quad (.0.18)$$

We then set  $N_0 = \lceil \text{rtb} \rceil$ , and follow Equation (0.0.2)-(0.0.6) by replacing  $n_1$  and  $n_2$  with  $N_0$  and  $N'_0$ , respectively, to solve for  $\Omega_0$ .

#### Directional or one-sided testing hypothesis

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , we construct `*function` based on Equation (0.0.7)

$$\text{*function}(N; \text{param}) = 1 - \text{NCDF.T}(t^*, \nu, \lambda) - \omega_0, \quad (.0.19)$$

and feed it to Algorithm (1) to solve for  $n_1 = \text{rtb}$ . We calculate  $N'_0$  by using Equation (.0.18), set  $N_0 = \lceil \text{rtb} \rceil$ , and then follow Equation (0.0.7)-(0.0.9) by replacing  $n_1$  and  $n_2$  with  $N_0$  and  $N'_0$ , respectively, to solve for  $\Omega_0$ .

---

**Algorithm 1** RTBIS Routine: Using bisection to estimate the sample size  $N_0$  which is the smallest integer greater than the root `rtb` of a given power function.

---

```

1: Input: *function(N; param),  $x_1 = 2$ ,  $x_2 = 400$ ,  $acc = 10^{-9}$ .           ▷ N: Sample size to be estimated.
2: Evaluate  $f_{mid} \leftarrow *function(x_2; param)$  .                       ▷ param: All the other parameters specified.
3: if  $f_{mid} = 0$  then
4:   return  $rtb = x_2$  .
5: end if
6: Evaluate  $f \leftarrow *function(x_1; param)$  .
7: if  $f \geq 0$  then
8:   return  $rtb = x_1$  .
9: end if
10: while  $f * f_{mid} > 0$  do
11:   Set  $x_1 \leftarrow x_2$  .
12:   Update  $x_2 \leftarrow 2x_2$  .
13:   if  $x_2$  overflows then                                           ▷ Protect from infinite looping.
14:     return  $rtb = SYSMIS$  .
15:   end if
16:   Set  $f \leftarrow f_{mid}$  .
17:   Evaluate  $f_{mid} \leftarrow *function(x_2; param)$  .
18:   if  $f_{mid} = 0$  then
19:     return  $rtb = x_2$  .
20:   end if
21: end while
22: Let  $rtb \leftarrow x_1$  .
23: Assign  $\delta_x \leftarrow x_2 - x_1$  .
24: for iteration  $j = 1, 2, 3, \dots$  do
25:   Update  $\delta_x \leftarrow 0.5 \delta_x$  .
26:   Update  $x_{mid} \leftarrow rtb + \delta_x$  .
27:   Evaluate  $f_{mid} \leftarrow *function(x_{mid}; param)$  .
28:   if  $f_{mid} \leq 0$  then
29:     Set  $rtb \leftarrow x_{mid}$  .
30:   end if
31:   if  $|\delta_x| < acc$  or  $f_{mid} = 0$  then
32:     return  $rtb$ .
33:   end if
34: end for
35: return .

```

---

**Power Analysis Table**

	Actual			Test Assumptions			
	N1	N2	Power <sup>b</sup>	Power	Std. Dev <sup>c</sup>	Effect Size	Sig.
Test for Mean Difference <sup>a</sup>	24	48	.804	.800	14	.714	.05

a. Two-sided test

b. Based on noncentral  $t$ -distribution.

c. Group variances are assumed to be equal.

Table 1: Estimate Sample Size of Independent-sample  $t$ -Test with Equal Group Variances

### Power Analysis Table

When  $\omega_0$  is specified, we output Table 1. Depending on the test direction in Section .0.1 and .0.1, N1 is estimated by  $N_0$ ; N2 is estimated by  $N'_0$ ; and Actual Power is estimated by  $\Omega_0$ . Power is  $\omega_0$

specified by users.

### Two-sample test for mean difference with unequal group variances

Users are required to specify the values for  $\mu_d$  (or  $\mu_k$ ),  $\sigma_k$ ,  $\omega_0$ ,  $r_0$ , and  $\alpha$ . The default setting is  $r_0 = 1$  and  $\alpha = 0.05$ .

#### Nondirectional or two-sided testing hypothesis

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , we construct `*function` based on Equation (0.0.13)

$$\text{*function}(N; \text{param}) = 1 - \text{NCDF.T}(t^*, \nu, \lambda) + \text{NCDF.T}(-t^*, \nu, \lambda) - \omega_0, \quad (.0.20)$$

and feed it to Algorithm (1) to solve for  $n_1 = \text{rtb}$ . We calculate  $N'_0$  by using Equation (.0.18), set  $N_0 = \lceil \text{rtb} \rceil$ , and then follow Equation (0.0.10)-(0.0.13) by replacing  $n_1$  and  $n_2$  with  $N_0$  and  $N'_0$ , respectively, to solve for  $\Omega_0$ .

#### Directional or one-sided testing hypothesis

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , we construct `*function` based on Equation (0.0.14)

$$\text{*function}(N; \text{param}) = 1 - \text{NCDF.T}(t^*, \nu, \lambda) - \omega_0, \quad (.0.21)$$

and feed it to Algorithm (1) to solve for  $n_1 = \text{rtb}$ . We calculate  $N'_0$  by using Equation (.0.18), set  $N_0 = \lceil \text{rtb} \rceil$ , and then follow Equation (0.0.14)-(0.0.16) by replacing  $n_1$  and  $n_2$  with  $N_0$  and  $N'_0$ , respectively, to solve for  $\Omega_0$ .

### Power Analysis Table

When  $\omega_0$  is specified, we output Table 2. Depending on the test direction in Section .0.1

**Power Analysis Table**

	Actual		Test Assumptions					
	N1	N2	Power <sup>b</sup>	Power	Std. Dev 1	Std. Dev 2	Mean Difference	Sig.
Test for Mean Difference <sup>a</sup>	45	90	.803	.800	14	27	10	.05

a. Two-sided test

b. Based on noncentral  $t$ -distribution.

Table 2: Estimate Sample Size of Independent-sample  $t$ -Test with Unequal Group Variances

and .0.1, N1 is estimated by  $N_0$ ; N2 is estimated by  $N'_0$ ; and Actual Power is estimated by  $\Omega_0$ . Power is  $\omega_0$  specified by users.

## Sample size based on confidence interval width

This section discusses the estimation of sample size based on the confidence interval half-width of the  $t$ -tests. The algorithm created in the following sections aims to compute the sample sizes required to estimate population parameter with certain precision determined by the user-specified confidence interval half-widths. The expected result should produce the minimum sample size to ensure that the actual confidence interval half-width does not exceed the desired one.

### General notations

To facilitate the presentation, we introduce the following new notations to the existing power analysis  $t$ -test procedures:

$m_e$ : The user-specified confidence interval half-width, and  $m_e > 0$ .

$m_{e0}$ : The actual confidence interval half-width achieved.

$N_e$ : The desired minimum sample size we would like to estimate such that it ensures that the actual confidence interval half-width will not exceed  $m_e$ . Note that  $N_e$  is required to be double-precision in the following calculation.

### Independent-sample $T$ -test

The following notations are used in this section unless otherwise stated.

$k$ : The group index,  $k = 1, 2$ .

$N_{ek}$ : The desired minimum sample size for group  $k$  we would like to estimate such that it ensures that a confidence interval half-width will not exceed  $m_e$ . Note that  $N_{ek}$  is required to be double-precision in the following calculation.

We further define the ratio of the sample size

$$r = \frac{N_{e2}}{N_{e1}}, \quad (0.0.1)$$

and rewrite  $N_{e2} = rN_{e1}$ . Note that  $r$  is the parameter already specified by the procedure.

### Test with equal group variances

In this section, we assume that the two independent groups for comparison share the common variance, and  $\sigma$  is the parameter already specified by the procedure. For a nondirectional test, the degrees of freedom is

$$\nu = N_{e1} + N_{e2} - 2 = (1 + r)N_{e1} - 2. \quad (0.0.2)$$

The critical value is therefore

$$t^* = \text{IDF.T} \left( 1 - \frac{\alpha}{2}, \nu \right), \quad (0.0.3)$$

where  $\alpha$  is the significance level to reflect the type I error rate, and  $\nu$  is estimated by Equation (??). Thus, the sample size for group 1 based on the margin or error is

$$N_{e1} = \frac{\sigma^2}{m_e^2} t^{*2} \left( 1 + \frac{1}{r} \right), \quad (0.0.4)$$

where  $t^*$  is estimated by Equation (??). To numerically solve for Equation (??), we construct

$$\text{*function}(N_e; \text{param}) = \frac{m_e^2}{\sigma^2} N_{e1} - t^{*2} \left( 1 + \frac{1}{r} \right), \quad (0.0.5)$$

and feed it to Algorithm (??) to solve for `rtb`. We then set  $N_{e1} = \lceil \text{rtb} \rceil$  and  $N_{e2} = \max \{ 2, \lceil \text{rtb} * r \rceil \}$ , reevaluate Equations (??) and (??), and solve for

$$m_{e0} = t^* \sigma \sqrt{\frac{1}{N_{e1}} + \frac{1}{N_{e2}}} \quad (0.0.6)$$

to obtain the actual confidence interval half-width.

### Test with unequal group variances

In this section, we assume that the two independent groups for comparison do not have equal variances, and  $\sigma_k$  are the parameters already specified by the procedure. For a nondirectional test, the degrees of freedom is

$$\nu = \frac{(\sigma_1^2/N_{e1} + \sigma_2^2/N_{e2})^2}{(\sigma_1^2/N_{e1})^2/(N_{e1} - 1) + (\sigma_2^2/N_{e2})^2/(N_{e2} - 1)} = \frac{(r\sigma_1^2 + \sigma_2^2)^2}{(r\sigma_1^2)^2/(N_{e1} - 1) + (\sigma_2^2)^2/(N_{e1}r - 1)}, \quad (0.0.7)$$

where  $r$  and  $\sigma_k$  are specified by the existing procedure. The critical value is therefore

$$t^* = \text{IDF.T} \left( 1 - \frac{\alpha}{2}, \nu \right). \quad (0.0.8)$$

where  $\alpha$  is the significance level to reflect the type I error rate, and  $\nu$  is estimated by Equation (??). Thus, the sample size for group 1 based on the confidence interval is

$$N_{e1} = \frac{t^{*2}}{m_e^2} \left( \sigma_1^2 + \frac{\sigma_2^2}{r} \right), \quad (0.0.9)$$

where  $t^*$  is estimated by Equation (??). To numerically solve for Equation (??), we construct

$$\text{*function}(N_{e1}; \text{param}) = m_e^2 N_{e1} - t^{*2} \left( \sigma_1^2 + \frac{\sigma_2^2}{r} \right), \quad (0.0.10)$$

and feed it to Algorithm (??) to solve for `rtb`. We then set  $N_{e1} = \lceil \text{rtb} \rceil$  and  $N_{e2} = \max\{2, \lceil \text{rtb} * r \rceil\}$ , reevaluate Equations (??) and (??), and solve for

$$m_{e0} = t^* \sqrt{\frac{\sigma_1^2}{N_{e1}} + \frac{\sigma_2^2}{N_{e2}}} \quad (0.0.11)$$

to obtain the actual confidence interval half-width.

## Appendices

We discuss the method to solve for the sample size given the user-supplied confidence interval half widths with all the other parameters already specified in the procedure. Here we give some implementation notes.

- The input `*function`, whose expression depends on the test conditions, denotes the function we have constructed previously to solve in terms of the sample size.
- The arguments of `*function` include the sample size as well as the other parameters specified by the corresponding procedures are all combined in `param` depending on the test conditions.
- We let  $\mathbf{x}_1$  and  $\mathbf{x}_2$  denote the sample size in the `RTBIS` routine.

---

**Algorithm 1** RTBIS Routine: Using bisection to estimate the smallest sample size such that it ensures that the actual confidence interval half-width will not exceed the desired one.

---

```

1: Input: *function( $N_e$ ; param),  $x_1 = 2$ ,  $x_2 = 400$ ,  $\text{acc} = 10^{-9}$ .
2: Evaluate  $\text{fmid} \leftarrow$  *function( $x_2$ ; param) .
3: if  $\text{fmid} = 0$  then
4:   return  $\text{rtb} = x_2$  .
5: end if
6: Evaluate  $f \leftarrow$  *function( $x_1$ ; param) .
7: if  $f \geq 0$  then
8:   return  $\text{rtb} = x_1$  .
9: end if
10: while  $f * \text{fmid} > 0$  do
11:   Set  $x_1 \leftarrow x_2$  .
12:   Update  $x_2 \leftarrow 2x_2$  .
13:   if  $x_2$  overflows then                                      $\triangleright$  Protect from infinite looping.
14:     return  $\text{rtb} = \text{SYSMIS}$  .
15:   end if
16:   Set  $f \leftarrow \text{fmid}$  .
17:   Evaluate  $\text{fmid} \leftarrow$  *function( $x_2$ ; param) .
18:   if  $\text{fmid} = 0$  then
19:     return  $\text{rtb} = x_2$  .
20:   end if
21: end while
22: Let  $\text{rtb} \leftarrow x_1$  .
23: Assign  $\delta_x \leftarrow x_2 - x_1$  .
24: for iteration  $j = 1, 2, 3, \dots$  do
25:   Update  $\delta_x \leftarrow 0.5 \delta_x$  .
26:   Update  $\text{xmid} \leftarrow \text{rtb} + \delta_x$  .
27:   Evaluate  $\text{fmid} \leftarrow$  *function( $\text{xmid}$ ; param) .
28:   if  $\text{fmid} \leq 0$  then
29:     Set  $\text{rtb} \leftarrow \text{xmid}$  .
30:   end if
31:   if  $|\delta_x| < \text{acc}$  or  $\text{fmid} = 0$  then
32:     return  $\text{rtb}$ .
33:   end if
34: end for
35: return

```

---

# POWER MEANS ONESAMPLE Algorithms

## Introduction

The power of a hypothesis test to detect a correct alternative hypothesis is the probability that the test will reject the test hypothesis. Since the probability of a type II error is the probability of accepting the null hypothesis when the alternative hypothesis is true, the power can be expressed as (1-probability of a type II error), which is the probability of rejecting the null hypothesis when the alternative hypothesis is true.

Power analysis plays a pivotal role in a study plan, design, and conduction. The calculation of power is usually before any sample data have been collected, except possibly from a small pilot study. The precise estimation of the power may tell investigators how likely it is that a statistically significant difference will be detected based on a finite sample size under a true alternative hypothesis. If the power is too low, there is little chance of detecting a significant difference, and nonsignificant results are likely even if real differences truly exist. In light of the concerns of power, a well-designed feature or function may make a positive contribution to its estimation and then the a research study proposal.

In this document, we focus on the  $t$ -tests and statistical inference about population means. We present different power estimation formulas under various conditions, and further describe the features that are offered in SPSS Statistics.

## One-sample Analysis

In this section, the observed data are collected as a single random sample. We assume that the sample data independently and identically follow a normal distribution with a fixed mean and variance, and would like to draw statistical inference about the mean parameter. The following notations are used in this section.

- $\mu$ : The population mean for testing in a  $t$ -test, and  $\mu \in (-\infty, +\infty)$ .
- $c_0$ : The null hypothesis value to be tested, and  $c_0 \in (-\infty, +\infty)$ .
- $\sigma$ : The population standard deviation, and  $\sigma > 0$ .
- $N$ : The sample size, and  $N > 1$ , which is an integer. Note that  $N$  is required to be double-precision in the following calculation unless otherwise stated.
- $\alpha$ : The significance level to reflect the type I error rate, and  $\alpha \in (0, 1)$ .

## One-sample Test of Mean

Users are required to specify the values for  $\mu$ ,  $c_0$ ,  $\sigma$ ,  $N$ , and  $\alpha$ . The default setting is  $c_0 = 0$  and  $\alpha = 0.05$ .

### Nondirectional or two-sided testing hypothesis

For a nondirectional test, we formulate two-sided testing hypotheses  $H_0 : \mu = c_0$  versus  $H_1 : \mu \neq c_0$ . Under the null hypothesis  $H_0$ , the test statistic follows a Student's  $t$ -distribution with the degrees of freedom

$$\nu = N - 1. \quad (0.0.1)$$

The critical value is therefore<sup>1</sup>

$$t^* = \text{IDF.T} \left( 1 - \frac{\alpha}{2}, \nu \right). \quad (0.0.2)$$

Under the alternative hypothesis, the test statistic follows a noncentral  $t$ -distribution with the same degrees of freedom  $\nu$  in Equation (0.0.1), and the noncentrality parameter is computed as

$$\lambda = \frac{\mu - c_0}{\sigma/\sqrt{N}} = \delta\sqrt{N}, \quad (0.0.3)$$

where

$$\delta = \frac{\mu - c_0}{\sigma}. \quad (0.0.4)$$

Note that the effect size of the nondirectional test is defined as the absolute value of Equation (0.0.4). The power for a one-sample nondirectional  $t$ -test is therefore<sup>2</sup>

$$\Omega = 1 - \text{NCDF.T}(t^*, \nu, \lambda) + \text{NCDF.T}(-t^*, \nu, \lambda), \quad (0.0.5)$$

where  $t^*$ ,  $\nu$ , and  $\lambda$  are defined by Equations (0.0.2), (0.0.1), and (0.0.3), respectively.

### Directional or one-sided testing hypothesis

For a directional test with one-sided testing hypotheses  $H_0 : \mu = c_0$  versus  $H_1 : \mu > c_0$  (or  $H_1 : \mu < c_0$ ), the power is computed as

$$\Omega = 1 - \text{NCDF.T}(t^*, \nu, \lambda), \quad (0.0.6)$$

where

$$t^* = \text{IDF.T}(1 - \alpha, \nu) \quad (0.0.7)$$

$\nu$  is defined by Equation (0.0.1), and

$$\lambda = \frac{|\mu - c_0|}{\sigma/\sqrt{N}} = |\delta|\sqrt{N}, \quad (0.0.8)$$

respectively.

---

<sup>1</sup> $\text{IDF.T}(prob, df)$  returns the value from the Student's  $t$ -distribution, with specified degrees of freedom  $df$ , for which the cumulative probability is  $prob$ .

<sup>2</sup> $\text{NCDF.T}(quant, df, \lambda)$  returns the cumulative probability such that a value from the noncentral Student's  $t$ -distribution, with the specified degrees of freedom  $df$  and noncentrality  $\lambda$ , will be less than or equal to  $quant$ .

## Appendices

We discuss the method to reversely solve for the sample size given the user-supplied power values with all the other parameters already specified in the procedure. The following notations are used in this section.

- $\omega_0$ : The user-supplied power value which is one of the test assumptions, and  $0 < \omega_0 < 1$ .
- $\Omega_0$ : The actual power the test reaches.
- $N_0$ : The least sample size that is required to reach  $\Omega_0$ . For the related-sample analysis,  $N_0$  denotes the group pairs. For the independent-sample analysis,  $N_0$  denotes the sample size estimated for group 1.
- $N'_0$ : The sample size estimated for group 2 in the independent-sample analysis.
- $r_0$ : The ratio of the group sample sizes in the independent-sample analysis, which is defined by  $r_0 = N'_0/N_0$ . To avoid extreme unbalanced situations, we let  $0.01 \leq r_0 \leq 100$ , and the default setting is  $r_0 = 1$ .

To numerically estimate  $N_0$ , we apply the RTBIS Routine, demonstrated by Algorithm (1), to a given power function under certain conditions. Here we give some implementation notes.

- The input function `*function` denotes the power function we desire to solve in terms of the sample size. Its form depends on the test conditions, and will be discussed in later sections.
- We let  $\mathbf{x}_1$  and  $\mathbf{x}_2$  denote the sample size in the routine.
- The arguments of the power function `*function` include the sample size, either  $\mathbf{x}_1$  or  $\mathbf{x}_2$ , and the other parameters specified by users all combined in `param` depending on the test conditions.

## One-sample Analysis

Users are required to specify the values for  $\mu$ ,  $c_0$ ,  $\sigma$ ,  $\omega_0$ , and  $\alpha$ . The default setting is  $c_0 = 0$  and  $\alpha = 0.05$ .

### Nondirectional or two-sided testing hypothesis

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , we construct `*function` based on Equation (0.0.5)

$$\text{*function}(N; \text{param}) = 1 - \text{NCDF.T}(t^*, \nu, \lambda) + \text{NCDF.T}(-t^*, \nu, \lambda) - \omega_0, \quad (.0.9)$$

and feed it to Algorithm (1) to solve for  $N = \text{rtb}$ . We then set  $N_0 = \lceil \text{rtb} \rceil$ , and follow Equation (0.0.1)-(0.0.5) by replacing  $N$  with  $N_0$  to solve for  $\Omega_0$ .

### Directional or one-sided testing hypothesis

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , we construct `*function` based on Equation (0.0.6)

$$\text{*function}(N; \text{param}) = 1 - \text{NCDF.T}(t^*, \nu, \lambda) - \omega_0, \quad (.0.10)$$

and feed it to Algorithm (1) to solve for  $N = \text{rtb}$ . We then set  $N_0 = \lceil \text{rtb} \rceil$ , and follow Equation (0.0.6)-(0.0.8) by replacing  $N$  with  $N_0$  to solve for  $\Omega_0$ .

## Power Analysis Table

When  $\omega_0$  is specified, we output Table 1. Depending on the test direction in Section and ,  $N$  is estimated by  $N_0$ , and Actual Power is estimated by  $\Omega_0$ . Power is  $\omega_0$  specified by users.

---

**Algorithm 1** RTBIS Routine: Using bisection to estimate the sample size  $N_0$  which is the smallest integer greater than the root  $\text{rtb}$  of a given power function.

---

```

1: Input: *function(N; param),  $x_1 = 2$ ,  $x_2 = 400$ ,  $\text{acc} = 10^{-9}$ .           ▷ N: Sample size to be estimated.
2: Evaluate  $\text{fmid} \leftarrow \text{*function}(x_2; \text{param})$  .                       ▷ param: All the other parameters specified.
3: if  $\text{fmid} = 0$  then
4:   return  $\text{rtb} = x_2$  .
5: end if
6: Evaluate  $f \leftarrow \text{*function}(x_1; \text{param})$  .
7: if  $f \geq 0$  then
8:   return  $\text{rtb} = x_1$  .
9: end if
10: while  $f * \text{fmid} > 0$  do
11:   Set  $x_1 \leftarrow x_2$  .
12:   Update  $x_2 \leftarrow 2x_2$  .
13:   if  $x_2$  overflows then                                             ▷ Protect from infinite looping.
14:     return  $\text{rtb} = \text{SYSMIS}$  .
15:   end if
16:   Set  $f \leftarrow \text{fmid}$  .
17:   Evaluate  $\text{fmid} \leftarrow \text{*function}(x_2; \text{param})$  .
18:   if  $\text{fmid} = 0$  then
19:     return  $\text{rtb} = x_2$  .
20:   end if
21: end while
22: Let  $\text{rtb} \leftarrow x_1$  .
23: Assign  $\delta_x \leftarrow x_2 - x_1$  .
24: for iteration  $j = 1, 2, 3, \dots$  do
25:   Update  $\delta_x \leftarrow 0.5 \delta_x$  .
26:   Update  $\text{xmids} \leftarrow \text{rtb} + \delta_x$  .
27:   Evaluate  $\text{fmid} \leftarrow \text{*function}(\text{xmids}; \text{param})$  .
28:   if  $\text{fmid} \leq 0$  then
29:     Set  $\text{rtb} \leftarrow \text{xmids}$  .
30:   end if
31:   if  $|\delta_x| < \text{acc}$  or  $\text{fmid} = 0$  then
32:     return  $\text{rtb}$ .
33:   end if
34: end for
35: return .

```

---

**Power Analysis Table**

	N	Actual	Test Assumptions			
		Power <sup>b</sup>	Power	Std.Dev	Effect Size	Sig.
Test for Mean <sup>a</sup>	64	.803	.800	14	.357	.05

a. Two-sided test

b. Based on noncentral  $t$ -distribution.

Table 1: Estimate Sample Size of One-sample  $t$ -Test

## Sample size based on confidence interval width

This section discusses the estimation of sample size based on the confidence interval half-width of the  $t$ -tests. The algorithm created in the following sections aims to compute the sample sizes required to estimate population parameter with certain precision determined by the user-specified confidence interval half-widths. The expected result should produce the minimum sample size to ensure that the actual confidence interval half-width does not exceed the desired one.

### General notations

To facilitate the presentation, we introduce the following new notations to the existing power analysis  $t$ -test procedures:

$m_e$ : The user-specified confidence interval half-width, and  $m_e > 0$ .

$m_{e0}$ : The actual confidence interval half-width achieved.

$N_e$ : The desired minimum sample size we would like to estimate such that it ensures that the actual confidence interval half-width will not exceed  $m_e$ . Note that  $N_e$  is required to be double-precision in the following calculation.

### One-sample $T$ -test

In this section,  $\sigma$  is the parameter already specified by the procedure. For a nondirectional test, the degrees of freedom is

$$\nu = N_e - 1. \quad (0.0.1)$$

The critical value is therefore

$$t^* = \text{IDF.T} \left( 1 - \frac{\alpha}{2}, \nu \right), \quad (0.0.2)$$

where  $\alpha$  is the significance level to reflect the type I error rate, and  $\nu$  is estimated by Equation (??). Thus, the sample size based on the confidence interval is

$$N_e = \frac{\sigma^2}{m_e^2} t^{*2}, \quad (0.0.3)$$

where  $t^*$  is estimated by Equation (??). To numerically solve for Equation (??), we construct

$$\text{*function}(N_e; \text{param}) = \frac{m_e^2}{\sigma^2} N_e - t^{*2}, \quad (0.0.4)$$

and feed it to Algorithm (??) (see Appendices) to solve for `rtb`. We then set  $N_e = \lceil \text{rtb} \rceil$ , reevaluate Equations (??) and (??), and solve for

$$m_{e0} = \frac{\sigma t^*}{\sqrt{N_e}} \quad (0.0.5)$$

to obtain the actual confidence interval half-width.

### Appendices

We discuss the method to solve for the sample size given the user-supplied confidence interval half widths with all the other parameters already specified in the procedure. Here we give some implementation notes.

- The input `*function`, whose expression depends on the test conditions, denotes the function we have constructed previously to solve in terms of the sample size.
- The arguments of `*function` include the sample size as well as the other parameters specified by the corresponding procedures are all combined in `param` depending on the test conditions.
- We let  $x_1$  and  $x_2$  denote the sample size in the `RTBIS` routine.

**Algorithm 1** RTBIS Routine: Using bisection to estimate the smallest sample size such that it ensures that the actual confidence interval half-width will not exceed the desired one.

---

```
1: Input: *function( $N_e$ ; param),  $x_1 = 2$ ,  $x_2 = 400$ ,  $acc = 10^{-9}$ .
2: Evaluate  $f_{mid} \leftarrow *function(x_2; param)$  .
3: if  $f_{mid} = 0$  then
4:   return  $rtb = x_2$  .
5: end if
6: Evaluate  $f \leftarrow *function(x_1; param)$  .
7: if  $f \geq 0$  then
8:   return  $rtb = x_1$  .
9: end if
10: while  $f * f_{mid} > 0$  do
11:   Set  $x_1 \leftarrow x_2$  .
12:   Update  $x_2 \leftarrow 2x_2$  .
13:   if  $x_2$  overflows then                                     ▷ Protect from infinite looping.
14:     return  $rtb = SYSMIS$  .
15:   end if
16:   Set  $f \leftarrow f_{mid}$  .
17:   Evaluate  $f_{mid} \leftarrow *function(x_2; param)$  .
18:   if  $f_{mid} = 0$  then
19:     return  $rtb = x_2$  .
20:   end if
21: end while
22: Let  $rtb \leftarrow x_1$  .
23: Assign  $\delta_x \leftarrow x_2 - x_1$  .
24: for iteration  $j = 1, 2, 3, \dots$  do
25:   Update  $\delta_x \leftarrow 0.5 \delta_x$  .
26:   Update  $x_{mid} \leftarrow rtb + \delta_x$  .
27:   Evaluate  $f_{mid} \leftarrow *function(x_{mid}; param)$  .
28:   if  $f_{mid} \leq 0$  then
29:     Set  $rtb \leftarrow x_{mid}$  .
30:   end if
31:   if  $|\delta_x| < acc$  or  $f_{mid} = 0$  then
32:     return  $rtb$ .
33:   end if
34: end for
35: return
```

---

## POWER MEANS RELATED Algorithms

### Introduction

The power of a hypothesis test to detect a correct alternative hypothesis is the probability that the test will reject the test hypothesis. Since the probability of a type II error is the probability of accepting the null hypothesis when the alternative hypothesis is true, the power can be expressed as (1-probability of a type II error), which is the probability of rejecting the null hypothesis when the alternative hypothesis is true.

Power analysis plays a pivotal role in a study plan, design, and conduction. The calculation of power is usually before any sample data have been collected, except possibly from a small pilot study. The precise estimation of the power may tell investigators how likely it is that a statistically significant difference will be detected based on a finite sample size under a true alternative hypothesis. If the power is too low, there is little chance of detecting a significant difference, and nonsignificant results are likely even if real differences truly exist. In light of the concerns of power, a well-designed feature or function may make a positive contribution to its estimation and then the a research study proposal.

In this document, we focus on the  $t$ -tests and statistical inference about population means. We present different power estimation formulas under various conditions, and further describe the features that will be offered by the next release of SPSS Statistics.

### Related-sample Analysis

In this section, the observed data contain two paired and correlated samples, and each case has two measurements. We assume that the data in each sample independently and identically follow a normal distribution with a fixed mean and variance, and would like to draw statistical inference about the difference of the two means. The following notations are used in this section.

$k$ : The group index,  $k = 1, 2$ .

$\mu_k$ : The population mean of group  $k$  for comparison in a  $t$ -test, and  $\mu_k \in (-\infty, +\infty)$ .

$\mu_d$ : The population mean difference of the two groups for comparison in a  $t$ -test,  $\mu_d = \mu_1 - \mu_2$ , and  $\mu_d \in (-\infty, +\infty)$ .

$\sigma_d$ : The population standard deviation of the group mean difference, and  $\sigma_d > 0$ .

$\sigma_k$ : The population standard deviation of group  $k$ , and  $\sigma_k > 0$ .

$\rho$ : The Pearson product-moment correlation coefficient between the two groups, and  $\rho \in [-1, 0) \cup (0, 1]$ . In case that  $\sigma_1 = \sigma_2$  is specified,  $\rho = 1$  is *not* allowed.

$N$ : The number of group pairs, and  $N > 1$ , which is an integer. Note that  $N$  is required to be double-precision in the following calculation unless otherwise stated.

$\alpha$ : The significance level to reflect the type I error rate, and  $\alpha \in (0, 1)$ .

### Two-sample Test for Mean Difference with Paired Groups

Users are required to specify the values for  $\mu_d$  (or  $\mu_k$ ),  $\sigma_d$  (or  $\sigma_k$  and  $\rho$ ),  $N$ , and  $\alpha$ . The default setting is  $\rho = 0.5$  and  $\alpha = 0.05$ .

#### Nondirectional or two-sided testing hypothesis

For a nondirectional test, we formulate two-sided testing hypotheses  $H_0 : \mu_d = 0$  versus  $H_1 : \mu_d \neq 0$ . Under the null hypothesis  $H_0$ , the test statistic follows a Student's  $t$ -distribution with the degrees of freedom

$$\nu = N - 1. \quad (0.0.1)$$

The critical value is therefore

$$t^* = \text{IDF.T} \left( 1 - \frac{\alpha}{2}, \nu \right). \quad (0.0.2)$$

Under the alternative hypothesis, the test statistic follows a noncentral  $t$ -distribution with the same degrees of freedom  $\nu$ , and the noncentrality parameter computed as

$$\lambda = \frac{\mu_d}{\sigma_d/\sqrt{N}} = \frac{\mu_1 - \mu_2}{\sigma_d/\sqrt{N}} = \delta\sqrt{N}, \quad (0.0.3)$$

where

$$\sigma_d = (\sigma_1^2 + \sigma_2^2 - 2\rho\sigma_1\sigma_2)^{1/2}, \quad (0.0.4)$$

if  $\sigma_k$  and  $\rho$  are specified instead of  $\sigma_d$ , and

$$\delta = \frac{\mu_d}{\sigma_d}. \quad (0.0.5)$$

Note that the effect size of the nondirectional test is defined as the absolute value. The power for a related-sample nondirectional  $t$ -test is therefore

$$\Omega = 1 - \text{NCDF.T}(t^*, \nu, \lambda) + \text{NCDF.T}(-t^*, \nu, \lambda), \quad (0.0.6)$$

### Directional or one-sided testing hypothesis

For a directional test with one-sided testing hypotheses  $H_0 : \mu_d = 0$  versus  $H_1 : \mu_d > 0$  (or  $H_1 : \mu_d < 0$ ), the power is computed as

$$\Omega = 1 - \text{NCDF.T}(t^*, \nu, \lambda), \quad (0.0.7)$$

where

$$t^* = \text{IDF.T}(1 - \alpha, \nu) \quad (0.0.8)$$

$\nu$  is defined, and

$$\lambda = \frac{|\mu_d|}{\sigma_d/\sqrt{N}} = \frac{|\mu_1 - \mu_2|}{\sigma_d/\sqrt{N}} = |\delta|\sqrt{N}, \quad (0.0.9)$$

respectively. Note that  $\sigma_d$  is computed, if  $\sigma_k$  and  $\rho$  are specified instead of  $\sigma_d$ .

## Appendices

We discuss the method to reversely solve for the sample size given the user-supplied power values with all the other parameters already specified in the procedure. The following notations are used in this section.

- $\omega_0$ : The user-supplied power value which is one of the test assumptions, and  $0 < \omega_0 < 1$ .
- $\Omega_0$ : The actual power the test reaches.
- $N_0$ : The least sample size that is required to reach  $\Omega_0$ . For the related-sample analysis,  $N_0$  denotes the group pairs. For the independent-sample analysis,  $N_0$  denotes the sample size estimated for group 1.
- $N'_0$ : The sample size estimated for group 2 in the independent-sample analysis.
- $r_0$ : The ratio of the group sample sizes in the independent-sample analysis, which is defined by  $r_0 = N'_0/N_0$ . To avoid extreme unbalanced situations, we let  $0.01 \leq r_0 \leq 100$ , and the default setting is  $r_0 = 1$ .

To numerically estimate  $N_0$ , we apply the RTBIS Routine to a given power function under certain conditions. Here we give some implementation notes.

- The input function `*function` denotes the power function we desire to solve in terms of the sample size. Its form depends on the test conditions, and will be discussed in later sections.
- We let  $\mathbf{x}_1$  and  $\mathbf{x}_2$  denote the sample size in the routine.
- The arguments of the power function `*function` include the sample size, either  $\mathbf{x}_1$  or  $\mathbf{x}_2$ , and the other parameters specified by users all combined in `param` depending on the test conditions.

## Related-sample Analysis

Users are required to specify the values for  $\mu_d$  (or  $\mu_k$ ),  $\sigma_d$  (or  $\sigma_k$  and  $\rho$ ),  $\omega_0$ , and  $\alpha$ . The default setting is  $\rho = 0.5$  and  $\alpha = 0.05$ .

### Nondirectional or two-sided testing hypothesis

Given  $\omega_0$  as well as the other parameters and statistics, we construct `*function`

$$\text{*function}(N; \text{param}) = 1 - \text{NCDF.T}(t^*, \nu, \lambda) + \text{NCDF.T}(-t^*, \nu, \lambda) - \omega_0, \quad (.0.10)$$

and feed it to the algorithm to solve for  $N = \text{rtb}$ . We then set  $N_0 = \lceil \text{rtb} \rceil$  by replacing  $N$  with  $N_0$  to solve for  $\Omega_0$ .

### Directional or one-sided testing hypothesis

Given  $\omega_0$  as well as the other parameters and statistics, we construct `*function`

$$\text{*function}(N; \text{param}) = 1 - \text{NCDF.T}(t^*, \nu, \lambda) - \omega_0, \quad (.0.11)$$

and feed it to Algorithm (??) to solve for  $N = \text{rtb}$ . We then  $N_0 = \lceil \text{rtb} \rceil$ , and follow Equation (??)-(??) by replacing  $N$  with  $N_0$  to solve for  $\Omega_0$ .

## Power Analysis Table

Depending on the test direction,  $N$  is estimated by  $N_0$  and Actual Power is estimated by  $\Omega_0$ . Power is  $\omega_0$  specified by users.

---

**Algorithm 1** RTBIS Routine: Using bisection to estimate the sample size  $N_0$  which is the smallest integer greater than the root `rtb` of a given power function.

---

```

1: Input: *function(N; param),  $x_1 = 2$ ,  $x_2 = 400$ ,  $acc = 10^{-9}$ .           ▷ N: Sample size to be estimated.
2: Evaluate  $f_{mid} \leftarrow *function(x_2; param)$  .                       ▷ param: All the other parameters specified.
3: if  $f_{mid} = 0$  then
4:   return  $rtb = x_2$  .
5: end if
6: Evaluate  $f \leftarrow *function(x_1; param)$  .
7: if  $f \geq 0$  then
8:   return  $rtb = x_1$  .
9: end if
10: while  $f * f_{mid} > 0$  do
11:   Set  $x_1 \leftarrow x_2$  .
12:   Update  $x_2 \leftarrow 2x_2$  .
13:   if  $x_2$  overflows then                                           ▷ Protect from infinite looping.
14:     return  $rtb = SYSMIS$  .
15:   end if
16:   Set  $f \leftarrow f_{mid}$  .
17:   Evaluate  $f_{mid} \leftarrow *function(x_2; param)$  .
18:   if  $f_{mid} = 0$  then
19:     return  $rtb = x_2$  .
20:   end if
21: end while
22: Let  $rtb \leftarrow x_1$  .
23: Assign  $\delta_x \leftarrow x_2 - x_1$  .
24: for iteration  $j = 1, 2, 3, \dots$  do
25:   Update  $\delta_x \leftarrow 0.5 \delta_x$  .
26:   Update  $x_{mid} \leftarrow rtb + \delta_x$  .
27:   Evaluate  $f_{mid} \leftarrow *function(x_{mid}; param)$  .
28:   if  $f_{mid} \leq 0$  then
29:     Set  $rtb \leftarrow x_{mid}$  .
30:   end if
31:   if  $|\delta_x| < acc$  or  $f_{mid} = 0$  then
32:     return  $rtb$  .
33:   end if
34: end for
35: return .

```

---

**Power Analysis Table**

	Actual		Test Assumptions			
	$N^b$	Power <sup>c</sup>	Power	Std. Dev <sup>d</sup>	Effect Size	Sig.
Test for Mean Difference <sup>a</sup>	245	.800	.800	27.812	.180	.05

a. Two-sided test

b. Number of group pairs.

c. Based on noncentral  $t$ -distribution.

d. Standard deviation of the mean difference.

Table 1: Estimate Sample Size of Related-sample  $t$ -Test

## Sample size based on confidence interval width

This section discusses the estimation of sample size based on the confidence interval half-width of the  $t$ -tests. The algorithm created in the following sections aims to compute the sample sizes required to estimate population parameter with certain precision determined by the user-specified confidence interval half-widths. The expected result should produce the minimum sample size to ensure that the actual confidence interval half-width does not exceed the desired one.

### General notations

To facilitate the presentation, we introduce the following new notations to the existing power analysis  $t$ -test procedures:

$m_e$ : The user-specified confidence interval half-width, and  $m_e > 0$ .

$m_{e0}$ : The actual confidence interval half-width achieved.

$N_e$ : The desired minimum sample size we would like to estimate such that it ensures that the actual confidence interval half-width will not exceed  $m_e$ . Note that  $N_e$  is required to be double-precision in the following calculation.

### Related-sample $T$ -test

In this section,  $\sigma_d$ ,  $\sigma_1$ ,  $\sigma_2$ , and  $\rho$  are the parameters already specified by the procedure. For a nondirectional test, the degrees of freedom is

$$\nu = N_e - 1. \quad (0.0.1)$$

The critical value is therefore

$$t^* = \text{IDF.T} \left( 1 - \frac{\alpha}{2}, \nu \right), \quad (0.0.2)$$

where  $\alpha$  is the significance level to reflect the type I error rate, and  $\nu$  is estimated by Equation (??). Thus, the sample size based on the confidence interval is

$$N_e = \frac{\sigma_d^2}{m_e^2} t^{*2}, \quad (0.0.3)$$

where  $\sigma_d$  is either directly specified or estimated by

$$\sigma_d = (\sigma_1^2 + \sigma_2^2 - 2\rho\sigma_1\sigma_2)^{1/2} \quad (0.0.4)$$

if  $\sigma_1$ ,  $\sigma_2$ , and  $\rho$  are specified instead of  $\sigma_d$ . To numerically solve for Equation (??), we construct

$$\text{*function}(N_e; \text{param}) = \frac{m_e^2}{\sigma_d^2} N_e - t^{*2}, \quad (0.0.5)$$

and feed it to Algorithm (??) to solve for `rtb`. We then set  $N_e = \lceil \text{rtb} \rceil$ , reevaluate Equations (??) and (??), and solve for

$$m_{e0} = \frac{\sigma_d t^*}{\sqrt{N_e}} \quad (0.0.6)$$

to obtain the actual confidence interval half-width.

## Appendices

We discuss the method to solve for the sample size given the user-supplied confidence interval half widths with all the other parameters already specified in the procedure. Here we give some implementation notes.

- The input `*function`, whose expression depends on the test conditions, denotes the function we have constructed previously to solve in terms of the sample size.
- The arguments of `*function` include the sample size as well as the other parameters specified by the corresponding procedures are all combined in `param` depending on the test conditions.
- We let  $x_1$  and  $x_2$  denote the sample size in the `RTBIS` routine.

**Algorithm 1** RTBIS Routine: Using bisection to estimate the smallest sample size such that it ensures that the actual confidence interval half-width will not exceed the desired one.

---

```
1: Input: *function( $N_e$ ; param),  $x_1 = 2$ ,  $x_2 = 400$ ,  $acc = 10^{-9}$ .
2: Evaluate  $f_{mid} \leftarrow *function(x_2; param)$  .
3: if  $f_{mid} = 0$  then
4:   return  $rtb = x_2$  .
5: end if
6: Evaluate  $f \leftarrow *function(x_1; param)$  .
7: if  $f \geq 0$  then
8:   return  $rtb = x_1$  .
9: end if
10: while  $f * f_{mid} > 0$  do
11:   Set  $x_1 \leftarrow x_2$  .
12:   Update  $x_2 \leftarrow 2x_2$  .
13:   if  $x_2$  overflows then ▷ Protect from infinite looping.
14:     return  $rtb = SYSMIS$  .
15:   end if
16:   Set  $f \leftarrow f_{mid}$  .
17:   Evaluate  $f_{mid} \leftarrow *function(x_2; param)$  .
18:   if  $f_{mid} = 0$  then
19:     return  $rtb = x_2$  .
20:   end if
21: end while
22: Let  $rtb \leftarrow x_1$  .
23: Assign  $\delta_x \leftarrow x_2 - x_1$  .
24: for iteration  $j = 1, 2, 3, \dots$  do
25:   Update  $\delta_x \leftarrow 0.5 \delta_x$  .
26:   Update  $x_{mid} \leftarrow rtb + \delta_x$  .
27:   Evaluate  $f_{mid} \leftarrow *function(x_{mid}; param)$  .
28:   if  $f_{mid} \leq 0$  then
29:     Set  $rtb \leftarrow x_{mid}$  .
30:   end if
31:   if  $|\delta_x| < acc$  or  $f_{mid} = 0$  then
32:     return  $rtb$ .
33:   end if
34: end for
35: return
```

---

# POWER ONEWAY ANOVA Algorithms

## Introduction

Analysis of variance (ANOVA) is a statistical method of estimating the means of several populations which are often assumed to be normally distributed. The One-way ANOVA, a common type of ANOVA, is an extension of the two-sample  $t$ -test. In this document, we present the approaches of estimating the power for two types of hypothesis to compare the multiple group means, the overall test and the test with specified contrasts. The over test focuses on the null hypothesis that all group means are equal. The test with specified contrasts may break down the overall ANOVA hypotheses into smaller but more describable and useful pieces of the means. More details are discussed in the following sections.

## Power Analysis of One-way ANOVA

In this section, the observed data contain two independent samples. We assume that the data in each sample independently and identically follow a normal distribution with a fixed mean and variance, and would like to draw statistical inference about the difference of the two means. The following notations are used in this section.

- $J$ : Total number of the independent groups of which we would like to compare the means, and  $J \geq 2$ , which is an integer.
- $j$ : The group index,  $j = 1, 2, \dots, J$ .
- $n_j$ : The sample size for group  $j$ , and  $n_j \geq 2$ , which is an integer.
- $N$ : The total sample size, and  $N = \sum_{j=1}^J n_j$ .
- $\mu_j$ : The population mean of group  $j$  for comparison, and  $\mu_j \in (-\infty, +\infty)$ .
- $\sigma$ : The population standard deviation, and  $\sigma > 0$ .
- $\alpha$ : The significance level to reflect the type I error rate, and  $\alpha \in (0, 1)$ .

## Model Assumptions, Statistical Hypotheses, and Planned Contrasts

At least two random variables  $Y_{jk}$  are observed according to the model

$$Y_{jk} = \mu_j + \epsilon_{jk}, \quad (0.0.1)$$

where  $\mu_j$  are unknown parameters,  $\epsilon_{jk}$  are error random variables,  $j = 1, 2, \dots, J$ , and  $k = 1, 2, \dots, n_j$ . The classic one-way ANOVA model assumptions are

- $\mathbb{E}(\epsilon_{jk}) = 0$ .  $\mathbb{V}(\epsilon_{jk}) = \sigma_j^2 < \infty$ , for all  $j, k$ .  $\mathbb{C}(\epsilon_{jk}, \epsilon_{j'k'}) = 0$  for all  $j, j', k$  and  $k'$ , where  $j \neq j'$  and  $k \neq k'$ .
- $\epsilon_{jk}$  are independent and normally distributed.
- $\sigma_j^2 = \sigma^2$  for all  $j$ .

The classic one-way ANOVA tests the null hypothesis that

$$H_0 : \mu_1 = \mu_2 = \dots = \mu_J \quad (0.0.2)$$

versus the alternative hypothesis that

$$H_1 : \mu_j \neq \mu_{j'}, \quad (0.0.3)$$

for some  $j, j'$ , where  $j \neq j'$ . Let  $\mathbf{c} = (c_1, c_2, \dots, c_J)$ , which denotes the known contrast coefficients. The one-way ANOVA statistical test can also be written as

$$H_0 : \sum_{j=1}^J c_j \mu_j = 0 \text{ for all } \mathbf{c} \in \mathcal{C} \quad (0.0.4)$$

versus

$$H_1 : \sum_{j=1}^J c_j \mu_j \neq 0 \text{ for some } \mathbf{c} \in \mathcal{C}, \quad (0.0.5)$$

where  $\mathcal{C} = \{\mathbf{c} : \sum_{j=1}^J c_j = 0\}$ . Note that the hypotheses aforementioned are the ones for the ANOVA overall test. Assigning special values to the components of  $\mathbf{c}$  will give particular test with specified contrasts. For instance, to compare the mean of the first group to the average mean of the second and third groups, we can set  $\mathbf{c} = (1, -0.5, -0.5, 0, \dots, 0, 0)$ , and thus formulating the null hypothesis that

$$H_0 : \mu_1 = \frac{1}{2} (\mu_2 + \mu_3). \quad (0.0.6)$$

### Overall Test

In this section, we focus on the overall hypothesis formulated by Equation (??) and (??). The overall test is required when running the procedure. Users are required to specify the values for  $\mu_j$ ,  $\sigma$ ,  $n_j$ , and  $\alpha$ . The default setting is  $\alpha = 0.05$ . It must satisfy that

- The number of  $\mu_j$  and  $n_j$  should jibe.
- At least two  $\mu_j$  ( $n_j$ ) are required.

The group number  $J$  is determine by counting the number of  $n_j$  (or  $\mu_j$ ) specified by users. We can also obtain the following two quantities, the total sample size is computed by

$$N = \sum_{j=1}^J n_j, \quad (0.0.7)$$

and the proportion of each group size

$$r_j = n_j/N. \quad (0.0.8)$$

Under the null hypothesis  $H_0$ , the test statistic follows an  $F$ -distribution with the degrees of freedom

$$df_1 = J - 1 \quad (0.0.9)$$

for the hypothesis (numerator), and

$$df_2 = N - J \quad (0.0.10)$$

for the error term (denominator). The critical value is therefore<sup>1</sup>

$$F^* = \text{IDF.F}(1 - \alpha, df_1, df_2). \quad (0.0.11)$$

Under the alternative hypothesis, the test statistic follows a noncentral  $F$ -distribution with the same degrees of freedom in Equation (??) and (??), and the noncentrality parameter computed as

$$\lambda = \frac{\sum_{j=1}^J n_j (\mu_j - \bar{\mu})^2}{\sigma^2} = \frac{\sum_{j=1}^J r_j (\mu_j - \bar{\mu})^2}{\sigma^2/N}, \quad (0.0.12)$$

where

$$\bar{\mu} = \sum_{j=1}^J r_j \mu_j, \quad (0.0.13)$$

and  $r_j$  is computed by Equation (??). The power for an overall ANOVA test is therefore<sup>2</sup>

$$\Omega = 1 - \text{NCDF.F}(F^*, df_1, df_2, \lambda), \quad (0.0.14)$$

where  $F^*$ ,  $df_1$ ,  $df_2$ , and  $\lambda$  are defined by Equation (??), (??), (??), and (??), respectively. In addition, for the overall test, we also compute the root-mean-square standardized effect (RMSSE) as the measure of effect size by using

$$\delta = \sqrt{\frac{1}{J-1} \sum_{j=1}^J (\mu_j - \bar{\mu})^2 / \sigma^2}, \quad (0.0.15)$$

where  $\bar{\mu}$  is computed by Equation (??).

### Test with Specified Contrasts

In this section, we focus on the special components of  $\mathbf{c}$ , and formulate the particular hypotheses such as described by Equation (??). The test with specified contrasts is optional. To conduct the test, users are required to specify the values for  $\mu_j$ ,  $\sigma$ ,  $n_j$ ,  $c_j$ , and  $\alpha$ . The default setting is  $\alpha = 0.05$ . It must satisfy that

- The number of  $\mu_j$ ,  $n_j$ , and  $c_j$  should jibe.
- At least two  $\mu_j$  ( $n_j$  and  $c_j$ ) are required.
- For the components of  $\mathbf{c}$ , it must satisfy that  $\sum_{j=1}^J c_j = 0$ .
- The components of  $\mathbf{c}$  cannot all be 0.

In case that  $\sum_{j=1}^J c_j = 0$  is violated, we would assign a warning message, and run the procedure by resetting the contrast. If the last component is not the only nonzero component, we reset  $c_J$  to force that  $\sum_{j=1}^{J-1} c_j + c_J = 0$ . Otherwise, we reset the second-to-last component  $c_{J-1}$ . Unlike the overall test, the estimation of power for a test with the specified contrasts depends on whether the alternative hypothesis is formulated in a nondirectional or directional way which is discussed separately in the following sections.

### Nondirectional or two-sided testing hypothesis

For a nondirectional test, we formulate two-sided testing hypotheses  $H_0 : \sum_{j=1}^J c_j \mu_j = 0$  versus  $H_1 : \sum_{j=1}^J c_j \mu_j \neq 0$  for a particular set of contrast coefficients specified by the components in  $\mathbf{c}$ . Under the null hypothesis  $H_0$ , the test statistic follows an  $F$ -distribution with the degrees of freedom

$$df_1 = 1 \quad (0.0.16)$$

for the hypothesis (numerator), and

$$df_2 = N - J \quad (0.0.17)$$

for the error term (denominator). The critical value is therefore

$$F^* = \text{IDF.F}(1 - \alpha, df_1, df_2) . \quad (0.0.18)$$

Under the alternative hypothesis, the test statistic follows a noncentral  $F$ -distribution with the same degrees of freedom in Equation (??) and (??), and the noncentrality parameter computed as

$$\lambda = \frac{\left(\sum_{j=1}^J c_j \mu_j\right)^2}{\sigma^2 \sum_{j=1}^J c_j^2 / n_j} = \frac{N \left(\sum_{j=1}^J c_j \mu_j\right)^2}{\sigma^2 \sum_{j=1}^J c_j^2 / r_j} = \frac{N \delta^2}{\sum_{j=1}^J c_j^2 / r_j} , \quad (0.0.19)$$

where  $r_j$  is computed by Equation (??), and

$$\delta = \frac{\sum_{j=1}^J c_j \mu_j}{\sigma} . \quad (0.0.20)$$

Note that the effect size of the nondirectional test is defined as the absolute value of Equation (??). The power for a nondirectional ANOVA test with specified contrasts is therefore

$$\Omega = 1 - \text{NCDF.F}(F^*, df_1, df_2, \lambda) , \quad (0.0.21)$$

where  $F^*$ ,  $df_1$ ,  $df_2$ , and  $\lambda$  are defined by Equation (??), (??), (??), and (??), respectively.

<sup>1</sup>IDF.F(*prob*, *df1*, *df2*) returns the value from the  $F$ -distribution, with specified degrees of freedom *df1* and *df2*, for which the cumulative probability is *prob*.

<sup>2</sup>NCDF.F(*quant*, *df1*, *df2*,  $\lambda$ ) returns the cumulative probability such that a value from the noncentral  $F$ -distribution, with the specified degrees of freedom *df1* and *df2*, and noncentrality  $\lambda$ , will be less than *quant*.

### Directional or one-sided testing hypothesis

For a directional test, we formulate one-sided testing hypotheses  $H_0 : \sum_{j=1}^J c_j \mu_j = 0$  versus  $H_1 : \sum_{j=1}^J c_j \mu_j \geq 0$  (or  $H_1 : \sum_{j=1}^J c_j \mu_j < 0$ ) for a particular set of contrast coefficients specified by the components in  $\mathbf{c}$ . Under the null hypothesis  $H_0$ , the test statistic follows a Student's  $t$ -distribution with the degrees of freedom

$$df = N - J. \quad (0.0.22)$$

The critical value is therefore<sup>3</sup>

$$t^* = \text{IDF.T}(1 - \alpha, df). \quad (0.0.23)$$

Under the alternative hypothesis, the test statistic follows a noncentral  $t$ -distribution with the same degrees of freedom in Equation (??), and the noncentrality parameter computed as

$$\lambda = \frac{\sum_{j=1}^J c_j \mu_j}{\sigma \sqrt{\sum_{j=1}^J c_j^2 / n_j}} = \frac{\sqrt{N} \sum_{j=1}^J c_j \mu_j}{\sigma \sqrt{\sum_{j=1}^J c_j^2 / r_j}} = \frac{\sqrt{N} \delta}{\sqrt{\sum_{j=1}^J c_j^2 / r_j}}, \quad (0.0.24)$$

where  $r_j$  and  $\delta_j$  is computed by Equation (??) and (??), respectively. The power for a directional ANOVA test with specified contrasts is therefore<sup>4</sup>

$$\Omega = 1 - \text{NCDF.T}(t^*, df, |\lambda|), \quad (0.0.25)$$

where  $t^*$ ,  $df$ , and  $\lambda$  are defined by Equation (??), (??), and (??), respectively.

### Pairwise differences

Often times there is interest in pairwise differences of means, or  $\mu_j - \mu_{j'}$  for all  $j, j' \in \{1, 2, \dots, J\}$ , where  $j < j'$ . In this section, we discuss an optional feature to estimate the power for testing such hypotheses that  $\mu_j - \mu_{j'} = 0$  in the one-way ANOVA. Since we are conducting multiple comparisons, we may want to adjust the significance level in an appropriate way. Here, depending on users' selection, we support the Bonferroni correction

$$\alpha^* = \frac{2\alpha}{J(J-1)}, \quad (0.0.26)$$

the Šidák correction

$$\alpha^* = 1 - (1 - \alpha)^{2/[J(J-1)]}, \quad (0.0.27)$$

and the least significant difference by letting

$$\alpha^* = \alpha. \quad (0.0.28)$$

To test for the pairwise differences, we actually formulate special contrasts, and follow the similar procedure previously discussed in Section (??). As an illustrative example of testing the hypothesis that  $\mu_1 - \mu_2 = 0$ , we set  $\mathbf{c} = (1, -1, 0, 0, \dots, 0)$ . Alongside with the user-specified  $\mu_j$ ,  $\sigma$ ,  $n_j$ , and  $\alpha$ , we first convert  $\alpha$  to  $\alpha^*$  by using Equation (??), (??), or (??), and then apply Equation (??). Note that we always assume that testing for the pairwise differences is nondirectional. In general, this procedure will be repeated for all pairwise differences of means  $\mu_j - \mu_{j'}$  for all  $j, j' \in \{1, 2, \dots, J\}$ , where  $j < j'$ , by varying  $\mathbf{c} = (0, \dots, 0, 1, 0, \dots, 0, -1, 0, \dots, 0)$ , where 1 and -1 are the  $j$ -th and  $j'$ -th component of  $\mathbf{c}$ , respectively. Analogously, the effect size for each pairwise difference can be computed by taking the absolute value of Equation (??) and inserting the corresponding  $\mathbf{c}$ .

<sup>3</sup>IDF.T(*prob*, *df*) returns the value from the Student's  $t$ -distribution, with specified degrees of freedom *df*, for which the cumulative probability is *prob*.

<sup>4</sup>NCDF.T(*quant*, *df*,  $\lambda$ ) returns the cumulative probability such that a value from the noncentral Student's  $t$ -distribution, with the specified degrees of freedom *df* and noncentrality  $\lambda$ , will be less than *quant*.

## Appendices

We discuss the method to reversely solve for the sample size given the user-supplied power values with all the other parameters already specified in the procedure. The following notations are used in this section.

- $\omega_0$ : The user-specified power value which is one of the test assumptions, and  $0 < \omega_0 < 1$ .
- $\Omega_0$ : The actual power the test reaches.
- $N_0$ : The least overall sample size that is required to reach  $\Omega_0$ .
- $m_j$ : The sample size estimated for group  $j$ .
- $g_j$ : The group size weight assigned to group  $j$ . The default setting is that  $g_j = 1$ , which assumes that the group sizes are the same. For each  $g_j$ , it must satisfy that  $1 \leq g_j \leq 100$ .

To numerically estimate  $N_0$ , we apply the RTBIS Routine, demonstrated by Algorithm (??), to a given power function under certain conditions. Here we give some implementation notes.

---

**Algorithm 1** RTBIS Routine: Using bisection to estimate the sample size  $N_0$  which is the smallest integer greater than the root `rtb` of a given power function.

---

```

1: Input: *function(N; param),  $x_1 = 2J$ ,  $x_2 = 2J + 400$ ,  $acc = 10^{-6}$ .    ▷ N: Sample size to be estimated.
2: Evaluate fmid ← *function( $x_2$ ; param) .                               ▷ param: All the other parameters specified.
3: if fmid = 0 then
4:   return rtb =  $x_2$  .
5: end if
6: Evaluate f ← *function( $x_1$ ; param) .
7: if f ≥ 0 then
8:   return rtb =  $x_1$  .
9: end if
10: while f * fmid > 0 do
11:   Set  $x_1$  ←  $x_2$  .
12:   Update  $x_2$  ←  $2x_2$  .
13:   if  $x_2$  overflows then                                           ▷ Protect from infinite looping.
14:     return rtb = SYSMIS .
15:   end if
16:   Set f ← fmid .
17:   Evaluate fmid ← *function( $x_2$ ; param) .
18:   if fmid = 0 then
19:     return rtb =  $x_2$  .
20:   end if
21: end while
22: Let rtb ←  $x_1$  .
23: Assign  $\delta_x$  ←  $x_2 - x_1$  .
24: for iteration  $j = 1, 2, 3, \dots$  do
25:   Update  $\delta_x$  ←  $0.5 \delta_x$  .
26:   Update xmid ← rtb +  $\delta_x$  .
27:   Evaluate fmid ← *function(xmid; param) .
28:   if fmid ≤ 0 then
29:     Set rtb ← xmid .
30:   end if
31:   if  $|\delta_x| < acc$  or fmid = 0 then
32:     return rtb.
33:   end if
34: end for
35: return .

```

---

- The input function `*function` denotes the power function we desire to solve in terms of the sample size. Its form depends on the test conditions, and will be discussed in the later sections.
- We let  $x_1$  and  $x_2$  denote the sample size in the routine.
- The arguments of the power function `*function` include the sample size, either  $x_1$  or  $x_2$ , and the other parameters specified by users all combined in `param` depending on the test conditions.
- The quantity `rtb` is the value returned by the routine. It will be rounded up to  $N_0$ , which is the smallest integer  $\geq \text{rtb}$ , to estimate the overall sample size. In the presence of the contrast, we use `rtb` to estimate the group sizes first to ensure that  $m_j$ 's are all integers. More details are discussed in later sections.

### Overall Test

Users are required to specify the values for  $\mu_j$ ,  $\sigma$ ,  $\omega_0$ ,  $g_j$ , and  $\alpha$ . The default setting is  $\alpha = 0.05$ . Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section ??, we convert  $g_j$  to  $r_j$  as used in Equation (??) by

$$r_j = \frac{g_j}{\sum_{j=1}^J g_j}, \quad (.0.29)$$

and construct `*function` based on Equation (??)

$$\text{*function}(N; \text{param}) = 1 - \text{NCDF.F}(F^*, df_1, df_2, \lambda) - \omega_0, \quad (.0.30)$$

and feed it to Algorithm (??) to solve for `rtb`. The sample size estimated for group  $j$  is

$$m_j = \max \{2, \lceil \text{rtb} * r_j \rceil\}, \quad (.0.31)$$

for  $j = 1, 2, \dots, J$ , where  $r_j$  is estimated by Equation (??). The total sample size is estimated by

$$N_0 = \sum_{j=1}^J m_j, \quad (.0.32)$$

where  $m_j$  is estimated by Equation (??). We then follow Equation (??)-(??) by replacing  $N$  with  $N_0$  and  $n_j$  with  $m_j$  to solve for  $\Omega_0$ .

### Power Analysis and Group Sizes: Overall test

$N$  is estimated by  $N_0$ ; Actual Power is estimated by  $\Omega_0$ ; and Power is  $\omega_0$  specified

**Power Analysis Table**

	Actual		Test Assumptions			
	N	Power <sup>b</sup>	Power	Std.Dev	Effect Size <sup>d</sup>	Sig.
Overall Test <sup>a</sup>	75	.805	.800	5	.481	.05

- a. Tests the null hypothesis that population mean is the same for all groups.
- b. Based on noncentral  $F$ -distribution.
- c. Total sample size across groups.
- d. Root-mean-square standardized effect.

Table 1: Estimate Overall Sample Size of ANOVA Overall Test

by users. All the other table settings are the same as Table ??. For Table ??,  $N$  for Group  $j$  is estimated by  $m_j$  in Equation (??), and  $N$  for Overall is estimated by  $N_0$  in Equation (??).

**Group Size Allocation for Overall Test**

N	
Group 1	15
Group 2	30
Group 3	20
Group 4	10
Overall	75

Table 2: Estimate Group Sizes of ANOVA Overall Test

## Test with Specified Contrasts

In the presence of  $c_j$ , we will estimate the sample size to reach a given power value for a user-supplied contrast. Users are required to specify the values for  $\mu_j$ ,  $\sigma$ ,  $\omega_0$ ,  $g_j$ ,  $c_j$ , and  $\alpha$ . The default setting is  $\alpha = 0.05$ .

### Nondirectional or two-sided test

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section ??, we convert  $g_j$  to  $r_j$  as used in Equation (??) by Equation (??), and construct `*function` based on Equation (??)

$$\text{*function}(N; \text{param}) = 1 - \text{NCDF.F}(F^*, df_1, df_2, \lambda) - \omega_0, \quad (.0.33)$$

and feed it to Algorithm (??) to solve for `rtb`. The sample size estimated for group  $j$  is

$$m_j = \max \{2, \lceil \text{rtb} * r_j \rceil\}, \quad (.0.34)$$

for  $j = 1, 2, \dots, J$ , where  $r_j$  is estimated by Equation (??). The total sample size is estimated by

$$N_0 = \sum_{j=1}^J m_j, \quad (.0.35)$$

where  $m_j$  is estimated by Equation (??). We then follow Equation (??)-(??) by replacing  $N$  with  $N_0$  and  $n_j$  with  $m_j$  to solve for  $\Omega_0$ .

### Directional or one-sided test

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section ??, we convert  $g_j$  to  $r_j$  as used in Equation (??) by Equation (??), and construct `*function` based on Equation (??)

$$\text{*function}(N; \text{param}) = 1 - \text{NCDF.T}(t^*, df, |\lambda|) - \omega_0, \quad (.0.36)$$

and feed it to Algorithm (??) to solve for `rtb`. The sample size estimated for group  $j$  is

$$m_j = \max \{2, \lceil \text{rtb} * r_j \rceil\}, \quad (.0.37)$$

for  $j = 1, 2, \dots, J$ , where  $r_j$  is estimated by Equation (??). The total sample size is estimated by

$$N_0 = \sum_{j=1}^J m_j, \quad (.0.38)$$

where  $m_j$  is estimated by Equation (??). We then follow Equation (??)-(??) by replacing  $N$  with  $N_0$  and  $n_j$  with  $m_j$  to solve for  $\Omega_0$ .

**Contrast Test**

	N	Actual	Test Assumptions			
		Power <sup>b</sup>	Power	Std.Dev	Effect Size	Sig. <sup>d</sup>
Contrast Test <sup>a</sup>	75	.813	.800	5	2.50	.05

- a. Tests the null hypothesis formulated by the user-specified contrast.
- b. Based on noncentral *t*-distribution.
- c. Total sample size across groups.
- d. Two-sided test with a nondirectional alternative hypothesis.

Table 3: Estimate Overall Sample Size of ANOVA Contrast Test

**Power Analysis and group sizes: User-supplied contrast**

Depending on the test direction, N is estimated by  $N_0$ ; Actual Power is estimated by  $\Omega_0$  and Power is  $\omega_0$  specified by users. Depending on the test direction, N for Group j is estimated by  $m_j$ ,

**Group Size Allocation for Overall Test**

N	
Group 1	15
Group 2	30
Group 3	20
Group 4	10
Overall	75

Table 4: Estimate Group Sizes of ANOVA Contrast Test

and Sample Size for Overall is estimated by  $N_0$ .

**Pairwise differences**

If the pairwise comparison is requested by users, we will estimate the sample size to reach a given power value for several special contrasts. As an illustrative example of testing the hypothesis that  $\mu_1 - \mu_2 = 0$ , we set  $\mathbf{c} = (1, -1, 0, 0, \dots, 0)$ . Alongside with the user-specified  $\mu_j, \sigma, \omega_0, g_j$ , and  $\alpha$ , we first convert  $\alpha$  to  $\alpha^*$ , depending on the user-setting. We then follow the method to estimate  $m_j, N_0$ , and  $\Omega_0$  for the contrast  $\mathbf{c} = (1, -1, 0, 0, \dots, 0)$ .

We first convert  $g_j$  to  $r_j$  and construct `*function` and feed it to the algorithm to solve for `rtb`.

$$\text{*function}(N; \text{param}) = 1 - \text{NCDF.F}(F^*, df_1, df_2, \lambda) - \omega_0, \tag{.0.39}$$

The sample size estimated for group  $j$  is

$$m_j = \max \{2, \lceil \text{rtb} * r_j \rceil\}, \tag{.0.40}$$

for  $j = 1, 2, \dots, J$ , where  $r_j$  is estimated by Equation (??). The total sample size is estimated by

$$N_0 = \sum_{j=1}^J m_j, \tag{.0.41}$$

where  $m_j$  is estimated by Equation (??). We then follow Equation (??)-(??) by replacing  $N$  with  $N_0$  and  $n_j$  with  $m_j$  to solve for  $\Omega_0$ . Note that we always assume that testing for the pairwise differences is nondirectional.

In general, this procedure will be repeated for all pairwise differences of means  $\mu_j - \mu_{j'}$  for all  $j, j' \in \{1, 2, \dots, J\}$ , where  $j < j'$ , by varying  $\mathbf{c} = (0, \dots, 0, 1, 0, \dots, 0, -1, 0, \dots, 0)$ , where 1 and -1 are the  $j$ -th and  $j'$ -th component of  $\mathbf{c}$ , respectively. Note that when the estimation is repeated,  $r_j$ 's remain the same for all the pairwise contrasts, and do not have to be reevaluated.

### Power Analysis and group sizes: Pairwise comparisons

When  $\omega_0$  is specified, and the pairwise test is turned on. For each pairwise comparison, N is estimated by  $N_0$ , and Actual Power is estimated by  $\Omega_0$ . Footnote a now annotates the power value  $\omega_0$  specified by users rather than the sample size. For each pairwise comparison, N for Group is estimated by  $m_j$ , and N for Overall is estimated by  $N_0$ .

Pairwise Differences<sup>a</sup>

Multiple Comparisons	N	Actual Power <sup>b</sup>	Effect Size
group 1 – group 2	96	.808	1.000
group 1 – group 3	14	.929	4.500
group 1 – group 4	11	.983	8.500
group 2 – group 3	914	.801	.500
group 2 – group 4	914	.801	.500
group 3 – group 4	13	.952	6.500

a. Power: .800. Pooled standard deviation: 5. Significance: .00833.

Two-sided test with the Bonferroni correction.

b. Based on noncentral  $t$ -distribution.

Table 5: Estimate Sample Size of ANOVA Pairwise Differences

**Group Size Allocation for Pairwise Differences**

Multiple Comparisons	Group	N
group 1 – group 2	1	19
	2	38
	3	26
	4	13
	Overall	96
group 1 – group 3	1	3
	2	5
	3	4
	4	2
	Overall	14
group 1 – group 4	1	2
	2	4
	3	3
	4	2
	Overall	11
	...	
group 3 – group 4	1	3
	2	5
	3	3
	4	2
	Overall	13

Table 6: Estimate Group Sizes of ANOVA Pairwise Differences

## Sample size based on confidence interval width

This section discusses the estimation of sample size based on the confidence interval of one-way ANOVA. The algorithm created in the following sections aims to compute the sample sizes required to estimate population parameter with certain precision determined by the user-specified confidence interval half-widths. The expected result should produce the minimum sample size to ensure that the actual confidence interval half-width does not exceed the desired one.

### General notations

To facilitate the presentation, we introduce the following new notations to the existing power analysis  $t$ -test procedures:

$m_e$ : The user-specified confidence interval half-width, and  $m_e > 0$ .

$m_{e0}$ : The actual confidence interval half-width achieved.

$N_e$ : The desired minimum total sample size we would like to estimate such that it ensures that the confidence interval half-width will not exceed  $m_e$ . Note that  $N_e$  is required to be double-precision in the following calculation.

This feature does not support the overall test. The following presentation only consider the user-supplied contrast test and the test for pairwise differences.

### Test with the user-supplied contrast

For a nondirectional test, the degrees of freedom is

$$\nu = N_e - J. \quad (0.0.1)$$

The critical value is therefore

$$t^* = \text{IDF.T} \left( 1 - \frac{\alpha}{2}, \nu \right), \quad (0.0.2)$$

where  $\alpha$  is the significance level to reflect the type I error rate, and  $\nu$  is estimated by Equation (0.0.1). Thus, the total sample size based on the confidence interval under a given valid contrast is

$$N_e = \frac{\sigma^2}{m_e^2} t^{*2} G \sum_{j=1}^J \frac{c_j^2}{g_j}, \quad (0.0.3)$$

where  $G$  is estimated by  $G = \sum_{j=1}^J g_j$ ;  $t^*$  is estimated by Equation (0.0.2);  $\sigma$  is the population standard deviation;  $g_j$  is the group size weight assigned to group  $j$ ; and  $c_j$  is the coefficient component of the user-supplied contrast. Note that  $\sigma$ ,  $g_j$ , and  $c_j$  are all specified by the existing procedure. To numerically solve for Equation (0.0.3), we construct

$$\text{*function}(N_e; \text{param}) = \frac{m_e^2}{G\sigma^2} N_e - t^{*2} \sum_{j=1}^J \frac{c_j^2}{g_j}, \quad (0.0.4)$$

and feed it to Algorithm (1) to solve for  $\text{rtb}$ . The sample size estimated for group  $j$  based on the confidence interval is

$$n_{ej} = \max \left\{ 2, \lceil \text{rtb} * \frac{g_j}{G} \rceil \right\}, \quad (0.0.5)$$

for  $j = 1, 2, \dots, J$ , where  $G$  is estimated by  $G = \sum_{j=1}^J g_j$ . The total sample size based on the confidence interval under the contrast is

$$N_e = \sum_{j=1}^J n_{ej}, \quad (0.0.6)$$

where  $n_{e_j}$  is estimated by Equation (0.0.5). With reevaluating Equations (0.0.1) and (0.0.2), we solve for

$$m_{e0} = t^* \sigma \sqrt{\frac{G}{N_e} \sum_{j=1}^J \frac{c_j^2}{g_j}} \quad (0.0.7)$$

where  $N_e$  is estimated by Equation (0.0.6), to obtain the actual confidence interval half-width.

### Test for pairwise differences

We first adjust the significance level to  $\alpha^*$  by using the Bonferroni correction, Šidák correction, or least significant difference. The adjustment has already been implemented by the existing procedure. The critical value is therefore

$$t^* = \text{IDF.T} \left( 1 - \frac{\alpha^*}{2}, \nu \right), \quad (0.0.8)$$

where  $\nu$  is estimated by Equation (0.0.1).

To test for the pairwise differences, we actually formulate special contrasts, and follow the similar procedure previously discussed in Section (). As an illustrative example of testing the hypothesis that  $\mu_1 - \mu_2 = 0$ , we set  $\mathbf{c} = (1, -1, 0, 0, \dots, 0)$ . In general, this procedure will be repeated for all pairwise differences of means  $\mu_j - \mu_{j'}$  for all  $j, j' \in \{1, 2, \dots, J\}$ , where  $j < j'$ , by varying  $\mathbf{c} = (0, \dots, 0, 1, 0, \dots, 0, -1, 0, \dots, 0)$ , where 1 and -1 are the  $j$ -th and  $j'$ -th component of  $\mathbf{c}$ , respectively, or  $c_j = 1$  and  $c_{j'} = -1$ .

### Appendices

We discuss the method to solve for the sample size given the user-supplied confidence interval half-width with all the other parameters already specified in the procedure. Here we give some implementation notes.

- The input `*function`, whose expression depends on the test conditions, denotes the function we have constructed previously to solve in terms of the sample size.
- The arguments of `*function` include the sample size as well as the other parameters all combined in `param` depending on the test conditions.
- We let `x1` and `x2` denote the sample size in the `RTBIS` routine.

---

**Algorithm 1** RTBIS Routine: Using bisection to estimate the smallest sample size such that it ensures that the actual confidence interval half-width will not exceed the desired one.

---

```

1: Input: *function( $N_e$ ; param),  $x_1 = 2J$ ,  $x_2 = 400 + x_1$ ,  $acc = 10^{-9}$ .
2: Evaluate  $f_{mid} \leftarrow$  *function( $x_2$ ; param) .
3: if  $f_{mid} = 0$  then
4:   return  $rtb = x_2$  .
5: end if
6: Evaluate  $f \leftarrow$  *function( $x_1$ ; param) .
7: if  $f \geq 0$  then
8:   return  $rtb = x_1$  .
9: end if
10: while  $f * f_{mid} > 0$  do
11:   Set  $x_1 \leftarrow x_2$  .
12:   Update  $x_2 \leftarrow 2x_2$  .
13:   if  $x_2$  overflows then                                      $\triangleright$  Protect from infinite looping.
14:     return  $rtb = \text{SYSMIS}$  .
15:   end if
16:   Set  $f \leftarrow f_{mid}$  .
17:   Evaluate  $f_{mid} \leftarrow$  *function( $x_2$ ; param) .
18:   if  $f_{mid} = 0$  then
19:     return  $rtb = x_2$  .
20:   end if
21: end while
22: Let  $rtb \leftarrow x_1$  .
23: Assign  $\delta_x \leftarrow x_2 - x_1$  .
24: for iteration  $j = 1, 2, 3, \dots$  do
25:   Update  $\delta_x \leftarrow 0.5 \delta_x$  .
26:   Update  $x_{mid} \leftarrow rtb + \delta_x$  .
27:   Evaluate  $f_{mid} \leftarrow$  *function( $x_{mid}$ ; param) .
28:   if  $f_{mid} \leq 0$  then
29:     Set  $rtb \leftarrow x_{mid}$  .
30:   end if
31:   if  $|\delta_x| < acc$  or  $f_{mid} = 0$  then
32:     return  $rtb$ .
33:   end if
34: end for
35: return

```

---

# POWER PARTIALCORR Algorithms

## Introduction

Partial correlation can be explained as the association between two random variables after eliminating the effect of another or several other variables. It is a useful measurement in the presence of confounding. Similar to the Pearson correlation coefficient, partial correlation coefficient is also a dimensionless quantity ranging between -1 and 1. In this document, we present the Fisher's asymptotic method to estimate the power for the one-sample partial correlation test. More details are discussed in the following sections.

## Notations

The following notations are used in the later sections.

- $k$ : The number of variables partialled out, and  $k \geq 0$ , which is a fixed integer.
- $n$ : The sample size in pairs, and  $n > k + 3$ , which is a fixed positive integer.
- $\rho$ : The partial correlation parameter between two continuous variables, and  $\rho \in [-1, 1]$ .
- $\rho_0$ : The null hypothesis value for the partial correlation parameter, and  $\rho_0 \in [-1, 1]$ .
- $\rho_1$ : The alternative hypothesis value for the partial correlation parameter, and  $\rho_1 \in [-1, 1]$ .
- $\alpha$ : The significance level to reflect the type I error rate, and  $\alpha \in (0, 1)$ .

To estimate the power, users are also required to specify the values for  $k$ ,  $n$ ,  $\rho_0$ ,  $\rho_1$ ,  $\alpha$ , and whether the test is nondirectional or directional. The default setting is  $\rho_0 = 0$ ,  $\alpha = 0.05$ , and the nondirectional test.

## Power for the One-sample Partial Correlation Test

[Fisher, 1921] suggested a  $z$ -transformation by using an inverse hyperbolic tangent function

$$Z_\rho = \tanh^{-1}(\hat{\rho}) = \frac{1}{2} \log \left( \frac{1 + \hat{\rho}}{1 - \hat{\rho}} \right), \quad (0.0.1)$$

where  $\hat{\rho}$  is the estimator of  $\rho$ . Note that  $Z_\rho$  asymptotically follows a normal distribution with mean

$$\mathbb{E}(Z_\rho) = \tanh^{-1}(\rho) + \frac{\rho}{2(n-1-k)} \quad (0.0.2)$$

and variance

$$\mathbb{V}(Z_\rho) = \frac{1}{n-3-k}. \quad (0.0.3)$$

To facilitate the following presentation, we define

$$\lambda = n - 1 - k, \quad (0.0.4)$$

and

$$d_\rho = \tanh^{-1}(\rho_1) - \tanh^{-1}(\rho_0). \quad (0.0.5)$$

Particularly, we allow that

$$d_\rho = \begin{cases} +\infty & \text{if } \rho_0 = -1 \text{ or } \rho_1 = 1 \\ -\infty & \text{if } \rho_1 = -1 \text{ or } \rho_0 = 1 \end{cases}. \quad (0.0.6)$$

### Nondirectional or Two-sided Testing Hypothesis

For a nondirectional test, we formulate two-sided testing hypotheses  $H_0 : \rho = \rho_0$  versus  $H_1 : \rho = \rho_1 \neq \rho_0$ . By applying the Fisher's  $z$ -transformation using Equation (0.0.1), it is equivalent to test  $H_0 : \tanh^{-1}(\rho) = \tanh^{-1}(\rho_0)$ . Under the null hypothesis  $H_0$ , the transformed test statistic approximately follows a standard normal distribution. The critical value is therefore<sup>1</sup>

$$z^* = \text{PROBIT}(1 - \alpha/2) . \quad (0.0.7)$$

Under the alternative hypothesis, the test statistic also follows a normal distribution. The power for the one-sample nondirectional partial correlation test can be estimated by<sup>2</sup>

$$\Omega = 1 - \Phi\left(\frac{\delta + z^*}{\sqrt{\nu}}\right) + \Phi\left(\frac{\delta - z^*}{\sqrt{\nu}}\right) , \quad (0.0.8)$$

where  $z^*$  is computed by Equation (0.0.7),

$$\delta = \frac{1}{\sqrt{\mathbb{V}(Z_\rho)}} \left\{ d_\rho + \frac{\rho_1}{2\lambda} \left[ 1 + \frac{5 + \rho_1^2}{4\lambda} + \frac{11 + 2\rho_1^2 + 3\rho_1^4}{8\lambda^2} \right] - \frac{\rho_0}{2\lambda} \right\} , \quad (0.0.9)$$

and

$$\nu = \frac{1}{\lambda\mathbb{V}(Z_\rho)} \left[ 1 + \frac{4 - \rho_1^2}{2\lambda} + \frac{22 - 6\rho_1^2 - 3\rho_1^4}{6\lambda^2} \right] , \quad (0.0.10)$$

where  $\mathbb{V}(Z_\rho)$ ,  $\lambda$ , and  $d_\rho$  are defined by Equation (0.0.3), (0.0.4), and (0.0.5), respectively [Stuard and Ord, 1994].

### Directional or One-sided Testing Hypothesis

For a directional test, the critical value is

$$z^* = \text{PROBIT}(1 - \alpha) . \quad (0.0.11)$$

Suppose the one-sided testing hypotheses are formulated by  $H_0 : \rho = \rho_0$  versus  $H_1 : \rho = \rho_1 \geq \rho_0$ . By applying the Fisher's  $z$ -transformation, the power is computed as

$$\Omega = \Phi\left(\frac{\delta - z^*}{\sqrt{\nu}}\right) , \quad (0.0.12)$$

where  $\delta$ ,  $\nu$ , and  $z^*$  are computed by Equation (0.0.9), (0.0.10), and (0.0.11), respectively. Suppose the one-sided testing hypotheses are formulated by  $H_0 : \rho = \rho_0$  versus  $H_1 : \rho = \rho_1 < \rho_0$ . By applying the Fisher's  $z$ -transformation, the power is computed as

$$\Omega = 1 - \Phi\left(\frac{\delta + z^*}{\sqrt{\nu}}\right) , \quad (0.0.13)$$

where  $\delta$ ,  $\nu$ , and  $z^*$  are computed by Equation (0.0.9), (0.0.10), and (0.0.11), respectively.

<sup>1</sup>  $\text{PROBIT}(prob)$  returns the value in a standard normal distribution having a cumulative probability equal to  $prob$ . The argument  $prob$  is a probability greater than 0 and less than 1.

<sup>2</sup>  $\Phi(zvalue)$ , or  $\text{CDFNORM}(zvalue)$ , returns the probability that a standard normal random variable with mean 0 and standard deviation 1 would be less than  $zvalue$ , which must be numeric.

## Appendices

We discuss the method to reversely solve for the sample size given the user-supplied power values with all the other parameters already specified in the procedure. The following notations are used in this section.

$\omega_0$ : The user-supplied power value which is one of the test assumptions, and  $0 < \omega_0 < 1$ .

$\Omega_0$ : The actual power the test reaches.

$N_0$ : The least sample size in pairs that is required to reach  $\Omega_0$ .

To numerically estimate  $N_0$ , we apply the RTBIS Routine, demonstrated by Algorithm (1), to a given power function under certain conditions. Here we give some implementation notes.

---

**Algorithm 1** RTBIS Routine: Using bisection to estimate the sample size  $N_0$  which is the smallest integer greater than the root `rtb` of a given power function.

---

```

1: Input: *function(N; param),  $x_1 = k + 3$ ,  $x_2 = k + 400$ , acc =  $10^{-9}$ .  $\triangleright$  N: Sample size to be estimated.
2: Evaluate fmid  $\leftarrow$  *function( $x_2$ ; param) .  $\triangleright$  param: All the other parameters specified.
3: if fmid = 0 then
4:   return rtb =  $x_2$  .
5: end if
6: Evaluate f  $\leftarrow$  *function( $x_1$ ; param) .
7: if f  $\geq$  0 then
8:   return rtb =  $x_1$  .
9: end if
10: while f * fmid > 0 do
11:   Set  $x_1 \leftarrow x_2$  .
12:   Update  $x_2 \leftarrow 2x_2$  .
13:   if  $x_2$  overflows then  $\triangleright$  Protect from infinite looping.
14:     return rtb = SYSMIS .
15:   end if
16:   Set f  $\leftarrow$  fmid .
17:   Evaluate fmid  $\leftarrow$  *function( $x_2$ ; param) .
18:   if fmid = 0 then
19:     return rtb =  $x_2$  .
20:   end if
21: end while
22: Let rtb  $\leftarrow$   $x_1$  .
23: Assign  $\delta_x \leftarrow x_2 - x_1$  .
24: for iteration j = 1, 2, 3, ... do
25:   Update  $\delta_x \leftarrow 0.5 \delta_x$  .
26:   Update  $x_{mid} \leftarrow rtb + \delta_x$  .
27:   Evaluate fmid  $\leftarrow$  *function( $x_{mid}$ ; param) .
28:   if fmid  $\leq$  0 then
29:     Set rtb  $\leftarrow$   $x_{mid}$  .
30:   end if
31:   if  $|\delta_x| < acc$  or fmid = 0 then
32:     return rtb.
33:   end if
34: end for
35: return .

```

---

- The input function `*function` denotes the power function we desire to solve in terms of the sample size. Its form depends on the test conditions, and will be discussed in later sections.
- We let  $x_1$  and  $x_2$  denote the sample size in the routine.

- The arguments of the power function `*function` include the sample size, either  $\mathbf{x}_1$  or  $\mathbf{x}_2$ , and the other parameters specified by users all combined in `param` depending on the test conditions.

## Nondirectional or two-sided testing hypothesis

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , we construct `*function` based on Equation (0.0.8)

$$\text{*function}(\mathbf{N}; \text{param}) = \Phi \left( \frac{\delta - z^*}{\sqrt{\nu}} \right) - \omega_0, \quad (.1.1)$$

and feed it to Algorithm (1) to solve for  $n = \text{rtb}$ . We then set  $N_0 = \lceil \text{rtb} \rceil$ , and follow Section by replacing  $n$  with  $N_0$  to solve for  $\Omega_0$ .

## Directional or one-sided testing hypothesis

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , when the alternative hypothesis is  $H_1 : \rho = \rho_1 > \rho_0$ , we construct `*function` based on Equation (0.0.12)

$$\text{*function}(\mathbf{N}; \text{param}) = \Phi \left( \frac{\delta - z^*}{\sqrt{\nu}} \right) - \omega_0, \quad (.2.1)$$

and feed it to Algorithm (1) to solve for  $n = \text{rtb}$ . We then set  $N_0 = \lceil \text{rtb} \rceil$ , and follow Section by replacing  $n$  with  $N_0$  to solve for  $\Omega_0$ .

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , when the alternative hypothesis is  $H_1 : \rho = \rho_1 < \rho_0$ , we construct `*function` based on Equation (0.0.13)

$$\text{*function}(\mathbf{N}; \text{param}) = 1 - \Phi \left( \frac{\delta + z^*}{\sqrt{\nu}} \right) - \omega_0, \quad (.2.2)$$

and feed it to Algorithm (1) to solve for  $n = \text{rtb}$ . We then set  $N_0 = \lceil \text{rtb} \rceil$ , and follow Section by replacing  $n$  with  $N_0$  to solve for  $\Omega_0$ .

## Power Analysis Table

When  $\omega_0$  is specified, we output Table 1 instead of Table ???. Depending on the test direction and whether

**Power Analysis Table**

	Actual		Test Assumptions				
	N	Power <sup>b</sup>	Power	Partialled <sup>c</sup>	Null	Alternative	Sig.
Partial Correlation <sup>a</sup>	50	.459	.450	3	0	0.27	0.05

a. Two-sided test with a nondirectional alternative hypothesis.

b. Based on Fisher's  $z$ -transformation and normal approximation.

c. The number of the variables assumed to be partialled out.

Table 1: Estimate Sample Size of One-sample Partial Correlation Test

the estimation method of the variance in Appendix Section .1 and .2,  $N$  is estimated by  $N_0$ , and Actual Power is estimated by  $\Omega_0$ . Power is  $\omega_0$  specified by users. All the other table settings are the same as Table ???.

## Sample size based on confidence interval width

This section discusses the estimation of sample size based on the confidence interval half-width of the partial Pearson correlation coefficient. The algorithm created in the following sections aims to compute the sample sizes required to estimate population parameter with certain precision determined by the user-specified confidence interval half-widths. The expected result should produce the minimum sample size to ensure that the actual confidence interval half-width does not exceed the desired one.

### General notations

To facilitate the presentation, we introduce the following new notations to the existing power analysis Partial procedure:

$m_e$ : The user-specified confidence interval half-width, and  $0 < m_e \leq 1$ .

$m_{e0}$ : The actual confidence interval half-width achieved.

$N_e$ : The desired minimum sample size we would like to estimate such that it ensures that the confidence interval half-width will not exceed  $m_e$ . Note that  $N_e$  is required to be double-precision in the following calculation.

### Sample size based on the confidence interval width

For a nondirectional test under the Fisher's  $z$ -transformation, the critical value is

$$z^* = \text{PROBIT}(1 - \alpha/2) . \quad (0.0.1)$$

where  $\alpha$  is the significance level to reflect the type I error rate. By applying the Fisher's  $z$ -transformation, we estimate

$$\hat{\zeta} = \tanh^{-1}(\rho_1) = \frac{1}{2} \log \left( \frac{1 + \rho_1}{1 - \rho_1} \right) , \quad (0.0.2)$$

where  $\rho_1$  is the alternative hypothesis value provided by syntax. We estimate the confidence limits by computing

$$\hat{\zeta}_l = \hat{\zeta} - \text{IDF.NORMAL}(1 - \alpha/2, 0, 1) \text{ se}(\hat{\zeta}) \quad \text{and} \quad \hat{\zeta}_u = \hat{\zeta} + \text{IDF.NORMAL}(1 - \alpha/2, 0, 1) \text{ se}(\hat{\zeta}) , \quad (0.0.3)$$

where  $\hat{\zeta}$  is estimated by Equation (??), and the standard error

$$\text{se}(\hat{\zeta}) = \left( \frac{1}{N_e - 3 - k} \right)^{1/2} , \quad (0.0.4)$$

where  $k$ , provided by syntax, is the number of variables partialled out. We then transform back to estimate the lower and upper confidence limits

$$\rho_l = \tanh(\hat{\zeta}_l) \quad \text{and} \quad \rho_u = \tanh(\hat{\zeta}_u) , \quad (0.0.5)$$

where

$$\tanh(\hat{\zeta}) = \frac{e^{2\hat{\zeta}} - 1}{e^{2\hat{\zeta}} + 1} . \quad (0.0.6)$$

To estimate the desired sample size  $N_e$ , we construct

$$\text{*function}(N_e; \text{param}) = m_e - 0.5(\rho_u - \rho_l) , \quad (0.0.7)$$

where  $\rho_u$  and  $\rho_l$  are estimated by Equation (??), and  $z^*$  is estimated by Equation (??), and feed it to Algorithm (??) to solve for **rtb**. Note that the minimum searching bound is  $(k + 4)$  while the initial upper bound is  $(k + 404)$  of Algorithm (??). We then set  $N_e = \lceil \text{rtb} \rceil$ , reevaluate Equation (??) and (??), and solve for

$$m_{e0} = 0.5(\rho_u - \rho_l) \quad (0.0.8)$$

to obtain the actual confidence interval half-width.

## Appendices

We discuss the method to solve for the sample size given the user-supplied confidence interval with all the other parameters already specified in the procedure. Here we give some implementation notes.

- The input `*function`, which takes the form of Equation (??), denotes the function we have constructed previously to solve in terms of the sample size.
- The arguments of `*function` include the sample size as well as the other parameters all combined in `param` depending on the test conditions.
- We let  $x_1$  and  $x_2$  denote the sample size in the RTBIS routine.

---

**Algorithm 1** RTBIS Routine: Using bisection to estimate the smallest sample size such that it ensures that the actual confidence interval half-width will not exceed the desired one.

---

```
1: Input: *function( $N_e$ ; param),  $x_1 = 4 + k$ ,  $x_2 = 404 + k$ ,  $acc = 10^{-9}$ .
2: Evaluate  $f_{mid} \leftarrow *function(x_2; param)$  .
3: if  $f_{mid} = 0$  then
4:   return  $rtb = x_2$  .
5: end if
6: Evaluate  $f \leftarrow *function(x_1; param)$  .
7: if  $f \geq 0$  then
8:   return  $rtb = x_1$  .
9: end if
10: while  $f * f_{mid} > 0$  do
11:   Set  $x_1 \leftarrow x_2$  .
12:   Update  $x_2 \leftarrow 2x_2$  .
13:   if  $x_2$  overflows then                                      $\triangleright$  Protect from infinite looping.
14:     return  $rtb = SYSMIS$  .
15:   end if
16:   Set  $f \leftarrow f_{mid}$  .
17:   Evaluate  $f_{mid} \leftarrow *function(x_2; param)$  .
18:   if  $f_{mid} = 0$  then
19:     return  $rtb = x_2$  .
20:   end if
21: end while
22: Let  $rtb \leftarrow x_1$  .
23: Assign  $\delta_x \leftarrow x_2 - x_1$  .
24: for iteration  $j = 1, 2, 3, \dots$  do
25:   Update  $\delta_x \leftarrow 0.5 \delta_x$  .
26:   Update  $x_{mid} \leftarrow rtb + \delta_x$  .
27:   Evaluate  $f_{mid} \leftarrow *function(x_{mid}; param)$  .
28:   if  $f_{mid} \leq 0$  then
29:     Set  $rtb \leftarrow x_{mid}$  .
30:   end if
31:   if  $|\delta_x| < acc$  or  $f_{mid} = 0$  then
32:     return  $rtb$ .
33:   end if
34: end for
35: return
```

---

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# POWER PEARSON ONESAMPLE Algorithms

## Introduction

Pearson product-moment correlation coefficient measures the strength of linear association between two scale random variables which are assumed to follow a bivariate normal distribution. By convention, it is a dimensionless quantity and obtained by standardizing the covariance between two continuous variables, thereby ranging between -1 and 1. In this document, we present the Fisher's asymptotic method to estimate the power for the one-sample Pearson correlation test. More details are discussed in the following sections.

## Notations

The following notations are used in the later sections.

- $n$ : The sample size in pairs, and  $n > 3$ , which is a fixed positive integer.
- $\rho$ : The Pearson correlation parameter between two continuous variables, and  $\rho \in [-1, 1]$ .
- $\rho_0$ : The null hypothesis value for the Pearson correlation parameter, and  $\rho_0 \in [-1, 1]$ .
- $\rho_1$ : The alternative hypothesis value for the Pearson correlation parameter, and  $\rho_1 \in [-1, 1]$ .
- $\alpha$ : The significance level to reflect the type I error rate, and  $\alpha \in (0, 1)$ .

To estimate the power, users are also required to specify the values for  $n$ ,  $\rho_0$ ,  $\rho_1$ ,  $\alpha$ , whether the bias adjustment is used (See section for details), and whether the test is nondirectional or directional. The default setting is  $\rho_0 = 0$ ,  $\alpha = 0.05$ , and the nondirectional test involving the bias adjustment term. Note that it is not allowed to specify that  $\rho_0 = \rho_1$ .

## Power for the One-sample Pearson Correlation Test

[Fisher, 1921] suggested a  $z$ -transformation by using an inverse hyperbolic tangent function

$$Z_\rho = \tanh^{-1}(\hat{\rho}) = \frac{1}{2} \log \left( \frac{1 + \hat{\rho}}{1 - \hat{\rho}} \right), \quad (0.0.1)$$

where  $\hat{\rho}$  is the estimator of  $\rho$ . Note that  $Z_\rho$  asymptotically follows a normal distribution with mean

$$\mathbb{E}(Z_\rho) = \tanh^{-1}(\rho) + b \approx \tanh^{-1}(\rho) \quad (0.0.2)$$

and variance

$$\mathbb{V}(Z_\rho) = \frac{1}{n-3}, \quad (0.0.3)$$

where  $b$  in Equation (0.0.2) denotes a term to adjust the estimation bias, and

$$b = \frac{\rho}{2(n-1)}. \quad (0.0.4)$$

It is not uncommon that  $b$  is ignored to simplify the computation without losing too much precision for a large sample size  $n$ . We would consider both scenarios in this procedure, and leave users an option of involving or ignoring the bias adjustment. To facilitate the following presentation, we define

$$d_\rho = \tanh^{-1}(\rho_1) - \tanh^{-1}(\rho_0). \quad (0.0.5)$$

Particularly, we allow that

$$d_\rho = \begin{cases} +\infty & \text{if } \rho_0 = -1 \text{ or } \rho_1 = 1 \\ -\infty & \text{if } \rho_1 = -1 \text{ or } \rho_0 = 1 \end{cases}. \quad (0.0.6)$$

**Nondirectional or Two-sided Testing Hypothesis**

For a nondirectional test, we formulate two-sided testing hypotheses  $H_0 : \rho = \rho_0$  versus  $H_1 : \rho = \rho_1 \neq \rho_0$ . By applying the Fisher's  $z$ -transformation using Equation (0.0.1), it is equivalent to test  $H_0 : \tanh^{-1}(\rho) = \tanh^{-1}(\rho_0)$ . Under the null hypothesis  $H_0$ , the transformed test statistic approximately follows a standard normal distribution. The critical value is therefore<sup>1</sup>

$$z^* = \text{PROBIT}(1 - \alpha/2) . \quad (0.0.7)$$

Under the alternative hypothesis, the test statistic also follows a normal distribution. The power for the one-sample nondirectional Pearson correlation test can be estimated by<sup>2</sup>

$$\Omega = 1 - \Phi\left(\frac{\delta + z^*}{\sqrt{\nu}}\right) + \Phi\left(\frac{\delta - z^*}{\sqrt{\nu}}\right) , \quad (0.0.8)$$

where  $z^*$  is computed by Equation (0.0.7),

$$\delta = \begin{cases} \frac{d_\rho}{\sqrt{\mathbb{V}(Z_\rho)}} & \text{if } b \text{ is ignored in Equation (0.0.2)} \\ \frac{1}{\sqrt{\mathbb{V}(Z_\rho)}} \left\{ d_\rho + \frac{\rho_1}{2(n-1)} \left[ 1 + \frac{5 + \rho_1^2}{4(n-1)} + \frac{11 + 2\rho_1^2 + 3\rho_1^4}{8(n-1)^2} \right] - \frac{\rho_0}{2(n-1)} \right\} & \text{otherwise} \end{cases} , \quad (0.0.9)$$

and

$$\nu = \begin{cases} 1 & \text{if } b \text{ is ignored in Equation (0.0.2)} \\ \frac{1}{(n-1)\mathbb{V}(Z_\rho)} \left[ 1 + \frac{4 - \rho_1^2}{2(n-1)} + \frac{22 - 6\rho_1^2 - 3\rho_1^4}{6(n-1)^2} \right] & \text{otherwise} \end{cases} , \quad (0.0.10)$$

where  $\mathbb{V}(Z_\rho)$  and  $d_\rho$  are defined by Equation (0.0.3) and (0.0.5), respectively [Stuard and Ord, 1994].

**Directional or One-sided Testing Hypothesis**

For a directional test, the critical value is

$$z^* = \text{PROBIT}(1 - \alpha) . \quad (0.0.11)$$

Suppose the one-sided testing hypotheses are formulated by  $H_0 : \rho = \rho_0$  versus  $H_1 : \rho = \rho_1 \geq \rho_0$ . By applying the Fisher's  $z$ -transformation, the power is computed as

$$\Omega = \Phi\left(\frac{\delta - z^*}{\sqrt{\nu}}\right) , \quad (0.0.12)$$

where  $\delta$ ,  $\nu$ , and  $z^*$  are computed by Equation (0.0.9), (0.0.10), and (0.0.11), respectively. Suppose the one-sided testing hypotheses are formulated by  $H_0 : \rho = \rho_0$  versus  $H_1 : \rho = \rho_1 < \rho_0$ . By applying the Fisher's  $z$ -transformation, the power is computed as

$$\Omega = 1 - \Phi\left(\frac{\delta + z^*}{\sqrt{\nu}}\right) , \quad (0.0.13)$$

where  $\delta$ ,  $\nu$ , and  $z^*$  are computed by Equation (0.0.9), (0.0.10), and (0.0.11), respectively.

<sup>1</sup>  $\text{PROBIT}(prob)$  returns the value in a standard normal distribution having a cumulative probability equal to  $prob$ . The argument  $prob$  is a probability greater than 0 and less than 1.

<sup>2</sup>  $\Phi(zvalue)$ , or  $\text{CDFNORM}(zvalue)$ , returns the probability that a standard normal random variable with mean 0 and standard deviation 1 would be less than  $zvalue$ , which must be numeric.

## Appendices

We discuss the method to reversely solve for the sample size given the user-supplied power values with all the other parameters already specified in the procedure. The following notations are used in this section.

$\omega_0$ : The user-supplied power value which is one of the test assumptions, and  $0 < \omega_0 < 1$ .

$\Omega_0$ : The actual power the test reaches.

$N_0$ : The least sample size in pairs that is required to reach  $\Omega_0$ .

To numerically estimate  $N_0$ , we apply the RTBIS Routine, demonstrated by Algorithm (1), to a given power function under certain conditions. Here we give some implementation notes.

---

**Algorithm 1** RTBIS Routine: Using bisection to estimate the sample size  $N_0$  which is the smallest integer greater than the root `rtb` of a given power function.

---

```
1: Input: *function(N; param),  $x_1 = 3$ ,  $x_2 = 400$ ,  $acc = 10^{-9}$ . ▷ N: Sample size to be estimated.
2: Evaluate fmid  $\leftarrow$  *function( $x_2$ ; param) . ▷ param: All the other parameters specified.
3: if fmid = 0 then
4:   return rtb =  $x_2$  .
5: end if
6: Evaluate f  $\leftarrow$  *function( $x_1$ ; param) .
7: if f  $\geq$  0 then
8:   return rtb =  $x_1$  .
9: end if
10: while f * fmid > 0 do
11:   Set  $x_1 \leftarrow x_2$  .
12:   Update  $x_2 \leftarrow 2x_2$  .
13:   if  $x_2$  overflows then ▷ Protect from infinite looping.
14:     return rtb = SYSMIS .
15:   end if
16:   Set f  $\leftarrow$  fmid .
17:   Evaluate fmid  $\leftarrow$  *function( $x_2$ ; param) .
18:   if fmid = 0 then
19:     return rtb =  $x_2$  .
20:   end if
21: end while
22: Let rtb  $\leftarrow$   $x_1$  .
23: Assign  $\delta_x \leftarrow x_2 - x_1$  .
24: for iteration  $j = 1, 2, 3, \dots$  do
25:   Update  $\delta_x \leftarrow 0.5 \delta_x$  .
26:   Update  $x_{mid} \leftarrow rtb + \delta_x$  .
27:   Evaluate fmid  $\leftarrow$  *function( $x_{mid}$ ; param) .
28:   if fmid  $\leq$  0 then
29:     Set rtb  $\leftarrow$   $x_{mid}$  .
30:   end if
31:   if  $|\delta_x| < acc$  or fmid = 0 then
32:     return rtb.
33:   end if
34: end for
35: return .
```

---

- The input function `*function` denotes the power function we desire to solve in terms of the sample size. Its form depends on the test conditions, and will be discussed in later sections.
- We let  $x_1$  and  $x_2$  denote the sample size in the routine.

- The arguments of the power function `*function` include the sample size, either  $x_1$  or  $x_2$ , and the other parameters specified by users all combined in `param` depending on the test conditions.

### Nondirectional or two-sided testing hypothesis

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , we construct `*function` based on Equation (0.0.8)

$$\text{*function}(N; \text{param}) = 1 - \Phi\left(\frac{\delta + z^*}{\sqrt{\nu}}\right) + \Phi\left(\frac{\delta - z^*}{\sqrt{\nu}}\right) - \omega_0, \quad (.0.14)$$

and feed it to Algorithm (1) to solve for  $n = \text{rtb}$ . We then set  $N_0 = \lceil \text{rtb} \rceil$ , and follow Section by replacing  $n$  with  $N_0$  to solve for  $\Omega_0$ .

### Directional or one-sided testing hypothesis

Depending on the alternative hypothesis and whether  $b$  is ignored, we consider the following four situations:

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , when  $H_1 : \rho_1 > \rho_0$  and  $b$  is ignored in Equation (0.0.2), we solve for

$$\text{rtb} = \left[ \frac{\text{IDF.NORMAL}(\omega_0, 0, 1) + z^*}{d_\rho} \right]^2 + 3 \quad (.0.15)$$

analytically without using Algorithm (1). We then set  $N_0 = \lceil \text{rtb} \rceil$ , and follow Equation Section by replacing  $n$  with  $N_0$  to solve for  $\Omega_0$ .

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , when  $H_1 : \rho_1 < \rho_0$  and  $b$  is ignored in Equation (0.0.2), we solve for Equation (.0.15) analytically without using Algorithm (1). We then set  $N_0 = \lceil \text{rtb} \rceil$ , and follow Equation Section by replacing  $n$  with  $N_0$  to solve for  $\Omega_0$ .

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , when  $H_1 : \rho_1 > \rho_0$  and  $b$  is not ignored in Equation (0.0.2), we construct `*function` based on Equation (0.0.12)

$$\text{*function}(N; \text{param}) = \Phi\left(\frac{\delta - z^*}{\sqrt{\nu}}\right) - \omega_0, \quad (.0.16)$$

and feed it to Algorithm (1) to solve for  $n = \text{rtb}$ . We then set  $N_0 = \lceil \text{rtb} \rceil$ , and follow Section by replacing  $n$  with  $N_0$  to solve for  $\Omega_0$ .

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , when  $H_1 : \rho_1 < \rho_0$  and  $b$  is not ignored in Equation (0.0.2), we construct `*function` based on Equation (0.0.13)

$$\text{*function}(N; \text{param}) = 1 - \Phi\left(\frac{\delta + z^*}{\sqrt{\nu}}\right) - \omega_0, \quad (.0.17)$$

and feed it to Algorithm (1) to solve for  $n = \text{rtb}$ . We then set  $N_0 = \lceil \text{rtb} \rceil$ , and follow Section by replacing  $n$  with  $N_0$  to solve for  $\Omega_0$ .

### Power Analysis Table

When  $\omega_0$  is specified, we output Table 1 instead of Table ???. Depending on the test direction and whether the bias term  $b$  is ignored or not in Appendix Section and ,  $N$  is estimated by  $N_0$ , and Actual Power is estimated by  $\Omega_0$ . Power is  $\omega_0$  specified by users. All the other table settings are the same as Table ???.

**Power Analysis Table**

	Actual	Test Assumptions				
	N	Power <sup>b</sup>	Power	Null	Alternative	Sig.
Pearson Correlation <sup>a</sup>	123	.802	.800	0	0.25	0.05

a. Two-sided test with a nondirectional alternative hypothesis.

b. Based on Fisher's  $z$ -transformation and normal approximation with bias adjustment.

Table 1: Estimate Sample Size of One-sample Pearson Correlation Test

## Sample size based on confidence interval width

This section discusses the estimation of sample size based on the confidence interval half-width of the Pearson correlation coefficient. The algorithm created in the following sections aims to compute the sample sizes required to estimate population parameter with certain precision determined by the user-specified confidence interval half-widths. The expected result should produce the minimum sample size to ensure that the actual confidence interval half-width does not exceed the desired one.

### General notations

To facilitate the presentation, we introduce the following new notations to the existing power analysis Pearson Product-Moment procedure:

$m_e$ : The user-specified confidence interval half-width, and  $0 < m_e \leq 1$ .

$m_{e0}$ : The actual confidence interval half-width achieved.

$N_e$ : The desired minimum sample size we would like to estimate such that it ensures that the actual confidence interval half-width will not exceed  $m_e$ . Note that  $N_e$  is required to be double-precision in the following calculation.

### Sample size based on the confidence interval width

For a nondirectional test under the Fisher's  $z$ -transformation, the critical value is

$$z^* = \text{PROBIT}(1 - \alpha/2) . \quad (0.0.1)$$

where  $\alpha$  is the significance level to reflect the type I error rate. By applying the Fisher's  $z$ -transformation, we estimate

$$\hat{\zeta} = \tanh^{-1}(r_1) = \frac{1}{2} \log \left( \frac{1 + r_1}{1 - r_1} \right) , \quad (0.0.2)$$

where  $r_1$  is the alternative hypothesis value provided by syntax. Depending on the user-setting in the existing procedure, if the bias term is not taken into account, we estimate the confidence limits by computing

$$\hat{\zeta}_l = \hat{\zeta} - \text{IDF.NORMAL}(1 - \alpha/2, 0, 1) \text{se}(\hat{\zeta}) \quad \text{and} \quad \hat{\zeta}_u = \hat{\zeta} + \text{IDF.NORMAL}(1 - \alpha/2, 0, 1) \text{se}(\hat{\zeta}) , \quad (0.0.3)$$

where  $\hat{\zeta}$  is estimated by Equation (0.0.2), and the standard error

$$\text{se}(\hat{\zeta}) = \left( \frac{1}{N_e - 3} \right)^{1/2} . \quad (0.0.4)$$

Alternatively, if the bias term is taken into account, the confidence limits become

$$\hat{\zeta}_l = \hat{\zeta} - b(r_1) - \text{IDF.NORMAL}(1 - \alpha/2, 0, 1) \text{se}(\hat{\zeta}) \quad \text{and} \quad \hat{\zeta}_u = \hat{\zeta} - b(r_1) + \text{IDF.NORMAL}(1 - \alpha/2, 0, 1) \text{se}(\hat{\zeta}) , \quad (0.0.5)$$

where

$$b(r_1) = \frac{r_1}{2(N_e - 1)} . \quad (0.0.6)$$

We then transform back, for either Equation (0.0.3) or (0.0.5), to estimate the lower and upper confidence limits

$$r_l = \tanh(\hat{\zeta}_l) \quad \text{and} \quad r_u = \tanh(\hat{\zeta}_u) , \quad (0.0.7)$$

where

$$\tanh(\hat{\zeta}) = \frac{e^{2\hat{\zeta}} - 1}{e^{2\hat{\zeta}} + 1} . \quad (0.0.8)$$

To estimate the desired sample size  $N_e$ , we construct

$$\text{*function}(N_e; \text{param}) = m_e - 0.5(r_u - r_l) , \quad (0.0.9)$$

where  $r_u$  and  $r_l$  are estimated by Equation (0.0.7), and  $z^*$  is estimated by Equation (0.0.1), and feed it to Algorithm (1) to solve for  $\mathbf{rtb}$ . Note that the minimum searching bound of Algorithm (1) is 4. We then set  $N_e = \lceil \mathbf{rtb} \rceil$ , reevaluate either Equation (0.0.3) or (0.0.5) and Equation (0.0.7), and solve for

$$m_{e0} = 0.5(r_u - r_l) \tag{0.0.10}$$

to obtain the actual confidence interval half-width.

## Appendices

We discuss the method to solve for the sample size given the user-supplied confidence interval with all the other parameters already specified in the procedure. Here we give some implementation notes.

- The input `*function`, which takes the form of Equation (0.0.9), denotes the function we have constructed previously to solve in terms of the sample size.
- The arguments of `*function` include the sample size as well as the other parameters all combined in `param` depending on the test conditions.
- We let  $\mathbf{x}_1$  and  $\mathbf{x}_2$  denote the sample size in the `RTBIS` routine.

---

**Algorithm 1** RTBIS Routine: Using bisection to estimate the smallest sample size such that it ensures that the actual confidence interval half-width will not exceed the desired one.

---

```

1: Input: *function( $N_e$ ; param),  $x_1 = 4$ ,  $x_2 = 400$ ,  $acc = 10^{-9}$ .
2: Evaluate  $f_{mid} \leftarrow *function(x_2; param)$  .
3: if  $f_{mid} = 0$  then
4:   return  $rtb = x_2$  .
5: end if
6: Evaluate  $f \leftarrow *function(x_1; param)$  .
7: if  $f \geq 0$  then
8:   return  $rtb = x_1$  .
9: end if
10: while  $f * f_{mid} > 0$  do
11:   Set  $x_1 \leftarrow x_2$  .
12:   Update  $x_2 \leftarrow 2x_2$  .
13:   if  $x_2$  overflows then                                     ▷ Protect from infinite looping.
14:     return  $rtb = SYSMIS$  .
15:   end if
16:   Set  $f \leftarrow f_{mid}$  .
17:   Evaluate  $f_{mid} \leftarrow *function(x_2; param)$  .
18:   if  $f_{mid} = 0$  then
19:     return  $rtb = x_2$  .
20:   end if
21: end while
22: Let  $rtb \leftarrow x_1$  .
23: Assign  $\delta_x \leftarrow x_2 - x_1$  .
24: for iteration  $j = 1, 2, 3, \dots$  do
25:   Update  $\delta_x \leftarrow 0.5 \delta_x$  .
26:   Update  $x_{mid} \leftarrow rtb + \delta_x$  .
27:   Evaluate  $f_{mid} \leftarrow *function(x_{mid}; param)$  .
28:   if  $f_{mid} \leq 0$  then
29:     Set  $rtb \leftarrow x_{mid}$  .
30:   end if
31:   if  $|\delta_x| < acc$  or  $f_{mid} = 0$  then
32:     return  $rtb$ .
33:   end if
34: end for
35: return

```

---

# Bibliography

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# POWER PROPORTIONS INDEPENDENT Algorithms

## Introduction

As one of the most important discrete distributions, the binomial distribution is based on a sequence of Bernoulli trials. It can be used to model those experiments including a fixed number of total trials which are assumed to be independent of each other. Each trial leads to a dichotomous result, with the same probability for a “successful” outcome. In the independent-sample binomial test, we desire to compare two independent proportion parameters. In this document, we present the methods to estimate the power based on different statistical tests, and take into account the condition of both a large sample and moderate sample size.

## General Notations

In the independent-sample binomial test, the observed data are collected from two independent random samples indexed by  $k = 1, 2$ . For each sample, we assume that the data independently and identically follow a binomial distribution with a fixed total number of trials  $n_k$  and a proportion parameter  $p_k$ , where  $n_k$  is a positive integer and  $p_k \in (0, 1)$ . The following notations are used in the later sections.

- $k$ : The group index, and  $k = 1, 2$ .
- $n_k$ : The total number of trials for group  $k$ , and  $n_k$  is a fixed positive integer. Let  $n = n_1 + n_2$  and  $r = n_2/n_1$ .
- $p_k$ : The proportion parameter for group  $k$  for comparison, and  $p_k \in (0, 1)$ .
- $x_k$ : The number of “successes” observed in group  $k$ , and  $x_k$  is an integer  $\in [0, n_k]$ .
- $c$ : The continuity correction term used for the normal approximation method.
- $\alpha$ : The significance level to reflect the type I error rate, and  $\alpha \in (0, 1)$ .

The corresponding statistical hypotheses may be formulated in terms of the risk difference

$$p_1 - p_2, \tag{0.0.1}$$

the risk ratio

$$p_1/p_2, \tag{0.0.2}$$

or the odds ratio

$$[p_1/(1 - p_1)]/[p_2/(1 - p_2)]. \tag{0.0.3}$$

There are two different ways to estimate the power which are discussed later in Section and , respectively. Users may select either of them to do the estimation when  $n \leq 500$ . The default setting is to apply the large-sample approximation method. When  $n > 500$ , we would only consider the large-sample approximation method.

## Power Estimation with Large Sample Size

Under a large sample size assumption, it is valid to use an appropriate continuous distribution to approximate a binomial distribution. In this section, we present various approximation or asymptotic methods appropriate to the power estimation based on different test statistics.

### Estimation Based on the Pearson’s Chi-squared Test

In this section, the power estimation is based on the Pearson’s chi-squared test<sup>1</sup>. Users are required to specify the values for  $n_k$ ,  $p_k$ ,  $\alpha$ , whether the test is nondirectional or directional, whether the continuity correction is applied or not, and whether the estimation of the standard deviation is pooled or unpooled. The default setting is  $\alpha = 0.05$ , the nondirectional test *without* the continuity correction, and the pooled standard error.

<sup>1</sup>Implementation note: This is the default setting for all the large-sample approximation methods discussed in Section .

<sup>2</sup>PROBIT(*prob*) returns the value in a standard normal distribution having a cumulative probability equal to *prob*. The argument *prob* is a probability greater than 0 and less than 1.

### Nondirectional or two-sided testing hypothesis

For a nondirectional test, we formulate the two-sided testing hypotheses  $H_0 : p_1 = p_2$  versus  $H_1 : p_1 \neq p_2$ . Under the null hypothesis  $H_0$ , the test statistic approximately follows a standard normal distribution. The critical value is therefore<sup>2</sup>

$$z^* = \text{PROBIT}(1 - \alpha/2) . \quad (0.0.4)$$

Under the alternative hypothesis, the test statistic also follows a standard normal distribution. The power can be estimated by<sup>3</sup>

$$\Omega = 1 - \text{CDFNORM}\left(\frac{p_1 - p_2 + z^* \sigma^*}{\sigma_d}\right) + \text{CDFNORM}\left(\frac{p_1 - p_2 - z^* \sigma^*}{\sigma_d}\right) , \quad (0.0.5a)$$

without the continuity correction, or

$$\Omega = 1 - \text{CDFNORM}\left(\frac{p_1 - p_2 + z^* \sigma^* + c}{\sigma_d}\right) + \text{CDFNORM}\left(\frac{p_1 - p_2 - z^* \sigma^* - c}{\sigma_d}\right) , \quad (0.0.5b)$$

with the continuity correction taken into consideration, where  $z^*$  is computed by Equation (0.0.4),

$$\sigma_d = \sqrt{\frac{p_1(1-p_1)}{n_1} + \frac{p_2(1-p_2)}{n_2}} , \quad (0.0.6)$$

$$c = 0.5(1/n_1 + 1/n_2) , \quad (0.0.7)$$

and

$$\sigma^* = \begin{cases} \sqrt{\bar{p}(1-\bar{p})(1/n_1 + 1/n_2)} & \text{for the pooled standard deviation} \\ \sigma_d & \text{for the unpooled standard deviation} \end{cases} , \quad (0.0.8)$$

where  $\sigma_d$  is computed by Equation (0.0.6), and

$$\bar{p} = \frac{n_1 p_1 + n_2 p_2}{n} . \quad (0.0.9)$$

A special case should be excluded for Equation (0.0.5): Set  $\Omega = 1$  when  $p_1 p_2 = 0$  and  $p_1 + p_2 = 1$ .

### Directional or one-sided testing hypothesis

For a directional test, the critical value is

$$z^* = \text{PROBIT}(1 - \alpha) . \quad (0.0.10)$$

Suppose the one-sided testing hypotheses are formulated by  $H_0 : p_1 = p_2$  versus  $H_1 : p_1 \geq p_2$ . Depending on whether or not the continuity correction is applied, the power is computed as

$$\Omega = \text{CDFNORM}\left(\frac{p_1 - p_2 - z^* \sigma^*}{\sigma_d}\right) , \quad (0.0.11a)$$

without the continuity correction, or

$$\Omega = \text{CDFNORM}\left(\frac{p_1 - p_2 - z^* \sigma^* - c}{\sigma_d}\right) , \quad (0.0.11b)$$

with the continuity correction taken into consideration, where  $z^*$  is computed by Equation (0.0.10). The other quantities remain the same as discussed in Section . Suppose the one-sided testing hypotheses are

---

<sup>3</sup> CDFNORM(*zvalue*), returns the probability that a standard normal random variable with mean 0 and standard deviation 1 would be less than *zvalue*, which must be numeric.

formulated by  $H_0 : p_1 = p_2$  versus  $H_1 : p_1 < p_2$ . Depending on whether or not the continuity correction is applied, the power is computed as

$$\Omega = 1 - \text{CDFNORM} \left( \frac{p_1 - p_2 + z^* \sigma^*}{\sigma_d} \right), \quad (0.0.12a)$$

without the continuity correction, or

$$\Omega = 1 - \text{CDFNORM} \left( \frac{p_1 - p_2 + z^* \sigma^* + c}{\sigma_d} \right), \quad (0.0.12b)$$

with the continuity correction taken into consideration, where  $z^*$  is computed by Equation (0.0.10). The other quantities remain the same as discussed in Section .

## Estimation Based on the Student's $t$ -Test

In this section, the power estimation is based on the Student's  $t$ -test [O'Brien and Muller, 1993]. Users are required to specify the values for  $n_k, p_k, \alpha$ , whether the test is nondirectional or directional, and whether the estimation of the standard deviation is pooled or unpooled. The default setting is  $\alpha = 0.05$ , the nondirectional test, and the pooled standard error.

### Nondirectional or two-sided testing hypothesis

For a nondirectional test, we formulate the two-sided testing hypotheses  $H_0 : p_1 = p_2$  versus  $H_1 : p_1 \neq p_2$ . Under the null hypothesis  $H_0$ , the test statistic approximately follows a Student's  $t$ -distribution with the degrees of freedom

$$\nu = n_1 + n_2 - 2. \quad (0.0.13)$$

The critical value is therefore<sup>4</sup>

$$t^* = \text{IDF.T}(1 - \alpha/2, \nu). \quad (0.0.14)$$

Under the alternative hypothesis, the test statistic follows a noncentral  $t$ -distribution with the same degrees of freedom  $\nu$  in Equation (0.0.13), and the noncentrality parameter is computed as

$$\lambda = \begin{cases} \frac{\sqrt{n_1 n_2} (p_1 - p_2)}{\sqrt{n_1 p_1 (1 - p_1) + n_2 p_2 (1 - p_2)}} & \text{for the pooled } t\text{-test} \\ \frac{\sqrt{n_1 n_2} (p_1 - p_2)}{\sqrt{n_1 p_2 (1 - p_2) + n_2 p_1 (1 - p_1)}} & \text{for the unpooled } t\text{-test} \end{cases}. \quad (0.0.15)$$

The power can be estimated by<sup>5</sup>

$$\Omega = 1 - \text{NCDF.T}(t^*, \nu, \lambda) + \text{NCDF.T}(-t^*, \nu, \lambda), \quad (0.0.16)$$

where  $t^*$ ,  $\nu$ , and  $\lambda$  are defined by Equation (0.0.14), (0.0.13), and (0.0.15), respectively.

### Directional or one-sided testing hypothesis

For a directional test with one-sided testing hypotheses  $H_0 : p_1 = p_2$  versus  $H_1 : p_1 \geq p_2$  (or  $H_1 : p_1 < p_2$ ), the power is computed as

$$\Omega = 1 - \text{NCDF.T}(t^*, \nu, \lambda), \quad (0.0.17)$$

where

$$t^* = \text{IDF.T}(1 - \alpha, \nu) \quad (0.0.18)$$

<sup>4</sup> $\text{IDF.T}(prob, df)$  returns the value from the Student's  $t$ -distribution, with specified degrees of freedom  $df$ , for which the cumulative probability is  $prob$ .

<sup>5</sup> $\text{NCDF.T}(quant, df, \lambda)$  returns the cumulative probability such that a value from the noncentral Student's  $t$ -distribution, with the specified degrees of freedom  $df$  and noncentrality  $\lambda$ , will be less than  $quant$ .

$\nu$  is defined by Equation (0.0.13), and

$$\lambda = \begin{cases} \frac{\sqrt{n_1 n_2} |p_1 - p_2|}{\sqrt{n_1 p_1 (1 - p_1) + n_2 p_2 (1 - p_2)}} & \text{for the pooled } t\text{-test} \\ \frac{\sqrt{n_1 n_2} |p_1 - p_2|}{\sqrt{n_1 p_2 (1 - p_2) + n_2 p_1 (1 - p_1)}} & \text{for the unpooled } t\text{-test} \end{cases}, \quad (0.0.19)$$

respectively.

### Estimation Based on the Likelihood Ratio Test

In this section, the power estimation is based on the likelihood ratio test statistic test proposed by [Wilks, 1935]. Under the null hypothesis, the test statistic asymptotically follows a Chi-squared distribution with the degrees of freedom equal to 1. In light of this, we consider the following test statistic

$$\mathcal{G} = \sqrt{2 \left[ n_1 p_1 \log \left( \frac{p_1}{\bar{p}} \right) + n_1 q_1 \log \left( \frac{q_1}{\bar{q}} \right) + n_2 p_2 \log \left( \frac{p_2}{\bar{p}} \right) + n_2 q_2 \log \left( \frac{q_2}{\bar{q}} \right) \right]}, \quad (0.0.20)$$

where  $q_k = 1 - p_k$ ,  $\bar{p}$  is defined by Equation (0.0.9), and  $\bar{q} = 1 - \bar{p}$ . Users are required to specify the values for  $n_k$ ,  $p_k$ ,  $\alpha$ , and whether the test is nondirectional or directional. The default setting is  $\alpha = 0.05$  and the nondirectional test.

#### Nondirectional or two-sided testing hypothesis

For a nondirectional test, we formulate the two-sided testing hypotheses  $H_0 : p_1 = p_2$  versus  $H_1 : p_1 \neq p_2$ . Under the null hypothesis  $H_0$ , the test statistic asymptotically follows a Chi-squared distribution with the degrees of freedom equal to 1, or a standard normal distribution. The critical value is the same as estimated by Equation (0.0.4). Under the alternative hypothesis, the test statistic also follows a standard normal distribution. The power can be estimated by

$$\Omega = 1 - \text{CDFNORM}(\mathcal{G} + z^*) + \text{CDFNORM}(\mathcal{G} - z^*), \quad (0.0.21)$$

where  $\mathcal{G}$  and  $z^*$  are estimated by Equation (0.0.20) and (0.0.4), respectively.

#### Directional or one-sided testing hypothesis

Suppose the one-sided testing hypotheses are formulated by  $H_0 : p_1 = p_2$  versus  $H_1 : p_1 \geq p_2$ . The power is computed as

$$\Omega = \text{CDFNORM}(\mathcal{G} - z^*), \quad (0.0.22)$$

where  $\mathcal{G}$  and  $z^*$  are estimated by Equation (0.0.20) and (0.0.10), respectively. Suppose the one-sided testing hypotheses are formulated by  $H_0 : p_1 = p_2$  versus  $H_1 : p_1 < p_2$ . The power is computed as

$$\Omega = 1 - \text{CDFNORM}(-\mathcal{G} + z^*), \quad (0.0.23)$$

where  $\mathcal{G}$  and  $z^*$  are estimated by Equation (0.0.20) and (0.0.10), respectively.

### Estimation Based on the Fisher's Exact Test

The method discussed in this section is based on [Walters, 1979], which suggests using the arc sine approximation to asymptotically estimate the power of the Fisher's exact test. Note that the method is valid if the following conditions are met:

- If  $p_1 > p_2$ , it is required that  $n_1 \geq 0.5/p_1$  and  $n_2 \geq 0.5/(1 - p_2)$ .
- If  $p_2 > p_1$ , it is required that  $n_1 \geq 0.5/(1 - p_1)$  and  $n_2 \geq 0.5/p_2$ .

Otherwise,  $\Omega$  is set to be missing if the method is invoked.

### Nondirectional or two-sided testing hypothesis

For a nondirectional test, we formulate the two-sided testing hypotheses  $H_0 : p_1 = p_2$  versus  $H_1 : p_1 \neq p_2$ . Under the null hypothesis  $H_0$ , the proposed test statistic asymptotically follows a standard normal distribution. Under the alternative hypothesis, the test statistic also follows a normal distribution. The power can be estimated by

$$\Omega = 1 - \text{CDFNORM}(\delta + z^*) + \text{CDFNORM}(\delta - z^*) , \quad (0.0.24)$$

where  $z^*$  is estimated by (0.0.4), and  $\delta$  is estimated by

$$\delta = \begin{cases} \frac{2\sqrt{n_1 n_2}}{\sqrt{n}} \left( \arcsin \sqrt{p_2 + \frac{1}{2n_2}} - \arcsin \sqrt{p_1 - \frac{1}{2n_1}} \right) & \text{if } p_1 > p_2 \\ 0 & \text{if } p_1 = p_2 \\ \frac{2\sqrt{n_1 n_2}}{\sqrt{n}} \left( \arcsin \sqrt{p_2 - \frac{1}{2n_2}} - \arcsin \sqrt{p_1 + \frac{1}{2n_1}} \right) & \text{if } p_1 < p_2 \end{cases} . \quad (0.0.25)$$

### Directional or one-sided testing hypothesis

Suppose the one-sided testing hypotheses are formulated by  $H_0 : p_1 = p_2$  versus  $H_1 : p_1 \geq p_2$ . The power is computed as

$$\Omega = 1 - \text{CDFNORM}(\delta + z^*) , \quad (0.0.26)$$

where  $z^*$  is estimated by Equation (0.0.10), and  $\delta$  is estimated by the first expression in Equation (0.0.25). Suppose the one-sided testing hypotheses are formulated by  $H_0 : p_1 = p_2$  versus  $H_1 : p_1 < p_2$ . The power is computed as

$$\Omega = \text{CDFNORM}(\delta - z^*) , \quad (0.0.27)$$

where  $z^*$  is estimated by Equation (0.0.10), and  $\delta$  is estimated by the second expression in Equation (0.0.25).

## Power Estimation with Moderate Sample Size

In this section, we discuss the binomial enumeration and the method appropriate to the test with a moderate sample size with  $n \leq 500$ . In case that the binomial enumeration method is specified when  $n > 500$ , the corresponding large-sample approximation method will otherwise be implemented. In case that the Fisher's exact test (as discussed later in Section ) is requested when  $n > 500$ , the Pearson's chi-squared test will instead be implemented as discussed in Section . For either cases, a warning message will be created as a reminder. For the following presentation, we define the estimator of  $p_k$  by

$$\hat{p}_k = \frac{x_k}{n_k} , \quad (0.0.28)$$

and the estimator of  $\bar{p}$  by

$$\hat{\bar{p}} = \frac{n_1 \hat{p}_1 + n_2 \hat{p}_2}{n} , \quad (0.0.29)$$

where  $\hat{p}_1$  and  $\hat{p}_2$  are defined by Equation (0.0.28). We also consider the two special cases as follows:

- In case that  $x_1 + x_2 = 0$ , we set  $x_1 = x_2 = 0.001$  when estimating the test statistics.
- In case that  $x_1 + x_2 = n$ , we set  $x_1 = n_1 - 0.001$  and  $x_2 = n_2 - 0.001$  when estimating the test statistics.

## Estimation Based on the Pearson's Chi-squared Test

In this section, the power estimation is based on the Pearson's chi-squared test<sup>6</sup>. Users are required to specify the values for  $n_k$ ,  $p_k$ ,  $\alpha$ , whether the test is nondirectional or directional, and whether the estimation of the standard deviation is pooled or unpooled. The default setting is  $\alpha = 0.05$ , the nondirectional test, and the pooled standard error.

<sup>6</sup>Implementation note: This is the default setting for all the moderate-sample methods discussed in Section .

**Nondirectional or two-sided testing hypothesis**

For each combination of  $x_1 = 0, 1, 2, \dots, n_1$  and  $x_2 = 0, 1, 2, \dots, n_2$ , estimate the test statistic defined by

$$\phi_z = \frac{|\hat{p}_1 - \hat{p}_2|}{\sqrt{\hat{p}(1-\hat{p})(1/n_1 + 1/n_2)}}, \quad (0.0.30a)$$

without the continuity correction, or

$$\phi_z = \frac{|\hat{p}_1 - \hat{p}_2| - 0.5(1/n_1 + 1/n_2)}{\sqrt{\hat{p}(1-\hat{p})(1/n_1 + 1/n_2)}}, \quad (0.0.30b)$$

with the continuity correction taken into consideration, where  $\hat{p}_1$ ,  $\hat{p}_2$ , and  $\hat{p}$  are estimated by Equation (0.0.28) and (0.0.29). If  $\phi_z > z^*$  estimated by Equation (0.0.4), we collect the certain pair of  $(x_1, x_2)$  and store it to a set denoted by  $\mathcal{A}$ . The power can be estimated by

$$\Omega = \begin{cases} \sum_{\forall (x_1, x_2) \in \mathcal{A}} \binom{n_1}{x_1} p_1^{x_1} (1-p_1)^{n_1-x_1} \binom{n_2}{x_2} p_2^{x_2} (1-p_2)^{n_2-x_2} & \text{for a nonempty set } \mathcal{A} \\ 0 & \text{otherwise} \end{cases}. \quad (0.0.31)$$

**Directional or one-sided testing hypothesis**

Suppose the one-sided testing hypotheses are formulated by  $H_0 : p_1 = p_2$  versus  $H_1 : p_1 \geq p_2$ . For each combination of  $x_1 = 0, 1, 2, \dots, n_1$  and  $x_2 = 0, 1, 2, \dots, n_2$ , estimate the test statistic defined by

$$\phi_z = \frac{\hat{p}_1 - \hat{p}_2}{\sqrt{\hat{p}(1-\hat{p})(1/n_1 + 1/n_2)}}, \quad (0.0.32a)$$

without the continuity correction, or

$$\phi_z = \frac{\hat{p}_1 - \hat{p}_2 + 0.5(1/n_1 + 1/n_2)}{\sqrt{\hat{p}(1-\hat{p})(1/n_1 + 1/n_2)}}, \quad (0.0.32b)$$

with the continuity correction taken into consideration, where  $\hat{p}_1$ ,  $\hat{p}_2$ , and  $\hat{p}$  are estimated by Equation (0.0.28) and (0.0.29). If  $\phi_z > z^*$  estimated by Equation (0.0.10), we collect the certain pair of  $(x_1, x_2)$  and store it to a set denoted by  $\mathcal{A}$ , and estimate the power  $\Omega$  by Equation (0.0.31). Suppose the one-sided testing hypotheses are formulated by  $H_0 : p_1 = p_2$  versus  $H_1 : p_1 < p_2$ . For each combination of  $x_1 = 0, 1, 2, \dots, n_1$  and  $x_2 = 0, 1, 2, \dots, n_2$ , estimate the test statistic defined by

$$\phi_z = \frac{\hat{p}_2 - \hat{p}_1}{\sqrt{\hat{p}(1-\hat{p})(1/n_1 + 1/n_2)}}, \quad (0.0.33a)$$

without the continuity correction, or

$$\phi_z = \frac{\hat{p}_2 - \hat{p}_1 + 0.5(1/n_1 + 1/n_2)}{\sqrt{\hat{p}(1-\hat{p})(1/n_1 + 1/n_2)}}, \quad (0.0.33b)$$

with the continuity correction taken into consideration, where  $\hat{p}_1$ ,  $\hat{p}_2$ , and  $\hat{p}$  are estimated by Equation (0.0.28) and (0.0.29). If  $\phi_z > z^*$  estimated by Equation (0.0.10), we collect the certain pair of  $(x_1, x_2)$  and store it to a set denoted by  $\mathcal{A}$ , and estimate the power  $\Omega$  by Equation (0.0.31).

**Estimation Based on the Student's  $t$ -Test**

In this section, the power estimation is based on the Student's  $t$ -test [O'Brien and Muller, 1993]. Users are required to specify the values for  $n_k, p_k, \alpha$ , whether the test is nondirectional or directional, and whether the estimation of the standard deviation is pooled or unpooled. The default setting is  $\alpha = 0.05$ , the nondirectional test, and the pooled standard error. Additionally, the Student's  $t$ -test statistic requires that  $n > 2$  satisfy. If it is violated, we assign an error message, and abort the power estimation procedure.

### Nondirectional or two-sided testing hypothesis

For each combination of  $x_1 = 0, 1, 2, \dots, n_1$  and  $x_2 = 0, 1, 2, \dots, n_2$ , estimate the test statistic defined by

$$\phi_t = \begin{cases} \frac{\sqrt{n_1 n_2} |\hat{p}_1 - \hat{p}_2|}{\sqrt{[n_1 \hat{p}_1 (1 - \hat{p}_1) + n_2 \hat{p}_2 (1 - \hat{p}_2)] n / (n - 2)}} & \text{for the pooled } t\text{-test} \\ \frac{\sqrt{n_1 n_2} |\hat{p}_1 - \hat{p}_2|}{\sqrt{[n_1 \hat{p}_2 (1 - \hat{p}_2) + n_2 \hat{p}_1 (1 - \hat{p}_1)] n / (n - 2)}} & \text{for the unpooled } t\text{-test} \end{cases} . \quad (0.0.34)$$

where  $\hat{p}_1$  and  $\hat{p}_2$  are estimated by Equation (0.0.28). If  $\phi_t > t^*$  estimated by Equation (0.0.14), we collect the certain pair of  $(x_1, x_2)$  and store it to a set denoted by  $\mathcal{A}$ , and estimate the power  $\Omega$  by Equation (0.0.31).

### Directional or one-sided testing hypothesis

Suppose the one-sided testing hypotheses are formulated by  $H_0 : p_1 = p_2$  versus  $H_1 : p_1 \geq p_2$ . For each combination of  $x_1 = 0, 1, 2, \dots, n_1$  and  $x_2 = 0, 1, 2, \dots, n_2$ , estimate the test statistic defined by

$$\phi_t = \begin{cases} \frac{\sqrt{n_1 n_2} (\hat{p}_1 - \hat{p}_2)}{\sqrt{[n_1 \hat{p}_1 (1 - \hat{p}_1) + n_2 \hat{p}_2 (1 - \hat{p}_2)] n / (n - 2)}} & \text{for the pooled } t\text{-test} \\ \frac{\sqrt{n_1 n_2} (\hat{p}_1 - \hat{p}_2)}{\sqrt{[n_1 \hat{p}_2 (1 - \hat{p}_2) + n_2 \hat{p}_1 (1 - \hat{p}_1)] n / (n - 2)}} & \text{for the unpooled } t\text{-test} \end{cases} . \quad (0.0.35)$$

If  $\phi_l > t^*$  estimated by Equation (0.0.18), we collect the certain pair of  $(x_1, x_2)$  and store it to a set denoted by  $\mathcal{A}$ , and estimate the power  $\Omega$  by Equation (0.0.31). Suppose the one-sided testing hypotheses are formulated by  $H_0 : p_1 = p_2$  versus  $H_1 : p_1 < p_2$ . For each combination of  $x_1 = 0, 1, 2, \dots, n_1$  and  $x_2 = 0, 1, 2, \dots, n_2$ , estimate the test statistic defined by

$$\phi_t = \begin{cases} \frac{\sqrt{n_1 n_2} (\hat{p}_2 - \hat{p}_1)}{\sqrt{[n_1 \hat{p}_1 (1 - \hat{p}_1) + n_2 \hat{p}_2 (1 - \hat{p}_2)] n / (n - 2)}} & \text{for the pooled } t\text{-test} \\ \frac{\sqrt{n_1 n_2} (\hat{p}_2 - \hat{p}_1)}{\sqrt{[n_1 \hat{p}_2 (1 - \hat{p}_2) + n_2 \hat{p}_1 (1 - \hat{p}_1)] n / (n - 2)}} & \text{for the unpooled } t\text{-test} \end{cases} . \quad (0.0.36)$$

If  $\phi_l > t^*$  estimated by Equation (0.0.18), we collect the certain pair of  $(x_1, x_2)$  and store it to a set denoted by  $\mathcal{A}$ , and estimate the power  $\Omega$  by Equation (0.0.31).

## Estimation Based on the Likelihood Ratio Test

In this section, the power estimation is based on the likelihood ratio test suggested by [Wilks, 1935]. Users are required to specify the values for  $n_k$ ,  $p_k$ ,  $\alpha$ , and whether the test is nondirectional or directional. The default setting is  $\alpha = 0.05$  and the nondirectional test.

### Nondirectional or two-sided testing hypothesis

For each combination of  $x_1 = 0, 1, 2, \dots, n_1$  and  $x_2 = 0, 1, 2, \dots, n_2$ , estimate the test statistic defined by

$$\phi_l = 2 [x_1 \log x_1 + x_2 \log x_2 + (n_1 - x_1) \log (n_1 - x_1) + (n_2 - x_2) \log (n_2 - x_2) + n \log n] - 2 [(x_1 + x_2) \log (x_1 + x_2) + (n - x_1 - x_2) \log (n - x_1 - x_2) + n_1 \log n_1 + n_2 \log n_2] . \quad (0.0.37)$$

Note that we set  $a \log a = 0$  if  $a = 0$  in Equation (0.0.37). If  $\sqrt{\phi_l} > z^*$  estimated by Equation (0.0.4), we collect the certain pair of  $(x_1, x_2)$  and store it to a set denoted by  $\mathcal{A}$ , and estimate the power  $\Omega$  by Equation (0.0.31).

### Directional or one-sided testing hypothesis

Suppose the one-sided testing hypotheses are formulated by  $H_0 : p_1 = p_2$  versus  $H_1 : p_1 \geq p_2$ . We estimate  $\phi_l$  by Equation (0.0.37) for each combination of  $x_1 = 0, 1, 2, \dots, n_1$  and  $x_2 = 0, 1, 2, \dots, n_2$ , provided that  $\hat{p}_1 \geq \hat{p}_2$ , where  $\hat{p}_k$  is defined by Equation (0.0.28). If  $\sqrt{\phi_l} > z^*$  estimated by Equation (0.0.10), we collect the certain pair of  $(x_1, x_2)$  and store it to a set denoted by  $\mathcal{A}$ , and estimate the power  $\Omega$  by Equation (0.0.31). Suppose the one-sided testing hypotheses are formulated by  $H_0 : p_1 = p_2$  versus  $H_1 : p_1 < p_2$ . We estimate  $\phi_l$  by Equation (0.0.37) for each combination of  $x_1 = 0, 1, 2, \dots, n_1$  and  $x_2 = 0, 1, 2, \dots, n_2$ , provided that  $\hat{p}_1 < \hat{p}_2$ , where  $\hat{p}_k$  is defined by Equation (0.0.28). If  $\sqrt{\phi_l} > z^*$  estimated by Equation (0.0.10), we collect the certain pair of  $(x_1, x_2)$  and store it to a set denoted by  $\mathcal{A}$ , and estimate the power  $\Omega$  by Equation (0.0.31).

### Estimation Based on the Fisher's Exact Test

The method discussed in this section is based on the Fisher's exact test discussed by [Casagrande et al., 1978]. Users are required to specify the values for  $n_k, p_k, \alpha$ , and whether the test is nondirectional or directional. The default setting is  $\alpha = 0.05$  and the nondirectional test. Let  $X_1$  be the random variable denoting the number of "successes" observed in group 1. We define the conditional distribution of  $X_1 = x_1$  as

$$p(X_1 = x_1 | m, \eta) = \frac{\binom{n_1}{x_1} \binom{n_2}{m-x_1} \eta^{x_1}}{\sum_i \binom{n_1}{i} \binom{n_2}{m-i} \eta^i}, \quad (0.0.38)$$

where  $m$  is the total number of "successes" observed in two groups,  $\eta$  is the odds ratio defined by Equation (0.0.3), and  $L_i \leq i \leq U_i$ , where

$$L_i = \max\{0, m - n_2\} \quad \text{and} \quad U_i = \min\{n_1, m\}. \quad (0.0.39)$$

### Undirectional or two-sided testing hypothesis

For a nondirectional test, we formulate the two-sided testing hypotheses  $H_0 : p_1 = p_2$  versus  $H_1 : p_1 \neq p_2$ . This is equivalent to test  $H_0 : \eta = 1$  versus  $H_1 : \eta \neq 1$ . Under the null hypothesis  $H_0$ , for each fixed  $m = 0, 1, 2, \dots, n$ , we first find the critical value  $i_u^*$  by searching  $i_u^* = U_i, U_i - 1, U_i - 2, \dots, L_i$  in descending order such that both

$$\sum_{i=i_u^*}^{U_i} p(X_1 = i | m, \eta = 1) \leq \frac{\alpha}{2} \quad \text{and} \quad \sum_{i=i_u^*-1}^{U_i} p(X_1 = i | m, \eta = 1) > \frac{\alpha}{2} \quad (0.0.40)$$

satisfy, where  $p(\cdot)$  is defined by Equation (0.0.38), and  $U_i$  is defined by Equation (0.0.39). Similarly, we then find the critical value  $i_l^*$  by searching  $i_l^* = L_i, L_i + 1, L_i + 2, \dots, U_i$  in ascending order such that both

$$\sum_{i=L_i}^{i_l^*} p(X_1 = i | m, \eta = 1) \leq \frac{\alpha}{2} \quad \text{and} \quad \sum_{i=L_i}^{i_l^*+1} p(X_1 = i | m, \eta = 1) > \frac{\alpha}{2} \quad (0.0.41)$$

satisfy. The power can be estimated by the summation of

$$\Omega = \sum_{j=0}^n \left[ \sum_{i=i_u^*}^{U_i} p(X_1 = i | m = j, \eta) P(j) \right] + \sum_{j=0}^n \left[ \sum_{i=L_i}^{i_l^*} p(X_1 = i | m = j, \eta) P(j) \right], \quad (0.0.42)$$

where  $\eta$  is defined by Equation (0.0.3) under the alternative hypothesis  $H_1$ , and

$$P(j) = \sum_{i=L_j}^{U_j} \binom{n_1}{i} p_1^i (1-p_1)^{n_1-i} \binom{n_2}{j-i} p_2^{j-i} (1-p_2)^{n_2-j+i}, \quad (0.0.43)$$

where

$$L_j = \max(0, j - n_2) \quad \text{and} \quad U_j = \min(n_1, j). \quad (0.0.44)$$

### Directional or one-sided testing hypothesis

Suppose the one-sided testing hypotheses are formulated by  $H_0 : p_1 = p_2$  versus  $H_1 : p_1 \geq p_2$ . This is equivalent to test  $H_0 : \eta = 1$  versus  $H_1 : \eta \geq 1$ . Under the null hypothesis  $H_0$ , for each fixed  $m = 0, 1, 2, \dots, n$ , we first find the critical value  $i_u^*$  by searching  $i_u^* = U_i, U_i - 1, U_i - 2, \dots, L_i$  in descending order such that both

$$\sum_{i=i_u^*}^{U_i} p(X_1 = i|m, \eta = 1) \leq \alpha \quad \text{and} \quad \sum_{i=i_u^*-1}^{U_i} p(X_1 = i|m, \eta = 1) > \alpha \quad (0.0.45)$$

satisfy, where  $p(\cdot)$  is defined by Equation (0.0.38), and  $U_i$  is defined by Equation (0.0.39). The power can be estimated by the summation of

$$\Omega = \sum_{j=0}^n \left[ \sum_{i=i_u^*}^{U_i} p(X_1 = i|m = j, \eta)P(j) \right], \quad (0.0.46)$$

where  $\eta$  is defined by Equation (0.0.3) under the alternative hypothesis  $H_1$ , and  $P(j)$  is estimated by Equation (0.0.43). Suppose the one-sided testing hypotheses are formulated by  $H_0 : p_1 = p_2$  versus  $H_1 : p_1 < p_2$ . This is equivalent to test  $H_0 : \eta = 1$  versus  $H_1 : \eta < 1$ . Under the null hypothesis  $H_0$ , for each fixed  $m = 0, 1, 2, \dots, n$ , we first find the critical value  $i_u^*$  by searching  $i_l^* = L_i, L_i + 1, L_i + 2, \dots, U_i$  in ascending order such that both

$$\sum_{i=L_i}^{i_l^*} p(X_1 = i|m, \eta = 1) \leq \alpha \quad \text{and} \quad \sum_{i=L_i}^{i_l^*+1} p(X_1 = i|m, \eta = 1) > \alpha \quad (0.0.47)$$

satisfy, where  $p(\cdot)$  is defined by Equation (0.0.38), and  $L_i$  is defined by Equation (0.0.39). The power can be estimated by the summation of

$$\Omega = \sum_{j=0}^n \left[ \sum_{i=L_i}^{i_l^*} p(X_1 = i|m = j, \eta)P(j) \right], \quad (0.0.48)$$

where  $\eta$  is defined by Equation (0.0.3) under the alternative hypothesis  $H_1$ , and  $P(j)$  is estimated by Equation (0.0.43).

## Appendices

We discuss the method to reversely solve for the sample size given the user-supplied power values with all the other parameters already specified in the procedure. The following notations are used in this section.

- $\omega_0$ : The user-supplied power value which is one of the test assumptions, and  $0 < \omega_0 < 1$ .
- $\Omega_0$ : The actual power the test reaches.
- $N_0$ : The least sample size for group 1 that is required to reach  $\Omega_0$ .
- $N'_0$ : The sample size estimated for group 2.
- $r_0$ : The ratio of the group sample sizes, which is defined by  $r_0 = N'_0/N_0$ . To avoid extreme unbalanced situations, we let  $0.01 \leq r_0 \leq 100$ , and the default setting is  $r_0 = 1$ .

To numerically estimate  $N_0$ , we apply the RTBIS Routine, demonstrated by Algorithm (1), to a given power function under certain conditions. Here we give some implementation notes.

---

**Algorithm 1** RTBIS Routine: Using bisection to estimate the sample size  $N_0$  which is the smallest integer greater than the root `rtb` of a given power function.

---

```

1: if The method presented in Section is used then
2:   Input: *function(N;param),  $x_1 = L$ ,  $x_2 = L + 400$ ,  $acc = 10^{-9}$ .           ▷ Use Equation (.063) to determine L.
3: else
4:   Input: *function(N;param),  $x_1 = 2$ ,  $x_2 = 400$ ,  $acc = 10^{-9}$ .           ▷ N: Sample size to be estimated.
5: end if
6: Evaluate  $f_{mid} \leftarrow *function(x_2;param)$  .                               ▷ param: All the other parameters specified.
7: if  $f_{mid} = 0$  then
8:   return  $rtb = x_2$  .
9: end if
10: Evaluate  $f \leftarrow *function(x_1;param)$  .
11: if  $f \geq 0$  then
12:   return  $rtb = x_1$  .
13: end if
14: while  $f * f_{mid} > 0$  do
15:   Set  $x_1 \leftarrow x_2$  .
16:   Update  $x_2 \leftarrow 2x_2$  .
17:   if  $x_2$  overflows then                                                   ▷ Protect from infinite looping.
18:     return  $rtb = SYSMIS$  .
19:   end if
20:   Set  $f \leftarrow f_{mid}$  .
21:   Evaluate  $f_{mid} \leftarrow *function(x_2;param)$  .
22:   if  $f_{mid} = 0$  then
23:     return  $rtb = x_2$  .
24:   end if
25: end while
26: Let  $rtb \leftarrow x_1$  .
27: Assign  $\delta_x \leftarrow x_2 - x_1$  .
28: for iteration  $j = 1, 2, 3, \dots$  do
29:   Update  $\delta_x \leftarrow 0.5 \delta_x$  .
30:   Update  $x_{mid} \leftarrow rtb + \delta_x$  .
31:   Evaluate  $f_{mid} \leftarrow *function(x_{mid};param)$  .
32:   if  $f_{mid} \leq 0$  then
33:     Set  $rtb \leftarrow x_{mid}$  .
34:   end if
35:   if  $|\delta_x| < acc$  or  $f_{mid} = 0$  then
36:     return  $rtb$  .
37:   end if
38: end for
39: return .

```

---

- The input function `*function` denotes the power function we desire to solve in terms of the sample size. Its form depends on the test conditions, and will be discussed in later sections.
- We let  $x_1$  and  $x_2$  denote the sample size in the routine.
- The arguments of the power function `*function` include the sample size, either  $x_1$  or  $x_2$ , and the other parameters specified by users all combined in `param` depending on the test conditions.

In the following discussion, users are required to specify the values for  $\omega_0$ ,  $r_0$ ,  $p_k$ , and  $\alpha$ . Note that for all the sample size estimation methods, we replace  $n_2$  with  $n_2 = n_1 r_0$  such that  $n_1$  will be the only unknown quantity to estimate.

## Power Analysis with Large Sample Size

### Estimation Based on the Pearson's Chi-squared Test

In this section, the estimation of sample size is based on the Pearson's chi-squared test.

#### Nondirectional or two-sided testing hypothesis

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , depending on the continuity correction, we construct `*function` based on Equation (0.0.5)

$$\text{*function}(N; \text{param}) = 1 - \text{CDFNORM}\left(\frac{p_1 - p_2 + z^* \sigma^*}{\sigma_d}\right) + \text{CDFNORM}\left(\frac{p_1 - p_2 - z^* \sigma^*}{\sigma_d}\right) - \omega_0 \quad (.0.49a)$$

or

$$\text{*function}(N; \text{param}) = 1 - \text{CDFNORM}\left(\frac{p_1 - p_2 + z^* \sigma^* + c}{\sigma_d}\right) + \text{CDFNORM}\left(\frac{p_1 - p_2 - z^* \sigma^* - c}{\sigma_d}\right) - \omega_0 \quad (.0.49b)$$

and feed it to Algorithm (1) to solve for  $n_1 = \text{rtb}$ . Note that the sample estimated for group 2 is

$$N'_0 = \max \{ \lceil \text{rtb} * r_0 \rceil, 1 \}. \quad (.0.50)$$

We then set  $N_0 = \lceil \text{rtb} \rceil$ , and follow Section by replacing  $n_1$  and  $n_2$  with  $N_0$  and  $N'_0$ , respectively, to solve for  $\Omega_0$ .

#### Directional or owo-sided testing hypothesis

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , depending on whether the standard deviation is pooled or not and whether the continuity correction is applied or not, we estimate the sample size based on the following situations without applying Algorithm (1).

When the continuity correction is not used and the pooled standard deviation is used in Equation (0.0.8), regardless of the alternative hypothesis, we solve for

$$\text{rtb} = \frac{1}{r_0(p_1 - p_2)^2} \left\{ \text{IDF.NORMAL}(\omega_0, 0, 1) * \sqrt{A} + \frac{z^* \sqrt{B}}{\sqrt{1 + r_0}} \right\}^2, \quad (.0.51)$$

where

$$A = r_0 p_1 (1 - p_1) + p_2 (1 - p_2), \quad (.0.52)$$

and

$$B = (p_1 + r_0 p_2) [1 - p_1 + r_0 (1 - p_2)]. \quad (.0.53)$$

We then estimate  $N'_0$  by using Equation (.0.50) and  $N_0 = \lceil \text{rtb} \rceil$ , and follow either Equation (0.0.11a) or (0.0.12a), depending on the alternative hypothesis, by replacing  $n_1$  and  $n_2$  with  $N_0$  and  $N'_0$ , respectively, to solve for  $\Omega_0$ .

When the continuity correction is not used and the unpooled standard deviation is used in Equation (0.0.8), regardless of the alternative hypothesis, we solve for

$$\mathbf{rtb} = \frac{1}{r_0(p_1 - p_2)^2} [\text{IDF.NORMAL}(\omega_0, 0, 1) + z^*]^2 * A, \quad (.0.54)$$

where  $A$  is estimated by Equation (.0.52). We then estimate  $N'_0$  by using Equation (.0.50) and  $N_0 = \lceil \mathbf{rtb} \rceil$ , and follow either Equation (0.0.11a) or (0.0.12a), depending on the alternative hypothesis, by replacing  $n_1$  and  $n_2$  with  $N_0$  and  $N'_0$ , respectively, to solve for  $\Omega_0$ .

When the continuity correction is used and the pooled standard deviation is used in Equation (0.0.8), regardless of the alternative hypothesis, we solve for

$$\mathbf{rtb} = \frac{C + \sqrt{C^2 + 4|p_1 - p_2| \left( \frac{1 + r_0}{2r_0} \right)}}{2(p_1 - p_2)}, \quad (.0.55)$$

where

$$C = \frac{z^* \sqrt{B}}{\sqrt{r_0(r_0 + 1)}} + \frac{\sqrt{A}}{\sqrt{r_0}} \text{IDF.NORMAL}(\omega_0, 0, 1), \quad (.0.56)$$

and  $A$  and  $B$  are estimated by Equation (.0.52) and (.0.53), respectively. We then estimate

$$N'_0 = \max \{ \lceil \mathbf{rtb}^2 * r_0 \rceil, 1 \}, \quad (.0.57)$$

and  $N_0 = \lceil \mathbf{rtb}^2 \rceil$ , and follow either Equation (0.0.11b) or (0.0.12b), depending on the alternative hypothesis, by replacing  $n_1$  and  $n_2$  with  $N_0$  and  $N'_0$ , respectively, to solve for  $\Omega_0$ .

When the continuity correction is used and the unpooled standard deviation is used in Equation (0.0.8), regardless of the alternative hypothesis, we solve for

$$\mathbf{rtb} = \frac{\frac{\sqrt{A}}{\sqrt{r_0}} [\text{IDF.NORMAL}(\omega_0, 0, 1) + z^*] + \sqrt{\frac{A}{r_0} [\text{IDF.NORMAL}(\omega_0, 0, 1) + z^*]^2 + 4|p_1 - p_2| \left( \frac{1 + r_0}{2r_0} \right)}}{2(p_1 - p_2)}, \quad (.0.58)$$

where  $A$  and  $B$  are estimated by Equation (.0.52) and (.0.53), respectively. We then estimate  $N'_0$  by using Equation (.0.57) and  $N_0 = \lceil \mathbf{rtb}^2 \rceil$ , and follow either Equation (0.0.11b) or (0.0.12b), depending on the alternative hypothesis, by replacing  $n_1$  and  $n_2$  with  $N_0$  and  $N'_0$ , respectively, to solve for  $\Omega_0$ .

## Estimation Based on the Student's $t$ -Test

In this section, the estimation of sample size is based on the Student's  $t$ -test.

### Nondirectional or two-sided testing hypothesis

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , we construct `*function` based on Equation (0.0.16)

$$\text{*function}(\mathbf{N}; \text{param}) = 1 - \text{NCDF.T}(t^*, \nu, \lambda) + \text{NCDF.T}(-t^*, \nu, \lambda) - \omega_0, \quad (.0.59)$$

and feed it to Algorithm (1) to solve for  $n_1 = \mathbf{rtb}$ . We then estimate  $N'_0$  by using Equation (.0.50) and  $N_0 = \lceil \mathbf{rtb} \rceil$ , and follow Section by replacing  $n_1$  and  $n_2$  with  $N_0$  and  $N'_0$ , respectively, to solve for  $\Omega_0$ .

### Directional or one-sided testing hypothesis

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , we construct `*function` based on Equation (0.0.17)

$$\text{*function}(\mathbf{N}; \text{param}) = 1 - \text{NCDF.T}(t^*, \nu, \lambda) - \omega_0, \quad (.0.60)$$

and feed it to Algorithm (1) to solve for  $n_1 = \mathbf{rtb}$ . We then estimate  $N'_0$  by using Equation (.0.50) and  $N_0 = \lceil \mathbf{rtb} \rceil$ , and follow Section by replacing  $n_1$  and  $n_2$  with  $N_0$  and  $N'_0$ , respectively, to solve for  $\Omega_0$ .

## Estimation Based on the Likelihood Ratio Test

In this section, the estimation of sample size is based on the likelihood ratio test.

### Nondirectional or two-sided testing hypothesis

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , we construct `*function` based on Equation (0.0.21)

$$\text{*function}(\mathbf{N}; \text{param}) = 1 - \text{CDFNORM}(\mathcal{G} + z^*) + \text{CDFNORM}(\mathcal{G} - z^*) - \omega_0, \quad (.0.61)$$

and feed it to Algorithm (1) to solve for  $n_1 = \text{rtb}$ . We then estimate  $N'_0$  by using Equation (.0.50) and  $N_0 = \lceil \text{rtb} \rceil$ , and follow Section by replacing  $n_1$  and  $n_2$  with  $N_0$  and  $N'_0$ , respectively, to solve for  $\Omega_0$ .

### Directional or one-sided testing hypothesis

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , we construct `*function` based on Equation

$$\text{*function}(\mathbf{N}; \text{param}) = \text{CDFNORM}(\mathcal{G} - z^*) - \omega_0, \quad (.0.62)$$

and feed it to Algorithm (1) to solve for  $n_1 = \text{rtb}$ . We then estimate  $N'_0$  by using Equation (.0.50) and  $N_0 = \lceil \text{rtb} \rceil$ , and follow Section by replacing  $n_1$  and  $n_2$  with  $N_0$  and  $N'_0$ , respectively, to solve for  $\Omega_0$ .

## Estimation Based on the Fisher's Exact Test

In this section, the estimation of sample size is based on the Fisher's exact test. To apply Algorithm (1), we have to determine  $L$  by using

$$L = \begin{cases} \max \left\{ \frac{0.5}{p_1}, \frac{0.5}{r_0(1-p_2)} \right\} & \text{if } p_1 > p_2 \\ \max \left\{ \frac{0.5}{(1-p_1)}, \frac{1}{2r_0p_2} \right\} & \text{otherwise} \end{cases}. \quad (.0.63)$$

### Nondirectional or two-sided testing hypothesis

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , we construct `*function` based on Equation (0.0.24)

$$\text{*function}(\mathbf{N}; \text{param}) = 1 - \text{CDFNORM}(\delta + z^*) + \text{CDFNORM}(\delta - z^*) - \omega_0, \quad (.0.64)$$

and feed it to Algorithm (1) to solve for  $n_1 = \text{rtb}$ . We then estimate  $N'_0$  by using Equation (.0.50) and  $N_0 = \lceil \text{rtb} \rceil$ , and follow Section by replacing  $n_1$  and  $n_2$  with  $N_0$  and  $N'_0$ , respectively, to solve for  $\Omega_0$ .

### Directional or one-sided testing hypothesis

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , if the alternative hypothesis is  $H_1 : p_1 > p_2$ , we construct `*function` based on Equation (0.0.26)

$$\text{*function}(\mathbf{N}; \text{param}) = 1 - \text{CDFNORM}(\delta + z^*) - \omega_0, \quad (.0.65)$$

and feed it to Algorithm (1) to solve for  $n_1 = \text{rtb}$ . We then estimate  $N'_0$  by using Equation (.0.50) and  $N_0 = \lceil \text{rtb} \rceil$ , and follow Section by replacing  $n_1$  and  $n_2$  with  $N_0$  and  $N'_0$ , respectively, to solve for  $\Omega_0$ .

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , if the alternative hypothesis is  $H_1 : p_1 < p_2$ , we construct `*function` based on Equation (0.0.27)

$$\text{*function}(\mathbf{N}; \text{param}) = \text{CDFNORM}(\delta - z^*) - \omega_0, \quad (.0.66)$$

and feed it to Algorithm (1) to solve for  $n_1 = \text{rtb}$ . We then estimate  $N'_0$  by using Equation (.0.50) and  $N_0 = \lceil \text{rtb} \rceil$ , and follow Section by replacing  $n_1$  and  $n_2$  with  $N_0$  and  $N'_0$ , respectively, to solve for  $\Omega_0$ .

## Power Analysis with Moderate Sample Size

To prevent the program running for a long time especially in the presence of the extremely small risk difference, we design a timer feature for users to specify the maximum number of minutes allowed to estimate the sample size by using the Binomial enumeration. The timer is turned off completely by default. For any positive integer minutes, if the time limit is reached, the analysis is terminated with a warning message displayed. No results are provided.

When the sample size is estimated by using the Binomial enumeration, the bisection method with the binomial probability mass function embedded may not always find the smallest sample size pair that satisfies the test assumptions. To resolve the issue, an optimization process is described in Algorithm (2) to check if there exists a better solution. The quantities  $N_0$ ,  $N'_0$ , and  $\Omega_0$  returned by Algorithm (2) will be outputted in the power analysis table as illustrated by Table 1.

---

**Algorithm 2** OPTIMIZE.Binom Routine: Optimize the sample size in a binomial setting.

---

```

1: Input: *function(N; param),  $r_0$ ,  $\omega_0$ , and rtb returned by Algorithm (1) .
2: Initiate an empty and numeric set rtbPool to collect all the candidates .
3: Assign rtb to be the first element of rtbPool .
4: while True do
5:   rtbNew  $\leftarrow$  Call Algorithm (1) by passing *function(N; param),  $x_1 = 1$ ,  $x_2 = \lceil \text{rtb} \rceil$ , acc =  $10^{-9}$  .
6:   Set rtbNew  $\leftarrow \lceil \text{rtbNew} \rceil$  .
7:   if rtbNew in rtbPool then
8:     Break the while loop .
9:   else
10:    Concatenate rtbPool and rtbNew by assigning rtbNew to be the next element of rtbPool .
11:    Update rtb  $\leftarrow$  rtbNew .
12:   end if
13: end while
14: Assign rtb  $\leftarrow$   $\min\{\text{rtbPool}\}$  .
15: Estimate  $N'_0 \leftarrow \max\{\lceil \text{rtb} * r_0 \rceil, 1\}$  . ▷ Round rtb *  $r_0$  to the nearest integer.
16: Estimate the actual power  $\Omega_0$  based on Section , , and by passing  $n_1 = N_0$  and  $n_2 = N'_0$  .
17: while  $\Omega_0 < \omega_0$  do
18:   Update  $N_0 \leftarrow N_0 + 1$  .
19:   Update  $N'_0 \leftarrow \max\{\lceil N_0 * r_0 \rceil, 1\}$  .
20:   Recalculate  $\Omega_0$  based on Section , , and by passing  $n_1 = N_0$  and  $n_2 = N'_0$  .
21: end while
22: return  $N_0$ ,  $N'_0$ , and  $\Omega_0$ .

```

---

## Estimation Based on the Pearson's Chi-squared Test

In this section, the estimation of sample size is based on the Pearson's chi-squared test.

### Nondirectional or two-sided testing hypothesis

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , we construct \*function based on Equation (0.031)

$$*\text{function}(N; \text{param}) = \sum_{\forall (x_1, x_2) \in \mathcal{A}} \binom{n_1}{x_1} p_1^{x_1} (1 - p_1)^{n_1 - x_1} \binom{n_1 r_0}{x_2} p_2^{x_2} (1 - p_2)^{n_1 r_0 - x_2} - \omega_0, \quad (.067)$$

and feed it to Algorithm (1) to solve for  $n_1 = \text{rtb}$ . We then estimate and optimize  $N_0$  and  $N'_0$  by using Algorithm (2), and finally solve for  $\Omega_0$ .

### Directional or one-sided testing hypothesis

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , we construct \*function also based on Equation (.067), and feed it to Algorithm (1) to solve for  $n_1 = \text{rtb}$ . We then estimate and optimize  $N_0$  and  $N'_0$  by using Algorithm (2), and finally solve for  $\Omega_0$ .

## Estimation Based on the Student's $t$ -Test

In this section, the estimation of sample size is based on the Student's  $t$ -test.

### Nondirectional or two-sided testing hypothesis

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , we construct `*function` based on Equation (.0.67) and feed it to Algorithm (1) to solve for  $n_1 = \mathbf{rtb}$ . We then estimate and optimize  $N_0$  and  $N'_0$  by using Algorithm (2), and finally solve for  $\Omega_0$ .

### Directional or one-sided testing hypothesis

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , we construct `*function` also based on Equation (.0.67), and feed it to Algorithm (1) to solve for  $n_1 = \mathbf{rtb}$ . We then estimate and optimize  $N_0$  and  $N'_0$  by using Algorithm (2), and finally solve for  $\Omega_0$ .

## Estimation Based on the Likelihood Ratio Test

In this section, the estimation of sample size is based on the likelihood ratio test.

### Nondirectional or two-sided testing hypothesis

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , we construct `*function` based on Equation (.0.67) and feed it to Algorithm (1) to solve for  $n_1 = \mathbf{rtb}$ . We then estimate and optimize  $N_0$  and  $N'_0$  by using Algorithm (2), and finally solve for  $\Omega_0$ .

### Directional or one-sided testing hypothesis

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , we construct `*function` also based on Equation (.0.67), and feed it to Algorithm (1) to solve for  $n_1 = \mathbf{rtb}$ . We then estimate and optimize  $N_0$  and  $N'_0$  by using Algorithm (2), and finally solve for  $\Omega_0$ .

## Estimation Based on the Fisher's Exact Test

In this section, the estimation of sample size is based on the Fisher's exact test. Due to the high computational hurdle, we will use the same as method as described in Section with pooled standard deviation and no continuity correction. A warning message will be created as a remainder.

## Power Analysis Table

When  $\omega_0$  is specified, we output Table 1 instead of Table ???. Depending on the test direction and method

**Power Analysis Table**

	Actual			Test Assumptions				
	N1	N2	Power <sup>b</sup>	Power	Risk Difference	Risk Ratio	Odds Ratio	Sig.
Test for Proportion Difference <sup>a</sup>	84	168	.802	.800	-.180	.408	.526	0.05

a. Two-sided test using large-sample approximation.

b. Based on the Pearson Chi-Square test, the pooled standard deviation, and continuity correction.

Table 1: Power Analysis of Independent-sample Binomial Test

in Appendix Section and , N1 is estimated by  $N_0$ , N2 is estimated by  $N'_0$ , and Actual Power is estimated by  $\Omega_0$ . Note that the quantities  $N_0$ ,  $N'_0$ , and  $\Omega_0$  are the values returned by Algorithm (2). Power is  $\omega_0$  specified by users. All the other table settings are the same as Table ???.

## Sample size based on confidence interval width

This section discusses the estimation of sample size based on the confidence interval half-width of the independent-sample binomial test. The algorithm created in the following sections aims to compute the sample sizes required to estimate population parameter with certain precision determined by the user-specified confidence interval half-widths. The expected result should produce the minimum sample size to ensure that the actual confidence interval half-widths do not exceed the desired one.

### General notations

To facilitate the presentation, we introduce the following new notations to the existing power analysis  $t$ -test procedures:

$m_e$ : The user-specified confidence interval half-width, and  $0 < m_e \leq 1$ .

$m_{e0}$ : The actual confidence interval half-width achieved.

$k$ : The group index,  $k = 1, 2$ .

$N_{ek}$ : The desired minimum sample size for group  $k$  we would like to estimate such that it ensures that the confidence interval half-width will not exceed  $m_e$ . Note that  $N_{ek}$  is required to be double-precision in the following calculation.

We further define the ratio of the sample size

$$r = \frac{N_{e2}}{N_{e1}}, \quad (0.0.1)$$

and rewrite  $N_{e2} = rN_{e1}$ .

### Independent-sample binomial test

In this section,  $p_k$  and  $r$  are the parameters already specified by the procedure. For a nondirectional test under normal approximation, the critical value is

$$z^* = \text{PROBIT}(1 - \alpha/2). \quad (0.0.2)$$

where  $\alpha$  is the significance level to reflect the type I error rate.

### Wald confidence interval

If the Wald confidence interval is applied, the sample size based on the confidence interval will be

$$\text{rtb} = \begin{cases} \frac{z^{*2}}{m_e^2} \tilde{p} & \text{with no continuity correction} \\ \left[ \frac{z^* \sqrt{\tilde{p}} + \sqrt{z^{*2} \tilde{p} + 2m_e(r+1)/r}}{2m_e} \right]^2 & \text{otherwise} \end{cases}, \quad (0.0.3)$$

where

$$\tilde{p} = p_1(1 - p_1) + p_2(1 - p_2)/r, \quad (0.0.4)$$

and  $z^*$  is estimated by Equation (0.0.2). We then set  $N_{e1} = \lceil \text{rtb} \rceil$  and  $N_{e2} = \max\{2, \lceil \text{rtb} * r \rceil\}$ , and solve for

$$m_{e0} = \begin{cases} z^* \sqrt{p_1(1 - p_1)/N_{e1} + p_2(1 - p_2)/N_{e2}} & \text{with no continuity correction} \\ z^* \sqrt{p_1(1 - p_1)/N_{e1} + p_2(1 - p_2)/N_{e2}} + (1/N_{e1} + 1/N_{e2})/2 & \text{otherwise} \end{cases} \quad (0.0.5)$$

to obtain the actual confidence interval half-width.

### Agresti-Caffo confidence interval

If the Agresti-Caffo confidence interval is applied, we construct

$$\text{*function}(\mathbf{N}_e; \text{param}) = m_e - z^* \sqrt{\tilde{p}_1(1 - \tilde{p}_1)/(N_{e1} + 2) + \tilde{p}_2(1 - \tilde{p}_2)/(rN_{e1} + 2)}, \quad (0.0.6)$$

where  $z^*$  is estimated by Equation (0.0.2);

$$\tilde{p}_1 = (N_{e1}p_1 + 1)/(N_{e1} + 2); \quad \tilde{p}_2 = (rN_{e1}p_2 + 1)/(rN_{e1} + 2), \quad (0.0.7)$$

and feed it to Algorithm (1) to solve for  $\mathbf{rtb}$ . We then set  $N_{e1} = \lceil \mathbf{rtb} \rceil$  and  $N_{e2} = \max\{2, \lceil \mathbf{rtb} * r \rceil\}$ , reevaluate  $\tilde{n}_1, \tilde{n}_2, \tilde{p}_1$ , and  $\tilde{p}_2$ , and solve for

$$m_{e0} = z^* \sqrt{\tilde{p}_1(1 - \tilde{p}_1)/(N_{e1} + 2) + \tilde{p}_2(1 - \tilde{p}_2)/(rN_{e1} + 2)} \quad (0.0.8)$$

to obtain the actual confidence interval half-width.

### Carlin and Louis Bayesian confidence interval

If the Carlin and Louis Bayesian confidence interval is applied, we construct

$$\text{*function}(\mathbf{N}_e; \text{param}) = m_e - z^* \sqrt{\tilde{p}_1(1 - \tilde{p}_1)/(N_{e1} + 3) + \tilde{p}_2(1 - \tilde{p}_2)/(rN_{e1} + 3)}, \quad (0.0.9)$$

where  $z^*$  is estimated by Equation (0.0.2);  $\tilde{p}_1$  and  $\tilde{p}_2$  are estimated by Equation (0.0.7), and feed it to Algorithm (1) to solve for  $\mathbf{rtb}$ . We then set  $N_{e1} = \lceil \mathbf{rtb} \rceil$  and  $N_{e2} = \max\{2, \lceil \mathbf{rtb} * r \rceil\}$ , reevaluate  $\tilde{n}_1, \tilde{n}_2, \tilde{p}_1$ , and  $\tilde{p}_2$ , and solve for

$$m_{e0} = z^* \sqrt{\tilde{p}_1(1 - \tilde{p}_1)/(N_{e1} + 3) + \tilde{p}_2(1 - \tilde{p}_2)/(rN_{e1} + 3)} \quad (0.0.10)$$

to obtain the actual confidence interval half-width.

### Brown-Li-Jeffreys confidence interval

If the Brown-Li Jeffreys confidence interval is applied, we construct

$$\text{*function}(\mathbf{N}_e; \text{param}) = m_e - z^* \sqrt{\bar{p}_1(1 - \bar{p}_1)/N_{e1} + \bar{p}_2(1 - \bar{p}_2)/(rN_{e1})}, \quad (0.0.11)$$

where  $z^*$  is estimated by Equation (0.0.2);

$$\bar{p}_1 = (N_{e1}p_1 + 0.5)/(N_{e1} + 1); \quad \bar{p}_2 = (rN_{e1}p_2 + 0.5)/(rN_{e1} + 1), \quad (0.0.12)$$

and feed it to Algorithm (1) to solve for  $\mathbf{rtb}$ . We then set  $N_{e1} = \lceil \mathbf{rtb} \rceil$  and  $N_{e2} = \max\{2, \lceil \mathbf{rtb} * r \rceil\}$ , reevaluate  $\bar{p}_1$  and  $\bar{p}_2$ , and solve for

$$m_{e0} = z^* \sqrt{\bar{p}_1(1 - \bar{p}_1)/N_{e1} + \bar{p}_2(1 - \bar{p}_2)/(rN_{e1})} \quad (0.0.13)$$

to obtain the actual confidence interval half-width.

### Hauck-Anderson confidence interval

If the Hauck-Anderson confidence interval is applied, we construct

$$\text{*function}(\mathbf{N}_e; \text{param}) = \begin{cases} m_e - \frac{1}{2N_{e1}} - z^* \sqrt{\frac{p_1(1 - p_1)}{N_{e1} - 1} + \frac{p_2(1 - p_2)}{rN_{e1} - 1}} & r \geq 1 \\ m_e - \frac{1}{2rN_{e1}} - z^* \sqrt{\frac{p_1(1 - p_1)}{N_{e1} - 1} + \frac{p_2(1 - p_2)}{rN_{e1} - 1}} & \text{otherwise} \end{cases}, \quad (0.0.14)$$

where  $z^*$  is estimated by Equation (0.0.2). We then set  $N_{e1} = \lceil \mathbf{rtb} \rceil$  and  $N_{e2} = \max\{2, \lceil \mathbf{rtb} * r \rceil\}$ , and solve for

$$m_{e0} = \begin{cases} \frac{1}{2N_{e1}} + z^* \sqrt{\frac{p_1(1 - p_1)}{N_{e1} - 1} + \frac{p_2(1 - p_2)}{rN_{e1} - 1}} & r \geq 1 \\ \frac{1}{2rN_{e1}} + z^* \sqrt{\frac{p_1(1 - p_1)}{N_{e1} - 1} + \frac{p_2(1 - p_2)}{rN_{e1} - 1}} & \text{otherwise} \end{cases} \quad (0.0.15)$$

to obtain the actual confidence interval half-width.

### Newcombe MOVER Wilson-score-based confidence interval

If the Newcombe MOVER Wilson-score-based confidence interval is applied, we let

$$L_w = -\sqrt{(p_1 - l_1)^2 + (u_2 - p_2)^2} \quad (0.0.16)$$

and

$$U_w = \sqrt{(u_1 - p_1)^2 + (p_2 - l_2)^2}, \quad (0.0.17)$$

where

$$l_1 = \begin{cases} \left( p_1 + \frac{z^{*2}}{2N_{e1}} - z^* \sqrt{\frac{p_1(1-p_1)}{N_{1e}} + \frac{z^{*2}}{4N_{1e}^2}} \right) / \left( 1 + \frac{z^{*2}}{N_{1e}} \right) & \text{with no continuity correction} \\ \frac{2N_{1e}p_1 + z^{*2} - 1 - z^* \sqrt{z^{*2} - 1/N_{1e} + 4N_{1e}p_1(1-p_1) + 4p_1 - 2}}{2(N_{1e} + z^{*2})} & \text{otherwise} \end{cases} \quad (0.0.18)$$

$$u_1 = \begin{cases} \left( p_1 + \frac{z^{*2}}{2N_{e1}} + z^* \sqrt{\frac{p_1(1-p_1)}{N_{1e}} + \frac{z^{*2}}{4N_{1e}^2}} \right) / \left( 1 + \frac{z^{*2}}{N_{1e}} \right) & \text{with no continuity correction} \\ \frac{2N_{1e}p_1 + z^{*2} + 1 + z^* \sqrt{z^{*2} - 1/N_{1e} + 4N_{1e}p_1(1-p_1) - 4p_1 + 2}}{2(N_{1e} + z^{*2})} & \text{otherwise} \end{cases} \quad (0.0.19)$$

$$l_2 = \begin{cases} \left( p_2 + \frac{z^{*2}}{2rN_{e1}} - z^* \sqrt{\frac{p_2(1-p_2)}{rN_{1e}} + \frac{z^{*2}}{4r^2N_{1e}^2}} \right) / \left( 1 + \frac{z^{*2}}{rN_{1e}} \right) & \text{with no continuity correction} \\ \frac{2rN_{1e}p_2 + z^{*2} - 1 - z^* \sqrt{z^{*2} - 1/(rN_{1e}) + 4rN_{1e}p_2(1-p_2) + 4p_2 - 2}}{2(rN_{1e} + z^{*2})} & \text{otherwise} \end{cases} \quad (0.0.20)$$

and

$$u_2 = \begin{cases} \left( p_2 + \frac{z^{*2}}{2rN_{e1}} + z^* \sqrt{\frac{p_2(1-p_2)}{rN_{1e}} + \frac{z^{*2}}{4r^2N_{1e}^2}} \right) / \left( 1 + \frac{z^{*2}}{rN_{1e}} \right) & \text{with no continuity correction} \\ \frac{2rN_{1e}p_2 + z^{*2} + 1 + z^* \sqrt{z^{*2} - 1/(rN_{1e}) + 4rN_{1e}p_2(1-p_2) - 4p_2 + 2}}{2(rN_{1e} + z^{*2})} & \text{otherwise} \end{cases} \quad (0.0.21)$$

We construct

$$\text{*function}(\mathbf{N}_e; \mathbf{param}) = m_e - 0.5(U_w - L_w), \quad (0.0.22)$$

where  $L_w$  and  $U_w$  are estimated by Equation (0.0.16) and (0.0.17), respectively, and  $z^*$  is estimated by Equation (0.0.2), and feed it to Algorithm (1) to solve for  $\mathbf{rtb}$ . We then set  $N_{e1} = \lceil \mathbf{rtb} \rceil$  and  $N_{e2} = \max\{2, \lceil \mathbf{rtb} * r \rceil\}$ , reevaluate  $l_1$ ,  $u_1$ ,  $l_2$ ,  $u_2$ ,  $L_w$ , and  $U_w$ , depending whether the continuity correction is applied, and solve for

$$m_{e0} = 0.5(U_w - L_w) \quad (0.0.23)$$

to obtain the actual confidence interval half-width.

## Appendices

We discuss the method to solve for the sample size given the user-supplied confidence interval half-width with all the other parameters already specified in the procedure. Here we give some implementation notes.

- The input **\*function**, whose expression depends on the test conditions, denotes the function we have constructed previously to solve in terms of the sample size.
- The arguments of **\*function** include the sample size as well as the other parameters all combined in **param** depending on the test conditions.
- We let  $\mathbf{x}_1$  and  $\mathbf{x}_2$  denote the sample size in the RTBIS routine.

**Algorithm 1** RTBIS Routine: Using bisection to estimate the smallest sample size such that it ensures that the actual confidence interval half-width will not exceed the desired one.

---

```
1: Input: *function( $N_e$ ; param),  $x_1 = 2$ ,  $x_2 = 400$ ,  $acc = 10^{-9}$ .
2: Evaluate  $f_{mid} \leftarrow *function(x_2; param)$  .
3: if  $f_{mid} = 0$  then
4:   return  $rtb = x_2$  .
5: end if
6: Evaluate  $f \leftarrow *function(x_1; param)$  .
7: if  $f \geq 0$  then
8:   return  $rtb = x_1$  .
9: end if
10: while  $f * f_{mid} > 0$  do
11:   Set  $x_1 \leftarrow x_2$  .
12:   Update  $x_2 \leftarrow 2x_2$  .
13:   if  $x_2$  overflows then ▷ Protect from infinite looping.
14:     return  $rtb = SYSMIS$  .
15:   end if
16:   Set  $f \leftarrow f_{mid}$  .
17:   Evaluate  $f_{mid} \leftarrow *function(x_2; param)$  .
18:   if  $f_{mid} = 0$  then
19:     return  $rtb = x_2$  .
20:   end if
21: end while
22: Let  $rtb \leftarrow x_1$  .
23: Assign  $\delta_x \leftarrow x_2 - x_1$  .
24: for iteration  $j = 1, 2, 3, \dots$  do
25:   Update  $\delta_x \leftarrow 0.5 \delta_x$  .
26:   Update  $x_{mid} \leftarrow rtb + \delta_x$  .
27:   Evaluate  $f_{mid} \leftarrow *function(x_{mid}; param)$  .
28:   if  $f_{mid} \leq 0$  then
29:     Set  $rtb \leftarrow x_{mid}$  .
30:   end if
31:   if  $|\delta_x| < acc$  or  $f_{mid} = 0$  then
32:     return  $rtb$ .
33:   end if
34: end for
35: return
```

---

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# POWER PROPORTIONS ONESAMPLE Algorithms

## Introduction

As one of the most important discrete distributions, the binomial distribution is based on a sequence of Bernoulli trials. It can be used to model those experiments including a fixed number of total trials which are assumed to be independent of each other. Each trial leads to a dichotomous result, with the same probability for a successful outcome. In the one-sample binomial test, we desire to make statistical inference about the proportion parameter by comparing it with a hypothesized value. In this document, we present the methods to estimate the power for such a test by using either the normal approximation or the binomial enumeration. More details are discussed in the following sections.

## Power for the One-sample Binomial Test

In this section, the observed data are collected as a single random sample. We assume that the sample data independently and identically follow a binomial distribution with a fixed total number of trials  $n$  and a proportion parameter  $p$ , where  $n$  is a positive integer and  $p \in [0, 1]$ . We would like to draw statistical inference about  $p$ . The following notations are used in the later sections.

- $n$ : The total number of trials, and  $n$  is a fixed positive integer.
- $p$ : The proportion parameter we are interested in testing.
- $p_0$ : The null hypothesis value for the proportion parameter, and  $p_0 \in [0, 1]$ .
- $p_1$ : The alternative hypothesis value for the proportion parameter, and  $p_1 \in [0, 1]$ .
- $c$ : The continuity correction term used for the normal approximation method.
- $\alpha$ : The significance level to reflect the type I error rate, and  $\alpha \in (0, 1)$ .

There are two different ways to estimate the power which are discussed later in Section and , respectively. Users may select either of them to do the estimation when  $n \leq 500$ . The default setting is to apply the normal approximation method. When  $n > 500$ , we would only consider the normal approximation. For either method, users are also required to specify the values for  $n$ ,  $p_0$ ,  $p_1$ ,  $\alpha$ , and whether the test is nondirectional or directional. The default setting is  $p_0 = 0.50$ ,  $\alpha = 0.05$ , and the nondirectional test. Note that it is not allowed to specify  $p_1 = p_0$ .

## Normal Approximation

It is not uncommon to use an appropriate normal distribution to approximate a binomial distribution under a large sample size assumption. Power may also be estimated by the corresponding calculations related to the normal distribution. Since we are using a continuous distribution to approximate a discrete one, the continuity correction may be considered. Users may choose to alter the default setting by turning on an option to include the continuity correction in the power estimation.

## Nondirectional or two-sided testing hypothesis

For a nondirectional test, we formulate two-sided testing hypotheses  $H_0 : p = p_0$  versus  $H_1 : p = p_1 \neq p_0$ . Under the null hypothesis  $H_0$ , the test statistic approximately follows a standard normal distribution. The critical value is therefore<sup>1</sup>

$$z^* = \text{PROBIT}(1 - \alpha/2) . \quad (0.0.1)$$

Under the alternative hypothesis, the test statistic also follows a standard normal distribution. The power for the one-sample nondirectional binomial test can be estimated by<sup>2</sup>

$$\Omega = 1 - \Phi\left(\frac{\sqrt{n}(p_0 - p_1) + z^*\sqrt{p_0(1-p_0)}}{\sqrt{p_1(1-p_1)}}\right) + \Phi\left(\frac{\sqrt{n}(p_0 - p_1) - z^*\sqrt{p_0(1-p_0)}}{\sqrt{p_1(1-p_1)}}\right) , \quad (0.0.2a)$$

<sup>1</sup>  $\text{PROBIT}(prob)$  returns the value in a standard normal distribution having a cumulative probability equal to  $prob$ . The argument  $prob$  is a probability greater than 0 and less than 1.

<sup>2</sup>  $\Phi(zvalue)$ , or  $\text{CDFNORM}(zvalue)$ , returns the probability that a standard normal random variable with mean 0 and standard deviation 1 would be less than  $zvalue$ , which must be numeric.

without the continuity correction, or

$$\Omega = 1 - \Phi \left( \frac{\sqrt{n}(p_0 - p_1) + z^* \sqrt{p_0(1 - p_0)} + c}{\sqrt{p_1(1 - p_1)}} \right) + \Phi \left( \frac{\sqrt{n}(p_0 - p_1) - z^* \sqrt{p_0(1 - p_0)} - c}{\sqrt{p_1(1 - p_1)}} \right), \quad (0.0.2b)$$

with the continuity correction taken into consideration, where  $z^*$  is computed by Equation (0.0.1), and

$$c = \frac{1}{2\sqrt{n}}. \quad (0.0.3)$$

### Directional or one-sided testing hypothesis

For a directional test, the critical value is

$$z^* = \text{PROBIT}(1 - \alpha). \quad (0.0.4)$$

Suppose the one-sided testing hypotheses are formulated by  $H_0 : p = p_0$  versus  $H_1 : p = p_1 \geq p_0$ . Depending on whether or not the continuity correction is applied, the power is computed as

$$\Omega = 1 - \Phi \left( \frac{\sqrt{n}(p_0 - p_1) + z^* \sqrt{p_0(1 - p_0)}}{\sqrt{p_1(1 - p_1)}} \right), \quad (0.0.5a)$$

without the continuity correction, or

$$\Omega = 1 - \Phi \left( \frac{\sqrt{n}(p_0 - p_1) + z^* \sqrt{p_0(1 - p_0)} + c}{\sqrt{p_1(1 - p_1)}} \right), \quad (0.0.5b)$$

with the continuity correction taken into consideration, where  $z^*$  and  $c$  are computed by Equation (0.0.4) and (0.0.3), respectively. Suppose the one-sided testing hypotheses are formulated by  $H_0 : p = p_0$  versus  $H_1 : p = p_1 < p_0$ . Depending on whether or not the continuity correction is applied, the power is computed as

$$\Omega = \Phi \left( \frac{\sqrt{n}(p_0 - p_1) - z^* \sqrt{p_0(1 - p_0)}}{\sqrt{p_1(1 - p_1)}} \right), \quad (0.0.6a)$$

without the continuity correction, or

$$\Omega = \Phi \left( \frac{\sqrt{n}(p_0 - p_1) - z^* \sqrt{p_0(1 - p_0)} - c}{\sqrt{p_1(1 - p_1)}} \right), \quad (0.0.6b)$$

with the continuity correction taken into consideration, where  $z^*$  and  $c$  are computed by Equation (0.0.4) and (0.0.3), respectively.

### Binomial Enumeration

Often times when  $n$  is small, the normal approximation may not be very precise in estimating the power. In this section, we discuss the binomial enumeration method to estimate the power by using the binomial distribution function. Based on the rule of thumb  $np_0(1 - p_0) > 5$ , we only apply the method when  $n \leq 500$ . In case that the binomial enumeration method is specified when  $n > 500$ , the normal approximation method will otherwise be implemented, and a warning message will be created to give a reminder.

### Nondirectional or two-sided testing hypothesis

For a nondirectional test, we formulate two-sided testing hypotheses  $H_0 : p = p_0$  versus  $H_1 : p = p_1 \neq p_0$ . Under the null hypothesis  $H_0$ , we evaluate two critical values  $b_l^*$  and  $b_r^*$ . For  $b_l^*$ , we search  $b_l^* = -1, 0, 1, 2, \dots$  in ascending order to find the value such that<sup>3</sup>

$$\text{CDF.BINOM}(b_l^*, n, p_0) \leq \alpha/2 \quad \text{and} \quad \text{CDF.BINOM}(b_l^* + 1, n, p_0) > \alpha/2. \quad (0.0.7)$$

For  $b_r^*$ , we search  $b_r^* = n + 1, n, n - 1, n - 2, \dots$  in descending order to find the value such that

$$\text{CDF.BINOM}(b_r^*, n, p_0) \geq 1 - \alpha/2 \quad \text{and} \quad \text{CDF.BINOM}(b_r^* - 1, n, p_0) < 1 - \alpha/2. \quad (0.0.8)$$

Under the alternative hypothesis, the power for the one-sample nondirectional binomial test can be estimated by

$$\Omega = \text{CDF.BINOM}(b_l^*, n, p_1) + 1 - \text{CDF.BINOM}(b_r^*, n, p_1). \quad (0.0.9)$$

### Directional or one-sided testing hypothesis

Suppose the one-sided testing hypotheses are formulated by  $H_0 : p = p_0$  versus  $H_1 : p = p_1 \geq p_0$  (a default setting for a directional test). We evaluate the critical value  $b^*$  by searching  $b^* = n + 1, n, n - 1, n - 2, \dots$  in descending order to find the value such that

$$\text{CDF.BINOM}(b^*, n, p_0) \geq 1 - \alpha \quad \text{and} \quad \text{CDF.BINOM}(b^* - 1, n, p_0) < 1 - \alpha. \quad (0.0.10)$$

Under the alternative hypothesis, the power for the one-sample directional binomial test can be estimated by

$$\Omega = 1 - \text{CDF.BINOM}(b^*, n, p_1). \quad (0.0.11)$$

Suppose the one-sided testing hypotheses are formulated by  $H_0 : p = p_0$  versus  $H_1 : p = p_1 < p_0$ . We evaluate the critical value  $b^*$  by searching  $b^* = -1, 0, 1, 2, \dots$  in ascending order to find the value such that

$$\text{CDF.BINOM}(b^*, n, p_0) \leq \alpha \quad \text{and} \quad \text{CDF.BINOM}(b^* + 1, n, p_0) > \alpha. \quad (0.0.12)$$

Under the alternative hypothesis, the power for the one-sample directional binomial test can be estimated by

$$\Omega = \text{CDF.BINOM}(b^*, n, p_1). \quad (0.0.13)$$

---

<sup>3</sup>CDF.BINOM(*quant*, *n*, *prob*) returns the cumulative probability that the number of successes in *n* trials, with probability *prob* of success in each, will be less than or equal to *quant*.

## Appendices

We discuss the method to reversely solve for the sample size given the user-supplied power values with all the other parameters already specified in the procedure. The following notations are used in this section.

$\omega_0$ : The user-supplied power value which is one of the test assumptions, and  $0 < \omega_0 < 1$ .

$\Omega_0$ : The actual power the test reaches.

$N_0$ : The least sample size that is required to reach  $\Omega_0$ .

To numerically estimate  $N_0$ , we apply the RTBIS Routine, demonstrated by Algorithm (1), to a given power function under the normal approximation methods. Here we give some implementation notes.

---

**Algorithm 1** RTBIS Routine: Using bisection to estimate the sample size  $N_0$  which is the smallest integer greater than the root `rtb` of a given power function.

---

```

1: Input: *function(N; param),  $x_1 = 1$ ,  $x_2 = 400$ ,  $acc = 10^{-9}$ .           ▷ N: Sample size to be estimated.
2: Evaluate fmid  $\leftarrow$  *function( $x_2$ ; param) .                       ▷ param: All the other parameters specified.
3: if fmid = 0 then
4:   return rtb =  $x_2$  .
5: end if
6: Evaluate f  $\leftarrow$  *function( $x_1$ ; param) .
7: if f  $\geq$  0 then
8:   return rtb =  $x_1$  .
9: end if
10: while f * fmid > 0 do
11:   Set  $x_1 \leftarrow x_2$  .
12:   Update  $x_2 \leftarrow 2x_2$  .
13:   if  $x_2$  overflows then                                           ▷ Protect from infinite looping.
14:     return rtb = SYSMIS .
15:   end if
16:   Set f  $\leftarrow$  fmid .
17:   Evaluate fmid  $\leftarrow$  *function( $x_2$ ; param) .
18:   if fmid = 0 then
19:     return rtb =  $x_2$  .
20:   end if
21: end while
22: Let rtb  $\leftarrow$   $x_1$  .
23: Assign  $\delta_x \leftarrow x_2 - x_1$  .
24: for iteration  $j = 1, 2, 3, \dots$  do
25:   Update  $\delta_x \leftarrow 0.5 \delta_x$  .
26:   Update  $x_{mid} \leftarrow rtb + \delta_x$  .
27:   Evaluate fmid  $\leftarrow$  *function( $x_{mid}$ ; param) .
28:   if fmid  $\leq$  0 then
29:     Set rtb  $\leftarrow$   $x_{mid}$  .
30:   end if
31:   if  $|\delta_x| < acc$  or fmid = 0 then
32:     return rtb.
33:   end if
34: end for
35: return .

```

---

- The input function `*function` denotes the power function we desire to solve in terms of the sample size. Its form depends on the test conditions, and will be discussed in later sections.
- We let  $x_1$  and  $x_2$  denote the sample size in the routine.

- The arguments of the power function `*function` include the sample size, either  $x_1$  or  $x_2$ , and the other parameters specified by users all combined in `param` depending on the test conditions.

## Normal Approximation

Users are required to specify the values for  $p_0$ ,  $p_1$ ,  $\omega_0$ , and  $\alpha$ . The default setting is  $p_0 = 0.50$  and  $\alpha = 0.05$ .

## Nondirectional or two-sided testing hypothesis

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , depending on the continuity correction, we construct `*function` based on Equation (0.0.2)

$$\text{*function} = 1 - \Phi\left(\frac{\sqrt{n}(p_0 - p_1) + z^* \sqrt{p_0(1 - p_0)}}{\sqrt{p_1(1 - p_1)}}\right) + \Phi\left(\frac{\sqrt{n}(p_0 - p_1) - z^* \sqrt{p_0(1 - p_0)}}{\sqrt{p_1(1 - p_1)}}\right) - \omega_0 \quad (.0.14a)$$

or

$$\text{*function} = 1 - \Phi\left(\frac{\sqrt{n}(p_0 - p_1) + z^* \sqrt{p_0(1 - p_0)} + c}{\sqrt{p_1(1 - p_1)}}\right) + \Phi\left(\frac{\sqrt{n}(p_0 - p_1) - z^* \sqrt{p_0(1 - p_0)} - c}{\sqrt{p_1(1 - p_1)}}\right) - \omega_0 \quad (.0.14b)$$

and feed it to Algorithm (1) to solve for  $n = \text{rtb}$ . We then set  $N_0 = \lceil \text{rtb} \rceil$ , and follow Equation (0.0.1)-(0.0.3) by replacing  $n$  with  $N_0$  to solve for  $\Omega_0$ .

## Directional or one-sided testing hypothesis

In this section, the desired sample size is analytically solved without using Algorithm (1).

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , and the continuity correction is not applied, regardless of the alternative hypothesis, we solve for

$$\text{rtb} = \left\lceil \frac{\text{IDF.NORMAL}(1 - \omega_0, 0, 1) \sqrt{p_1(1 - p_1)} - z^* \sqrt{p_0(1 - p_0)}}{p_0 - p_1} \right\rceil^2, \quad (.0.15)$$

and set  $N_0 = \lceil \text{rtb} \rceil$ . We then follow Equation (0.0.5a) or (0.0.6a) by replacing  $n$  with  $N_0$  to solve for  $\Omega_0$ , depending on the alternative hypothesis.

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , and the continuity correction is applied, regardless of the alternative hypothesis, we solve for

$$\text{rtb} = \left\lceil \frac{b - \sqrt{b^2 + 2|a|}}{2a} \right\rceil^2, \quad (.0.16)$$

where  $a = p_0 - p_1$  and  $b = \text{IDF.NORMAL}(1 - \omega_0, 0, 1) \sqrt{p_1(1 - p_1)} - z^* \sqrt{p_0(1 - p_0)}$ , and set  $N_0 = \lceil \text{rtb} \rceil$ . We then follow Equation (0.0.5b) or (0.0.6b) by replacing  $n$  with  $N_0$  to solve for  $\Omega_0$ , depending on the alternative hypothesis.

## Binomial Enumeration

To prevent the program running for a long time especially in the presence of the extremely small risk difference, we design a timer feature for users to specify the maximum number of minutes allowed to estimate the sample size by using the Binomial enumeration. The timer is turned off completely by default. For any positive integer minutes, if the time limit is reached, the analysis is terminated with a warning message displayed. No results are provided.

Users are required to specify the values for  $p_0$ ,  $p_1$ ,  $\omega_0$ , and  $\alpha$ . The default setting is  $p_0 = 0.50$  and  $\alpha = 0.05$ . Since the binomial distribution function can only take an integer as the total number of trials, we create Algorithm (2) by modifying Algorithm (1) to handle the binomial enumeration. Note that Algorithm (2) always returns an integer which, however, is not guaranteed to be the smallest sample size to reach the desired power. This issue will be handled by Algorithm (3) for further optimization.

---

**Algorithm 2** RTBIS\_Binom Routine: Using bisection to estimate  $\text{rtb}$  in a binomial setting.

---

```

1: Input: *function(N; param),  $x_1 = 1$ ,  $x_2 = 400$ ,  $\text{acc} = 10^{-9}$ . ▷ N: Sample size to be estimated.
2: Evaluate  $\text{fmid} \leftarrow \text{*function}(x_2; \text{param})$  . ▷ param: All the other parameters specified.
3: if  $\text{fmid} = 0$  then
4:   return  $\text{rtb} = x_2$  .
5: end if
6: Evaluate  $f \leftarrow \text{*function}(x_1; \text{param})$  .
7: if  $f \geq 0$  then
8:   return  $\text{rtb} = x_1$  .
9: end if
10: while  $f * \text{fmid} > 0$  do
11:   Set  $x_1 \leftarrow x_2$  .
12:   Update  $x_2 \leftarrow 2x_2$  .
13:   if  $x_2$  overflows then ▷ Protect from infinite looping.
14:     return  $\text{rtb} = \text{SYSMIS}$  .
15:   end if
16:   Set  $f \leftarrow \text{fmid}$  .
17:   Evaluate  $\text{fmid} \leftarrow \text{*function}(x_2; \text{param})$  .
18:   if  $\text{fmid} = 0$  then
19:     return  $\text{rtb} = x_2$  .
20:   end if
21: end while
22: Let  $\text{rtb} \leftarrow x_1$  .
23: Assign  $\delta_x \leftarrow x_2 - x_1$  .
24: for iteration  $j = 1, 2, 3, \dots$  do
25:   Update  $\delta_x \leftarrow 0.5 \delta_x$  .
26:   Let  $\delta_{int} \leftarrow \lfloor \delta_x \rfloor$  . ▷ Number of trials must be an integer in CDF.BINOM.
27:   Update  $\text{xmid} \leftarrow \text{rtb} + \delta_{int}$  .
28:   Evaluate  $\text{fmid} \leftarrow \text{*function}(\text{xmid}; \text{param})$  .
29:   if  $\text{fmid} \leq 0$  then
30:     Set  $\text{rtb} \leftarrow \text{xmid}$  .
31:   end if
32:   if  $\text{fmid} = 0$  then
33:     return  $\text{rtb}$ .
34:   end if
35:   if  $|\delta_x| < \text{acc}$  then
36:     Set  $\text{rtb} \leftarrow \text{rtb} + 1$  .
37:     return  $\text{rtb}$ .
38:   end if
39: end for
40: return .

```

---

### Nondirectional or two-sided testing hypothesis

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , we construct **\*function** based on Equation (0.0.9)

$$\text{*function} = \text{CDF.BINOM}(b_l^*, n, p_1) + 1 - \text{CDF.BINOM}(b_r^*, n, p_1) - \omega_0. \quad (.0.17)$$

and feed it to Algorithm (2) to solve for  $n = \text{rtb}$ . The algorithm will repeatedly be called by Algorithm (3) to find the smallest candidate  $\text{rtb}$ . We follow Equation (0.0.7)-(0.0.9) by replacing  $n$  with  $\text{rtb}$  returned by Algorithm (3) to solve for  $\Omega_0$ . If  $\Omega_0$  is greater than or equal to the power value specified by users, we output  $N_0 = \text{rtb}$  and  $\Omega_0$  as the actual power. Otherwise, we update  $\text{rtb} = \text{rtb} + 1$ , and repeat the process to calculate  $\Omega_0$  until it reaches the value specified. We then output  $N_0 = \text{rtb}$  and  $\Omega_0$  as the actual power.

### Directional or one-sided testing hypothesis

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , when  $H_1 : p_1 > p_0$ , we construct `*function` based on Equation (0.0.11)

$$\text{*function} = 1 - \text{CDF.BINOM}(b^*, n, p_1) - \omega_0. \quad (.0.18)$$

and feed it to Algorithm (2) to solve for  $n = \text{rtb}$ . The algorithm will repeatedly be called by Algorithm (3) to find the smallest candidate `rtb`. We follow Equation (0.0.10)-(0.0.11) by replacing  $n$  with `rtb` returned by Algorithm (3) to solve for  $\Omega_0$ . If  $\Omega_0$  is greater than or equal to the power value specified by users, we output  $N_0 = \text{rtb}$  and  $\Omega_0$  as the actual power. Otherwise, we update  $\text{rtb} = \text{rtb} + 1$ , and repeat the process to calculate  $\Omega_0$  until it reaches the value specified. We then output  $N_0 = \text{rtb}$  and  $\Omega_0$  as the actual power.

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , when  $H_1 : p_1 < p_0$ , we construct `*function` based on Equation (0.0.13)

$$\text{*function} = \text{CDF.BINOM}(b^*, n, p_1) - \omega_0. \quad (.0.19)$$

and feed it to Algorithm (2) to solve for  $n = \text{rtb}$ . The algorithm will repeatedly be called by Algorithm (3) to find the smallest candidate `rtb`. We follow Equation (0.0.12)-(0.0.13) by replacing  $n$  with `rtb` returned by Algorithm (3) to solve for  $\Omega_0$ . If  $\Omega_0$  is greater than or equal to the power value specified by users, we output  $N_0 = \text{rtb}$  and  $\Omega_0$  as the actual power. Otherwise, we update  $\text{rtb} = \text{rtb} + 1$ , and repeat the process to calculate  $\Omega_0$  until it reaches the value specified. We then output  $N_0 = \text{rtb}$  and  $\Omega_0$  as the actual power.

---

**Algorithm 3** OPTIMIZE.Binom Routine: Optimize the sample size in a binomial setting.

---

```

1: Input: *function(N; param) and rtb returned by Algorithm (2) .
2: Initiate an empty and numeric set rtbPool to collect all the candidates .
3: Assign [rtb] to be the first element of rtbPool .
4: while True do
5:   rtbNew  $\leftarrow$  Call Algorithm (2) by passing *function(N; param),  $x_1 = 1$ ,  $x_2 = \lceil \text{rtb} \rceil$ ,  $\text{acc} = 10^{-9}$  .
6:   if rtbNew in rtbPool then
7:     Break the while loop .
8:   else
9:     Concatenate rtbPool and rtbNew by assigning rtbNew to be the next element of rtbPool .
10:    Update  $\text{rtb} \leftarrow \text{rtbNew}$  .
11:   end if
12: end while
13: Assign  $\text{rtb} \leftarrow \min \{ \text{rtbPool} \}$  .
14: return rtb .

```

---

## Power Analysis Table

When  $\omega_0$  is specified, we output Table 1 instead of Table ???. Depending on the test method and direction

**Power Analysis Table**

	Actual		Test Assumptions			
	N	Power <sup>b</sup>	Power	Null	Alternative	Sig.
Test for Proportion <sup>a</sup>	47	.803	.80	.50	.70	.05

a. Two-sided test.

b. Based on normal approximation.

Table 1: Estimate Sample Size of One-sample Binomial Test

in Appendix Section and .0.1, N is estimated by  $N_0$ , and Actual Power is estimated by  $\Omega_0$ . Power is  $\omega_0$  specified by users. All the other table settings are the same as Table ??.

## Sample size based on confidence interval width

This section discusses the estimation of sample size based on the confidence interval half-width of the one-sample binomial test. The algorithm created in the following sections aims to compute the sample sizes required to estimate population parameter with certain precision determined by the user-specified confidence interval half-widths. The expected result should produce the minimum sample size to ensure that the actual confidence interval half-width does not exceed the desired one.

### General notations

To facilitate the presentation, we introduce the following new notations to the existing power analysis  $t$ -test procedures:

$m_e$ : The user-specified confidence interval half-width, and  $0 < m_e \leq 1$ .

$m_{e0}$ : The actual confidence interval half-width achieved.

$N_e$ : The desired minimum sample size we would like to estimate such that it ensures that the actual confidence interval half-width will not exceed  $m_e$ . Note that  $N_e$  is required to be double-precision in the following calculation.

### One-sample binomial test

In this section,  $p_1$  is the alternative hypothesis value specified by the procedure. For a nondirectional test under normal approximation, the critical value is

$$z^* = \text{PROBIT}(1 - \alpha/2) . \quad (0.0.1)$$

where  $\alpha$  is the significance level to reflect the type I error rate.

### Wald confidence interval

If the Wald confidence interval is applied, the sample size based on the confidence interval will be

$$\text{rtb} = \begin{cases} \frac{z^{*2}}{m_e^2} p_1(1 - p_1) & \text{with no continuity correction} \\ \left[ \frac{z^* \sqrt{p_1(1 - p_1)} + \sqrt{z^{*2} p_1(1 - p_1) + 2m_e}}{2m_e} \right]^2 & \text{otherwise} \end{cases} , \quad (0.0.2)$$

where  $z^*$  is estimated by Equation (0.2.1). We then set  $N_e = \lceil \text{rtb} \rceil$ , and solve for

$$m_{e0} = \begin{cases} z^* \sqrt{\frac{p_1(1 - p_1)}{N_e}} & \text{with no continuity correction} \\ z^* \sqrt{\frac{p_1(1 - p_1)}{N_e}} + \frac{1}{2N_e} & \text{otherwise} \end{cases} \quad (0.0.3)$$

to obtain the actual confidence interval half-width.

### Anscombe confidence interval

If the Anscombe confidence interval is applied, we let

$$L_a = \left\{ 1 + \exp \left[ -\log \left( \frac{N_e p_1 + 0.5}{N_e - N_e p_1 + 0.5} \right) + z^* \sqrt{\frac{(N_e + 1)(N_e + 2)}{N_e(N_e p_1 + 1)(N_e - N_e p_1 + 1)}} \right] \right\}^{-1} \quad (0.0.4)$$

and

$$U_a = \left\{ 1 + \exp \left[ -\log \left( \frac{N_e p_1 + 0.5}{N_e - N_e p_1 + 0.5} \right) - z^* \sqrt{\frac{(N_e + 1)(N_e + 2)}{N_e(N_e p_1 + 1)(N_e - N_e p_1 + 1)}} \right] \right\}^{-1}, \quad (0.05)$$

construct

$$\text{*function}(N_e; \text{param}) = m_e - 0.5(U_a - L_a), \quad (0.06)$$

where  $L_a$  and  $U_a$  are estimated by Equation (0.2.4) and (0.2.5), respectively, and  $z^*$  is estimated by Equation (0.2.1), and feed it to Algorithm (1) (see Appendices) to solve for  $\mathbf{rtb}$ . We then set  $N_e = \lceil \mathbf{rtb} \rceil$ , reevaluate Equation (0.2.4) and (0.2.5), and solve for

$$m_{e0} = 0.5(U_a - L_a) \quad (0.07)$$

to obtain the actual confidence interval half-width.

### Logit confidence interval

If the Logit confidence interval is applied, we let

$$L_l = \left\{ 1 + \exp \left[ -\log \left( \frac{p_1}{1 - p_1} \right) + z^* \sqrt{\frac{1}{p_1(N_e - N_e p_1)}} \right] \right\}^{-1} \quad (0.08)$$

and

$$U_l = \left\{ 1 + \exp \left[ -\log \left( \frac{p_1}{1 - p_1} \right) - z^* \sqrt{\frac{1}{p_1(N_e - N_e p_1)}} \right] \right\}^{-1}, \quad (0.09)$$

construct

$$\text{*function}(N_e; \text{param}) = m_e - 0.5(U_l - L_l), \quad (0.010)$$

where  $L_l$  and  $U_l$  are estimated by Equation (0.2.8) and (0.2.9), respectively, and  $z^*$  is estimated by Equation (0.2.1), and feed it to Algorithm (1) to solve for  $\mathbf{rtb}$ . We then set  $N_e = \lceil \mathbf{rtb} \rceil$ , reevaluate Equation (0.2.8) and (0.2.9), and solve for

$$m_{e0} = 0.5(U_l - L_l) \quad (0.011)$$

to obtain the actual confidence interval half-width.

### Clopper-Pearson confidence interval

If the Clopper-Pearson confidence interval is applied, we let

$$L_c = \text{IDF.BETA}(\alpha/2, N_e p_1, N_e - N_e p_1 + 1) \quad (0.012)$$

and

$$U_c = \text{IDF.BETA}(1 - \alpha/2, N_e p_1 + 1, N_e - N_e p_1), \quad (0.013)$$

construct

$$\text{*function}(N_e; \text{param}) = m_e - 0.5(U_c - L_c), \quad (0.014)$$

where  $L_c$  and  $U_c$  are estimated by Equation (0.2.12) and (0.2.13), respectively, and  $z^*$  is estimated by Equation (0.2.1), and feed it to Algorithm (1) (see Appendices) to solve for  $\mathbf{rtb}$ . We then set  $N_e = \lceil \mathbf{rtb} \rceil$ , reevaluate Equation (0.2.12) and (0.2.13), and solve for

$$m_{e0} = 0.5(U_c - L_c) \quad (0.015)$$

to obtain the actual confidence interval half-width.

### Jeffreys confidence interval

If the Jeffreys confidence interval is applied, we let

$$L_j = \text{IDF.BETA}(\alpha/2, N_e p_1 + 0.5, N_e - N_e p_1 + 0.5) \quad (0.0.16)$$

and

$$U_j = \text{IDF.BETA}(1 - \alpha/2, N_e p_1 + 0.5, N_e - N_e p_1 + 0.5), \quad (0.0.17)$$

construct

$$\text{*function}(N_e; \text{param}) = m_e - 0.5(U_j - L_j), \quad (0.0.18)$$

where  $L_j$  and  $U_j$  are estimated by Equation (0.2.16) and (0.2.17), respectively, and  $z^*$  is estimated by Equation (0.2.1), and feed it to Algorithm (1) (see Appendices) to solve for **rtb**. We then set  $N_e = \lceil \text{rtb} \rceil$ , reevaluate Equation (0.2.16) and (0.2.17), and solve for

$$m_{e0} = 0.5(U_j - L_j) \quad (0.0.19)$$

to obtain the actual confidence interval half-width.

### Wilson score confidence interval

If the Wilson score confidence interval is applied, we let

$$L_w = \frac{-1 - z^* [z^{*2} - 1/N_e + 4N_e p_1(1 - p_1) + 4p_1 - 2]^{1/2}}{2(N_e + z^{*2})} \quad (0.0.20)$$

and

$$U_w = \frac{1 + z^* [z^{*2} - 1/N_e + 4N_e p_1(1 - p_1) - 4p_1 + 2]^{1/2}}{2(N_e + z^{*2})}, \quad (0.0.21)$$

construct

$$\text{*function}(N_e; \text{param}) = \begin{cases} m_e - \frac{z^* \sqrt{N_e}}{N_e + z^{*2}} \left[ p_1(1 - p_1) + \frac{z^{*2}}{4N_e} \right]^{1/2} & \text{with no continuity correction} \\ m_e - 0.5(U_w - L_w) & \text{otherwise} \end{cases}, \quad (0.0.22)$$

where  $L_w$  and  $U_w$  are estimated by Equation (0.2.20) and (0.2.21), respectively, and  $z^*$  is estimated by Equation (0.2.1), and feed it to Algorithm (1) to solve for **rtb**. We then set  $N_e = \lceil \text{rtb} \rceil$ , reevaluate Equation (0.2.20) and (0.2.21) if with continuity correction, and solve for

$$m_{e0} = \begin{cases} \frac{z^* \sqrt{N_e}}{N_e + z^{*2}} \left[ p_1(1 - p_1) + \frac{z^{*2}}{4N_e} \right]^{1/2} & \text{with no continuity correction} \\ 0.5(U_w - L_w) & \text{otherwise} \end{cases}, \quad (0.0.23)$$

to obtain the actual confidence interval half-width.

### Agresti-Coull confidence interval

If the Agresti-Coull confidence interval is applied, we construct

$$\text{*function}(N_e; \text{param}) = m_e - z^* \sqrt{\frac{\tilde{p}(1 - \tilde{p})}{N_e + z^{*2}}}, \quad (0.0.24)$$

where

$$\tilde{p} = \frac{1}{N_e + z^{*2}} \left( N_e p_1 + \frac{z^{*2}}{2} \right), \quad (0.0.25)$$

$z^*$  is estimated by Equation (0.2.1), and feed it to Algorithm (1) to solve for `rtb`. We then set  $N_e = \lceil \text{rtb} \rceil$ , reevaluate Equation (0.2.25), and solve for

$$m_{e0} = z^* \sqrt{\frac{\tilde{p}(1 - \tilde{p})}{N_e + z^{*2}}} \quad (0.0.26)$$

to obtain the actual confidence interval half-width.

## Appendices

We discuss the method to solve for the sample size given the user-supplied confidence interval with all the other parameters already specified in the procedure. Here we give some implementation notes.

- The input `*function`, whose expression depends on the test conditions, denotes the function we have constructed previously to solve in terms of the sample size.
- The arguments of `*function` include the sample size as well as the other parameters all combined in `param` depending on the test conditions.
- We let `x1` and `x2` denote the sample size in the `RTBIS` routine.

---

**Algorithm 1** RTBIS Routine: Using bisection to estimate the smallest sample size such that it ensures that the actual confidence interval half-width will not exceed the desired one.

---

```

1: Input: *function( $N_e$ ; param),  $x_1 = 1$ ,  $x_2 = 400$ ,  $acc = 10^{-9}$ .
2: Evaluate  $f_{mid} \leftarrow *function(x_2; param)$  .
3: if  $f_{mid} = 0$  then
4:   return  $rtb = x_2$  .
5: end if
6: Evaluate  $f \leftarrow *function(x_1; param)$  .
7: if  $f \geq 0$  then
8:   return  $rtb = x_1$  .
9: end if
10: while  $f * f_{mid} > 0$  do
11:   Set  $x_1 \leftarrow x_2$  .
12:   Update  $x_2 \leftarrow 2x_2$  .
13:   if  $x_2$  overflows then                                     ▷ Protect from infinite looping.
14:     return  $rtb = SYSMIS$  .
15:   end if
16:   Set  $f \leftarrow f_{mid}$  .
17:   Evaluate  $f_{mid} \leftarrow *function(x_2; param)$  .
18:   if  $f_{mid} = 0$  then
19:     return  $rtb = x_2$  .
20:   end if
21: end while
22: Let  $rtb \leftarrow x_1$  .
23: Assign  $\delta_x \leftarrow x_2 - x_1$  .
24: for iteration  $j = 1, 2, 3, \dots$  do
25:   Update  $\delta_x \leftarrow 0.5 \delta_x$  .
26:   Update  $x_{mid} \leftarrow rtb + \delta_x$  .
27:   Evaluate  $f_{mid} \leftarrow *function(x_{mid}; param)$  .
28:   if  $f_{mid} \leq 0$  then
29:     Set  $rtb \leftarrow x_{mid}$  .
30:   end if
31:   if  $|\delta_x| < acc$  or  $f_{mid} = 0$  then
32:     return  $rtb$ .
33:   end if
34: end for
35: return

```

---

# POWER PROPORTIONS RELATED Algorithms

## Introduction

As one of the most important discrete distributions, the binomial distribution is based on a sequence of Bernoulli trials. It can be used to model those experiments including a fixed number of total trials which are assumed to be independent of each other. Each trial leads to a dichotomous result, with the same probability for a “successful” outcome. In the related-sample binomial test, we desire to compare two proportion parameters based on the matched pair subjects sampled from two related binomial populations, the method of which is commonly known as McNemar’s test [McNemar, 1947]. In this document, we present the formula to estimate the power of McNemar’s test, and take into account the condition of both a large sample and moderate sample size.

## General Notations

The following notations will be used for the later sections unless otherwise stated:

- $n$ : The total number of the matched pairs, and  $n \geq 2$ , which is an integer.
- $\alpha$ : The significance level to reflect the type I error rate, and  $\alpha \in (0, 1)$ .
- $\rho$ : The correlation between the matched pairs, and  $\rho \in [-1, 1]$ .

In the McNemar’s test, the observed data are usually summarized in a 2 by 2 contingency table as illustrated by Table 1, whose contents, including the pair counts or proportions, are defined as follows:

Matched Subjects in Pairs			
	Test 2		
Test 1	Success	Failure	Total
Success	$n_{11} (p_{11})$	$n_{10} (p_{10})$	$n_{1+} (p_{1+})$
Failure	$n_{01} (p_{01})$	$n_{00} (p_{00})$	$n_{0+} (p_{0+})$
Total	$n_{+1} (p_{+1})$	$n_{+0} (p_{+0})$	$n (1)$

Table 1: McNemar’s Test through 2 by 2 Contingency Table

- $n_{11}$ : The observed number of the pairs whose response denotes a “success” for both test 1 and test 2, and  $n_{11}$  is nonnegative integer.
- $n_{10}$ : The observed number of the pairs whose response denotes a “success” for test 1 and a “failure” for test 2, and  $n_{10}$  is nonnegative integer.
- $n_{01}$ : The observed number of the pairs whose response denotes a “failure” for test 1 and a “success” for test 2, and  $n_{01}$  is nonnegative integer.
- $n_{00}$ : The observed number of the pairs whose response denotes a “failure” for both test 1 and test 2, and  $n_{00}$  is nonnegative integer.
- $n_{1+}$ : The observed marginal total number of the pairs whose response denotes a “success” for test 1, and  $n_{1+} = n_{11} + n_{10}$ .
- $n_{+1}$ : The observed marginal total number of the pairs whose response denotes a “success” for test 2, and  $n_{+1} = n_{11} + n_{01}$ .
- $n_{0+}$ : The observed marginal total number of the pairs whose response denotes a “failure” for test 1, and  $n_{0+} = n_{01} + n_{00}$ .
- $n_{+0}$ : The observed marginal total number of the pairs whose response denotes a “failure” for test 2, and  $n_{+0} = n_{10} + n_{00}$ .

It is obvious that

$$n = n_{1+} + n_{0+} = n_{+1} + n_{+0} = n_{11} + n_{10} + n_{01} + n_{00}. \quad (0.0.1)$$

It is required that there is at least 1 discordant pair, namely  $n_{10} + n_{01} > 0$ . Besides the pair counts, the corresponding proportions can also be tabulated in Table 1 with each element denoting the probability of observing a specific pair. The following equations should satisfy:

$$p_{11} = n_{11}/n, \quad p_{10} = n_{10}/n, \quad p_{01} = n_{01}/n, \quad p_{00} = n_{00}/n, \quad (0.0.2)$$

$$p_{1+} = p_{11} + p_{10}, \quad p_{+1} = p_{11} + p_{01}, \quad p_{0+} = p_{01} + p_{00}, \quad p_{+0} = p_{10} + p_{00}, \quad (0.0.3)$$

and

$$p_{11} + p_{10} + p_{01} + p_{00} = 1. \quad (0.0.4)$$

Finally, the relationship between the discordant and marginal proportions can be addressed by

$$p_{10} = p_{1+}(1 - p_{+1}) - \rho\sqrt{p_{1+}(1 - p_{1+})p_{+1}(1 - p_{+1})} \quad \text{and} \quad p_{01} = p_{10} + p_{+1} - p_{1+}. \quad (0.0.5)$$

To estimate the power, users are required to specify the values for  $n$ ,  $\alpha$ , and whether the test is nondirectional or directional as well as one of the following scenarios:

- Specify the discordant proportions  $p_{01}$  and  $p_{10}$ .
- Specify the discordant counts  $n_{01}$  and  $n_{10}$ , which are to be converted to  $p_{01}$  and  $p_{10}$ , respectively, by Equation (0.0.2).
- Specify  $\rho$ , and the marginal proportions  $p_{+1}$  and  $p_{1+}$ , which are to be converted to  $p_{01}$  and  $p_{10}$ , respectively, by Equation (0.0.5).
- Specify  $\rho$ , and the marginal counts  $n_{+1}$  and  $n_{1+}$ , which are to be first converted to  $p_{+1} = n_{+1}/n$  and  $p_{1+} = n_{1+}/n$ , respectively, and then  $p_{01}$  and  $p_{10}$ , respectively, by Equation (0.0.5).

The default setting is  $\alpha = 0.05$ , the nondirectional test, and  $\rho = 0.5$ , provided that the marginal quantities are specified. There are two different approaches to estimate the power of the McNemar's test which are discussed later in Section and , respectively. Users may select either of them to do the estimation when  $n \leq 500$ . The default setting is to apply the normal approximation method. When  $n > 500$ , we would only consider the normal approximation.

## Power Estimation

We define the following quantities in terms of the discordant proportions and counts:

$$p_d = p_{01} - p_{10} \quad \text{and} \quad p_t = p_{01} + p_{10}, \quad (0.0.6)$$

the risk difference

$$p_{01} - p_{10}, \quad (0.0.7)$$

the risk ratio

$$p_{01}/p_{10}, \quad (0.0.8)$$

the odds ratio

$$[p_{01}/(1 - p_{01})]/[p_{10}/(1 - p_{10})], \quad (0.0.9)$$

and the sum of the discordant pairs

$$m = n_{01} + n_{10} = n(p_{01} + p_{10}). \quad (0.0.10)$$

## Normal Approximation

The McNemar's test statistic, under a large sample size and the null hypothesis  $H_0 : p_{01} = p_{10}$ , approximately follows a chi-squared distribution with 1 degree of freedom, the square root of which follows a standard normal distribution.

### Nondirectional or two-sided testing hypothesis

For a nondirectional test, we formulate the two-sided testing hypotheses  $H_0 : p_{01} = p_{10}$  versus  $H_1 : p_{01} \neq p_{10}$ . Under the null hypothesis  $H_0$ , the test statistic approximately follows a standard normal distribution. The critical value is therefore<sup>1</sup>

$$z^* = \text{PROBIT}(1 - \alpha/2). \quad (0.0.11)$$

Under the alternative hypothesis, the power can be estimated by<sup>2</sup>

$$\Omega = 1 - \text{CDFNORM}\left(\frac{p_d\sqrt{n} + z^*\sqrt{p_t}}{\sqrt{p_t - p_d^2}}\right) + \text{CDFNORM}\left(\frac{p_d\sqrt{n} - z^*\sqrt{p_t}}{\sqrt{p_t - p_d^2}}\right), \quad (0.0.12)$$

where  $z^*$  is computed by Equation (0.0.11), and  $p_d$  and  $p_t$  are defined by Equation (0.0.6).

### Directional or one-sided testing hypothesis

For a directional test, the critical value is

$$z^* = \text{PROBIT}(1 - \alpha). \quad (0.0.13)$$

Suppose the one-sided testing hypotheses are formulated by  $H_0 : p_{01} = p_{10}$  versus  $H_1 : p_{01} \geq p_{10}$ . The power is computed as

$$\Omega = \text{CDFNORM}\left(\frac{p_d\sqrt{n} - z^*\sqrt{p_t}}{\sqrt{p_t - p_d^2}}\right), \quad (0.0.14)$$

where  $z^*$  is computed by Equation (0.0.13), and  $p_d$  and  $p_t$  are defined by Equation (0.0.6). Suppose the one-sided testing hypotheses are formulated by  $H_0 : p_{01} = p_{10}$  versus  $H_1 : p_{01} < p_{10}$ . The power is computed as

$$\Omega = 1 - \text{CDFNORM}\left(\frac{p_d\sqrt{n} + z^*\sqrt{p_t}}{\sqrt{p_t - p_d^2}}\right), \quad (0.0.15)$$

where  $z^*$  is computed by Equation (0.0.13), and  $p_d$  and  $p_t$  are defined by Equation (0.0.6).

### Conditional Approach

When the total number of pairs is not large, or  $n \leq 500$ , we may adopt the conditional approach based on the binomial enumeration process. In case that the conditional approach is specified when  $n > 500$ , the normal approximation method will otherwise be implemented, and a warning message will be created as a reminder. Note that conditional on a fixed  $m$ , as defined in Equation (0.0.10),  $n_{10} \sim \text{Binomial}(m, p)$ , where

$$p = \frac{p_{10}}{p_{10} + p_{01}} = \frac{p_{10}}{p_t}, \quad (0.0.16)$$

where  $p_t$  is defined by Equation (0.0.6). Under the conditional approach,  $m$  is also a random variable, denoted by  $M$  in the following presentation, where  $M \sim \text{Binomial}(n, p_t)$  [Sahai and Khurshid, 1996].

### Nondirectional or two-sided testing hypothesis

For a nondirectional test, we formulate the two-sided testing hypotheses  $H_0 : p_{01} = p_{10}$  versus  $H_1 : p_{01} \neq p_{10}$ . This is equivalent to test  $H_0 : p = 0.5$  versus  $H_1 : p \neq 0.5$ . Under the null hypothesis  $H_0$ , we evaluate two critical values  $k_l^*$  and  $k_r^*$ . For  $k_l^*$ , we search  $k_l^* = 0, 1, 2, \dots$  in ascending order to find the value such that<sup>3</sup>

$$\text{CDF.BINOM}(k_l^*, M, 0.5) \leq \alpha/2 \quad \text{and} \quad \text{CDF.BINOM}(k_l^* + 1, M, 0.5) > \alpha/2. \quad (0.0.17)$$

<sup>1</sup>  $\text{PROBIT}(prob)$  returns the value in a standard normal distribution having a cumulative probability equal to  $prob$ . The argument  $prob$  is a probability greater than 0 and less than 1.

<sup>2</sup>  $\text{CDFNORM}(zvalue)$ , returns the probability that a standard normal random variable with mean 0 and standard deviation 1 would be less than  $zvalue$ , which must be numeric.

<sup>3</sup>  $\text{CDF.BINOM}(quant, n, prob)$  returns the cumulative probability that the number of successes in  $n$  trials, with probability  $prob$  of success in each, will be less than or equal to  $quant$ .

For  $k_r^*$ , we search  $k_r^* = M, M-1, M-2, \dots$  in descending order to find the value such that

$$\text{CDF.BINOM}(k_r^*, M, 0.5) \geq 1 - \alpha/2 \quad \text{and} \quad \text{CDF.BINOM}(k_r^* - 1, M, 0.5) < 1 - \alpha/2. \quad (0.0.18)$$

Under the alternative hypothesis, [Schork and Williams, 1980] suggested an exact formula to estimate the power by averaging the conditional power over the probability distribution of  $M$ , that is

$$\begin{aligned} \Omega &= \sum_{M=0}^n p(M) [P\{n_{10} \leq k_l^* | M, p\} + P\{n_{10} \geq k_r^* + 1 | M, p\}] \\ &= \sum_{M=0}^n \binom{n}{M} p_t^M (1-p_t)^{n-M} \left[ \sum_{n_{10}=0}^{k_l^*} \binom{M}{n_{10}} p^{n_{10}} (1-p)^{M-n_{10}} + \sum_{n_{10}=k_r^*+1}^M \binom{M}{n_{10}} p^{n_{10}} (1-p)^{M-n_{10}} \right] \\ &= \sum_{M=0}^n \binom{n}{M} p_t^M (1-p_t)^{n-M} [\text{CDF.BINOM}(k_l^*, M, p) + 1 - \text{CDF.BINOM}(k_r^*, M, p)], \end{aligned} \quad (0.0.19)$$

where  $n$  is specified by users;  $p_t$  is defined by Equation (0.0.6) under  $H_1$ ;  $p$  is defined by Equation (0.0.16) under  $H_1$ ;  $k_l^*$  is determined by Equation (0.0.17); and  $k_r^*$  is determined by Equation (0.0.18).

### Directional or one-sided testing hypothesis

Suppose the one-sided testing hypotheses are formulated by  $H_0 : p_{01} = p_{10}$  versus  $H_1 : p_{01} \leq p_{10}$ . This is equivalent to test  $H_0 : p = 0.5$  versus  $H_1 : p \geq 0.5$ . Under the null hypothesis  $H_0$ , we desire to evaluate the critical value  $k_r^*$  by searching  $k_r^* = M, M-1, M-2, \dots$  in descending order to find the value such that

$$\text{CDF.BINOM}(k_r^*, M, 0.5) \geq 1 - \alpha \quad \text{and} \quad \text{CDF.BINOM}(k_r^* - 1, M, 0.5) < 1 - \alpha. \quad (0.0.20)$$

Under the alternative hypothesis, the power is estimated by

$$\begin{aligned} \Omega &= \sum_{M=0}^n p(M) P\{n_{10} \geq k_r^* + 1 | M, p\} \\ &= \sum_{M=0}^n \binom{n}{M} p_t^M (1-p_t)^{n-M} \sum_{n_{10}=k_r^*+1}^M \binom{M}{n_{10}} p^{n_{10}} (1-p)^{M-n_{10}} \\ &= \sum_{M=0}^n \binom{n}{M} p_t^M (1-p_t)^{n-M} [1 - \text{CDF.BINOM}(k_r^*, M, p)], \end{aligned} \quad (0.0.21)$$

where  $n$  is specified by users;  $p_t$  is defined by Equation (0.0.6) under  $H_1$ ;  $p$  is defined by Equation (0.0.16) under  $H_1$ ; and  $k_r^*$  is determined by Equation (0.0.20).

Suppose the one-sided testing hypotheses are formulated by  $H_0 : p_{01} = p_{10}$  versus  $H_1 : p_{01} > p_{10}$ . This is equivalent to test  $H_0 : p = 0.5$  versus  $H_1 : p < 0.5$ . Under the null hypothesis  $H_0$ , we desire to evaluate the critical value  $k_l^*$  by searching  $k_l^* = 0, 1, 2, \dots$  in ascending order to find the value such that

$$\text{CDF.BINOM}(k_l^*, M, 0.5) \leq \alpha \quad \text{and} \quad \text{CDF.BINOM}(k_l^* + 1, M, 0.5) > \alpha. \quad (0.0.22)$$

Under the alternative hypothesis, the power is estimated by

$$\begin{aligned} \Omega &= \sum_{M=0}^n p(M) P\{n_{10} \leq k_l^* | M, p\} \\ &= \sum_{M=0}^n \binom{n}{M} p_t^M (1-p_t)^{n-M} \sum_{n_{10}=0}^{k_l^*} \binom{M}{n_{10}} p^{n_{10}} (1-p)^{M-n_{10}} \\ &= \sum_{M=0}^n \binom{n}{M} p_t^M (1-p_t)^{n-M} \text{CDF.BINOM}(k_l^*, M, p), \end{aligned} \quad (0.0.23)$$

where  $n$  is specified by users;  $p_t$  is defined by Equation (0.0.6) under  $H_1$ ;  $p$  is defined by Equation (0.0.16) under  $H_1$ ; and  $k_l^*$  is determined by Equation (0.0.22).

## Appendices

We discuss the method to reversely solve for the sample size given the user-supplied power values with all the other parameters already specified in the procedure. The following notations are used in this section.

$\omega_0$ : The user-supplied power value which is one of the test assumptions, and  $0 < \omega_0 < 1$ .

$\Omega_0$ : The actual power the test reaches.

$N_0$ : The least sample size that is required to reach  $\Omega_0$ .

To numerically estimate  $N_0$ , we apply the RTBIS Routine, demonstrated by Algorithm (1), to a given power function under certain conditions. Here we give some implementation notes.

---

**Algorithm 1** RTBIS Routine: Using bisection to estimate the sample size  $N_0$  which is the smallest integer greater than the root `rtb` of a given power function.

---

```
1: Input: *function(N; param),  $x_1 = 1$ ,  $x_2 = 400$ ,  $acc = 10^{-9}$ . ▷ N: Sample size to be estimated.
2: Evaluate fmid  $\leftarrow$  *function( $x_2$ ; param) . ▷ param: All the other parameters specified.
3: if fmid = 0 then
4:   return rtb =  $x_2$  .
5: end if
6: Evaluate f  $\leftarrow$  *function( $x_1$ ; param) .
7: if f  $\geq$  0 then
8:   return rtb =  $x_1$  .
9: end if
10: while f * fmid > 0 do
11:   Set  $x_1 \leftarrow x_2$  .
12:   Update  $x_2 \leftarrow 2x_2$  .
13:   if  $x_2$  overflows then ▷ Protect from infinite looping.
14:     return rtb = SYSMIS .
15:   end if
16:   Set f  $\leftarrow$  fmid .
17:   Evaluate fmid  $\leftarrow$  *function( $x_2$ ; param) .
18:   if fmid = 0 then
19:     return rtb =  $x_2$  .
20:   end if
21: end while
22: Let rtb  $\leftarrow$   $x_1$  .
23: Assign  $\delta_x \leftarrow x_2 - x_1$  .
24: for iteration  $j = 1, 2, 3, \dots$  do
25:   Update  $\delta_x \leftarrow 0.5 \delta_x$  .
26:   Update  $x_{mid} \leftarrow rtb + \delta_x$  .
27:   Evaluate fmid  $\leftarrow$  *function( $x_{mid}$ ; param) .
28:   if fmid  $\leq$  0 then
29:     Set rtb  $\leftarrow$   $x_{mid}$  .
30:   end if
31:   if  $|\delta_x| < acc$  or fmid = 0 then
32:     return rtb.
33:   end if
34: end for
35: return .
```

---

- The input function `*function` denotes the power function we desire to solve in terms of the sample size. Its form depends on the test conditions, and will be discussed in later sections.
- We let  $x_1$  and  $x_2$  denote the sample size in the routine.

- The arguments of the power function `*function` include the sample size, either  $x_1$  or  $x_2$ , and the other parameters specified by users all combined in `param` depending on the test conditions.

In the following discussions, users are required to specify the values for  $\omega_0$  and  $\alpha$ , as well as one of the following scenarios:

- Specify the discordant proportions  $p_{01}$  and  $p_{10}$ .
- Specify  $\rho$ , and the marginal proportions  $p_{+1}$  and  $p_{1+}$ , which are to be converted to  $p_{01}$  and  $p_{10}$ , respectively, by Equation (0.0.5).

We estimate  $p_d$  and  $p_t$ , respectively, based on Equation (0.0.6).

## Normal Approximation

### Nondirectional or two-sided testing hypothesis

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , depending on the continuity correction, we construct `*function` based on Equation (0.0.12)

$$\text{*function}(N; \text{param}) = 1 - \text{CDFNORM} \left( \frac{p_d \sqrt{n} + z^* \sqrt{p_t}}{\sqrt{p_t - p_d^2}} \right) + \text{CDFNORM} \left( \frac{p_d \sqrt{n} - z^* \sqrt{p_t}}{\sqrt{p_t - p_d^2}} \right) - \omega_0, \quad (.1.1)$$

and feed it to Algorithm (1) to solve for  $n = \text{rtb}$ . We then set  $N_0 = \lceil \text{rtb} \rceil$ , and follow Section by replacing  $n$  with  $N_0$  to solve for  $\Omega_0$ .

### Directional or one-sided testing hypothesis

In this section, the desired sample size is analytically solved without using Algorithm (1). Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , we solve for

$$\text{rtb} = \left[ \frac{\text{IDF.NORMAL}(\omega_0, 0, 1) \sqrt{p_t - p_d^2} + z^* \sqrt{p_t}}{p_d} \right]^2, \quad (.1.2)$$

and set  $N_0 = \lceil \text{rtb} \rceil$ . We then follow Equation Section by replacing  $n$  with  $N_0$  to solve for  $\Omega_0$ .

## Conditional Approach

To prevent the program running for a long time especially in the presence of the extremely small risk difference, we design a timer feature for users to specify the maximum number of minutes allowed to estimate the sample size by using the Binomial enumeration. The timer is turned off completely by default. For any positive integer minutes, if the time limit is reached, the analysis is terminated with a warning message displayed. No results are provided.

We estimate  $p$  based on Equation (0.0.16) using specified  $p_{01}$  and  $p_{10}$ . Since the binomial distribution function can only take an integer as the total number of trials, we create Algorithm (2) by modifying Algorithm (1) to handle the binomial enumeration. Note that Algorithm (2) always returns an integer which, however, is not guaranteed to be the smallest sample size to reach the desired power. This issue will be handled by Algorithm (3) for further optimization.

### Nondirectional or two-sided testing hypothesis

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , we construct `*function` based on Equation (0.0.19)

$$\text{*function}(N; \text{param}) = \sum_{M=0}^n \binom{n}{M} p_t^M (1-p_t)^{n-M} [\text{CDF.BINOM}(k_l^*, M, p) + 1 - \text{CDF.BINOM}(k_r^*, M, p)] - \omega_0, \quad (.2.1)$$

---

**Algorithm 2** RTBIS\_Binom Routine: Using bisection to estimate **rtb** in a binomial setting.

---

```

1: Input: *function(N; param),  $x_1 = 1$ ,  $x_2 = 400$ ,  $acc = 10^{-9}$ .           ▷ N: Sample size to be estimated.
2: Evaluate  $f_{mid} \leftarrow *function(x_2; param)$  .                       ▷ param: All the other parameters specified.
3: if  $f_{mid} = 0$  then
4:   return  $rtb = x_2$  .
5: end if
6: Evaluate  $f \leftarrow *function(x_1; param)$  .
7: if  $f \geq 0$  then
8:   return  $rtb = x_1$  .
9: end if
10: while  $f * f_{mid} > 0$  do
11:   Set  $x_1 \leftarrow x_2$  .
12:   Update  $x_2 \leftarrow 2x_2$  .
13:   if  $x_2$  overflows then                                           ▷ Protect from infinite looping.
14:     return  $rtb = SYSMIS$  .
15:   end if
16:   Set  $f \leftarrow f_{mid}$  .
17:   Evaluate  $f_{mid} \leftarrow *function(x_2; param)$  .
18:   if  $f_{mid} = 0$  then
19:     return  $rtb = x_2$  .
20:   end if
21: end while
22: Let  $rtb \leftarrow x_1$  .
23: Assign  $\delta_x \leftarrow x_2 - x_1$  .
24: for iteration  $j = 1, 2, 3, \dots$  do
25:   Update  $\delta_x \leftarrow 0.5 \delta_x$  .
26:   Let  $\delta_{int} \leftarrow \lfloor \delta_x \rfloor$  .                               ▷ Number of trials must be an integer in CDF.BINOM.
27:   Update  $x_{mid} \leftarrow rtb + \delta_{int}$  .
28:   Evaluate  $f_{mid} \leftarrow *function(x_{mid}; param)$  .
29:   if  $f_{mid} \leq 0$  then
30:     Set  $rtb \leftarrow x_{mid}$  .
31:   end if
32:   if  $f_{mid} = 0$  then
33:     return  $rtb$ .
34:   end if
35:   if  $|\delta_x| < acc$  then
36:     Set  $rtb \leftarrow rtb + 1$  .
37:     return  $rtb$ .
38:   end if
39: end for
40: return .

```

---

and feed it to Algorithm (2) to solve for  $n = \mathbf{rtb}$ . The algorithm will repeatedly be called by Algorithm (3) to find the smallest candidate **rtb**. We follow Section by replacing  $n$  with **rtb** returned by Algorithm (3) to solve for  $\Omega_0$ . If  $\Omega_0$  is greater than or equal to the power value specified by users, we output  $N_0 = \mathbf{rtb}$  and  $\Omega_0$  as the actual power. Otherwise, we update  $\mathbf{rtb} = \mathbf{rtb} + 1$ , and repeat the process to calculate  $\Omega_0$  until it reaches the value specified. We then output  $N_0 = \mathbf{rtb}$  and  $\Omega_0$  as the actual power.

## Directional or one-sided testing hypothesis

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , when  $H_1 : p_{01} < p_{10}$ , we construct `*function` based on Equation (0.0.20)

$$\text{*function}(\mathbf{N}; \text{param}) = \sum_{M=0}^n \binom{n}{M} p_t^M (1 - p_t)^{n-M} [1 - \text{CDF.BINOM}(k_r^*, M, p)] - \omega_0, \quad (.2.2)$$

and feed it to Algorithm (2) to solve for  $n = \text{rtb}$ . The algorithm will repeatedly be called by Algorithm (3) to find the smallest candidate `rtb`. We follow Section by replacing  $n$  with `rtb` returned by Algorithm (3) to solve for  $\Omega_0$ . If  $\Omega_0$  is greater than or equal to the power value specified by users, we output  $N_0 = \text{rtb}$  and  $\Omega_0$  as the actual power. Otherwise, we update `rtb` = `rtb` + 1, and repeat the process to calculate  $\Omega_0$  until it reaches the value specified. We then output  $N_0 = \text{rtb}$  and  $\Omega_0$  as the actual power.

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , when  $H_1 : p_{01} > p_{10}$ , we construct `*function` based on Equation (0.0.22)

$$\text{*function}(\mathbf{N}; \text{param}) = \sum_{M=0}^n \binom{n}{M} p_t^M (1 - p_t)^{n-M} \text{CDF.BINOM}(k_l^*, M, p) - \omega_0, \quad (.2.3)$$

and feed it to Algorithm (2) to solve for  $n = \text{rtb}$ . The algorithm will repeatedly be called by Algorithm (3) to find the smallest candidate `rtb`. We follow Section by replacing  $n$  with `rtb` returned by Algorithm (3) to solve for  $\Omega_0$ . If  $\Omega_0$  is greater than or equal to the power value specified by users, we output  $N_0 = \text{rtb}$  and  $\Omega_0$  as the actual power. Otherwise, we update `rtb` = `rtb` + 1, and repeat the process to calculate  $\Omega_0$  until it reaches the value specified. We then output  $N_0 = \text{rtb}$  and  $\Omega_0$  as the actual power.

---

**Algorithm 3** OPTIMIZE.Binom Routine: Optimize the sample size in a binomial setting.

---

- 1: **Input:** `*function(N; param)` and `rtb` returned by Algorithm (2) .
  - 2: Initiate an empty and numeric set `rtbPool` to collect all the candidates .
  - 3: Assign `rtb` to be the first element of `rtbPool` .
  - 4: **while True do**
  - 5:     `rtbNew`  $\leftarrow$  Call Algorithm (2) by passing `*function(N; param)`,  $x_1 = 1$ ,  $x_2 = \text{rtb}$ ,  $\text{acc} = 10^{-9}$  .
  - 6:     **if** `rtbNew` **in** `rtbPool` **then**
  - 7:         Break the **while** loop .
  - 8:     **else**
  - 9:         Concatenate `rtbPool` and `rtbNew` by assigning `rtbNew` to be the next element of `rtbPool` .
  - 10:         Update `rtb`  $\leftarrow$  `rtbNew` .
  - 11:     **end if**
  - 12: **end while**
  - 13: Assign `rtb`  $\leftarrow$   $\min\{\text{rtbPool}\}$  .
  - 14: **return** `rtb` .
- 

## Power Analysis Table

When  $\omega_0$  is specified output tables are suppressed. Depending on the test method and direction in Section .1 and .2,  $N$  is estimated by  $N_0$ , and Actual Power is estimated by  $\Omega_0$ . Power is  $\omega_0$  specified by users. Footnote b is required to remind users that the sample size is estimated in pairs.

**Power Analysis Table**

	N <sup>b</sup>	Actual Power <sup>c</sup>	Power	Test Assumptions			
				Risk Difference	Risk Ratio	Odds Ratio	Sig.
Test for Proportion Difference <sup>a</sup>	100	.487	.485	-.400	.352	.338	0.05

a. Two-sided test.

b. Total number of pairs.

c. Based on normal approximation.

Table 2: Estimate Sample Size of Related-sample Binomial Test

## Sample size based on confidence interval width

This section discusses the estimation of sample size based on the confidence interval half-width of the related-sample binomial test. The algorithm created in the following sections aims to compute the sample sizes required to estimate population parameter with certain precision determined by the user-specified confidence interval half-widths. The expected result should produce the minimum sample size to ensure that the actual confidence interval half-width does not exceed the desired one.

### General notations

To facilitate the presentation, we introduce the following new notations to the existing power analysis  $t$ -test procedures:

$m_e$ : The user-specified confidence interval half-width, and  $0 < m_e \leq 1$ .

$m_{e0}$ : The actual confidence interval half-width achieved.

$N_e$ : The desired minimum sample size in matched pairs we would like to estimate such that it ensures that the actual confidence interval half-width will not exceed  $m_e$ . Note that  $N_e$  is required to be double-precision in the following calculation.

### Related-sample binomial test

For a nondirectional test under normal approximation, the critical value is

$$z^* = \text{PROBIT}(1 - \alpha/2) . \quad (0.0.1)$$

where  $\alpha$  is the significance level to reflect the type I error rate.

### Wald confidence interval

If the Wald confidence interval is applied, the sample size based on the confidence interval will be

$$\text{rtb} = \begin{cases} \frac{z^{*2}}{m_e^2} (p_{01} + p_{10} - p_d^2) & \text{with no continuity correction} \\ \left[ \frac{z^* \sqrt{p_{01} + p_{10} - p_d^2} + \sqrt{z^{*2} (p_{01} + p_{10} - p_d^2) + 4m_e}}{2m_e} \right]^2 & \text{otherwise} \end{cases} , \quad (0.0.2)$$

where  $p_{01}$  and  $p_{10}$  are the discordant proportions either directly specified or converted by the existing procedure,  $p_d = p_{01} - p_{10}$ , and  $z^*$  is estimated by Equation (0.1.1). We then set  $N_e = \lceil \text{rtb} \rceil$ , and solve for

$$m_{e0} = \begin{cases} z^* \sqrt{\frac{p_{01} + p_{10} - p_d^2}{N_e}} & \text{with no continuity correction} \\ z^* \sqrt{\frac{p_{01} + p_{10} - p_d^2}{N_e}} + \frac{1}{N_e} & \text{otherwise} \end{cases} \quad (0.0.3)$$

to obtain the actual confidence interval half-width.

### Agresti-Min confidence interval

If the Agresti-Min confidence interval is applied, we construct

$$\text{*function}(N_e; \text{param}) = m_e - z^* \left\{ \left[ \frac{N_e p_{10} + 0.5}{N_e + 2} + \frac{N_e p_{01} + 0.5}{N_e + 2} - \left( \frac{N_e p_d}{N_e + 2} \right)^2 \right] / (N_e + 2) \right\}^{1/2} , \quad (0.0.4)$$

where  $p_{01}$  and  $p_{10}$  are the discordant proportions either directly specified or converted by the existing procedure,  $p_d = p_{01} - p_{10}$ , and  $z^*$  is estimated by Equation (0.1.1), and feed it to Algorithm (1) (see Appendices) to solve for  $\mathbf{rtb}$ . We then set  $N_e = \lceil \mathbf{rtb} \rceil$ , and solve for

$$m_{e0} = z^* \left\{ \left[ \frac{N_e p_{10} + 0.5}{N_e + 2} + \frac{N_e p_{01} + 0.5}{N_e + 2} - \left( \frac{N_e p_d}{N_e + 2} \right)^2 \right] / (N_e + 2) \right\}^{1/2} \quad (0.0.5)$$

to obtain the actual confidence interval half-width.

### Bonett-Price confidence interval

If the Bonett-Price confidence interval is applied, we construct

$$\mathbf{*function}(N_e; \mathbf{param}) = m_e - z^* \left\{ \left[ \frac{N_e p_{10} + 1}{N_e + 2} + \frac{N_e p_{01} + 1}{N_e + 2} - \left( \frac{N_e p_d}{N_e + 2} \right)^2 \right] / (N_e + 2) \right\}^{1/2}, \quad (0.0.6)$$

where  $p_{01}$  and  $p_{10}$  are the discordant proportions either directly specified or converted by the existing procedure,  $p_d = p_{01} - p_{10}$ , and  $z^*$  is estimated by Equation (0.1.1), and feed it to Algorithm (1) (see Appendices) to solve for  $\mathbf{rtb}$ . We then set  $N_e = \lceil \mathbf{rtb} \rceil$ , and solve for

$$m_{e0} = z^* \left\{ \left[ \frac{N_e p_{10} + 1}{N_e + 2} + \frac{N_e p_{01} + 1}{N_e + 2} - \left( \frac{N_e p_d}{N_e + 2} \right)^2 \right] / (N_e + 2) \right\}^{1/2} \quad (0.0.7)$$

to obtain the actual confidence interval half-width.

## Appendices

We discuss the method to solve for the sample size given the user-supplied confidence interval with all the other parameters already specified in the procedure. Here we give some implementation notes.

- The input **\*function**, whose expression depends on the test conditions, denotes the function we have constructed previously to solve in terms of the sample size.
- The arguments of **\*function** include the sample size as well as the other parameters all combined in **param** depending on the test conditions.
- We let  $\mathbf{x}_1$  and  $\mathbf{x}_2$  denote the sample size in the RTBIS routine.

---

**Algorithm 1** RTBIS Routine: Using bisection to estimate the smallest sample size such that it ensures that the actual confidence interval half-width will not exceed the desired one.

---

```

1: Input: *function( $N_e$ ; param),  $x_1 = 1$ ,  $x_2 = 400$ ,  $acc = 10^{-9}$ .
2: Evaluate  $f_{mid} \leftarrow$  *function( $x_2$ ; param) .
3: if  $f_{mid} = 0$  then
4:   return  $rtb = x_2$  .
5: end if
6: Evaluate  $f \leftarrow$  *function( $x_1$ ; param) .
7: if  $f \geq 0$  then
8:   return  $rtb = x_1$  .
9: end if
10: while  $f * f_{mid} > 0$  do
11:   Set  $x_1 \leftarrow x_2$  .
12:   Update  $x_2 \leftarrow 2x_2$  .
13:   if  $x_2$  overflows then                                      $\triangleright$  Protect from infinite looping.
14:     return  $rtb = \text{SYSMIS}$  .
15:   end if
16:   Set  $f \leftarrow f_{mid}$  .
17:   Evaluate  $f_{mid} \leftarrow$  *function( $x_2$ ; param) .
18:   if  $f_{mid} = 0$  then
19:     return  $rtb = x_2$  .
20:   end if
21: end while
22: Let  $rtb \leftarrow x_1$  .
23: Assign  $\delta_x \leftarrow x_2 - x_1$  .
24: for iteration  $j = 1, 2, 3, \dots$  do
25:   Update  $\delta_x \leftarrow 0.5 \delta_x$  .
26:   Update  $x_{mid} \leftarrow rtb + \delta_x$  .
27:   Evaluate  $f_{mid} \leftarrow$  *function( $x_{mid}$ ; param) .
28:   if  $f_{mid} \leq 0$  then
29:     Set  $rtb \leftarrow x_{mid}$  .
30:   end if
31:   if  $|\delta_x| < acc$  or  $f_{mid} = 0$  then
32:     return  $rtb$ .
33:   end if
34: end for
35: return

```

---

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# POWER SPEARMAN ONESAMPLE Algorithms

## Introduction

Spearman rank-order correlation coefficient is a rank-based nonparametric statistic to measure the monotonic relationship between two variables that are usually censored not normally distributed. The Spearman rank-order correlation is equal to the Pearson correlation between the rank values of the two variables, thereby also ranging between -1 and 1. To detect the power of the Spearman rank correlation test is an important topic in the analysis of hydrological time series data [Yue et al., 2002]. In this document, we present the Fisher's asymptotic method to estimate the power for the one-sample Spearman rank-order correlation test. More details are discussed in the following sections.

## Power for the One-sample Spearman Rank-order Correlation Test

The following notations are used in the later sections.

- $n$ : The sample size in pairs, and  $n > 3$  ( $n > 2$  if variance estimated by [Caruso and Cliff, 1997]), which is a fixed positive integer.
- $r$ : The Spearman rank-order correlation parameter between two variables, and  $r \in [-1, 1]$ .
- $r_0$ : The null hypothesis value for the Spearman rank-order correlation parameter, and  $r_0 \in [-1, 1]$ .
- $r_1$ : The alternative hypothesis value for the Spearman rank-order correlation parameter, and  $r_1 \in [-1, 1]$ .
- $\alpha$ : The significance level to reflect the type I error rate, and  $\alpha \in (0, 1)$ .

To estimate the power, users are also required to specify the values for  $n$ ,  $r_0$ ,  $r_1$ ,  $\alpha$ , the variance estimation method (by Equation (0.0.2), (0.0.3), or (0.0.4), see details in Section ), and whether the test is nondirectional or directional. The default setting is  $r_0 = 0$ ,  $\alpha = 0.05$ , estimating the variance by Equation (0.0.3), and the nondirectional test.

## Nondirectional or Two-sided Testing Hypothesis

We proceed with the Fisher's  $z$ -transformation by using an inverse hyperbolic tangent function [Fisher, 1915],

$$Z_r = \frac{1}{\sqrt{\mathbb{V}(Z_r)}} [\tanh^{-1}(\hat{r}) - \tanh^{-1}(r)] \sim \text{Normal}(0, 1), \quad (0.0.1)$$

where  $\hat{r}$  is the estimator of  $r$ , and  $\tanh^{-1}(x) = 0.5 [\log(1+x) - \log(1-x)]$ . [Fieller et al., 1957] suggested that

$$\mathbb{V}(Z_r) \approx \frac{1.06}{n-3}, \quad (0.0.2)$$

while [Bonett and Wright, 2000] argued that, per their simulation results,

$$\mathbb{V}(Z_r) \approx \frac{1 + \hat{r}^2/2}{n-3} = \frac{1 + r_1^2/2}{n-3}, \quad (0.0.3)$$

which is a more accurate estimate, especially when  $|r_1| \geq 0.95$ . [Caruso and Cliff, 1997] estimated the variance by

$$\mathbb{V}(Z_r) \approx \frac{1}{n-2} + \frac{|\tanh^{-1}(\hat{r})|}{6n + 4\sqrt{n}} = \frac{1}{n-2} + \frac{|\tanh^{-1}(r_1)|}{6n + 4\sqrt{n}}. \quad (0.0.4)$$

We consider all of the estimates in this procedure. To facilitate the following presentation, we define

$$\delta_r = \tanh^{-1}(r_1) - \tanh^{-1}(r_0). \quad (0.0.5)$$

Particularly, we allow that

$$\tanh^{-1}(r) = \begin{cases} +\infty & \text{if } r = 1 \\ -\infty & \text{if } r = -1 \end{cases} \quad \text{and} \quad \delta_r = \begin{cases} +\infty & \text{if } r_0 = -1 \text{ or } r_1 = 1 \\ -\infty & \text{if } r_1 = -1 \text{ or } r_0 = 1 \end{cases}. \quad (0.0.6)$$

For a nondirectional test, we formulate two-sided testing hypotheses  $H_0 : r = r_0$  versus  $H_1 : r = r_1 \neq r_0$ . By applying the Fisher's  $z$ -transformation using Equation (0.0.1), it is equivalent to test  $H_0 : \tanh^{-1}(r) = \tanh^{-1}(r_0)$ . Under the null hypothesis  $H_0$ , the transformed test statistic approximately follows a standard normal distribution. The critical value is therefore<sup>1</sup>

$$z^* = \text{PROBIT}(1 - \alpha/2) . \quad (0.0.7)$$

Under the alternative hypothesis, the test statistic also follows a normal distribution. The power for the one-sample nondirectional Spearman rank-order correlation test can be estimated by<sup>2</sup>

$$\Omega = 1 - \Phi\left(\frac{\delta_r}{\sqrt{\mathbb{V}(Z_r)}} + z^*\right) + \Phi\left(\frac{\delta_r}{\sqrt{\mathbb{V}(Z_r)}} - z^*\right) , \quad (0.0.8)$$

where  $\delta_r$  and  $z^*$  are computed by Equation (0.0.5) and (0.0.7), respectively, and  $\mathbb{V}(Z_r)$  is estimated by Equation (0.0.2), (0.0.3), or (0.0.4) depending on the estimation method selected by users.

### Directional or One-sided Testing Hypothesis

For a directional test, the critical value is

$$z^* = \text{PROBIT}(1 - \alpha) . \quad (0.0.9)$$

Suppose the one-sided testing hypotheses are formulated by  $H_0 : r = r_0$  versus  $H_1 : r = r_1 \geq r_0$ . By applying the Fisher's  $z$ -transformation, the power is computed as

$$\Omega = \Phi\left(\frac{\delta_r}{\sqrt{\mathbb{V}(Z_r)}} - z^*\right) , \quad (0.0.10)$$

where  $\delta_r$  and  $z^*$  are computed by Equation (0.0.5) and (0.0.9), respectively, and  $\mathbb{V}(Z_r)$  is estimated by Equation (0.0.2), (0.0.3), or (0.0.4) depending on the estimation method selected by users. Suppose the one-sided testing hypotheses are formulated by  $H_0 : r = r_0$  versus  $H_1 : r = r_1 < r_0$ . By applying the Fisher's  $z$ -transformation, the power is computed as

$$\Omega = 1 - \Phi\left(\frac{\delta_r}{\sqrt{\mathbb{V}(Z_r)}} + z^*\right) , \quad (0.0.11)$$

where  $\delta_r$  and  $z^*$  are computed by Equation (0.0.5) and (0.0.9), respectively, and  $\mathbb{V}(Z_r)$  is estimated by Equation (0.0.2), (0.0.3), or (0.0.4) depending on the estimation method selected by users.

---

<sup>1</sup>  $\text{PROBIT}(prob)$  returns the value in a standard normal distribution having a cumulative probability equal to  $prob$ . The argument  $prob$  is a probability greater than 0 and less than 1.

<sup>2</sup>  $\Phi(zvalue)$ , or  $\text{CDFNORM}(zvalue)$ , returns the probability that a standard normal random variable with mean 0 and standard deviation 1 would be less than  $zvalue$ , which must be numeric.

## Appendices

We discuss the method to reversely solve for the sample size given the user-supplied power values with all the other parameters already specified in the procedure. The following notations are used in this section.

$\omega_0$ : The user-supplied power value which is one of the test assumptions, and  $0 < \omega_0 < 1$ .

$\Omega_0$ : The actual power the test reaches.

$N_0$ : The least sample size in pairs that is required to reach  $\Omega_0$ .

To numerically estimate  $N_0$ , we apply the RTBIS Routine, demonstrated by Algorithm (1), to a given power function under certain conditions. Here we give some implementation notes.

---

**Algorithm 1** RTBIS Routine: Using bisection to estimate the sample size  $N_0$  which is the smallest integer greater than the root `rtb` of a given power function.

---

```

1: Input: *function(N; param),  $x_1 = 3$ ,  $x_2 = 400$ ,  $acc = 10^{-6}$ .           ▷ N: Sample size to be estimated.
2: Evaluate fmid  $\leftarrow$  *function( $x_2$ ; param) .                          ▷ param: All the other parameters specified.
3: if fmid = 0 then
4:   return rtb =  $x_2$  .
5: end if
6: Evaluate f  $\leftarrow$  *function( $x_1$ ; param) .
7: if f  $\geq$  0 then
8:   return rtb =  $x_1$  .
9: end if
10: while f * fmid > 0 do
11:   Set  $x_1 \leftarrow x_2$  .
12:   Update  $x_2 \leftarrow 2x_2$  .
13:   if  $x_2$  overflows then                                             ▷ Protect from infinite looping.
14:     return rtb = SYSMIS .
15:   end if
16:   Set f  $\leftarrow$  fmid .
17:   Evaluate fmid  $\leftarrow$  *function( $x_2$ ; param) .
18:   if fmid = 0 then
19:     return rtb =  $x_2$  .
20:   end if
21: end while
22: Let rtb  $\leftarrow$   $x_1$  .
23: Assign  $\delta_x \leftarrow x_2 - x_1$  .
24: for iteration  $j = 1, 2, 3, \dots$  do
25:   Update  $\delta_x \leftarrow 0.5 \delta_x$  .
26:   Update  $x_{mid} \leftarrow rtb + \delta_x$  .
27:   Evaluate fmid  $\leftarrow$  *function( $x_{mid}$ ; param) .
28:   if fmid  $\leq$  0 then
29:     Set rtb  $\leftarrow$   $x_{mid}$  .
30:   end if
31:   if  $|\delta_x| < acc$  or fmid = 0 then
32:     return rtb.
33:   end if
34: end for
35: return .

```

---

- The input function `*function` denotes the power function we desire to solve in terms of the sample size. Its form depends on the test conditions, and will be discussed in later sections.
- We let  $x_1$  and  $x_2$  denote the sample size in the routine.

- The arguments of the power function `*function` include the sample size, either  $x_1$  or  $x_2$ , and the other parameters specified by users all combined in `param` depending on the test conditions.

### Nondirectional or two-sided testing hypothesis

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , we construct `*function` based on Equation (0.0.8)

$$\text{*function}(N; \text{param}) = 1 - \Phi\left(\frac{\delta_r}{\sqrt{\mathbb{V}(Z_r)}} + z^*\right) + \Phi\left(\frac{\delta_r}{\sqrt{\mathbb{V}(Z_r)}} - z^*\right) - \omega_0, \quad (.0.12)$$

and feed it to Algorithm (1) to solve for  $n = \text{rtb}$ . We then set  $N_0 = \lceil \text{rtb} \rceil$ , and follow Section by replacing  $n$  with  $N_0$  to solve for  $\Omega_0$ .

### Directional or one-sided testing hypothesis

Depending on how the asymptotic variance is estimated, we consider the following situations:

Given  $\omega_0$  and the [Fieller et al., 1957]’s method, as well as the other parameters and statistics as discussed in Section , we solve for

$$\text{rtb} = 1.06 \left[ \frac{\text{IDF.NORMAL}(\omega_0, 0, 1) + z^*}{\delta_r} \right]^2 + 3 \quad (.0.13)$$

analytically without using Algorithm (1). We then set  $N_0 = \lceil \text{rtb} \rceil$ , and follow Equation Section by using the [Fieller et al., 1957]’s method and replacing  $n$  with  $N_0$  to solve for  $\Omega_0$ .

Given  $\omega_0$  and the [Bonett and Wright, 2000]’s method, as well as the other parameters and statistics as discussed in Section , we solve for

$$\text{rtb} = \left(1 + \frac{r_1^2}{2}\right) \left[ \frac{\text{IDF.NORMAL}(\omega_0, 0, 1) + z^*}{\delta_r} \right]^2 + 3 \quad (.0.14)$$

analytically without using Algorithm (1). We then set  $N_0 = \lceil \text{rtb} \rceil$ , and follow Equation Section by using the [Bonett and Wright, 2000]’s method and replacing  $n$  with  $N_0$  to solve for  $\Omega_0$ .

Given  $\omega_0$  and the [Caruso and Cliff, 1997]’s method, as well as the other parameters and statistics as discussed in Section , when the alternative hypothesis is  $H_1 : r = r_1 > r_0$ , we construct `*function` based on Equation (0.0.10)

$$\text{*function}(N; \text{param}) = \Phi\left(\frac{\delta_r}{\sqrt{\mathbb{V}(Z_r)}} - z^*\right) - \omega_0, \quad (.0.15)$$

where  $\mathbb{V}(Z_r)$  is estimated by Equation (0.0.4), and feed it to Algorithm (1) to solve for  $n = \text{rtb}$ . We then set  $N_0 = \lceil \text{rtb} \rceil$ , and follow Section by replacing  $n$  with  $N_0$  to solve for  $\Omega_0$ . When the alternative hypothesis is  $H_1 : r = r_1 < r_0$ , we construct `*function` based on Equation (0.0.11)

$$\text{*function}(N; \text{param}) = 1 - \Phi\left(\frac{\delta_r}{\sqrt{\mathbb{V}(Z_r)}} + z^*\right) - \omega_0, \quad (.0.16)$$

where  $\mathbb{V}(Z_r)$  is estimated by Equation (0.0.4), and feed it to Algorithm (1) to solve for  $n = \text{rtb}$ . We then set  $N_0 = \lceil \text{rtb} \rceil$ , and follow Section by replacing  $n$  with  $N_0$  to solve for  $\Omega_0$ .

### Power Analysis Table

When  $\omega_0$  is specified, we output Table 1 instead of Table ???. Depending on the test direction and whether the estimation method of the variance in Appendix Section and ,  $N$  is estimated by  $N_0$ , and Actual Power is estimated by  $\Omega_0$ . Power is  $\omega_0$  specified by users. All the other table settings are the same as Table ???.

**Power Analysis Table**

	Actual	Test Assumptions				
	N	Power <sup>b</sup>	Power	Null	Alternative	Sig.
Spearman Correlation <sup>a</sup>	50	.407	.400	0	0.25	0.05

a. Two-sided test with a nondirectional alternative hypothesis.

b. Based on Fisher's  $z$ -transformation and normal approximation.

The variance estimation is based on the method suggested by Bonett and Wright.

Table 1: Estimate Sample Size of One-sample Spearman Rank-order Correlation Test

## Sample size based on confidence interval width

This section discusses the estimation of sample size based on the confidence interval half-width of the Spearman correlation coefficient. The algorithm created in the following sections aims to compute the sample sizes required to estimate population parameter with certain precision determined by the user-specified confidence interval half-widths. The expected result should produce the minimum sample size to ensure that the actual confidence interval half-width does not exceed the desired one.

### General notations

To facilitate the presentation, we introduce the following new notations to the existing power analysis Spearman Rank-Order procedure:

$m_e$ : The user-specified confidence interval half-width, and  $0 < m_e \leq 1$ .

$m_{e0}$ : The actual confidence interval half-width achieved.

$N_e$ : The desired minimum sample size we would like to estimate such that it ensures that the actual confidence interval half-width will not exceed  $m_e$ . Note that  $N_e$  is required to be double-precision in the following calculation.

### Sample size based on the confidence interval width

For a nondirectional test under the Fisher's  $z$ -transformation, the critical value is

$$z^* = \text{PROBIT}(1 - \alpha/2) . \quad (0.0.1)$$

where  $\alpha$  is the significance level to reflect the type I error rate. By applying the Fisher's  $z$ -transformation, we estimate

$$\hat{\zeta}_s = \tanh^{-1}(r_1) = \frac{1}{2} \log \left( \frac{1 + r_1}{1 - r_1} \right) , \quad (0.0.2)$$

where  $r_1$  is the alternative hypothesis value provided by syntax.

$$\hat{\zeta}_l = \hat{\zeta}_s - \text{IDF.NORMAL}(1 - \alpha/2, 0, 1) \text{se}(\hat{\zeta}_s) \quad \text{and} \quad \hat{\zeta}_u = \hat{\zeta}_s + \text{IDF.NORMAL}(1 - \alpha/2, 0, 1) \text{se}(\hat{\zeta}_s) , \quad (0.0.3)$$

where  $\hat{\zeta}_s$  is estimated by Equation (0.0.2). To estimate the standard error  $\text{se}(\hat{\zeta}_s)$ , there are three options depending on the user setting:

- [Fieller et al., 1957] recommended that

$$\text{se}(\hat{\zeta}_s) = \left( \frac{1.06}{N_e - 3} \right)^{1/2} , \quad (0.0.4)$$

where it is required that  $N_e > 3$ .

- [Caruso and Cliff, 1997] suggested that

$$\text{se}(\hat{\zeta}_s) = \left( \frac{1}{N_e - 2} + \frac{|\hat{\zeta}_s|}{6N_e + 4\sqrt{N_e}} \right)^{1/2} , \quad (0.0.5)$$

where it is required that  $N_e > 2$ , and  $\hat{\zeta}_s$  is defined by Equation (0.0.2).

- [Bonett and Wright, 2000] proposed another useful formula

$$\text{se}(\hat{\zeta}_s) = \left( \frac{1 + r_1^2/2}{N_e - 3} \right)^{1/2} , \quad (0.0.6)$$

where it is required that  $N_e > 3$ , and  $r_1$  is the alternative hypothesis value provided by syntax.

We then transform back to estimate the lower and upper confidence limits

$$r_l = \tanh(\hat{\zeta}_l) \quad \text{and} \quad r_u = \tanh(\hat{\zeta}_u), \quad (0.0.7)$$

where  $\hat{\zeta}_l$  and  $\hat{\zeta}_u$  are estimated by Equation (0.0.3), and

$$\tanh(\hat{\zeta}) = \frac{e^{2\hat{\zeta}} - 1}{e^{2\hat{\zeta}} + 1}. \quad (0.0.8)$$

To estimate the desired sample size  $N_e$ , we construct

$$\text{*function}(N_e; \text{param}) = m_e - 0.5(r_u - r_l), \quad (0.0.9)$$

where  $r_u$  and  $r_l$  are estimated by Equation (0.0.7), and  $z^*$  is estimated by Equation (0.0.1), and feed it to Algorithm (1) to solve for `rtb`. Note that the minimum searching bound of Algorithm (1) is 4 for Equation (0.0.4) and (0.0.6), and 3 for Equation (0.0.5). We then set  $N_e = \lceil \text{rtb} \rceil$ , reevaluate Equations (0.0.3)-(0.0.7), and solve for

$$m_{e0} = 0.5(r_u - r_l) \quad (0.0.10)$$

to obtain the actual confidence interval half-width.

## Appendices

We discuss the method to solve for the sample size given the user-supplied confidence interval half-width with all the other parameters already specified in the procedure. Here we give some implementation notes.

- The input `*function`, which takes the form of Equation (0.0.9), denotes the function we have constructed previously to solve in terms of the sample size.
- The arguments of `*function` include the sample size as well as the other parameters specified by the corresponding procedures are all combined in `param` depending on the test conditions.
- We let `x1` and `x2` denote the sample size in the `RTBIS` routine.

---

**Algorithm 1** RTBIS Routine: Using bisection to estimate the smallest sample size such that it ensures that the actual confidence interval half-width will not exceed the desired one.

---

```

1: Input: *function( $N_e$ ; param),  $x_2 = 400$ ,  $acc = 10^{-9}$ .
2: if Caruso and Cliff's method is used to estimate the standard error then
3:   Input:  $x_1 = 3$ 
4: else
5:   Input:  $x_1 = 4$ 
6: end if
7: Evaluate  $f_{mid} \leftarrow$  *function( $x_2$ ; param) .
8: if  $f_{mid} = 0$  then
9:   return  $rtb = x_2$  .
10: end if
11: Evaluate  $f \leftarrow$  *function( $x_1$ ; param) .
12: if  $f \geq 0$  then
13:   return  $rtb = x_1$  .
14: end if
15: while  $f * f_{mid} > 0$  do
16:   Set  $x_1 \leftarrow x_2$  .
17:   Update  $x_2 \leftarrow 2x_2$  .
18:   if  $x_2$  overflows then ▷ Protect from infinite looping.
19:     return  $rtb = \text{SYSMIS}$  .
20:   end if
21:   Set  $f \leftarrow f_{mid}$  .
22:   Evaluate  $f_{mid} \leftarrow$  *function( $x_2$ ; param) .
23:   if  $f_{mid} = 0$  then
24:     return  $rtb = x_2$  .
25:   end if
26: end while
27: Let  $rtb \leftarrow x_1$  .
28: Assign  $\delta_x \leftarrow x_2 - x_1$  .
29: for iteration  $j = 1, 2, 3, \dots$  do
30:   Update  $\delta_x \leftarrow 0.5 \delta_x$  .
31:   Update  $x_{mid} \leftarrow rtb + \delta_x$  .
32:   Evaluate  $f_{mid} \leftarrow$  *function( $x_{mid}$ ; param) .
33:   if  $f_{mid} \leq 0$  then
34:     Set  $rtb \leftarrow x_{mid}$  .
35:   end if
36:   if  $|\delta_x| < acc$  or  $f_{mid} = 0$  then
37:     return  $rtb$ .
38:   end if
39: end for
40: return

```

---

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# POWER UNIVARIATE LINEAR Algorithms

## Introduction

Univariate linear regression is a basic and standard statistical approach in which researchers use the values of several variables to explain or predict values of a scale outcome. In this document, we present the method to estimate the power of the type III  $F$ -test in univariate multiple linear regression models. With the effect size represented by multiple (partial) correlations, we discuss the approaches for both fixed and random predictors. For the fixed predictors, the power estimation is based on the noncentral  $F$ -distribution. For the random predictors, we assume that the target variable and these predictors jointly follow a multivariate normal distribution, and estimate the power based on the distribution of the sample multiple correlation coefficient. Numerical methods are used to control the truncation error.

## Notations and Settings

The following notations are used in the later sections.

- $Y$ : The univariate target variable in the regression model.
- $X$ : The testing set of the predictors.
- $X^-$ : The controlling set of the predictors.
- $\rho$ : The population multiple (partial) correlation coefficient to be tested.
- $R$ : The observed sample multiple (partial) correlation coefficient, which is the standard estimator of  $\rho$ .
- $p$ : The total number of the predictors in the linear regression model, not including the intercept term, and  $p \geq 1$ , which is a fixed integer.
- $p_1$ : The number of predictors formulated in the statistical hypotheses, that is, we desire to test  $p_1$  parameters all equal to 0, adjusting the other  $(p - p_1)$  predictors already contained in the model. It must satisfy that  $1 \leq p_1 \leq p$ , and  $p_1$  is a fixed integer.
- $N$ : The sample size in the linear regression model which is a fixed positive integer. The minimum valid  $N$  required for the procedure will be discussed later in this section.
- $\alpha$ : The significance level to reflect the type I error rate, and  $\alpha \in (0, 1)$ .

Considering a linear regression model for  $N$  observations with  $p$  predictors, we desire to test that the  $p_1$  regression parameters in  $X$  all equal to 0 by controlling for the other  $(p - p_1)$  variables in  $X^-$ . The statistical hypotheses may be formulated in one of the following two ways, either in terms of the multiple partial correlation coefficient

$$H_0 : \rho_{YX|X^-} = 0 \quad \text{versus} \quad H_a : \rho_{YX|X^-} \neq 0 \quad , \quad (0.0.1)$$

where  $\rho_{YX|X^-}$  denotes the multiple partial correlation coefficient between  $Y$  and  $X$  adjusting for  $X^-$ , or in terms of

$$H_0 : \rho_{Y|XX^-}^2 = \rho_{Y|X^-}^2 \quad \text{versus} \quad H_a : \rho_{Y|XX^-}^2 \neq \rho_{Y|X^-}^2 \quad , \quad (0.0.2)$$

where  $\rho_{Y|XX^-}^2$  and  $\rho_{Y|X^-}^2$  are the squared multiple correlation coefficients in the full and nested models, respectively.

To estimate the power, users are required to specify the values for  $N$ ,  $p$ ,  $p_1$ ,  $\alpha$ , and either the alternative hypothesized value of  $\rho_{YX|X^-}$  or two squared  $\rho_{Y|XX^-}^2$  and  $\rho_{Y|X^-}^2$  for full and nested models, respectively. Additional settings are also required with regard to

- Whether or not the intercept term is included.
- If the intercept term is included, it must satisfy that  $N \geq p + 2$ . Otherwise, it must satisfy that  $N \geq p + 1$ .
- Whether the predictors are assumed to be fixed or random.
- If  $\rho_{YX|X^-}$  is specified, it must satisfy that  $-1 < \rho_{YX|X^-} < 1$ .

- If  $\rho_{Y|X}^2$  and  $\rho_{Y|X-}^2$  are specified, it must satisfy that  $0 < \rho_{Y|X-}^2 \leq \rho_{Y|X}^2 < 1$ .
- If the hypothesis is formulated by Equation (0.0.1), it must satisfy that  $1 \leq p_1 \leq p$ .
- If the hypothesis is formulated by Equation (0.0.2), it must satisfy that  $1 \leq p_1 < p$ .

Note that the default settings are that  $\alpha = 0.05$ , the intercept term is included, and the predictors are assumed to have fixed values.

## Power Analysis of Univariate Linear Regression

In this section, we discuss the methodologies to estimate the power of the type III  $F$ -test under different scenarios. Under the null hypothesis, the test statistic follows a standard  $F$ -distribution, and the critical value is therefore<sup>1</sup>

$$F^* = \text{IDF.F}(1 - \alpha, u, v), \quad (0.0.3)$$

where

$$u = p_1 \quad \text{and} \quad v = \begin{cases} N - 1 - p & \text{with the intercept term} \\ N - p & \text{otherwise} \end{cases}. \quad (0.0.4)$$

### $F$ -test with Fixed Predictors

If the predictors are assumed to be fixed, under the alternative hypothesis, the test statistic follows a noncentral  $F$ -distribution with the same numerator and denominator degrees of freedom as in Equation (0.0.4). The noncentrality parameter is computed by<sup>2</sup>

$$\lambda = N \frac{\rho_{Y|X}^2}{1 - \rho_{Y|X-}^2} = N \frac{\rho_{Y|X}^2 - \rho_{Y|X-}^2}{1 - \rho_{Y|X-}^2}. \quad (0.0.5)$$

Thus, the power for the type III  $F$ -test with the fixed predictors can be estimated by<sup>3</sup>

$$\Omega = 1 - \text{NCDF.F}(F^*, u, v, \lambda), \quad (0.0.6)$$

where  $F^*$ ,  $u$ ,  $v$ , and  $\lambda$  are computed by Equation (0.0.3), (0.0.4), and (0.0.5), respectively.

### $F$ -test with Random Predictors

[Gatsonis and Sampson, 1989] argued that the random assumption should be preferred due to the fact that the values of the independent variables cannot usually be prespecified in power analysis. In this section, we assumed that the  $p$  random predictors and  $Y$  jointly follow a  $(p + 1)$ -dimensional multivariate normal distribution. To estimate the power, we start from the type III  $F$ -test statistic

$$F = \frac{(R_{Y|X}^2 - R_{Y|X-}^2)/u}{(1 - R_{Y|X}^2)/v} = \frac{R_{Y|X}^2/u}{(1 - R_{Y|X}^2)/v}, \quad (0.0.7)$$

where  $u$  and  $v$  are computed by Equation (0.0.4),  $R^2$  is the squared sample multiple (partial) correlation coefficient, and

$$R_{Y|X}^2 = \frac{R_{Y|X}^2 - R_{Y|X-}^2}{1 - R_{Y|X-}^2}. \quad (0.0.8)$$

<sup>1</sup>  $\text{IDF.F}(prob, df_1, df_2)$  returns the value from the  $F$ -distribution, with the specified numerator and denominator degrees of freedom  $df_1$  and  $df_2$ , respectively, for which the cumulative probability is  $prob$ .

<sup>2</sup> Instead of using  $N$  as a multiplier in Equation (0.0.5), there is an alternative choice of  $(N - p + p_1)$ . However, as noted by [Maxwell, 2000], the difference would be slight unless  $N$  is very small, which rarely occurs in practice.

<sup>3</sup>  $\text{NCDF.F}(quant, df_1, df_2, \lambda)$  returns the cumulative probability that a value from the noncentral  $F$ -distribution, with the specified numerator and denominator degrees of freedom  $df_1$  and  $df_2$ , respectively, and the noncentrality parameter  $\lambda$ , will be less than or equal to  $quant$ .

Under the alternative hypothesis, the exact power estimation formula is

$$\Omega = \mathbb{P}(F \geq F^* \mid H_a) = \mathbb{P}\left(\frac{R_{YX|X^-}^2/u}{(1 - R_{YX|X^-}^2)/v} \geq F^* \mid H_a\right) = \mathbb{P}\left(R_{YX|X^-}^2 \geq \frac{uF^*}{uF^* + v} \mid H_a\right), \quad (0.0.9)$$

where  $F^*$  is computed by Equation (0.0.3). By defining

$$R_0^* = \frac{uF^*}{uF^* + v}, \quad (0.0.10)$$

we can rewrite Equation (0.0.9) to

$$\Omega = \mathbb{P}\left(R_{YX|X^-}^2 \geq R_0^* \mid H_a\right). \quad (0.0.11)$$

To numerically estimate Equation (0.0.9), we have to consider the distribution of  $R^2$ . According to the probability density function of  $R^2$  proposed by [Fisher, 1928], [Lee, 1972] took the integration and suggested a computationally effective form which can also be applied to the squared sample multiple partial correlation coefficient by computing

$$\begin{aligned} \mathbb{P}\left(R_{YX|X^-}^2 \leq R_0^*\right) &= [B(1; u/2, v/2)]^{-1} \left(1 - \rho_{YX|X^-}^2\right)^{w/2} \sum_{k=0}^{\infty} C(k) \\ &= \frac{\Gamma(u/2 + v/2)}{\Gamma(u/2)\Gamma(v/2)} \left(1 - \rho_{YX|X^-}^2\right)^{w/2} \sum_{k=0}^{\infty} C(k), \end{aligned} \quad (0.0.12)$$

where  $u$  and  $v$  are defined by Equation (0.0.4);

$$w = \begin{cases} N - 1 - (p - p_1) & \text{with the intercept term} \\ N - (p - p_1) & \text{otherwise} \end{cases}; \quad (0.0.13)$$

$B(\cdot)$  denotes the incomplete beta function;  $\Gamma(\cdot)$  denotes the gamma function; and<sup>4</sup>

$$\begin{aligned} C(k) &= \left[\left(\frac{w}{2}\right)_k\right]^2 (\rho_{YX|X^-}^2)^k B(R_0^*; u/2 + k, v/2) \left[\left(\frac{u}{2}\right)_k k!\right]^{-1} \\ &= \left[\left(\frac{w}{2}\right)_k\right]^2 (\rho_{YX|X^-}^2)^k \frac{\Gamma(u/2 + k)\Gamma(v/2)}{\Gamma(u/2 + k + v/2)} \text{CDF.BETA}(R_0^*, u/2 + k, v/2) \left[\left(\frac{u}{2}\right)_k k!\right]^{-1}, \end{aligned} \quad (0.0.14)$$

where we define

$$(t)_j = \begin{cases} 1 & \text{when } j = 0 \\ \prod_{i=t}^{t+j-1} i & \text{for all the other integers when } j > 0 \end{cases}. \quad (0.0.15)$$

Note that the series  $\sum_{k=0}^{\infty} C(k)$  is summed up to the  $k$ -th term. In practice, we need to determine an appropriate upper limit of  $k$  to ensure the precision of the power estimation by controlling the potential overflow or underflow issues. To achieve this, we further define a constant,

$$\text{logCONST} = \log \Gamma(u/2 + v/2) - \log \Gamma(u/2) - \log \Gamma(v/2) + \frac{w}{2} \log \left(1 - \rho_{YX|X^-}^2\right), \quad (0.0.16)$$

where  $u$  and  $v$  are defined by Equation (0.0.4), and  $w$  is estimated by (0.0.13). We then follow the discussions of the unconditional analysis in [Gatsonis and Sampson, 1989], and find the desired  $k$  to approximate the cumulative probability in Equation (0.0.12). By noting that  $k$  follows a negative binomial distribution, we summarize the implementation details in Algorithm 1, which will return  $\Omega$  via estimating  $\sum_{k=0}^{\infty} C(k)$ . Thus, Equation (0.0.12) can be rewritten by

$$\log \mathbb{P}\left(R_{YX|X^-}^2 \leq R_0^*\right) = \text{logCONST} + \log(\text{sumCk}) + \text{adjust} * \text{OVERFLOW}, \quad (0.0.17)$$

<sup>4</sup> CDF.BETA(*quant*, *shape1*, *shape2*) returns the cumulative probability that a value from the Beta distribution, with the given *shape1* and *shape2* parameters, will be less than *quant*.

---

**Algorithm 1** EstCseries Routine: Compute the power via estimating the series  $\sum_{k=0}^{\infty} C(k)$  while controlling the potential overflow or underflow issues.

---

```

1: Input:  $N$ ,  $\rho_{Y|X|X^-}^2$ ,  $u$ ,  $v$ ,  $w$ , and  $R_0^*$  .
2: Create a dummy variable dum  $\leftarrow$  FALSE .
3: Let OVERFLOW  $\leftarrow$   $\epsilon^+$  .  $\triangleright$   $\epsilon^+$  is the truncated log-transformed largest double value, or 709.
4: Compute mode  $\leftarrow$   $\rho_{Y|X|X^-}^2(w/2 - 1)/(1 - \rho_{Y|X|X^-}^2)$  .
5: Initiate  $\log C(0) \leftarrow \log \Gamma(u/2) + \log \Gamma(v/2) - \log \Gamma(u/2 + v/2) + \log \text{CDF.BETA}(R_0^*, u/2, v/2)$  .
6: Create an empty set S to hold numeric values .
7: Assign  $\mathbf{s}_1 \leftarrow \log C(0)$ , which is the first component of S .
8: for iteration  $k = 1, 2, 3, \dots$  do
9:   Evaluate  $\log C(k)$  based on Equation (0.0.19) .
10:  Assign  $\mathbf{s}_{k+1} \leftarrow \log C(k)$ , which is the  $(k + 1)$ -th component of S .
11:  Compute negB  $\leftarrow \log \{ \text{dnbinom}(k, w/2, 1 - \rho_{Y|X|X^-}^2) \}$  .  $\triangleright$  Negative binomial PMF in R notation.
12:  if  $k > \text{mode}$  then
13:    if negB  $< \epsilon^-$  then  $\triangleright \epsilon^-$  is the log-transformed smallest double value, or -708.3964.
14:      Set dum  $\leftarrow$  TRUE .
15:    end if
16:  end if
17:  if dum then
18:    Break and abort the for loop.
19:  end if
20: end for
21: Let  $\mathbf{m} \leftarrow \max \{ \mathbf{S} \}$  .
22: Estimate adjust  $\leftarrow \lfloor \mathbf{m} / \text{OVERFLOW} \rfloor$  .
23: Scale  $\mathbf{S}' \leftarrow \mathbf{S} - \text{adjust} * \text{OVERFLOW}$  .
24: Compute sumCk  $\leftarrow \sum_k \exp(\mathbf{S}')$  .
25: Estimate logConst based on Equation (0.0.16) .
26: Estimate  $\log \mathbb{P}(R_{Y|X|X^-}^2 \leq R_0^*)$  by using Equation (0.0.17).
27: Compute  $\Omega$  by using Equation (0.0.18).
28: return  $\Omega$ 

```

---

where **logCONST** is calculated by Equation (0.0.16); **OVERFLOW**, **adjust**, and **sumCk** are defined or estimated by Line (3), (22), and (24), respectively, in Algorithm (1). The desired power in Equation (0.0.9) is simply

$$\Omega = 1 - \exp \left[ \log \mathbb{P} \left( R_{Y|X|X^-}^2 \leq R_0^* \right) \right], \quad (0.0.18)$$

where the last term is computed by Equation (0.0.17). The following equations give the logarithm of some of the quantities aforementioned which may be used in implementation:

$$\begin{aligned} \log C(k) &= 2 \log \left( \frac{w}{2} \right)_k + k \log \rho_{Y|X|X^-}^2 + \log \Gamma(u/2 + k) + \log \Gamma(v/2) - \log \Gamma(u/2 + k + v/2) \\ &\quad + \log \text{CDF.BETA}(R_0^*, u/2 + k, v/2) - \log \left( \frac{u}{2} \right)_k - \sum_{i=1}^k \log i \end{aligned} \quad (0.0.19)$$

and

$$\log(t)_j = \begin{cases} 0 & \text{when } j = 0 \\ \sum_{i=t}^{t+j-1} \log i & \text{for all the other integers when } j > 0 \end{cases} . \quad (0.0.20)$$

Note that if the squared correlation coefficients for full and nested models are specified, we first convert them into the squared multiple partial correlation parameter by

$$\rho_{Y|X|X^-}^2 = \frac{\rho_{Y|XX^-}^2 - \rho_{Y|X^-}^2}{1 - \rho_{Y|X^-}^2}, \quad (0.0.21)$$

and then compute the power by following the estimation procedure starting from Equation (0.0.12).

## Appendices

We discuss the method to reversely solve for the sample size given the user-supplied power values with all the other parameters already specified in the procedure. The following notations are used in this section.

$\omega_0$ : The user-supplied power value which is one of the test assumptions, and  $0 < \omega_0 < 1$ .

$\Omega_0$ : The actual power the test reaches.

$N_0$ : The least sample size that is required to reach  $\Omega_0$ .

To numerically estimate  $N_0$ , we apply the RTBIS Routine, demonstrated by Algorithm (2), to a given power function under certain conditions. Here we give some implementation notes.

---

**Algorithm 2** RTBIS Routine: Using bisection to estimate the sample size  $N_0$  which is the smallest integer greater than the root `rtb` of a given power function.

---

```
1: Input: *function(N; param),  $x_2 = p + 400$ ,  $acc = 10^{-9}$ . ▷ N: Sample size to be estimated.
2: if The intercept term is included then
3:   Input:  $x_1 = p + 2$ .
4: else
5:   Input:  $x_1 = p + 1$ .
6: end if
7: Evaluate  $f_{mid} \leftarrow *function(x_2; param)$  . ▷ param: All the other parameters specified.
8: if  $f_{mid} = 0$  then
9:   return  $rtb = x_2$  .
10: end if
11: Evaluate  $f \leftarrow *function(x_1; param)$  .
12: if  $f \geq 0$  then
13:   return  $rtb = x_1$  .
14: end if
15: while  $f * f_{mid} > 0$  do
16:   Set  $x_1 \leftarrow x_2$  .
17:   Update  $x_2 \leftarrow 2x_2$  .
18:   if  $x_2$  overflows then ▷ Protect from infinite looping.
19:     return  $rtb = SYSMIS$  .
20:   end if
21:   Set  $f \leftarrow f_{mid}$  .
22:   Evaluate  $f_{mid} \leftarrow *function(x_2; param)$  .
23:   if  $f_{mid} = 0$  then
24:     return  $rtb = x_2$  .
25:   end if
26: end while
27: Let  $rtb \leftarrow x_1$  .
28: Assign  $\delta_x \leftarrow x_2 - x_1$  .
29: for iteration  $j = 1, 2, 3, \dots$  do
30:   Update  $\delta_x \leftarrow 0.5 \delta_x$  .
31:   Update  $x_{mid} \leftarrow rtb + \delta_x$  .
32:   Evaluate  $f_{mid} \leftarrow *function(x_{mid}; param)$  .
33:   if  $f_{mid} \leq 0$  then
34:     Set  $rtb \leftarrow x_{mid}$  .
35:   end if
36:   if  $|\delta_x| < acc$  or  $f_{mid} = 0$  then
37:     return  $rtb$ .
38:   end if
39: end for
40: return .
```

---

- The input function `*function` denotes the power function we desire to solve in terms of the sample size. Its form depends on the test conditions, and will be discussed in later sections.
- We let  $x_1$  and  $x_2$  denote the sample size in the routine.
- The arguments of the power function `*function` include the sample size, either  $x_1$  or  $x_2$ , and the other parameters specified by users all combined in `param` depending on the test conditions.

### F-test with Fixed Predictors

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , we construct `*function` based on Equation (0.0.6)

$$\text{*function}(N; \text{param}) = 1 - \text{NCDF.F}(F^*, u, v, \lambda) - \omega_0, \tag{.0.22}$$

and feed it to Algorithm (2) to solve for  $N = \text{rtb}$ . We then set  $N_0 = \lceil \text{rtb} \rceil$ , and follow Equation (0.0.3)-(0.0.6) by replacing  $N$  with  $N_0$  to solve for  $\Omega_0$ .

### F-test with Random Predictors

Given  $\omega_0$  as well as the other parameters and statistics as discussed in Section , we construct `*function` based on Equation (0.0.18)

$$\text{*function}(N; \text{param}) = 1 - \exp \left[ \log \mathbb{P} \left( R_{YX|X^-}^2 \leq R_0^* \right) \right] - \omega_0, \tag{.0.23}$$

and feed it to Algorithm (2) to solve for  $N = \text{rtb}$ . We then set  $N_0 = \lceil \text{rtb} \rceil$ , and follow Equation (0.0.7)-(0.0.18) by replacing  $N$  with  $N_0$  to solve for  $\Omega_0$ .

### Power Analysis Table

When  $\omega_0$  is specified as well as the multiple partial correlation coefficient, we output Table 1 instead of Table ???. Depending on whether the predictors are assumed to be fixed or random in Section and , N is estimated

**Power Analysis Table**

	N	Actual	Predictors		Test Assumptions		
		Power <sup>b</sup>	Total	Test	Power	Partial <sup>c</sup>	Sig.
Type III <i>F</i> -test <sup>a</sup>	203	.801	8	3	.800	0.206	0.05

a. Intercept term is included.

b. Predictors are assumed to be random.

c. Multiple partial correlation coefficient.

Table 1: Estimate Sample Size with Specified Multiple Partial Correlation

by  $N_0$ , and Actual Power is estimated by  $\Omega_0$ . Power is  $\omega_0$  specified by users. All the other table settings are the same as Table 1.

When  $\omega_0$  is specified as well as the squared multiple correlation coefficients for the full and nested models, we output Table 2 instead of Table ??. Depending on whether the predictors are assumed to be fixed or random in Section and , N is estimated by  $N_0$ , and Actual Power is estimated by  $\Omega_0$ . Power is  $\omega_0$  specified by users. All the other table settings are the same as Table ??.

**Power Analysis Table**

	N	Actual	Predictors		Test Assumptions			
		Power <sup>b</sup>	Full	Nested	Power	Full <sup>c</sup>	Nested <sup>d</sup>	Sig.
Type III <i>F</i> -test <sup>a</sup>	203	.801	8	3	.800	0.65	0.63	0.05

a. Intercept term is not included.

b. Predictors are assumed to be fixed.

c. Squared multiple correlation coefficient in full model.

d. Squared multiple correlation coefficient in nested model.

Table 2: Estimate Sample Size with Specified Multiple Correlations for Full and Nested Models

# Bibliography

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# PLOT Algorithms

PLOT produces probability plots of one or more sequence or time series variables. The variables can be standardized, differenced, and/or transformed before plotting. Expected normal values or deviations from expected normal values can be plotted. PLOT can be used to investigate whether the data are from a specified distribution: normal, lognormal, logistic, exponential, Weibull, gamma, beta, uniform, Pareto, Laplace, half normal, chi-square and Student's  $t$ .

## Notation

The following notation is used throughout this section unless otherwise stated:

Table 78-1

Notation

Notation	Description
$\bar{X}$	Sample mean
$S$	Sample standard deviation
$\overline{LX}$	Sample mean for $\ln(x_i)$
$LS$	Sample standard deviation for $\ln(x_i)$
$x_i$	Value of the $i$ th observation
$x_{(i)}$	The $i$ th smallest observation
$R_i$	Corresponding rank for $x_i$
$n$	Sample size
$fr_{dist}(x_i)$	Fractional rank of $x_i$ for the specified distribution function
$a_{dist}(x_i)$	Score for the specified distribution function
$\alpha$	Location parameter
$\beta$	Scale parameter
$\gamma$	Shape parameter
$\nu$	Degrees of freedom

## Fractional Ranks

Based on the rank  $R_i$  for the observation  $x_i$ , the fractional rank  $fr_{dist}(x_i)$  is computed and used to estimate the expected cumulative distribution function of  $X$ . One of four methods can be selected to calculate the fractional rank  $fr_{dist}(x_i)$ :

$$fr_{dist}(x_i) = \begin{cases} (R_i - \frac{3}{8}) / (n + \frac{1}{4}) & \text{Blom} \\ (R_i - \frac{1}{2}) / n & \text{Rankit} \\ (R_i - \frac{1}{3}) / (n + \frac{1}{3}) & \text{Tukey} \\ R_i / (n + 1) & \text{VanderWaerden} \end{cases}$$

## Scores

The score of the specified distribution for case  $i$  is defined as

$$a_{dist}(x_i) = F_{dist}^{-1}(fr_{dist}(x_i)) \quad i = 1, \dots, n$$

where  $F_{dist}$  is the inverse cumulative specified distribution function.

## P-P Plot

For a P-P plot, the fractional rank and the cumulative specified distribution function  $F_{dist}$  are plotted:

$$(fr_{dist}(x_i), F_{dist}(x_i)) \quad i = 1, \dots, n$$

## Q-Q Plot

For a Q-Q plot, the observations and the score for the specified distribution function are plotted.

$$(x_i, a_{dist}(x_i)) \quad i = 1, \dots, n$$

## Distributions

The distributions and their parameters are listed below. Parameters may be either specified by users or estimated from the data. Any parameter values specified by the user should satisfy the conditions indicated.

Table 78-2  
Distributions

Distribution	Description
Beta( $\beta_1, \beta_2$ )	$\beta_1 (> 0)$ and $\beta_2 (> 0)$ are shape parameters.
Chi-square( $\nu$ )	$\nu (> 0)$ is the degrees of freedom.
Exponential( $\beta$ )	$\beta (> 0)$ is a scale parameter.
Gamma( $\gamma, \beta$ )	$\gamma (> 0)$ is a shape parameter and $\beta (> 0)$ is the scale parameter.
Half Normal( $\beta$ )	$\beta (> 0)$ is a scale parameter and the location parameter is 0.
Laplace( $\alpha, \beta$ )	$\alpha$ is the location parameter and $\beta (> 0)$ is the scale parameter.
Logistic( $\alpha, \beta$ )	$\alpha$ is the location parameter and $\beta (> 0)$ is the scale parameter.
Lognormal( $\beta, \gamma$ )	$\beta (> 0)$ is a scale parameter and $\gamma (> 0)$ is a shape parameter.
Normal( $\alpha, \beta$ )	$\alpha$ is the location parameter and $\beta (> 0)$ is the scale parameter.
Pareto( $\beta, b$ );	$\beta (> 0)$ is scale parameter and $b (> 0)$ is an index of inequality.
Student's $t(\nu)$	$\nu (> 0)$ is the degrees of freedom specified by the user.
Uniform( $a, b$ )	$a$ is a lower bound and $b$ is an upper bound.
Weibull( $\beta, \gamma$ )	$\beta (> 0)$ is a scale parameter and $\gamma (> 0)$ is a shape parameter.

## Estimates of the Parameters

The estimates for parameters for each distribution are defined below.

Table 78-3

Parameter estimates for distributions

Distribution	Description	Parameter type
Beta ( $\beta_1, \beta_2$ )	$\hat{\beta}_1 = \bar{X} \left\{ \frac{\bar{X}(1-\bar{X})}{S^2} - 1 \right\}$	shape parameter
	$\hat{\beta}_2 = (1 - \bar{X}) \left\{ \frac{\bar{X}(1-\bar{X})}{S^2} - 1 \right\}$	shape parameter
Chi-square( $\nu$ )	$\nu$ is the degrees of freedom specified by the user.	
Exponential( $\beta$ )	$\hat{\beta} = \frac{1}{\bar{X}}$	scale parameter
Gamma ( $\gamma, \beta$ )	$\hat{\gamma} = \frac{\bar{X}^2}{S^2}$	shape parameter
	$\hat{\beta} = \frac{\bar{X}}{S^2}$	scale parameter
Half Normal( $\beta$ )	$\hat{\beta} = \sqrt{x_1^2 + \dots + x_n^2}$	scale parameter
Laplace( $\alpha, \beta$ )	$\hat{\alpha} = \bar{X}$	location parameter
	$\hat{\beta} = \sqrt{\frac{S^2}{2}}$	scale parameter
Logistic( $\alpha, \beta$ )	$\hat{\alpha} = \bar{X}$	location parameter
	$\hat{\beta} = \sqrt{3} \left( \frac{S}{\pi} \right), \pi = 3.1415927$	scale parameter
Lognormal	$\hat{\beta} = \exp(L\bar{X})$	scale parameter
	$\hat{\gamma} = LS$	shape parameter
Normal( $\alpha, \beta$ )	$\hat{\alpha} = \bar{X}$	location parameter
	$\hat{\beta} = S$	scale parameter
Pareto( $\beta, b$ );	$\hat{\beta} = \min \{x_1, \dots, x_n\}$	scale parameter
	$\hat{b} = \frac{1}{L\bar{X} - \ln(\hat{\beta})}$	index of inequality
Student's $t(\nu)$	$\nu$ is the degrees of freedom specified by the user.	
Uniform( $a, b$ )	$\hat{a} = \min \{x_1, \dots, x_n\}$	lowerbound
	$\hat{b} = \max \{x_1, \dots, x_n\}$	upperbound
Weibull( $\beta, \gamma$ )	$\hat{\beta} = \frac{\sum_{i=1}^n U_i Y_i - n\bar{U}\bar{Y}}{\sum_{i=1}^n (U_i - \bar{U})^2}$	scale parameter

Distribution	Description	Parameter type
	$\hat{\gamma} = \exp \left( - \left( \left( \bar{Y} - \hat{\beta} \bar{U} \right) / \hat{\beta} \right) \right)$ where $Y_i = \ln(-\ln(1 - fr_{dist}(x_i)))$ and $U_i = \ln(x_i)$	shapeparameter

## References

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# PRINCALS Algorithms

The PRINCALS algorithm was first described in Van Rijckeversel and De Leeuw (1979) and De Leeuw and Van Rijckeversel (1980); also see Gifi (1981, 1985). Characteristic features of PRINCALS are the ability to specify any of a number of measurement levels for each variable separately and the treatment of missing values by setting weights in the loss function equal to 0.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$n$	Number of cases (objects)
$m$	Number of variables
$p$	Number of dimensions

For variable  $j$ ;  $j = 1, \dots, m$

$h_j$	$n$ -vector with categorical observations
$k_j$	Number of valid categories (distinct values) of variable $j$
$\mathbf{G}_j$	Indicator matrix for variable $j$ , of order $n \times k_j$

$$g_{(j)ir} = \begin{cases} 1 & \text{when the } i\text{th object is in the } r\text{th category of variable } j \\ 0 & \text{when the } i\text{th object is not in the } r\text{th category of variable } j \end{cases}$$

$\mathbf{D}_j$	Diagonal matrix, containing the univariate marginals; that is, the column sums of $\mathbf{G}_j$
$\mathbf{M}_j$	Binary diagonal $n \times n$ matrix, with diagonal elements defined as

$$m_{(j)ii} = \begin{cases} 1 & \text{when the } i\text{th observation is within the range } [1, k_j] \\ 0 & \text{when the } i\text{th observation outside the range } [1, k_j] \end{cases}$$

The quantification matrices and parameter vectors are:

$\mathbf{X}$	Object scores, of order $n \times p$
$\mathbf{Y}_j$	Multiple category quantifications, of order $k_j \times p$
$y_j$	Single category quantifications, of order $k_j$
$\mathbf{a}_j$	Variable weights (equal to component loadings), of order $p$
$\mathbf{Q}$	Transformed data matrix of order $n \times m$ with columns $\mathbf{q}_j = \mathbf{G}_j \mathbf{y}_j$
$\mathbf{Y}$	Collection of multiple and single category quantifications.

*Note:* The matrices  $\mathbf{G}_j$ ,  $\mathbf{M}_j$ , and  $\mathbf{D}_j$  are exclusively notational devices; they are stored in reduced form, and the program fully profits from their sparseness by replacing matrix multiplications with selective accumulation.

## Objective Function Optimization

The PRINCALS objective is to find object scores  $\mathbf{X}$  and a set of  $\underline{\mathbf{Y}}_j$  (for  $j=1, \dots, m$ ) — the underlining indicates that they may be restricted in various ways — so that the function

$$\sigma(\mathbf{X}; \underline{\mathbf{Y}}) = 1/m \sum_j \text{tr} \left( (\mathbf{X} - \mathbf{G}_j \underline{\mathbf{Y}}_j)' \mathbf{M}_j (\mathbf{X} - \mathbf{G}_j \underline{\mathbf{Y}}_j) \right)$$

is minimal, under the normalization restriction  $\mathbf{X}' \mathbf{M}_* \mathbf{X} = mn \mathbf{I}$  where  $\mathbf{M}_* = \sum_j \mathbf{M}_j$  and  $\mathbf{I}$  is the  $p \times p$  identity matrix. The inclusion of  $\mathbf{M}_j$  in  $\sigma(\mathbf{X}; \underline{\mathbf{Y}})$  ensures that there is no influence of data values outside the range  $[1, k_j]$ , a circumstance that may indicate either genuine missing values or simulated missing values for the sake of analysis.  $\mathbf{M}_*$  contains the number of “active” data values for each object. The object scores are also centered; that is, they satisfy  $\mathbf{u}' \mathbf{M}_* \mathbf{W} \mathbf{X} = \mathbf{0}$  with  $\mathbf{u}$  denoting an  $n$ -vector with ones.

## Optimal Scaling Levels

The following optimal scaling levels are distinguished in PRINCALS:

**Multiple Nominal.**  $\underline{\mathbf{Y}}_j = \mathbf{Y}_j$  (equality restriction only).

**(Single) Nominal.**  $\underline{\mathbf{Y}}_j = \mathbf{y}_j \mathbf{a}'_j$  (equality and rank – one restrictions).

**(Single) Ordinal.**  $\underline{\mathbf{Y}}_j = \mathbf{y}_j \mathbf{a}'_j$  and  $\mathbf{y}_j \in \mathbf{C}_j$  (equality, rank – one, and monotonicity restrictions). The monotonicity restriction  $\mathbf{y}_j \in \mathbf{C}_j$  means that  $\mathbf{y}_j$  must be located in the convex cone of all  $k_j$ -vectors with nondecreasing elements.

**(Single) Numerical.**  $\underline{\mathbf{Y}}_j = \mathbf{y}_j \mathbf{a}'_j$  and  $\mathbf{y}_j \in \mathbf{L}_j$  (equality, rank – one, and linearity restrictions). The linearity restriction  $\mathbf{y}_j \in \mathbf{L}_j$  means that  $\mathbf{y}_j$  must be located in the subspace of all  $k_j$ -vectors that are a linear transformation of the vector consisting of  $k_j$  successive integers.

For each variable, these levels can be chosen independently. The general requirement for all options is that equal category indicators receive equal quantifications. The general requirement for the non-multiple options is  $\underline{\mathbf{Y}}_j = \mathbf{y}_j \mathbf{a}'_j$ ; that is,  $\underline{\mathbf{Y}}_j$  is of rank one; for identification purposes,  $\mathbf{y}_j$  is always normalized so that  $\mathbf{y}'_j \mathbf{D}_j \mathbf{y}_j = n_w$ .

## Optimization

Optimization is achieved by executing the following iteration scheme:

1. Initialization I or II
2. Update object scores
3. Orthonormalization
4. Update category quantifications
5. Convergence test: repeat (2) through (4) or continue

## 6. Rotation

Steps (1) through (6) are explained below.

**Initialization**

## I. Random

The object scores  $\mathbf{X}$  are initialized with random numbers. Then  $\mathbf{X}$  is normalized so that  $\mathbf{u}'\mathbf{M}_*\mathbf{W}\mathbf{X} = \mathbf{0}$  and  $\mathbf{X}'\mathbf{M}_*\mathbf{X} = mn\mathbf{I}$ , yielding  $\tilde{\mathbf{X}}$ . For multiple variables, the initial category quantifications are obtained as  $\tilde{\mathbf{Y}}_j = \mathbf{D}_j^{-1}\mathbf{G}'_j\tilde{\mathbf{X}}$ . For single variables, the initial category quantifications  $\tilde{y}_j$  are defined as the first  $k_j$  successive integers normalized in such a way that  $\mathbf{u}'\mathbf{D}_j\tilde{y}_j = 0$  and  $\tilde{y}_j\mathbf{D}_j\tilde{y}_j = n$ , and the initial variable weights are calculated as the vector  $\tilde{\mathbf{a}}_j = \tilde{\mathbf{X}}'\mathbf{G}_j\tilde{y}_j$ , rescaled to unit length.

II. All relevant quantities are copied from the results of the first cycle.

**Update object scores**

First the auxiliary score matrix  $\mathbf{Z}$  is computed as

$$\mathbf{Z} \leftarrow \sum_j \mathbf{M}_j \mathbf{G}_j \tilde{\mathbf{Y}}_j$$

and centered with respect to  $\mathbf{M}_*$ :

$$\tilde{\mathbf{Z}} \leftarrow \left\{ \mathbf{M}_* - \left( \mathbf{M}_* \mathbf{u} \mathbf{u}' \mathbf{M}_* / \mathbf{u}' \mathbf{M}_* \mathbf{u} \right) \right\} \mathbf{Z}$$

These two steps yield locally the best updates when there would be no orthogonality constraints.

**Orthonormalization**

The problem is to find an  $\mathbf{M}_*$ -orthonormal  $\mathbf{X}^+$  that is closest to  $\tilde{\mathbf{Z}}$  in the least squares sense. In PRINCALS, this is done by setting

$$\mathbf{X}^+ \leftarrow m^{1/2} \mathbf{M}_*^{-1/2} \text{GRAM} \left( \mathbf{M}_*^{-1/2} \tilde{\mathbf{Z}} \right)$$

which is equal to the genuine least squares estimate up to a rotation—see (6). The notation  $\text{GRAM}(\cdot)$  is used to denote the Gram-Schmidt transformation (Björk and Golub, 1973).

**Update category quantifications**

For multiple nominal variables, the new category quantifications are computed as:

$$\mathbf{Y}_j^+ = \mathbf{D}_j^{-1} \mathbf{G}'_j \tilde{\mathbf{X}}$$

For single variables one cycle of an ALS algorithm (De Leeuw et al., 1976) is executed for computing the rank-one decomposition of  $\tilde{\mathbf{Y}}_j$  with restrictions on the left-hand vector. This cycle starts from the previous category quantification  $\tilde{y}_j$  with

$$\mathbf{a}_j^+ = \tilde{\mathbf{Y}}_j' \mathbf{D}_j \tilde{\mathbf{y}}_j$$

When the current variable is numerical, we are ready; otherwise we compute

$$\mathbf{y}_j^* = \tilde{\mathbf{Y}}_j \mathbf{a}_j^+.$$

Now, when the current variable is single nominal, you can simply obtain  $\mathbf{y}_j^+$  by normalizing  $\mathbf{y}_j^*$  in the way indicated below; otherwise the variable must be ordinal, and you have to insert the weighted monotonic regression process

$$\mathbf{y}_j^* \leftarrow \text{WMON}(\mathbf{y}_j^*).$$

The notation  $\text{WMON}(\cdot)$  is used to denote the weighted monotonic regression process, which makes  $\mathbf{y}_j^*$  monotonically increasing. The weights used are the diagonal elements of  $\mathbf{D}_j$  and the subalgorithm used is the up-and-down-blocks minimum violators algorithm (Kruskal, 1964; Barlow et al., 1972). The result is normalized:

$$\mathbf{y}_j^+ = n_w^{1/2} \mathbf{y}_j^* (\mathbf{y}_j^*{}' \mathbf{D}_j \mathbf{y}_j^*)^{-1/2}$$

Finally, we set  $\underline{\mathbf{Y}}_j^+ = \mathbf{y}_j^+ \mathbf{a}_j^+$ .

#### **Convergence test**

The difference between consecutive values of the quantity

$$\text{TFIT} = 1/m \sum_s \left[ \sum_{j \in J} \mathbf{y}'_{(j)s} \mathbf{D}_j \mathbf{y}_{(j)s} + \sum_{j \notin J} \mathbf{a}'_j \mathbf{a}_j \right]$$

where  $\mathbf{y}_{(j)s}$  denotes the  $s$ th column of  $\mathbf{Y}_j$  and  $J$  is an index set recording which variables are multiple, is compared with the user-specified convergence criterion  $\varepsilon$  - a small positive number. It can be shown that  $\text{TFIT} = \mathbf{p} - \sigma(\mathbf{X}; \underline{\mathbf{Y}})$ . Steps (2) through (4) are repeated as long as the loss difference exceeds  $\varepsilon$ .

#### **Rotation**

As remarked in (3), during iteration the orientation of  $\mathbf{X}$  and  $\mathbf{Y}$  with respect to the coordinate system is not necessarily correct; this also reflects that  $\sigma(\mathbf{X}; \underline{\mathbf{Y}})$  is invariant under simultaneous rotations of  $\mathbf{X}$  and  $\mathbf{Y}$ . From the theory of principal components, it is known that if all variables would be single, the matrix  $\mathbf{A}$  — which can be formed by stacking the row vectors  $\mathbf{a}'_j$  — has the property that  $\mathbf{A}'\mathbf{A}$  is diagonal. Therefore you can rotate so that the matrix

$$1/m \mathbf{A}'\mathbf{A} = 1/m \sum_j \mathbf{a}_j \mathbf{a}'_j = 1/m \sum_j \mathbf{Y}'_j \mathbf{D}_j \mathbf{Y}_j$$

becomes diagonal. The corresponding eigenvalues are printed after the convergence message of the program. The calculation involves tridiagonalization with Householder transformations followed by the implicit QL algorithm (Wilkinson, 1965).

## Diagnosics

The following diagnostics are available.

### **Maximum Rank (may be issued as a warning when exceeded)**

The maximum rank  $p_{\max}$  indicates the maximum number of dimensions that can be computed for any dataset. In general

$$p_{\max} = \min \left\{ (n - 1), \left( \left( \sum_{j \in J} k_j + m_2 \right) - \max(m_1, \max(0, 1 - m_2)) \right) \right\}$$

where  $m_1$  is the number of multiple variables with no missing values,  $m_2$  is the number of single variables, and  $J$  is an index set recording which variables are multiple. Although the number of nontrivial dimensions may be less than  $p_{\max}$  when  $m=2$ , PRINCALS does allow dimensionalities all the way up to  $p_{\max}$ . When, due to empty categories in the actual data, the rank deteriorates below the specified dimensionality, the program stops.

### **Marginal Frequencies**

The frequencies table gives the univariate marginals and the number of missing values (that is, values that are regarded as out of range for the current analysis) for each variable. These are computed as the column sums of  $\mathbf{D}_j$  and the total sum of  $\mathbf{M}_j$ .

### **Fit and Loss Measures**

When the HISTORY option is in effect, the following fit and loss measures are reported:

**Total fit.** This is the quantity TFIT defined in (5).

**Total loss.** This is  $\sigma(\mathbf{X}; \mathbf{Y})$ , computed as the sum of multiple loss and single loss defined below.

**Multiple loss.** This measure is computed as

$$\text{TMLOSS} = p - 1/m \sum \text{tr} \left[ \mathbf{Y}'_j \mathbf{D}_j \mathbf{Y}_j \right]$$

**Single loss.** This measure is computed only when some of the variables are single:

$$\text{SLOSS} = 1/m \sum_{j \notin J} \text{tr} \left[ \mathbf{Y}'_j \mathbf{D}_j \mathbf{Y}_j \right] + \sum_{j \notin J} \mathbf{a}'_j \mathbf{a}_j$$

### **Eigenvalues and Correlations between Optimally Scaled Variables**

If there are no missing data, the eigenvalues printed by PRINCALS are those of  $1/m \mathbf{R}(\mathbf{Q})$ , where  $\mathbf{R}(\mathbf{Q})$  denotes the matrix of correlations between the optimally scaled variables in the columns of  $\mathbf{Q}$ . For multiple variables,  $\mathbf{q}_j$  is defined here as  $\mathbf{G}_j \mathbf{y}_{(j)1}$ . When all variables are single or when  $p=1$ ,  $\mathbf{R}(\mathbf{Q})$  itself is also printed. If there are missing data, then the eigenvalues are those

of the matrix with elements  $\mathbf{q}'_j \mathbf{M}_*^{-1} \mathbf{q}_1$ , which is not necessarily a correlation matrix, although it is positive semidefinite.

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# PROBIT Algorithms

The Probit procedure is used to estimate the effects of one or more independent variables on a dichotomous dependent variable. The program is designed for dose-response analyses and related models, but Probit can also estimate logistic regression models.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$m$	Number of covariate patterns
$n_i$	Number of subjects for $i$ th covariate pattern
$r_i$	Number of responses for $i$ th covariate pattern
$p$	Number of independent variables
$q$	Number of levels of the grouping variable. $q=0$ when there is no grouping variable
$c$	Natural response rate
$\mathbf{X}$	$n \times (p+q)$ matrix with element $x_{ij}$ , which represents the $j$ th covariate for the $i$ th covariate pattern
$\gamma$	$p \times 1$ vector with element $\gamma_j$ , which represents the slope parameter of the $j$ th independent variable
$\alpha$	$q \times 1$ vector with element $\alpha_j$ , which represents the parameter for the $j$ th level of the grouping variable
$\beta$	$(p+q) \times 1$ vector which is a composite of $\gamma$ and $\alpha$
$s$	Total number of parameters in the model, equal to $p+q$ if the natural response rate is set to a constant, $p+q+1$ if the natural response rate is to be estimated by the model

## Model

The model assumes a dichotomous dependent variable with probability  $P$  for the event of interest. Since the procedure assumes aggregated data for every covariate pattern, the random variable  $y_i$  takes a binomial distribution.

$$P(y_i = r_i) = \binom{n_i}{r_i} P_i^{r_i} (1 - P_i)^{n_i - r_i} \quad i = 1, \dots, m$$

Hence, the log likelihood,  $L$ , for  $m$  observations after ignoring the constant factor can be written as

$$L = \sum_{i=1}^m r_i \ln P_i + (n_i - r_i) \ln (1 - P_i)$$

For dose-response models, it is further assumed that

$$P_i = c + (1 - c)F(\mathbf{X}_i' \beta)$$

where  $\mathbf{X}'_i$  is the vector of covariates for the  $i$ th covariate pattern and  $F(\mathbf{X}'_i\beta)$  has two forms:

$$F(\mathbf{X}'_i\beta) = \begin{cases} \frac{e^{\mathbf{X}'_i\beta}}{1+e^{\mathbf{X}'_i\beta}} & \text{if logit model} \\ \int_{-\infty}^{\mathbf{X}'_i\beta} \frac{1}{\sqrt{2\pi}} e^{-z^2/2} dz & \text{if probit model} \end{cases}$$

When there is no grouping variable,  $x_{ij}$  is simply the observed value of the  $j$ th independent variable for the  $i$ th covariate pattern, and  $\beta = \gamma$ . When there is a grouping variable, a set of indicator variables is constructed. There will be  $q$  indicator variables  $l_{i1}, \dots, l_{iq}$  added to the  $\mathbf{X}$  matrix and  $q$  parameters  $\alpha_1, \dots, \alpha_q$  added to the  $\beta$  vector.

$$l_{ij} = \begin{cases} 1 & \text{if the } i\text{th covariate pattern is in the } j\text{th level} \\ 0 & \text{otherwise} \end{cases}$$

Hence, the  $\mathbf{X}_i$  vector has  $p+q$  elements and the associated parameter vector  $\beta$  is expanded to  $(\beta_1, \dots, \beta_p, \beta_{p+1}, \dots, \beta_{p+q})$ , where  $\alpha_j = \beta_{p+j}$ .

## Maximum-Likelihood Estimates (MLE)

To obtain the maximum likelihood estimates for  $c$ , and  $\beta_1, \dots, \beta_{p+q}$ , set the following equations equal to 0:

$$L_c^* = \sum_{i=1}^m \frac{r_i - n_i P_i}{P_i(1 - P_i)} [1 - F(\mathbf{X}'_i\beta)]$$

$$L_{\beta_j}^* = \begin{cases} (1 - c) \sum_{i=1}^m \frac{r_i - n_i P_i}{P_i(1 - P_i)} x_{ij} F(\mathbf{X}'_i\beta) (1 - F(\mathbf{X}'_i\beta)) & \text{if logit model} \\ (1 - c) \sum_{i=1}^m \frac{r_i - n_i P_i}{P_i(1 - P_i)} x_{ij} \frac{1}{\sqrt{2\pi}} \exp\left\{-\frac{1}{2}(\mathbf{X}'_i\beta)^2\right\} & \text{if probit model} \end{cases}$$

where  $L_{\beta_j}^*$  is the derivative of  $L$  with respect to  $\beta_j$ .

## Algorithm

Probit uses the algorithms proposed and implemented in NPSOL by Gill, Murray, Saunders, and Wright. The loss function for this procedure is the negative of the log-likelihood described in the model. The derivatives for the parameters are described above. The only bound for the parameters is  $0 < c < 1$ . For more details of the NPSOL algorithms, see CNLR (constrained nonlinear regression).

## Natural Response Rate

When the user specifies a fixed number for the natural response rate,  $L_c^*$  is set to 0 for iterations and the bound for  $c$  is set equal to the fixed number.

### Initial Values

The initial value for each  $\beta$  is set to 0. If there is a control group, the initial value of  $c$ , designated by  $c_0$ , is set to the ratio of the response to the number of subjects for the control group. If there is no control group, then  $c_0$  is set to the minimum ratio of the response to the number of subjects, over all covariate patterns.

### Criteria

Users can control two criteria, ITER and CONV. ITER is the maximum number of iterations allowed. The default value is  $\max(50, 3(s+1))$ . CONV (criterion of convergence) is the same as the OPTOLERANCE criterion in CNLR.

### Asymptotic Covariance Matrix

The asymptotic covariance matrix for the MLE  $(\hat{c}, \hat{\beta}_1, \dots, \hat{\beta}_{p+q})$  is estimated by  $\mathbf{I}^{-1}$ , where  $\mathbf{I}$  is the information matrix containing the negatives of the second partial derivatives of  $L$ .

$$\frac{\partial^2 L}{\partial c^2} = \sum_{i=1}^m \left[ \frac{r_i - n_i P_i}{P_i(1 - P_i)^2} - \frac{r_i}{P_i(1 - P_i)} \right] (1 - F(\mathbf{X}'_i \beta))^2$$

$$\frac{\partial^2 L}{\partial c \partial \beta_j} = \sum_{i=1}^m x_{ij} \left( (1 - c)(1 - F(\mathbf{X}'_i \beta)) \left[ \frac{r_i - n_i P_i}{P_i(1 - P_i)^2} - \frac{r_i}{P_i(1 - P_i)} \right] - \frac{r_i - n_i P_i}{P_i(1 - P_i)} \right) \frac{dF(\mathbf{X}'_i \beta)}{d\mathbf{X}'_i \beta}$$

where

$$\frac{dF(\mathbf{X}'_i \beta)}{d\mathbf{X}'_i \beta} = \begin{cases} F(\mathbf{X}'_i \beta)(1 - F(\mathbf{X}'_i \beta)) & \text{if logit model} \\ \frac{1}{\sqrt{2\pi}} \exp \left\{ -\frac{1}{2}(\mathbf{X}'_i \beta)^2 \right\} & \text{if probit model} \end{cases}$$

$$\begin{aligned} \frac{\partial^2 L}{\partial \beta_j \partial \beta_h} &= (1 - c^2) \sum_{i=1}^m \left[ \frac{r_i - n_i P_i}{P_i(1 - P_i)^2} - \frac{r_i}{P_i(1 - P_i)} \right] x_{ij} x_{ih} \left( \frac{dF(\mathbf{X}'_i \beta)}{d\mathbf{X}'_i \beta} \right)^2 \\ &+ (1 - c) \sum_{i=1}^m \left[ \frac{r_i - n_i P_i}{P_i(1 - P_i)} \right] x_{ij} x_{ih} \frac{d^2 F(\mathbf{X}'_i \beta)}{d^2 \mathbf{X}'_i \beta} \end{aligned}$$

where

$$\frac{d^2 F(\mathbf{X}'_i \beta)}{d^2 \mathbf{X}'_i \beta} = \begin{cases} F(\mathbf{X}'_i \beta)(1 - F(\mathbf{X}'_i \beta))(1 - 2F(\mathbf{X}'_i \beta)) & \text{if logit model} \\ \frac{1}{\sqrt{2\pi}} (-\mathbf{X}'_i \beta) \exp \left( -\frac{1}{2}(\mathbf{X}'_i \beta)^2 \right) & \text{if probit model} \end{cases}$$

### Frequency Table and Goodness of Fit

For every covariate pattern  $i, i=1, \dots, m$ , compute

$$\hat{F}_i = \begin{cases} \frac{e^{\mathbf{x}_i' \beta}}{1 + e^{\mathbf{x}_i' \beta}} & \text{if logit model} \\ \frac{1}{\sqrt{2\pi}} \int_{-\infty}^{\mathbf{x}_i' \beta} e^{-z^2/2} dz & \text{if probit model} \end{cases}$$

$$\hat{P}_i = \hat{c} + (1 - \hat{c})\hat{F}_i$$

Then the expected frequency is equal to

$$\hat{E}_i = n_i \hat{P}_i$$

The Pearson chi-square statistic is defined by

$$\chi^2 = \sum_{i=1}^m \frac{(r_i - \hat{E}_i)^2}{\hat{E}_i(1 - \hat{P}_i)}$$

and the degrees of freedom (*df*) is

$$df = \begin{cases} (q - 1)m - s & \text{if } q \geq 2 \\ m - s & \text{if } q = 1 \end{cases}$$

## ***Fiducial Limits, RMP, and Parallelism***

The parallelism test statistic, fiducial limits, and relative median potency are available when there is only one covariate (predictor variable). Assuming that  $\hat{\alpha}_1, \dots, \hat{\alpha}_q$  are the MLE's for  $\alpha_1, \dots, \alpha_q$  and  $\hat{\gamma}$  is the MLE for  $\gamma$ ,  $v(\hat{\alpha}_j)$  is the asymptotic variance for  $\hat{\alpha}_j$ ,  $v(\hat{\gamma})$  is the asymptotic variance for  $\hat{\gamma}$ , and  $cov(\hat{\alpha}_j, \hat{\gamma})$  is the asymptotic covariance for  $\hat{\alpha}_j$  and  $\hat{\gamma}$ .

### ***Fiducial Limits for Effective dose $x$***

For level of the grouping variable  $j$  and  $P = 0.01$  through  $0.09$ ,  $0.10$  through  $0.90$  (by  $0.05$ ), and  $0.91$  through  $0.99$ , compute

$$y = \begin{cases} \ln(P/(1-P)) & \text{if logit model} \\ \text{probit}(P) & \text{if probit model} \end{cases}$$

Then the effective dose  $x_j$  to obtain probability  $P$  of response for level  $j$  is defined by

$$x_j = ((y - \hat{\alpha}_j)/\hat{\gamma})$$

and the 95% fiducial limit for effective dose  $x_j$  is computed by

$$x_j + \frac{q}{1-g} \left( x + \frac{cov(\hat{\alpha}_j, \hat{\gamma})}{v(\hat{\gamma})} \right) \pm \frac{t}{\hat{\gamma}(1-g)} \sqrt{\left\{ v(\hat{\alpha}_j) + 2x_j cov(\hat{\alpha}_j, \hat{\gamma}) + x_j^2 v(\hat{\gamma}) - g \left( v(\hat{\alpha}_j) - \frac{(cov(\hat{\alpha}_j, \hat{\gamma}))^2}{v(\hat{\gamma})} \right) \right\} h^*}$$

where

$$g = \begin{cases} \frac{t^2 v(\hat{\gamma})}{\hat{\gamma}^2} & \text{without heterogeneity factor} \\ \frac{t^2 v(\hat{\gamma})}{\hat{\gamma}^2} h & \text{with heterogeneity factor} \end{cases}$$

$$t = \begin{cases} 1.96 & \text{without heterogeneity factor} \\ t_{(0.025, df)} & \text{with heterogeneity factor} \end{cases}$$

$$h = x_j^2 / (df)$$

$$h^* = \begin{cases} 1 & \text{without heterogeneity factor} \\ h & \text{with heterogeneity factor} \end{cases}$$

The heterogeneity factor is used if the Pearson chi-square statistic is significant.

*Note:* If the covariate (predictor variable)  $x$  is transformed, transform it back to the original metrics for the estimate and its two limits. For example, if  $\log_{10}$  is applied to the predictor for the analysis and  $\hat{x}_L, \hat{x}, \hat{x}_U$  are the lower limit, the estimate, and the upper limit on the  $\log_{10}$  scale, then  $10^{\hat{x}_L}$  and  $10^{\hat{x}_U}$  are the lower and upper limits on the original scale.

### Relative Median Potency

The relative median potency is available when there is a factor variable and a single covariate. It is not available if there is no factor variable or if there is more than one covariate.

The estimate of relative median potency for group  $j$  versus group  $k$  is

$$M_{jk} = (\hat{\alpha}_k - \hat{\alpha}_j) / \hat{\gamma}$$

and its 95% confidence limit is

$$M_{jk} + \frac{g}{1-g} \left( M_{jk} - \frac{v_{12}}{v_{22}} \right) \pm \frac{t}{\hat{\gamma}(1-g)} \sqrt{\left\{ v_{11} - 2M_{jk}v_{12} + M_{jk}^2 v_{22} - g \left( v_{11} - \frac{v_{12}^2}{v_{22}} \right) \right\} h^*}$$

where

$$\begin{aligned} v_{11} &= v(\hat{\alpha}_j) + v(\hat{\alpha}_k) - 2cov(\hat{\alpha}_j, \hat{\alpha}_k) \\ v_{12} &= cov(\hat{\alpha}_j, \hat{\gamma}) - cov(\hat{\alpha}_k, \hat{\gamma}) \\ v_{22} &= v(\hat{\gamma}) \end{aligned}$$

*Note:* If the covariate (predictor variable)  $x$  is transformed, transform it back to the original metrics for the relative median potency.

### Parallelism Test Chi-Square Statistic

The parallelism test is available only if there is a factor variable.

$$\chi^2 = \chi_0^2 - \sum_{j=1}^q \chi_j^2$$

where  $\chi_0^2$  is the Pearson chi-square statistic, assuming that the group variable is in the model and  $\chi_j^2$  is the Pearson chi-square for the  $j$ th group and the degrees of freedom for  $\chi^2$  is  $q-1$ .

## **References**

Finney, D. J. 1971. *Probit analysis*. Cambridge: Cambridge University Press.

Gill, P. E., W. M. Murray, M. A. Saunders, and M. H. Wright. 1986. *User's guide for NPSOL (version 4.0): A FORTRAN package for nonlinear programming. Technical Report SOL 86-2*. Stanford University: Department of Operations Research.

# PROPORTIONS Algorithms

## PROPORTIONS - One Sample

This section describes the algorithms for computing hypothesis tests and confidence intervals for individual binomial proportions. The data are assumed to be from a simple random sample, and each hypothesis test or confidence interval is a separate test or individual interval, based on a binomial proportion.

### Notation

The following notation is used throughout this section unless otherwise noted:

$r$	Number of “successes” or numerator of observed proportion
$n$	Number of “successes” and “failures” or total number of “trials,” denominator of observed proportion
$p$	Population proportion
$p_0$	Hypothesized population proportion
$\hat{p}$	Estimated population proportion
$\alpha$	Specified Type I error level for hypothesis tests and non-coverage level for confidence intervals
$z_\alpha$	$\alpha$ quantile of the standard normal distribution
$\Phi(z)$	Cumulative distribution function of the standard normal distribution

### Point Estimates and Standard Errors

Point estimate for population proportion  $p$ :

$$\hat{p} = \frac{r}{n}$$

**Estimate of difference from hypothesized population proportion:**

$$\hat{d} = \hat{p} - p_0$$

**Asymptotic standard errors of difference estimates:**

$$ASE_0(\hat{d}) = \sqrt{p_0(1 - p_0)/n}$$

$$ASE_1(\hat{d}) = \sqrt{\hat{p}(1 - \hat{p})/n}$$

## Hypothesis Tests

**Score Z test statistic** (Agresti, 2019):

$$Z = \frac{\hat{p} - p_0}{\sqrt{p_0(1 - p_0)/n}} = \frac{r - np_0}{\sqrt{np_0(1 - p_0)}}$$

**Continuity-corrected score Z test statistic** (Fleiss, Levin, & Paik, 2003):

$$Z = \frac{\hat{p} - p_0 \pm 1/2n}{\sqrt{p_0(1 - p_0)/n}} = \frac{r - np_0 \pm .5}{\sqrt{np_0(1 - p_0)}}$$

where the sign of the continuity correction is the opposite of the sign of  $\hat{p} - p_0$ . If the continuity correction is larger in magnitude than  $|\hat{p} - p_0|$ , the continuity-corrected  $Z = 0$ .

**Wald Z test statistic** (Agresti, 2013):

$$Z = \frac{\hat{p} - p_0}{\sqrt{\hat{p}(1 - \hat{p})/n}} = \frac{r - np_0}{\sqrt{r(1 - r/n)}}$$

**Continuity-corrected Wald Z test statistic** (Hays, 1981):

$$Z = \frac{\hat{p} - p_0 \pm 1/2n}{\sqrt{\hat{p}(1 - \hat{p})/n}} = \frac{r - np_0 \pm .5}{\sqrt{r(1 - r/n)}}$$

where the sign of the continuity correction is the opposite of the sign of  $\hat{p} - p_0$ . If the continuity correction is larger in magnitude than  $|\hat{p} - p_0|$ , the continuity-corrected  $Z = 0$ .

**Probabilities for Z test statistics:**

$$\text{One-sided probability } P_1 = \min\{\Phi(Z)|_{H_0}, 1 - \Phi(Z)|_{H_0}\}$$

$$\text{Two-sided probability } P_2 = 2P_1$$

**Exact binomial probabilities** (Agresti, 2013):

$$P_1 = \min\left\{\sum_{i=0}^r \binom{n}{i} p_0^i (1 - p_0)^{n-i}, \sum_{i=r}^n \binom{n}{i} p_0^i (1 - p_0)^{n-i}\right\} =$$

$$\min\{CDF.BINOM(r, n, p_0), 1 - CDF.BINOM(r - 1, n, p_0)\}$$

$$P_2 = 2P_1$$

**Mid-p adjusted probabilities** (Agresti, 2013):

$$P_{1_{mid-p}} = P_1 - .5 \binom{n}{r} p_0^r (1 - p_0)^{n-r}$$

$$P_{2_{mid-p}} = 2P_{1_{mid-p}}$$

## Confidence Intervals

Lower (L) and Upper (U) bounds are computed for each available type of confidence intervals as follows. In some situations values outside the range [0,1] may result. Such values are truncated to 0 or 1.

**Agresti-Coull 100(1- $\alpha$ )% intervals** (Agresti & Coull, 1998):

$$L = \tilde{p} - z_{1-\alpha/2} \sqrt{\tilde{p}(1 - \tilde{p})/\tilde{n}}$$

$$U = \tilde{p} + z_{1-\alpha/2} \sqrt{\tilde{p}(1 - \tilde{p})/\tilde{n}}$$

where  $\tilde{n} = n + z_{1-\alpha/2}^2$

and  $\tilde{p} = \frac{1}{\tilde{n}} \left( r + \frac{z_{1-\alpha/2}^2}{2} \right)$

**Anscombe 100(1- $\alpha$ )% intervals** (Brown, Cai, & DasGupta, 2001):

$$L = 1 / \left\{ 1 + \exp \left[ - \left( \ln \left( \frac{r+0.5}{n-r+0.5} \right) - z_{1-\alpha/2} \sqrt{\frac{(n+1)(n+2)}{n(r+1)(n-r+1)}} \right) \right] \right\}$$

$$U = 1 / \left\{ 1 + \exp \left[ - \left( \ln \left( \frac{r+0.5}{n-r+0.5} \right) + z_{1-\alpha/2} \sqrt{\frac{(n+1)(n+2)}{n(r+1)(n-r+1)}} \right) \right] \right\}$$

**Clopper-Pearson “exact” 100(1- $\alpha$ )% intervals** (Clopper & Pearson, 1934):

$$L = IDF.BETA(\alpha/2, r, n - r + 1)$$

$$U = IDF.BETA(1 - \alpha/2, r + 1, n - r)$$

**Jeffreys 100(1- $\alpha$ )% intervals** (Brown, Cai, & DasGupta, 2001):

$$L = IDF.BETA(\alpha/2, r + .5, n - r + .5)$$

$$U = IDF.BETA(1 - \alpha/2, r + .5, n - r + .5)$$

**Logit 100(1- $\alpha$ )% intervals** (Brown, Cai, & DasGupta, 2001):

$$L = 1 / \left\{ 1 + \exp \left[ - \left( \ln \left( \frac{r}{n-r} \right) - z_{1-\alpha/2} \sqrt{\frac{n}{r(n-r)}} \right) \right] \right\}$$

$$U = 1 / \left\{ 1 + \exp \left[ - \left( \ln \left( \frac{r}{n-r} \right) + z_{1-\alpha/2} \sqrt{\frac{n}{r(n-r)}} \right) \right] \right\}$$

**Wald 100(1- $\alpha$ )% intervals** (Brown, Cai, & DasGupta, 2001):

$$L = \hat{p} - z_{1-\alpha/2} \sqrt{\hat{p}(1 - \hat{p})/n}$$

$$U = \hat{p} + z_{1-\alpha/2} \sqrt{\hat{p}(1 - \hat{p})/n}$$

**Continuity-corrected Wald 100(1- $\alpha$ )% intervals** (Vollset, 1993):

$$L = \hat{p} - z_{1-\alpha/2} \sqrt{\hat{p}(1 - \hat{p})/n} - 1/2n$$

$$U = \hat{p} + z_{1-\alpha/2} \sqrt{\hat{p}(1-\hat{p})/n} + 1/2n$$

**Wilson (score) 100(1- $\alpha$ )% intervals** (Wilson, 1927):

$$L = \left( \hat{p} + \frac{z_{1-\alpha/2}^2}{2n} - z_{1-\alpha/2} \sqrt{\frac{\hat{p}(1-\hat{p})}{n} + \frac{z_{1-\alpha/2}^2}{4n^2}} \right) / \left( 1 + \frac{z_{1-\alpha/2}^2}{n} \right)$$

$$U = \left( \hat{p} + \frac{z_{1-\alpha/2}^2}{2n} + z_{1-\alpha/2} \sqrt{\frac{\hat{p}(1-\hat{p})}{n} + \frac{z_{1-\alpha/2}^2}{4n^2}} \right) / \left( 1 + \frac{z_{1-\alpha/2}^2}{n} \right)$$

**Continuity-corrected Wilson (score) 100(1- $\alpha$ )% intervals** (Newcombe, 1998a):

$$L = \frac{2n\hat{p} + z_{1-\alpha/2}^2 - 1 - z_{1-\alpha/2} \sqrt{z_{1-\alpha/2}^2 - \frac{1}{n} + 4n\hat{p}(1-\hat{p}) + 4\hat{p} - 2}}{2(n + z_{1-\alpha/2}^2)}$$

$$U = \frac{2n\hat{p} + z_{1-\alpha/2}^2 + 1 + z_{1-\alpha/2} \sqrt{z_{1-\alpha/2}^2 - \frac{1}{n} + 4n\hat{p}(1-\hat{p}) + 4\hat{p} - 2}}{2(n + z_{1-\alpha/2}^2)}$$

## PROPORTIONS – Paired Samples

This section describes the algorithms for computing hypothesis tests and confidence intervals for the difference in two related binomial proportions. The data are assumed to be from a simple random sample, and each hypothesis test or confidence interval is a separate test or individual interval.

### Notation

The following notation is used throughout this section unless otherwise noted:

$n_{11}$	Number of observations with “successes” or target category values for both measurements
$n_{10}$	Number of observations with “success” on the first measurement and “failure” on the second measurement
$n_{01}$	Number of observations with “failure” on the first measurement and “success” on the second measurement

$n_{00}$	Number of observations with “failure” on both measurements
$n_{1+}$	Observed number of “successes” for the first measurement
$n_{+1}$	Observed number of “successes” for the second Measurement
$n_{0+}$	Observed number of “failures” for the first measurement
$n_{+0}$	Observed number of “failures” for the second measurement
$n$	Total number of observations
$p_1$	Population proportion of “successes” for the first measurement
$p_2$	Population proportion of “successes” for the second measurement
$\hat{p}_1$	Estimated population proportion for the first measurement
$\hat{p}_2$	Estimated population proportion for the second measurement
$\hat{p}_{11}$	Estimated populations proportion of cases with “success” for both measurements
$\hat{p}_{10}$	Estimated populations proportion of cases with “success” for the first measurement and “failure” for the second measurement
$\hat{p}_{01}$	Estimated populations proportion of cases with “failure” for the first measurement and “success” for the second measurement
$\hat{p}_{00}$	Estimated populations proportion of cases with “failure” for both measurements
$\alpha$	Specified Type I error level for hypothesis tests and non-coverage level for confidence intervals
$z_\alpha$	$\alpha$ quantile of the standard normal distribution

$\Phi(z)$  Cumulative distribution function of the standard normal distribution

## Point Estimates and Standard Errors

Point estimates for population proportions  $p_1$  and  $p_2$ :

$$\hat{p}_1 = \frac{n_{1+}}{n}$$

$$\hat{p}_2 = \frac{n_{+1}}{n}$$

Estimate of difference of population proportions:

$$\hat{d} = \hat{p}_1 - \hat{p}_2$$

Asymptotic standard errors of difference estimates:

$$ASE_0(\hat{d}) = \sqrt{(\hat{p}_{10} + \hat{p}_{01})/n}$$

$$ASE_1(\hat{d}) = \sqrt{[(\hat{p}_{10} + \hat{p}_{01}) - (\hat{p}_{10} - \hat{p}_{01})^2]/n}$$

## Hypothesis Tests

McNemar Z test statistics (McNemar, 1947; Edwards, 1948):

$$\text{McNemar } Z = \frac{n_{10} - n_{01}}{\sqrt{n_{10} + n_{01}}}$$

$$\text{Continuity-Corrected McNemar } Z = \frac{n_{10} - n_{01} \pm 1}{\sqrt{n_{10} + n_{01}}}$$

where the sign of the continuity correction is the opposite of the sign of  $n_{10} - n_{01}$ . If  $n_{10} = n_{01}$ , the continuity-corrected  $Z = 0$ .

**Wald Z test statistics** (Agresti, 2013):

$$\text{Wald } Z = \frac{n_{10} - n_{01}}{\sqrt{n_{10} + n_{01} - (n_{10} - n_{01})^2/n}}$$

$$\text{Continuity-Corrected Wald } Z = \frac{n_{10} - n_{01} \pm 1}{\sqrt{n_{10} + n_{01} - (n_{10} - n_{01})^2/n}}$$

where the sign of the continuity correction is the opposite of the sign of  $n_{10} - n_{01}$ . If  $n_{10} = n_{01}$  the continuity-corrected  $Z = 0$ .

**Probabilities for Z test statistics:**

$$\text{One-sided probability } P_1 = \min\{\Phi(Z)|H_0, 1 - \Phi(Z)|H_0\}$$

$$\text{Two-sided probability } P_2 = 2P_1$$

**Exact conditional binomial probabilities** (Agresti, 2013):

$$P_1 = \sum_{i=0}^{\min(n_{10}, n_{01})} \binom{n_{10} + n_{01}}{i} (.5)^{(n_{10} + n_{01})}$$

$$P_2 = 2P_1$$

**Mid-p adjusted probabilities** (Fagerland, Lydersen, & Laake, 2013, 2014):

$$P_{1_{\text{mid-p}}} = P_1 - .5 \binom{n_{10} + n_{01}}{\min(n_{10}, n_{01})} (.5)^{(n_{10} + n_{01})}$$

$$P_{2_{\text{mid-p}}} = 2P_{1_{\text{mid-p}}}$$

## Confidence Intervals

Lower (L) and Upper (U) bounds are computed for each available type of confidence intervals as follows. In some situations values outside the range  $[-1, 1]$  may result. Such values are truncated to -1 or 1.

**Agresti-Min  $100(1-\alpha)\%$  intervals** (Agresti & Min, 2005):

$$L = \frac{n_{10} - n_{01}}{n + 2} - Z_{1-\alpha/2} \sqrt{\left[ \frac{n_{10} + .5}{n + 2} + \frac{n_{01} + .5}{n + 2} - \left( \frac{n_{10} - n_{01}}{n + 2} \right)^2 \right] / (n + 2)}$$

$$U = \frac{n_{10}-n_{01}}{n+2} + Z_{1-\alpha/2} \sqrt{\left[ \frac{n_{10}+.5}{n+2} + \frac{n_{01}+.5}{n+2} - \left( \frac{n_{10}-n_{01}}{n+2} \right)^2 \right] / (n+2)}$$

**Bonett-Price 100(1- $\alpha$ )% intervals** (Bonett & Price, 2012):

$$L = \frac{n_{10}-n_{01}}{n+2} - Z_{1-\alpha/2} \sqrt{\left[ \frac{n_{10}+1}{n+2} + \frac{n_{01}+1}{n+2} - \left( \frac{n_{10}-n_{01}}{n+2} \right)^2 \right] / (n+2)}$$

$$U = \frac{n_{10}-n_{01}}{n+2} + Z_{1-\alpha/2} \sqrt{\left[ \frac{n_{10}+1}{n+2} + \frac{n_{01}+1}{n+2} - \left( \frac{n_{10}-n_{01}}{n+2} \right)^2 \right] / (n+2)}$$

**Wald 100(1- $\alpha$ )% intervals** (Fagerland, Lydersen, & Laake, 2014):

$$L = \frac{n_{10}-n_{01}}{n+2} - Z_{1-\alpha/2} \sqrt{\left[ \frac{n_{10}}{n} + \frac{n_{01}}{n} - \left( \frac{n_{10}-n_{01}}{n} \right)^2 \right] / n}$$

$$U = \frac{n_{10}-n_{01}}{n+2} + Z_{1-\alpha/2} \sqrt{\left[ \frac{n_{10}}{n} + \frac{n_{01}}{n} - \left( \frac{n_{10}-n_{01}}{n} \right)^2 \right] / n}$$

**Continuity-corrected Wald 100(1- $\alpha$ )% intervals** (Fagerland, Lydersen, & Laake, 2014):

$$L = \frac{n_{10}-n_{01}}{n+2} - Z_{1-\frac{\alpha}{2}} \sqrt{\left[ \frac{n_{10}}{n} + \frac{n_{01}}{n} - \left( \frac{n_{10}-n_{01}}{n} \right)^2 \right] / n - \frac{1}{n}}$$

$$U = \frac{n_{10}-n_{01}}{n+2} + Z_{1-\alpha/2} \sqrt{\left[ \frac{n_{10}}{n} + \frac{n_{01}}{n} - \left( \frac{n_{10}-n_{01}}{n} \right)^2 \right] / n + \frac{1}{n}}$$

**Newcombe MOVER Wilson-score-based 100(1- $\alpha$ )% intervals** (Newcombe, 1998b):

$$L = \hat{p}_1 - \hat{p}_2 - \sqrt{(\hat{p}_1 - l_1)^2 + (u_2 - \hat{p}_2)^2 - 2\hat{\psi}(\hat{p}_1 - l_1)(u_2 - \hat{p}_2)}$$

$$U = \hat{p}_1 - \hat{p}_2 + \sqrt{(u_1 - \hat{p}_1)^2 + (\hat{p}_2 - l_2)^2 - 2\hat{\psi}(u_1 - \hat{p}_1)(\hat{p}_2 - l_2)}$$

where  $l_1$  and  $u_1$  are lower and upper confidence limits for  $\hat{p}_1$  and  $l_2$  and  $u_2$  are lower and upper confidence limits for  $\hat{p}_2$  using the Wilson (score) intervals formulas from the one-sample binomial proportions algorithms section, and  $\hat{\psi}$  is an estimate of the correlation between  $\hat{p}_1$  and  $\hat{p}_2$ .

$\hat{\psi}$  is estimated as follows:

If any of the marginal sums  $(n_{1+}, n_{0+}, n_{+1}, n_{+0})$  is zero,  $\hat{\psi} = 0$ . Otherwise, calculate

$A = n_{11}n_{00} - n_{10}n_{01}$  and:

If  $A > n/2$ ,  $\hat{\psi} = (A - n/2)/\sqrt{n_{1+}n_{0+}n_{+1}n_{+0}}$

If  $0 \leq A \leq n/2$ ,  $\hat{\psi} = 0$

If  $A < 0$ ,  $\hat{\psi} = A/\sqrt{n_{1+}n_{0+}n_{+1}n_{+0}}$

## PROPORTIONS – Independent Samples

This section describes the algorithms for computing hypothesis tests and confidence intervals for the difference in two independent binomial proportions. The data are assumed to be from a simple random sample, and each hypothesis test or confidence interval is a separate test or individual interval.

### Notation

The following notation is used throughout this section unless otherwise noted:

$r_1$	Number of observations with “success” in group 1
$n_1$	Number of observations in group 1
$r_2$	Number of observations with “success” in group 2
$n_2$	Number of observations in group 2
$n$	Total number of observations
$p_1$	Population proportion of “successes” for group 1
$p_2$	Population proportion of “successes” for group 2
$\hat{p}_1$	Estimated population proportion for group 1
$\hat{p}_2$	Estimated population proportion for group 2
$\alpha$	Specified Type I error level for hypothesis tests and non-coverage level for confidence intervals

$Z_\alpha$	$\alpha$ quantile of the standard normal distribution
$\Phi(z)$	Cumulative distribution function of the standard normal distribution

## Point Estimates and Standard Errors

Point estimates for population proportions  $p_1$  and  $p_2$ :

$$\hat{p}_1 = \frac{r_1}{n_1}$$

$$\hat{p}_2 = \frac{r_2}{n_2}$$

Estimate of difference of population proportions:

$$\hat{d} = \hat{p}_1 - \hat{p}_2$$

Asymptotic standard errors of difference estimates:

$$ASE_0(\hat{d}) = \sqrt{\hat{p}(1 - \hat{p})/n_1 + \hat{p}(1 - \hat{p})/n_2}$$

where  $\hat{p} = (r_1 + r_2)/2n$ .

$$ASE_1(\hat{d}) = \sqrt{\hat{p}_1(1 - \hat{p}_1)/n_1 + \hat{p}_2(1 - \hat{p}_2)/n_2}$$

## Hypothesis Tests

Hauck-Anderson Z test statistic (Hauck & Anderson, 1986):

$$Z = \frac{\hat{p}_1 - \hat{p}_2 \pm 1/(2\min(n_1, n_2))}{\sqrt{\hat{p}_1(1 - \hat{p}_1)/(n_1 - 1) + \hat{p}_2(1 - \hat{p}_2)/(n_2 - 1)}}$$

where the sign of the continuity correction is the opposite of the sign of  $\hat{p}_1 - \hat{p}_2$ .  
If  $|\hat{p}_1 - \hat{p}_2| < 1/(2\min(n_1, n_2))$ ,  $Z = 0$ .

**Wald Z test statistics** (Fleiss, Levin, & Paik, 2003):

$$\text{Wald } Z = \frac{\hat{p}_1 - \hat{p}_2}{\sqrt{\hat{p}_1(1-\hat{p}_1)/n_1 + \hat{p}_2(1-\hat{p}_2)/n_2}}$$

$$\text{Continuity-Corrected Wald } Z = \frac{\hat{p}_1 - \hat{p}_2 \pm (1/n_1 + 1/n_2)/2}{\sqrt{\hat{p}_1(1-\hat{p}_1)/n_1 + \hat{p}_2(1-\hat{p}_2)/n_2}}$$

where the sign of the continuity correction is the opposite of the sign of  $\hat{p}_1 - \hat{p}_2$ .  
If  $|\hat{p}_1 - \hat{p}_2| < (1/n_1 + 1/n_2)/2$ , the continuity-corrected  $Z = 0$ .

**Wald Z test statistics using variance estimates under  $H_0$**  (Fleiss, Levin, & Paik, 2003):

$$\text{Wald } Z = \frac{\hat{p}_1 - \hat{p}_2}{\sqrt{\hat{p}(1-\hat{p})/n_1 + \hat{p}(1-\hat{p})/n_2}}$$

where  $\hat{p} = (r_1 + r_2)/2n$ .

$$\text{Continuity-Corrected Wald } Z = \frac{\hat{p}_1 - \hat{p}_2 \pm (1/n_1 + 1/n_2)/2}{\sqrt{\hat{p}(1-\hat{p})/n_1 + \hat{p}(1-\hat{p})/n_2}}$$

where the sign of the continuity correction is the opposite of the sign of  $\hat{p}_1 - \hat{p}_2$ .  
If  $|\hat{p}_1 - \hat{p}_2| < (1/n_1 + 1/n_2)/2$ , the continuity-corrected  $Z = 0$ .

**Probabilities for Z test statistics:**

$$\text{One-sided probability } P_1 = \min\{\Phi(Z)|H_0, 1 - \Phi(Z)|H_0\}$$

$$\text{Two-sided probability } P_2 = 2P_1$$

## Confidence Intervals

Lower (L) and Upper (U) bounds are computed for each available type of confidence intervals as follows. In some situations values outside the range  $[-1, 1]$  may result. Such values are truncated to -1 or 1.

**Agresti-Caffo 100(1- $\alpha$ )% intervals** (Agresti & Caffo, 2000):

$$L = \tilde{p}_1 - \tilde{p}_2 - z_{1-\alpha/2} \sqrt{\tilde{p}_1(1-\tilde{p}_1)/\tilde{n}_1 + \tilde{p}_2(1-\tilde{p}_2)/\tilde{n}_2}$$

$$U = \tilde{p}_1 - \tilde{p}_2 + z_{1-\alpha/2} \sqrt{\tilde{p}_1(1-\tilde{p}_1)/\tilde{n}_1 + \tilde{p}_2(1-\tilde{p}_2)/\tilde{n}_2}$$

where  $\tilde{n}_1 = n_1 + 2$ ,  $\tilde{n}_2 = n_2 + 2$ ,  $\tilde{p}_1 = (r_1 + 1)/(n_1 + 2)$ ,

and  $\tilde{p}_2 = (r_2 + 1)/(n_2 + 2)$ .

**Brown-Li Jeffreys 100(1- $\alpha$ )% intervals** (Brown & Li, 2005):

$$L = \bar{p}_1 - \bar{p}_2 - z_{1-\alpha/2} \sqrt{\bar{p}_1(1-\bar{p}_1)/n_1 + \bar{p}_2(1-\bar{p}_2)/n_2}$$

$$U = \bar{p}_1 - \bar{p}_2 + z_{1-\alpha/2} \sqrt{\bar{p}_1(1-\bar{p}_1)/n_1 + \bar{p}_2(1-\bar{p}_2)/n_2}$$

where  $\bar{p}_1 = (r_1 + .5)/(n_1 + 1)$  and  $\bar{p}_2 = (r_2 + .5)/(n_2 + 1)$

**Hauck-Anderson 100(1- $\alpha$ )% intervals** (Hauck & Anderson, 1986):

$$L = \hat{p}_1 - \hat{p}_2 - 1/(2\min(n_1, n_2)) -$$

$$z_{1-\alpha/2} \sqrt{\hat{p}_1(1-\hat{p}_1)/(n_1-1) + \hat{p}_2(1-\hat{p}_2)/(n_2-1)}$$

$$U = \hat{p}_1 - \hat{p}_2 + 1/(2\min(n_1, n_2)) +$$

$$z_{1-\alpha/2} \sqrt{\hat{p}_1(1-\hat{p}_1)/(n_1-1) + \hat{p}_2(1-\hat{p}_2)/(n_2-1)}$$

**Newcombe MOVER Wilson-score-based 100(1- $\alpha$ )% intervals** (Newcombe, 1998b):

$$L = \hat{p}_1 - \hat{p}_2 - \sqrt{(\hat{p}_1 - l_1)^2 + (u_2 - \hat{p}_2)^2}$$

$$U = \hat{p}_1 - \hat{p}_2 + \sqrt{(u_1 - \hat{p}_1)^2 + (\hat{p}_2 - l_2)^2}$$

where  $l_1$  and  $u_1$  are lower and upper confidence limits for  $\hat{p}_1$  and  $l_2$  and  $u_2$  are lower and upper confidence limits for  $\hat{p}_2$  using the Wilson (score) intervals formulas from the one-sample binomial proportions algorithms section.

**Continuity-Corrected Newcombe MOVER Wilson-score-based 100(1- $\alpha$ )% intervals** (Newcombe, 1998b):

$$L = \hat{p}_1 - \hat{p}_2 - \sqrt{(\hat{p}_1 - l_{1c})^2 + (u_{2c} - \hat{p}_2)^2}$$

$$U = \hat{p}_1 - \hat{p}_2 + \sqrt{(u_{1c} - \hat{p}_1)^2 + (\hat{p}_2 - l_{2c})^2}$$

where  $l_{1c}$  and  $u_{1c}$  are lower and upper confidence limits for  $\hat{p}_1$  and  $l_{2c}$  and  $u_{2c}$  are lower and upper confidence limits for  $\hat{p}_2$  using the continuity-corrected Wilson (score) intervals formulas from the one-sample binomial proportions algorithms section.

**Wald 100(1- $\alpha$ )% intervals** (Fagerland, Lydersen, & Laake, 2015):

$$L = \hat{p}_1 - \hat{p}_2 - z_{1-\alpha/2} \sqrt{\hat{p}_1(1 - \hat{p}_1)/n_1 + \hat{p}_2(1 - \hat{p}_2)/n_2}$$

$$U = \hat{p}_1 - \hat{p}_2 + z_{1-\alpha/2} \sqrt{\hat{p}_1(1 - \hat{p}_1)/n_1 + \hat{p}_2(1 - \hat{p}_2)/n_2}$$

**Continuity-corrected Wald 100(1- $\alpha$ )% intervals** (Fagerland, Lydersen, & Laake, 2015):

$$L = \hat{p}_1 - \hat{p}_2 - (1/n_1 + 1/n_2)/2 - z_{1-\alpha/2} \sqrt{\hat{p}_1(1 - \hat{p}_1)/n_1 + \hat{p}_2(1 - \hat{p}_2)/n_2}$$

$$U = \hat{p}_1 - \hat{p}_2 + (1/n_1 + 1/n_2)/2 + z_{1-\alpha/2} \sqrt{\hat{p}_1(1 - \hat{p}_1)/n_1 + \hat{p}_2(1 - \hat{p}_2)/n_2}$$

**Note:** For of the above intervals, any lower bounds calculated as less than -1 are truncated to -1, and any upper bounds calculated as greater than 1 are truncated to 1.

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# ***PROXIMITIES Algorithms***

PROXIMITIES computes a variety of measures of similarity, dissimilarity, or distance between pairs of cases or pairs of variables.

## ***Standardizing Cases or Variables***

Either cases or variables can be standardized. The following methods of standardization are available:

### ***Z***

PROXIMITIES subtracts the mean from each value for the variable or case being standardized and then divides by the standard deviation of the values. If a standard deviation is 0, PROXIMITIES sets all values for the case or variable to 0.

### ***RANGE***

PROXIMITIES divides each value for the variable or case being standardized by the range of the values. If the range is 0, PROXIMITIES leaves all values unchanged.

### ***RESCALE***

From each value for the variable or case being standardized, PROXIMITIES subtracts the minimum value and then divides by the range. If a range is 0, PROXIMITIES sets all values for the case or variable to 0.50.

### ***MAX***

PROXIMITIES divides each value for the variable or case being standardized by the maximum of the values. If the maximum of a set of values is 0, PROXIMITIES uses an alternate process to produce a comparable standardization: it divides by the absolute magnitude of the smallest value and adds 1.

### ***MEAN***

PROXIMITIES divides each value for the variable or case being standardized by the mean of the values. If a mean is 0, PROXIMITIES adds one to all values for the case or variable to produce a mean of 1.

### ***SD***

PROXIMITIES divides each value for the variable or case being standardized by the standard deviation of the values. PROXIMITIES does not change the values if their standard deviation is 0.

## **Transformations**

Three transformations are available for the values PROXIMITIES computes or reads:

### **ABSOLUTE**

Take the absolute values of the proximities.

### **REVERSE**

Transform similarity values into dissimilarities, or vice versa, by changing the signs of the coefficients.

### **RESCALE**

RESCALE standardizes the proximities by first subtracting the value of the smallest and then dividing by the range.

If you specify more than one transformation, PROXIMITIES does them in the order listed above: first ABSOLUTE, then REVERSE, then RESCALE.

## **Proximities Measures**

Measure defines the formula for calculating distance. For example, the Euclidean distance measure calculates the distance as a “straight line” between two clusters.

### **Measures for Continuous Data**

Measures for continuous data, also called interval measures, assume that the variables are scale.

#### **EUCLID**

The distance between two items,  $x$  and  $y$ , is the square root of the sum of the squared differences between the values for the items.

$$\text{EUCLID}(x, y) = \sqrt{\sum_i (x_i - y_i)^2}$$

#### **SEUCLID**

The distance between two items is the sum of the squared differences between the values for the items.

$$\text{SEUCLID}(x, y) = \sum_i (x_i - y_i)^2$$

**CORRELATION**

This is a pattern similarity measure.

$$\text{CORRELATION}(x, y) = \frac{\sum_i (Z_{xi} Z_{yi})}{N}$$

where  $Z_{xi}$  is the (standardized) Z-score value of  $x$  for the  $i$ th case or variable, and  $N$  is the number of cases or variables.

**COSINE**

This is a pattern similarity measure.

$$\text{COSINE}(x, y) = \frac{\sum_i (x_i y_i)}{\sqrt{((\sum_i x_i^2)(\sum_i y_i^2))}}$$

**CHEBYCHEV**

The distance between two items is the maximum absolute difference between the values for the items.

$$\text{CHEBYCHEV}(x, y) = \max_i |x_i - y_i|$$

**BLOCK**

The distance between two items is the sum of the absolute differences between the values for the items.

$$\text{BLOCK}(x, y) = \sum_i |x_i - y_i|$$

**MINKOWSKI(p)**

The distance between two items is the  $p$ th root of the sum of the absolute differences to the  $p$ th power between the values for the items.

$$\text{MINKOWSKI}(x, y) = (\sum_i |x_i - y_i|^p)^{1/p}$$

**POWER(p,r)**

The distance between two items is the  $r$ th root of the sum of the absolute differences to the  $p$ th power between the values for the items.

$$\text{POWER}(x, y) = (\sum_i |x_i - y_i|^p)^{1/r}$$

## Measures for Frequency Count Data

Frequency count measures assume that the variables are discrete numeric.

### CHISQ

The magnitude of this dissimilarity measure depends on the total frequencies of the two cases or variables whose proximity is computed. Expected values are from the model of independence of cases (or variables),  $x$  and  $y$ .

$$\text{CHISQ}(x, y) = \sqrt{\sum_i \frac{(x_i - E(x_i))^2}{E(x_i)} + \sum_i \frac{(y_i - E(y_i))^2}{E(y_i)}}$$

### PH2

This is the CHISQ measure normalized by the square root of the combined frequency. Therefore, its value does not depend on the total frequencies of the two cases or variables whose proximity is computed.

$$\text{PH2}(x, y) = \frac{\text{CHISQ}(x, y)}{\sqrt{N}}$$

## Measures for Binary Data

Binary measures assume that the variables take only two values.

PROXIMITIES constructs a  $2 \times 2$  contingency table for each pair of items in turn. It uses this table to compute a proximity measure for the pair.

Table 81-1  
2 x 2 Contingency table

	Item 2 Present	Item 2 Absent
Item 1 Present	$a$	$b$
Item 1 Absent	$c$	$d$

PROXIMITIES computes all binary measures from the values of  $a$ ,  $b$ ,  $c$ , and  $d$ . These values are tallies across variables (when the items are cases) or tallies across cases (when the items are variables).

### Russel and Rao Similarity Measure

This is the binary dot product.

$$\text{RR}(x, y) = \frac{a}{a + b + c + d}$$

**Simple Matching Similarity Measure**

This is the ratio of the number of matches to the total number of characteristics.

$$\text{SM}(x, y) = \frac{a + d}{a + b + c + d}$$

**Jaccard Similarity Measure**

This is also known as the similarity ratio.

$$\text{JACCARD}(x, y) = \frac{a}{a + b + c}$$

**Dice or Czekanowski or Sorenson Similarity Measure**

$$\text{DICE}(x, y) = \frac{2a}{2a + b + c}$$

**Sokal and Sneath Similarity Measure 1**

$$\text{SS1}(x, y) = \frac{2(a + d)}{2(a + d) + b + c}$$

**Rogers and Tanimoto Similarity Measure**

$$\text{RT}(x, y) = \frac{a + d}{a + d + 2(b + c)}$$

**Sokal and Sneath Similarity Measure 2**

$$\text{SS2}(x, y) = \frac{a}{a + 2(b + c)}$$

**Kulczynski Similarity Measure 1**

This measure has a minimum value of 0 and no upper limit. It is undefined when there are no nonmatches ( $b = 0$  and  $c = 0$ ). Therefore, PROXIMITIES assigns an artificial upper limit of 9999.999 to K1 when it is undefined or exceeds this value.

$$\text{K1}(x, y) = \frac{a}{b + c}$$

### **Sokal and Sneath Similarity Measure 3**

This measure has a minimum value of 0, has no upper limit, and is undefined when there are no nonmatches ( $b = 0$  and  $c = 0$ ). As with K1, PROXIMITIES assigns an artificial upper limit of 9999.999 to SS3 when it is undefined or exceeds this value.

$$SS3(x, y) = \frac{a + d}{b + c}$$

### **Conditional Probabilities**

The following three binary measures yield values that you can interpret in terms of conditional probability. All three are similarity measures.

#### **Kulczynski Similarity Measure 2**

This yields the average conditional probability that a characteristic is present in one item given that the characteristic is present in the other item. The measure is an average over both items acting as predictors. It has a range of 0 to 1.

$$K2(x, y) = \frac{a/(a + b) + a/(a + c)}{2}$$

#### **Sokal and Sneath Similarity Measure 4**

This yields the conditional probability that a characteristic of one item is in the same state (present or absent) as the characteristic of the other item. The measure is an average over both items acting as predictors. It has a range of 0 to 1.

$$SS4(x, y) = \frac{a/(a + b) + a/(a + c) + d/(b + d) + d/(c + d)}{4}$$

#### **Hamann Similarity Measure**

This measure gives the probability that a characteristic has the same state in both items (present in both or absent from both) minus the probability that a characteristic has different states in the two items (present in one and absent from the other). HAMANN has a range of -1 to +1 and is monotonically related to SM, SS1, and RT.

$$HAMANN(x, y) = \frac{(a + d) - (b + c)}{a + b + c + d}$$

### **Predictability Measures**

The following four binary measures assess the association between items as the predictability of one given the other. All four measures yield similarities.

**Goodman and Kruskal Lambda (Similarity)**

This coefficient assesses the predictability of the state of a characteristic on one item (presence or absence) given the state on the other item. Specifically, lambda measures the proportional reduction in error using one item to predict the other, when the directions of prediction are of equal importance. Lambda has a range of 0 to 1.

$$t_1 = \max(a, b) + \max(c, d) + \max(a, c) + \max(b, d)$$

$$t_2 = \max(a + c, b + d) + \max(a + b, c + d)$$

$$\text{LAMBDA}(x, y) = \frac{t_1 - t_2}{2(a + b + c + d) - t_2}$$

**Anderberg's D (Similarity)**

This coefficient assesses the predictability of the state of a characteristic on one item (presence or absence) given the state on the other.  $D$  measures the actual reduction in the error probability when one item is used to predict the other. The range of  $D$  is 0 to 1.

$$t_1 = \max(a, b) + \max(c, d) + \max(a, c) + \max(b, d)$$

$$t_2 = \max(a + c, b + d) + \max(a + b, c + d)$$

$$D(x, y) = \frac{t_1 - t_2}{2(a + b + c + d)}$$

**Yule's Y Coefficient of Colligation (Similarity)**

This is a function of the cross-product ratio for a  $2 \times 2$  table. It has a range of  $-1$  to  $+1$ .

$$Y(x, y) = \frac{\sqrt{ad} - \sqrt{bc}}{\sqrt{ad} + \sqrt{bc}}$$

**Yule's Q (Similarity)**

This is the  $2 \times 2$  version of Goodman and Kruskal's ordinal measure *gamma*. Like Yule's  $Y$ ,  $Q$  is a function of the cross-product ratio for a  $2 \times 2$  table and has a range of  $-1$  to  $+1$ .

$$Q(x, y) = \frac{ad - bc}{ad + bc}$$

**Other Binary Measures**

The remaining binary measures available in PROXIMITIES are either binary equivalents of association measures for continuous variables or measures of special properties of the relation between items.

**Ochiai Similarity Measure**

This is the binary form of the cosine. It has a range of 0 to 1 and is a similarity measure.

$$\text{OCHIAI}(x, y) = \sqrt{\left(\frac{a}{a+b}\right)\left(\frac{a}{a+c}\right)}$$

#### ***Sokal and Sneath Similarity Measure 5***

This is a similarity measure. Its range is 0 to 1.

$$\text{SS5}(x, y) = \frac{ad}{\sqrt{(a+b)(a+c)(b+d)(c+d)}}$$

#### ***Fourfold Point Correlation (Similarity)***

This is the binary form of the Pearson product-moment correlation coefficient. Phi is a similarity measure, and its range is 0 to 1.

$$\text{PHI}(x, y) = \frac{ad - bc}{\sqrt{(a+b)(a+c)(b+d)(c+d)}}$$

#### ***Binary Euclidean Distance***

This is a distance measure. Its minimum value is 0, and it has no upper limit.

$$\text{BEUCLID}(x, y) = \sqrt{b+c}$$

#### ***Binary Squared Euclidean Distance***

This is also a distance measure. Its minimum value is 0, and it has no upper limit.

$$\text{BSEUCLID}(x, y) = b+c$$

#### ***Size Difference***

This is a dissimilarity measure with a minimum value of 0 and no upper limit.

$$\text{SIZE}(x, y) = \frac{(b-c)^2}{(a+b+c+d)^2}$$

#### ***Pattern Difference***

This is also a dissimilarity measure. Its range is 0 to 1.

$$\text{PATTERN}(x, y) = \frac{bc}{(a+b+c+d)^2}$$

**Binary Shape Difference**

This dissimilarity measure has no upper or lower limit.

$$\text{BSHAPE}(x, y) = \frac{(a + b + c + d)(b + c) - (b - c)^2}{(a + b + c + d)^2}$$

**Dispersion Similarity Measure**

This similarity measure has a range of -1 to +1.

$$\text{DISPER}(x, y) = \frac{ad - bc}{(a + b + c + d)^2}$$

**Variance Dissimilarity Measure**

This dissimilarity measure has a minimum value of 0 and no upper limit.

$$\text{VARIANCE}(x, y) = \frac{b + c}{4(a + b + c + d)}$$

**Binary Lance-and-Williams Nonmetric Dissimilarity Measure**

Also known as the Bray-Curtis nonmetric coefficient, this dissimilarity measure has a range of 0 to 1.

$$\text{BLWMN}(x, y) = \frac{b + c}{2a + b + c}$$

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# PROXSCAL Algorithms

PROXSCAL performs multidimensional scaling of proximity data to find a least-squares representation of the objects in a low-dimensional space. Individual differences models can be specified for multiple sources. A majorization algorithm guarantees monotone convergence for optionally transformed, metric and nonmetric data under a variety of models and constraints.

Detailed mathematical derivations concerning the algorithm can be found in Commandeur and Heiser (1993).

## Notation

The following notation is used throughout this chapter unless otherwise stated. For the dimensions of the vectors and matrices:

$n$	Number of objects
$m$	Number of sources
$p$	Number of dimensions
$s$	Number of independent variables
$h$	Maximum( $s, p$ )
$l$	Length of transformation vector
$r$	Degree of spline
$t$	Number of interior knots for spline

The input and input-related variables are:

$\Delta_k$	$n \times n$ matrix with raw proximities for source $k$
$W_k$	$n \times n$ matrix with weights for source $k$
$E$	$n \times s$ matrix with raw independent variables
$F$	$n \times p$ matrix with fixed coordinates

Output and output-related variables are:

$\hat{D}_k$	$n \times n$ matrix with transformed proximities for source $k$
$Z$	$n \times p$ matrix with common space coordinates
$A_k$	$p \times p$ matrix with space weights for source $k$
$X_k$	$n \times p$ matrix with individual space coordinates for source $k$
$Q$	$n \times h$ matrix with transformed independent variables
$B$	$h \times p$ matrix with regression weights for independent variables
$S$	$l \times (r+t)$ matrix of coefficients for the spline basis

Special matrices and functions are:

$J$	$I - \mathbf{1}\mathbf{1}^T / \mathbf{1}^T \mathbf{1}$ , centering matrix of appropriate size
$D(\mathbf{X}_k)$	$n \times n$ matrix with distances, with elements $\{d_{ijk}\}$ , where $d_{ijk} = \sqrt{(\mathbf{x}_{ik} - \mathbf{x}_{jk})(\mathbf{x}_{ik} - \mathbf{x}_{jk})}$

$$\begin{aligned}
\mathbf{V}_k & \quad n \times n \text{ matrix with elements } \{v_{ijk}\}, \text{ where } v_{ijk} = \begin{cases} -w_{ijk} & \text{for } i \neq j \\ \sum_{l \neq i}^n w_{ilk} & \text{for } i = j \end{cases} \\
\mathbf{B}(\mathbf{X}_k) & \quad n \times n \times m \text{ matrix with elements } \{b_{ijk}\}, \text{ where } b_{ijk} = \begin{cases} \frac{-w_{ijk}(\delta_{ijk})}{i_j(\mathbf{X}_k)} & \text{if } d_{ij}(\mathbf{X}_k) > 0 \text{ and } i \neq j \\ 0 & \text{if } d_{ij}(\mathbf{X}_k) = 0 \text{ and } i \neq j \\ -\sum_{l \neq i}^n b_{ilk} & \text{if } i = j \end{cases}
\end{aligned}$$

## Introduction

The following loss function is minimized by PROXSCAL,

$$\sigma^2 \equiv \frac{1}{m} \sum_{k=1}^m \sum_{i < j}^n w_{ijk} \left[ \hat{d}_{ijk} - d_{ij}(\mathbf{X}_k) \right]^2$$

which is the weighted mean squared error between the transformed proximities and the distances of  $n$  objects within  $m$  sources. The transformation function for the proximities provides nonnegative, monotonically nondecreasing values for the transformed proximities  $\hat{d}_{ijk}$ . The distances  $d_{ij}(\mathbf{X}_k)$  are simply the Euclidean distances between the object points, with the coordinates in the rows of  $\mathbf{X}_k$ .

The main algorithm consists of the following major steps:

1. find initial configurations  $\mathbf{X}_k$ , and evaluate the loss function;
2. find an update for the configurations  $\mathbf{X}_k$ ;
3. find an update for the transformed proximities  $\hat{d}_{ijk}$ ;
4. evaluate the loss function; if some predefined stop criterion is satisfied, stop; otherwise, go to step 2.

## Preliminaries

At the start of the procedure, several preliminary computations are performed to handle missing weights or proximities, and initialize the raw proximities.

### Missing Values

On input, missing values may occur for both weights and proximities. If a weight is missing, it is set equal to zero. If a proximity is missing, the corresponding weight is set equal to zero.

## Proximities

Only the upper or lower triangular part (without the diagonal) of the proximity matrix is needed. In case both triangles are given, the weighted mean of both triangles is used. Next, the raw proximities are transformed such that similarities become dissimilarities by multiplying with -1, taking into account the conditionality, and setting the smallest dissimilarity equal to zero.

## Transformations

For ordinal transformations, the nonmissing proximities are replaced by their ascending rank numbers, also taking into account the conditionality. For spline transformations, the spline basis  $\mathbf{S}$  is computed.

## Normalization

The proximities are normalized such that the weighted squared proximities equal the sum of the weights, again, taking into account the conditionality.

## Step 1: Initial Configuration

PROXSCAL allows for several initial configurations. Before determining the initial configuration, missings are handled, and the raw proximities are initialized. Finally, after one of the starts described below, the common space  $\mathbf{Z}$  is centered on the origin and optimally dilated in accordance with the normalized proximities.

### Simplex Start

The simplex start consists of a rank- $p$  approximation of the matrix  $\mathbf{V}^{-1}\mathbf{B}(\mathbf{J})$ . Set  $\mathbf{H}$ , an  $n \times p$  columnwise orthogonal matrix, satisfying  $\mathbf{H}^T \mathbf{H} = \mathbf{I}_p$ , where  $\mathbf{I}_p$  denotes the matrix with the first  $p$  columns of the identity matrix. The nonzero rows are selected in such a way that the first  $\mathbf{Z} = \mathbf{B}(\mathbf{J})\mathbf{H}$  contains the  $p$  columns of  $\mathbf{B}(\mathbf{J})$  with the largest diagonal elements. The following steps are computed in turn, until convergence is reached:

1. For a fixed  $\mathbf{Z}$ ,  $\mathbf{H} = \mathbf{PQ}^T$ , where  $\mathbf{PQ}^T$  is taken from the singular value decomposition  $\mathbf{B}(\mathbf{J})\mathbf{Z} = \mathbf{PLQ}^T$ ;
2. For a fixed  $\mathbf{H}$ ,  $\mathbf{Z} = 2^{-1/2} \mathbf{V}^{-1} \mathbf{B}(\mathbf{J}) \mathbf{H}$ , where  $\mathbf{V}^{-1}$  is the pseudo-inverse of  $\mathbf{V}$ .

For a restricted common space  $\mathbf{Z}$ , the second step is adjusted in order to fulfill the restrictions. This procedure was introduced in Heiser (1985).

### Torgerson Start

The proximities are aggregated over sources, squared, double centered and multiplied with  $-0.5$ , after which an eigenvalue decomposition is used to determine the coordinate values, thus

$$-0.5\mathbf{J}\mathbf{D}*\mathbf{J} = \mathbf{Q}\mathbf{\Lambda}\mathbf{Q}^T$$

where elements of  $\mathbf{D}^*$  are defined as

$$d_{ij}^* = \left( \sum_{k=1}^m w_{ijk} \hat{d}_{ijk}^2 \right) \left( \sum_{k=1}^m w_{ijk} \right)^{-1}$$

followed by  $\mathbf{Z} = \mathbf{Q}\mathbf{\Lambda}^{1/2}$ , where only the first  $p$  positive ordered eigenvalues  $\lambda_1 \geq \lambda_2 \geq \dots \geq \lambda_n$  and eigenvectors are used. This technique, classical scaling, is due to Torgerson (1952, 1958) and Gower (1966) and also known under the names Torgerson scaling or Torgerson-Gower scaling.

### **(Multiple) Random Start**

The coordinate values are randomly generated from a uniform distribution using the default random number generator from IBM® SPSS® Statistics.

### **User-Provided Start**

The coordinate values provided by the user are used.

## **Step 2: Configuration Update**

The coordinates of the common space and the space weights (if applicable) are updated.

### **Update for the Common Space**

The common space  $\mathbf{Z}$  is related to the individual spaces  $\mathbf{X}_k$  through the model  $\mathbf{X}_k = \mathbf{Z}\mathbf{A}_k$ , where  $\mathbf{A}_k$  are matrices containing space weights. Assume that weight matrix  $\mathbf{A}_k$  is of full rank. Only considering  $\mathbf{Z}$  defines the loss function as

$$\sigma^2(\mathbf{z}) = c + \mathbf{z}^T \mathbf{H} \mathbf{z} - 2\mathbf{z}^T \mathbf{t},$$

where

$$\begin{aligned} \mathbf{z} &\equiv \text{vec}(\mathbf{Z}), \\ \mathbf{H} &\equiv \frac{1}{m} \sum_{k=1}^m \left( \mathbf{A}_k \mathbf{A}_k^T \otimes \mathbf{V}_k \right), \\ \mathbf{t} &\equiv \text{vec} \left( \frac{1}{m} \sum_{k=1}^m \mathbf{B}(\mathbf{X}_k) \mathbf{X}_k \mathbf{A}_k^T \right), \end{aligned}$$

for which a solution is found as

$$\mathbf{z} = \mathbf{H}^{-1} \mathbf{t}$$

Several special cases exist for which the solution can be simplified. First, the weights matrices  $\mathbf{W}_k$  may all be equal, or even all equal to one. In these cases  $\mathbf{H}$  will simplify, as will the pseudo-inverse of  $\mathbf{H}$ . Another simplification is concerned with the different models, reflected in restrictions for the space weights. This model is the generalized Euclidean model, also known as IDIOSCAL (Carroll and Chang, 1972). The weighted Euclidean model, or INDSCAL, restricts

$\mathbf{A}_k$  to be diagonal, which does simplify  $\mathbf{H}$ , but not the pseudo-inverse. The identity model requires  $\mathbf{A}_k = \mathbf{I}$  for all  $k$ , and does simplify  $\mathbf{H}$  and its pseudo-inverse, for the kronecker product vanishes.

To avoid computing the pseudo-inverse of a large matrix, PROXSCAL uses three technical simplifications when appropriate. First, the pseudo-inverse can be replaced by a proper inverse by adding the nullspace, taking the proper inverse and then subtracting the nullspace again as

$$\mathbf{H}^- = (\mathbf{H} + \mathbf{N})^{-1} - \mathbf{N}$$

where  $\mathbf{N} = (\mathbf{1}\mathbf{1}^T)/(\mathbf{1}^T\mathbf{1})$ . Furthermore, a dimensionwise approach (Heiser and Stoop, 1986) is used which results in a solution for dimension  $a$  of  $\mathbf{Z}$  as

$$\mathbf{z}_a = \mathbf{V}_a^- \bar{\mathbf{z}}_a,$$

where

$$\mathbf{V}_a = \frac{1}{m} \sum_{k=1}^m \mathbf{V}_k \mathbf{e}_a^T \mathbf{A}_k \mathbf{A}_k^T \mathbf{e}_a,$$

where  $\mathbf{e}_a$  is the  $a$ th column of an identity matrix, and

$$\bar{\mathbf{z}}_a = \frac{1}{m} \sum_{k=1}^m [\mathbf{B}(\mathbf{X}_k) \mathbf{X}_k \mathbf{A}_k^T - \mathbf{V}_k \mathbf{P}_a \mathbf{A}_k \mathbf{A}_k^T] \mathbf{e}_a,$$

with  $\mathbf{P}_a$  an  $n \times p$  matrix equal to  $\mathbf{Z}$ , but with the  $a$ th column containing zeros.

Still, the proper inverse of a  $n \times n$  matrix is required. The final simplification is concerned with a majorization function in which the largest eigenvalue of  $\mathbf{V}$  allows for an easy update (Heiser, 1987; Groenen, Heiser, and Meulman, 1999). Instead of the largest eigenvalue itself, an upper bound is used for this scalar (Wolkowicz and Styan, 1980).

### Update for the Space Weights

An update for the space weights  $\mathbf{A}_k (k = 1, \dots, m)$  for the generalized Euclidean model is given by

$$\mathbf{A}_k = (\mathbf{Z}^T \mathbf{V}_k \mathbf{Z})^{-1} (\mathbf{Z}^T \mathbf{B}(\mathbf{X}_k) \mathbf{X}_k)$$

Suppose  $\mathbf{P}_k \mathbf{L}_k \mathbf{Q}_k^T$  is the singular value decomposition of  $\mathbf{A}_k$  for which the diagonal matrix with singular values  $\mathbf{L}_k$  is in nonincreasing order. Then, for the reduced rank model, the best  $r (r < p)$  rank approximation of  $\mathbf{A}_k$  is given by  $\mathbf{R}_k \mathbf{T}_k^T$ , where  $\mathbf{R}_k$  contains the first  $r$  columns of  $\mathbf{P}_k \mathbf{L}_k$ , and  $\mathbf{T}_k$  contains the first  $r$  columns of  $\mathbf{Q}_k$ .

For the weighted Euclidean model, the update reduces to a diagonal matrix

$$\mathbf{A}_k = \text{diag}(\mathbf{Z}^T \mathbf{V}_k \mathbf{Z})^{-1} \text{diag}(\mathbf{Z}^T \mathbf{B}(\mathbf{X}_k) \mathbf{X}_k)$$

The space weights for the identity model need no update, since  $\mathbf{A}_k = \mathbf{I}$  for all  $k$ . Simplifications can be obtained if all weights  $\mathbf{W}$  are equal to one and for the reduced rank model, which can be done in  $r$  dimensions, as explained in Heiser and Stoop (1986).

## Restrictions

The user can impose restrictions on the common space by fixing some of the coordinates or specifying that the common space is a weighted sum of independent variables.

### Fixed Coordinates

If some of the coordinates of  $\mathbf{Z}$  are fixed by the user, then only the free coordinates of  $\mathbf{Z}$  need to be updated. The dimensionwise approach is taken one step further, which results in an update for object  $i$  on dimension  $a$  as

$$z_{ia}^+ = \frac{1}{\mathbf{e}_i^T \bar{\mathbf{V}}_a \mathbf{e}_i} \mathbf{e}_i^T \left[ \frac{1}{m} \sum_{k=1}^m \mathbf{B}(\mathbf{X}_k) \mathbf{X}_k \mathbf{A}_k^T \mathbf{e}_a - \frac{1}{m} \sum_{j \neq a}^p \left( \sum_{k=1}^m \mathbf{e}_j^T \mathbf{A}_k \mathbf{A}_k^T \mathbf{e}_a \mathbf{V}_k \right) \mathbf{z}_j \right] - \frac{1}{\mathbf{e}_i^T \bar{\mathbf{V}}_a \mathbf{e}_i} \mathbf{e}_i^T \bar{\mathbf{V}}_a \tilde{\mathbf{z}}_{ia}$$

where the  $a$ th column of  $\mathbf{Z}$  is divided into  $\mathbf{z}_a = \tilde{\mathbf{z}}_{ia} + z_{ia} \mathbf{e}_i$ , with  $\mathbf{e}_i$  the  $i$ th column of the identity matrix, and  $\bar{\mathbf{V}}_a = \frac{1}{m} \sum_{k=1}^m \mathbf{e}_j^T \mathbf{A}_k \mathbf{A}_k^T \mathbf{e}_a \mathbf{V}_k$ .

This update procedure will only locally minimize the loss function, and repeatedly cycling through all free coordinates until convergence is reached, will provide global optimization. After all free coordinates have been updated,  $\mathbf{Z}$  is centered on the origin. On output, the configuration is adapted as to coincide with the initial fixed coordinates.

### Independent Variables

Independent variables  $\mathbf{Q}$  are used to express the coordinates of the common space  $\mathbf{Z}$  as a weighted sum of these independent variables as

$$\mathbf{Z} = \mathbf{Q}\mathbf{B} = \sum_{j=1}^h \mathbf{q}_j \mathbf{b}_j^T$$

An update for  $\mathbf{Z}$  is found by performing the following calculations for  $j=1, \dots, h$ :

1. 
$$\mathbf{U}_j = \sum_{k \neq j}^h \mathbf{q}_k \mathbf{b}_k^T$$
2. 
$$\mathbf{T}_j = \mathbf{C}^{-1} \frac{1}{m} \sum_{k=1}^m \mathbf{V}_k \mathbf{U}_j \mathbf{A}_k \mathbf{A}_k^T$$
, where  $\mathbf{C} = \frac{1}{m} \sum_{k=1}^m \mathbf{B}(\mathbf{X}_k) \mathbf{X}_k \mathbf{A}_k^T$
3. update  $\mathbf{b}_j$  as 
$$\mathbf{b}_j = \left( \frac{1}{m} \sum_{k=1}^m \mathbf{q}_j \mathbf{V}_k \mathbf{q}_j \mathbf{A}_k \mathbf{A}_k^T \right)^{-1} \mathbf{T}_j^T \mathbf{q}_j$$
4. optionally, compute optimally transformed variables by regressing  $\tilde{\mathbf{q}}_j = \frac{1}{k_1} \mathbf{T}_j \mathbf{b}_j + \left( \mathbf{I} - \frac{1}{k_1} \bar{\mathbf{V}}_j \right) \mathbf{q}_j$ , where  $\bar{\mathbf{V}}_j = \frac{1}{m} \sum_{k=1}^m \mathbf{b}_j^T \mathbf{A}_k \mathbf{A}_k^T \mathbf{b}_j \mathbf{V}_k$  and  $k_1$  is greater than or equal to the largest eigenvalue of  $\bar{\mathbf{V}}_j$ , on the original variable  $\mathbf{q}_j$ . Missing elements in the original variable are replaced with the corresponding values from  $\tilde{\mathbf{q}}_j$ .

Finally, set  $\mathbf{Z} = \mathbf{QB} = \sum_{j=1}^h \mathbf{q}_j \mathbf{b}_j^T$ .

Independent variables restrictions were introduced for the MDS model in Bentler and Weeks (1978), Bloxom (1978), de Leeuw and Heiser (1980) and Meulman and Heiser (1984). If there are more dimensions ( $p$ ) than independent variables ( $s$ ),  $p-s$  dummy variables are created and treated completely free in the analysis. The transformations for the independent variables from Step 4 are identical to the transformations of the proximities, except that the nonnegativity constraint does not apply. After transformation, the variables  $\mathbf{q}$  are centered on the origin, normalized on  $n$ , and the reverse normalization is applied to the regression weights  $\mathbf{b}$ .

### Step 3: Transformation Update

The values of the transformed proximities are updated.

#### Conditionality

Two types of conditionalities exist in PROXSCAL. Conditionality refers to the possible comparison of proximities in the transformation step. For unconditional transformations, all proximities are allowed to be compared with each other, irrespective of the source. Matrix-conditional transformations only allow for comparison of proximities within one matrix  $k$ , in PROXSCAL referred to as one source  $k$ . Here, the transformation is computed for each source separately (thus  $m$  times).

#### Transformation Functions

All transformation functions in PROXSCAL result in nonnegative values for the transformed proximities. After the transformation, the transformed proximities are normalized and the common space is optimally dilated accordingly. The following transformations are available.

**Ratio.**  $\hat{\mathbf{D}} = \Delta$ . No transformation is necessary, since the scale of  $\hat{\mathbf{D}}$  is adjusted in the normalization step.

**Interval.**  $\hat{\mathbf{D}} = \alpha + \beta \Delta$  Both  $\alpha$  and  $\beta$  are computed using linear regression, in such a way that both parameters are nonnegative.

**Ordinal.**  $\hat{\mathbf{D}} = \text{WMON}(\Delta, \mathbf{W})$ . Weighted monotone regression (WMON) is computed using the up-and-down-blocks minimum violators algorithm (Kruskal, 1964; Barlow et al., 1972). For the secondary approach to ties, ties are kept tied, the proximities within tieblocks are first contracted and expanded afterwards.

**Spline.**  $\text{vec}(\hat{\mathbf{D}}) = \mathbf{S}\mathbf{b}$  PROXSCAL uses monotone spline transformations (Ramsay, 1988). In this case, the spline transformation gives a smooth nondecreasing piecewise polynomial transformation. It is computed as a weighted regression of  $\mathbf{D}$  on the spline basis  $\mathbf{S}$ . Regression weights  $\mathbf{b}$  are restricted to be nonnegative and computed using nonnegative alternating least squares (Groenen, van Os and Meulman, 2000).

### **Normalization**

After transformation, the transformed proximities are normalized such that the sum-of-squares of the weighted transformed proximities are equal to  $mn(n-1)/2$  in the unconditional case and equal to  $n(n-1)/2$  in the matrix-conditional case.

### **Step 4: Termination**

After evaluation of the loss function, the old function value and new function values are used to decide whether iterations should continue. If the new function value is smaller than or equal to the minimum Stress value MINSTRESS, provided by the user, iterations are terminated. Also, if the difference in consecutive Stress values is smaller than or equal to the convergence criterion DIFFSTRESS, provided by the user, iterations are terminated. Finally, iterations are terminated if the current number of iterations, exceeds the maximum number of iterations MAXITER, also provided by the user. In all other cases, iterations continue.

### **Acceleration**

For the identity model without further restrictions, the common space can be updated with acceleration as  $Z^{\text{new}} = 2Z^{\text{update}} - Z^{\text{old}}$ , also referred to as the relaxed update.

### **Lowering Dimensionality**

For a restart in  $p-1$  dimensions, the  $p-1$  most important dimensions need to be identified. For the identity model, the first  $p-1$  principal axes are used. For the weighted Euclidean model, the  $p-1$  most important space weights are used, and for the generalized Euclidean and reduced rank models, the  $p-1$  largest singular values of the space weights determine the remaining dimensions.

## Stress Measures

The following statistics are used for the computation of the Stress measures:

$$\begin{aligned}\eta^2(\hat{\mathbf{D}}) &= \sum_{k=1}^m \sum_{i<j}^n w_{ijk} \hat{d}_{ijk}^2 \\ \eta^4(\hat{\mathbf{D}}) &= \sum_{k=1}^m \sum_{i<j}^n w_{ijk} \hat{d}_{ijk}^4 \\ \eta^2(\mathbf{X}) &= \sum_{k=1}^m \sum_{i<j}^n w_{ijk} d_{ij}^2(\mathbf{X}_k) \\ \eta^4(\mathbf{X}) &= \sum_{k=1}^m \sum_{i<j}^n w_{ijk} d_{ij}^4(\mathbf{X}_k) \\ \rho(\mathbf{X}) &= \sum_{k=1}^m \sum_{i<j}^n w_{ijk} \hat{d}_{ijk} d_{ij}(\mathbf{X}_k) \\ \rho^2(\mathbf{X}) &= \sum_{k=1}^m \sum_{i<j}^n w_{ijk} \hat{d}_{ijk}^2 d_{ij}^2(\mathbf{X}_k) \\ \kappa^2(\mathbf{X}) &= \sum_{k=1}^m \sum_{i<j}^n w_{ijk} \left( d_{ij}(\mathbf{X}_k) - \bar{d}(\mathbf{X}) \right)^2\end{aligned}$$

where  $\bar{d}(\mathbf{X})$  is the average distance.

The loss function minimized by PROXSCAL, normalized raw Stress, is given by:

$$\sigma^2 = \frac{\eta^2(\hat{\mathbf{D}}) + \eta^2(\alpha \mathbf{X}) - 2\rho(\alpha \mathbf{X})}{\eta^2(\hat{\mathbf{D}})}, \text{ with } \alpha = \frac{\rho(\mathbf{X})}{\eta^2(\mathbf{X})}.$$

Note that at a local minimum of  $\mathbf{X}$ ,  $\alpha$  is equal to one. The other Fit and Stress measures provided by PROXSCAL are given by:

$$\text{Stress-I: } \frac{\eta^2(\hat{\mathbf{D}}) + \eta^2(\alpha \mathbf{X}) - 2\rho(\alpha \mathbf{X})}{\eta^2(\alpha \mathbf{X})}, \text{ with } \alpha = \frac{\eta^2(\hat{\mathbf{D}})}{\rho(\mathbf{X})}.$$

$$\text{Stress-II: } \frac{\eta^2(\hat{\mathbf{D}}) + \eta^2(\alpha \mathbf{X}) - 2\rho(\alpha \mathbf{X})}{\kappa^2(\alpha \mathbf{X})}, \text{ with } \alpha = \frac{\eta^2(\hat{\mathbf{D}})}{\rho(\mathbf{X})}.$$

$$\text{S-Stress: } \eta^4(\hat{\mathbf{D}}) + \eta^4(\alpha \mathbf{X}) - 2\rho^2(\alpha \mathbf{X}), \text{ with } \alpha^2 = \frac{\rho^2(\mathbf{X})}{\eta^4(\mathbf{X})}.$$

Dispersion Accounted For (DAF):  $1 - \sigma^2$ .

Tucker's coefficient of congruence:  $\sqrt{1 - \sigma^2}$ .

## Decomposition of Normalized Raw Stress

Each part of normalized raw Stress, as described before, is assigned to objects and sources. Either sum over objects or sum over sources are equal to total normalized raw Stress.

## Transformations on Output

On output, whenever fixed coordinates or independent variables do not apply, the models are not unique. In these cases transformations of the common space and the space weights are in order.

For the identity model, the common space  $\mathbf{Z}$  is rotated to principal axes. For the weighted Euclidean model,  $\mathbf{Z} = \sqrt{n}\mathbf{Z}(\text{diag } \mathbf{Z}^T \mathbf{Z})^{-1/2}$  so that  $\text{diag } (\mathbf{Z}^T \mathbf{Z}) = n\mathbf{I}$ , and reverse transformations are applied to the space weights  $\mathbf{A}_k$ . Further, the sum over sources of the squared space weights are put in descending order as to specify the importance of the dimensions. For the generalized Euclidean model, the Cholesky decomposition  $\mathbf{Z}^T \mathbf{Z} = \mathbf{L}\mathbf{L}^T$  specifies the common space on output as  $\mathbf{Z} = \sqrt{n}\mathbf{Z}(\mathbf{L}^T)^{-1}$ , so that  $\mathbf{Z}^T \mathbf{Z} = n\mathbf{I}$ .

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# QUANTILE REGRESSION Algorithms

## Introduction

Linear regression model models the conditional mean of the target variable against a list of feature variables (also called predictors). Regular linear regression model makes strong assumptions on the distribution of the target variable and is sensitive to outliers. However, in many cases where data is volatile and extremes are important, simply modelling the mean of the target mean is not enough and meaningless and we are more interested in modelling certain percentiles of the target variable. Quantile regression model models the conditional percentiles of the target variable against the predictors. It does not make assumptions on the distribution of the target variable and is robust to outliers. Quantile regression has been widely used in industries and researches, such as ecology, healthcare, and financial economics.

## Notation

The following notation is used throughout the section unless otherwise stated:

$n$	Number of distinct records in the dataset. It is an integer and $n \geq 1$ .
$m$	Number of parameters (including parameters for dummy variables but excluding intercept) in the model.
$k$	Number of parameters to be estimated in the simplex method. This is the number of columns (excluding RHS column) in the least required simplex tableau. If there is an intercept, $k=m+1$ , if not, $k=m$ .
$y$	$n \times 1$ vector of single target variable consists of $y_i$ .
$f$	$n \times 1$ vector of frequency count variable. If an element is not an integer, it is computed by rounding the value to the nearest integer. If it is less than 0.5 or if it is missing, the corresponding case is not used.
$g$	$n \times 1$ vector of regression weight. If there is no regression weight specified, $g = 1$ . If regression weight $g_i$ for case $i$ is zero, negative or missing, the corresponding case is not used.
$N$	Effective sample size. it is an integer number, $N = \sum_{i=1}^n f_i$ . If frequency count variable $f$ is not use, $N=n$ .
$X$	$n \times k$ design matrix. The rows represent the cases and the columns represent the parameters. The $i^{\text{th}}$ row is $\mathbf{x}_i = (x_{i1}, \dots, x_{ik})$ , $i = 1, 2, \dots, n$ , The $j^{\text{th}}$ column is $\mathbf{X}_j = (x_{1j}, \dots, x_{nj})^T$ , $j = 1, \dots, k$ .
$\mathbf{e}$	$n \times 1$ vector of unobserved errors.
$p$	The regression percentile.
$\boldsymbol{\beta}^{(p)}$	$k \times 1$ vector of $p^{\text{th}}$ quantile regression parameters. $\boldsymbol{\beta}^{(p)} = (\beta_0^{(p)}, \beta_1^{(p)}, \dots, \beta_m^{(p)})$ . $\beta_0^{(p)}$ is the intercept. If there is no intercept, $\boldsymbol{\beta}^{(p)} = (\beta_1^{(p)}, \dots, \beta_m^{(p)})$ is a $m \times 1$ vector.
$\hat{\boldsymbol{\beta}}^{(p)}$	$k \times 1$ vector of estimated $\boldsymbol{\beta}^{(p)}$ . $\hat{\boldsymbol{\beta}}^{(p)} = (\hat{\beta}_0^{(p)}, \hat{\beta}_1^{(p)}, \dots, \hat{\beta}_m^{(p)})$ . $\hat{\beta}_0^{(p)}$ is the estimate of the intercept. If there is no intercept, $\hat{\boldsymbol{\beta}}^{(p)} = (\hat{\beta}_1^{(p)}, \dots, \hat{\beta}_m^{(p)})$ is a $m \times 1$ vector.

## Model

Quantile regression of a single target variable  $\mathbf{y}$  and design matrix  $\mathbf{X}$  has the form

$$\begin{aligned}\mathbf{y} &= \mathbf{X}\boldsymbol{\beta}^{(p)} + \mathbf{e} \\ Q^{(p)}(\mathbf{y}|\mathbf{X}) &= \mathbf{X}\boldsymbol{\beta}^{(p)},\end{aligned}\tag{1}$$

where  $0 < p < 1$  is the regression percentile.

### Notes:

1. The elements of  $\mathbf{e}$  are independent with each other, so are those of  $\mathbf{y}$ .
2.  $\mathbf{X}$  can be any combination of continuous and categorical effects and interaction effects (up to two-way). The parameterization of design matrix  $\mathbf{X}$  is the same as that in GLM procedure. See Lam (1995a) for further details on the model parameterization. Please note that we might expand interaction effects to include more than two-way and nested effects used in old SPSS procedures.
3. The target variable needs to be a continuous variable. The predictors can be continuous variables or dummy variables for categorical predictors.

### Implementation notes:

Some special data situations would be handled as follows:

- When  $n = 1$ , i.e., there is only one case in the data set, no matter whether  $f_1 = 1$  or not, do nothing and issue an error message, such as “There is only one case in the data set, no model selection or fit would be conducted.”
- When the target variable  $\mathbf{y}$  is constant, do nothing and issue an error message, such as “The target variable,  $\mathbf{y}$ , is constant, no model selection or fit would be conducted.”
- When the effects which might be continuous, categorical or composite, in the design matrix  $\mathbf{X}$  are constant, (a) delete all of them if there is an intercept or (b) delete all of them except the first non-zero constant effect if there is no intercept, issue a warning message, such as “The following effects are constant and are excluded from the analysis:  $X_1, X_4, X_1 \times X_4, \dots$ ”, then do analysis based on the rest of effects.

The reason for deleting constant effects is to reduce the number of possible effects which would reduce processing time in model selection methods.

- User has to specify a target and at least one predictor for non-intercept model otherwise a model would not be fit. If the user does not specify any predictors, then an intercept only model will be fit.
- For missing values, list-wise deletion is used.

## Coefficient Estimation

The coefficients would be estimated by minimizing the absolute error function

$$\hat{\boldsymbol{\beta}}^{(p)} = \underset{\boldsymbol{\beta}^{(p)} \in R^k}{\operatorname{argmin}} \left\{ (1-p) \sum_{y_i < \boldsymbol{\beta}^{(p)} \mathbf{x}'_i} w_i |y_i - \boldsymbol{\beta}^{(p)} \mathbf{x}'_i| + p \sum_{y_i > \boldsymbol{\beta}^{(p)} \mathbf{x}'_i} w_i |y_i - \boldsymbol{\beta}^{(p)} \mathbf{x}'_i| \right\}\tag{2}$$

where  $w_i = g_i f_i$ .

- 1) Since  $y_i = \boldsymbol{\beta}^{(p)} \mathbf{x}'_i + e_i$ , let  $e_i = u_i - v_i$ , where  $u_i = \max\{e_i, 0\}$ ,  $v_i = \max\{-e_i, 0\}$ , then we have:

$$(1-p) \sum_{y_i < \boldsymbol{\beta}^{(p)} \mathbf{x}'_i} w_i |y_i - \boldsymbol{\beta}^{(p)} \mathbf{x}'_i| + p \sum_{y_i > \boldsymbol{\beta}^{(p)} \mathbf{x}'_i} w_i |y_i - \boldsymbol{\beta}^{(p)} \mathbf{x}'_i| = \sum_{i=1}^n w_i [p u_i + (1-p) v_i] \quad (3)$$

Thus, the minimization problem can be transformed into the standard ‘‘Linear Programming’’ type of problem:

$$\begin{aligned} & \text{minimize}_{\{\boldsymbol{\beta}^{(p)}, \mathbf{u}, \mathbf{v}\}} p \mathbf{w}' \mathbf{u} + (1-p) \mathbf{w}' \mathbf{v} \\ & \text{s. t. } \mathbf{y} - \mathbf{X} \boldsymbol{\beta}^{(p)} = \mathbf{u} - \mathbf{v} \\ & \boldsymbol{\beta}^{(p)} \in R^k, \quad \mathbf{u} \geq 0, \quad \mathbf{v} \geq 0, \end{aligned} \quad (4)$$

where  $\mathbf{w} = (w_1, \dots, w_n)'$ .

- 2) We further define  $[\boldsymbol{\beta}]_+ = \max\{\boldsymbol{\beta}, \mathbf{0}\}$  and  $[\boldsymbol{\beta}]_- = \max\{-\boldsymbol{\beta}, \mathbf{0}\}$ ,  $\mathbf{B} = [\mathbf{X} \quad -\mathbf{X} \quad \mathbf{I} \quad -\mathbf{I}]$ ,  $\boldsymbol{\theta} = ([\boldsymbol{\beta}]_+ \quad [\boldsymbol{\beta}]_- \quad \mathbf{u}' \quad \mathbf{v}')$ ,  $\mathbf{d} = (\mathbf{0}' \quad \mathbf{0}' \quad p \mathbf{w}' \quad (1-p) \mathbf{w}')$ , then the ‘‘Linear Programming’’ problem becomes:

$$\begin{aligned} & \text{min}_{\{\boldsymbol{\theta}\}} \mathbf{d}' \boldsymbol{\theta} \\ & \text{s. t. } \mathbf{B} \boldsymbol{\theta} = \mathbf{y} \\ & \boldsymbol{\theta} \geq 0. \end{aligned} \quad (5)$$

There are many linear programming methods that can solve the above minimization problem. The most popular ones are simplex method, interior point method and the finite smoothing algorithm.

## Simplex method

The simplex method is the most commonly used linear programming method. The special version of the simplex algorithm developed by Barrodale and Roberts (1974) solves the quantile regression linear programming problem by exploiting the special structure of the constraint matrix B.

The simplex tableau corresponding to the quantile regression ‘‘Linear Programming’’ problem (5) is:

$[\boldsymbol{\beta}]_+$	...	$[\boldsymbol{\beta}]_+$	$[\boldsymbol{\beta}]_-$	...	$[\boldsymbol{\beta}]_-$	$u_1$	...	$u_n$	$v_1$	...	$v_n$	RHS
$x_{11}$	...	$x_{1k}$	$-x_{11}$	...	$-x_{1k}$	$1$			$-1$			$y_1$
$\vdots$	$\ddots$	$\vdots$	$\vdots$	$\ddots$	$\vdots$		$\ddots$			$\ddots$		$\vdots$
$x_{n1}$	...	$x_{nk}$	$-x_{n1}$	...	$-x_{nk}$			$1$			$-1$	$y_n$
$0$	...	$0$	$0$	...	$0$	$-p w_1$	...	$-p w_n$	$-(1-p) w_1$	...	$-(1-p) w_n$	$0$

Table 1

In the above simplex tableau, the first row to the n-th row represent the constraints of  $\mathbf{B} \boldsymbol{\theta} = \mathbf{y}$  corresponding to the n observed data points in our data. And the last row represents the objective function  $\mathbf{d}' \boldsymbol{\theta}$  in Equation (5).

### Basics for simplex method

Now let's further examine the above simplex tableau. A direct solution to all the constraint equations will be  $u_i = y_i$ , for  $i = 1, \dots, n$ , with all the other parameters set to be zero. A set of parameters like  $u_i$  for  $i = 1, \dots, n$  are called a set of basis in the simplex method, and the parameters that are not in the basis are called non-basis variables. The set of basis parameters have the following properties:

1. The number of parameters in the basis is the same as the number of constraint equations.
2. The basis variables should be in the form of  $(1, 0, \dots, 0)'$ ,  $(0, 1, 0, \dots)'$ ,  $(0, 0, 1, 0, \dots)'$ , ... so that a direct solution for the constraint equations can be immediately get by setting all the basis variables to be equal to the RHS (right-hand-side) values and setting all the non-basis parameters to be zero.

**Note:** it's just a coincident that the  $u_i$ s in the quantile regression setting automatically form a set of basis variables. This is because of the special structure of the constraint matrix  $\mathbf{B}$  in the quantile regression setting.

The simplex method solves the linear programming problem by iteratively interchanging the basis variables and non-basis variables one pair at a time until a proper set of basis variables are obtained. The solution defined by the set of "proper" basis variables will optimize the objective function and thus solve our linear programming problem.

In order for the basis variables to define a "proper" solution, they not only need to satisfy the above two properties, but also the following:

3. Feasible, which means the solution not only solves the constraint equations  $\mathbf{B}\boldsymbol{\theta} = \mathbf{y}$ , but also satisfies  $\boldsymbol{\theta} \geq 0$ . For the  $u_i$ 's to be a set of feasible basis, we need all the  $y_i \geq 0$ , for  $i = 1, \dots, n$ . If any of the  $y_i$ s is negative, for example, let's say  $y_1$  is negative, then we need to change the sign of the first row and replace the corresponding  $u_1$  in the basis by  $v_1$ .
4. The last row (objective function coefficient row) of the basis variables need to be zero. This is for the easiness of reading results because when all the non-basis variables are set to be zero and the coefficients of the basis variables in the objective function are all zero, the cell on the right bottom corner of the simplex tableau will represent the optimized value of the objective function.

**Note:** for initialization of the simplex tableau of quantile regression problem, we only need to store the X matrix, the objective function row and the RHS column. For later iterations, we actually store the columns of the non-basis variables instead of the X matrix (they are of the same size, though). The issue of storing only the least required information in order to minimize the memory storage requirement will be addressed later.

**Note:** if the user assign p to be 0 or 1, use  $p=E-10$  for  $p=0$  and  $p=1-E-10$  for the case  $p=1$ .

### Implementation of simplex method (Barrodale and Roberts)

**Step 1:** Find an initial set of feasible basis to start with (initialization of the simplex tableau)

As mentioned in section 4.1.1, if all the  $y_i \geq 0$ , the  $u_i$ s automatically make a set of feasible basis. Thus we start by making all the  $y_i \geq 0$  in the initial simplex tableau. Instead of reading the initial data set directly into the constraints matrix  $\mathbf{B}$ , we will read in  $(-\mathbf{x}_i, -y_i)$  when  $y_i < 0$ . So the initial simplex tableau becomes (break into two lines):

$$\frac{[\beta_1]_+ \quad \dots \quad [\beta_k]_+}{\text{sign}(y_1)x_{11} \quad \dots \quad \text{sign}(y_1)x_{1k}} \mid \frac{[\beta_1]_- \quad \dots \quad [\beta_k]_-}{-\text{sign}(y_1)x_{11} \quad \dots \quad -\text{sign}(y_1)x_{1k}}$$

$$\begin{array}{c|ccc}
 \vdots & \ddots & \vdots & \vdots & \ddots & \vdots \\
 \text{sign}(y_n)x_{n1} & \dots & \text{sign}(y_n)x_{nk} & -\text{sign}(y_n)x_{n1} & \dots & -\text{sign}(y_n)x_{nk} \\
 \hline
 0 & \dots & 0 & 0 & \dots & 0
 \end{array}$$
  

$$\begin{array}{c|ccc|c}
 u_1 & \dots & u_n & & RHS \\
 \hline
 1 & & & v_1 & \dots & v_n & \\
 & & \ddots & & & & \\
 & & 1 & & & -1 & |y_n| \\
 \hline
 \text{coeff}(u_1) & \dots & \text{coeff}(u_n) & \text{coeff}(v_1) & \dots & \text{coeff}(v_n) & 0
 \end{array}$$

Table 2

where  $\text{sign}(y_i) = 1$  when  $y_i \geq 0$ , and  $\text{sign}(y_i) = -1$  when  $y_i < 0$ .

**Note:**

1. We have made changes to the objective function line to reflect the effect of the transformation. The coefficients of  $u_i$ s in the objective function are changed to:

$$\text{coeff}(u_i) = \left[ \left( \frac{1}{2} - p \right) \text{sign}(y_i) - \frac{1}{2} \right] w_i = \begin{cases} -pw_i & \text{when } y_i \geq 0 \\ -(1-p)w_i & \text{when } y_i < 0 \end{cases} \quad (6)$$

The coefficients of  $v_i$ s in the objective function are changed to:

$$\text{coeff}(v_i) = -w_i - \text{coeff}(u_i) = \begin{cases} -(1-p)w_i & \text{when } y_i \geq 0 \\ -pw_i & \text{when } y_i < 0 \end{cases} \quad (7)$$

2. The coefficients of  $u_i$  and  $v_i$  in the objective function will always sum to  $-w_i$  throughout the whole simplex procedure.

3. After this transformation, we actually have changed the sign of the error term for those data points with  $y_i < 0$ . In other words, we have now  $e_i = \text{sign}(y_i)(u_i - v_i)$ . We will have to address this change in the later section for scoring.

4. The above is an intermediate step just to show how I get to the final initial tableau. In actual coding, directly store the shaded part of the matrix below.

Now the  $u_i$ s make a set of feasible basis. Next, we make the coefficients of the basis in the object function ( $\text{coeff}(u_i)$ s) to be zero by Gaussian elimination. Subtracting  $\text{coeff}(u_i)$  times of the  $i$ -th row of the constraints from the objective function row to make the coefficients of all the  $u_i$ s in the objective function to be zero, we have (break into three lines):

$$\begin{array}{c|ccc}
 [\beta_1]_+ & \dots & [\beta_k]_+ \\
 \text{sign}(y_1)x_{11} & \dots & \text{sign}(y_1)x_{1k} \\
 \vdots & \ddots & \vdots \\
 \text{sign}(y_n)x_{n1} & \dots & \text{sign}(y_n)x_{nk} \\
 \hline
 -\sum_n \text{sign}(y_i)x_{i1} \text{coeff}(u_i) & \dots & -\sum_n \text{sign}(y_i)x_{ik} \text{coeff}(u_i)
 \end{array}$$
  

$$\begin{array}{c|ccc}
 [\beta_1]_- & \dots & [\beta_k]_- \\
 -\text{sign}(y_1)x_{11} & \dots & -\text{sign}(y_1)x_{1k} \\
 \vdots & \ddots & \vdots \\
 -\text{sign}(y_n)x_{n1} & \dots & -\text{sign}(y_n)x_{nk}
 \end{array}$$

$$\sum_n \text{sign}(y_i)x_{i1} \text{coeff}(u_i) \quad \dots \quad \sum_n \text{sign}(y_i)x_{ik} \text{coeff}(u_i)$$

$u_1$	$\dots$	$u_n$	$v_1$	$\dots$	$v_n$	RHS
1			-1			$ y_1 $
	$\ddots$			$\ddots$		$\vdots$
		1			-1	$ y_n $
0	$\dots$	0	$-w_1$	$\dots$	$-w_n$	$-\sum_n  y_i  \text{coeff}(u_i)$

Table 3

**Note:**

1. The shaded cells in the tableau are the information we need to store in system memory at this time point. See 4-6 for details.
2. The coefficients of  $[\beta_j]_+$  and  $[\beta_j]_-$  in the objective function always sum to zero for  $j = 1, \dots, k$ .
3. We need to mark the variables so that we are able to track which ones are in the basis and which ones are not in later iterations. Here we create a vector of length  $2(k + n)$  to mark the variables and we call the vector index vector. At the initialization step, we initialize this index vector with the following: first  $k + 1$  cells are populated by  $1, 2, \dots, k$  to represent the positions of  $[\beta_1]_+, \dots, [\beta_k]_+$ ; and the next  $k$  cells are populated by  $-1, -2, \dots, -k$  to represent the positions of  $[\beta_1]_-, \dots, [\beta_k]_-$ ; then the next  $n$  cells are marked  $k + 1, k + 2, \dots, k + n$  to represent the positions of  $u_1, \dots, u_n$ ; and the last  $n$  cells are marked  $-(k + 1), -(k + 2), \dots, -(k + n)$  to represent the positions of  $v_1, \dots, v_n$ . In later iterations, we will always keep this order of the variables in the index vector:  $k$  non-basis variables followed by  $k$  non-basis variables of the opposite sign of the first  $k$  variables, then  $n$  basis variables followed by  $n$  non-basis variables of the opposite sign of the  $n$  basis variables. This means we will need to manipulate the orders of the elements in the index vector according to our operations in later steps.
4. We only need to store the  $k$  columns for the first  $k$  non-basis variables, including the objective function row ( $n+1$  rows). Then the next  $k$  columns can be derived from the first  $k$  columns: the first  $n$  rows of the opposite sign and with the same absolute value as the first  $k$  variables; for the objective function row, the  $k + 1$  to the  $2k$  element will either be of the opposite sign (for  $[\beta_j]_+$ s and  $[\beta_j]_-$ s) or sum to  $-w_i$  (for  $u_i$ s and  $v_i$ s) with the first  $k$  elements. The index vector will tell us exactly which variable a column is standing for. However, there is no need at all during the whole simplex procedure to explicitly write out the  $k + 1$  to the  $2k$  th columns as they are never really used in the computation.
5. We do not need to save anything for the columns of the basis variables as they are always of the form  $(1, 0, 0, \dots), (0, 1, 0, \dots)$  ... and with the objective function row being zero. However, we do need to mark the position of the "1" element in the basis variables. This is done in the index vector where we store the index of the  $n$  basis variables, we will always save their index in the order of the position of the "1" element. The last  $n$  columns of non-basis variables are of the form  $(-1, 0, 0, \dots), (0, -1, 0, \dots)$  ... in the first  $n$  rows. The objective function row of the last  $n$  variables will either be zero (for  $[\beta_j]_+$ s and  $[\beta_j]_-$ s) or  $-w_i$  (for  $u_i$ s and  $v_i$ s) with the  $n$  coefficients for the basis variables. Thus, we only need to save the  $n w_i$ s in the memory.
6. For the RHS column, we need to store the whole column ( $n+1$  rows) in memory.
7. We need to update the index vector properly at the end of each iteration to keep the above points 3-6 always true during the whole computation process. We will address this again in step 4.

In summary, we need to store: first  $k$  columns with  $n+1$  rows, the index vector of length  $2(k+n)$ , the RHS vector of length  $(n+1)$ , and the  $n$   $w_i$ s.

After the initialization of the simplex tableau and the index vector, we can start the iteration (steps 2-5) to optimize the objective function.

**Step 2:** Select a variable in  $[\beta_j]_+$ s or  $[\beta_j]_-$ s to enter the basis.

We will start to use the least required simplex tableau from now on. The least required simplex tableau contains only columns for the first  $k$  non-basis variables in the index vector and the RHS column. For why it is the least required tableau, see the notes 3-6 at the end of step 1. We represent the current least required simplex tableau as:

$nb_1$	...	$nb_k$	RHS
$z_{11}$	...	$z_{1k}$	$r_1$
$\vdots$	$\ddots$	$\vdots$	$\vdots$
$z_{n1}$	...	$z_{nk}$	$r_n$
$c_1$	...	$c_k$	$obj$

Table 4

Note the above tableau is a general form. It can be the tableau right after the initialization or the tableau at any iteration during the computation.

The variable to enter the basis is the one with the largest non-negative coefficient in the objective function among the non-basis variables in  $[\beta]_+$  and  $[\beta]_-$ . To find the variable, we first locate the variables among the  $nb_1, \dots, nb_k$  that are in  $[\beta]_+$  and  $[\beta]_-$ . These are the variables with labels of  $1, 2, \dots, k$  or  $-1, -2, \dots, -k$  among the first  $k$  elements in the index vector. For the variables among the  $nb_1, \dots, nb_k$  that are in  $[\beta]_+$  and  $[\beta]_-$ , we search their objective function row for the one with the largest absolute value. If we found out that  $|c_j|$  is the largest among the ones corresponding to non-basis variables in  $[\beta]_+$  and  $[\beta]_-$  ( $c_j$  can be zero, set any  $c_j$  satisfying  $|c_j| < tol$  to be zero,  $tol$ =machine epsilon) then the variable  $nb_j$  is the one to enter the basis. If we found out that  $|c_j|$  is the largest among the ones corresponding to non-basis variables in  $[\beta]_+$  and  $[\beta]_-$ , but  $c_j < 0$ , we change the sign of the whole column for  $nb_j$  (including  $c_j$ ) and the new  $nb_j$  is the one to enter the basis. In the second case ( $c_j < 0$ ), we also need to change the sign of the labels at the  $j$ -th and the  $(k+j)$ -th place in the index vector.

For example, in the simplex tableau right after the initialization, if  $-\sum_n \text{sign}(y_i)x_{ij} \text{coeff}(u_i)$  is the largest positive coefficient among  $-\sum_n \text{sign}(y_i)x_{i1} \text{coeff}(u_i), \dots, -\sum_n \text{sign}(y_i)x_{ik} \text{coeff}(u_i)$  and  $\sum_n \text{sign}(y_i)x_{i1} \text{coeff}(u_i), \dots, \sum_n \text{sign}(y_i)x_{ik} \text{coeff}(u_i)$ , then  $[\beta_j]_+$  is the variable to enter the basis.

**Note:**

1. Here we only consider the variables in  $[\beta]_+$  and  $[\beta]_-$ , i.e.,  $[\beta_j]_+$ s or  $[\beta_j]_-$ s for the one to enter the basis. This is the major difference between the Barrodale and Roberts' simplex method and the general simplex method. By using the Barrodale and Roberts' simplex method we utilize the special structure of the constraint matrix  $B$  in the quantile regression setting to accelerate the optimization process.
2. If there a tie among the largest  $|c_j|$ s, which means there are more than one  $|c_j|$  that is the largest value among all the  $|c_j|$ s, we will choose the first  $|c_j|$  in the order of ascending  $j$ .

**Step 3:** Select a basis variable to leave the basis.

Now that we have selected  $nb_j$  as the variable to enter the basis in step 2, next we need to examine the column of  $nb_j$  and RHS:

$nb_j$	RHS
$z_{1j}$	$r_1$
$\vdots$	$\vdots$
$z_{nj}$	$r_n$
$c_j$	$obj$

Table 5

Check that in the column of  $nb_j$ , the elements  $(z_{1j}, \dots, z_{nj})$  that have an absolute value that is less than the tolerance (machine epsilon) should be set to zero. The resulted Table 5 is called “new Table 5”.

[[

If the number of parameters  $k \leq 25$ , run plan 1, else run plan 2. Note that plan 1 and plan 2 are completely the same for functionality but plan 1 runs faster than plan 2 for small number of parameters ( $k \leq 25$ ). We have kept both plans here for performance purpose.

Plan 1:

Calculate the ratios  $z_{1j}/r_1, \dots, \frac{z_{nj}}{r_n}$ . Check the  $[2k+1]$ -th label to the  $[2k+n]$ -th label in the index vector, if the  $[2k+i]$ -th label is in  $1, 2, \dots, k$  or  $-1, -2, \dots, -k$ , set the  $i$ -th ratio to be zero\*,  $i$  can be any of  $1, 2, \dots, n$ . This is to guarantee that the variable we choose to leave the basis is selected among the  $u_i$ s and  $v_i$ s. If the  $i$ -th element of the column of  $nb_j$ , i.e.,  $z_{ij}$ , is negative, also set the  $i$ -th ratio to be zero\*\* ( $i$  in  $1, 2, \dots, n$ ).

Sort the positive ratios in  $z_{1j}/r_1, \dots, \frac{z_{nj}}{r_n}$  (after modification by \* and \*\*) by decreasing order. If there is a tie, order the ratios by the order of the data. Record the ranking of the positive ratios as a vector. Let's say there are  $m$  positive ratios and the order is  $z_{s_1j}/r_{s_1}, z_{s_2j}/r_{s_2}, \dots, \frac{z_{s_mj}}{r_{s_m}}$  from the largest to the smallest, the ranking vector will be  $s_1, s_2, \dots, s_m$ .

Note that when  $r_s = 0$  and  $z_{sj} > 0$ , the ratio of  $z_{sj}/r_s$  is positive infinity. In this case, the positive infinity is taken as the largest positive ratio.

Note that the modifications of \* and \*\* only work on the ratios  $z_{1j}/r_1, \dots, \frac{z_{nj}}{r_n}$ , thus do not change the original values of  $(z_{1j}, \dots, z_{nj})$  and  $(r_1, \dots, r_n)$  in the “new Table 5”. And the following calculations use the original values of  $(z_{1j}, \dots, z_{nj})$  from the “new Table 5”.

Next, calculate the values of “ $c_j - w_{s_1}z_{s_1j}$ ”, “ $c_j - w_{s_1}z_{s_1j} - w_{s_2}z_{s_2j}$ ”, “ $c_j - w_{s_1}z_{s_1j} - w_{s_2}z_{s_2j} - w_{s_3}z_{s_3j}$ ”, ... sequentially. Stop until we find an “ $l$ ” such that “ $c_j - w_{s_1}z_{s_1j} - \dots - w_{s_l}z_{s_lj} \geq 0$ ” and “ $c_j - w_{s_1}z_{s_1j} - \dots - w_{s_{l+1}}z_{s_{l+1}j} < 0$ ” and “ $l + 1 \leq m$ ”. If such an “ $l$ ” cannot be found, report a computation error “unbounded solution” and stop.

This is the end of plan 1.

Plan 2:

For positive  $z_{1j}, \dots, z_{nj}$ , find the largest positive ratio among  $z_{1j}/r_1, \dots, z_{nj}/r_n$ , assume it's the  $s$ -th ratio  $z_{sj}/r_s$ . If there is a tie, choose a smaller  $s$ .

Note that when  $r_s = 0$  and  $z_{sj} > 0$ , the ratio of  $z_{sj}/r_s$  is positive infinity. In this case, the positive infinity is taken as the largest positive ratio and the  $s$  with  $z_{sj}/r_s$  being positive infinity is chosen.

Check that the  $[2k + s]$ -th label in the index vector is in  $k + 1, k + 2, \dots, k + n$  or  $-(k + 1), -(k + 2), \dots, -(k + n)$ . Because we want to guarantee that the variable we choose to leave the basis is selected among the  $u_i$ s and  $v_i$ s. If not, go to the next largest (or the other tied) positive ratio among  $z_{1j}/r_1, \dots, z_{nj}/r_n$ , assume it's the  $s'$ -th ratio. Again, check that the  $[2k + s']$ -th label in the index vector is in  $k + 1, k + 2, \dots, k + n$  or  $-(k + 1), -(k + 2), \dots, -(k + n)$ . Do this until a proper "s" is found. If such an "s" cannot be found, report a computation error "unbounded solution".

Next, calculate the value of  $c_j - w_s z_{sj}$ .

Let  $count = 1$ .

While  $(c_j - w_s z_{sj} \geq 0)$  {

Record  $s_{count} = s$ .

Next, we choose the next variable to leave the basis, i.e., we choose the new "s". Examine again the "new Table 5" and find the next (the  $(count+1)$ -th) largest positive ratio among  $z_{1j}/r_1, \dots, z_{nj}/r_n$  with positive  $z_{1j}, \dots, z_{nj}$ , assume it's the new  $s$ -th ratio  $z_{sj}/r_s$ . If there is a tie, choose a smaller  $s$ .

Note that when  $r_s = 0$  and  $z_{sj} > 0$ , the ratio of  $z_{sj}/r_s$  is positive infinity. In this case, the positive infinity is taken as the largest positive ratio and the  $s$  with  $z_{sj}/r_s$  being positive infinity is chosen.

Check that the  $[2k + s]$ -th label in the index vector is in  $k + 1, k + 2, \dots, k + n$  or  $-(k + 1), -(k + 2), \dots, -(k + n)$ . Because we want to guarantee that the variable we choose to leave the basis is selected among the  $u_i$ s and  $v_i$ s. If not, go to the next largest (or the other tied) positive ratio among  $z_{1j}/r_1, \dots, z_{nj}/r_n$ , assume it's the  $s'$ -th ratio. Again, check that the  $[2k + s']$ -th label in the index vector is in  $k + 1, k + 2, \dots, k + n$  or  $-(k + 1), -(k + 2), \dots, -(k + n)$ . Do this until a proper "s" is found. If such an "s" cannot be found, report a computation error "unbounded solution".

$count = count + 1$ .

Calculate the new value of  $c_j - w_s z_{sj}$ . Repeat until the condition  $c_j - w_s z_{sj} \geq 0$  is not satisfied, i.e.,  $c_j - w_s z_{sj} < 0$ .

}

Now we have the vector of  $(s_1, s_2, \dots, s_{count})$ . Let  $l = count - 1$ .

This is the end of plan 2.

After finding the desired "l", perform the following operation.

Change the current least required simplex tableau:

$nb_1$	...	$nb_j$	...	$nb_k$	RHS
$z_{11}$	...	$z_{1j}$	...	$z_{1k}$	$r_1$
$\vdots$	$\ddots$	$\vdots$	$\ddots$	$\vdots$	$\vdots$

$z_{s1}$	...	$z_{sj}$	...	$z_{sk}$	$r_s$
$\vdots$	$\ddots$	$\vdots$	$\ddots$	$\vdots$	$\vdots$
$z_{n1}$	...	$z_{nj}$	...	$z_{nk}$	$r_n$
$c_1$	...	$c_j$	...	$c_k$	$obj$

Table 6

to:

$nb_1$	...	$nb_j$	...	$nb_k$	RHS
$z_{11}$	...	$z_{1j}$	...	$z_{1k}$	$r_1$
$\vdots$	$\ddots$	$\vdots$	$\ddots$	$\vdots$	$\vdots$
$-z_{s_l1}$	...	$-z_{s_lj}$	...	$-z_{s_lk}$	$-r_{s_l}$
$\vdots$	$\ddots$	$\vdots$	$\ddots$	$\vdots$	$\vdots$
$-z_{s_11}$	...	$-z_{s_1j}$	...	$-z_{s_1k}$	$-r_{s_1}$
$\vdots$	$\ddots$	$\vdots$	$\ddots$	$\vdots$	$\vdots$
$-z_{s_21}$	...	$-z_{s_2j}$	...	$-z_{s_2k}$	$-r_{s_2}$
$\vdots$	$\ddots$	$\vdots$	$\ddots$	$\vdots$	$\vdots$
$z_{n1}$	...	$z_{nj}$	...	$z_{nk}$	$r_n$
$c_1 - w_{s_1}z_{s_11}$	...	$c_j - w_{s_1}z_{s_1j}$	...	$c_k - w_{s_1}z_{s_1k}$	$obj - w_{s_1}r_{s_1} -$
$- \dots - w_{s_l}z_{s_l1}$		$- \dots - w_{s_l}z_{s_lj}$		$- \dots - w_{s_l}z_{s_lk}$	$\dots - w_{s_l}r_{s_l}$

Table 7

The above operation is: subtracting  $w_{s_1}$  times of the  $s_1$ -th row from the objective function row, subtracting  $w_{s_2}$  times of the  $s_2$ -th row from the objective function row, ..., subtracting  $w_{s_l}$  times of the  $s_l$ -th row from the objective function row, and changing the sign of the  $s_1$ -th,  $s_2$ -th, ...,  $s_l$ -th rows.

We also need to interchange the  $[2k + s_1]$ -th,  $[2k + s_2]$ -th, ...,  $[2k + s_l]$ -th label with the  $[2k + n + s_1]$ -th,  $[2k + n + s_2]$ -th, ...,  $[2k + n + s_l]$ -th label in the index vector.

Next, replace the  $s_{count}$ -th basis by  $nb_j$ . Let  $s = s_{l+1}$ .

Change the current least required simplex tableau:

$nb_1$	...	$nb_j$	...	$nb_k$	RHS
$z_{11}$	...	$z_{1j}$	...	$z_{1k}$	$r_1$
$\vdots$	$\ddots$	$\vdots$	$\ddots$	$\vdots$	$\vdots$
$z_{s1}$	...	$z_{sj}$	...	$z_{sk}$	$r_s$
$\vdots$	$\ddots$	$\vdots$	$\ddots$	$\vdots$	$\vdots$
$z_{n1}$	...	$z_{nj}$	...	$z_{nk}$	$r_n$
$c_1$	...	$c_j$	...	$c_k$	$obj$

Table 8

Note: the values in Table 9 is different from those in Tables 5, 6 and 7. These are the updated values in the current tableau.

to:

$nb_1$	...	$nb_j$	...	$nb_k$	RHS
$z_{11} - \frac{z_{1j}}{z_{sj}}z_{s1}$	...	$-\frac{z_{1j}}{z_{sj}}$	...	$z_{1k} - \frac{z_{1j}}{z_{sj}}z_{sk}$	$r_1 - \frac{z_{1j}}{z_{sj}}r_s$

$\vdots$	$\ddots$	$\vdots$	$\ddots$	$\vdots$	$\vdots$
$z_{s1}/z_{sj}$	$\dots$	$1/z_{sj}$	$\dots$	$z_{sk}/z_{sj}$	$r_s/z_{sj}$
$\vdots$	$\ddots$	$\vdots$	$\ddots$	$\vdots$	$\vdots$
$z_{n1} - \frac{z_{nj}}{z_{sj}} z_{s1}$	$\dots$	$-\frac{z_{nj}}{z_{sj}}$	$\dots$	$z_{nk} - \frac{z_{nj}}{z_{sj}} z_{sk}$	$r_n - \frac{z_{nj}}{z_{sj}} r_s$
$c_1 - \frac{c_j}{z_{sj}} z_{s1}$	$\dots$	$-\frac{c_j}{z_{sj}}$	$\dots$	$c_k - \frac{c_j}{z_{sj}} z_{sk}$	$obj - \frac{c_j}{z_{sj}} r_s$

Table 9

The above operation is: subtracting  $\frac{z_{1j}}{z_{sj}}$  times of the s-th row from the first row, subtracting  $\frac{z_{2j}}{z_{sj}}$  times of the s-th row from the second row, ..., subtracting  $\frac{z_{(s-1)j}}{z_{sj}}$  times of the s-th row from the (s-1)-th row, subtracting  $\frac{z_{(s+1)j}}{z_{sj}}$  times of the s-th row from the (s+1)-th row, ..., subtracting  $\frac{z_{nj}}{z_{sj}}$  times of the s-th row from the n-th row, subtracting  $\frac{c_j}{z_{sj}}$  times of the s-th row from the objective function row, divide the s-th row by  $z_{sj}$ , and replace the j-th column by the new values  $(-\frac{z_{1j}}{z_{sj}}, \dots, -\frac{z_{(s-1)j}}{z_{sj}}, \frac{1}{z_{sj}}, -\frac{z_{(s+1)j}}{z_{sj}}, \dots, -\frac{z_{nj}}{z_{sj}}, -\frac{c_j}{z_{sj}})$ , as shown in the above table.

**Note:**

1. The second tableau are using the values from the first tableau, in other words, a notation stands for the same value in these two tables.
2. May need to temporarily save the values of  $z_{1j}, \dots, z_{nj}$  and  $c_j$  before the above operations.

We also need to interchange the  $[2k + s]$ -th label with the j- th label in the index vector, and interchange the  $[2k + n + s]$ -th label with the  $(k+j)$ - th label in the index vector.

]]

This is the end of step 3.

**Step 4:** Repeat steps 2-3 until the coefficient of the non-basis variables in the objective function are zero or negative (condition 1) or all the  $k [\beta_j]_+$  or  $[\beta_j]_-$  have entered the basis (condition 2). This is called the stage 1 iterations. Stage 1 iterations are terminated when either one or both of the condition 1 and condition 2 is satisfied.

The first condition is checked by looking at the current least required simplex tableau:

$nb_1$	$\dots$	$nb_k$	$RHS$
$z_{11}$	$\dots$	$z_{1k}$	$r_1$
$\vdots$	$\ddots$	$\vdots$	$\vdots$
$z_{n1}$	$\dots$	$z_{nk}$	$r_n$
$c_1$	$\dots$	$c_k$	$obj$

Table 10

For the variables  $nb_1, \dots, nb_k$ , with labels of  $l_1, \dots, l_k$  in the first k elements of the index vector, check that  $c_j = 0$  when  $l_j$  is in  $1, 2, \dots, k$  or  $-1, -2, \dots, -k$ ; and check that  $c_j \leq 0$  and  $-w_{|l_j|} - c_j \leq 0$  when  $l_j$  is in  $k + 1, k + 2, \dots, k + n$  or  $-(k + 1), -(k + 2), \dots, -(k + n)$ , for  $j = 1, \dots, k$ .

The second condition is true when all the first k elements of the index vector are in  $k + 1, k + 2, \dots, k + n$  or  $-(k + 1), -(k + 2), \dots, -(k + n)$ . Or this condition can be checked by add a counter to step 3 where we “replace the s-th basis by  $nb_j$ ”. If the counter equals k, then all the  $k [\beta_j]_+$  or  $[\beta_j]_-$  have entered the basis.

If condition 1 is satisfied (condition 2 either satisfied or not), go to step 6.

If condition 1 is not satisfied but condition 2 is satisfied, go to step 5.

**Step 5:** If after step 4 there are still positive coefficients of the non-basis variables in the objective function, which means the first condition in step 4 is not satisfied but the stage 1 iteration is terminated as the second condition is satisfied, we start stage 2 iteration.

In stage 2 iteration, the variables both leaving and entering the basis will come from the  $u_i$  or  $v_i$  variables.

In the current least required simplex tableau:

$nb_1$	...	$nb_k$	$RHS$
$z_{11}$	...	$z_{1k}$	$r_1$
$\vdots$	$\ddots$	$\vdots$	$\vdots$
$z_{n1}$	...	$z_{nk}$	$r_n$
$c_1$	...	$c_k$	$obj$

Table 11

with the labels of the variables  $nb_1, \dots, nb_k$  in the index vector being  $l_1, \dots, l_k$ . For any columns with  $c_j < -w_{l_j}$  for  $j=1, \dots, k$ , replace the column by its opposite sign column:

$nb_j$		$nb_j$
$z_{1j}$	→	$-z_{1j}$
$\vdots$		$\vdots$
$z_{sj}$		$-z_{sj}$
$\vdots$		$\vdots$
$z_{nj}$		$-z_{nj}$
$c_j$		$-w_{l_j} - c_j$

Table 12

At the same time we need to exchange the  $j$ -th label with the  $(k+j)$ -th label in the index vector.

For the new tableau:

$nb_1$	...	$nb_k$	$RHS$
$z_{11}$	...	$z_{1k}$	$r_1$
$\vdots$	$\ddots$	$\vdots$	$\vdots$
$z_{n1}$	...	$z_{nk}$	$r_n$
$c_1$	...	$c_k$	$obj$

Table 13

Let's say  $c_j$  is the largest one among all the positive coefficients in the objective function row, then  $nb_j$  is the variable to enter the basis. If there is a tie among the largest  $c_j$ 's, choose the one with a smaller  $j$ .

Now that we have selected  $nb_j$  as the variable to enter the basis, next we need to examine the column of  $nb_j$  and RHS:

$nb_j$	$RHS$
--------	-------

$z_{1j}$	$r_1$
$\vdots$	$\vdots$
$z_{nj}$	$r_n$
$c_j$	$obj$

Table 14

Check that in the column of  $nb_j$ , the elements  $(z_{1j}, \dots, z_{nj})$  that have an absolute value that is less than the tolerance (machine epsilon) should be set to zero. The resulted Table 15 is called “new Table 15”.

Perform the operation in step 3 that is marked between “[[“ and “]”].

Repeat step 5 until there are no more positive coefficients of the non-basis variables in the objective function.

This condition is checked by looking at the current least required simplex tableau:

$nb_1$	$\dots$	$nb_k$	$RHS$
$z_{11}$	$\dots$	$z_{1k}$	$r_1$
$\vdots$	$\ddots$	$\vdots$	$\vdots$
$z_{n1}$	$\dots$	$z_{nk}$	$r_n$
$c_1$	$\dots$	$c_k$	$obj$

Table 15

For the variables  $nb_1, \dots, nb_k$ , with labels of  $l_1, \dots, l_k$  in the first  $k$  elements of the index vector, check that  $c_j \leq 0$  and  $-w_{|l_j|} - c_j \leq 0$  for  $j = 1, \dots, k$ .

**Step 6:** Check that the final solution is feasible.

If the final tableau contains negative values in the RHS column, let’s say in the current tableau:

$nb_1$	$\dots$	$nb_k$	$RHS$
$z_{11}$	$\dots$	$z_{1k}$	$r_1$
$\vdots$	$\ddots$	$\vdots$	$\vdots$
$z_{n1}$	$\dots$	$z_{nk}$	$r_n$
$c_1$	$\dots$	$c_k$	$obj$

Table 16

$r_s < 0$  is the most negative one among  $r_1, \dots, r_n$ , i. e.,  $r_s < 0$  and  $r_s = \min(r_1, \dots, r_n)$ .

If the  $(2k+s)$ -th label in the index vector is among  $1, 2, \dots, k$  or  $-1, -2, \dots, -k$ , then multiply the  $s$ -th row in the above tableau by  $(-1)$ , and the corresponding basis  $[\beta_j]_+$  (or  $[\beta_j]_-$ ) must be interchanged with the corresponding non-basis  $[\beta_j]_-$  (or  $[\beta_j]_+$ ) by exchanging the  $(2k+s)$ -th label with the  $(2k+n+s)$ -th label in the index vector.

If the  $(2k+s)$ -th label in the index vector is among  $k + 1, k + 2, \dots, k + n$  or  $-(k + 1), -(k + 2), \dots, -(k + n)$ , then check in the tableau

$nb_1$	$\dots$	$nb_k$	$RHS$
--------	---------	--------	-------

$z_{11}$	...	$z_{1k}$	$r_1$
$\vdots$	$\ddots$	$\vdots$	$\vdots$
$z_{n1}$	...	$z_{nk}$	$r_n$
$c_1$	...	$c_k$	$obj$

Table 17

Situation 1: Find the first  $nb_j$  with  $c_j = 0$  and the  $j$ -th label in the index vector is among 1, 2, ...,  $k$  or  $-1, -2, \dots, -k$ , make  $nb_j$  a new basis in place of the  $s$ -th basis by replacing the above tableau by:

$nb_1$	...	$nb_j$	...	$nb_k$	$RHS$
$z_{11} - \frac{z_{1j}}{z_{sj}} z_{s1}$	...	$-\frac{z_{1j}}{z_{sj}}$	...	$z_{1k} - \frac{z_{1j}}{z_{sj}} z_{sk}$	$r_1 - \frac{z_{1j}}{z_{sj}} r_s$
$\vdots$	$\ddots$	$\vdots$	$\ddots$	$\vdots$	$\vdots$
$z_{s1}/z_{sj}$	...	$1/z_{sj}$	...	$z_{sk}/z_{sj}$	$r_s/z_{sj}$
$\vdots$	$\ddots$	$\vdots$	$\ddots$	$\vdots$	$\vdots$
$z_{n1} - \frac{z_{nj}}{z_{sj}} z_{s1}$	...	$-\frac{z_{nj}}{z_{sj}}$	...	$z_{nk} - \frac{z_{nj}}{z_{sj}} z_{sk}$	$r_n - \frac{z_{nj}}{z_{sj}} r_s$
$c_1 - \frac{c_j}{z_{sj}} z_{s1}$	...	$-\frac{c_j}{z_{sj}}$	...	$c_k - \frac{c_j}{z_{sj}} z_{sk}$	$obj - \frac{c_j}{z_{sj}} r_s$

Table 18

The above operation is: subtracting  $\frac{z_{1j}}{z_{sj}}$  times of the  $s$ -th row from the first row, subtracting  $\frac{z_{2j}}{z_{sj}}$  times of the  $s$ -th row from the second row, ..., subtracting  $\frac{z_{(s-1)j}}{z_{sj}}$  times of the  $s$ -th row from the  $(s-1)$ -th row, subtracting  $\frac{z_{(s+1)j}}{z_{sj}}$  times of the  $s$ -th row from the  $(s+1)$ -th row, ..., subtracting  $\frac{z_{nj}}{z_{sj}}$  times of the  $s$ -th row from the  $n$ -th row, subtracting  $\frac{c_j}{z_{sj}}$  times of the  $s$ -th row from the objective function row, divide the  $s$ -th row by  $z_{sj}$ , and replace the  $j$ -th column by the new values  $(-\frac{z_{1j}}{z_{sj}}, \dots, -\frac{z_{(s-1)j}}{z_{sj}}, \frac{1}{z_{sj}}, -\frac{z_{(s+1)j}}{z_{sj}}, \dots, -\frac{z_{nj}}{z_{sj}}, -\frac{c_j}{z_{sj}})$ , as shown in the above table.

**Note:**

1. The second tableau are using the values from the first tableau, in other words, a notation stands for the same value in these two tables.
2. May need to temporarily save the values of  $z_{1j}, \dots, z_{nj}$  and  $c_j$  before the above operations.

And exchange the  $j$ -th label with the  $(2k+s)$ -th label and the  $(k+j)$ -th label with the  $(2k+n+s)$ -th label in the index vector.

Situation 2: If no such  $nb_j$  can be found, then multiply the  $s$ -th row in Table 20 by  $(-1)$ , and add the new  $s$ -th row to the objective function row, i.e., change Table 20 to the new tableau below:

$nb_1$	...	$nb_j$	...	$nb_k$	$RHS$
$z_{11}$	...	$z_{1j}$	...	$z_{1k}$	$r_1$
$\vdots$	$\ddots$	$\vdots$	$\ddots$	$\vdots$	$\vdots$
$-z_{s1}$	...	$-z_{sj}$	...	$-z_{sk}$	$-r_s$
$\vdots$	$\ddots$	$\vdots$	$\ddots$	$\vdots$	$\vdots$
$z_{n1}$	...	$z_{nj}$	...	$z_{nk}$	$r_n$
$c_1 - w_s z_{s1}$	...	$c_j - w_s z_{sj}$	...	$c_k - w_s z_{sk}$	$obj - w_s r_s$

Table 19

And exchange the  $(2k+s)$ -th label with the  $(2k+n+s)$ -th label in the index vector.

Perform step 5 on this new tableau, until there are no more positive coefficients of the non-basis variables in the objective function, i.e., for the variables  $nb_1, \dots, nb_k$  in the final tableau, with labels of  $l_1, \dots, l_k$  in the first  $k$  elements of the index vector, check that  $c_j \leq 0$  and  $-w_{|l_j|} - c_j \leq 0$  for  $j = 1, \dots, k$ .

Repeat step 6 until all the RHS values are non-negative. If after 100 times repetition of step 6 the final solution is still not feasible, terminate with an error message: “infeasible solution”.

**Step 7:** Read off the final solution to our linear programming problem.

The final estimated quantile regression parameters are the RHS elements corresponding to each of the  $\beta_j$ s in the basis.

$nb_1$	...	$nb_k$	RHS
$z_{11}$	...	$z_{1k}$	$r_1$
$\vdots$	$\ddots$	$\vdots$	$\vdots$
$z_{n1}$	...	$z_{nk}$	$r_n$
$c_1$	...	$c_k$	obj

Table 20

Read the  $(2k+1)$ -th to the  $(2k+n)$ -th label in the index vector and find the corresponding parameters and set their value to be  $r_1$  to  $r_n$ . All the other variables are set to be zero. Read the right bottom cell of the above tableau for the final optimized value of the objective function.

Record the estimated value of the model parameters:  $\hat{\beta}^{(p)}$ .

Record the values of the error terms:  $e_i = \text{sign}(y_i)(u_i - v_i)$ , for  $i = 1, 2, \dots, n$ .

**Note:** There are three possible outcomes for a linear programming problem: no solution (infeasible), unbounded optimum or optimal solution. The optimal solution situation is when we normally terminated the simplex iteration and a set of feasible solution has been reached. The infeasible situation is addressed in step 6 and the unbounded optimum situation is addressed in step 3 with the computation error.

Note that we generally assume that  $n \geq k$ . In other words, there is more data points than the number of parameters.

Implementation note:

1. We will first check that whether the regular linear regression fitting of the data is a perfect fit. A perfect fit will have the sum of squared error being zero, i.e.,  $SS_e = 0$ . If the computed  $SS_e$  is smaller than  $1.0e-8$ , then we will identify the linear regression as a perfect fit to the data. For the case of a perfect fit, we do not estimate quantile models using Simplex or Interior Point algorithms, we just use the solution of linear regression for all  $p$ , and set the covariance matrix to all zeros (regardless of IID setting).
2. If user specified  $p=0$  or  $p=1$ , we actually use  $1e-10$  or  $1 - 1e-10$  respectively for Simplex method.

## Interior point method

The interior point method is one of the linear programming algorithms and is suitable to deal with large to huge data.

We start from the standard “Linear Programming” type of equations for quantile regression (equation (4) from section 4.1):

$$\begin{aligned}
 & \mathbf{minimize}_{\{\beta^{(p)}, u, v\}} p\mathbf{w}'\mathbf{u} + (1-p)\mathbf{w}'\mathbf{v} \\
 & \text{s. t. } \mathbf{y} - \mathbf{X}\beta^{(p)} = \mathbf{u} - \mathbf{v} \\
 & \beta^{(p)} \in R^k, \quad \mathbf{u} \geq 0, \quad \mathbf{v} \geq 0,
 \end{aligned} \tag{4}$$

where  $\mathbf{w} = (w_1, \dots, w_n)'$ .

For simplicity, let's define  $\bar{\mathbf{u}} = \mathbf{W}\mathbf{u}$  and  $\bar{\mathbf{v}} = \mathbf{W}\mathbf{v}$ . Then the above quantile regression equations become

$$\begin{aligned}
 & \mathbf{minimize}_{\{\beta^{(p)}, u, v\}} p\bar{\mathbf{u}}'\mathbf{e} + (1-p)\bar{\mathbf{v}}'\mathbf{e} \\
 & \text{s. t. } \bar{\mathbf{y}} - \bar{\mathbf{X}}\beta^{(p)} = \bar{\mathbf{u}} - \bar{\mathbf{v}} \\
 & \beta^{(p)} \in R^k, \quad \bar{\mathbf{u}} \geq 0, \quad \bar{\mathbf{v}} \geq 0,
 \end{aligned} \tag{8}$$

where  $\mathbf{W} = \mathbf{diag}(w_1, \dots, w_n)$ ,  $\bar{\mathbf{y}} = \mathbf{W}\mathbf{y}$ ,  $\bar{\mathbf{X}} = \mathbf{W}\mathbf{X}$  and  $\mathbf{e}$  is a vector of 1's with length  $n$ .

By the above variable substitutions, we have changed the quantile regression problem with regression weights into a regular quantile regression problem with no weights.

We take advantage of the following dual problem of equations (8):

$$\begin{aligned}
 & \mathbf{maximize}_b \bar{\mathbf{y}}'\mathbf{b} \\
 & \text{s. t. } \bar{\mathbf{X}}'\mathbf{b} = \mathbf{0} \\
 & p-1 \leq b_i \leq p, \quad i = 1, \dots, n.
 \end{aligned} \tag{9}$$

Setting  $a_i = b_i + 1 - p$  for  $i = 1, \dots, n$ , the dual problem becomes:

$$\begin{aligned}
 & \mathbf{maximize}_a \bar{\mathbf{y}}'\mathbf{a} \\
 & \text{s. t. } \bar{\mathbf{X}}'\mathbf{a} = (1-p)\bar{\mathbf{X}}'\mathbf{e} \\
 & 0 \leq a_i \leq 1, \quad i = 1, \dots, n
 \end{aligned} \tag{10}$$

where  $\mathbf{e}$  is a vector of 1's with length  $n$ .

To change the inequality constraints  $a_i \leq 1$  into equality constraints, we add slack variables  $s_i$ ,  $i = 1, \dots, n$ , such that  $a_i + s_i = 1$  for  $i = 1, \dots, n$ .

The dual problem becomes:

$$\begin{aligned}
 & \mathbf{maximize}_{a,s} \bar{\mathbf{y}}'\mathbf{a} \\
 & \text{s. t. } \bar{\mathbf{X}}'\mathbf{a} = (1-p)\bar{\mathbf{X}}'\mathbf{e} \\
 & \mathbf{a} + \mathbf{s} = \mathbf{e}
 \end{aligned} \tag{11}$$

$$a_i, s_i \geq 0, \quad i = 1, \dots, n$$

where  $\mathbf{e}$  is a vector of 1's with length  $n$ .

We use the log barrier function to replace the inequality constraints  $a_i, s_i \geq 0$  for  $i = 1, \dots, n$  to get:

$$\begin{aligned} \text{maximize}_{\mathbf{a}, \mathbf{s}, \mu} \quad & B(\mathbf{a}, \mathbf{s}, \mu) = \bar{\mathbf{y}}' \mathbf{a} + \mu \sum_{i=1}^n (\log a_i + \log s_i) \\ \text{s. t.} \quad & \bar{\mathbf{X}}' \mathbf{a} = (1-p) \bar{\mathbf{X}}' \mathbf{e} \\ & \mathbf{a} + \mathbf{s} = \mathbf{e} \end{aligned} \quad (12)$$

where  $\mathbf{e}$  is a vector of 1's with length  $n$ .

Use Lagrangian multipliers for the equality constraints, the objective function becomes:

$$L(\mathbf{a}, \mathbf{s}, \mu, \boldsymbol{\beta}^{(p)}, \mathbf{u}) = B(\mathbf{a}, \mathbf{s}, \mu) - \boldsymbol{\beta}^{(p)'} (\bar{\mathbf{X}}' \mathbf{a} - (1-p) \bar{\mathbf{X}}' \mathbf{e}) - \mathbf{u}' (\mathbf{a} + \mathbf{s} - \mathbf{e}) \quad (13)$$

Set the derivative of the above Lagrangian equation as zero and  $\mathbf{v} = \mu \mathbf{A}^{-1}$  to get:

$$\begin{aligned} \bar{\mathbf{X}}' \mathbf{a} &= (1-p) \bar{\mathbf{X}}' \mathbf{e} \\ \mathbf{a} + \mathbf{s} &= \mathbf{e} \\ \bar{\mathbf{y}} - \bar{\mathbf{X}} \boldsymbol{\beta}^{(p)} &= \bar{\mathbf{u}} - \bar{\mathbf{v}} \\ \mathbf{U} \mathbf{S} \mathbf{e} &= \mu \mathbf{e} \\ \mathbf{A} \mathbf{V} \mathbf{e} &= \mu \mathbf{e} \end{aligned} \quad (14)$$

where  $\mathbf{A} = \text{diag}(a_1, \dots, a_n)$ ,  $\mathbf{U} = \text{diag}(\bar{u}_1, \dots, \bar{u}_n)$ ,  $\mathbf{S} = \text{diag}(s_1, \dots, s_n)$ ,  $\mathbf{V} = \text{diag}(\bar{v}_1, \dots, \bar{v}_n)$  and  $\mathbf{e}$  is a vector of 1's with length  $n$ .

The goal of the interior point method is to solve Equation (13) using Newton's method.

### Applying Newton's method

From Equation (13), apply the Newton step as following:

$$\begin{aligned} \bar{\mathbf{X}}' (\mathbf{a} + \boldsymbol{\delta}_a) &= (1-p) \bar{\mathbf{X}}' \mathbf{e} \\ (\mathbf{a} + \boldsymbol{\delta}_a) + (\mathbf{s} + \boldsymbol{\delta}_s) &= \mathbf{e} \\ \bar{\mathbf{y}} - \bar{\mathbf{X}} (\boldsymbol{\beta}^{(p)} + \boldsymbol{\delta}_\beta) &= (\bar{\mathbf{u}} + \boldsymbol{\delta}_u) - (\bar{\mathbf{v}} + \boldsymbol{\delta}_v) \\ (\mathbf{U} + \Delta_u) (\mathbf{S} + \Delta_s) \mathbf{e} &= \mu \mathbf{e} \\ (\mathbf{A} + \Delta_a) (\mathbf{V} + \Delta_v) \mathbf{e} &= \mu \mathbf{e} \end{aligned} \quad (15)$$

where  $\mathbf{A} = \text{diag}(a_1, \dots, a_n)$ ,  $\mathbf{U} = \text{diag}(\bar{u}_1, \dots, \bar{u}_n)$ ,  $\mathbf{S} = \text{diag}(s_1, \dots, s_n)$ ,  $\mathbf{V} = \text{diag}(\bar{v}_1, \dots, \bar{v}_n)$ ,  $\Delta_a, \Delta_v, \Delta_u, \Delta_s$  denote the diagonal matrices with diagonals  $\boldsymbol{\delta}_a, \boldsymbol{\delta}_v, \boldsymbol{\delta}_u, \boldsymbol{\delta}_s$  and  $\mathbf{e}$  is a vector of 1's with length  $n$ .

Solving the above equations, we get:

$$\begin{aligned} \boldsymbol{\delta}_\beta &= (\bar{\mathbf{X}}' \mathbf{G} \bar{\mathbf{X}})^{-1} [-(1-p) \bar{\mathbf{X}}' \mathbf{e} + \bar{\mathbf{X}}' \mathbf{a} + \bar{\mathbf{X}}' \mathbf{G} \boldsymbol{\xi}(\mu)] \\ \boldsymbol{\delta}_a &= \mathbf{G} [-\bar{\mathbf{X}} \boldsymbol{\delta}_\beta + \boldsymbol{\xi}(\mu)] \\ \boldsymbol{\delta}_s &= -\boldsymbol{\delta}_a \\ \boldsymbol{\delta}_u &= \mu \mathbf{S}^{-1} \mathbf{e} - \mathbf{U} \mathbf{e} - \mathbf{S}^{-1} \mathbf{U} \boldsymbol{\delta}_s - \mathbf{S}^{-1} \Delta_s \Delta_u \mathbf{e} \\ \boldsymbol{\delta}_v &= \mu \mathbf{A}^{-1} \mathbf{e} - \mathbf{V} \mathbf{e} - \mathbf{A}^{-1} \mathbf{V} \boldsymbol{\delta}_a - \mathbf{A}^{-1} \Delta_a \Delta_v \mathbf{e} \end{aligned} \quad (16)$$

where  $\xi(\mu) = \bar{\mathbf{y}} - \bar{\mathbf{X}}\boldsymbol{\beta}^{(p)} + \mu(\mathbf{A}^{-1} - \mathbf{S}^{-1})\mathbf{e} - \mathbf{A}^{-1}\Delta_a\Delta_v\mathbf{e} + \mathbf{S}^{-1}\Delta_s\Delta_u\mathbf{e}$  and  $\mathbf{G} = (\mathbf{S}^{-1}\mathbf{U} + \mathbf{A}^{-1}\mathbf{V})^{-1}$ .

Appendix A has detailed derivation for solving equations (14) to get equations (15).

In next subsection, we will state in detail how to iteratively solve equations (15) to eventually solve equations (13).

### Implementation of interior point method

Step 1, we need to initialize the parameters.

$$\begin{aligned}\boldsymbol{\beta}^{(p)} &= (\bar{\mathbf{X}}^T\bar{\mathbf{X}})^{-1}\bar{\mathbf{X}}^T\bar{\mathbf{y}} \\ \bar{\mathbf{u}} &= \max\{\bar{\mathbf{y}} - \bar{\mathbf{X}}\boldsymbol{\beta}^{(p)}, 0\} \\ \bar{\mathbf{v}} &= \max\{-(\bar{\mathbf{y}} - \bar{\mathbf{X}}\boldsymbol{\beta}^{(p)}), 0\} \\ \mathbf{a} &= (1 - p)\mathbf{e} \\ \mathbf{s} &= p\mathbf{e}\end{aligned}$$

And the  $\mathbf{G}$  matrix has diagonal elements  $g_{ii} = \frac{1}{\frac{u_i}{p} + \frac{v_i}{1-p}}$ .

Step 2, do the following iterations:

Step 2.1 Letting  $\mu = 0$  in equations (16) and ignoring the second order terms, solve for the parameters, i.e.,

$$\begin{aligned}\boldsymbol{\delta}_\beta &= (\bar{\mathbf{X}}'\mathbf{G}\bar{\mathbf{X}})^{-1}[-(1-p)\bar{\mathbf{X}}'\mathbf{e} + \bar{\mathbf{X}}'\mathbf{a} + \bar{\mathbf{X}}'\mathbf{G}\xi(\mu)] \\ \boldsymbol{\delta}_a &= \mathbf{G}[-\bar{\mathbf{X}}\boldsymbol{\delta}_\beta + \xi(\mu)] \\ \boldsymbol{\delta}_s &= -\boldsymbol{\delta}_a \\ \boldsymbol{\delta}_u &= -\mathbf{U}\mathbf{e} - \mathbf{S}^{-1}\mathbf{U}\boldsymbol{\delta}_s \\ \boldsymbol{\delta}_v &= -\mathbf{V}\mathbf{e} - \mathbf{A}^{-1}\mathbf{V}\boldsymbol{\delta}_a\end{aligned}\tag{17}$$

where  $\xi(\mu) = \bar{\mathbf{y}} - \bar{\mathbf{X}}\boldsymbol{\beta}^{(p)}$  and  $\mathbf{G} = (\mathbf{S}^{-1}\mathbf{U} + \mathbf{A}^{-1}\mathbf{V})^{-1}$ .

Step 2.2 Compute step length (new  $\mu$ ) as following:

First compute:

$$\hat{\gamma}_P = \sigma \min \left\{ \min_{i=1,\dots,n, \delta_{a_i} < 0} \left\{ -\frac{a_i}{\delta_{a_i}} \right\}, \min_{i=1,\dots,n, \delta_{s_i} < 0} \left\{ -\frac{s_i}{\delta_{s_i}} \right\} \right\} \text{ and}$$

$$\hat{\gamma}_D = \sigma \min \left\{ \min_{i=1,\dots,n, \delta_{u_i} < 0} \left\{ -\frac{u_i}{\delta_{u_i}} \right\}, \min_{i=1,\dots,n, \delta_{v_i} < 0} \left\{ -\frac{v_i}{\delta_{v_i}} \right\} \right\}$$

where  $\sigma = 0.99995$ .

If  $\hat{\gamma}_P > 1$  then set  $\hat{\gamma}_P = 1$ . Similarly if  $\hat{\gamma}_D > 1$  then set  $\hat{\gamma}_D = 1$ .

If  $\hat{\gamma}_P = \hat{\gamma}_D = 1$ , then directly jump to step 2.4.

Else compute:

$$\hat{g}(\hat{\gamma}_P, \hat{\gamma}_D) = (\mathbf{s} + \hat{\gamma}_P\boldsymbol{\delta}_s)'(\bar{\mathbf{u}} + \hat{\gamma}_D\boldsymbol{\delta}_u) + (\mathbf{a} + \hat{\gamma}_P\boldsymbol{\delta}_a)'(\bar{\mathbf{v}} + \hat{\gamma}_D\boldsymbol{\delta}_v)$$

Then the new  $\mu$  is:

$$\mu = \left( \frac{\hat{g}(\hat{\gamma}_P, \hat{\gamma}_D)}{\hat{g}(0,0)} \right)^3 \frac{\hat{g}(0,0)}{2n}, \text{ where } \hat{g}(0,0) = \mathbf{s}'\bar{\mathbf{u}} + \mathbf{a}'\bar{\mathbf{v}}.$$

Step 2.3 Solve equations (16) using the new step length  $\mu$ , i.e., solve:

$$\boldsymbol{\delta}_\beta = (\bar{\mathbf{X}}'\mathbf{G}\bar{\mathbf{X}})^{-1}[-(1-p)\bar{\mathbf{X}}'\mathbf{e} + \bar{\mathbf{X}}'\mathbf{a} + \bar{\mathbf{X}}'\mathbf{G}\xi(\mu)]$$

$$\begin{aligned}\delta_a &= G[-\bar{X}\delta_\beta + \xi(\mu)] \\ \delta_s &= -\delta_a\end{aligned}\tag{16}$$

$$\delta_u = \mu S^{-1}e - Ue - S^{-1}U\delta_s - S^{-1}\Delta_s\Delta_u e$$

$$\delta_v = \mu A^{-1}e - Ve - A^{-1}V\delta_a - A^{-1}\Delta_a\Delta_v e$$

where  $\xi(\mu) = \bar{y} - \bar{X}\beta^{(p)} + \mu(A^{-1} - S^{-1})e - A^{-1}\Delta_a\Delta_v e + S^{-1}\Delta_s\Delta_u e$  and  $G = (S^{-1}U + A^{-1}V)^{-1}$ .

Update  $\Delta_a, \Delta_s, \Delta_u$  and  $\Delta_v$ .

Then compute:

$$\hat{\gamma}_P = \sigma \min \left\{ \min_{i=1,\dots,n, \delta_{a_i} < 0} \left\{ -\frac{a_i}{\delta_{a_i}} \right\}, \min_{i=1,\dots,n, \delta_{s_i} < 0} \left\{ -\frac{s_i}{\delta_{s_i}} \right\} \right\} \text{ and}$$

$$\hat{\gamma}_D = \sigma \min \left\{ \min_{i=1,\dots,n, \delta_{u_i} < 0} \left\{ -\frac{u_i}{\delta_{u_i}} \right\}, \min_{i=1,\dots,n, \delta_{v_i} < 0} \left\{ -\frac{v_i}{\delta_{v_i}} \right\} \right\}$$

where  $\sigma = 0.99995$ .

If  $\hat{\gamma}_P > 1$  then set  $\hat{\gamma}_P = 1$ . Similarly if  $\hat{\gamma}_D > 1$  then set  $\hat{\gamma}_D = 1$ .

Step 2.4 Calculate the new parameters:

$$\mathbf{a} = \mathbf{a} + \hat{\gamma}_P \delta_a$$

$$\mathbf{s} = \mathbf{s} + \hat{\gamma}_P \delta_s$$

$$\bar{\mathbf{u}} = \bar{\mathbf{u}} + \hat{\gamma}_D \delta_u$$

$$\bar{\mathbf{v}} = \bar{\mathbf{v}} + \hat{\gamma}_D \delta_v$$

$$\boldsymbol{\beta}^{(p)} = \boldsymbol{\beta}^{(p)} + \hat{\gamma}_D \delta_\beta$$

Step 2.5 Check the condition:

$$\mathbf{a}'\bar{\mathbf{v}} + \mathbf{s}'\bar{\mathbf{u}} < \text{eps}, \text{ where eps=machine error.}$$

If the condition is met, then stop. Else, repeat step 2.1-2.5.

Step 3, output the final coefficients  $\boldsymbol{\beta}^{(p)}$  and error terms  $e_i = (\bar{u}_i - \bar{v}_i)/w_i$ .

Implementation note:

1. As the Newton's method is very sensitive to computation precision, all the computation in the whole process must be double precision.
2. For the cases where an inverse of a matrix is needed, to avoid the effects of illness matrix on computation precision, we suggest avoiding directly take the inverse of a matrix. For example,

$$\boldsymbol{\beta}^{(p)} = (\bar{X}'\bar{X})^{-1}\bar{X}'\bar{\mathbf{y}}$$

is suggested to calculated as solving the system of linear equations:  $(\bar{X}'\bar{X})\boldsymbol{\beta}^{(p)} = \bar{X}'\bar{\mathbf{y}}$ . We do the same for  $\delta_\beta = (\bar{X}'G\bar{X})^{-1}[-(1-p)\bar{X}'e + \bar{X}'\mathbf{a} + \bar{X}'G\xi(\mu)]$ .

3. In the Interior Point method, if user specified  $p=0$  or  $p=1$ , we actually use  $1e-10$  or  $1 - 1e-10$  respectively. At the same time, if the user-specified convergence eps used in step 2.5 above (which by default is  $1e-6$ ) is greater than  $\min(p, 1-p)/10$ , it should be reduced to  $\min(p, 1-p)/10$ . Even if  $p$  is not 0 or 1, but  $p$  (or  $1-p$ ) is so small that the condition  $\text{eps} \leq \min(p, 1-p)/10$  is not satisfied, we will still reduce esp to  $\min(p, 1-p)/10$ .

# Model and Predictor Summary

## Variance-covariance matrix of the estimated parameters

Based on the asymptotic normality of the parameter estimators, we can directly estimate the variance-covariance matrix of the estimated parameters  $\boldsymbol{\beta}^{(p)}$ . In the quantile regression model:

$$y_i = \boldsymbol{\beta}^{(p)} \mathbf{x}'_i + e_i \quad (18)$$

Let  $\mathbf{W} = \mathit{diag}(w_1, \dots, w_n)$ .

### 5.1.1. IID case

If we assume that the error terms are i.i.d. (independent and identically distributed), i.e.,  $e_i \sim F$ , the variance-covariance matrix of  $\boldsymbol{\beta}^{(p)}$  is:

$$[p(1-p)s^2(p)](\mathbf{X}'\mathbf{W}\mathbf{X})^{-1} \quad (19)$$

where  $\mathbf{X}$  is the design matrix, and  $s(p) = [f(F^{-1}(p))]^{-1}$  is the sparsity function.

The sparsity function is estimated as:

$$s(p) \approx s_n(p) = [F_n^{-1}(p+h_n) - F_n^{-1}(p-h_n)]/(2h_n) \quad (20)$$

where  $h_n$  is the bandwidth.

We provide two options for the users to choose the bandwidth  $h_n$  (assuming Gaussian model for  $s(p)$ ):

The Bofinger bandwidth:

$$h_n = n^{-1/5} [4.5\phi^4(\Phi^{-1}(p))/(2(\Phi^{-1}(p))^2 + 1)^2]^{1/5} \quad (21)$$

The Hall-Sheather bandwidth:

$$h_n = n^{-1/3} z_\alpha^{2/3} [1.5\phi^2(\Phi^{-1}(p))/(2(\Phi^{-1}(p))^2 + 1)]^{1/3} \quad (22)$$

where  $\phi(z)$  and  $\Phi(z)$  are the probability density function and the cumulative distribution function for a standard Normal distribution, respectively.  $z_\alpha$  satisfies  $\Phi(z_\alpha) = 1 - \alpha/2$ , and  $\alpha$  is the significance level. By default,  $\alpha$  is 0.05, and  $z_\alpha = 1.96$ .

The  $F_n^{-1}(p+h_n)$  and  $F_n^{-1}(p-h_n)$  in equation (10) are estimated by the  $(p+h_n)$ -th and  $(p-h_n)$ -th percentile of the quantile regression residuals  $e_i$ s, respectively. The  $(p+h_n)$ -th and  $(p-h_n)$ -th percentile of the  $e_i$ s are found as following:

1. With  $n$  observed data points, we have  $n$   $e_i$ s. Organize the  $n$   $e_i$ s from the smallest to the largest, these are the  $\frac{1}{n}$ -th,  $\frac{2}{n}$ -th, ...,  $\frac{n}{n}$ -th percentile of the residuals.
2. When  $p+h_n$  and  $p-h_n$  is not exactly one of the  $\frac{1}{n}, \frac{2}{n}, \dots, \frac{n}{n}$ , we will use the ceiling $[\frac{n(p+h_n)}{n}]$ -th percentile to estimate the  $(p+h_n)$ -th percentile and use the ceiling $[\frac{n(p-h_n)}{n}]$ -th percentile for the  $(p-h_n)$ -th percentile of the residuals  $e_i$ s.

### Non IID case

If we assume that the error terms are not i.i.d., i.e.,  $e_i \sim F_i$ , the variance-covariance matrix of  $\boldsymbol{\beta}^{(p)}$  is:

$$p(1-p)\mathbf{H}_n^{-1}(\mathbf{X}'\mathbf{W}\mathbf{X})\mathbf{H}_n^{-1} \quad (23)$$

where  $X$  is the design matrix, and

$$\mathbf{H}_n(p) = \mathbf{X}'\mathbf{W}\mathbf{F}\mathbf{X} \quad (24)$$

Where  $\mathbf{F}$  is the diagonal matrix with elements  $(f_1(F_1^{-1}(p)), f_2(F_2^{-1}(p)), \dots, f_n(F_n^{-1}(p)))$  on the diagonal.

The  $i$ -th diagonal element of  $\mathbf{F}$ :  $f_i(F_i^{-1}(p))$ , is estimated by

$$\max\{0, \hat{f}_i(\mathbf{x}_i' \hat{\boldsymbol{\beta}}^{(p)})\} \text{ for } i = 1, 2, \dots, n \quad (25)$$

and

$$\hat{f}_i(\mathbf{x}_i' \hat{\boldsymbol{\beta}}^{(p)}) = 2h_n / (\mathbf{x}_i' (\hat{\boldsymbol{\beta}}^{(p+h_n)} - \hat{\boldsymbol{\beta}}^{(p-h_n)})). \quad (26)$$

The  $\hat{\boldsymbol{\beta}}^{(p+h_n)}$  and  $\hat{\boldsymbol{\beta}}^{(p-h_n)}$  are the regression parameters at percentiles  $p + h_n$  and  $p - h_n$  respectively, and  $h_n$  is the bandwidth which we calculated the same as in section 5.1.1. The  $\hat{\boldsymbol{\beta}}^{(p+h_n)}$  and  $\hat{\boldsymbol{\beta}}^{(p-h_n)}$  are calculated by fitting the quantile regression model at percentiles  $p + h_n$  and  $p - h_n$ , i.e., we need to optimize the objective function two more times to calculate  $\hat{\boldsymbol{\beta}}^{(p+h_n)}$  and  $\hat{\boldsymbol{\beta}}^{(p-h_n)}$ .

## Other derived inference of the estimated parameters

### Standard errors of regression coefficients

From the variance-covariance matrix for the regression coefficients calculated in section 5.1.1 and 5.1.2, the standard errors of the regression coefficients are simply the square root of the diagonals of the variance-covariance matrix.

### t-statistics for regression coefficients

The t-statistics for regression coefficients are the ratios of the estimated value and the standard errors for the coefficients:

$$t_j = \frac{\hat{\beta}_j^{(p)}}{se(\hat{\beta}_j^{(p)})} \quad (27)$$

for  $j=1, 2, \dots, k$ .

The corresponding p-value is  $p = 2 \times (1 - \text{prob}(t_{df_e} \leq |t_j|))$  for  $j=1, 2, \dots, k$ , where  $df_e = N - k$ .

The probability  $\text{prob}(t_{df_e} \leq |t_j|)$  is computed as  $\text{cdfT}(|t_j|, df_e)$ , where  $\text{cdfT}()$  is the cumulative distribution function for t distribution.

### 100(1- $\alpha$ )% confidence intervals for regression coefficients

The 100(1- $\alpha$ )% confidence intervals for regression coefficients are:

$$\hat{\beta}_j^{(p)} \pm t_{\alpha/2, df_e} \times se(\hat{\beta}_j^{(p)}) \quad (28)$$

for  $j=1, 2, \dots, k$ . And  $t_{\alpha/2, df_e}$  is calculated as  $\text{idfT}(1 - \alpha/2, df_e)$ , where  $\text{idfT}()$  is the inverse cumulative distribution function for t distribution. If user specifies a 95% confidence interval, then  $\alpha = 0.05$ , and  $t_{\alpha/2, df_e} = \text{idfT}(0.975, df_e)$ .

#### Implementation note:

For redundant coefficients, estimates ( $\hat{\beta}_j^{(p)}$ ) are set to zero and standard errors, t statistics, and confidence intervals are set to SYSMIS.

## Model quality measures

### Adjusted R square

The R square value compares the full model with an intercept only model, and measures how much variation in the data is explained by the full model. After fitting the full model as in section 4, we fit another model which includes only an intercept parameter, i.e.,  $k=1, m=0$  and

$$\mathbf{y} = \beta_0^{(p)} \mathbf{1} + \mathbf{e}. \quad (29)$$

Record the minimized value of the objective function for the full model as  $\hat{V}(p)$ , and the minimized value of the objective function for the intercept only model as  $\tilde{V}(p)$ .

The R square value is calculated as:

$$1 - \frac{\hat{V}(p)}{\tilde{V}(p)}. \quad (30)$$

Note: in case where the full model is a non-intercept model, we still compare it with a constant (intercept only) model to calculate the R square.

### Mean Absolute Error

The Mean Absolute Error (MAE) is calculated as:

$$(\sum_{i=1}^n w_i u_i + \sum_{i=1}^n w_i v_i) / n \quad (31)$$

## Scoring

### Fitted values

The error terms can be directly get from the results of the simplex method:

$$e_i = \text{sign}(y_i)(u_i - v_i)$$

for  $i=1, 2, \dots, n$ .

Then the fitted values are:

$$\hat{y}_i = y_i - e_i \quad (32)$$

## Predicted values and residuals

For new record or testing data, the predicted target values are calculated as:

$$\hat{y} = \sum_{j=1}^k x_j \hat{\beta}_j^{(p)} \quad (33)$$

for a single data point.

If the new record or testing data has the observed target value with it, then the prediction residuals can be calculated as:  $y - \hat{y}$ .

## 100(1- $\alpha$ )% confidence intervals for predicted target values

### IID case

If we assume that the error terms are i.i.d. (independent and identically distributed), i.e.,  $e_i \sim F$ , the confidence interval for  $\hat{y}$  is:

$$\hat{y} \pm z_\alpha a_n \quad (34)$$

where

$$a_n = [p(1-p)\mathbf{x}'(\mathbf{X}'\mathbf{W}\mathbf{X})^{-1}\mathbf{x}]^{1/2} s_n(p) \quad (35)$$

where  $\mathbf{x}$  is the vector of observed predictor values at a single data point and  $s_n(p)$  is calculated as in section 5.1.1.

Note:  $z_\alpha$  satisfies  $\Phi(z_\alpha) = 1 - \alpha/2$ , and  $\Phi(z)$  is the cumulative distribution function for a standard Normal distribution. By default,  $\alpha$  is 0.05, and  $z_\alpha = 1.96$ .

### Non IID case

If we assume that the error terms are not i.i.d., i.e.,  $e_i \sim F_i$ , the confidence interval for  $\hat{y}$  at a single data point is still:

$$\hat{y} \pm z_\alpha a \quad (36)$$

where

$$a = [p(1-p)\mathbf{x}'(\mathbf{X}'\mathbf{W}\mathbf{X})^{-1}\mathbf{x}]^{1/2} s(p) \quad (37)$$

where  $s(p) = [f(F^{-1}(p))]^{-1}$ , and  $f(F^{-1}(p))$  is estimated by  $\max\{0, \hat{f}(\mathbf{x}'\hat{\boldsymbol{\beta}}^{(p)})\}$  with

$\hat{f}(\mathbf{x}'\hat{\boldsymbol{\beta}}^{(p)}) = 2h_n / (\mathbf{x}'(\hat{\boldsymbol{\beta}}^{(p+h_n)} - \hat{\boldsymbol{\beta}}^{(p-h_n)}))$ . The  $h_n$ ,  $\hat{\boldsymbol{\beta}}^{(p+h_n)}$  and  $\hat{\boldsymbol{\beta}}^{(p-h_n)}$  are defined the same as in section 5.1.2.

## Appendix A

### Appendix A: Detailed derivation for solving equations (15) to get equations (16)

From equation (15) – 4 and 5, we can get ( $\Delta_s \mathbf{e} = \boldsymbol{\delta}_s$ ,  $\Delta_u \mathbf{e} = \boldsymbol{\delta}_u$ ,  $\Delta_v \mathbf{e} = \boldsymbol{\delta}_v$ ,  $\Delta_a \mathbf{e} = \boldsymbol{\delta}_a$ ):

$$\mathbf{U}\mathbf{S}\mathbf{e} + \mathbf{U}\boldsymbol{\delta}_s + \mathbf{S}\boldsymbol{\delta}_u + \Delta_u \Delta_s \mathbf{e} = \boldsymbol{\mu}\mathbf{e} \quad (\text{A1})$$

$$A\mathbf{V}\mathbf{e} + A\boldsymbol{\delta}_v + V\boldsymbol{\delta}_a + \Delta_a\Delta_v\mathbf{e} = \mu\mathbf{e} \quad (\text{A2})$$

Multiply  $S^{-1}$  to the first equation and  $A^{-1}$  to the second equation to get:

$$U\mathbf{e} + S^{-1}U\boldsymbol{\delta}_s + \boldsymbol{\delta}_u + S^{-1}\Delta_u\Delta_s\mathbf{e} = \mu S^{-1}\mathbf{e} \quad (\text{A3})$$

$$V\mathbf{e} + \boldsymbol{\delta}_v + A^{-1}V\boldsymbol{\delta}_a + A^{-1}\Delta_a\Delta_v\mathbf{e} = \mu A^{-1}\mathbf{e} \quad (\text{A4})$$

So,

$$\boldsymbol{\delta}_u = \mu S^{-1}\mathbf{e} - U\mathbf{e} - S^{-1}U\boldsymbol{\delta}_s - S^{-1}\Delta_u\Delta_s\mathbf{e} \quad (\text{16-4})$$

$$\boldsymbol{\delta}_v = \mu A^{-1}\mathbf{e} - V\mathbf{e} - A^{-1}V\boldsymbol{\delta}_a - A^{-1}\Delta_a\Delta_v\mathbf{e} \quad (\text{16-5})$$

From equations (15) – 2 and (14) – 2, we get  $\boldsymbol{\delta}_s + \boldsymbol{\delta}_a = \mathbf{0}$ , i.e.,

$$\boldsymbol{\delta}_s = -\boldsymbol{\delta}_a \quad (\text{16-3})$$

From equation (15) – 3, we get:

$$W\mathbf{y} - X\boldsymbol{\beta}^{(p)} - \mathbf{u} + \mathbf{v} = X\boldsymbol{\delta}_\beta + \boldsymbol{\delta}_u - \boldsymbol{\delta}_v \quad (\text{A5})$$

Substitute (16-4) and (16-5) into equation (A5), we get:

$$W\mathbf{y} - X\boldsymbol{\beta}^{(p)} - \mathbf{u} + \mathbf{v} = X\boldsymbol{\delta}_\beta + \mu S^{-1}\mathbf{e} - U\mathbf{e} - S^{-1}U\boldsymbol{\delta}_s - \mu A^{-1}\mathbf{e} + V\mathbf{e} + A^{-1}V\boldsymbol{\delta}_a + A^{-1}\Delta_a\Delta_v\mathbf{e} - S^{-1}\Delta_u\Delta_s\mathbf{e} \quad (\text{A6})$$

Let  $\xi(\mu) = W\mathbf{y} - X\boldsymbol{\beta}^{(p)} + \mu(A^{-1} - S^{-1})\mathbf{e} - A^{-1}\Delta_a\Delta_v\mathbf{e} + S^{-1}\Delta_u\Delta_s\mathbf{e}$ , we get ( $U\mathbf{e} = \mathbf{u}$  and  $V\mathbf{e} = \mathbf{v}$  and equation 16-3):

$$\xi(\mu) = X\boldsymbol{\delta}_\beta + S^{-1}U\boldsymbol{\delta}_a + A^{-1}V\boldsymbol{\delta}_a \quad (\text{A7})$$

Solving for  $\boldsymbol{\delta}_a$  from equation (A7) and letting  $G = (S^{-1}U + A^{-1}V)^{-1}$ , we get:

$$\boldsymbol{\delta}_a = G[-X\boldsymbol{\delta}_\beta + \xi(\mu)] \quad (\text{16-2})$$

In equation (15) – 1, substitute  $\boldsymbol{\delta}_a$  by equation (16-2), we get:

$$X'\mathbf{a} + X'G[-X\boldsymbol{\delta}_\beta + \xi(\mu)] = (1 - p)X'\mathbf{e} \quad (\text{A8})$$

Solving for  $\boldsymbol{\delta}_\beta$  from equation (A8), we get:

$$\boldsymbol{\delta}_\beta = (X'GX)^{-1}[-(1 - p)X'\mathbf{e} + X'\mathbf{a} + X'G\xi(\mu)] \quad (\text{16-1})$$

## References

Barrodale, I. and Roberts, F.D.K. (1973). An improved algorithm for discrete  $l_1$  linear approximation. *SIAM J. Numer. Anal.*, 10, 839-848.

Portnoy, S. and Koenker, R. (1997). The Gaussian Hare and the Laplacian Tortoise: Computability of Squared Error versus Absolute-Error Estimators. *Statistical Science*, vol. 12, No. 4, 279-300.

# QUICK CLUSTER Algorithms

When the desired number of clusters is known, QUICK CLUSTER groups cases efficiently into clusters.

## Notation

The following notation is used throughout this section unless otherwise stated:

Table 83-1

### Notation

Notation	Description
$NC$	Number of clusters requested
$M_i$	Mean of $i$ th cluster
$\mathbf{x}_k$	Vector of $k$ th observation
$d(\mathbf{x}_i, \mathbf{x}_j)$	Euclidean distance between vectors $\mathbf{x}_i$ and $\mathbf{x}_j$
$d_{mn}$	$\min_{i,j} d(M_i, M_j)$
$\epsilon$	Convergence criteria

## Algorithm

The first iteration involves three steps.

### Step 1: Select Initial Cluster Centers

To select the initial cluster centers, a single pass of the data is made. The values of the first  $NC$  cases with no missing values are assigned as cluster centers, then the remaining cases are processed as follows:

- ▶ If  $\min_i d(\mathbf{x}_k, M_i) > d_{mn}$  and  $d(\mathbf{x}_k, M_m) > d(\mathbf{x}_k, M_n)$ , then  $\mathbf{x}_k$  replaces  $M_n$ . If  $\min_i d(\mathbf{x}_k, M_i) > d_{mn}$  and  $d(\mathbf{x}_k, M_m) < d(\mathbf{x}_k, M_n)$ , then  $\mathbf{x}_k$  replaces  $M_m$ ; that is, if the distance between  $\mathbf{x}_k$  and its closest cluster mean is greater than the distance between the two closest means ( $M_m$  and  $M_n$ ), then  $\mathbf{x}_k$  replaces either  $M_m$  or  $M_n$ , whichever is closer to  $\mathbf{x}_k$ .
- ▶ If  $\mathbf{x}_k$  does not replace a cluster mean in (a), a second test is made:  
Let  $M_q$  be the closest cluster mean to  $\mathbf{x}_k$ .  
Let  $M_p$  be the second closest cluster mean to  $\mathbf{x}_k$ .  
If  $d(\mathbf{x}_k, M_p) > \min_i d(M_q, M_i)$ , then  $M_q = \mathbf{x}_k$ ;  
That is, if  $\mathbf{x}_k$  is further from the second closest cluster's center than the closest cluster's center is from any other cluster's center, replace the closest cluster's center with  $\mathbf{x}_k$ .

At the end of one pass through the data, the initial means of all  $NC$  clusters are set. Note that if NOINITIAL is specified, the first  $NC$  cases with no missing values are the initial cluster means.

### **Step 2: Update Initial Cluster Centers**

Starting with the first case, each case in turn is assigned to the nearest cluster, and that cluster mean is updated. Note that the initial cluster center is included in this mean. The updated cluster means are the classification cluster centers.

Note that if NOUPDATE is specified, this step is skipped.

### **Step 3: Assign Cases to the Nearest Cluster**

The third pass through the data assigns each case to the nearest cluster, where distance from a cluster is the Euclidean distance between that case and the (updated) classification centers. Final cluster means are then calculated as the average values of clustering variables for cases assigned to each cluster. Final cluster means do not contain classification centers.

When the number of iterations is greater than one, the final cluster means in step 3 are set to the classification cluster means in the end of step 2, and QUICK CLUSTER repeats step 3 again. The algorithm stops when either the maximum number of iterations is reached or the maximum change of cluster centers in two successive iterations is smaller than times the minimum distance among the initial cluster centers.

## **References**

Hartigan, J. A. 1975. *Clustering algorithms*. New York: John Wiley and Sons.

# RANK Algorithms

RANK produces new variables containing ranks, normal scores, and Savage and related scores for numeric variables.

## Notation

Let  $y_1 < y_2 < \dots < y_m$  be  $m$  distinct ordered observations for the sample and  $C_1, C_2, \dots, C_m$  be the corresponding sum of caseweights for each value. Define

$$CC_i = \sum_{k=1}^i C_k = \text{cumulative sum of caseweights up to } y_i$$
$$W = CC_m = \sum_{k=1}^m C_k = \text{total sum of caseweights}$$

## Statistics

The following statistics are available.

### Ran k

A rank is assigned to each case based on four different ways of treating ties or caseweights not equal to 1.

For every  $i$ ,  $i = 1, \dots, m$ ,

(a) if  $C_i \geq 1$

**Calculation**

$$R_i = CC_{i-1} + 1$$

$$R_i = CC_i$$

$$R_i = CC_{i-1} + (C_i + 1)/2$$

$$R_i = i$$

**Condition**

if TIES = LOW

if TIES = HIGH

if TIES = MEAN

if TIES = CONDENSE

(b) if  $C_i < 1$

**Calculation**

$$R_i = CC_{i-1}$$

$$R_i = CC_i$$

$$R_i = CC_{i-1} + C_i/2$$

$$R_i = i$$

**Condition**

if TIES = LOW

if TIES = HIGH

if TIES = MEAN

if TIES = CONDENSE

Note:  $CC_0 = 0$

## **RFRACTION**

Fractional rank:

$$RF_i = R_i/W, i = 1, \dots, m$$

## **PERCENT**

Fractional rank as a percentage:

$$P_i = \frac{R_i}{W} \times 100, i = 1, \dots, m$$

## **PROPORTION Estimate for Cumulative Proportion**

The proportion is calculated for each case based on four different methods of estimating fractional rank:

<b>Calculation</b>	<b>Method</b>
$F_i = (R_i - \frac{3}{8}) / (W + \frac{1}{4})$	(BLOM)
$F_i = (R_i - \frac{1}{2}) / W$	(RANKIT)
$F_i = (R_i - \frac{1}{3}) / (W + \frac{1}{3})$	(TUKEY)
$F_i = R_i / (W + 1)$	(Van der Waerden)

Note:  $F_i$  will be set to SYSMIS if the calculated value of  $F_i$  by the formula is negative.

## **NORMAL (a)**

Normal scores that are the Z-scores from the standard normal distribution that corresponds to the estimated cumulative proportion  $F$ . The normal score is defined by

$$a_i = \Psi(F_i), i = 1, \dots, m$$

where  $\Psi$  is the inverse cumulative standard normal distribution (PROBIT).

## **NTILES (K)**

Assign group membership for the requested number of groups. If  $K$  groups are requested, the  $n$  tile ( $N_i$ ) for case  $i$  is defined by

$$N_i = \left[ \frac{R_i K}{W + 1} \right] + 1$$

where  $\left\lfloor \frac{R_i K}{W+1} \right\rfloor$  is the greatest integer that is less than or equal to  $R_i K / (W + 1)$ .

## SAVAGE (S)

Savage scores based on exponential distribution. The Savage score is calculated by

$$S_i = \begin{cases} \left\{ \left[ \frac{(1 - g_{i_1})l_{i_1+1} + g_{i_2}l_{i_2+1} + \sum_{j=i_1+2}^{i_2} l_j}{C_i} \right] - 1 \right\} & i_1 + 2 \leq i_2 \\ \left\{ \frac{[(1 - g_{i_1})l_{i_1+1} + g_{i_2}l_{i_2+1}]/C_i}{l_{i_1+1} - 1} \right\} - 1 & \begin{matrix} i_1 + 1 = i_2 \\ i_1 = i_2 \end{matrix} \end{cases}$$

where

$$i_1 = [CC_{i-1}], \quad i_2 = [CC_i], \quad W^* = \begin{cases} W & \text{if } W \text{ is an integer} \\ [W] + 1 & \text{if } W \text{ is not an integer} \end{cases}$$

$$g_{i_1} = CC_{i-1} - i_1, \quad g_{i_2} = CC_i - i_2$$

and  $l_1, \dots, l_{w^*}$  are defined as the expected values of the order statistics from an exponential distribution; that is

$$l_j = \sum_{K=1}^j \frac{1}{W^* - K + 1}$$

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# ***RATIO STATISTICS Algorithms***

This procedure provides a variety of descriptive statistics for the ratio of two variables.

## ***Notation***

The following notation is used throughout this section unless otherwise stated:

Table 85-1

*Notation*

<b>Notation</b>	<b>Description</b>
$n$	Number of observations
$A_i$	Numerator of the $i$ th ratio ( $i=1,\dots,n$ ). This is usually the appraisal roll value.
$S_i$	Denominator of the $i$ th ratio ( $i=1,\dots,n$ ). This is usually the sale price.
$R_i$	The $i$ th ratio ( $i=1,\dots,n$ ). Often called the appraisal ratio.
$f_i$	Case weight associated with the $i$ th ratio ( $i=1,\dots,n$ ).

## ***Data***

This procedure requires for  $i = 1, \dots, n$  that:

- $A_i > 0$ ,
- $S_i > 0$ ,
- $f_i > 0$ , and
- $w_i$  is a whole number. If the Weight variable contains fractional values, then only the integral parts are used.

A case is considered valid if it satisfies all four requirements above. This procedure will use only valid cases in computing the requested statistics.

## ***Ratio Statistics***

The following statistics are available.

### ***Ratio***

$$R_i = \frac{A_i}{S_i}, i = 1, \dots, n$$

### ***Minimum***

The smallest ratio and is denoted by  $R_{\min}$ .

### **Maximum**

The largest ratio and is denoted by  $R_{\max}$ .

### **Range**

The difference between the largest and the smallest ratios. It is equal to  $R_{\max} - R_{\min}$ .

### **Median**

The middle number of the sorted ratios if  $n$  is odd. The mean (average) of the two middle ratios if the  $n$  is even. The median is denoted as  $\tilde{R}$ .

### **Average Absolute Deviation (AAD)**

$$AAD = \frac{\sum_{i=1}^n f_i |R_i - \tilde{R}|}{\sum_{i=1}^n f_i}$$

### **Coefficient of Dispersion (COD)**

$$COD = 100\% \times \frac{AAD}{\tilde{R}}$$

### **Coefficient of Concentration (COC)**

Given a percentage  $100\% \times g$ , the coefficient of concentration is the percentage of ratios falling within the interval  $[(1 - g)\tilde{R}, (1 + g)\tilde{R}]$ . The higher this coefficient, the better uniformity.

### **Mean**

$$\overline{A/S} = \bar{R} = \frac{\sum_{i=1}^n f_i R_i}{\sum_{i=1}^n f_i}$$

### **Standard Deviation (SD)**

$$s = \sqrt{\frac{1}{(F - 1)} \sum_{i=1}^n f_i (R_i - \bar{R})^2}$$

where  $F = \sum_{i=1}^n f_i$ .

**Coefficient of Variation (COV)**

$$COV = 100\% \times \frac{s}{\bar{R}}$$

**Weighted Mean**

$$\bar{A}/\bar{S} = \frac{\sum_{i=1}^n f_i A_i}{\sum_{i=1}^n f_i S_i} = \frac{\sum_{i=1}^n f_i S_i R_i}{\sum_{i=1}^n f_i S_i}$$

This is the weighted mean of the ratios weighted by the sales prices in addition to the usual case weights.

**Price-Related Bias**

The algorithms for computing the price-related bias (PRB) measure for the RATIO STATISTICS procedure are listed below. The statistics to be displayed and/or printed are the price-related bias statistic and confidence interval bounds. Case weights should be positive integers, and rounded versions of them are used in computations.

**Calculation of Intermediate Quantities**

$$V_i = .5 \frac{A_i}{\bar{R}} + .5 S_i$$

$$L_i = \log_2(V_i) = \frac{\ln(V_i)}{\ln(2)}$$

$$D_i = \frac{(R_i - \tilde{R})}{\tilde{R}}$$

$$\bar{L} = \frac{\sum_{i=1}^n f_i L_i}{\sum_{i=1}^n f_i}$$

$$\bar{D} = \frac{\sum_{i=1}^n f_i D_i}{\sum_{i=1}^n f_i}$$

**Price-Related Bias (PRB)**

$$B = \frac{\sum_{i=1}^n f_i (L_i - \bar{L}) (D_i - \bar{D})}{\sum_{i=1}^n f_i (L_i - \bar{L})^2}$$

### Confidence Interval for Price-Related Bias

$$C = \bar{D} - B\bar{L}$$

$$\hat{D}_i = C + BL_i$$

$$\hat{V}(B) = \frac{\sum_{i=1}^n f_i (\hat{D}_i - D_i)^2}{(\sum_{i=1}^n f_i - 2) \sum_{i=1}^n f_i (L_i - \bar{L})^2}$$

$$L = B - t_{1-\alpha/2, \sum_{i=1}^n f_i - 2} \sqrt{\hat{V}(B)}$$

$$U = B + t_{1-\alpha/2, \sum_{i=1}^n f_i - 2} \sqrt{\hat{V}(B)}$$

The computations in the last two sections are scalar formulas for performing a bivariate or simple linear regression of the  $D_i$  values on the  $L_i$  values, where the  $B$  value for the price-related bias is the estimated slope coefficient from the regression, and the confidence interval bounds are the lower and upper bounds for that slope coefficient.

### Price Related Differential (a.k.a. Index of Regressivity)

$$PRD = \frac{\overline{A/S}}{\overline{A}/\overline{S}}$$

This is quotient by dividing the Mean by the Weighted Mean.

Property appraisals sometimes result in unequal tax burden between high-value and low-value properties in the same property group. Appraisals are considered *regressive* if high-value properties are under-appraised relative to low-value properties. On the contrary, appraisals are considered *progressive* if high-value properties are relatively over-appraised. The price related differential is a measure for measuring assessment regressivity or progressivity. Hence the price related differential is also known as the index of regressivity.

Recall that the [unweighted] mean weights the ratios equally, whereas the weighted mean high-value properties are under-appraised, thus pulling the weighted mean below the mean. On the other hand, if the PRD is less than 1, high-value properties are relatively over-appraised, pulling the weighted mean above the mean.

### ***Confidence Interval for the Median***

The confidence interval can be computed under the assumption that the ratios follow a normal distribution or nonparametrically.

Distribution free (nonparametric)

Given the confidence level  $100\% \times (1 - \alpha)$ , the confidence interval for the median is an  $(R_{[r]}, R_{[n-r+1]})$  interval such that

$$1 - \alpha = 1 - 2I_{0.5}(n - r + 1, r) = \frac{1}{2^n} \sum_{k=r}^{n-r} \binom{n}{k},$$

where  $R_{[k]}$  is the  $100\% \times k/n$  quantile, and  $I_{0.5}(n - r + 1, r)$  is the incomplete Beta function.

An equivalent formula is

$$\frac{\alpha}{2} = I_{0.5}(n - r + 1, r) = \frac{1}{2^n} \sum_{k=0}^{r-1} \binom{n}{k}.$$

Since the rightmost term is the cumulative Binomial distribution and it is discrete,  $r$  is solved as the largest value such that

$$\frac{\alpha}{2} \leq \frac{1}{2^n} \sum_{k=0}^{r-1} \binom{n}{k}.$$

Thus the confidence interval has coverage probability of at least  $1 - \alpha$ .

Normal distribution

Assuming the ratios follow a normal distribution, a two-sided  $100\% \times (1 - \alpha)$  confidence interval for a median of a normal distribution is

$$(\bar{R} + g_{(\alpha/2;0.5,d)} \times s, \bar{R} + g_{(1-\alpha/2;0.5,d)} \times s)$$

where  $g_{(\gamma;p,d)}$  are values defined in Table 1 of Odeh and Owen (1980).

The value  $g_{(\gamma;p,d)}$  is, in fact, the solution to the following equations:

$$\Pr(T_d \leq g\sqrt{n} | \delta = K_p\sqrt{n}) = \gamma$$

with  $T_d$  follows a noncentral Student  $t$ -distribution where  $d$  is degrees of freedom associated with the standard deviation  $s$ ,  $\delta$  is noncentrality parameter,  $\gamma$  is the probability,  $n$  is the sample size, and  $K_p$  is the upper  $p$  percentile point of a standard normal distribution.

### Confidence Interval for the Mean

The normal distribution is used to approximate the distribution of the ratios. The  $100\% \times (1 - \alpha)$  confidence interval for the mean is:

$$\bar{R} \pm t_{\alpha/2;F-1} \times s/\sqrt{F}$$

where  $t_{\alpha/2;F-1}$  is the upper  $\alpha/2$  percentage point of the  $t$  distribution with  $F - 1$  degrees of freedom, and where  $F = \sum_{i=1}^n f_i$ .

### Confidence Interval for the Weighted Mean

Using the Delta method, variance of the weighted mean is approximated as

$$\text{var}\left(\frac{\bar{A}}{\bar{S}}\right) \approx \frac{\text{var}(\bar{A})}{\bar{S}^2} - \frac{2\bar{A}\text{cov}(\bar{A}, \bar{S})}{\bar{S}^3} + \frac{\bar{A}^2 \text{var}(\bar{S})}{\bar{S}^4}.$$

where

$$\text{var}(\bar{A}) = \frac{1}{(F-1)} \sum_{i=1}^n f_i (A_i - \bar{A})^2 \times \sum_{i=1}^n f_i^2 / F^2,$$

$$\text{var}(\bar{S}) = \frac{1}{(F-1)} \sum_{i=1}^n f_i (S_i - \bar{S})^2 \times \sum_{i=1}^n f_i^2 / F^2, \text{ and}$$

$$\text{cov}(\bar{A}, \bar{S}) = \frac{1}{(F-1)} \sum_{i=1}^n f_i (A_i - \bar{A})(S_i - \bar{S}) \times \sum_{i=1}^n f_i^2 / F^2.$$

### References

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Odeh, R. E., and D. B. Owen. 1980. *Tables for Normal Tolerance Limits, Sampling Plans, and Screening*. New York: Marcel Dekker.

# RBF Algorithms

A radial basis function (RBF) network is a feed-forward, supervised learning network with only one hidden layer, called the radial basis function layer. The RBF network is a function of one or more predictors (also called inputs or independent variables) that minimizes the prediction error of one or more target variables (also called outputs). Predictors and targets can be a mix of categorical and scale variables.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$X^{(m)} = (x_1^{(m)}, \dots, x_P^{(m)})$	Input vector, pattern $m$ , $m=1, \dots, M$ .
$Y^{(m)} = (y_1^{(m)}, \dots, y_R^{(m)})$	Target vector, pattern $m$ .
$I$	Number of layers, discounting the input layer. For an RBF network, $I=2$ .
$J_i$	Number of units in layer $i$ . $J_0 = P$ , $J_1 = R$ , discounting the bias unit. $J_1$ is the number of RBF units.
$\phi_j(X^{(m)})$	$j$ th RBF unit for input $X^{(m)}$ , $j=1, \dots, J_1$ .
$\mu_j$	center of $\phi_j$ , it is $P$ -dimensional.
$\sigma_j$	width of $\phi_j$ , it is $P$ -dimensional.
$h$	the RBF overlapping factor.
$a_{i:j}^m$	Unit $j$ of layer $i$ , pattern $m$ , $j = 0, \dots, J_i$ ; $i = 0, \dots, I$ .
$w_{rj}$	weight connecting $r$ th output unit and $j$ th hidden unit of RBF layer.

## Architecture

There are three layers in the RBF network:

**Input layer:**  $J_0=P$  units,  $a_{0:1}, \dots, a_{0:J_0}$ ; with  $a_{0:j} = x_j$ .

**RBF layer:**  $J_1$  units,  $a_{1:1}, \dots, a_{1:J_1}$ ; with  $a_{1:j} = \phi_j(X)$  and  $\phi_j(X)$  described below.

**Output layer:**  $J_2=R$  units,  $a_{I:1}, \dots, a_{I:J_2}$ ; with  $a_{I:r} = w_{r0} + \sum_{j=1}^{J_1} w_{rj} \phi_j(X)$ .

There are many types of radial basis functions; there are two distinct types of Gaussian RBF architectures that we support:

**Ordinary RBF (ORBF):** This type uses the exp activation function, so the activation of the RBF unit is a Gaussian “bump” as a function of the inputs. In ORBF, the Gaussian basis function takes form

$$\phi_j(X) = \exp\left(-\sum_{p=1}^P \frac{1}{2\sigma_{jP}^2} (x_p - \mu_{jp})^2\right)$$

**Normalized RBF (NRBF):** This type uses the softmax activation function, so the activation of all the RBF units are normalized to sum to one. In NRBF networks, the basis function takes form

$$\phi_j(X) = \exp\left(-\sum_{p=1}^P \frac{1}{2\sigma_{jp}^2}(x_p - \mu_{jp})^2\right) / \sum_{j=1}^{J_1} \exp\left(-\sum_{p=1}^P \frac{1}{2\sigma_{jp}^2}(x_p - \mu_{jp})^2\right)$$

## Error Function

Sum-of-squares error is used:

$$E_T(w) = \sum_{m=1}^M E_m(w)$$

where

$$E_m(w) = \frac{1}{2} \sum_{r=1}^R \left(y_r^{(m)} - a_{I:r}^m\right)^2$$

The sum-of-squares error function with identity activation function for output layer can be used for both scale and categorical targets. For scale targets,  $a_{I:r}^m$  approximates the conditional expectation of the target value  $E(y_r|X^{(m)})$ . For categorical targets,  $a_{I:r}^m$  approximates the posterior probability of class  $k$ :  $P(y_r = 1|X^{(m)})$ .

*Note:* though  $\sum a_{I:r}^m = 1$  (the sum is over all classes of the same categorical target variable),  $a_{I:r}^m$  may not lie in the range  $[0, 1]$ .

## Training

The network is trained in two stages:

1. **Determine the basis functions by clustering methods.** The center and width for each basis function is computed.
2. **Determine the weights given the basis functions.** For the given basis functions, compute the ordinary least-squares regression estimates of the weights.

The simplicity of these computations allows the RBF network to be trained very quickly.

## Determining Basis Functions

The two-step clustering algorithm is used to find the RBF centers and widths. For each cluster, the mean and standard deviation for each scale variable and proportion of each category for each categorical variable are derived. Using the results from clustering, the center of the  $j$ th RBF is set as:

$$\mu_{jp} = \begin{cases} \bar{x}_{jp} & \text{if } p\text{th variable is scale} \\ \pi_{jp} & \text{if } p\text{th variable is a dummy variable of a categorical variable} \end{cases}$$

where  $\bar{x}_{jp}$  is the  $j$ th cluster mean of the  $p$ th input variable if it is scale, and  $\pi_{jp}$  is the proportion of the category of a categorical variable that the  $p$ th input variable corresponds to. The width of the  $j$ th RBF is set as

$$\sigma_{jp} = h^{1/2} \begin{cases} s_{jp} & \text{if } p\text{th variable is scale} \\ \sqrt{p_{jp}(1-p_{jp})} & \text{if } p\text{th variable is a dummy variable of a categorical variable} \end{cases}$$

where  $s_{jp}$  is the  $j$ th cluster standard deviation of the  $p$ th variable and  $h > 0$  is the RBF overlapping factor that controls the amount of overlap among the RBFs. Since some  $\sigma_{jp}$  may be zeros, we use spherical shaped Gaussian bumps; that is, a common width

$$\sigma_j = \sqrt{\frac{1}{P} \sum_{p=1}^P \sigma_{jp}^2}$$

in for all predictors. In the case that  $\sigma_j$  is zero for some  $j$ , set it to be  $\min\{\sigma_j : \sigma_j \neq 0, \}_{j=1}^{J_1}$ . If all  $\sigma_j$  are zero, set all of them to be  $\sqrt{h}$ .

When there are a large number of predictors,  $\sum_{p=1}^P (x_p - \mu_{jp})^2$  could be easily very large and hence

$\exp\left(-\sum_{p=1}^P \frac{1}{2\sigma_j^2} (x_p - \mu_{jp})^2\right)$  is practically zero for every record and every RBF unit if  $\sigma_j$  is relatively small. This is especially bad for ORBF because there would be only a constant term in the model when this happens. To avoid this,  $\sigma_j$  is increased by setting the default overlapping factor  $h$  proportional to the number of inputs:  $h = 1 + 0.1 P$ .

For more information, see the topic “TWOSTEP CLUSTER Algorithms”.

## Automatic Selection of Number of Basis Functions

The algorithm tries a reasonable range of numbers of hidden units and picks the “best”. By default, the reasonable range  $[K_1, K_2]$  is determined by first using the two-step clustering method to automatically find the number of clusters,  $K$ . Then set  $K_1 = \min(K, R)$  for ORBF and  $K_1 = \max\{2, \min(K, R)\}$  for NRBF and  $K_2 = \max(10, 2K, R)$ .

If a test data set is specified, then the “best” model is the one with the smaller error in the test data. If there is no test data, the BIC (Bayesian information criterion) is used to select the “best” model. The BIC is defined as

$$BIC = MR \ln(MSE) + k \ln(M)$$

where  $MSE = \frac{1}{MR} \sum_{m=1}^M \sum_{r=1}^R (y_r^{(m)} - a_{l:r}^m)^2$  is the mean squared error and  $k = (P+1+R)J_1$  for NRBF and  $(P+1+R)J_{1+R}$  for ORBF is the number of parameters in the model.

## Output Statistics

The following output statistics are available. Note that, for scale variables, output statistics are reported in terms of the rescaled values of the variables.

### Sum-of-Squares Error

As described in “Error Function”. The cross entropy error is displayed if the output layer activation function is softmax, otherwise the sum-of-squares error is shown.

### Relative Error

For each scale target  $r$ :

$$\frac{\sum_{m=1}^M (y_r^{(m)} - \hat{y}_r^{(m)})^2}{\sum_{m=1}^M (y_r^{(m)} - \bar{y}_r)^2}$$

For each categorical target  $r$ , report  $p_r$ , the percent of incorrect predictions

### Average Overall Relative Error

If there is at least one scale target:

$$\frac{\sum_{m=1}^M \sum_{r=1}^R (y_r^{(m)} - \hat{y}_r^{(m)})^2}{\sum_{m=1}^M \sum_{r=1}^R (y_r^{(m)} - \bar{y}_r)^2}$$

where  $\bar{y}_r$  is the mean of  $y_r^{(m)}$  over patterns.

If all targets are categorical, report the average percent of incorrect predictions:

$$\frac{1}{C} \sum_{r=1}^C p_r$$

where  $C$  is the number of categorical variables.

### Sensitivity Analysis

For each predictor  $p$  and each input pattern  $m$ , compute:

$$d_{pm} = \max_{x_{p1}, x_{p2} \in S_p} \|\hat{Y}_{p1}^{(m)} - \hat{Y}_{p2}^{(m)}\|$$

where  $\hat{Y}_{p_k}^{(m)}$  is the predicted output vector (standardized if standardization of output variable is used in training) using  $(x_1^{(m)}, \dots, x_{p-1}^{(m)}, x_{p_k}, x_{p+1}^{(m)}, \dots, x_P^{(m)})$  as its input, and  $S_p = \{x_p^{\min}, x_p^{(2)}, x_p^{(3)}, x_p^{(4)}, x_p^{\max}\}$  for scale predictors and  $\{(1,0,\dots,0), (0,1,0,\dots,0), \dots, (0,0,\dots,1)\}$  for categorical predictors.

Then compute:

$$d_p = \frac{1}{M} \sum_{m=1}^M d_{pm}$$

and normalize the  $d_p$ s to sum to 1, and report these normalized values as the sensitivity values for the predictors. This is the average maximum amount we can expect the output to change based on changes in the  $p$ th predictor. The greater the sensitivity, the more we expect the output to change when the predictor changes.

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# REGRESSION Algorithms

This procedure performs multiple linear regression with five methods for entry and removal of variables. It also provides extensive analysis of residual and influential cases. Caseweight (CASEWEIGHT) and regression weight (REGWGT) can be specified in the model fitting.

## Notation

The following notation is used throughout this section unless otherwise stated:

Table 87.1  
Notation

Notation	Description
$y_i$	Dependent variable for case $i$ with variance $\sigma^2/g_i$
$c_i$	Case weight for case $i$ ; $c_i = 1$ if WEIGHT is not specified
$g_i$	Regression weight for case $i$ ; $g_i = 1$ if REGWGT is not specified
$l$	Number of distinct cases
$w_i$	$c_i g_i$
$W$	Sum of $w_i$ : $\sum_{i=1}^l w_i$
$P$	Number of independent variables
$C$	Sum of case weights: $\sum_{i=1}^l c_i$
$x_{ki}$	The $k^{th}$ independent variable for case $i$
$\bar{X}_k$	Sample mean for the $k^{th}$ independent variable: $\bar{X}_k = \left( \sum_{i=1}^l w_i x_{ki} \right) / W$
$\bar{Y}$	Sample mean for the dependent variable: $\bar{Y} = \left( \sum_{i=1}^l w_i y_i \right) / W$
$h_i$	Centered leverage for case $i$

---

$\tilde{h}_i$	Uncentered (standard) leverage for case $i$ : $\frac{g_i}{W} + h_i$
$S_{kj}$	Sample covariance for $X_k$ and $X_j$
$S_{yy}$	Sample variance for $Y$
$S_{ky}$	Sample covariance for $X_k$ and $Y$
$p^*$	Number of coefficients in the model. $p^* = p$ if the intercept is not included; otherwise $p^* = p + 1$
<b>R</b>	The sample correlation matrix for $X_1, \dots, X_p$ and $Y$

## Descriptive Statistics

$$\mathbf{R} = \begin{bmatrix} r_{11} & \dots & r_{1p}r_{1y} \\ r_{21} & \dots & r_{2p}r_{2y} \\ \cdot & \dots & \cdot \\ r_{y1} & \dots & r_{yp}r_{yy} \end{bmatrix}$$

where

$$r_{kj} = \frac{S_{kj}}{\sqrt{S_{kk}S_{jj}}}$$

and

$$r_{yk} = r_{ky} = \frac{S_{ky}}{\sqrt{S_{kk}S_{yy}}}$$

The sample mean  $\bar{X}_i$  and covariance  $S_{ij}$  are computed by a provisional means algorithm. Define

$$W_k = \sum_{i=1}^k w_i = \text{cumulative weight up to case } k.$$

then

$$\bar{X}_{i(k)} = \bar{X}_{i(k-1)} + (x_{ik} - \bar{X}_{i(k-1)}) \frac{w_k}{W_k}$$

where

$$\bar{X}_{i(1)} = x_{i1}$$

If the intercept is included,

$$C_{ij(k)} = C_{ij(k-1)} + (x_{ik} - \bar{X}_{i(k-1)})(x_{jk} - \bar{X}_{j(k-1)}) \left( w_k - \frac{w_k^2}{W_k} \right)$$

where

$$C_{ij(1)} = 0$$

Otherwise,

$$C_{ij(k)} = C_{ij(k-1)} + w_k x_{ik} x_{jk}$$

where

$$C_{ij(1)} = w_1 x_{i1} x_{j1}$$

The sample covariance  $S_{ij}$  is computed as the final  $C_{ij}$  divided by  $C - 1$ .

## Sweep Operations (Dempster, 1969)

For a regression model of the form

$$Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \cdots + \beta_p X_{pi} + e_i$$

sweep operations are used to compute the least squares estimates  $\mathbf{b}$  of  $\beta$  and the associated regression statistics. The sweeping starts with the correlation matrix  $\mathbf{R}$ . Let  $\tilde{\mathbf{R}}$  be the new matrix produced by sweeping on the  $k$ th row and column of  $\mathbf{R}$ . The elements of  $\tilde{\mathbf{R}}$  are

$$\begin{aligned}\tilde{r}_{kk} &= \frac{1}{r_{kk}} \\ \tilde{r}_{ik} &= \frac{r_{ik}}{r_{kk}}, \quad i \neq k \\ \tilde{r}_{kj} &= -\frac{r_{kj}}{r_{kk}}, \quad j \neq k\end{aligned}$$

and

$$\tilde{r}_{ij} = \frac{r_{ij}r_{kk} - r_{ik}r_{kj}}{r_{kk}}, \quad i \neq k, j \neq k$$

If the above sweep operations are repeatedly applied to each row of  $\mathbf{R}_{11}$  in

$$\mathbf{R} = \begin{pmatrix} \mathbf{R}_{11} & \mathbf{R}_{12} \\ \mathbf{R}_{21} & \mathbf{R}_{22} \end{pmatrix}$$

where  $\mathbf{R}_{11}$  contains independent variables in the equation at the current step, the result is

$$\tilde{\mathbf{R}} = \begin{pmatrix} \mathbf{R}_{11}^{-1} & -\mathbf{R}_{11}^{-1}\mathbf{R}_{12} \\ \mathbf{R}_{21}\mathbf{R}_{11}^{-1} & \mathbf{R}_{22} - \mathbf{R}_{21}\mathbf{R}_{11}^{-1}\mathbf{R}_{12} \end{pmatrix}$$

The last row of

$$\mathbf{R}_{21}\mathbf{R}_{11}^{-1}$$

contains the standardized coefficients (also called BETA), and

$$\mathbf{R}_{22} - \mathbf{R}_{21}\mathbf{R}_{11}^{-1}\mathbf{R}_{12}$$

can be used to obtain the partial correlations for the variables not in the equation, controlling for the variables already in the equation. Note that this routine is its own inverse; that is, exactly the same operations are performed to remove a variable as to enter a variable.

*Note:* When the stepwise or forward entry method is used, the variable order in the swept correlation matrix described above might differ from the variable order in the Swept Correlation Matrix table displayed in the output.

## Variable Selection Criteria

Let  $r_{ij}$  be the element in the current swept matrix associated with  $X_i$  and  $X_j$ . Variables are entered or removed one at a time.  $X_k$  is eligible for entry if it is an independent variable not currently in the model with

$$r_{kk} \geq t \text{ (tolerance with a default of 0.0001)}$$

and also, for each variable  $X_j$  that is currently in the model,

$$\left( r_{jj} - \frac{r_{jk}r_{kj}}{r_{kk}} \right) t \leq 1$$

The above condition is imposed so that entry of the variable does not reduce the tolerance of variables already in the model to unacceptable levels.

The  $F$ -to-enter value for  $X_k$  is computed as

$$F - to - enter_k = \frac{(C - p^* - 1)V_k}{r_{yy} - V_k}$$

with 1 and  $C - p^* - 1$  degrees of freedom, where  $p^*$  is the number of coefficients currently in the model and

$$V_k = \frac{r_{yk}r_{ky}}{r_{kk}}$$

The  $F$ -to-remove value for  $X_k$  is computed as

$$F - to - remove_k = \frac{(C - p^*)|V_k|}{r_{yy}}$$

with 1 and  $C - p^*$  degrees of freedom.

## Methods for Variable Entry and Removal

Five methods for entry and removal of variables are available. The selection process is repeated until the maximum number of steps (MAXSTEP) is reached or no more independent variables qualify for entry or removal. The algorithms for these five methods are described in the following sections.

### Stepwise

If there are independent variables currently entered in the model, choose  $X_k$  such that  $F - to - remove_k$  is minimum.  $X_k$  is removed if  $F - to - remove_k < F_{out}$  (default = 2.71) or, if probability criteria are used,  $P(F - to - remove_k) > P_{out}$  (default = 0.1). If the inequality does not hold, no variable is removed from the model.

If there are no independent variables currently entered in the model or if no entered variable is to be removed, choose  $X_k$  such that  $F - to - enter_k$  is maximum.  $X_k$  is entered if  $F - to - enter_k > F_{in}$  (default = 3.84) or,  $P(F - to - enter_k) < P_{in}$  (default = 0.05). If the inequality does not hold, no variable is entered.

At each step, all eligible variables are considered for removal and entry.

### **Forward**

This procedure is the entry phase of the stepwise procedure.

### **Backward**

This procedure is the removal phase of the stepwise procedure and can be used only after at least one independent variable has been entered in the model.

### **Enter (Forced Entry)**

Choose  $X_k$  such that  $r_{kk}$  is maximum and enter  $X_k$ . Repeat for all variables to be entered.

### **Remove (Forced Removal)**

Choose  $X_k$  such that  $r_{kk}$  is minimum and remove  $X_k$ . Repeat for all variables to be removed.

### **Statistics**

The following statistics are available.

### **Summary**

For the summary statistics, assume  $p$  independent variables are currently entered in the equation, of which a block of  $q$  variables have been entered or removed in the current step.

#### **Multiple R**

$$R = \sqrt{1 - r_{yy}}$$

#### **R Square**

$$R^2 = 1 - r_{yy}$$

**Adjusted R Square**

$$R_{adj}^2 = R^2 - \frac{(1 - R^2)p}{C - p^*}$$

**R Square Change (when a block of  $q$  independent variables was added or removed)**

$$\Delta R^2 = R_{current}^2 - R_{previous}^2$$

**F Change and Significance of F Change**

$$\Delta F = \begin{cases} \frac{\Delta R^2(C-p^*)}{q(1-R_{current}^2)} & \text{for the addition of } q \text{ independent variables} \\ \frac{\Delta R^2(C-p^*-q)}{q(R_{previous}^2-1)} & \text{for the removal of } q \text{ independent variables} \end{cases}$$

the degrees of freedom for the addition are  $q$  and  $C - p^*$ , while the degrees of freedom for the removal are  $q$  and  $C - p^* - q$ .

**Residual Sum of Squares**

$$SS_e = r_{yy}(C - 1)S_{yy}$$

with degrees of freedom  $C - p^*$ .

**Sum of Squares Due to Regression**

$$SS_R = R^2(C - 1)S_{yy}$$

with degrees of freedom  $p$ .

**ANOVA Table**

Table 87-2  
ANOVA table

<i>Analysis of Variance</i>	<i>df</i>	<i>Sum of Squares</i>	<i>Mean Square</i>
Regression	$p$	$SS_R$	$(SS_R)/p$
w	$C - p^*$	$SS_e$	$(SS_e)/(C - p^*)$

**Standard Error of Estimate**

Also known as the standard error of regression, this is simply the square root of the mean square residual from the ANOVA table, or  $\sqrt{(SS_e)/(C - p^*)}$ .

---

### **Variance-Covariance Matrix for Unstandardized Regression Coefficient Estimates**

A square matrix of size  $p$  with diagonal elements equal to the variance, the below diagonal elements equal to the covariance, and the above diagonal elements equal to the correlations:

$$var(b_k) = \frac{r_{kk}r_{yy}S_{yy}}{S_{kk}(C-p^*)}$$

$$cov(b_k, b_j) = \frac{r_{kj}r_{yy}S_{yy}}{\sqrt{S_{kk}S_{jj}}(C-p^*)}$$

$$cor(b_k, b_j) = \frac{r_{kj}}{\sqrt{r_{kk}r_{jj}}}$$

### **Selection Criteria**

The following selection criteria are available.

#### **Akaike Information Criterion (AIC)**

$$AIC = C \ln \left( \frac{SS_e}{C} \right) + 2p^*$$

#### **Amemiya's Prediction Criterion (PC)**

$$PC = \frac{(1 - R^2)(C + p^*)}{C - p^*}$$

#### **Mallow's CP**

$$CP = \frac{SS_e}{\hat{\sigma}^2} + 2p^* - C$$

where  $\hat{\sigma}^2$  is the mean square error from fitting the model that includes all variables specified or implied across all METHOD subcommands.

#### **Schwarz Bayesian Criterion (SBC)**

$$SBC = C \ln \left( \frac{SS_e}{C} \right) + p^* \ln(C)$$

### **Collinearity**

The following measures of collinearity are available.

**Variance Inflation Factors**

$$VIF_i = \frac{1}{r_{ii}}$$

**Tolerance**

$$Tolerance_i = r_{ii}$$

**Eigenvalues**

The eigenvalues of scaled and uncentered cross-product matrix for the independent variables in the equation are computed by the QL method (Wilkinson and Reinsch, 1971).

**Condition Indices**

$$\eta_k = \frac{\max \lambda_j}{\lambda_k}$$

**Variance-Decomposition Proportions**

Let

$$\mathbf{v}_i = (v_{i1}, \dots, v_{ip})$$

be the eigenvector associated with eigenvalue  $\lambda_i$ . Also, let

$$\Phi_{ij} = v_{ij}^2 / \lambda_i \quad \text{and} \quad \Phi_j = \sum_{i=1}^p \Phi_{ij}$$

The variance-decomposition proportion for the  $j$ th regression coefficient associated with the  $i$ th component is defined as

$$\pi_{ij} = \Phi_{ij} / \Phi_j$$

**Statistics for Variables in the Equation**

The following statistics are computed for each variable in the equation.

**Regression Coefficient**

$$b_k = \frac{r_{yk} \sqrt{S_{yy}}}{\sqrt{S_{kk}}} \quad \text{for } k = 1, \dots, p$$

The standard error of  $b_k$  is computed as

---


$$\hat{\sigma}_{b_k} = \sqrt{\frac{r_{kk}r_{yy}S_{yy}}{S_{kk}(C - p^*)}}$$

**95% confidence interval for coefficient**

$$b_k \pm \hat{\sigma}_{b_k} t_{0.975, C-p^*}$$

**If the model includes the intercept, the intercept is estimated as**

$$b_0 = \bar{y} - \sum_{k=1}^p b_k \bar{X}_k$$

The variance of  $b_0$  is estimated by

$$\hat{\sigma}_{b_0}^2 = \frac{(C-1)r_{yy}S_{yy}}{C(C-p^*)} + \sum_{k=1}^p \bar{X}_k^2 \hat{\sigma}_{b_k}^2 + 2 \sum_{k=j+1}^p \sum_{j=1}^{p-1} \bar{X}_k \bar{X}_j est.cov(b_k, b_j)$$

**Beta Coefficients**

$$Beta_k = r_{yk}$$

The standard error of  $Beta_k$  is estimated by

$$\hat{\sigma}_{Beta_k} = \sqrt{\frac{r_{yy}r_{kk}}{C - p^*}}$$

F-test for  $Beta_k$

$$F = \left( \frac{Beta_k}{\hat{\sigma}_{Beta_k}} \right)^2$$

with 1 and  $C - p^*$  degrees of freedom.

**Part Correlation**

$$Part - Corr(X_k) = \frac{r_{yk}}{\sqrt{r_{kk}}}$$

**Partial Correlation**

$$Partial - Corr(X_k) = \frac{r_{yk}}{\sqrt{r_{kk}r_{yy} - r_{yk}r_{ky}}}$$

## Statistics for Variables Not in the Equation

The following statistics are computed for each variable not in the equation.

**Standardized regression coefficient Beta if predictor enters the equation at the next step**

$$Beta_k^* = \frac{r_{yk}}{r_{kk}}$$

The  $F$ -test for  $Beta_k^*$

$$F = \frac{(C - p^* - 1)r_{yk}^2}{r_{kk}r_{yy} - r_{yk}^2}$$

with 1 and  $C - p^*$  degrees of freedom

**Partial Correlation**

$$Partial(X_k) = \frac{r_{yk}}{\sqrt{r_{yy}r_{kk}}}$$

**Tolerance**

$$Tolerance_k = r_{kk}$$

**Minimum tolerance among variables already in the equation if predictor enters at the next step is**

$$\min_{1 \leq j \leq p} \left( \frac{1}{r_{jj} - (r_{kj}r_{jk})/r_{kk}}, r_{kk} \right)$$

## Residuals and Associated Statistics

There are 19 temporary variables that can be added to the active system file. These variables can be requested with the RESIDUAL subcommand.

### Centered Leverage Values

For all cases, compute

$$h_i = \begin{cases} \frac{g_i}{(C-1)} \sum_{j=1}^p \sum_{k=1}^p \frac{(X_{ji} - \bar{X}_j)(X_{ki} - \bar{X}_k)r_{jk}}{\sqrt{S_{jj}S_{kk}}} & \text{if intercept is included} \\ \frac{g_i}{(C-1)} \sum_{j=1}^p \sum_{k=1}^p \frac{X_{ji}X_{ki}r_{jk}}{\sqrt{S_{jj}S_{kk}}} & \text{otherwise} \end{cases}$$

For selected cases, leverage is  $h_i$ ; for unselected case  $i$  with positive caseweight, leverage is

$$h'_i = \begin{cases} g_i \left[ \left( \frac{1}{W} + h_i \right) / \left( 1 + \frac{1}{W} + h_i \right) - \frac{1}{W+1} \right] & \text{if intercept is included} \\ h_i / (1 + h_i / g_i) & \text{otherwise} \end{cases}$$

### Unstandardized Predicted Values

$$\hat{Y}_i = \begin{cases} \sum_{k=1}^p b_k X_{ki} & \text{if no intercept} \\ b_0 + \sum_{k=1}^p b_k X_{ki} & \text{otherwise} \end{cases}$$

### Unstandardized Residuals

$$e_i = Y_i - \hat{Y}_i$$

### Standardized Residuals

$$ZRESID_i = \begin{cases} \frac{e_i}{s} & \text{if no regression weight is specified} \\ \text{SYSMIS} & \text{otherwise} \end{cases}$$

where  $s$  is the square root of the residual mean square.

### Standardized Predicted Values

$$ZPRED_i = \begin{cases} \frac{\hat{Y}_i - \bar{Y}}{sd} & \text{if no regression weight is specified} \\ \text{SYSMIS} & \text{otherwise} \end{cases}$$

where  $sd$  is computed as

$$sd = \sqrt{\frac{\sum_{i=1}^l c_i (\hat{Y}_i - \bar{Y})^2}{C - 1}}$$

**Studentized Residuals**

$$SRES_i = \begin{cases} \frac{e_i/s}{\sqrt{(1-\tilde{h}_i)/g_i}} & \text{for selected cases with } c_i > 0 \\ \frac{e_i/s}{\sqrt{(1+\tilde{h}_i)/g_i}} & \text{otherwise} \end{cases}$$

**Deleted Residuals**

$$DRESID_i = \begin{cases} e_i/(1-\tilde{h}_i) & \text{for selected cases with } c_i > 0 \\ e_i & \text{otherwise} \end{cases}$$

**Studentized Deleted Residuals**

$$SDRESID_i = \begin{cases} \frac{DRESID_i}{s_{(i)}^*} & \text{for selected cases with } c_i > 0 \\ \frac{e_i}{s\sqrt{(1+\tilde{h}_i)/g_i}} & \text{otherwise} \end{cases}$$

where

$$s_{(i)}^* = \frac{1}{\sqrt{C-p^*-1}} \sqrt{\frac{(C-p^*)s^2}{1-\tilde{h}_i} - DRESID_i^2}$$

**Adjusted Predicted Values**

$$ADJPRED_i = Y_i - DRESID_i$$

**DfBeta**

$$DFBETA_i = b - b(i) = \frac{g_i e_i (\mathbf{X}' \mathbf{W} \mathbf{X})^{-1} \mathbf{X}_i^t}{1 - \tilde{h}_i}$$

where

$$\mathbf{X}_i^t = \begin{cases} (1, X_{1i}, \dots, X_{pi}) & \text{if intercept is included} \\ (X_{1i}, \dots, X_{pi}) & \text{otherwise} \end{cases}$$

and  $\mathbf{W} = \text{diag}(w_1, \dots, w_i)$ .

This is only computed for selected cases with case weight greater than or equal to 1.

**Standardized DfBeta**

$$SDBETA_{ij} = \frac{b_j - b_j(i)}{s_{(i)} \sqrt{(\mathbf{X}^t \mathbf{W} \mathbf{X})_{jj}^{-1}}}$$

where  $b_j - b_j(i)$  is the  $j$ th component of  $\mathbf{b} - \mathbf{b}(i)$ , and

$$s_{(i)} = s_{(i)}^* \sqrt{1 - \tilde{h}_i}$$

This is only computed for selected cases with case weight greater than or equal to 1.

**DfFit**

$$DFFIT_i = \mathbf{X}_i[\mathbf{b} - \mathbf{b}(i)] = \frac{\tilde{h}_i e_i}{1 - \tilde{h}_i}$$

This is only computed for selected cases with case weight greater than or equal to 1.

**Standardized DfFit**

$$SDFIT_i = \frac{DFFIT_i}{s_{(i)} \sqrt{\tilde{h}_i}}$$

This is only computed for selected cases with case weight greater than or equal to 1.

**Covratio**

$$COVRATIO_i = \left( \frac{s_{(i)}}{s} \right)^{2p^*} \times \frac{1}{1 - \tilde{h}_i}$$

This is only computed for selected cases with case weight greater than or equal to 1.

**Mahalanobis Distance**

For selected cases with  $c_i > 0$

$$MAHAL_i = \begin{cases} (C - 1)h_i & \text{if intercept is included} \\ Ch_i & \text{otherwise} \end{cases}$$

For unselected cases with  $c_i > 0$

$$MAHAL_i = \begin{cases} Ch'_i & \text{if intercept is included} \\ (C + 1)h'_i & \text{otherwise} \end{cases}$$

**Cook's Distance (Cook, 1977)**

For selected cases with  $c_i > 0$

$$COOK_i = \begin{cases} \left( DRESID_i^2 \tilde{h}_i g_i \right) / [s^2(p+1)] & \text{if intercept is included} \\ \left( DRESID_i^2 h_i g_i \right) / (s^2 p) & \text{otherwise} \end{cases}$$

For unselected cases with  $c_i > 0$

$$COOK_i = \begin{cases} \left( DRESID_i^2 \left( h'_i + \frac{1}{W} \right) \right) / [\tilde{s}^2(p+1)] & \text{if intercept is included} \\ \left( DRESID_i^2 h'_i \right) / (\tilde{s}^2 p) & \text{otherwise} \end{cases}$$

where  $h'_i$  is the leverage for unselected case  $i$ , and  $\tilde{s}^2$  is computed as

$$\tilde{s}^2 = \begin{cases} \frac{1}{C-p} [SS_e + e_i^2 (1 - h'_i - \frac{1}{1+W})] & \text{if intercept is included} \\ \frac{1}{C-p+1} [SS_e + e_i^2 (1 - h'_i)] & \text{otherwise} \end{cases}$$

**Standard Errors of the Mean Predicted Values**

For all the cases with positive caseweight,

$$SEPREd_i = \begin{cases} s \sqrt{\tilde{h}_i / g_i} & \text{if intercept is included} \\ s \sqrt{h_i / g_i} & \text{otherwise} \end{cases}$$

**95% Confidence Interval for Mean Predicted Response**

$$LMCIN_i = \hat{Y}_i - t_{0.975, C-p} \cdot SEPREd_i$$

$$UMCIN_i = \hat{Y}_i + t_{0.975, C-p} \cdot SEPREd_i$$

**95% Confidence Interval for a Single Observation**

$$LICIN_i = \begin{cases} \hat{Y}_i - t_{0.975, C-p} \cdot s \sqrt{(\tilde{h}_i + 1) / g_i} & \text{if intercept is included} \\ \hat{Y}_i - t_{0.975, C-p} \cdot s \sqrt{(h_i + 1) / g_i} & \text{otherwise} \end{cases}$$

$$UICIN_i = \begin{cases} \hat{Y}_i + t_{0.975, C-p} \cdot s \sqrt{(\tilde{h}_i + 1) / g_i} & \text{if intercept is included} \\ \hat{Y}_i + t_{0.975, C-p} \cdot s \sqrt{(h_i + 1) / g_i} & \text{otherwise} \end{cases}$$

## Durbin-Watson Statistic

$$DW = \frac{\sum_{i=2}^l (\tilde{e}_i - \tilde{e}_{i-1})^2}{\sum_{i=1}^l c_i \tilde{e}_i^2}$$

where  $\tilde{e}_i = c_i \sqrt{g_i}$ .

*Note:* the Durbin-Watson statistic cannot be computed if there are fractional case weights. Even with integer case weights, the formula is only valid if the case weights represent contiguous case replications in the original sample.

## Partial Residual Plots

The scatterplots of the residuals of the dependent variable and an independent variable when both of these variables are regressed on the rest of the independent variables can be requested in the RESIDUAL branch. The algorithm for these residuals is described in (Velleman and Welsch, 1981).

## Missing Values

By default, a case that has a missing value for any variable is deleted from the computation of the correlation matrix on which all consequent computations are based. Users are allowed to change the treatment of cases with missing values.

## References

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- Velleman, P. F., and R. E. Welsch. 1981. Efficient computing of regression diagnostics. *American Statistician*, 35, 234–242.
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# RELIABILITY Algorithms

The RELIABILITY procedure employs one of two different computing methods, depending upon the MODEL specification and options and statistics requested.

Method 1 does not involve computing a covariance matrix. It is faster than method 2 and, for large problems, requires much less workspace. However, it can compute coefficients only for ALPHA and SPLIT models, and it does not allow computation of a number of optional statistics, nor does it allow matrix input or output. Method 1 is used only when alpha or split models are requested and only FRIEDMAN, COCHRAN, DESCRIPTIVES, SCALE, and/or ANOVA are specified on the STATISTICS subcommand and/or TOTAL is specified on the SUMMARY subcommand.

Method 2 requires computing a covariance matrix of the variables. It is slower than method 1 and requires more space. However, it can process all models, statistics, and options.

The two methods differ in one other important respect. Method 1 will continue processing a scale containing variables with zero variance and leave them in the scale. Method 2 will delete variables with zero variance and continue processing if at least two variables remain in the scale. If item deletion is required, method 2 can be selected by requesting the covariance method.

## Notation

There are  $N$  persons taking a test that consists of  $k$  items. A score  $X_{ji}$  is given to the  $j$ th person on the  $i$ th item.

	1	2	...	$i$	...	$k$	
1	$X_{11}$	$X_{12}$				$X_{1k}$	$P_1$
.							$\vdots$
$j$				$X_{ji}$			$P_j$
.							$\vdots$
$N$	$X_{N1}$	$X_{N2}$				$X_{Nk}$	$P_N$
	$T_1$	$T_2$	...	$T_i$	...	$T_k$	$G$

If the model is SPLIT,  $k_1$  items are in part 1 and  $k_2 = k - k_1$  are in part 2. If the number of items in each part is not specified and  $k$  is even, the program sets  $k_1 = k_2 = k/2$ . If  $k$  is odd,  $k_1 = (k + 1)/2$ . It is assumed that the first  $k_1$  items are in part 1.

Table 88-1

### Notation

#### Notation

$$W = \sum_{j=1}^N w_j$$

#### Description

Sum of the weights, where  $w_j$  is the weight for case  $j$

<b>Notation</b>	<b>Description</b>
$P_j = \sum_{i=1}^k X_{ji}$	The total score of the $j$ th person
$\bar{P}_j = P_j/k$	Mean of the observations for the $j$ th person
$T_i = \sum_{j=1}^N X_{ji}w_j$	The total score for the $i$ th item
$G = \sum_{i=1}^k \sum_{j=1}^N X_{ji}w_j$	Grand sum of the scores
$\bar{G} = \frac{G}{Wk}$	Grand mean of the observations

## **Scale and Item Statistics—Method 1**

### **Item Means and Standard Deviations**

#### **Mean for the $i$ th Item**

$$\bar{T}_i = T_i/W$$

#### **Standard Deviation for the $i$ th Item**

$$S_i = \sqrt{\frac{\sum_{j=1}^N w_j X_{ji}^2 - W\bar{T}_i^2}{W - 1}}$$

### **Scale Mean and Scale Variance**

#### **Scale Mean**

$$M = G/W$$

For the split model:

Mean Part 1

$$M_1 = \sum_{i=1}^{k_1} \bar{T}_i$$

Mean Part 2

$$M_2 = \sum_{i=k_1+1}^k \bar{T}_i$$

### Scale Variance

$$S_p^2 = \frac{1}{(W-1)} \left[ \sum_{j=1}^N P_j^2 w_j - W \left( \sum_{i=1}^k \bar{T}_i \right)^2 \right]$$

For the split model:

Variance Part 1

$$S_{p1}^2 = \frac{1}{W-1} \left[ \sum_{j=1}^N w_j \left( \sum_{i=1}^{k_1} X_{ji} \right) - W \left( \sum_{i=1}^{k_1} \bar{T}_i \right)^2 \right]$$

Variance Part 2

$$S_{p2}^2 = \frac{1}{W-1} \left[ \sum_{j=1}^N w_j \left( \sum_{i=k_1+1}^k X_{ji} \right)^2 - W \left( \sum_{i=k_1+1}^k \bar{T}_i \right)^2 \right]$$

### Item-Total Statistics

#### Scale Mean if the $i$ th Item is Deleted

$$\tilde{M}_i = M - \bar{T}_i$$

#### Scale Variance if the $i$ th Item is Deleted

$$\tilde{S}_i^2 = S_p^2 + S_i^2 - 2cov(X_i, P)$$

where the covariance between item  $i$  and the case score is

$$cov(X_i, P) = \frac{1}{W-1} \left( \sum_{j=1}^N P_j X_{ji} w_j - \sum_{l=1}^k \bar{T}_l T_i \right)$$

**Alpha if the *i*th Item Deleted**

$$\bar{A}_i = \frac{k-1}{k-2} \left( 1 - \sum_{\substack{l=1 \\ l \neq i}}^k S_l^2 / \tilde{S}_i^2 \right)$$

**Correlation between the *i*th Item and Sum of Others**

$$R_i = \frac{cov(X_i, P) - S_i^2}{S_i \tilde{S}_i}$$

**The ANOVA Table (Winer, 1971)**

Table 88-2  
ANOVA table

Source of variation	Sum of Squares	df
Between people	$\sum_{j=1}^N P_j^2 w_j / k - G^2 / Wk$	$W - 1$
Within people	$\sum_{i=1}^k \sum_{j=1}^N w_j X_{ji}^2 - \sum_{j=1}^N P_j^2 w_j / k$	$W(k - 1)$
Between measures	$\sum_{i=1}^k T_i^2 / W - G^2 / Wk$	$k - 1$
Residual	$\sum_{i=1}^k \sum_{j=1}^N w_j X_{ji}^2 - \sum_{j=1}^N P_j^2 w_j / k - \sum_{i=1}^k T_i^2 / W - G^2 / Wk$	$(W - 1)(k - 1)$
Total	$\sum_{i=1}^k \sum_{j=1}^N w_j X_{ji}^2 - G^2 / Wk$	$Wk - 1$

Each of the mean squares is obtained by dividing the sum of squares by the corresponding degrees of freedom. The *F* ratio for between measures is

$$F = \frac{MS_{\text{between measures}}}{MS_{\text{residual}}}, \quad df = (k - 1, (W - 1)(k - 1))$$

**Friedman Test or Cochran Test**

$$\chi^2 = \frac{SS_{\text{between measures}}}{MS_{\text{within people}}}, \quad df = k - 1$$

*Note:* Data must be ranks for the Friedman test and a dichotomy for the Cochran test.

## Kendall's Coefficient of Concordance

$$W = \frac{SS_{\text{between measures}}}{SS_{\text{total}}}$$

(Will not be printed if Cochran is also specified.)

## Tukey's Test for Nonadditivity

The residual sums of squares are further subdivided to

$$SS_{\text{nonadd}} = M^2/D, \quad df = 1$$

where

$$D = \left( SS_{\text{bet. meas}} SS_{\text{bet. people}} \right) / (Wk)$$

$$\left( = \left[ \sum_{i=1}^k (\bar{T}_i - \bar{G})^2 \right] \left[ \sum_{j=1}^N w_j (\bar{P}_j - \bar{G})^2 \right] \right)$$

$$M = \sum_{i=1}^k \bar{T}_i \sum_{j=1}^N \bar{P}_j X_{ji} w_j - \bar{G} \sum_{j=1}^N P_j^2 w_j / k - \bar{G} SS_{\text{bet. meas}}$$

$$\left( = \sum_{j=1}^N w_j (\bar{P}_j - \bar{G}) \left[ \sum_{i=1}^k X_{ji} (\bar{T}_i - \bar{G}) \right] \right)$$

$$SS_{\text{bal}} = SS_{\text{res}} - SS_{\text{nonadd}}, \quad df = (W - 1)(k - 1) - 1$$

The test for nonadditivity is

$$F = \frac{MS_{\text{nonadd}}}{MS_{\text{balance}}} \quad df = (1, (W - 1)(k - 1) - 1)$$

The regression coefficient for the nonadditivity term is

$$\hat{B} = M/D,$$

and the power to transform to additivity is

$$\hat{p} = 1 - \hat{B}\bar{G}$$

## Scale Statistics

Reliability coefficient alpha (Cronbach 1951)

$$A = \frac{k}{k-1} \left( 1 - \frac{\sum_{i=1}^k S_i^2}{S_p^2} \right)$$

If the model is split, separate alphas are computed:

$$A_1 = \frac{k_1}{k_1-1} \left( 1 - \sum_{i=1}^{k_1} \frac{S_i^2}{S_{p1}^2} \right)$$

$$A_2 = \frac{k_2}{k_2-1} \left( 1 - \sum_{i=k_1+1}^{k_2} \frac{S_i^2}{S_{p2}^2} \right)$$

### **For Split Model Only**

#### **Correlation Between the Two Parts of the Test**

$$R = \frac{\frac{1}{2} (S_p^2 - S_{p1}^2 - S_{p2}^2)}{S_{p1} S_{p2}}$$

#### **Equal Length Spearman-Brown Coefficient**

$$Y = \frac{2R}{1+R}$$

#### **Guttman Split Half**

$$G = \frac{2(S_p^2 - S_{p1}^2 - S_{p2}^2)}{S_p^2}$$

#### **Unequal Length Spearman-Brown**

$$ULY = \frac{-R^2 + \sqrt{R^4 + 4R^2(1-R^2)k_1k_2/k^2}}{2(1-R^2)k_1k_2/k^2}$$

## Basic Computations—Method 2

Items with zero variance are deleted from the scale and from  $k, k_1$ , and  $k_2$ . The inverses of matrices, when needed, are computed using the sweep operator described by Dempster (1969). If  $|V| < 10^{-30}$ , a warning is printed and statistics that require  $V^{-1}$  are skipped.

### Covariance Matrix $V$ and Correlation Matrix $R$

$$v_{ij} = \begin{cases} \left( \frac{1}{W-1} \left( \sum_{l=1}^N X_{li} X_{lj} w_j - W \bar{T}_i \bar{T}_j \right) \right), i, j = 1, \dots, k & \text{if raw data input} \\ r_{ij} S_i S_j & \text{if correlation matrix and SD input} \end{cases}$$

where  $S_i^2 = \frac{v_{ii}}{W-1}$

### Scale Variance

$$S_p^2 = \sum_{i=1}^k S_i^2 + 2 \sum_{i < j}^k v_{ij}$$

If the model is split,

$$S_{p1}^2 = \sum_{i=1}^{k_1} S_i^2 + 2 \sum_{i < j}^{k_1} v_{ij}$$

$$S_{p2}^2 = \sum_{i=k_1+1}^k S_i^2 + 2 \sum_{i=k_1+1}^k \sum_{j>i}^k v_{ij}$$

where the first  $k_1$  items are in part 1.

## Scale Statistics—Method 2

### Alpha Model

#### Estimated Reliability

$$\frac{k}{k-1} \left( 1 - \frac{\sum_{i=1}^k S_i^2}{S_p^2} \right)$$

**Standardized Item Alpha**

$$\frac{k\overline{Corr}}{1 + (k - 1)\overline{Corr}}$$

where

$$\overline{Corr} = \frac{2}{k(k - 1)} \sum_{i < j}^k \sum_{i < j}^k r_{ij}$$

**Split Model**

**Correlation between Forms**

$$\frac{\sum_{i=1}^{k_1} \sum_{j=k_1+1}^k v_{ij}}{S_{p1}S_{p2}}$$

**Guttman Split-Half**

$$G = \frac{\sum_{i=1}^{k_1} \sum_{j=k_1+1}^k v_{ij}}{S_p^2}$$

Alpha and Spearman-Brown equal and unequal length are computed as in method 1.

**Guttman Model (Guttman 1945)**

$$L_1 = 1 - \frac{\sum_{i=1}^k S_i^2}{S_p^2}$$

$$L_2 = L_1 + \frac{\sqrt{\frac{2k}{k-1} \sum_{i < j}^k \sum_{i < j}^k v_{ij}^2}}{S_p^2}$$

$$L_3 = \frac{k}{k - 1} L_1$$

$$L_4 = \frac{4 \sum_{i < j}^k \sum_{i < j}^k v_{ij}^2}{S_p^2}$$

$$L_5 = L_1 + \frac{2 \sqrt{\max_i \sum_{j \neq i}^k v_{ij}^2}}{S_p^2}$$

$$L_6 = 1 - \sum_{i=1}^k c_i^2 / S_p^2; \text{ where } c_i^2 = (V^{-1})_{ii}^{-1}$$

### **Parallel Model (Kristof 1963)**

#### **Common Variance**

$$CV = \overline{var} = \frac{1}{k} \sum_{i=1}^k S_i^2$$

#### **True Variance**

$$TV = \overline{cov} = \frac{2}{k(k-1)} \sum_{i < j}^k \sum_{i < j}^k v_{ij}$$

#### **Error Variance**

$$EV = \overline{var} - \overline{cov}$$

#### **Common Inter-Item Correlation**

$$\hat{R} = \overline{cov} / \overline{var}$$

#### **Reliability of the Scale**

$$A = \frac{k}{k-1} \left( 1 - \frac{\sum_{i=1}^k S_i^2}{S_p^2} \right)$$

**Unbiased Estimate of the Reliability**

$$\hat{A} = \frac{2 + (W - 3)A}{(W - 1)}$$

where  $A$  is defined above.

**Test for Goodness of Fit**

$$\chi^2 = -(W - 1) \left( 1 - \frac{k(k + 1)^2(2k - 3)}{12(k - 1) \left( \frac{k(k+1)}{2} - 2 \right) (W - 1)} \right) \log L$$

where

$$L = \frac{|V|}{(\overline{var} - \overline{cov})^{k-1} (\overline{var} + (k+1)\overline{cov})}$$

$$df = \frac{k(k+1)}{2} - 2$$

**Log of the Determinant of the Unconstrained Matrix**

$$\log UC = \log |V|$$

**Log of the Determinant of the Constrained Matrix**

$$\log C = \log \left( (\overline{var} - \overline{cov})^{k-1} (\overline{var} + (k - 1)\overline{cov}) \right)$$

**Strict Parallel (Kristof 1963)**

**Common Variance**

$$CV = \overline{var} + \frac{1}{k} \sum_{i=1}^k (\bar{T}_i - \bar{G})^2$$

**Error Variance**

$$EV = MS_{\text{within people}}$$

All mean squares are calculated as described in the analysis of variance table.

**True Variance**

$$TV = \overline{var} + \frac{1}{k} \sum_{i=1}^k (\bar{T}_i - \bar{G})^2 - EV$$

**Common Inter-Item Correlation**

$$\hat{R} = \frac{\overline{cov} - \frac{1}{(k-1)k} \sum_{i=1}^k (\bar{T}_i - \bar{G})^2}{\overline{var} + \frac{1}{k} \sum_{i=1}^k (\bar{T}_i - \bar{G})^2}$$

**Reliability of the Scale**

$$Rel = \frac{k\hat{R}}{1 + (k-1)\hat{R}}$$

**Unbiased Estimate of the Reliability**

$$Rel = \frac{3 + (W-3)Rel}{W}$$

**Test for Goodness of Fit**

$$\chi^2 = -(W-1) \left( 1 - \frac{k(k+1)^2(2k-3)}{12(k-1)(k(k+3)/2-3)(W-1)} \right) \log L$$

where

$$L = \frac{|V|}{(\overline{var} + (k-1)\overline{cov}) \left( \overline{var} - \overline{cov} + \frac{1}{k} \sum_{i=1}^k (\bar{T}_i - \bar{G})^2 \right)^{k-1}}$$

$$df = k(k+3)/2 - 3$$

**Log of the Determinant of the Unconstrained Matrix**

$$\log UC = \log |V|$$

**Log of the Determinant of the Constrained Matrix**

$$\log C = \log(\overline{var} + (k - 1)\overline{cov}) \left( \overline{var} - \overline{cov} + \frac{1}{k - 1} \sum_{i=1}^k (\overline{T}_i - \overline{G})^2 \right)^{k-1}$$

**Additional Statistics—Method 2**

Descriptive and scale statistics and Tukey’s test are calculated as in method 1. Multiple  $R^2$  if an item is deleted is calculated as

$$\tilde{R}_i^2 = 1 - \frac{\epsilon_i^2}{S_i^2} \quad \epsilon_i^2 = \frac{1}{(V^{-1})_{ii}}$$

**Analysis of Variance**

**Table**

Table 88-3  
Analysis of variance table

Source of variation	Sum of Squares	df
Between people	$(W - 1) \left[ \frac{1}{k} \left( \sum_{i=1}^k S_i^2 - \frac{2}{k - 1} \sum_{i < j} v_{ij} \right) \right] + \frac{2}{(k-1)} \sum_{i < j} v_{ij}$	$W - 1$
Within people	$\frac{(W-1)(k-1)}{k} \left[ \sum_{i=1}^k S_i^2 - \frac{2}{k - 1} \sum_{i < j} v_{ij} \right] + (W - 1)SS_{\text{bet. people}}$	$W(k - 1)$
Between measures	$W \left( \sum_{i=1}^k \overline{T}_i^2 - \frac{1}{k} \left( \sum_{i=1}^k \overline{T}_i \right)^2 \right)$	$k - 1$
Residual	$\frac{(W-1)(k-1)}{k} \left[ \sum_{i=1}^k S_i^2 - \frac{2}{k - 1} \sum_{i < j} v_{ij} \right]$	$(W - 1)(k - 1)$
Total	Between SS + Within SS	$Wk - 1$

**Hotelling’s T-Squared (Winer, 1971)**

$$T^2 = WY' B^{-1} Y$$

where

$$Y = \begin{bmatrix} \overline{T}_1 - \overline{T}_k \\ \overline{T}_2 - \overline{T}_k \\ \vdots \\ \overline{T}_{k-1} - \overline{T}_k \end{bmatrix}$$

$$B = CVC'$$

where  $\mathbf{C}$  is an identity matrix of rank  $k - 1$  augmented with a column of  $-1$  on the right.

$$b_{ij} = v_{ij} - v_{ik} - v_{jk} + S_k^2$$

The test will not be done if  $W < k$  or  $|\mathbf{B}| < 10^{-30}$ .

The significance level of  $T^2$  is based on

$$F = \frac{W-k+1}{(W-1)(k-1)} T^2, \text{ with } df = (k-1, W-k+1)$$

### Item Mean Summaries

$$\text{Mean} = \sum_{i=1}^k \bar{T}_i / k$$

$$\text{Variance} = \frac{\sum_{i=1}^k \bar{T}_i^2 - \left( \sum_{i=1}^k \bar{T}_i \right)^2 / k}{(k-1)}$$

$$\text{Maximum} = \max_i \bar{T}_i$$

$$\text{Minimum} = \min_i \bar{T}_i$$

$$\text{Range} = \text{Maximum} - \text{Minimum}$$

$$\text{Ratio} = \frac{\text{Maximum}}{\text{Minimum}}$$

### Item Variance Summaries

Same as for item means except that  $S_i^2$  is substituted for  $\bar{T}_i$  in all calculations.

### Inter-Item Covariance Summaries

$$\text{Mean} = \frac{\sum_{i < j} v_{ij}}{k(k-1)}$$

$$\text{Variance} = \frac{1}{k(k-1)-1} \left[ \sum_{i < j} v_{ij}^2 - \frac{1}{k(k-1)} \left( \sum_{i < j} v_{ij} \right)^2 \right]$$

$$\text{Maximum} = \max_{i,j} v_{ij}$$

$$\text{Minimum} = \min_{i,j} v_{ij}$$

$$\text{Range} = \text{Maximum} - \text{Minimum}$$

$$\text{Ratio} = \frac{\text{Maximum}}{\text{Minimum}}$$

### **Inter-Item Correlations**

Same as for inter-item covariances, with  $v_{ij}$  being replaced by  $r_{ij}$ .

If the model is split, statistics are also calculated separately for each scale.

### **Intraclass Correlation Coefficients**

Intraclass correlation coefficients are always discussed in a random/mixed effects model setting. McGraw and Wong (1996) is the key reference for this document. See also Shrout and Fleiss (1979).

In this document, two measures of correlation are given for each type under each model: **single measure** and **average measure**. Single measure applies to single measurements, for example, the ratings of judges, individual item scores, or the body weights of individuals, whereas average measure applies to average measurements, for example, the average rating for  $k$  judges, or the average score for a  $k$ -item test.

### **One-Way Random Effects Model: People Effect Random**

Let  $X_{ji}$  be the response to the  $i$ th measure given by the  $j$ th person,  $i = 1, \dots, k, j = 1, \dots, W$ . Suppose that  $X_{ji}$  can be expressed as  $X_{ji} = \mu + p_j + w_{ji}$ , where  $p_j$  is the between-people effect which is normal distributed with zero mean and a variance of  $\sigma_p^2$  and  $w_{ji}$  is the within-people effect which is also normal distributed with zero mean and a variance of  $\sigma_w^2$ .

Let  $MS_{BP}$  and  $MS_{WP}$  be the respective between-people Mean Squares and within-people Mean Squares. These two quantities can be computed by dividing the corresponding Sum of Squares with its degrees of freedom. For more information, see the topic "Analysis of Variance Table".

### **Single Measure Intraclass Correlation**

The single measure intraclass correlation is defined as

$$\rho(1) = \frac{\sigma_p^2}{\sigma_p^2 + \sigma_w^2}$$

Estimate

The single measure intraclass correlation coefficient is estimated by

$$ICC(1) = \frac{MS_{BP} - MS_{WP}}{MS_{BP} + (k-1)MS_{WP}}$$

In general,

$$\frac{-1}{k-1} < ICC(1) \leq 1.$$

Confidence Interval

For  $0 < \alpha < 1$ , a  $(1 - \alpha)100\%$  confidence interval for  $\rho_{(1)}$  is given by

$$\frac{F_{p/w} - F'_{\alpha/2, W-1, W(k-1)}}{F_{p/w} + (k-1)F_{\alpha/2, W-1, W(k-1)}} < \rho_{(1)} < \frac{F_{p/w} - F_{1-\alpha/2, W-1, W(k-1)}}{F_{p/w} + (k-1)F_{1-\alpha/2, W-1, W(k-1)}},$$

where

$$F_{p/w} = \frac{MS_{BP}}{MS_{WP}}$$

and  $F'_{\alpha', v_1, v_2}$  is the upper  $\alpha'$  point of a  $F$ -distribution with degrees of freedom  $v_1$  and  $v_2$ .

Hypothesis Testing

The test statistic  $F^{(1)}$  for  $H_0 : \rho_{(1)} = \rho_0$ , where  $1 > \rho_0 \geq 0$  is the hypothesized value, is

$$F^{(1)} = F_{p/w} \frac{1 - \rho_0}{1 + (k-1)\rho_0}.$$

Under the null hypothesis, the test statistic has an  $F$ -distribution with  $W - 1, W(k - 1)$  degrees of freedom.

### **Average Measure Intraclass Correlation**

The average measure intraclass correlation is defined as

$$\rho(k) = \frac{\sigma_p^2}{\sigma_p^2 + \sigma_w^2/k}.$$

Estimate

The average measure intraclass correlation coefficient is estimated by

$$ICC(k) = \frac{MS_{BP} - MS_{WP}}{MS_{BP}}.$$

Confidence Interval

A  $(1 - \alpha)100\%$  confidence interval for  $\rho_{(k)}$  is given by

$$\frac{F_{p/w} - F'_{\alpha/2, W-1, W(k-1)}}{F_{p/w}} < \rho_{(k)} < \frac{F_{p/w} - F_{1-\alpha/2, W-1, W(k-1)}}{F_{p/w}}.$$

Hypothesis Testing

The test statistic  $F^{(k)}$  for  $H_0 : \rho_{(k)} = \rho_0$ , where  $1 > \rho_0 \geq 0$  is the hypothesized value, is

$$F^{(k)} = F_{p/w}(1 - \rho_0).$$

Under the null hypothesis, the test statistic has an  $F$ -distribution with  $W - 1, W(k - 1)$  degrees of freedom.

## Two-Way Random Effects Model: People and Measures Effects Random

Let  $X_{ji}$  be the response to the  $i$ -th measure given by the  $j$ -th person,  $i = 1, \dots, k, j = 1, \dots, W$ . Suppose that  $X_{ji}$  can be expressed as  $X_{ji} = \mu + p_j + m_i + pm_{ji} + e_{ji}$ , where  $p_j$  is the *people effect* which is normal distributed with zero mean and a variance of  $\sigma_p^2$ ,  $m_i$  is the *measures effect* which is normal distributed with zero mean and a variance of  $\sigma_m^2$ ,  $pm_{ji}$  is the interaction effect which is normal distributed with zero mean and a variance of  $\sigma_{pm}^2$ , and  $e_{ji}$  is the error effect which is again normal distributed with zero mean and a variance of  $\sigma_e^2$ .

Let  $MS_{BP}$ ,  $MS_{BM}$  and  $MS_{Res}$  be the respective between-people Mean Squares, between-measures Mean Squares and Residual Mean Squares. These quantities can be computed by dividing the corresponding Sum of Squares with its degrees of freedom. For more information, see the topic "Analysis of Variance Table".

### Type A Single Measure Intraclass Correlation

The type A single measure intraclass correlation is defined as

$$\rho_{(A,1,r)} = \begin{cases} \frac{\sigma_p^2}{\sigma_p^2 + \sigma_m^2 + \sigma_{pm}^2 + \sigma_e^2} & \text{if interaction effect } pm_{ji} \text{ is present} \\ \frac{\sigma_p^2}{\sigma_p^2 + \sigma_m^2 + \sigma_e^2} & \text{if interaction effect } pm_{ji} \text{ is absent} \end{cases}.$$

Estimate

The type A single measure intraclass correlation coefficient is estimated by

$$ICC(A, 1, r) = \frac{MS_{BP} - MS_{Res}}{MS_{BP} + (k-1)MS_{Res} + k(MS_{BM} - MS)/W}.$$

Notice that the same estimator is used whether or not the interaction effect  $pm_{ji}$  is present.

Confidence Interval

A  $(1 - \alpha)100\%$  confidence interval is given by

$$\frac{W(MS_{BP} - F_{\alpha/2, W-1, v} \cdot MS_{Res})}{F_{\alpha/2, W-1, v} [k \cdot MS_{BM} + (kW - k - W)MS_{Res}] + W \cdot MS_{BP}} < \rho_{(A,1,r)} < \frac{W(MS_{BP} - F_{1-\alpha/2, W-1, v} \cdot MS_{Res})}{F_{1-\alpha/2, W-1, v} [k \cdot MS_{BM} + (kW - k - W)MS_{Res}] + W \cdot MS_{BP}},$$

where

$$\nu = \frac{(aMS_{\mathbf{BM}} + bMS_{\mathbf{Res}})^2}{\left[ \frac{(aMS_{\mathbf{BM}})^2}{k-1} + \frac{(bMS_{\mathbf{Res}})^2}{(W-1)(k-1)} \right]}$$

$$a = \frac{k \cdot ICC(A,1,r)}{W(1-ICC(A,1,r))}$$

and

$$b = 1 + \frac{k \cdot ICC(A,1,r) \cdot (W-1)}{W(1-ICC(A,1,r))}.$$

### Hypothesis Testing

The test statistic  $F^{(A,1,r)}$  for  $H_0 : \rho_{(A,1,r)} = \rho_0$ , where  $1 > \rho_0 \geq 0$  is the hypothesized value, is

$$F^{(A,1,r)} = \frac{MS_{\mathbf{BP}}}{a_0MS_{\mathbf{BM}} + b_0MS_{\mathbf{Res}}}$$

where

$$a_0 = \frac{k\rho_0}{W(1-\rho_0)}$$

and

$$b_0 = 1 + \frac{k\rho_0(W-1)}{W(1-\rho_0)}.$$

Under the null hypothesis, the test statistic has an  $F$ -distribution with  $W-1, \nu_0^{(1)}$  degrees of freedom.

$$\nu_0^{(1)} = \frac{(a_0MS_{\mathbf{BM}} + b_0MS_{\mathbf{Res}})^2}{\left[ \frac{(a_0MS_{\mathbf{BM}})^2}{k-1} + \frac{(b_0MS_{\mathbf{Res}})^2}{(W-1)(k-1)} \right]}.$$

### Type A Average Measure Intraclass Correlation

The type A average measure intraclass correlation is defined as

$$\rho_{(A,k,r)} = \begin{cases} \frac{\sigma_p^2}{\sigma_p^2 + (\sigma_m^2 + \sigma_{pm}^2 + \sigma_c^2)/k} & \text{if interaction effect } pm_{ji} \text{ is present} \\ \frac{\sigma_p^2}{\sigma_p^2 + (\sigma_m^2 + \sigma_c^2)/k} & \text{if interaction effect } pm_{ji} \text{ is absent} \end{cases}.$$

Estimate

The type A average measure intraclass correlation coefficient is estimated by

$$ICC(A, k, r) = \frac{MS_{\mathbf{BP}} - MS_{\mathbf{Res}}}{MS_{\mathbf{BP}} + (MS_{\mathbf{BM}} - MS_{\mathbf{Res}})/W}.$$

Notice that the same estimator is used whether or not the interaction effect  $pm_{ji}$  is present.

Confidence Interval

A  $(1 - \alpha)100\%$  confidence interval is given by

$$\frac{W(MS_{\mathbf{BP}} - F_{\alpha/2, W-1, \nu} MS_{\mathbf{Res}})}{F_{\alpha/2, W-1, \nu} (MS_{\mathbf{BM}} - MS_{\mathbf{Res}}) + W \cdot MS_{\mathbf{BP}}} < \rho_{(A, k, r)}$$

$$< \frac{W(MS_{\mathbf{BP}} - F_{1-\alpha/2, W-1, \nu} MS_{\mathbf{Res}})}{F_{1-\alpha/2, W-1, \nu} (MS_{\mathbf{BM}} - MS_{\mathbf{Res}}) + W \cdot MS_{\mathbf{BP}}}$$

where

$$\nu = \frac{(cMS_{\mathbf{BM}} + dMS_{\mathbf{Res}})^2}{\left[ \frac{(cMS_{\mathbf{BM}})^2}{k-1} + \frac{(dMS_{\mathbf{Res}})^2}{(W-1)(k-1)} \right]}$$

$$c = \frac{ICC(A, k, r)}{W(1-ICC(A, k, r))}$$

and

$$d = 1 + \frac{ICC(A, k, r) \cdot (W-1)}{W(1-ICC(A, k, r))}.$$

Hypothesis Testing

The test statistic for  $H_0 : \rho_{(A, k, r)} = \rho_0$ , where  $\rho_0 \geq 0$  is the hypothesized value, is

$$F^{(A, k, r)} = \frac{MS_{\mathbf{BP}}}{c_0 MS_{\mathbf{BM}} + d_0 MS_{\mathbf{Res}}}$$

where

$$c_0 = \frac{\rho_0}{W(1 - \rho_0)}$$

and

$$d_0 = 1 + \frac{\rho_0(W-1)}{W(1-\rho_0)}.$$

Under the null hypothesis, the test statistic has an  $F$ -distribution with  $W - 1, \nu_0^{(k)}$  degrees of freedom.

$$\nu_0^{(k)} = \frac{(c_0 MS_{\mathbf{BM}} + d_0 MS_{\mathbf{Res}})^2}{\left[ \frac{(c_0 MS_{\mathbf{BM}})^2}{k-1} + \frac{(d_0 MS_{\mathbf{Res}})^2}{(W-1)(k-1)} \right]}.$$

**Type C Single Measure Intraclass Correlation**

The type C single measure intraclass correlation is defined as

$$\rho_{(C,1,r)} = \begin{cases} \frac{\sigma_p^2}{\sigma_p^2 + \sigma_{pm}^2 + \sigma_e^2} & \text{if interaction effect } pm_{ji} \text{ is present} \\ \frac{\sigma_p^2}{\sigma_p^2 + \sigma_e^2} & \text{if interaction effect } pm_{ji} \text{ is absent} \end{cases}$$

Estimate

The type C single measure intraclass correlation coefficient is estimated by

$$ICC(C, 1, r) = \frac{MS_{BP} - MS_{Res}}{MS_{BP} + (k-1)MS_{Res}}$$

Notice that the same estimator is used whether or not the interaction effect  $pm_{ji}$  is present.

Confidence Interval

A  $(1 - \alpha)100\%$  confidence interval is given by

$$\frac{F_{p/r} - F_{\alpha/2, W-1, (W-1)(k-1)}}{F_{p/r} + (k-1)F_{\alpha/2, W-1, (W-1)(k-1)}} < \rho_{(C,1,r)} < \frac{F_{p/r} - F_{1-\alpha/2, W-1, (W-1)(k-1)}}{F_{p/r} + (k-1)F_{1-\alpha/2, W-1, (W-1)(k-1)}}$$

where

$$F'_{p/r} = \frac{MS_{BP}}{MS_{Res}}$$

Hypothesis Testing

The test statistic for  $H_0 : \rho_{(C,1,r)} = \rho_0$ , where  $1 > \rho_0 \geq 0$  is the hypothesized value, is

$$F^{(C,1,r)} = F_{p/r} \frac{1 - \rho_0}{1 + (k-1)\rho_0}$$

Under the null hypothesis, the test statistic has an  $F$ -distribution with  $W - 1, (W - 1)(k - 1)$  degrees of freedom.

### **Type C Average Measure Intraclass Correlation**

The type C average measure intraclass correlation is defined as

$$\rho_{(C,k,r)} = \begin{cases} \frac{\sigma_p^2}{\sigma_p^2 + (\sigma_{pm}^2 + \sigma_e^2)/k} & \text{if interaction effect } pm_{ji} \text{ is present} \\ \frac{\sigma_p^2}{\sigma_p^2 + \sigma_e^2/k} & \text{if interaction effect } pm_{ji} \text{ is absent} \end{cases}$$

Estimate

The type C average measure intraclass correlation coefficient is estimated by

$$ICC(C, k, r) = \frac{MS_{BP} - MS_{Res}}{MS_{BP}}$$

Notice that the same estimator is used whether or not the interaction effect  $pm_{ji}$  is present.

Confidence Interval

A  $(1 - \alpha)100\%$  confidence interval is given by

$$\frac{F_{p/r} - F_{\alpha/2, W-1, (W-1)(k-1)}}{F_{p/r}} < \rho_{(C, k, r)} < \frac{F_{p/r} - F_{1-\alpha/2, W-1, (W-1)(k-1)}}{F_{p/r}}.$$

### Hypothesis Testing

The test statistic for  $H_0 : \rho_{(C, k, r)} = \rho_0$  where  $1 > \rho_0 \geq 0$  is the hypothesized value, is

$$F^{(C, k, r)} = F_{p/r} (1 - \rho_0).$$

Under the null hypothesis, the test statistic has an  $F$ -distribution with  $W - 1, (W - 1)(k - 1)$  degrees of freedom.

## Two-Way Mixed Effects Model: People Effects Random, Measures Effects Fixed

Let  $X_{ji}$  be the response to the  $i$ -th measure given by the  $j$ -th person,  $i = 1, \dots, k, j = 1, \dots, W$ . Suppose that  $X_{ji}$  can be expressed as  $X_{ji} = \mu + p_j + m_i + pm_{ji} + e_{ji}$ , where  $p_j$  is the *people effect* which is normal distributed with zero mean and a variance of  $\sigma_p^2$ ,  $m_i$  is considered as a fixed effect,  $pm_{ji}$  is the interaction effect which is normal distributed with zero mean and a variance of  $\sigma_{pm}^2$ , and  $e_{ji}$  is the error effect which is again normal distributed with zero mean and a variance of  $\sigma_e^2$ . Denote  $\theta_m^2$  as the expected measure square of between measures effect  $m_i$ .

Let  $MS_{BP}$  and  $MS_{Res}$  be the respective between-people Mean Squares and Residual Mean Squares. These quantities can be computed by dividing the corresponding Sum of Squares with its degrees of freedom. For more information, see the topic "Analysis of Variance Table".

### Type A Single Measure Intraclass correlation

The type A single measure intraclass correlation is defined as

$$\rho_{(A, 1, m)} = \begin{cases} \frac{\sigma_p^2 - \sigma_{pm}^2 / (k-1)}{\sigma_p^2 + \theta_m^2 + (\sigma_{pm}^2 + \sigma_e^2)} & \text{if interaction effect } pm_{ji} \text{ is present} \\ \frac{\sigma_p^2}{\sigma_p^2 + \theta_m^2 + \sigma_e^2} & \text{if interaction effect } pm_{ji} \text{ is absent} \end{cases}.$$

#### Estimate

The type A single measure intraclass correlation is estimated by

$$ICC(A, 1, m) = \frac{MS_{BP} - MS_{Res}}{MS_{BP} + (k-1)MS_{Res} + k(MS_{BM} - MS_{Res})/W}$$

Notice that the same estimator is used whether or not the interaction effect  $pm_{ji}$  is present.

#### Confidence Interval

A  $(1 - \alpha)100\%$  confidence interval for  $\rho_{(A, 1, m)}$  is the same as that for  $\rho_{(A, 1, r)}$ , with  $ICC(A, 1, r)$  replaced by  $ICC(A, 1, m)$ .

### Hypothesis Testing

The test statistic for  $H_0 : \rho_{(A, 1, m)} = \rho_0$ , where  $1 > \rho_0 \geq 0$  is the hypothesized value, is the same as that for  $\rho_{(A, 1, r)}$ , with the same distribution under the null hypothesis.

### Type A Average Measure Intraclass Correlation

The type A average measure intraclass correlation is defined as

$$\rho_{(A,k,m)} = \begin{cases} \frac{\sigma_p^2 - \sigma_{pm}^2 / (k-1)}{\sigma_p^2 + (\theta_m^2 + \sigma_{pm}^2 + \sigma_c^2) / k} & \text{if interaction effect } pm_{ji} \text{ is present} \\ \frac{\sigma_p^2}{\sigma_p^2 + (\theta_m^2 + \sigma_c^2) / k} & \text{if interaction effect } pm_{ji} \text{ is absent} \end{cases}.$$

Estimate

The type A single measure intraclass correlation is estimated by

$$ICC(A, k, m) = \begin{cases} \text{Not estimable} & \text{if interaction effect } pm_{ji} \text{ is present} \\ \frac{MS_{BP} - MS_{Res}}{MS_{BP} + (MS_{BM} - MS_{Res})/w} & \text{if interaction effect } pm_{ji} \text{ is absent} \end{cases}.$$

Confidence Interval

A  $(1 - \alpha)100\%$  confidence interval for  $\rho_{(A,k,m)}$  is the same as that for  $\rho_{(A,k,r)}$ , with  $ICC(A, k, r)$  replaced by  $ICC(A, k, m)$ . Notice that the hypothesis test is not available when the interaction effect  $pm_{ji}$  is present.

Hypothesis Testing

The test statistic for  $H_0 : \rho_{(A,k,m)} = \rho_0$ , where  $1 > \rho_0 \geq 0$  is the hypothesized value, is the same as that for  $\rho_{(A,k,r)}$ , with the same distribution under the null hypothesis. Notice that the hypothesis test is not available when the interaction effect  $pm_{ji}$  is present.

### Type C Single Measure Intraclass Correlation

The type C single measure intraclass correlation is defined as

$$\rho_{(C,1,m)} = \begin{cases} \frac{\sigma_p^2 - \sigma_{pm}^2 / (k-1)}{\sigma_p^2 + (\sigma_{pm}^2 + \sigma_c^2)} & \text{if interaction effect } pm_{ji} \text{ is present} \\ \frac{\sigma_p^2}{\sigma_p^2 + \sigma_c^2} & \text{if interaction effect } pm_{ji} \text{ is absent} \end{cases}.$$

Estimate

The type C single measure intraclass correlation is estimated by

$$ICC(C, 1, m) = \frac{MS_{\text{Between people}} - MS_{\text{Residual}}}{MS_{\text{Between people}} + (k-1)MS_{\text{Residual}}}.$$

Notice that the same estimator is used whether or not the interaction effect  $pm_{ji}$  is present.

Confidence Interval

A  $(1 - \alpha)100\%$  confidence interval is given by

$$\frac{F_{p/r} - F_{\alpha/2, W-1, (W-1)(k-1)}}{F_{p/r} + (k-1)F_{\alpha/2, W-1, (W-1)(k-1)}} < \rho_{(C,1,m)} < \frac{F_{p/r} - F_{1-\alpha/2, W-1, (W-1)(k-1)}}{F_{p/r} + (k-1)F_{1-\alpha/2, W-1, (W-1)(k-1)}}.$$

where

$$F_{p/r} = \frac{MS_{BP}}{MS_{Res}}$$

Hypothesis Testing

The test statistic for  $H_0 : \rho_{(C,1,m)} = \rho_0$ , where  $1 > \rho_0 \geq 0$  is the hypothesized value, is

$$F^{(C,1,m)} = F_{p/r} \frac{1-\rho_0}{1+(k-1)\rho_0}$$

Under the null hypothesis, the test statistic has an  $F$ -distribution with  $W - 1, (W - 1)(k - 1)$  degrees of freedom.

### Type C Average Measure Intraclass Correlation

The type C average measure intraclass correlation is defined as

$$\rho_{(C,k,m)} = \begin{cases} \frac{\sigma_p^2 - \sigma_{pm}^2 / (k-1)}{\sigma_p^2 + (\sigma_{pm}^2 + \sigma_e^2) / k} & \text{if interaction effect } pm_{ji} \text{ is present} \\ \frac{\sigma_p^2}{\sigma_p^2 + \sigma_e^2 / k} & \text{if interaction effect } pm_{ji} \text{ is absent} \end{cases}$$

Estimate

The type C average measure intraclass correlation is estimated by

$$ICC(C, k, m) = \begin{cases} \text{Not estimable} & \text{if interaction effect } pm_{ji} \text{ is present} \\ \frac{MS_{BP} - MS_{Res}}{MS_{BP}} & \text{if interaction effect } pm_{ji} \text{ is absent} \end{cases}$$

Confidence Interval

A  $(1 - \alpha)100\%$  confidence interval is given by

$$\frac{F_{p/r} - F_{\alpha/2, W-1, (W-1)(k-1)}}{F_{p/r}} < \rho_{(C,k,m)} < \frac{F_{p/r} - F_{1-\alpha/2, W-1, (W-1)(k-1)}}{F_{p/r}}$$

Notice that the confidence interval is not available when the interaction effect  $pm_{ji}$  is present.

Hypothesis Testing

The test statistic for  $H_0 : \rho_{(C,k,m)} = \rho_0$ , where  $1 > \rho_0 \geq 0$  is the hypothesized value, is

$$F^{(C,1,m)} = F_{p/r}(1 - \rho_0)$$

Under the null hypothesis, the test statistic has an  $F$ -distribution with  $W - 1, (W - 1)(k - 1)$  degrees of freedom. Notice that the  $F$ -test is not available when the interaction effect  $pm_{ji}$  is present.

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# Estimation of McDonald's Omega

## Introduction

This section discusses the estimation of McDonald's omega ( $\omega$ ) to evaluate reliability. The algorithm discussed in the following sections are based on the method proposed by [Hancock and An, 2020]. It assumes that the model is unidimensional including a single factor with no local item dependence in the form of error covariances. Thus, the model implies that the covariance of the two different items is the product of their loadings. The novel statistics and their output are integrated to the RELIABILITY procedure under the "Omega" model type.

## Notations

The following notations, derived from the RELIABILITY algorithm, will be used in the following discussions unless otherwise stated.

- $N$ : Number of cases or persons taking a test.
- $j$ : Case index which denotes the  $j$ -th person, and  $j = 1, 2, \dots, N$ .
- $k$ : Number of items in the test.
- $i$ : Item index, and  $i = 1, 2, \dots, k$ .
- $r, s$ : Item index, and  $r, s \in \{1, 2, \dots, k\}$ .
- $X_{ji}$ : Observed score given to the  $j$ -th person on the  $i$ -th item.
- $w_j$ : Frequency weight for the  $j$ -th case.
- $T_i$ : Total score of the  $i$ -th item, and  $T_i = \sum_{j=1}^N w_j X_{ji}$ .

The following statistics have already been computed by the existing RELIABILITY algorithm.

Mean for the  $i$ -th item:

$$\bar{T}_i = \frac{T_i}{W}. \quad (0.0.1)$$

Standard deviation for the  $i$ -th item:

$$S_i = \sqrt{\frac{\sum_{j=1}^N w_j X_{ji}^2 - W \bar{T}_i^2}{W - 1}}. \quad (0.0.2)$$

Covariance matrix  $V$ :

$$v_{rs} = \begin{cases} \frac{1}{W - 1} \left( \sum_{j=1}^N w_j X_{jr} X_{js} - W \bar{T}_r \bar{T}_s \right) & \text{if raw data input} \\ r_{rs} S_r S_s & \text{if correlation matrix and SD input} \end{cases}. \quad (0.0.3)$$

Scale variance:

$$S_p^2 = \sum_{r=1}^k S_r^2 + 2 \sum_{r=1}^k \sum_{\forall s > r}^k v_{rs}. \quad (0.0.4)$$

Note that those items with zero variance are deleted from the scale and  $k$ .

## Omega Model Assumption

Provided that  $k \geq 3$ , [Hancock and An, 2020] suggested estimating  $\lambda_i$  by

$$\hat{\lambda}_i = \left( \frac{\sum_{r=1, r \neq i}^k \sum_{\forall s > r, s \neq i}^k v_{ir} v_{is}}{\sum_{r=1, r \neq i}^k \sum_{\forall s > r, s \neq i}^k v_{rs}} \right)^{1/2}, \quad (0.05)$$

where  $v_{**}$  is estimated by Equation (0.0.3). By defining that

$$\sum \hat{\lambda} = \sum_{\substack{i=1 \\ i \neq r, s}}^k \hat{\lambda}_i, \quad (0.06)$$

where  $\hat{\lambda}_i$  is estimated by (0.0.5), we estimate  $\omega$  by

$$\hat{\omega} = \frac{\left( \sum \hat{\lambda} \right)^2}{S_p^2}, \quad (0.07)$$

where  $S_p^2$  is estimated by Equation (0.0.4); and  $\sum \hat{\lambda}$  is estimated by (0.0.6). Note that  $\hat{\omega}$  will not be estimated if  $k < 3$ .

## Item Deletion

When the model type is ‘‘Omega,’’ we apply the approach in this section if ‘‘Scale if item deleted’’ is also checked.

Without loss of generality, we suppose that the  $d$ -th item, or  $X_{jd}$ , is deleted for a fixed  $d \in \{1, 2, \dots, k\}$ . Provided that  $k \geq 4$ , we first formulate  $V'$  by eliminating the  $d$ -th row and  $d$ -th column of the covariance matrix  $V$  as represented by Equation (0.0.3). Note that the dimension of  $V'$  is  $(k-1)$  by  $(k-1)$ . The scale variance, after the  $d$ -th item is deleted, becomes

$$\tilde{S}_d^2 = \sum_{r=1}^{k-1} \sum_{s=1}^{k-1} v'_{rs}, \quad (0.08)$$

where  $v'_{rs}$  denotes the components contained in the newly-constructed  $V'$ . Similarly to Equation (0.0.5) and (0.0.6), we then estimate

$$\hat{\lambda}'_i = \left( \frac{\sum_{r=1, r \neq i}^{k-1} \sum_{\forall s > r, s \neq i}^{k-1} v'_{ir} v'_{is}}{\sum_{r=1, r \neq i}^{k-1} \sum_{\forall s > r, s \neq i}^{k-1} v'_{rs}} \right)^{1/2}, \quad (0.09)$$

where  $v'_{**}$  are the components contained in  $V'$ , and

$$\sum \hat{\lambda}' = \sum_{\substack{i=1 \\ i \neq r, s}}^{k-1} \hat{\lambda}'_i, \quad (0.010)$$

where  $\hat{\lambda}'_i$  is estimated by (0.0.9). Finally, we estimate

$$\hat{\omega}_d = \frac{\left( \sum \hat{\lambda}' \right)^2}{\tilde{S}_d^2}, \quad (0.011)$$

where  $\tilde{S}_d^2$  is estimated by Equation (0.0.8), and  $\sum \hat{\lambda}'$  is estimated by (0.0.10).

The entire Section is repeated for each fixed  $d = 1, 2, \dots, k$  with the deletion of each item. Note that  $\hat{\omega}_d$  will not be estimated if  $k < 4$ .

# Bibliography

- [Hancock and An, 2020] Hancock, G. R. and An, J. (2020). A closed-form alternative for estimating  $\omega$  reliability under unidimensionality. *Measurement: Interdisciplinary Research and Perspectives*, 18(1):1–14.

# RMV Algorithms

Missing values in a time series are estimated.

## Notation

The following notation is used throughout this section unless otherwise stated:

Table 89-1

Notation

Notation	Description
$X = (X_1, \dots, X_n)$	Original series
$\hat{X}_i$	Estimate for spans
$p$	Number of spans
$k$	The number of consecutive missing values
$X_i$ to $X_{i+k-1}$	Set of consecutive missing values

## Methods for Estimating Missing Values

The following methods are available.

### Linear Interpolation (LINT(X))

$$\hat{X}_{i+l} = \begin{cases} X_{i-1} + \frac{l+1}{k+1}(X_{i+k} - X_{i-1}) & l = 0, \dots, k-1 \\ \text{SYSMIS} & i = 1 \text{ or } i+k-1 = n \end{cases}$$

If  $k = 1$  (that is, only one consecutive missing observation), then

$$\hat{X}_i = \begin{cases} \frac{1}{2}(X_{i-1} + X_{i+1}) & i = 2, \dots, n-1 \\ \text{SYSMIS} & i = 1 \text{ or } i = n \end{cases}$$

### Mean of $p$ Nearest Preceding and $p$ Subsequent Values (MEAN (X,p))

If the number of nonmissing observations in  $(X_1, \dots, X_{i-1})$  or  $(X_{i+k}, \dots, X_n)$  is less than  $p$ , then set  $\hat{X}_{i+l} = \text{SYSMIS}$ ; otherwise, set  $\hat{X}_{i+l} =$  average of  $p$  nonmissing observations preceding  $X_i$  and  $p$  nonmissing observations following  $X_{i+k-1}$ .

### Median of $p$ Nearest Preceding and $p$ Subsequent Values (MEDIAN (X,p))

If the number of nonmissing observations in  $(X_1, \dots, X_{i-1})$  or  $(X_{i+k}, \dots, X_n)$  is less than  $p$ , then set  $\hat{X}_{i+l} = \text{SYSMIS}$ ; otherwise, set  $\hat{X}_{i+l} =$  median of  $p$  nonmissing observations preceding  $X_i$  and  $p$  nonmissing observations following  $X_{i+k-1}$ .

### **Series Mean (SMEAN (X))**

$\hat{X}_{i+l}$  = average of all nonmissing observations in the series.

### **Linear Trend (TREND(X))**

1. Use all the nonmissing observations in the series to fit the regression line of the form

$$\hat{X}_t = a + bt$$

The least squares estimates are

$$b = \frac{\sum(X_t - \bar{X})(t - \bar{t})}{\sum(t - \bar{t})^2}$$

$$a = \bar{X} - b\bar{t}$$

2. Apply the regression equation to replace the missing values

$$\hat{X}_{i+l} = a + b(i + l)$$

# ROC Algorithms

ROC produces a receiver operating characteristic (ROC) curve.

## Notation and Definitions

Table 90-1

### Notation

Notation	Description
$d_i$	Actual state for case $i$ , it is either positive or negative; positive usually means that a test detected some evidence for a condition to exist.
$x_i$	Test result score for case $i$ .
$n_{TP}$	Number of true positive decisions
$n_{FN}$	Number of false negative decisions
$n_{TN}$	Number of true negative decisions
$n_{FP}$	Number of false positive decisions
Sensitivity	Probability of correctly identifying a positive
Specificity	Probability of correctly identifying a negative
$C$	Cutoff or criterion value on the test result variable
$n_-$	Number of cases with negative actual state
$n_+$	Number of cases with positive actual state
$n_{-=j}$	Number of true negative cases with test result equal to $j$ .
$n_{+>j}$	Number of true positive cases with test result greater than $j$ .
$n_{+=j}$	Number of true positive cases with test result equal to $j$ .
$n_{-<j}$	Number of true negative cases with test result less than $j$ .
$Q_1$	The probability that two randomly chosen positive state subjects will both get a more positive test result than a randomly chosen negative state subject.
$Q_2$	The probability that one randomly chosen positive state subject will get a more positive test result than two randomly chosen negative state subjects.

## Construction of the ROC Curve

The ROC plot is merely the graph of points defined by sensitivity and  $(1 - \text{specificity})$ . Customarily, sensitivity takes the y axis and  $(1 - \text{specificity})$  takes the x axis.

## Computation of Sensitivity and Specificity

The ROC procedure fixes the set of cutoffs to be the set defined by the values half the distance between each successive pair of observed test scores, plus  $\max(x_i) + 1$  and  $\min(x_i) - 1$ .

Given a set of cutoffs, the actual state values, and test result values, one can classify each observation into one of TP, FN, TN, and FP according to a classification rule. Then, the computation of sensitivity and specificity is immediate from their definitions.

Four classification or decision rules are possible:

Table 90-2

*Classification of decision rules*

**Classification**

- (1) a test result is positive if the test result value is greater than or equal to  $C$  and that a test result is negative if the test result is less than  $C$ ;
- (2) a test result is positive if the test result value is greater than  $C$  and that a test result is negative if the test result is less than or equal to  $C$ ;
- (3) a test result is positive if the test result value is less than or equal to  $C$  and that a test result is negative if the test result is greater than  $C$ ; and
- (4) a test result is positive if the test result value is less than  $C$  and that a test result is negative if the test result is greater than or equal to  $C$ .

**Specificity**

Specificity is defined by

$$\frac{n_{TN}}{n_{TN} + n_{FP}}$$

**Sensitivity**

Sensitivity is defined by

$$\frac{n_{TP}}{n_{TP} + n_{FN}}$$

**Interpolation of the Points**

When the test result variable is a scale variable, the number of distinct test result values and thus the number of cutoff points tend to increase as the number of observations (or test results) increases. Theoretically, in the “limit” the pairs of sensitivity and  $(1 - \text{specificity})$  values form a dense set of points in itself and in some continuous curve, the ROC curve. A continuous interpolation of the points may be reasonable in this sense.

*Note:* The domain of the test result variable need only be a positive-measure subset of the real line. For example, it could be defined only on  $(-1, 0]$  and  $(1, +\infty)$ . As long as the variable is not discrete, the ROC curve will be continuous.

When the test result variable is an ordinal discrete variable, the points never become dense, even when there are countably infinite number of (ordinal discrete) values. Thus, a continuous interpolation may not be justifiable. But, when it is reasonable to assume there is some underlying or latent continuous variable, an interpolation such as a linear interpolation, though imprecise, may be attempted. From now on, the test result variable is assumed continuous or practically so.

The problem is related to having ties, but not the same. In the continuous case, when values are tied, they are identical but unique. In the ordinal case with the grouped/discretized continuous interpretation, values in some underlying continuous scale range may be grouped together and represented by a certain value, usually the mid range value. Those values are represented as if they

were ties, but in fact they are a collection of unordered values. Now, even if each category/group contains only one observation, the problem still exists unless the observation's latent value is identical to the representing value of the observation.

Case 1: No ties between actual positive and actual negative groups

If there are ties within a group, the vertical/horizontal distance between the points is simply multiplied by the number of ties. If not, all the points are uniformly spaced within each of the vertical and horizontal directions, because as a cutoff value changes, only one observation at a time switches the test result.

Case 2: Some ties between actual positive and actual negative groups

For ties between actual positive and actual negative groups, both of the  $TP$  and  $FP$  change simultaneously, and we do not know "the correct path between two adjacent points" (Zweig and Campbell, 1993, p. 566). "It could be the minimal path (horizontal first, then vertical) or the maximal path (vice versa). The straight diagonal line segment is the average of the two most extreme paths and tends to underestimate the plot for diagnostically accurate test" (Zweig and Campbell, 1993, p. 566). But, it is our choice here. In passing, the distance and angle of this diagonal line depend on the numbers of ties within  $D+$  and  $D-$  groups.

## The Area Under the ROC Curve

Let  $x$  represent the scale of the test result variable, with its low values suggesting a negative result and the high values a positive result. Denote by  $x_+$  the  $x$  values for cases with positive actual states. Similarly, denote by  $x_-$  the  $x$  values for cases with negative actual states. Then, the "true" area under the ROC curve is

$$\theta = \Pr(x_+ > x_-).$$

The nonparametric approximation of  $\theta$  is

$$W = \frac{1}{n_+n_-} \sum_{\substack{\text{all possible} \\ \text{combinations} \\ \text{of } (x_+, x_-)}} s(x_+, x_-),$$

where  $n_+$  is the sample size of  $D+$ ,  $n_-$  is the sample size of  $D-$ , and

$$s(x_+, x_-) = \begin{cases} 1 & \text{if } x_+ > x_- \\ \frac{1}{2} & \text{if } x_+ = x_- \\ 0 & \text{if } x_+ < x_- \end{cases}$$

Note that  $W$  is the observed area under the ROC curve, which connects successive points by a straight line, i.e., by the trapezoidal rule.

An alternative way to compute  $W$  is as follows:

$$W = \frac{1}{n_+n_-} \sum_{x \in \{\text{set of all test result values}\}} \left\{ n_{-=j} \times n_{>j} + \frac{n_{-=j} \times n_{+=j}}{2} \right\}.$$

When a low value of  $x$  suggests a positive test result and a high value a negative test result

If a low value of  $x$  suggests a positive test result and a high a negative test result, compute  $W$  as above and then

$$W' = 1 - W,$$

where  $W'$  is the estimated area under the curve when a low test result score suggests a positive test result.

### **SE of the area under the ROC curve statistic, nonparametric assumption**

The standard deviation of  $W$  is estimated by:

$$SE(W) = \sqrt{\frac{W(1-W) + (n_+ - 1)(\hat{Q}_1 - W^2) + (n_- - 1)(\hat{Q}_2 - W^2)}{n_+n_-}}$$

where

$$\hat{Q}_1 = \frac{1}{n_-n_+^2} \sum_x n_{-=j} \times \left[ n_{+>j}^2 + n_{+>j} \times n_{+=j} + \frac{n_{+=j}^2}{3} \right]$$

and

$$\hat{Q}_2 = \frac{1}{n_-^2n} \sum_x n_{+=j} \times \left[ n_{-<j}^2 + n_{-<j} \times n_{-=j} + \frac{n_{-=j}^2}{3} \right].$$

When a low value of  $x$  suggests a positive test result and a high value a negative test result

If we assume that a low value of  $x$  suggests a positive test result and a high value a negative test result, then we estimate the standard deviation of  $W'$  by  $SE(W') = SE(W)$ .

Under the bi-negative exponential distribution assumption, given the number of negative results equal number of positive results

Under the bi-negative exponential distribution assumption when  $n_+ = n$ ,

$$\hat{Q}_1 = \frac{W}{2 - W}$$

and

$$\hat{Q}_2 = \frac{2W^2}{1+W}.$$

SE(W) is then computed as before.

When a low value of x suggests a positive test result and a high value a negative test result

Once again, SE(W') = SE(W).

### The asymptotic confidence interval of the area under the ROC curve

A 2-sided asymptotic  $c\% = (100 - \alpha)\%$  confidence interval for the true area under the ROC curve is

$$W \pm Z_{\alpha} \text{SE}(W).$$

When a low value of x suggests a positive test result and a high value a negative test result

$$W' \pm Z_{\alpha} \text{SE}(W')$$

### Asymptotic P-value

Since W is asymptotically normal under the null hypothesis that  $\theta = 0.5$ , we can calculate the asymptotic P-value under the null hypothesis that  $\theta = 0.5$  vs. the alternative hypothesis that  $\theta \neq 0.5$ :

$$\Pr\left(|Z| > \left| \frac{W - 0.5}{\text{SD}(W)|_{\theta=0.5}} \right| \right) = 2\Pr\left(Z > \left| \frac{W - 0.5}{\text{SD}(W)|_{\theta=0.5}} \right| \right)$$

In the nonparametric case,

$$\begin{aligned} \text{SD}(W)|_{\theta=0.5} &= \sqrt{\frac{\theta(1-\theta) + (n_+ - 1)(Q_1 - \theta^2) + (n_- - 1)(Q_2 - \theta^2)}{n_+ n_-}} \Big|_{\theta=0.5} \\ &= \sqrt{\frac{0.5(1-0.5) + (n_+ - 1)(1/3 - 0.5^2) + (n_- - 1)(1/3 - 0.5^2)}{n_+ n_-}} \\ &\left( = \sqrt{\frac{n_+ + n_- + 1}{12n_+ n_-}} = \sqrt{\frac{n_+ n_- (n_+ + n_- + 1)}{12}} / n_+ n_- \right), \end{aligned}$$

because we can deduce that  $Q_1 = 1/3$  and  $Q_2 = 1/3$  under the null hypothesis that  $\theta = 0.5$ . The argument for  $Q_1 = 1/3$  is as follows.  $\theta = 0.5$  implies that the distribution of test results of positive actual state subjects is identical to the distribution of test results of negative actual state subjects. So, the mixture of the two distributions is identical to either one of the distributions. Then, we can reinterpret  $Q_1$  as the probability that, given three randomly chosen subjects from the (mixture) distribution, the subject with the lowest test result was selected, say, first. (One may consider this subject as a negative state subject and the other two as positive state subjects.) From here on, we can pursue a purely combinatorial argument, irrespective of the distribution of subjects' test results, because the drawings are independent and given. There are  $3! = 3 \times 2 \times 1 = 6$  ways to order the three subjects, and there are two ways in which the subject with the lowest test result comes first. So, if  $\theta = 0.5$ ,  $Q_1 = 2/6 = 1/3$ . The argument for  $Q_2 = 1/3$  is similar.

In the bi-negative exponential case,

$$\begin{aligned}
 \text{SD}(W)|_{\theta=0.5} &= \sqrt{\frac{\theta(1-\theta)+(n_+-1)(Q_1-\theta^2)+(n_--1)(Q_2-\theta^2)}{n_+n_-}} \Big|_{\theta=0.5} \\
 &= \sqrt{\frac{\theta(1-\theta)+(n_+-1)\left(\frac{\theta}{2-\theta}-\theta^2\right)+(n_--1)\left(\frac{2\theta^2}{1+\theta}-\theta^2\right)}{n_+n_-}} \Big|_{\theta=0.5} \\
 &= \sqrt{\frac{0.5(1-0.5)+(n_+-1)\left(\frac{0.5}{2-0.5}-0.5^2\right)+(n_--1)\left(\frac{2 \times 0.5^2}{1+0.5}-0.5^2\right)}{n_+n_-}} \\
 &= \sqrt{\frac{0.5(1-0.5)+(n_+-1)(1/3-0.5^2)+(n_--1)(1/3-0.5^2)}{n_+n_-}},
 \end{aligned}$$

where  $n_+ = n$ . (Note that this formula is identical to the nonparametric one except for the sample size restriction.)

When a low value of  $x$  suggests a positive test result and a high value a negative test result

The asymptotic  $P$ -value under the null hypothesis that  $\theta' = 0.5$  vs. the alternative hypothesis that  $\theta' \neq 0.5$ , if desired, may be computed, using  $W'$  and  $\text{SD}(W')|_{\theta=0.5} = \text{SD}(W)|_{\theta=0.5}$ .

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# ROC Analysis Algorithms

## Introduction

Receiver operating characteristic (ROC) curves are frequently used to assess the accuracy of model predictions by plotting Sensitivity versus (1-Specificity) of a classification test as the threshold varies over an entire range of diagnostic test results [Lasko et al., 2005]. The full area under a given ROC curve, or AUC, formulates an important statistic that measures the probability, denoted by  $\omega$ , that the prediction will be in the correct order when a test variable is observed for one subject randomly selected from the case group and the other randomly selected from the control group [DeLong et al., 1988]. The existing ROC procedure in SPSS Statistics supports the inference about a single AUC, but has not yet offered any features of comparing two ROC curves. In the later situation, investigators may gain more information in the accuracy resulted from two comparative diagnostic approaches.

Moreover, we also introduce Precision-Recall (PR) curves to the enhancements of the ROC procedure. In contrast to ROC curves, PR curves plot Precision versus Recall, and tend to be more informative when the observed data samples are highly skewed [Davis and Goadrich, 2006]. By supporting this novel feature, we provide users with an alternative to ROC curves for data with a large skew in the class distribution.

In the following presentation, we describe the method to compare two ROC curves generated from either independent groups or paired subjects, and demonstrate how to estimate AUC-related statistics. All the features will be embedded into the existing ROC procedure for SPSS Statistics 26.0 with inclusion of a grouping variable and paired test variables.

## General Notations

The following notations defined in this section will be used for the subsequent sections.

- $\omega$ : The parameter measures the probability that in randomly paired positive and negative states, the test results of the two states allow them to be correctly classified.
- $W$ : The nonparametric estimation of  $\omega$ . Its estimated standard error is denoted by  $SE(W)$ .
- $k$ :  $k = 1, 2$ , which is the subscription to denote group index for the independent-group design or test measurement index for the paired-sample design.
- $N$ : A sample of effective subjects undergoing a test for predicting an event of interest or determining the presence or absence of a medical condition. Note that  $N$  is a positive integer.
- $m$ : The number within the  $N$  subjects truly undergoing the event of interest or with the presence of the medical condition for the paired-sample design. Note that  $m < N$ , and  $m$  is a positive integer.
- $n$ : The number within the  $n$  subjects do not have the event of interest the medical condition for the paired-sample design. Note that  $n = N - m$ .
- $i$ :  $i = 1, 2, \dots, m$ , a positive integer to denote the index of the  $m$  subjects.
- $j$ :  $j = 1, 2, \dots, n$ , a positive integer to denote the index of the  $n$  subjects.
- $x_{ik}$ : The observed value of the  $i$ -th subject in  $m$  for the  $k$ -th test variable.
- $y_{jk}$ : The observed value of the  $j$ -th subject in  $n$  for the  $k$ -th test variable.

## Compare the Areas under Two ROC Curves

### Independent-group Design

The existing ROC Curve algorithm has already discussed how to estimate  $\omega$  for a specific ROC curve. The backbone is based on the distribution-free approach discussed by [Hanley and McNeil, 1982]. A similar idea may be applied to the independent-group design, but we require an additional grouping variable  $G$ , either string or numeric, to divide the test variables into two groups assumed to be independent of each other.

Table 1 illustrates the sample data with the independent-group design. For the  $r$ -th record ( $r = 1, 2, \dots, N$ ), 1/0 denotes the positive/negative trait status;  $t_r$  denotes the test value; and  $g_{rk}$  denotes the grouping value of the  $k$ -th group. Note that the test variable  $T$  must be based on numeric-valued diagnoses, but may not be necessarily continuous. Strings are not allowed.

**Independent-Group Design**

subjectID	stateVar ( $D$ )	testVar ( $T$ )	groupVar ( $G$ )
1	1	$t_1$	$g_{1k}$
2	0	$t_2$	$g_{2k}$
$\vdots$	$\vdots$	$\vdots$	$\vdots$
$N$	1	$t_N$	$g_{Nk}$

Table 1: An Illustrative Data Sample with Independent-Group Design

The grouping variable  $G$  is used to define two groups. Each group defined by  $G$  must contain at least one valid observation. Only a single grouping variable is allowed in one procedure. For a string variable  $G$ , the groups are defined by  $G = g_{i1}$  versus  $G = g_{i2}$ , where both  $g_{i1}$  and  $g_{i2}$  are required to appear in the sample data. For a numeric variable  $G$ , we allow a single numeric value, a midpoint value  $M$ , or a user-specified cut point value  $C$ . The groups are defined by  $G = g_{i1}$  versus  $G = g_{i2}$ ,  $G < M$  versus  $G \geq M$ , or  $G < C$  versus  $G \geq C$ , where both  $g_{i1}$  and  $g_{i2}$  are required to appear in the sample data, and  $M$  is computed by taking the average of the minimum and maximum sample data.

**Estimate Sensitivity and Specificity**

For the independent-group design, Sensitivity and Specificity are computed by the nonparametric method for two different portions of data, respectively. The meaningful choices of the cutoff values, denoted by  $c$ , depend on the observed values of the test variable  $T = t$ . If there are  $L$  distinctive values of  $T$ ,  $L + 1$  cutoff values will be chosen. Suppose we observe that  $L = 3$  unique test values  $-\infty < t_i < t_j < t_k < +\infty$  in the data sample, then we can set 4 cutoff values  $c = t_i - 1, (t_i + t_j)/2, (t_j + t_k)/2,$  and  $t_k + 1$ . Particularly, if the test variable is defined on  $(0, 1)$  and all the observed test values belong to  $(0, 1)$ , we set the minimum and the maximum cutoff value to be 0 and 1, respectively. The following illustrative example will be used to demonstrate the algorithm. For all the records with  $G = g_1$ , sort the data by the test variable  $T$ . For instance, suppose there are 10 records belonging to the group defined by  $G = g_1$ , and a sorted piece of data may look like Table 2. Since the distinctive observed values are 1.0, 2.0, 3.0, 5.0, 6.0, and 8.0, the cutoff

**Data Sample Sorted by  $T$**

stateVar ( $D$ )	testVar ( $T$ )	groupVar ( $G$ )
0	1.0	$g_1$
1	2.0	$g_1$
0	3.0	$g_1$
0	3.0	$g_1$
1	3.0	$g_1$
0	5.0	$g_1$
1	5.0	$g_1$
0	6.0	$g_1$
1	6.0	$g_1$
1	8.0	$g_1$

Table 2: An Illustrative Data Sample with Records Sorted by  $T$

values are chosen to be 0.0, 1.5, 2.5, 4.0, 5.5, 7.0, and 9.0. Suppose that the decision rule is that a test result is positive ( $T^+$ ) if the observed test value  $t \geq c$ , and that a test result is negative ( $T^-$ ) if the test result  $t < c$ . We can further summarize these 10 records by using the following Table 3. Note that cutoff-value columns

**Data Sample with Cutoff Values**

stateVar ( $D$ )	testVar ( $T$ )	$c = 0.0$	$c = 1.5$	$c = 2.5$	$c = 4.0$	$c = 5.5$	$c = 7.0$	$c = 9.0$
0	1.0	T <sup>+</sup>	T <sup>-</sup>					
1	2.0	T <sup>+</sup>	T <sup>+</sup>	T <sup>-</sup>				
0	3.0	T <sup>+</sup>	T <sup>+</sup>	T <sup>+</sup>	T <sup>-</sup>	T <sup>-</sup>	T <sup>-</sup>	T <sup>-</sup>
0	3.0	T <sup>+</sup>	T <sup>+</sup>	T <sup>+</sup>	T <sup>-</sup>	T <sup>-</sup>	T <sup>-</sup>	T <sup>-</sup>
1	3.0	T <sup>+</sup>	T <sup>+</sup>	T <sup>+</sup>	T <sup>-</sup>	T <sup>-</sup>	T <sup>-</sup>	T <sup>-</sup>
0	5.0	T <sup>+</sup>	T <sup>+</sup>	T <sup>+</sup>	T <sup>+</sup>	T <sup>-</sup>	T <sup>-</sup>	T <sup>-</sup>
1	5.0	T <sup>+</sup>	T <sup>+</sup>	T <sup>+</sup>	T <sup>+</sup>	T <sup>-</sup>	T <sup>-</sup>	T <sup>-</sup>
0	6.0	T <sup>+</sup>	T <sup>-</sup>	T <sup>-</sup>				
0	6.0	T <sup>+</sup>	T <sup>-</sup>	T <sup>-</sup>				
1	8.0	T <sup>+</sup>	T <sup>-</sup>					

Table 3: An Illustrative Data Sample with Cutoff Values

are sorted in ascending order from left to right, and T<sup>+</sup>/T<sup>-</sup>s are determined by comparing the observed test value and each cutoff value under the assumption aforementioned. There are four different decision rules, and users are allowed to make one of them in the same procedure:

1. Larger or higher test result indicates more positive test, and the classification *includes* the cutoff value for positive classification (T<sup>+</sup> if  $t \geq c$ , and T<sup>-</sup>, otherwise).
2. Larger or higher test result indicates more positive test, and the classification *excludes* the cutoff value for positive classification (T<sup>+</sup> if  $t > c$ , and T<sup>-</sup>, otherwise).
3. Smaller or lower test result indicates more positive test, and the classification *includes* the cutoff value for positive classification (T<sup>+</sup> if  $t \leq c$ , and T<sup>-</sup>, otherwise).
4. Smaller or lower test result indicates more positive test, and the classification *excludes* the cutoff value for positive classification (T<sup>+</sup> if  $t < c$ , and T<sup>-</sup>, otherwise).

Based on the test results in Table 3, we can define true positive (TP), false negative (FN), true negative (TN), and false positive (FP), and convert them into the classification results summarized by Table 4. The

**Data Sample with Classification Results**

stateVar ( $D$ )	testVar ( $T$ )	$c = 0.0$	$c = 1.5$	$c = 2.5$	$c = 4.0$	$c = 5.5$	$c = 7.0$	$c = 9.0$
0	1.0	FP	TN	TN	TN	TN	TN	TN
1	2.0	TP	TP	FN	FN	FN	FN	FN
0	3.0	FP	FP	FP	TN	TN	TN	TN
0	3.0	FP	FP	FP	TN	TN	TN	TN
1	3.0	TP	TP	TP	FN	FN	FN	FN
0	5.0	FP	FP	FP	FP	TN	TN	TN
1	5.0	TP	TP	TP	TP	FN	FN	FN
0	6.0	FP	FP	FP	FP	FP	TN	TN
0	6.0	TP	TP	TP	TP	TP	FN	FN
1	8.0	TP	TP	TP	TP	TP	TP	FN

Table 4: An Illustrative Data Sample with Classification Results

definitions are as follows:

- TP: For a certain cutoff value  $c$ , TP is assigned if a cell is T<sup>+</sup> given a positive trait status when  $D = 1$ .
- FN: For a certain cutoff value  $c$ , FN is assigned if a cell is T<sup>-</sup> given a positive trait status when  $D = 1$ .
- TN: For a certain cutoff value  $c$ , TN is assigned if a cell is T<sup>-</sup> given a negative trait status when  $D = 0$ .
- FP: For a certain cutoff value  $c$ , FP is assigned if a cell is T<sup>+</sup> given a negative trait status when  $D = 0$ .

Finally, we count the number of TP, FN, TN, and FP for each cutoff value  $c$  in Table 5, and further

Classification Counts							
	$c = 0.0$	$c = 1.5$	$c = 2.5$	$c = 4.0$	$c = 5.5$	$c = 7.0$	$c = 9.0$
Number of TP	5	5	4	3	2	1	0
Number of FN	0	0	1	2	3	4	5
Number of TN	0	1	1	3	4	5	5
Number of FP	5	4	4	2	1	0	0
Sensitivity	1	1	0.8	0.6	0.4	0.2	0
Specificity	0	0.2	0.2	0.6	0.8	1	1
1-Specificity	1	0.8	0.8	0.4	0.2	0	0
Recall	1	1	0.8	0.6	0.4	0.2	0
Precision	0.5	0.56	0.5	0.6	0.67	1.0	NaN

Table 5: Summary of Classification Counts

calculate Sensitivity and Specificity. Note that Sensitivity is defined by

$$\text{Sensitivity} = \frac{\text{Number of TP}}{\text{Number of TP} + \text{Number of FN}}, \quad (1)$$

and Specificity is defined by

$$\text{Specificity} = \frac{\text{Number of TN}}{\text{Number of TN} + \text{Number of FP}}. \quad (2)$$

The same procedure can be repeated to calculate Sensitivity and Specificity of the group defined by  $G = g_2$ .

### Identify and Handle Potential Ties

The ROC curves are generated by plotting Sensitivity values on  $y$ -axis versus (1-Specificity) values on  $x$ -axis. For the data with no tie between the  $D = 1$  and  $D = 0$  group, two adjacent points are connected with horizontal and vertical lines in a unique manner to give a “staircase” plot. If there are ties within the  $D = 1$  or  $D = 0$  group, two adjacent points can be connected by either a vertical or a horizontal line, and the distance between the them is simply multiplied by the number of ties.

If there are ties between the  $D = 1$  and  $D = 0$  group, both of Sensitivity and (1-Specificity) values will change simultaneously if  $c$  changes. Although the connection of two adjacent points is not unique, we simply use a straight diagonal line segment to connect them to represent the average of the minimal path (horizontal first, and then vertical) and the maximal path (vertical first, and then horizontal). To identify a tie between the actual positive and negative state within a group for a specific variable, we may seek for a pair of data observations sharing the same values for the test variable  $T$ , but varying the values for the state variable  $D$ . By examining Table 2, we can find out that there are three ties between the  $D = 1$  and  $D = 0$  group at  $T = 3.0$ ,  $T = 5.0$ , and  $T = 6.0$ , respectively. These ties result in the simultaneous changes in both Sensitivity and (1-Specificity) shown in Table 5 between  $c = 2.5$  and  $c = 4.0$ ,  $c = 4.0$  and  $c = 5.5$ , and  $c = 5.5$  and  $c = 7.0$ . A flag needs to be assigned to the test variable(s) with any ties between the  $D = 1$  and  $D = 0$  group.

### Estimate Precision and Recall

We let  $n_{k-}$  and  $n_{k+}$  denote, for a specific variable with  $G = g_k$ , the observed sample size of  $D = 0$  and  $D = 1$ , respectively. In Table 3, for instance,  $n_{1-} = n_{1+} = 5$ . Still considering Table 5, besides Sensitivity and Specificity, we can also calculate Recall and Precision. Recall is defined by

$$\text{Recall} = \frac{\text{Number of TP}}{\text{Number of TP} + \text{Number of FN}}, \quad (3)$$

which is exactly the same as Sensitivity defined by Equation (1). Precision is defined by

$$\text{Precision} = \frac{\text{Number of TP}}{\text{Number of TP} + \text{Number of FP}}. \quad (4)$$

The same procedure can be repeated to calculate Recall and Precision of the group defined by  $G = g_2$ . Note that Precision is not defined when Number of TP = Number of FP = 0, which occurs for the first point in Table 5 when  $c = 0.9$ . One strategy is to estimate the first point from the second point. Considering the second point, if its Number of TP  $\neq 0$ , we assign Precision of the second point to the first point, which is equal to drawing a horizontal line from the second point to the  $y$ -axis. If it occurs that Number of TP = 0 also for the second point, it is not necessary to estimate the first point since it is  $(0, 0)$ .

In PR space, unlike a ROC curve, interpolation is not made by simply drawing a straight line connecting two adjacent points due to the factor that the Precision does not necessarily change linearly as Recall varies. A simple linear interpolation may mistakenly yield an overly-optimistic estimate of a PR curve [Davis and Goadrich, 2006]. Here we discuss a method proposed by [Goadrich et al., 2004] to approximate the interpolation between two adjacent points in a PR curve. Suppose there are two adjacent points  $A$  and  $B$ , whose cutoff values, number of TP, FN, TN, and FP, recall and precision are summarized in Table 6. Without loss of generality, we assume  $TP_B > TP_A$ . If  $TP_B - TP_A > 1$  and  $Prec(A) \neq Prec(B)$ , the proper

**Points  $A$  and  $B$  in PR Space**

	$c_A$	$c_B$
Number of TP	$TP_A$	$TP_B$
Number of FN	$FN_A$	$FN_B$
Number of TN	$TN_A$	$TN_B$
Number of FP	$FP_A$	$FP_B$
Recall	$Recall(A)$	$Recall(B)$
Precision	$Prec(A)$	$Prec(B)$

Table 6: Classification Counts of Points  $A$  and  $B$

interpolation of the intermediate PR pairs will be estimated by

$$\left( \frac{TP_A + \delta}{n_{1+}}, \frac{TP_A + \delta}{TP_A + \delta + FP_A + \frac{FP_B - FP_A}{TP_B - TP_A} \delta} \right), \tag{5a}$$

where  $\delta$  is all the integers such that  $1 \leq \delta \leq TP_B - TP_A - 1$ . Note that if  $TP_B - TP_A \leq 1$  or  $Prec(A) = Prec(B)$ , no interpolation is needed. The same procedure can be repeated to calculate Precision and Recall of the group defined by  $G = g_2$ .

Note that Equation (5a) is a stepwise interpolation along TP. We also introduce an alternative way, and allow users to interpolate two adjacent points along FP [Keilwagen et al., 2014]. Still considering Table 6, if  $FP_B - FP_A > 1$  and  $Prec(A) \neq Prec(B)$ , we interpolate the intermediate PR pairs by computing

$$\left( \frac{TP_A + \delta}{n_{1+}}, \frac{TP_A + \delta}{TP_A + \delta + FP_A + \frac{TP_B - TP_A}{FP_B - FP_A} \delta} \right), \tag{5b}$$

where  $\delta$  is all the integers such that  $1 \leq \delta \leq FP_B - FP_A - 1$ . Note that if  $FP_B - FP_A \leq 1$  or  $Prec(A) = Prec(B)$ , no interpolation is needed. The same procedure can be repeated to calculate Precision and Recall of the group defined by  $G = g_2$ .

The PR curves are created by plotting Precision values on  $y$ -axis versus Recall values on  $x$ -axis. The coordinate values calculated in Table 5 are plotted together with the the proper interpolation of the intermediate if applicable. Adjacent points are connected with straight lines. The plot range is  $[0, 1]$  for both  $x$ - and  $y$ -axis. Note that for a point with Precision equal to NaN, this point is omitted, and will not be plotted.

**Compute  $W$  when a Larger or Higher Test Result Indicates More Positive Test**

The nonparametric statistic  $W$  is commonly used to estimate  $\omega$ . For the independent-group design, it is computed by using two different portions of data. Here we discuss the algorithms to compute  $W_1$  by assuming

that a larger or higher test result indicates more positive test (an option set by default). For all the records with  $G = g_1$ , we first sort the data by the state variable  $D$ , and then the test variable  $T$ , both in ascending order. For instance, suppose there are 10 records belonging to the group defined by  $G = g_1$ , and a sorted piece of data may look like Table 7.

**Data Sample Sorted by  $D$  and  $T$**

stateVar ( $D$ )	testVar ( $T$ )	groupVar ( $G$ )
0	1.0	$g_1$
0	3.0	$g_1$
0	3.0	$g_1$
0	5.0	$g_1$
0	6.0	$g_1$
1	2.0	$g_1$
1	3.0	$g_1$
1	5.0	$g_1$
1	6.0	$g_1$
1	8.0	$g_1$

Table 7: An Illustrative Data Sample with Records Sorted by  $D$  and  $T$

We can further summarize these 10 records by using Table 8, which contains four rows and the columns of  $T = t$ . The columns are sorted based on  $t$  in ascending order from left to right. Particularly, we let  $(r)_t$  denote

**Data Sample with Test Results**

	$T = 1.0$	$T = 2.0$	$T = 3.0$	$T = 5.0$	$T = 6.0$	$T = 8.0$
(1) Records count with $D = 0$ and $T = t$	1	0	2	1	1	0
(2) Records count with $D = 1$ and $T > t$	5	4	3	2	1	0
(3) Records count with $D = 1$ and $T = t$	0	1	1	1	1	1
(4) Records count with $D = 0$ and $T < t$	0	1	1	3	4	5

Table 8: An Illustrative Data Sample with Test Results

the value on the  $r$ -th row and the column of  $T = t$ , where  $r \in \{1, 2, 3, 4\}$  and  $t \in \{1.0, 2.0, 3.0, 5.0, 6.0, 8.0\}$ . Thus, we can estimate  $W_1$  based on Table 8 by summing over all  $T = t$

$$\begin{aligned}
 W_1 &= \frac{1}{n_1 - n_{1+}} \sum_{T=t} \left[ (1)_t \times (2)_t + \frac{(1)_t \times (3)_t}{2} \right] \\
 &= \frac{1}{5 \times 5} \left[ \left( 1 \times 5 + \frac{1 \times 0}{2} \right) + \left( 0 \times 4 + \frac{0 \times 1}{2} \right) + \dots + \left( 0 \times 0 + \frac{0 \times 1}{2} \right) \right] \\
 &= 0.64.
 \end{aligned} \tag{6}$$

$W_2$  can be computed analogously by reconstructing Tables 7 and 8 for all the records with  $G = g_2$ .

### Compute $W'$ when a Smaller or Lower Test Result Indicates More Positive Test

Note that if a smaller or lower test result indicates more positive test (an option specified by users), we let  $\omega'_1$  denote the area under the ROC curve, and it can simply be estimated by

$$W'_1 = 1 - W_1 = 1 - 0.64 = 0.36, \tag{7}$$

where  $W_1$  is computed by Equation (6).  $\omega'_2$  can be estimated analogously by computing  $W'_2 = 1 - W_2$ .

**Compute SE(W) and SE(W') under the Nonparametric Assumption**

To compute SE(W<sub>1</sub>) under the nonparametric (distribution-free) assumption (an option set by default) when a larger or higher test result indicates more positive test, we need to compute two additional quantities<sup>1</sup>. Still considering Table 8, define

$$\begin{aligned}
 Q_1 &= \frac{1}{n_{1-}n_{1+}} \sum_{T=t} (1)_t \left[ (2)_t^2 + (2)_t \times (3)_t + \frac{(3)_t^2}{3} \right] \\
 &= \frac{1}{5 \times 5^2} \left[ 1 \times \left( 5^2 + 5 \times 0 + \frac{0^2}{3} \right) + 0 \times \left( 4^2 + 4 \times 1 + \frac{1^2}{3} \right) + \dots + 0 \times \left( 0^2 + 0 \times 1 + \frac{1^2}{3} \right) \right] \\
 &\approx 0.467,
 \end{aligned} \tag{8}$$

and

$$\begin{aligned}
 Q_2 &= \frac{1}{n_{1-}^2n_{1+}} \sum_{T=t} (3)_t \left[ (4)_t^2 + (4)_t \times (1)_t + \frac{(1)_t^2}{3} \right] \\
 &= \frac{1}{5^2 \times 5} \left[ 0 \times \left( 0^2 + 0 \times 1 + \frac{1^2}{3} \right) + 1 \times \left( 1^2 + 1 \times 0 + \frac{0^2}{3} \right) + \dots + 1 \times \left( 5^2 + 5 \times 0 + \frac{0^2}{3} \right) \right] \\
 &\approx 0.504.
 \end{aligned} \tag{9}$$

Thus,

$$\begin{aligned}
 SE(W_1) &= \left[ \frac{W_1(1 - W_1) + (n_{1+} - 1)(Q_1 - W_1^2) + (n_{1-} - 1)(Q_2 - W_1^2)}{n_-n_+} \right]^{1/2} \\
 &= \left[ \frac{0.64(1 - 0.64) + (5 - 1)(0.467 - 0.64^2) + (5 - 1)(0.504 - 0.64^2)}{5 \times 5} \right]^{1/2} \\
 &\approx 0.183.
 \end{aligned} \tag{10}$$

Note that SE(W'<sub>1</sub>) = SE(W<sub>1</sub>) if a smaller or lower test result indicates more positive test<sup>2</sup>. SE(W<sub>2</sub>) and SE(W'<sub>2</sub>) can be computed analogously under the nonparametric (distribution-free) assumption.

**Compute SE(W) and SE(W') under the Bi-negative Exponential Distribution Assumption**

To compute SE(W) under the bi-negative exponential distribution assumption (an option specified by users), we have to further assume that n<sub>1+</sub> = n<sub>1-</sub>. In other words, the method discussed in this section only applies to the scenario in which the number of the nonmissing observations with a positive actual state is equal to that with a negative actual state. For the independent-group design, since we have two test variables to compare, we require that n<sub>1+</sub> = n<sub>1-</sub> and n<sub>2+</sub> = n<sub>2-</sub>. If either is violated, both SE(W<sub>1</sub>) and SE(W<sub>2</sub>) will be computed under the nonparametric assumption as previously discussed in Section .

Suppose the aforementioned assumptions are not violated for the bi-negative exponential distribution. To compute SE(W<sub>1</sub>) when a larger or higher test result indicates more positive test, we need to define another two additional quantities.

$$Q_3 = \frac{W_1}{2 - W_1} = \frac{0.64}{2 - 0.64} \approx 0.471, \tag{11}$$

$$Q_4 = \frac{2W_1^2}{1 + W_1} = \frac{2 \times 0.64^2}{1 + 0.64} \approx 0.500. \tag{12}$$

<sup>1</sup>Q<sub>1</sub> asymptotically measures the probability that two randomly chosen positive state subjects will both have a larger or higher (more positive) test result than a randomly chosen negative state subject. Q<sub>2</sub> asymptotically measures the probability that one randomly chosen positive state subjects will have a larger or higher (more positive) test result than two randomly chosen negative state subjects.

<sup>2</sup>Since W'<sub>1</sub> = 1 - W<sub>1</sub>, which is a random variable, the variance of W'<sub>1</sub> is equal to the variance of (1 - W<sub>1</sub>), which is also the variance of W<sub>1</sub>. So is the standard deviation.

Thus,

$$\begin{aligned}
 \text{SE}(W_1) &= \left[ \frac{W_1(1 - W_1) + (n_{1+} - 1)(Q_3 - W_1^2) + (n_{1-} - 1)(Q_4 - W_1^2)}{n_{1-}n_{1+}} \right]^{1/2} \\
 &= \left[ \frac{0.64(1 - 0.64) + (5 - 1)(0.471 - 0.64^2) + (5 - 1)(0.500 - 0.64^2)}{5 \times 5} \right]^{1/2} \\
 &\approx 0.183.
 \end{aligned} \tag{13}$$

Note that  $\text{SE}(W'_1) = \text{SE}(W_1)$  if a smaller or lower test result indicates more positive test.  $\text{SE}(W_2)$  and  $\text{SE}(W'_2)$  can be computed analogously under the bi-negative exponential distribution assumption.

### Derive the Statistics for Each AUC under the Independent-group Design

Since  $W_k$  is asymptotically normal under the null hypothesis that  $\omega_k = 0.5$ , we may estimate the asymptotic statistics independently for each ROC curve by group. When the null hypothesis is true,

$$\text{SE}(W_k)|_{\omega_k=0.5} = \left[ \frac{0.5(1 - 0.5) + (n_{k+} - 1)(1/3 - 0.5^2) + (n_{k-} - 1)(1/3 - 0.5^2)}{n_{k-}n_{k+}} \right]^{1/2}, \tag{14}$$

where  $k = 1, 2$ . Actually, Equation (14) is a special case of Equation (10) when  $W_1 = 0.5$  and  $Q_1 = Q_2 = 1/3^3$ . Note that (14) follows no matter what kind of distribution is assumed or which test direction is specified, that is,  $\text{SE}(W'_k)|_{\omega'_k=0.5} = \text{SE}(W_k)|_{\omega_k=0.5}$ .

When a larger or higher test result indicates more positive test, the two-sided asymptotic significance under the null hypothesis that  $\omega_k = 0.5$  versus the alternative hypothesis that  $\omega_k \neq 0.5$  is

$$2 \times \left[ 1 - \text{CDFNORM} \left( \left| \frac{W_k - 0.5}{\text{SE}(W_k)|_{\omega_k=0.5}} \right| \right) \right], \tag{15}$$

where  $W_k$  is derived by Section , and  $\text{SE}(W_k)$  is estimated by Equation (14). The asymptotic  $100(1 - \alpha)\%$  confidence interval (CI) for the null hypothesis that  $\omega_k = 0.5$  is

$$W_k \pm \text{IDF.NORMAL} \left( 1 - \frac{\alpha}{2}, 0, 1 \right) \times \text{SE}(W_k), \tag{16}$$

where  $100(1 - \alpha)$  is specified by users. We set  $\alpha = 0.05$  by default.

When a smaller or lower test result indicates more positive test, Equation (15) becomes

$$2 \times \left[ 1 - \text{CDFNORM} \left( \left| \frac{W'_k - 0.5}{\text{SE}(W'_k)|_{\omega'_k=0.5}} \right| \right) \right], \tag{17}$$

where  $W'_k$  is derived by Section , and  $\text{SE}(W'_k)|_{\omega'_k=0.5} = \text{SE}(W_k)|_{\omega_k=0.5}$ . And Equation (16) becomes

$$W'_k \pm \text{IDF.NORMAL} \left( 1 - \frac{\alpha}{2}, 0, 1 \right) \times \text{SE}(W'_k), \tag{18}$$

where  $100(1 - \alpha)$  is specified by users. We set  $\alpha = 0.05$  by default.

---

<sup>3</sup>Under the null hypothesis that  $\omega_k = 0.5$ ,  $Q_1 = Q_2 = 1/3$ . The null hypothesis implies that the distribution of the test results of the subjects with a positive actual state is identical to that of the test results of the subjects with a negative actual state. The mixture of the two distributions is actually identical to either one of two. Hence,  $Q_1$  may be interpreted as the probability that, give three randomly chosen subjects from the (mixture) distribution, the subject with the smallest or lowest test result is selected at first (or at second or third). Since the selections are independent, there are  $3! = 6$  ways to order the three subjects, and there are 2 ways in which the subjects with the lowest test result comes first (second or third). Thus,  $Q_1 = 2/6 = 1/3$ . The arguments for  $Q_2 = 1/3$  is similar.

### Derive the Statistics for the Comparison of Two AUCs under the Independent-group Design

Since the two groups are assumed to be independent, an asymptotic  $Z$ -statistic can be formulated by

$$z = \frac{W_1 - W_2}{\sqrt{[\text{SE}(W_1)]^2 + [\text{SE}(W_2)]^2}} \quad (19)$$

to test the difference when a larger or higher test result indicates more positive test. Under the null hypothesis that  $\omega_1 = \omega_2$ ,  $Z$  asymptotically follows a standard normal distribution. So, the two-sided significance is

$$2 \times [1 - \text{CDFNORM}(|z|)] , \quad (20)$$

and the  $100(1 - \alpha)\%$  asymptotic confidence interval bounds are determined by

$$(W_1 - W_2) \pm \text{IDF.NORMAL}\left(1 - \frac{\alpha}{2}, 0, 1\right) \times \sqrt{[\text{SE}(W_1)]^2 + [\text{SE}(W_2)]^2} , \quad (21)$$

where  $100(1 - \alpha)$  is specified by users. We set  $\alpha = 0.05$  by default.

When a smaller or lower test result indicates more positive test, the null hypothesis becomes  $\omega'_1 = \omega'_2$ . Equation (19) becomes

$$z' = \frac{W'_1 - W'_2}{\sqrt{[\text{SE}(W'_1)]^2 + [\text{SE}(W'_2)]^2}} . \quad (22)$$

Equation (20) becomes

$$2 \times [1 - \text{CDFNORM}(|z'|)] . \quad (23)$$

And Equation (21) becomes

$$(W'_1 - W'_2) \pm \text{IDF.NORMAL}\left(1 - \frac{\alpha}{2}, 0, 1\right) \times \sqrt{[\text{SE}(W'_1)]^2 + [\text{SE}(W'_2)]^2} . \quad (24)$$

### Paired-sample Design

It is not uncommon we may want to compare two ROC curves in a paired-sample scenario that multiple test values are measured on the same subjects associated with a state variable. In the paired-sample design, we require two or more than two test measurements. Table 9 illustrates the sample data with the paired-sample design containing two diagnostic test variables *testVar\_1* and *testVar\_2*. For the  $r$ -th record ( $r = 1, 2, \dots, N$ ),

Paired-Sample Design

subjectID	stateVar	testVar_1	testVar_2
1	1	$x_{11}$	$x_{12}$
2	1	$x_{21}$	$x_{22}$
3	0	$y_{31}$	$y_{32}$
4	0	$y_{41}$	$y_{42}$
5	1	$x_{51}$	$x_{52}$
6	0	$y_{61}$	$y_{62}$
$\vdots$	$\vdots$	$\vdots$	$\vdots$
$N$	0	$y_{N1}$	$y_{N2}$

Table 9: An Illustrative Data Sample with Paired-Sample Design

1/0 denotes the positive/negative trait status;  $x_{rk}$  denotes the observed diagnostic test value associated with a positive (1) trait status under the  $k$ -th test measurement; and  $y_{rk}$  denotes the observed diagnostic test value with a negative (0) trait status under the  $k$ -th test measurement. So for each test variable, there supposed to be  $m$  observed  $x$ 's and  $n$  observed  $y$ 's, respectively.

### Compute Sensitivity and Specificity

The calculation of Sensitivity and Specificity is repeated for each test variable specified by users. The only difference here is that there is no grouping variable to split the observations.

### Compute Precision and Recall

The calculation of Precision and Recall is repeated for each test variable specified by users. The only difference here is that there is no grouping variable to split the observations.

### Derive the Statistics for Each AUC under the Paired-sample Design

The following presentation is based on the empirical or nonparametric methods described by [DeLong et al., 1988]. Note that we do not support the method based on the bi-negative exponential distribution assumption in this section. Before deriving the statistics, we take into account the following assumptions:

- The test variables are based on numeric-valued diagnoses, but may not be necessarily continuous. Strings are not allowed.
- A larger or higher test result indicates more positive test. In practice, this assumption can be altered by a user-specified option such that a smaller or lower test result indicates more positive test.

Define

$$\psi(X, Y) = \begin{cases} 0 & \text{if } X < Y \\ 0.5 & \text{if } X = Y \\ 1 & \text{if } X > Y \end{cases}, \quad (25)$$

when a larger or higher test result indicates more positive test. The empirical estimate of  $\omega_k$  is

$$W_k = \frac{1}{mn} \sum_{i=1}^m \sum_{j=1}^n \psi(x_{ik}, y_{jk}), \quad (26)$$

where  $k = 1, 2$ . To estimate the variance of  $W_k$ , define the component of  $X_k$  and  $Y_k$  as

$$T_x^{(k)}(x_{ik}) = \frac{1}{n} \sum_{j=1}^n \psi(x_{ik}, y_{jk}) \quad \text{and} \quad T_y^{(k)}(y_{jk}) = \frac{1}{m} \sum_{i=1}^m \psi(x_{ik}, y_{jk}). \quad (27)$$

Also define the following quantities

$$S_x^{(k)} = \frac{1}{m-1} \sum_{i=1}^m \left( T_x^{(k)}(x_{ik}) - W_k \right)^2 \quad \text{and} \quad S_y^{(k)} = \frac{1}{n-1} \sum_{j=1}^n \left( T_y^{(k)}(y_{jk}) - W_k \right)^2. \quad (28)$$

Thus, the estimated variance of  $W_k$  is

$$\mathbb{V}(W_k) = S_x^{(k)}/m + S_y^{(k)}/n. \quad (29)$$

For the scenario in which users specify that a smaller or lower test result indicates more positive test, we let  $W'_k$  denote the estimated area under the ROC curve, and it can be simply computed by

$$W'_k = 1 - W_k, \quad (30)$$

where  $W_k$  is defined by Equation (26). The estimated variance remains the same, since

$$\mathbb{V}(W'_k) = \mathbb{V}(1 - W_k) = \mathbb{V}(W_k), \quad (31)$$

where  $\mathbb{V}(W_k)$  is defined by Equation (29)

Since  $W_k$  is asymptotically normal under the null hypothesis that  $\omega_k = 0.5$ , the two-sided asymptotic significance under the null hypothesis versus the alternative hypothesis that  $\omega_k \neq 0.5$  can be estimated by

$$2 \times \left[ 1 - \text{CDFNORM} \left( \left| \frac{W_k - 0.5}{\sqrt{\mathbb{V}(W_k)}} \right| \right) \right], \quad (32)$$

where  $W_k$  is computed by Equation (26), and  $\mathbb{V}(W_k)$  is estimated by Equation (29). The asymptotic  $100(1 - \alpha)\%$  confidence interval (CI) for the null hypothesis that  $\omega_k = 0.5$  is

$$W_k \pm \text{IDF.NORMAL} \left( 1 - \frac{\alpha}{2}, 0, 1 \right) \times \sqrt{\mathbb{V}(W_k)}, \quad (33)$$

where  $100(1 - \alpha)$  is specified by users. We set  $\alpha = 0.05$  by default.

When a smaller or lower test result indicates more positive test, Equation (32) becomes

$$2 \times \left[ 1 - \text{CDFNORM} \left( \left| \frac{W'_k - 0.5}{\sqrt{\mathbb{V}(W'_k)}} \right| \right) \right], \quad (34)$$

where  $W'_k$  is computed by Equation (30), and  $\mathbb{V}(W'_k)$  is estimated by Equation (31). And Equation (33) becomes

$$W'_k \pm \text{IDF.NORMAL} \left( 1 - \frac{\alpha}{2}, 0, 1 \right) \times \sqrt{\mathbb{V}(W'_k)}, \quad (35)$$

where  $100(1 - \alpha)$  is specified by users. We set  $\alpha = 0.05$  by default.

### Derive the Statistics for the Comparison of Two AUCs under the Paired-sample Design

Since the two ROC curves are correlated due to the paired-sample design, we have to estimate the covariance between  $W_1$  and  $W_2$  before constructing the test statistic to compare them. We further define

$$S_x^{(1,2)} = \frac{1}{m-1} \sum_{i=1}^m \left( T_x^{(1)}(x_{i1}) - W_1 \right) \left( T_x^{(2)}(x_{i2}) - W_2 \right), \quad (36)$$

and

$$S_y^{(2,1)} = \frac{1}{n-1} \sum_{j=1}^n \left( T_y^{(1)}(y_{j1}) - W_1 \right) \left( T_y^{(2)}(y_{j2}) - W_2 \right). \quad (37)$$

When a larger or higher test result indicates more positive test, the covariance between  $W_1$  and  $W_2$  is

$$\mathbb{C}(W_1, W_2) = S_x^{(1,2)}/m + S_y^{(2,1)}/n. \quad (38)$$

An asymptotic  $Z$ -statistic can be formulated by

$$z = \frac{W_1 - W_2}{\sqrt{\mathbb{V}(W_1) + \mathbb{V}(W_2) - 2\mathbb{C}(W_1, W_2)}} \quad (39)$$

to test the difference. Under the null hypothesis that  $\omega_1 = \omega_2$ ,  $Z$  asymptotically follows a standard normal distribution. So, the two-sided significance is computed by

$$2 \times [1 - \text{CDFNORM}(|z|)], \quad (40)$$

and the  $100(1 - \alpha)\%$  asymptotic confidence interval bounds are determined by

$$(W_1 - W_2) \pm \text{IDF.NORMAL} \left( 1 - \frac{\alpha}{2}, 0, 1 \right) \times \sqrt{\mathbb{V}(W_1) + \mathbb{V}(W_2) - 2\mathbb{C}(W_1, W_2)}, \quad (41)$$

where  $100(1 - \alpha)$  is specified by users. We set  $\alpha = 0.05$  by default.

When a smaller or lower test result indicates more positive test, the covariance remains the same between  $W'_1$  and  $W'_2$ , since

$$\mathbb{C}(W'_1, W'_2) = \mathbb{C}(1 - W_1, 1 - W_2) = \mathbb{C}(W_1, W_2), \quad (42)$$

where  $C(W_1, W_2)$  is estimated by Equation (38). Thus, Equation (39) becomes

$$z' = \frac{W'_1 - W'_2}{\sqrt{\mathbb{V}(W'_1) + \mathbb{V}(W'_2) - 2C(W'_1, W'_2)}}. \quad (43)$$

Equation (40) becomes

$$2 \times [1 - \text{CDFNORM}(|z'|)]. \quad (44)$$

And Equation (41) becomes

$$(W'_1 - W'_2) \pm \text{IDF.NORMAL}\left(1 - \frac{\alpha}{2}, 0, 1\right) \times \sqrt{\mathbb{V}(W'_1) + \mathbb{V}(W'_2) - 2C(W'_1, W'_2)}. \quad (45)$$

## Independent-group Design

The flow of the output design is: “Case Processing Summary” table → “Area Under the ROC Curve” table → “Overall Model Quality” chart → “Independent-Group Area Difference Under the ROC Curves” table → “Coordinates of ROC Curve” table → “Coordinates of Precision-Recall Curve” table → “ROC Curve” chart plotted separately for each test variable → “Precision-Recall” chart plotted separately for each test variable. The details about generating the tables and charts including two test variables are discussed as follows.

### Case processing summary

Table 10 is required and always generated, which summarizes the number of effective positive/negative cases. Note that *groupVariableName*, *stateVariableName*, and *label\_value\_of\_state\_variable* are specified by users. The values displayed in the Valid N (listwise) column count the frequencies of positive/negative state by group determined by the user-specified grouping variable. If there are frequency weights in the analysis, they are in effect with the counts in the table. A noninteger frequency weight is rounded to the nearest integer. If either  $\leq 0.5$  or missing, the corresponding record is counted as missing. Note that frequency weights are only taken into account for the case processing summary table, but not for the other analyses. For a given state variable, “positive” is defined by *varvalue* or ‘*varvalue*’ in parentheses after *varName*. All the other valid state values are assumed to be “negative.” Only nonmissing values are counted in the Valid N (listwise) column for the positive and negative state. The “Valid” row counts the total number of nonmissing records. The “Missing” row counts the number of any missing values in the test variables for both groups. Note that as long as one test variable has a missing value, the entire record will be counted as missing. If there are no missing values, 0 will be displayed. The “Total” row counts the total number of records in the data sample.

Case Processing Summary

<i>groupVariableName</i>	<i>stateVariableName</i>	Valid N (listwise)
<i>group_1</i>	Positive <sup>a</sup>	158
	Negative	100
<i>group_2</i>	Positive <sup>a</sup>	146
	Negative	69
Valid		473
Missing		1
Total		474

Larger values of the test result variable(s)  
indicate stronger evidence for a positive actual state.  
a. The positive actual state is *label\_value\_of\_state\_variable*.

Table 10: Case Processing Summary for Independent-group Design

The display of the group information in Table 10 is determined by the following rules:

- For a string grouping variable, if it is associated with the predefined value labels, the labels will be displayed in the table. For instance, *group\_1* may be “Male” versus *group\_2* “Female.” If there is no value label, we will display the conditions such as “= ‘m’” versus “= ‘f’,” where the string values are supposed to be in single quotation marks.
- For a numeric grouping variable, depending on how users define the groups, the display may be “= *value1*” versus “= *value2*,” “ $\geq$  *midpoint*” versus “ $<$  *midpoint*,” or “ $\geq$  *cutpoint*” versus “ $<$  *cutpoint*.”

The display of the static text appended to Table 10 depends on the setting of the test direction. There are two options:

- By default, if “Larger test result indicates more positive test” is selected, the static text is “Larger values of the test result variable(s) indicate stronger evidence for a positive actual state.”
- Otherwise, if “Smaller test result indicates more positive test” is toggled by users, the static text is “Smaller values of the test result variable(s) indicate stronger evidence for a positive actual state.”

Footnote *a* is always displayed, whose *label.value.of.state.variable* is specified by users.

### Area under the ROC curve

Table 11 is required, which summarizes the information about the AUCs of two test variables by group. If there exist any ties in either group (defined by *G*) between the actual states, a notice will be appended to remind users. As long as there exists one tie for a specific test variable, the static text needs to be appended to the table with the corresponding test variable name(s) included.

Area Under the ROC Curve		
Test Result Variable(s)	Group	Area
<i>testVariable_1</i>	<i>group_1</i>	.827
	<i>group_2</i>	.859
<i>testVariable_2</i>	<i>group_1</i>	.538
	<i>group_2</i>	.651

The test result variable(s): *testVariable\_1*, *testVariable\_2* has at least one tie between the positive actual state group and the negative actual state group. Statistics may be biased.

Table 11: Area under the ROC Curve for Independent-group Design (Truncated)

Note that Table 11 is in a truncated format. In case that “Standard error and confidence interval” is toggled by users, Table 12 will be displayed instead to include more relevant statistics. The details about the table contents are as follows:

- Test Result Variable(s) is the test variable(s) specified by users.
- Group information is displayed in the same way as that in Table 10.
- Area is estimated by the method discussed in Section or depending on the test direction specified by users.
- Std Error is estimated by the method discussed in Section or depending on the distribution assumption specified by users.
- Asymptotic Significance is converted by Equation (15) or (17) depending on the test direction specified by users.
- Asymptotic CI bounds are determined by Equation (16) or (18) depending on the test direction specified by users.

The display of the text static in Table 12 is the same as that in Table 11. The display of footnotes depends on the computation of  $SE(W)$ :

Area Under the ROC Curve

Test Result Variable(s)	Group	Area	Std. Error <sup>a</sup>	Asymptotic Sig. <sup>b</sup>	Asymptotic 95% CI	
					Lower Bound	Upper Bound
<i>testVariable_1</i>	<i>group_1</i>	.827	.019	.000	.791	.864
	<i>group_2</i>	.859	.018	.000	.824	.894
<i>testVariable_2</i>	<i>group_1</i>	.538	.027 <sup>c</sup>	.155	.468	.590
	<i>group_2</i>	.651	.026 <sup>c</sup>	.000	.600	.703

The test result variable(s): *testVariable\_1*, *testVariable\_2* has at least one tie between the positive actual state group and the negative actual state group. Statistics may be biased.

- a. Under the bi-negative exponential distribution assumption
- b. Null hypothesis: true area = 0.5
- c. Number of valid observations with the positive actual state is not equal to that with the negative actual state for at least one group. Therefore, Std Error, Asymptotic Sig., and Asymptotic CI are computed under the nonparametric distribution.

Table 12: Area under the ROC Curve for Independent-group Design (Complete)

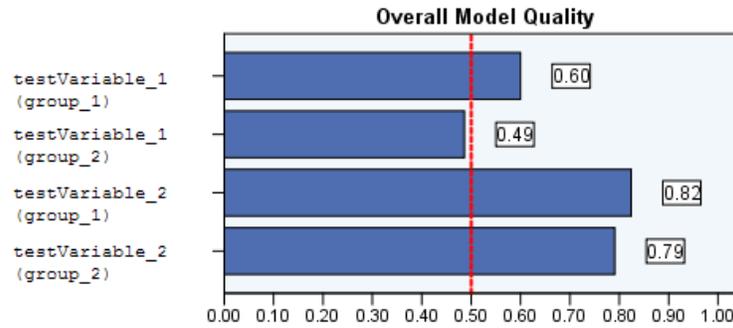
- When users specify “Nonparametric” for the distribution assumption,  $SE(W)$  will be estimated by the method discussed in Section , and Footnote *a* will display “Under the nonparametric assumption.” Footnote *c* is not appended in this case.
- When users specify “Bi-negative exponential” for the distribution assumption,  $SE(W)$  will be estimated by the method discussed in Section , and Footnote *a* will display “Under the bi-negative exponential distribution assumption.” For any variables with either  $n_{1+} = n_{1-}$  or  $n_{2+} = n_{2-}$  violated, such as *testVariable\_2* in Table 12, Footnote *c* is required, and will display “Number of valid observations with the positive actual state is not equal to that with the negative actual state for at least one group. Therefore, Std Error, Asymptotic Sig., and Asymptotic CI are computed under the nonparametric distribution.”
- Footnote *b* is always appended.

In addition to the AUC-related statistics, there is an optional model quality specification which produces a simple horizontal bar chart displaying the value of the lower bound of the asymptotic confidence interval of the AUC for each variable by group in the independent-group design. Figure 1 illustrates a sketch of a bar chart containing two test variables by group. The title of the chart is “Overall Model Quality.” The horizontal axis represents the lower bounds of the asymptotic confidence intervals. The major ticks are from 0.00 to 1.00 with an increment by 0.10. The vertical axis represents the test variables and their group names in parentheses wrapped in a new line. A vertical reference line (dashed) is superimposed at 0.50 to indicate a threshold for random prediction. The bars are expressed as proportions on a scale of 0 to 1, and labeled by the lower bounds of the asymptotic confidence intervals estimated in Table 12. By default, the labels show a number to two decimal places. For an estimated lower bound equal to 0.00, no bar can be visualized. A static text is displayed below the plot indicating that “A good model has value above 0.5. A value less than 0.5 indicates the model is no better than random prediction.” A notice will also be appended to the bar chart which displays “Note: Use caution in interpreting this chart since it only reflects a general measure of overall model quality. The model quality can be considered ‘good’ even if the correct prediction rate for positive responses does not meet the specified minimum probability. Use the classification table to examine correct prediction rates.”

**Area difference under the ROC curve**

Table 13 is required to compare and summarize the statistical inference about two AUCs under the independent-group design. Depending on the test direction specified by users, the details about the table contents are as follows:

- Test Result Variable(s) is the test variable(s) specified by users.
- Asymptotic  $z$  is estimated by Equation (19) or (22).



**A good model has a value above 0.5  
A value less than 0.5 indicates the model is no better than random prediction**

Figure 1: Over Model Quality for Independent-group Design

- Asymptotic Significance (2-tail) is converted by Equation (20) or (23).
- AUC Difference is computed by  $W_1 - W_2$  or  $W'_1 - W'_2$ , which is the numerator part of Equation (19) or (22).
- Standard Error Difference is estimated by  $\sqrt{[SE(W_1)]^2 + [SE(W_2)]^2}$  or  $\sqrt{[SE(W'_1)]^2 + [SE(W'_2)]^2}$ , which is the denominator part of Equation (19) or (22).
- Asymptotic CI bounds are determined by Equation (21) or (24).

**Independent-Group Area Difference Under the ROC Curve**

Test Result Variable(s)	Asymptotic		AUC Difference	Std. Error Difference <sup>b</sup>	Asymptotic 95% CI	
	z	Sig. (2-tail) <sup>a</sup>			Lower Bound	Upper Bound
<i>testVariable_1</i>	-2.167	.030	-.167	.077	-.319	-.016
<i>testVariable_2</i>	2.536	.011	.176	.074 <sup>c</sup>	.031	.320

a. Null hypothesis: true area difference = 0  
 b. Under the bi-negative exponential assumption  
 c. Number of valid observations with the positive actual state is not equal to that with the negative actual state for at least one group. Therefore, Std Error Difference, Asymptotic Sig., and Asymptotic CI are computed under the nonparametric distribution.

Table 13: Statistical Inference about the Comparison of Two Independent-group AUCs

The display of footnotes depends on the estimation method of  $SE(W)$ :

- Footnote *a* is always appended.
- When users specify “Nonparametric” for the distribution assumption,  $SE(W)$  will be estimated by the method discussed in Section , and Footnote *b* will display “Under the nonparametric assumption.” Footnote *c* is not appended in this case.
- When users specify “Bi-negative exponential” for the distribution assumption,  $SE(W)$  will be estimated by the method discussed in Section , and Footnote *b* will display “Under the bi-negative exponential distribution assumption.” For any variables with either  $n_{1+} = n_{1-}$  or  $n_{2+} = n_{2-}$  violated, such as *testVariable\_2* in Table 12, Footnote *c* is required, and will display “Number of valid observations

with the positive actual state is not equal to that with the negative actual state for at least one group. Therefore, Std Error Difference, Asymptotic Sig., and Asymptotic CI are computed under the nonparametric distribution.”

**Coordinates of the ROC curve**

To display the cutoff values and the information about Sensitivity and (1-Specificity), users may toggle the option “Coordinate points of the ROC Curve.” In this case, Table 14 will be displayed. The calculation of the cutoff values, Sensitivity, and (1-Specificity) is discussed in Section . The display of the column title “Positive if Greater than or Equal To” depends on the settings of classification and test direction, which takes one of the four possibilities: “Positive if Greater Than or Equal To,” “Positive if Greater Than,” “Positive if Less Than or Equal To,” and “Positive if Less Than.” The coordinates are summarized and displayed by group determined by the user-specified grouping variable. The display of the group information is the same as that in Table 10. If there exist any ties in either group between the actual states, a notice will be appended to remind users. As long as there exists one tie for a specific test variable, the static text needs to be appended to the table with the corresponding test variable name(s) included. Footnote *a* is always displayed and appended to the table.

**Coordinates of the ROC Curve**

Test Result Variable(s)	Group	Positive if Greater Than or Equal To <sup>a</sup>	Sensitivity	1-Specificity
<i>testVariable_1</i>	<i>group_1</i>	\$8,999.00	1.000	1.000
		\$9,375.00	.996	.986
		...	...	...
		\$79,981.00	.000	.000
	<i>group_2</i>	\$15,749	1.000	1.000
		\$15,825.00	1.000	.995
		...	...	...
		\$135,001.00	.000	.000
<i>testVariable_2</i>	<i>group_1</i>	62.00	1.000	1.000
		63.50	.996	.991
		...	...	...
		99.00	.000	.000
	<i>group_2</i>	-1.00	1.000	1.000
		1.00	1.000	.889
		...	...	...
		477.00	.000	.000

The test result variable(s): *testVariable\_1*, *testVariable\_2* has at least one tie between the positive actual state group and the negative actual state group.

a. The smallest cutoff value is the minimum observed test value minus 1, and the largest cutoff value is the maximum observed test value plus 1. All the other cutoff values are the averages of two consecutive ordered observed test values.

Table 14: Coordinates under the ROC Curve for Independent-group Design

**Coordinates of the PR curve**

To display the cutoff values and the information about Precision and Recall, users may toggle the option “Coordinate points of the Precision-Recall Curve.” In this case, Table 15 will be displayed. The calculation of the cutoff values, Precision, and Recall is discussed in Section . Since we choose the smallest cutoff

value as the minimum observed test value minus 1 and the largest the maximum observed test value plus 1, Precision may not be defined at these two points, and thus a system missing value “.” will be generated in Table 15. The display of the column title “Positive if Greater than or Equal To” depends on the settings of classification and test direction, which takes one of the four possibilities: “Positive if Greater Than or Equal To,” “Positive if Greater Than,” “Positive if Less Than or Equal To,” or “Positive if Less Than.” The coordinates are summarized and displayed by group. The display of the group information is the same as that in Table 10. If there exist any ties in either group between the actual states, a notice will be appended to remind users. As long as there exists one tie for a specific test variable, the static text needs to be appended to the table with the corresponding test variable name(s) included. Footnote *a* is always displayed and appended to the table.

**Coordinates of the Precision-Recall Curve**

Test Result Variable(s)	Group	Positive if Greater Than or Equal To <sup>a</sup>	Precision	Recall
<i>testVariable_1</i>	<i>group_1</i>	\$8,999.00	.544	1.000
		\$9,375.00	.547	.996
		...	...	...
		\$79,981.00	.	.000
	<i>group_2</i>	\$15,749	.544	1.000
		\$15,825.00	.545	1.000
		...	...	...
		\$135,001.00	.	.000
<i>testVariable_2</i>	<i>group_1</i>	62.00	.544	1.000
		63.50	.547	.996
		...	...	...
		99.00	.	.000
	<i>group_2</i>	-1.00	.573	1.000
		1.00	.573	1.000
		...	...	...
		477.00	.	.000

The test result variable(s): *testVariable\_1*, *testVariable\_2* has at least one tie between the positive actual state group and the negative actual state group.

a. The smallest cutoff value is the minimum observed test value minus 1, and the largest cutoff value is the maximum observed test value plus 1.

All the other cutoff values are the averages of two consecutive ordered observed test values.

Table 15: Coordinates under the PR Curve for Independent-group Design

**ROC curve plot**

“ROC Curve” is selected by default in the existing ROC procedure, which will generate a plot including all ROC curves of the test variables. Depending on whether “With diagonal reference line” is checked or not, a straight reference line connecting (0, 0) and (1, 1) will be superimposed onto the plot. For the independent-group design, as long as there is a grouping variable specified, ROC curves representing different test variables are plotted separately. On the same plot, there are only two ROC curves, plus a reference line if applicable, representing two groups defined by *G* for a specific test variable. The title of the plot is “ROC Curve,” and a subtitle “(*testVariableName*)” is also required to denote the test variable. The legend title is “Grouped by (*groupVariableName*),” followed by the two legend lines colored differently with the category labels. The first category is labeled either by a predefined string or by “= *value2*,” “< *midpoint*,” or “< *cutpoint*.” The

second category is labeled either by a predefined string or by “= *value1*,” “≥ *midpoint*,” or “≥ *cutpoint*.” If “With diagonal reference line” is toggled, the third category “Reference Line” will also be appended in a difference color. In general, the chart looks similar to Figure 3.

### PR curve plot

We will add a “Precision-Recall Curve” checkbox to the existing ROC procedure. If it is toggled, PR curves will also be created. For the independent-group design, as long as there is a grouping variable specified, PR curves representing different test variables are plotted separately. On the same plot, there are only two PR curves, representing two groups defined by *G* for a certain test variable. The title of the plot is “Precision-Recall Curve,” and a subtitle “(*testVariableName*)” is also required to denote the test variable. The legend title is “Grouped by (*groupVariableName*),” followed by the two legend lines colored differently with the category labels. The first category is labeled either by a predefined string or by “= *value2*,” “< *midpoint*,” or “< *cutpoint*.” The second category is labeled either by a predefined string or by “= *value1*,” “≥ *midpoint*,” or “≥ *cutpoint*.” In general, the chart looks similar to Figure 4. As mentioned in Section , Precision at the smallest or largest cutoff may be a system missing value. When plotting the PR curve, we simply ignore the point.

### Paired-sample Design

The output of the paired-sample design is similar and compatible to that of the unpaired test design. The flow of the output design is: “Case Processing Summary” table → “Area Under the ROC Curve” table → “Overall Model Quality” chart → “Paired-Sample Area Difference Under the ROC Curves” table → “Coordinates of ROC Curve” table → “Coordinates of Precision-Recall Curve” table → “ROC Curve” chart including all test variables → “Precision-Recall” chart including all test variables. The details about generating the tables and charts including three test variables are discussed as follows.

#### Case processing summary

Table 16 is required and always generated, which summarizes the number of effective positive/negative cases. Actually, the design of this table is similar to the one created by the existing ROC procedure, but adds in an additional “Total” row. The display of the static text and Foonote *a* appended to the table is the same as that to Table 10 discussed in Section . If there are frequency weights in the analysis, they are in effect

<b>Case Processing Summary</b>	
<i>stateVariableName</i>	Valid N (listwise)
Positive <sup>a</sup>	258
Negative	215
Missing	1
Total	474

Larger values of the test result variable(s) indicate stronger evidence for a positive actual state.  
a. The positive actual state is *label\_value\_of\_state\_variable*.

Table 16: Case Processing Summary for Paired-sample Design

with the counts in the table.

#### Area under the ROC curve

Table 17 is required, which summarizes the information about AUCs by test variables. If there exist any ties between the actual states, a footnote will be appended to remind users.

**Area Under the ROC Curve**

Test Result Variable(s)	Area
<i>testVariable_1</i>	.827
<i>testVariable_2</i>	.859
<i>testVariable_3</i>	.538

The test result variable(s): *testVariable\_1*, *testVariable\_2*, *testVariable\_3* has at least one tie between the positive actual state group and the negative actual state group. Statistics may be biased.

Table 17: Area Under the Curve for Paired-Sample Design (Truncated)

Note that Table 17 is in a truncated format. In case that “Standard error and confidence interval” is toggled, Table 18 will be displayed instead to include more relevant statistics. Since we only support the nonparametric-distribution method for the paired-sample design, Footnotes *a* and *b* are always displayed and appended to the table with no variations.

**Area Under the ROC Curve**

Test Result Variable(s)	Area	Std. Error <sup>a</sup>	Asymptotic	Asymptotic 95% CI	
			Sig. <sup>b</sup>	Lower Bound	Upper Bound
<i>testVariable_1</i>	.827	.019	.000	.791	.864
<i>testVariable_2</i>	.859	.018	.000	.824	.894
<i>testVariable_3</i>	.538	.027	.155	.468	.590

The test result variable(s): *testVariable\_1*, *testVariable\_2*, *testVariable\_3* has at least one tie between the positive actual state group, and the negative actual state group. Statistics may be biased.

a. Under the nonparametric assumption

b. Null hypothesis: true area = 0.5

Table 18: Area under the Curve for Paired-sample Design (Complete)

Depending on the test direction specified by users, the details about the table contents are as follows:

- Test Result Variable(s) is the test variable(s) specified by users.
- Area is estimated by Equation (26) or (30).
- Std Error is estimated by  $\sqrt{\mathbb{V}(W_k)}$  or  $\sqrt{\mathbb{V}(W'_k)}$ , which is the square root of Equation (29) or (31).
- Asymptotic Significance is converted by Equation (32) or (34).
- Asymptotic CI bounds are determined by Equation (33) or (35).

The display of the text static in Table 18 is the same as that in Table 12. However, the display of footnotes may be different. Since we only support the nonparametric distribution assumption, Footnote *a* always displays “Under the nonparametric assumption.” Both Footnotes *a* and *b* are required to be appended.

In addition to the AUC-related statistics, there is an optional model quality specification which produces a simple horizontal bar chart displaying the value of the lower bound of the asymptotic confidence interval of the AUC for each variable in the paired-sample design. Figure 2 illustrates a sketch of a bar chart containing three test variables. The title of the chart is “Overall Model Quality.” The horizontal axis represents the lower bounds of the asymptotic confidence intervals. The major ticks are from 0.00 to 1.00 with an increment by 0.10. The vertical axis represents the test variables. A vertical reference line (dashed) is superimposed at 0.50 to indicate a threshold for random prediction. The bars are expressed as proportions on a scale of 0 to 1, and labeled by the lower bounds of the asymptotic confidence intervals estimated in Table 18. By default, the labels show a number to two decimal places. For an estimated lower bound equal to 0.00, no bar can be visualized. A static text is displayed below the plot indicating that “A good model has value above 0.5. A

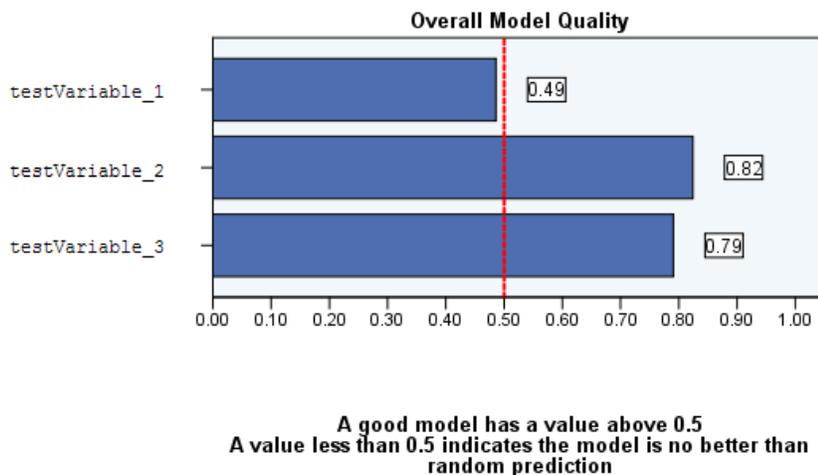


Figure 2: Over Model Quality for Paired-group Design

value less than 0.5 indicates the model is no better than random prediction.” A notice will also be appended to the bar chart which displays “Note: Use caution in interpreting this chart since it only reflects a general measure of overall model quality. The model quality can be considered ‘good’ even if the correct prediction rate for positive responses does not meet the specified minimum probability. Use the classification table to examine correct prediction rates.”

### Area difference under the ROC curve

To compare two ROC curves under the paired-sample design, Table 19 is required to summarize the inference about the area difference under the two ROC curves for comparison. Depending on the test direction specified

Paired-Sample Area Difference Under the ROC Curves

Test Result Pair(s)	Asymptotic		AUC Difference	Std. Error Difference <sup>b</sup>	Asymptotic 95% CI	
	z	Sig. (2-tail) <sup>a</sup>			Lower Bound	Upper Bound
<i>testVariable_1 - testVariable_2</i>	-2.167	.030	-.167	.077	-.319	-.016
<i>testVariable_1 - testVariable_3</i>	2.536	.011	.176	.074	.031	.320
<i>testVariable_2 - testVariable_3</i>	2.738	.006	.343	.076	.194	.492

a. Null hypothesis: true area difference = 0

b. Under the nonparametric assumption

Table 19: Statistical Inference about the Comparison of Two Paired-sample AUCs

by users, the details about the table contents are as follows:

- Test Result Pair(s) include all possible pairs of the test variables specified by users.
- Asymptotic  $z$  is estimated by Equation (39) or (43).
- Asymptotic Significance (2-tail) is converted by Equation (40) or (44).
- AUC Difference is computed by  $W_1 - W_2$  or  $W'_1 - W'_2$ , where  $W_1$  and  $W_2$  are computed by Equation (26), and  $W'_1$  and  $W'_2$  are computed by Equation (30).
- Standard Error Difference is estimated by  $\sqrt{\mathbb{V}(W_1) + \mathbb{V}(W_2) - 2\mathbb{C}(W_1, W_2)}$ , which is the denominator part of Equation (39), or  $\sqrt{\mathbb{V}(W'_1) + \mathbb{V}(W'_2) - 2\mathbb{C}(W'_1, W'_2)}$ , which is the denominator part of Equation (43).

- Asymptotic CI bounds are determined by Equation (41) or (45).
- Both Footnotes *a* and *b* are required to be appended. Particularly, the display of Footnote *b* is always “Under the nonparametric assumption.”

**Coordinates of the ROC curve**

To display the cutoff values and the information about Sensitivity and (1-Specificity), users may toggle the option “Coordinate points of the ROC Curve.” In this case, Table 20 will be displayed. The calculation of the cutoff values, Sensitivity, and (1-Specificity) is discussed in Section . The display of the column title “Positive if Greater than or Equal To” depends on the settings of classification and test direction, which takes one of the four possibilities: “Positive if Greater Than or Equal To,” “Positive if Greater Than,” “Positive if Less Than or Equal To,” and “Positive if Less Than.” The coordinates are summarized and displayed for each test variable specified by users. If there exist any ties in any test variables between the actual states, a notice will be appended to remind users. As long as there exists one tie for a specific test variable, the static text needs to be appended to the table with the corresponding test variable name(s) included. Footnote *a* is always displayed and appended to the table.

**Coordinates of the ROC Curve**

Test Result Variable(s)	Positive if Greater Than or Equal To <sup>a</sup>	Sensitivity	1-Specificity
<i>testVariable_1</i>	\$8,999.00	1.000	1.000
	\$9,375.00	.996	.986
	...	...	...
	\$79,981.00	.000	.000
<i>testVariable_2</i>	62.00	1.000	1.000
	63.50	.996	.991
	...	...	...
	99.00	.000	.000
<i>testVariable_3</i>	-1.00	1.000	1.000
	1.00	1.000	.889
	...	...	...
	477.00	.000	.000

The test result variable(s): *testVariable\_1*, *testVariable\_2*, *testVariable\_3* has at least one tie between the positive actual state group and the negative actual state group.

a. The smallest cutoff value is the minimum observed test value minus 1, and the largest cutoff value is the maximum observed test value plus 1. All the other cutoff values are the averages of two consecutive ordered observed test values.

Table 20: Coordinates under the ROC Curve for Paired-sample Design

**Coordinates of the PR curve**

To display the cutoff values and the information about Precision and Recall, users may toggle the option “Coordinate points of the Precision-Recall Curve.” In this case, Table 21 will be displayed. The calculation of the cutoff values, Precision, and Recall is discussed in Section . Since we choose the smallest cutoff value as the minimum observed test value minus 1 and the largest the maximum observed test value plus 1, Precision may not be defined at these two points, and thus a system missing value “.” will be generated in Table 21. The display of the column title “Positive if Greater than or Equal To” depends on the settings of classification and test direction, which takes one of the four possibilities: “Positive if Greater Than or

Equal To,” “Positive if Greater Than,” “Positive if Less Than or Equal To,” or “Positive if Less Than.” The coordinates are summarized and displayed for each test variable specified by users. If there exist any ties in either group between the actual states, a notice will be appended to remind users. As long as there exists one tie for a specific test variable, the static text needs to be appended to the table with the corresponding test variable name(s) included. Footnote *a* is always displayed and appended to the table.

**Coordinates of the Precision-Recall Curve**

Test Result Variable(s)	<i>Positive if Greater Than or Equal To</i> <sup>a</sup>	Precision	Recall
<i>testVariable_1</i>	\$8,999.00	.544	1.000
	\$9,375.00	.547	.996
	...	...	...
	\$79,981.00	.	.000
<i>testVariable_2</i>	62.00	.544	1.000
	63.50	.547	.996
	...	...	...
	99.00	.	.000
<i>testVariable_3</i>	-1.00	.573	1.000
	1.00	.573	.996
	...	...	...
	477.00	.	.000

The test result variable(s): *testVariable\_1*, *testVariable\_2*, *testVariable\_3* has at least one tie between the positive actual state group and the negative actual state group.

a. The smallest cutoff value is the minimum observed test value minus 1, and the largest cutoff value is the maximum observed test value plus 1. All the other cutoff values are the averages of two consecutive ordered observed test values.

Table 21: Coordinates under the PR Curve for Paired-group Design

### ROC curve plot

If users toggle “ROC Curve,” the existing ROC procedure will generate a plot including all ROC curves of the test variables specified by users. Depending on whether “With diagonal reference line” is checked or not, a straight reference line connecting (0,0) and (1,1) will be superimposed onto the plot. For the paired-sample design, all the plotting features remain the same as those in the existing ROC procedure. Figure 3 shows an illustrative example of plotting four ROC curves for the paired-group design.

### PR curve plot

If users toggle “Precision-Recall Curve,” a PR plot will be created including all PR curves of the test variables specified by users. The title of the chart is “Precision-Recall Curve.” The PR plot looks quite similar to Figure 3 with the exception of the title, *y*-axis labeled by “Precision,” and *x*-axis labeled by “Recall.” Figure 4 shows an illustrative example of plotting four PR curves for the paired-group design.

### Classifier Evaluation Metrics

An optional “Classifier Evaluation Metrics” table will be added to the output. The table is placed right after the “Area Under the ROC Curve” table (if printed).

For the independent-group design, an optional Table 22 will be printed if the classifier evaluation metrics are requested. The details about the table contents are as follows:

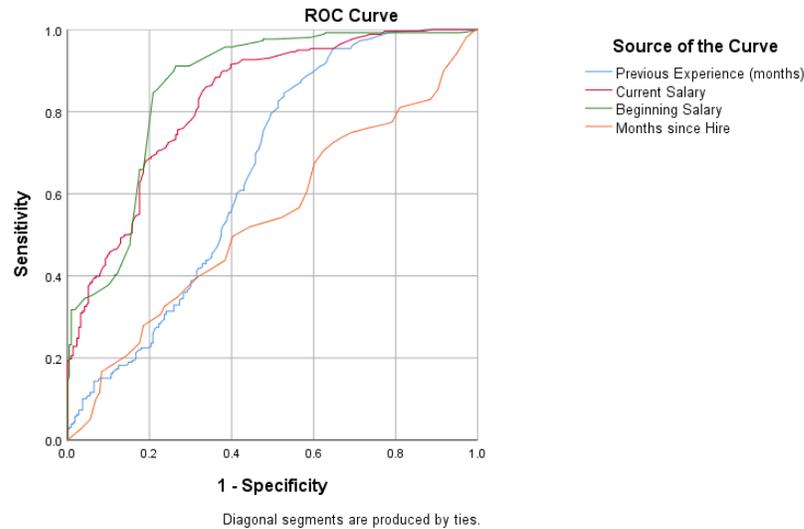


Figure 3: ROC Curve Plot for Paired-group Design

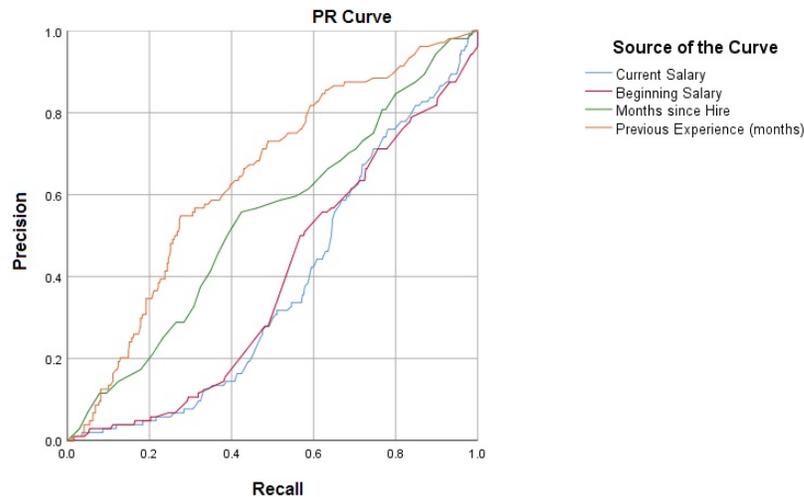


Figure 4: PR Curve Plot for Paired-group Design

- Test Result Variable(s) is the test variable(s) specified by users.
- Group information is displayed in the same way as that in Table 10.
- Gini Index is estimated by Equation (.0.47).
- Max K-S and Cutoff are estimated by the method discussed in Section .
- Footnote *a* is required, and always displayed.
- Footnote *b* is required, and the display depends on the setting of the test direction. By default, if “Larger test result indicates more positive test” is selected, the text is “In case of multiple cutoff values associated with Max K-S, the largest one is reported.” Otherwise, if “Smaller test result indicates more positive test” is toggled by users, the text is “In case of multiple cutoff values associated with Max K-S, the smallest one is reported.”

For the one-sample or paired-sample design, an optional Table 23 will be printed if the classifier evaluation metrics are requested. The details about the table contents are as follows:

**Classifier Evaluation Metrics**

Test Result Variable(s)	Group	Gini Index	K-S Statistics	
			Max K-S <sup>a</sup>	Cutoff <sup>b</sup>
<i>testVariable_1</i>	<i>group_1</i>	.654	.464	16
	<i>group_2</i>	.718	.618	15
<i>testVariable_2</i>	<i>group_1</i>	.076	.032	31
	<i>group_2</i>	.302	.295	9

a. The maximum Kolmogorov-Smirnov (K-S) metric.  
 b. In case of multiple cutoff values associated with Max K-S, the largest one is reported.

Table 22: Classifier Evaluation Metrics for Independent-group Design

**Classifier Evaluation Metrics**

Test Result Variable(s)	Gini Index	K-S Statistics	
		Max K-S <sup>a</sup>	Cutoff <sup>b</sup>
<i>testVariable_1</i>	.654	.464	16
<i>testVariable_2</i>	.302	.295	9
<i>testVariable_3</i>	.302	.295	9

a. The maximum Kolmogorov-Smirnov (K-S) metric.  
 b. In case of multiple cutoff values associated with Max K-S, the smallest one is reported.

Table 23: Classifier Evaluation Metrics for One-sample or Paired-sample Design

- Test Result Variable(s) is the test variable(s) specified by users.
- Gini Index is estimated by Equation (.0.46).
- Max K-S and Cutoff are estimated by the method discussed in Section .
- Footnote *a* is required, and always displayed.
- Footnote *b* is required, and the display is the same as that in Table 22.

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Per the feedback of SPSS Statistics 26 beta, we decide to include the design of the Gini index and the Kolmogorov-Smirnov (K-S) statistic in the appendix.

### Gini Index

Recall that, in the previous presentation, we have computed  $W$  (or  $W'$ ) to estimate the AUC. When it is known *a priori* that a larger or higher test result indicates more positive (or negative) status, the Gini index, denoted by  $GI$  in this document, is actually a linear function of the AUC [Lee, 1999], which can be estimated by

$$GI = \begin{cases} 2W - 1 & \text{when a large or higher test result indicates more positive test} \\ 2W' - 1 & \text{otherwise} \end{cases}, \quad (.046)$$

where  $W' = 1 - W$ , and  $GI \in [-1, 1]$ . For the one-sample design and the paired-sample design discussed in Section , Equation (.046) can directly be applied to each test variable. To apply Equation (.046) to the independent-group design as aforementioned in Section , for each group defined by the grouping variable  $G$ , we estimate

$$(GI)_k = \begin{cases} 2W_k - 1 & \text{when a large or higher test result indicates more positive test} \\ 2W'_k - 1 & \text{otherwise} \end{cases}, \quad (.047)$$

where  $k = 1, 2$  to index the group, and the estimation procedure is repeated for each test variable.

### Kolmogorov-Smirnov (K-S) Statistic

The K-S statistic captures the dissimilarity in assessing the binary classification performance [Adeodato and Melo, 2016]. A common single-point estimator, denoted by Max K-S, is the largest difference between the true and false positive rate at each cutoff value. Recall Table 5 in Section , for each cutoff value, we define one additional quantity  $\Delta_{KS}$ , where

$$\Delta_{KS} = \text{Sensitivity} - (1 - \text{Specificity}), \quad (.048)$$

where Sensitivity and Specificity are previously defined by Equation (1) and (2), respectively. For the

	Classification Counts						
	$c = 0.0$	$c = 1.5$	$c = 2.5$	$c = 4.0$	$c = 5.5$	$c = 7.0$	$c = 9.0$
Number of TP	5	5	4	3	2	1	0
Number of FN	0	0	1	2	3	4	5
Number of TN	0	1	1	3	4	5	5
Number of FP	5	4	4	2	1	0	0
Sensitivity	1	1	0.8	0.6	0.4	0.2	0
Specificity	0	0.2	0.2	0.6	0.8	1	1
1-Specificity	1	0.8	0.8	0.4	0.2	0	0
Recall	1	1	0.8	0.6	0.4	0.2	0
Precision	0.5	0.56	0.5	0.6	0.67	1.0	NaN
$\Delta_{KS}$	0	0.2	0	0.2	0.2	0.2	0

Table 24: Summary of Classification Counts for K-S Curve

one-sample design and the paired-sample design discussed in Section , Table 24 and Equation (.048) can directly be applied to each test variable. To apply Equation (.048) to the independent-group design as aforementioned in Section , Table 24 has to be constructed for each group defined by the grouping variable  $G$ . The desired Max K-S is the maximum  $\Delta_{KS}$  of all the values estimated by Equation (.048), depending on the design, for each cutoff value  $c$  based on Table 24, where, for instance, Max K-S = 0.2. We may also report the cutoff value where Max K-S is reached. If a single  $c$  is associated, we simply output it. If multiple  $c$ 's are associated, as  $c = 1.5, 4.0, 5.5, 7.0$  in Table 24, we output the maximum  $c = 7.0$ , when a larger or higher test result indicates more positive test, or the minimum  $c = 1.5$ , when a smaller or lower test result indicates more positive test.

# ***SAMPLE Algorithms***

SAMPLE permanently draws a random sample of cases for processing in all subsequent procedures.

## ***Selection of a Proportion $p$***

For each case, a random uniform number in the range 0 to 1 is generated. If it is less than  $p$ , the case is included in the sample.

## ***Selection of a Sample***

$$(a) \begin{array}{l} p = \frac{n_1}{n} \\ n = n - 1 \end{array}$$

Select a case if its uniform (0,1) number is less than  $p$ . If selected,  $n_1 = n_1 - 1$ , and return to (a).

## ***Selection of Cases in Nonparametric Procedures***

The sampling procedure is as follows:

Each time a case is encountered after the limit imposed by the size of the workspace has been reached, the program decides whether to include it in the sample or not at random. The probability that the new cases will enter the sample is equal to the number of cases that can be held in the workspace divided by the number of cases so far encountered.

If the program decides to accept a case, it then picks at random one of the cases previously stored in the workspace and drops it from the analysis, replacing it with the new case. Each case has the same probability of being in the sample.

If case weighting is used, the nonparametric procedures can use a case more than once. For example, if the weight of a case is 2.3, the program will use that case twice, and may choose at random, with a probability of 0.3, to use it a third time. If sampling is in effect, each of these two or three cases is a candidate for sampling.

# SEASON Algorithms

Based on the multiplicative or additive model, the SEASON procedure decomposes the existing series into three components: trend-cycle, seasonal, and irregular.

## Model

### Multiplicative Model

$$X_t = TC_t S_t I_t, \quad t = 1, \dots, n$$

### Additive Model

$$X_t = TC_t + S_t + I_t, \quad t = 1, \dots, n$$

where  $TC_t$  is the “trend-cycle” component,  $S_t$  is the “seasonal” component, and  $I_t$  is the “irregular” or “random” component.

The procedure for estimating the seasonal component is:

- (1) Smooth the series by the moving average method; the moving average series reflects the trend-cycle component.
- (2) Obtain the seasonal-irregular component by dividing the original series by the smoothed values if the model is multiplicative, or by subtracting the smoothed values from the original series if the model is additive.
- (3) Isolate the seasonal component from the seasonal-irregular component by computing the medial average (average) of the specific seasonal relatives for each unit of periods if the model is multiplicative (additive).

## Moving Average Series

Based on the specified method and period  $p$ , the moving average series  $Z_t$  for  $X_t$  is defined as follows:

$p$  is even, weight all points equally

$$Z_t = \begin{cases} \sum_{j=t-\frac{p}{2}}^{t+\frac{p}{2}-1} X_j / p & t = \frac{p}{2} + 1, \dots, n - \frac{p}{2} + 1 \\ \text{SYSMIS} & \text{otherwise} \end{cases}$$

$p$  is even, weights unequal

$$Z_t = \begin{cases} (X_{t-\frac{p}{2}} + X_{t+\frac{p}{2}}) / 2p + \left( \sum_{j=t-\frac{p}{2}+1}^{t+\frac{p}{2}-1} X_j \right) / p, & t = \frac{p}{2} + 1, \dots, n - \frac{p}{2} \\ \text{SYSMIS} & \text{otherwise} \end{cases}$$

$p$  is odd

$$Z_t = \begin{cases} \left( \sum_{j=t-\lfloor \frac{p}{2} \rfloor}^{t+\lfloor \frac{p}{2} \rfloor} X_j \right) / p, & t = \lfloor \frac{p}{2} \rfloor + 1, \dots, n - \lfloor \frac{p}{2} \rfloor \\ \text{SYSMIS} & \text{otherwise} \end{cases}$$

## Ratios or Differences (Seasonal-Irregular Component)

### Multiplicative Model

$$SI_t = \begin{cases} \text{SYSMIS}, & \text{if } Z_t = \text{SYSMIS} \\ (X_t/Z_t) \times 100, & \text{otherwise} \end{cases}$$

### Additive Model

$$SI_t = \begin{cases} \text{SYSMIS}, & \text{if } Z_t = \text{SYSMIS} \\ X_t - Z_t, & \text{otherwise} \end{cases}$$

## Seasonal Factors (Seasonal Components)

### Multiplicative Model

$$F_t = \begin{cases} \text{medial average}(SI_{t+p}, SI_{t+2p}, \dots, SI_{t+qp}), & 1 \leq t \leq L - \lfloor \frac{L}{p} \rfloor p \\ \text{medial average}(SI_{t+p}, SI_{t+2p}, \dots, SI_{t+(q-1)p}), & L - \lfloor \frac{L}{p} \rfloor p < t \leq \lfloor \frac{p}{2} \rfloor \\ \text{medial average}(SI_t, SI_{t+p}, \dots, SI_{t+(q-1)p}), & \lfloor \frac{p}{2} \rfloor < t \leq p \end{cases}$$

where

$$L = n - \frac{p}{2} + 1, \quad q = \lfloor \frac{L}{p} \rfloor, \quad \text{if } p \text{ is even and all points are weighted equally}$$

$$L = n - \lfloor \frac{p}{2} \rfloor, \quad q = \lfloor (n - p/2)/p \rfloor, \quad \text{otherwise}$$

and the medial average of a series is the mean value of the series after the smallest and the largest values are excluded. The seasonal factor is defined as

$$SAF_t = F_t \frac{100p}{\sum_{t=1}^p F_t}, \quad t = 1, \dots, p$$

### Additive Model

$F_t$  is defined as the arithmetic average of the series shown above. Then

$$SAF_t = F_t - \bar{F},$$

where

$$\bar{F} = \sum_{t=1}^p F_t/p$$

## Seasonally Adjusted Series (SAS)

$$SAS_t = \begin{cases} (X_t/SAF_m)100, & \text{if model is multiplicative} \\ X_t - SAF_m, & \text{if model is additive} \end{cases}$$

where

$$m = t - [t/p]p$$

## Smoothed Trend-Cycle Series

The smoothed trend-cycle series (STC) is obtained by applying a  $3 \times 3$  moving average on seasonally adjusted series (SAS). Thus,

$$STC_t = \frac{1}{9}[(SAS)_{t-2} + 2(SAS)_{t-1} + 3(SAS)_t + 2(SAS)_{t+1} + (SAS)_{t+2}], \\ t = 2, \dots, n-2$$

and for the two end points on the beginning and end of the series

$$(STC)_2 = \frac{1}{3}[(SAS)_1 + (SAS)_2 + (SAS)_3] \\ (STC)_{n-1} = \frac{1}{3}[(SAS)_{n-2} + (SAS)_{n-1} + (SAS)_n]$$

$$(STC)_1 = (STC)_2 + \frac{1}{2}[(STC)_2 - (STC)_3] \\ (STC)_n = (STC)_{n-1} + \frac{1}{2}[(STC)_{n-1} - (STC)_{n-2}]$$

## Irregular Component

For  $t = 1, \dots, n$

$$I_t = \begin{cases} (SAS)_t/(STC)_t, & \text{if model is multiplicative} \\ (SAS)_t - (STC)_t, & \text{if model is additive} \end{cases}$$

## References

Makridakis, S., S. C. Wheelwright, and V. E. McGee. 1983. *Forecasting: Methods and applications*. New York: John Wiley and Sons.

# ***SELECTPRED***

Data mining problems often involve hundreds, or even thousands, of variables. As a result, the majority of time and effort spent in the model-building process involves examining which variables to include in the model. Fitting a computationally intensive model to a set of variables this large may require more time than is practical.

Predictor selection allows the variable set to be reduced in size, creating a more manageable set of attributes for modeling. Adding predictor selection to the analytical process has several benefits:

- Simplifies and narrows the scope of the variables essential to building a predictive model.
- Minimizes the computational time and memory requirements for building a predictive model because focus can be directed to a subset of predictors.
- Leads to more accurate and/or more parsimonious models.
- Reduces the time for generating scores because the predictive model is based upon only a subset of predictors.

## ***Screening***

This step removes variables and cases that do not provide useful information for prediction and issues warnings about variables that may not be useful.

The following variables are removed:

- Variables that have all missing values.
- Variables that have all constant values.
- Variables that represent case ID.

The following cases are removed:

- Cases that have missing target values.
- Cases that have missing values in all its predictors.

The following variables are removed based on user settings:

- Variables that have more than  $m_1\%$  missing values.
- Categorical variables that have a single category counting for more than  $m_2\%$  cases.
- Continuous variables that have standard deviation  $< m_3\%$ .
- Continuous variables that have a coefficient of variation  $|CV| < m_4\%$ .  $CV = \text{standard deviation} / \text{mean}$ .
- Categorical variables that have a number of categories greater than  $m_5\%$  of the cases.

Values  $m_1$ ,  $m_2$ ,  $m_3$ ,  $m_4$ , and  $m_5$  are user-controlled parameters.

## ***Ranking Predictors***

This step considers one predictor at a time to see how well each predictor alone predicts the target variable. The predictors are ranked according to a user-specified criterion. Available criteria depend on the measurement levels of the target and predictor.

## Categorical Target

This section describes ranking of predictors for a categorical target under the following scenarios:

- All predictors categorical
- All predictors continuous
- Some predictors categorical, some continuous

### All Categorical Predictors

The following notation applies:

Table 93-1

Notation

Notation	Description
$X$	The predictor under consideration with $I$ categories.
$Y$	Target variable with $J$ categories.
$N$	Total number of cases.
$N_{ij}$	The number of cases with $X = i$ and $Y = j$ .
$N_{i\cdot}$	The number of cases with $X = i$ . $N_{i\cdot} = \sum_{j=1}^J N_{ij}$
$N_{\cdot j}$	The number of cases with $Y = j$ . $N_{\cdot j} = \sum_{i=1}^I N_{ij}$

The above notations are based on nonmissing pairs of  $(X, Y)$ . Hence  $J$ ,  $N$ , and  $N_{\cdot j}$  may be different for different predictors.

#### P Value Based on Pearson's Chi-square

Pearson's chi-square is a test of independence between  $X$  and  $Y$  that involves the difference between the observed and expected frequencies. The expected cell frequencies under the null hypothesis of independence are estimated by  $\hat{N}_{ij} = N_{i\cdot}N_{\cdot j}/N$ . Under the null hypothesis, Pearson's chi-square converges asymptotically to a chi-square distribution  $\chi_d^2$  with degrees of freedom  $d = (I-1)(J-1)$ .

The  $p$  value based on Pearson's chi-square  $X^2$  is calculated by  $p$  value =  $\text{Prob}(\chi_d^2 > X^2)$ , where

$$X^2 = \sum_{i=1}^I \sum_{j=1}^J \left( N_{ij} - \hat{N}_{ij} \right)^2 / \hat{N}_{ij}.$$

Predictors are ranked by the following rules.

1. Sort the predictors by  $p$  value in the ascending order
2. If ties occur, sort by chi-square in descending order.
3. If ties still occur, sort by degree of freedom  $d$  in ascending order.

4. If ties still occur, sort by the data file order.

#### P Value Based on Likelihood Ratio Chi-square

The likelihood ratio chi-square is a test of independence between  $X$  and  $Y$  that involves the ratio between the observed and expected frequencies. The expected cell frequencies under the null hypothesis of independence are estimated by  $\hat{N}_{ij} = N_{i.}N_{.j}/N$ . Under the null hypothesis, the likelihood ratio chi-square converges asymptotically to a chi-square distribution  $\chi_d^2$  with degrees of freedom  $d = (I-1)(J-1)$ .

The  $p$  value based on likelihood ratio chi-square  $G^2$  is calculated by  $p$  value =  $\text{Prob}(\chi_d^2 > G^2)$ , where

$$G^2 = 2 \sum_{i=1}^I \sum_{j=1}^J G_{ij}^2, \text{ with } G_{ij}^2 = \begin{cases} N_{ij} \ln \left( N_{ij} / \hat{N}_{ij} \right) & N_{ij} > 0, \\ 0 & \text{else.} \end{cases}$$

Predictors are ranked according to the same rules as those for the  $p$  value based on Pearson's chi-square.

#### Cramer's V

Cramer's  $V$  is a measure of association, between 0 and 1, based upon Pearson's chi-square. It is defined as

$$V = \left( \frac{X^2}{N(\min\{I, J\} - 1)} \right)^{1/2}.$$

Predictors are ranked by the following rules:

1. Sort predictors by Cramer's  $V$  in descending order.
2. If ties occur, sort by chi-square in descending order.
3. If ties still occur, sort by data file order.

#### Lambda

Lambda is a measure of association that reflects the proportional reduction in error when values of the independent variable are used to predict values of the dependent variable. A value of 1 means that the independent variable perfectly predicts the dependent variable. A value of 0 means that the independent variable is no help in predicting the dependent variable. It is computed as

$$\lambda(Y|X) = \frac{\sum_i \max_j (N_{ij}) - \max_j (N_{.j})}{N - \max_j (N_{.j})}.$$

Predictors are ranked by the following rules:

1. Sort predictors by lambda in descending order.
2. If ties occur, sort by  $I$  in ascending order.
3. If ties still occur, sort by data file order.

## All Continuous Predictors

If all predictors are continuous,  $p$  values based on the  $F$  statistic are used. The idea is to perform a one-way ANOVA  $F$  test for each continuous predictor; this tests if all the different classes of  $Y$  have the same mean as  $X$ .

The following notation applies:

Table 93-2

### Notation

Notation	Description
$N_j$	The number of cases with $Y = j$ .
$\bar{x}_j$	The sample mean of predictor $X$ for target class $Y = j$ .
$s_j^2$	The sample variance of predictor $X$ for target class $Y = j$ .
	$s_j^2 = \sum_{i=1}^{N_j} (x_{ij} - \bar{x}_j)^2 / (N_j - 1)$
$\bar{x}$	The grand mean of predictor $X$ . $\bar{x} = \sum_{j=1}^J N_j \bar{x}_j / N$

The above notations are based on nonmissing pairs of  $(X, Y)$ .

### P Value Based on the F Statistic

The  $p$  value based on the  $F$  statistic is calculated by  $p \text{ value} = \text{Prob}\{F(J-1, N-J) > F\}$ , where

$$F = \frac{\sum_{j=1}^J N_j (\bar{x}_j - \bar{x})^2 / (J-1)}{\sum_{j=1}^J (N_j - 1) s_j^2 / (N-J)}$$

and  $F(J-1, N-J)$  is a random variable that follows an  $F$  distribution with degrees of freedom  $J-1$  and  $N-J$ . If the denominator for a predictor is zero, set the  $p$  value = 0 for the predictor.

Predictors are ranked by the following rules:

1. Sort predictors by  $p$  value in ascending order.
2. If ties occur, sort by  $F$  in descending order.
3. If ties still occur, sort by  $N$  in descending order.
4. If ties still occur, sort by the data file order.

## Mixed Type Predictors

If some predictors are continuous and some are categorical, the criterion for continuous predictors is still the  $p$  value based on the  $F$  statistic, while the available criteria for categorical predictors are restricted to the  $p$  value based on Pearson's chi-square or the  $p$  value based on the likelihood ratio chi-square. These  $p$  values are comparable and therefore can be used to rank the predictors.

Predictors are ranked by the following rules:

1. Sort predictors by  $p$  value in ascending order.
2. If ties occur, follow the rules for breaking ties among all categorical and all continuous predictors separately, then sort these two groups (categorical predictor group and continuous predictor group) by the data file order of their first predictors.

## Continuous Target

This section describes ranking of predictors for a continuous target under the following scenarios:

- All predictors categorical
- All predictors continuous
- Some predictors categorical, some continuous

## All Categorical Predictors

If all predictors are categorical and the target is continuous,  $p$  values based on the  $F$  statistic are used. The idea is to perform a one-way ANOVA  $F$  test for the continuous target using each categorical predictor as a factor; this tests if all different classes of  $X$  have the same mean as  $Y$ .

The following notation applies:

Table 93-3

### Notation

Notation	Description
$X$	The categorical predictor under consideration with $I$ categories.
$Y$	The continuous target variable. $y_{ij}$ represents the value of the continuous target for the $j^{\text{th}}$ case with $X = i$ .
$N_i$	The number of cases with $X = i$ .
$\bar{y}_i$	The sample mean of target $Y$ in predictor category $X = i$ .
$s(y)_i^2$	The sample variance of target $Y$ for predictor category $X = i$ . $s(y)_i^2 = \sum_{j=1}^{N_i} (y_{ij} - \bar{y}_i)^2 / (N_i - 1)$
$\bar{\bar{y}}$	The grand mean of target $Y$ . $\bar{\bar{y}} = \sum_{i=1}^I N_i \bar{y}_i / N$

The above notations are based on nonmissing pairs of  $(X, Y)$ .

The  $p$  value based on the  $F$  statistic is  $p$  value =  $\text{Prob}\{F(I-1, N-I) > F\}$ , where

$$F = \frac{\sum_{i=1}^I N_i (\bar{y}_i - \bar{y})^2 / (I-1)}{\sum_{i=1}^I (N_i - 1) s(y)_i^2 / (N-I)},$$

in which  $F(I-1, N-I)$  is a random variable that follows a  $F$  distribution with degrees of freedom  $I-1$  and  $N-I$ . When the denominator of the above formula is zero for a given categorical predictor  $X$ , set the  $p$  value = 0 for that predictor.

Predictors are ranked by the following rules:

1. Sort predictors by  $p$  value in ascending order.
2. If ties occur, sort by  $F$  in descending order.
3. If ties still occur, sort by  $N$  in descending order.
4. If ties still occur, sort by the data file order.

### All Continuous Predictors

If all predictors are continuous and the target is continuous, the  $p$  value is based on the asymptotic  $t$  distribution of a transformation  $t$  on the Pearson correlation coefficient  $r$ .

The following notation applies:

Table 93-4

**Notation**

<b>Notation</b>	<b>Description</b>
$X$	The continuous predictor under consideration.
$Y$	The continuous target variable.
$\bar{x} = \sum_{i=1}^N x_i / N$	The sample mean of predictor variable $X$ .
$\bar{y} = \sum_{i=1}^N y_i / N$	The sample mean of target $Y$ .
$s(x)^2$	The sample variance of predictor variable $X$ .
$s(y)^2$	The sample variance of target variable $Y$ .

The above notations are based on nonmissing pairs of  $(X, Y)$ .

The Pearson correlation coefficient  $r$  is

$$r = \frac{\sum_{i=1}^N (x_i - \bar{x})(y_i - \bar{y}) / (N-1)}{\sqrt{s(x)^2 s(y)^2}}.$$

The transformation  $t$  on  $r$  is given by

$$t = r \sqrt{\frac{N-2}{1-r^2}}.$$

Under the null hypothesis that the population Pearson correlation coefficient  $\rho = 0$ , the  $p$  value is calculated as

$$p \text{ value} = \begin{cases} 0 & \text{if } r^2 = 1, \\ 2 \text{ Prob}\{T > |t|\} & \text{else.} \end{cases}$$

$T$  is a random variable that follows a  $t$  distribution with  $N-2$  degrees of freedom. The  $p$  value based on the Pearson correlation coefficient is a test of a linear relationship between  $X$  and  $Y$ . If there is some nonlinear relationship between  $X$  and  $Y$ , the test may fail to catch it.

Predictors are ranked by the following rules:

1. Sort predictors by  $p$  value in ascending order.
2. If ties occur in, sort by  $r^2$  in descending order.
3. If ties still occur, sort by  $N$  in descending order.
4. If ties still occur, sort by the data file order.

### **Mixed Type Predictors**

If some predictors are continuous and some are categorical in the dataset, the criterion for continuous predictors is still based on the  $p$  value from a transformation and that for categorical predictors from the  $F$  statistic.

Predictors are ranked by the following rules:

1. Sort predictors by  $p$  value in ascending order.
2. If ties occur, follow the rules for breaking ties among all categorical and all continuous predictors separately, then sort these two groups (categorical predictor group and continuous predictor group) by the data file order of their first predictors.

## **Selecting Predictors**

If the length of the predictor list has not been prespecified, the following formula provides an automatic approach to determine the length of the list.

Let  $L_0$  be the total number of predictors under study. The length of the list  $L$  may be determined by

$$L = \lceil \min(\max(30, 2\sqrt{L_0}), L_0) \rceil,$$

where  $\lceil x \rceil$  is the closest integer of  $x$ . The following table illustrates the length  $L$  of the list for different values of the total number of predictors  $L_0$ .

$L_0$	$L$	$L/L_0(\%)$
10	10	100.00%
15	15	100.00%
20	20	100.00%
25	25	100.00%

---

*SELECTPRE*

<i>L<sub>0</sub></i>	<i>L</i>	<i>L/L<sub>0</sub>(%)</i>
30	30	100.00%
40	30	75.00%
50	30	60.00%
60	30	50.00%
100	30	30.00%
500	45	9.00%
1000	63	6.30%
1500	77	5.13%
2000	89	4.45%
5000	141	2.82%
10,000	200	2.00%
20,000	283	1.42%
50,000	447	0.89%

# Simulation algorithms

Simulation in IBM® SPSS® Statistics refers to simulating input data to predictive models using the Monte Carlo method and evaluating the model based on the simulated data. The distribution of predicted target values can then be used to evaluate the likelihood of various outcomes.

The algorithms described here are used by the `SIMPLAN` and `SIMRUN` commands.

## Simulation algorithms: create simulation plan

Creating a simulation plan includes specifying distributions for all inputs to a predictive model that are to be simulated. When historical data are present, the distribution that most closely fits the data for each input can be determined using the algorithms described in this section.

### Notation

The following notation is used throughout this section unless otherwise stated:

Table 94-1

#### Notation

Notation	Description
$x_i$	Value of the input variable in the $i$ th case of the historical data
$w_i$	Frequency weight associated with the $i$ th case of the historical data
$W$	Total effective sample size accounting for frequency weights
$\bar{x}_{obs}$	Sample mean
$s_{obs}^2$	Sample variance
$s_{obs}$	Sample standard deviation

### Distribution fitting

The historical data for a given input is denoted by:

$$\vec{x} = x_1, x_2, \dots, x_n$$

The total effective sample size is:

$$W = \sum_{i=1}^n w_i$$

The observed sample mean, sample variance and sample standard deviation are:

$$\bar{x}_{obs} = \frac{1}{W} \sum_{i=1}^n w_i x_i$$

$$s_{obs}^2 = \frac{1}{W-1} \sum_{i=1}^n w_i (x_i - \bar{x}_{obs})^2$$
$$s_{obs} = \sqrt{s_{obs}^2}$$

Parameter estimation for most distributions is based on the maximum likelihood (ML) method, and closed-form solutions for the parameters exist for many of the distributions. There is no closed-form ML solution for the distribution parameters for the following distributions: negative binomial, beta, gamma and Weibull. For these distributions, the Newton-Raphson method is used. This approach requires the following information: the log-likelihood function, the gradient vector, the Hessian matrix, and the initial values for the iterative Newton-Raphson process.

### **Discrete distributions**

Distribution fitting is supported for the following discrete distributions: binomial, categorical, Poisson and negative binomial.

### **Binomial distribution: parameter estimation**

The probability mass function for a random variable  $x$  with a binomial distribution is:

$$Bin(x; N, P) = \binom{N}{x} P^x (1 - P)^{N-x}, \text{ for } x = 0, 1, \dots, N$$

where  $0 \leq P \leq 1$  is the probability of success. The binomial distribution is used to describe the total number of successes in a sequence of  $N$  independent Bernoulli trials. The parameter estimates for the binomial distribution using the method of moments (see Johnson & Kotz (2005) for details) are:

$$\hat{P} = \begin{cases} 1 - \frac{s_{obs}^2}{\bar{x}_{obs}}, & \bar{x}_{obs} > s_{obs}^2 \\ NaN, & \bar{x}_{obs} < s_{obs}^2 \end{cases}$$

where  $NaN$  implies that the binomial distribution would not be an appropriate distribution to fit the data under this criterion, and where

$$\hat{N} = \frac{\bar{x}_{obs}}{\hat{P}}$$

If  $\hat{N}$  is not an integer, then the parameter estimates are:

$$\hat{N}^* = \lceil \hat{N} + 0.5 \rceil$$

$$\hat{P}^* = \frac{\bar{x}_{obs}}{\hat{N}^*}$$

where  $[x]$  denotes the integer part of  $x$ .

### **Categorical distribution: parameter estimation**

The categorical distribution can be considered a special case of the multinomial distribution in which  $N = 1$ . Suppose  $x_i, i = 1, 2, \dots, n$ , has the categorical distribution and its categorical values are denoted as  $1, 2, \dots, J$ . Then an indicator variable of  $x_i$  for category  $j$  can be denoted as

$$x_{i,j} = \begin{cases} 1 & \text{if } x_i = j \\ 0 & \text{otherwise} \end{cases}$$

and the corresponding probability is  $P_j$ . Then the probability mass function for a random variable  $x_i$  with the categorical distribution can be described based on  $x_{i,j}$  and  $P_j$  as follows:

$$\text{Categorical}(x_i; P_1, \dots, P_J) = \prod_{j=1}^J P_j^{x_{i,j}}, \text{ with } \sum_{j=1}^J P_j = 1$$

The parameter estimates for  $P_j, j = 1, \dots, J$ , are:

$$\hat{P}_j = \frac{\sum_{i=1}^n w_i x_{i,j}}{W}, j = 1, \dots, J$$

### **Poisson distribution: parameter estimation**

The probability mass function for a random variable  $x$  with a Poisson distribution is:

$$\text{Pois}(x; \lambda) = \frac{e^{-\lambda} \lambda^x}{x!}, \text{ for } x = 0, 1, \dots$$

where  $\lambda > 0$  is the rate parameter of the Poisson distribution. The parameter of the Poisson distribution can be estimated as:

$$\hat{\lambda} = \bar{x}_{obs}$$

### **Negative binomial distribution: parameter estimation**

The distribution fitting component for simulation supports the parameterization of the negative binomial distribution that describes the distribution of the number of failures before the  $r^{\text{th}}$  success. For this parameterization, the probability mass function for a random variable  $x$  is:

$$\text{NB}(x; r, \theta) = \binom{x+r-1}{x} \theta^r (1-\theta)^x, \text{ for } x = 0, 1, \dots$$

where  $r \geq 0$ ,  $0 \leq \theta \leq 1$  are the two distribution parameters. There is no closed-form solution for the parameters  $r$  and  $\theta$ , so the Newton-Raphson method with step-halving will be used. The method requires the following information:

(1) The log likelihood function

$$L = \sum_{i=1}^n w_i \ln \Gamma(x_i + r) - \sum_{i=1}^n w_i \ln x_i! - W \ln \Gamma(r) + W r \ln(\theta) + \ln(1 - \theta) \sum_{i=1}^n w_i x_i$$

(2) The gradient (1st derivative) vector with respect to  $r$  and  $\theta$

$$s = \begin{bmatrix} \frac{\partial L}{\partial \theta} \\ \frac{\partial L}{\partial r} \end{bmatrix} = \begin{bmatrix} \frac{W r}{\theta} - \frac{1}{(1-\theta)} \sum_{i=1}^n w_i x_i \\ \sum_{i=1}^n w_i \psi(x_i + r) - W \psi(r) + W \ln(\theta) \end{bmatrix}$$

where  $\psi(\alpha) = \frac{\Gamma'(\alpha)}{\Gamma(\alpha)}$  is a digamma function, which is the derivative of the logarithm of the gamma function, evaluated at  $\alpha$ .

(3) The Hessian (2nd derivative) matrix with respect to  $r$  and  $\theta$  (since the Hessian matrix is symmetric, only the lower triangular portion is displayed)

$$H = \begin{bmatrix} \frac{\partial^2 L}{\partial \theta^2} & \\ \frac{\partial^2 L}{\partial r \partial \theta} & \frac{\partial^2 L}{\partial r^2} \end{bmatrix} = \begin{bmatrix} -\frac{W r}{\theta^2} - \frac{1}{(1-\theta)^2} \sum_{i=1}^n w_i x_i & \\ \frac{W}{\theta} & \sum_{i=1}^n w_i \psi'(x_i + r) - W \psi'(r) \end{bmatrix}$$

where  $\psi'(\alpha)$  is the trigamma function, or the derivative of the digamma function.

(4) The initial values of  $\theta$  and  $r$  can be obtained from the closed-form estimates using the method of moments:

$$r(0) = \begin{cases} \frac{\bar{x}_{obs}^2}{s_{obs}^2 - \bar{x}_{obs}} & \text{if } s_{obs}^2 > \bar{x}_{obs} \\ 1 & \text{otherwise} \end{cases}$$

$$\theta(0) = \frac{r(0)}{r(0) + \bar{x}_{obs}}$$

Note

An alternative parameterization of the negative binomial distribution describes the distribution of the number of trials before the  $r^{\text{th}}$  success. Although it is not supported in distribution fitting, it is supported in simulation when explicitly specified by the user. The probability mass function for this parameterization, for a random variable  $x$  is:

$$NB(x; r, \theta) = \binom{x-1}{r-1} \theta^r (1-\theta)^{x-r}, \text{ for } x \geq r$$

where  $r \geq 0$ ,  $0 \leq \theta \leq 1$  are the two distribution parameters.

## Continuous distributions

Distribution fitting is supported for the following continuous distributions: triangular, uniform, normal, lognormal, exponential, beta, gamma and Weibull.

### Triangular distribution: parameter estimation

The probability density function for a random variable  $x$  with a triangular distribution is:

$$Triag(x; a, m, b) = \begin{cases} \frac{2}{(b-a)} \frac{(x-a)}{(m-a)}, & x \in [a, m) \\ \frac{2}{(b-a)}, & x = m \\ \frac{2}{(b-a)} \frac{(b-x)}{(b-m)}, & x \in (m, b] \\ 0, & x \notin [a, b] \end{cases}$$

such that  $a \leq m \leq b$ . Parameter estimates of the triangular distribution are:

$$\hat{a} = \min \{x_1, x_2, \dots, x_n\}$$

$$\hat{b} = \max \{x_1, x_2, \dots, x_n\}$$

$$\hat{m} = mode \{x_1, x_2, \dots, x_n\}$$

Since the calculation of the mode for continuous data may be ambiguous, we transform the parameter estimates and use the method of moments as follows (see Kotz and Rene van Dorp (2004) for details):

$$z_i = \frac{x_i - \hat{a}}{\hat{b} - \hat{a}}$$

$$\theta = \frac{m - \hat{a}}{\hat{b} - \hat{a}}$$

$$\bar{z} = \frac{1}{W} \sum_{i=1}^n w_i z_i$$

From the method of moments we obtain

$$\hat{\theta} = 3\bar{z} - 1$$

from which it follows that

$$\hat{m} = \hat{a} + (\hat{b} - \hat{a}) \times (3\bar{z} - 1)$$

*Note:* For very skewed data or if the actual mode equals  $a$  or  $b$ , the estimated mode,  $\hat{m}$ , may be less than  $\hat{a}$  or greater than  $\hat{b}$ . In this case, the adjusted mode, defined as below, is used:

$$Adj. \hat{m} = \begin{cases} \hat{a} & \text{if } \hat{m} < \hat{a} \\ \hat{b} & \text{if } \hat{m} > \hat{b} \end{cases}$$

### **Uniform distribution: parameter estimation**

The probability density function for a random variable  $x$  with a uniform distribution is:

$$U(x; a, b) = \begin{cases} \frac{1}{b-a}, & x \in [a, b] \\ 0, & x \notin [a, b] \end{cases}$$

where  $a$  is the minimum and  $b$  is the maximum among the values of  $\vec{x}$ . Hence, the parameter estimates of the uniform distribution are:

$$\hat{a} = \min \{x_1, x_2, \dots, x_n\}$$

$$\hat{b} = \max \{x_1, x_2, \dots, x_n\}$$

### **Normal distribution: parameter estimation**

The probability density function for a random variable  $x$  with a normal distribution is:

$$Nor(x, \mu, \sigma) = \frac{1}{\sqrt{2\pi}\sigma} e^{-\frac{1}{2}\left(\frac{x-\mu}{\sigma}\right)^2}, \quad -\infty < x < \infty$$

Here,  $\mu$  is the measure of centrality and  $\sigma$  is the measure of dispersion of the normal distribution. The parameter estimates of the normal distribution are:

$$\hat{\mu} = \bar{x}_{obs}$$

$$\hat{\sigma} = \sqrt{\frac{1}{W} \sum_{i=1}^n w_i (x_i - \bar{x}_{obs})^2} = \sqrt{\frac{(W-1) s_{obs}^2}{W}}$$

### **Lognormal distribution: parameter estimation**

The lognormal distribution is a probability distribution where the natural logarithm of a random variable follows a normal distribution. In other words, if  $x$  has a lognormal( $\mu, \sigma$ ) distribution, then  $\ln(x)$  has a normal( $\ln(\mu), \sigma$ ) distribution. The probability density function for a random variable  $x$  with a lognormal distribution is:

$$LN(x, \mu, \sigma) = \frac{1}{\sqrt{2\pi}\sigma x} e^{-\frac{1}{2}\left(\frac{\ln x - \ln \mu}{\sigma}\right)^2}, \quad 0 < x < \infty$$

Note: The form of the probability density function is the same as that used in IBM® SPSS® Statistics.

$$\text{Define } \bar{x}_{obs} = \frac{1}{W} \sum_{i=1}^n w_i \ln x_i$$

Parameter estimates for the lognormal distribution are:

$$\hat{\mu} = e^{\bar{x}_{obs}}$$

$$\hat{\sigma} = \sqrt{\frac{1}{W} \sum_{i=1}^n w_i (\ln x_i - \ln \hat{\mu})^2}$$

### **Exponential distribution: parameter estimation**

The probability density function for a random variable  $x$  with an exponential distribution is:

$$Exp(x; \lambda) = \lambda e^{-\lambda x}, \text{ for } x \geq 0 \text{ and } \lambda > 0$$

The estimate of the parameter for the exponential distribution is:

$$\hat{\lambda} = \frac{1}{\bar{x}_{obs}}$$

### **Beta distribution: parameter estimation**

The probability density function for a random variable  $x$  with a beta distribution is:

$$Beta(x; \alpha, \beta) = \frac{1}{B(\alpha, \beta)} x^{\alpha-1} (1-x)^{\beta-1}, \quad \alpha, \beta > 0$$

where,

$$B(\alpha, \beta) = \frac{\Gamma(\alpha)\Gamma(\beta)}{\Gamma(\alpha + \beta)}$$

There is no closed-form solution for the parameters  $\alpha$  and  $\beta$ , so the Newton-Raphson method with step-halving will be used. The method requires the following information:

(1) The log likelihood function

$$L = W \ln(\Gamma(\alpha + \beta)) - W \ln(\Gamma(\alpha)) - W \ln(\Gamma(\beta))$$

$$+(\alpha - 1) \sum_{i=1}^n w_i \ln x_i + (\beta - 1) \sum_{i=1}^n w_i \ln (1 - x_i)$$

(2) The gradient (1st derivative) vector with respect to  $\alpha$  and  $\beta$

$$s = \begin{bmatrix} \frac{\partial L}{\partial \alpha} \\ \frac{\partial L}{\partial \beta} \end{bmatrix} = \begin{bmatrix} W\psi(\alpha + \beta) - W\psi(\alpha) + \sum_{i=1}^n w_i \ln(x_i) \\ W\psi(\alpha + \beta) - W\psi(\beta) + \sum_{i=1}^n w_i \ln(1 - x_i) \end{bmatrix}$$

where  $\psi(\alpha) = \frac{\Gamma'(\alpha)}{\Gamma(\alpha)}$  is a digamma function, which is the derivative of the logarithm of the gamma function, evaluated at  $\alpha$ .

(3) The Hessian (2nd derivative) matrix with respect to  $\alpha$  and  $\beta$  (since the Hessian matrix is symmetric, only the lower triangular portion is displayed)

$$H = \begin{bmatrix} \frac{\partial^2 L}{\partial \alpha^2} & \frac{\partial^2 L}{\partial \alpha \partial \beta} \\ \frac{\partial^2 L}{\partial \alpha \partial \beta} & \frac{\partial^2 L}{\partial \beta^2} \end{bmatrix} = \begin{bmatrix} W(\psi'(\alpha + \beta) - \psi'(\alpha)) & \\ W\psi'(\alpha + \beta) & W(\psi'(\alpha + \beta) - \psi'(\beta)) \end{bmatrix}$$

where  $\psi'(\alpha)$  is the trigamma function, or the derivative of the digamma function.

(4) The initial values of  $\alpha$  and  $\beta$  can be obtained from the closed-form estimates using the method of moments:

$$\alpha^{(0)} = \bar{x}_{obs} \left( \frac{\bar{x}_{obs} (1 - \bar{x}_{obs})}{s_{obs}^2} - 1 \right)$$

$$\beta^{(0)} = (1 - \bar{x}_{obs}) \left( \frac{\bar{x}_{obs} (1 - \bar{x}_{obs})}{s_{obs}^2} - 1 \right)$$

### **Gamma distribution: parameter estimation**

The probability density function for a random variable  $x$  with a gamma distribution is:

$$Gamma(x; \alpha, \beta) = \frac{\beta^\alpha}{\Gamma(\alpha)} x^{\alpha-1} e^{-\beta x}, \text{ for } x \geq 0 \text{ and } \alpha, \beta > 0$$

If  $\alpha$  is a positive integer, then the gamma function is given by:  $\Gamma(\alpha) = (\alpha - 1)!$

There is no closed-form solution for the parameters  $\alpha$  and  $\beta$ , so the Newton-Raphson method with step-halving will be used. The method requires the following information:

(1) The log likelihood function

$$L = W\alpha \ln \beta - W \ln \Gamma(\alpha) + (\alpha - 1) \sum_{i=1}^n w_i \ln x_i - \beta \sum_{i=1}^n w_i x_i$$

(2) The gradient (1st derivative) vector with respect to  $\alpha$  and  $\beta$

$$s = \begin{bmatrix} \frac{\partial L}{\partial \alpha} \\ \frac{\partial L}{\partial \beta} \end{bmatrix} = \begin{bmatrix} W \ln \beta - W\psi(\alpha) + \sum_{i=1}^n w_i \ln x_i \\ \frac{W\alpha}{\beta} - \sum_{i=1}^n w_i x_i \end{bmatrix}$$

where  $\psi(\alpha) = \frac{\Gamma'(\alpha)}{\Gamma(\alpha)}$  is a digamma function, which is the derivative of the logarithm of the gamma function, evaluated at  $\alpha$ .

(3) The Hessian (2nd derivative) matrix with respect to  $\alpha$  and  $\beta$  (since the Hessian matrix is symmetric, only the lower triangular portion is displayed)

$$H = \begin{bmatrix} \frac{\partial^2 L}{\partial \alpha^2} & \frac{\partial^2 L}{\partial \alpha \partial \beta} \\ \frac{\partial^2 L}{\partial \alpha \partial \beta} & \frac{\partial^2 L}{\partial \beta^2} \end{bmatrix} = \begin{bmatrix} -W\psi'(\alpha) & \\ \frac{W}{\beta} & -\frac{W\alpha}{\beta^2} \end{bmatrix}$$

where  $\psi'(\alpha)$  is the trigamma function, or the derivative of the digamma function.

(4) The initial values of  $\alpha$  and  $\beta$  can be obtained from the closed-form estimates using the method of moments:

$$\alpha^{(0)} = \left( \frac{\bar{x}_{obs}}{s_{obs}} \right)^2$$

$$\beta^{(0)} = \frac{\bar{x}_{obs}}{s_{obs}^2}$$

### **Weibull distribution: parameter estimation**

Distribution fitting for the Weibull distribution is restricted to the two-parameter Weibull distribution, whose probability density function is given by:

$$Weib(x; \beta, \gamma) = \frac{\gamma}{\beta} \left( \frac{x}{\beta} \right)^{\gamma-1} e^{-\left(\frac{x}{\beta}\right)^\gamma}, \text{ for } x \geq 0 \text{ and } \beta, \gamma > 0$$

There is no closed-form solution for the parameters  $\beta$  and  $\gamma$ , so the Newton-Raphson method with step-halving will be used. The method requires the following information:

(1) The log likelihood function

$$L = W(\ln \gamma - \gamma \ln \beta) + (\gamma - 1) \sum_{i=1}^n w_i \ln(x_i) - \sum_{i=1}^n w_i \left( \frac{x_i}{\beta} \right)^\gamma$$

(2) The gradient (1st derivative) vector with respect to  $\beta$  and  $\gamma$

$$s = \begin{bmatrix} \frac{\partial L}{\partial \beta} \\ \frac{\partial L}{\partial \gamma} \end{bmatrix} = \begin{bmatrix} -\frac{W\gamma}{\beta} + \frac{\gamma}{\beta} \sum_{i=1}^n w_i \left( \frac{x_i}{\beta} \right)^\gamma \\ \frac{W}{\gamma} - W \ln \beta + \sum_{i=1}^n w_i \ln(x_i) - \sum_{i=1}^n w_i \left( \frac{x_i}{\beta} \right)^\gamma \ln \left( \frac{x_i}{\beta} \right) \end{bmatrix}$$

(3) The Hessian (2nd derivative) matrix with respect to  $\beta$  and  $\gamma$  (since the Hessian matrix is symmetric, only the lower triangular portion is displayed)

$$H = \begin{bmatrix} \frac{\partial^2 L}{\partial \beta^2} & \\ \frac{\partial^2 L}{\partial \beta \partial \gamma} & \frac{\partial^2 L}{\partial \gamma^2} \end{bmatrix}$$

where

$$\begin{aligned} \frac{\partial^2 L}{\partial \beta^2} &= \frac{\gamma}{\beta^2} \left[ W - (\gamma + 1) \sum_{i=1}^n w_i \left( \frac{x_i}{\beta} \right)^\gamma \right] \\ \frac{\partial^2 L}{\partial \beta \partial \gamma} &= -\frac{1}{\beta} \left[ W - \sum_{i=1}^n w_i \left( \frac{x_i}{\beta} \right)^\gamma - \gamma \sum_{i=1}^n w_i \left( \frac{x_i}{\beta} \right)^\gamma \ln \left( \frac{x_i}{\beta} \right) \right] \\ \frac{\partial^2 L}{\partial \gamma^2} &= -\frac{W}{\gamma^2} - \sum_{i=1}^n w_i \left( \frac{x_i}{\beta} \right)^\gamma \left[ \ln \left( \frac{x_i}{\beta} \right) \right]^2 \end{aligned}$$

(4) The initial values of  $\beta$  and  $\gamma$  are given by:

$$\gamma^{(0)} = 1$$

$$\beta^{(0)} = 1$$

## Goodness of fit measures

Goodness of fit measures are used to determine the distribution that most closely fits the data. For discrete distributions, the Chi-Square test is used. For continuous distributions, the Anderson-Darling test or the Kolmogorov-Smirnov test is used.

### Discrete distributions

The Chi-Square goodness of fit test is used for discrete distributions (Dirk P. Kroese, 2011). The Chi-Square test statistic has the following form:

$$T = \sum_{i=1}^k \frac{(O_i - E_i)^2}{E_i}$$

where,

Table 94-2

Notation

Notation	Description
$k$	The number of classes, as defined in the table below for each discrete distribution
$O_i$	The total observed frequency for class $i$

Notation	Description
$PDF(i)$	Probability density function of the fitted distribution. For the Poisson and negative binomial distributions, the density function for the last class is computed as $PDF(k) = 1 - \sum_{i=1}^{k-1} PDF(i)$
$E_i$	Expected frequency for class $i$ : $E_i = W * PDF(i)$
$W$	The total effective sample size

For large  $W$ , the above statistic follows the Chi-Square distribution:

$$T \sim \chi_{k-1-r}^2$$

where  $r = \text{number of parameters estimated from the data}$ . The following table provides the values of  $k$  and  $r$  for the various distributions. The value  $Max$  in the table is the observed maximum value.

Distribution	Notation	$k$ (classes)	$r$ (parameters)
Binomial	$Bin(x; N, P)$	$N+1$	2
Categorical	$Categorical(x; p_1, \dots, p_j)$	$J$	$J-1$
Poisson	$Pois(x; \lambda)$	$Max + 1$	1
Negative binomial	$NB(x; r, \theta)$	$Max + 1$	2

This Chi-Square test is valid only if all values of  $E_i \geq 5$ .

The p-value for the Chi-Square test is then calculated as:

$$p = 1 - F(T, \chi_{k-1-r}^2)$$

where  $F(T, \chi_{k-1-r}^2) = CDF$  of the Chi-Square distribution.

*Note:* The p-value cannot be calculated for the Categorical distribution since the number of degrees of freedom is zero.

### Continuous distributions

For continuous distributions, the Anderson-Darling test or the Kolmogorov-Smirnov test is used to determine goodness of fit. The calculation consists of the following steps:

1. Transform the data to a Uniform(0,1) distribution
2. Sort the transformed data to generate the Order Statistics
3. Calculate the Anderson-Darling or Kolmogorov-Smirnov test statistic
4. Compute the approximate p-value associated with the test statistic

The first two steps are common to both the Anderson-Darling and Kolmogorov-Smirnov tests. The original data are transformed to a Uniform(0,1) distribution using the transformation:

$$y = F(x)$$

where the transformation function  $F(x)$  is given in the table below for each of the supported distributions.

Distribution	Transformation F(x)
$Triag(x; a, m, b)$	$\begin{cases} \frac{1}{(b-a)} \frac{(x-a)^2}{(m-a)}, & x \in [a, m) \\ \frac{(m-a)}{(b-a)}, & x = m \\ 1 - \frac{1}{(b-a)} \frac{(b-x)^2}{(b-m)}, & x \in (m, b] \\ 0, & x \in [a, b] \end{cases}$
$U(x; a, b)$	$\frac{x-a}{b-a}$
$Nor(x, \mu, \sigma)$	$\Phi\left(\frac{x-\mu}{\sigma}\right)$
$LN(x, \mu, \sigma)$	$\Phi\left(\frac{\ln x - \ln \mu}{\sigma}\right)$
$Exp(x; \lambda)$	$1 - e^{-\lambda x}$
$Beta(x; \alpha, \beta)$	$\int_0^x \frac{1}{B(\alpha, \beta)} t^{\alpha-1} (1-t)^{\beta-1} dt$
$Gamma(x; \alpha, \beta)$	$\int_0^x \frac{\beta^\alpha}{\Gamma(\alpha)} t^{\alpha-1} e^{-\beta t} dt$
$Weib(x; \beta, \gamma)$	$1 - e^{-\left(\frac{x}{\beta}\right)^\gamma}$

The transformed data points  $y_i$  are sorted in ascending order to generate the Order Statistics:

$$y_{(1)} \leq y_{(2)} \leq \dots \leq y_{(n-1)} \leq y_{(n)}$$

Define  $w_i^*$  to be the corresponding frequency weight for  $y_{(i)}$ . The cumulative frequency up to and including  $y_{(i)}$  is defined as:

$$W_i^* = \sum_{k=1}^i w_k^*$$

and where we define  $W_0^* = 0$ .

### Anderson-Darling test

The Anderson-Darling test statistic is given by:

$$z = -W_n^* - \frac{1}{W_n^*} \sum_{i=1}^n w_i^* (2W_{i-1}^* + w_i^*) \ln(y_{(i)}) + \frac{1}{W_n^*} \sum_{i=1}^n w_i^* (2W_{i-1}^* + w_i^*) \ln(1 - y_{(i)}) - 2 \sum_{i=1}^n w_i^* \ln(1 - y_{(i)})$$

For more information, see the topic “Anderson-Darling statistic with frequency weights”.

The approximate p-value for the Anderson-Darling statistic can be computed for the following distributions: uniform, normal, lognormal, exponential, Weibull and gamma. The p-value is not available for the triangular and beta distributions.

### Uniform distribution: p-value

The p-value for the Anderson-Darling statistic is computed based on the following result, provided by Marsaglia (2004):

$$p = \begin{cases} 1 - z^{-1/2} e^{-1.2337141/z} g(z) & \text{for } z \in (0, 2) \\ 1 - e^{-e^{(1.0776 - (2.30695 - (0.43424 - (0.082433 - (0.008056 - 0.0003146z)z)z)z)z}} & \text{for } z \in [2, \infty) \end{cases}$$

where

$$g(z) = (2.00012 + (0.247105 - (0.0649821 - (0.0347962 - (0.0116720 - 0.00168691z)z)z)z)z)$$

### Normal and lognormal distributions: p-value

The p-value for the Anderson-Darling statistic is computed based on the following result, provided by D’Agostino and Stephens (1986):

$$p = \begin{cases} 1 - \exp(-13.436 + 101.14z^* - 223.73z^{*2}), & z^* \leq 0.2 \\ 1 - \exp(-8.318 + 42.796z^* - 59.938z^{*2}), & 0.2 < z^* \leq 0.34 \\ \exp(0.9177 - 4.279z^* - 1.38z^{*2}), & 0.34 < z^* \leq 0.6 \\ \exp(1.2937 - 5.709z^* + 0.0186z^{*2}), & 0.6 < z^* \leq 153.467 \\ 0 & z^* > 153.467 \end{cases}$$

where

$$z^* = z (1.0 + 0.75/W_n^* + 2.25/W_n^{*2})$$

**Exponential distribution: p-value**

The p-value for the Anderson-Darling statistic is computed based on the following result, provided by D’Agostino and Stephens (1986):

$$p = \begin{cases} 1 - \exp(-12.2204 + 67.459z^* - 110.3z^{*2}), & z^* \leq 0.260 \\ 1 - \exp(-6.1327 + 20.218z^* - 18.663z^{*2}), & 0.260 < z^* \leq 0.510 \\ \exp(0.9209 - 3.353z^* + 0.3z^{*2}), & 0.510 < z^* \leq 0.950 \\ \exp(0.731 - 3.009z^* + 0.15z^{*2}), & 0.950 < z^* \leq 10.03 \\ 0 & z^* > 10.03 \end{cases}$$

where

$$z^* = z(1.0 + 0.6/W_n^*)$$

**Weibull distribution: p-value**

The p-value for the Anderson-Darling statistic is computed based on Table 94-3 below, provided by D’Agostino and Stephens (1986). First, the adjusted Anderson-Darling statistic is computed from:

$$z^* = z \left( 1 + 0.2/\sqrt{W_n^*} \right)$$

If the value of  $z^*$  is between two probability levels (in the table), then linear interpolation is used to estimate the p-value. For example, if  $z^* = 0.543$  which is between  $z_1^* = 0.474$  and  $z_2^* = 0.637$  then the corresponding probabilities of  $z_1^*$  and  $z_2^*$  are  $p_1 = 0.25$  and  $p_2 = 0.1$  respectively. Then the p-value of  $z^*$  is computed as

$$p = \frac{p_2 - p_1}{z_2^* - z_1^*}(z^* - z_1^*) + p_1 = \frac{0.1 - 0.25}{0.637 - 0.474}(0.543 - 0.474) + 0.25 = 0.1865$$

If the value of  $z^*$  is less than the smallest critical value in the table, then the p-value is  $\geq 0.25$ ; and if  $z^*$  is greater than the largest critical value in the table, then the p-value is  $\leq 0.01$ .

Table 94-3

Upper tail probability and corresponding critical values for the Anderson-Darling test, for the Weibull distribution

p-value	0.25	0.10	0.05	0.025	0.01
$z(1 + 0.2/\sqrt{W_n^*})$	0.474	0.637	0.757	0.877	1.038

**Gamma distribution: p-value**

Table 94-4, which is provided by D’Agostino and Stephens (1986), is used to compute the p-value of the Anderson-Darling test for the gamma distribution. First, the appropriate row in the table is determined from the range of the parameter  $\alpha$ . Then linear interpolation is used to compute the p-value, as done for the Weibull distribution. For more information, see the topic “Weibull distribution: p-value”.

If the test statistic is less than the smallest critical value in the row, then the p-value is  $\geq 0.25$ ; and if the test statistic is greater than the largest critical value in the row, then the p-value is  $\leq 0.005$ .

Table 94-4

Upper tail probability and corresponding critical values for the Anderson-Darling test, for the gamma distribution with estimated parameter  $\alpha$

p-value	0.25	0.10	0.05	0.025	0.01	0.005
$\alpha \in (0, 1]$	0.486	0.657	0.786	0.917	1.092	1.227
$\alpha \in (1, 8]$	0.473	0.637	0.759	0.883	1.048	1.173
$\alpha \in (8, \infty)$	0.470	0.631	0.752	0.873	1.035	1.159

### Kolmogorov-Smirnov test

The Kolmogorov-Smirnov test statistic,  $D_n$ , is given by:

$$D^+ = \max_i \left| y_{(i)} - \frac{W_i^*}{W_n^*} \right| \quad D^- = \max_i \left| y_{(i)} - \frac{W_i^* - 1}{W_n^*} \right|$$

$$D_n = \max(D^+, D^-)$$

Computation of the p-value is based on the modified Kolmogorov-Smirnov statistic, which is distribution specific.

### Uniform distribution: p-value

The procedure proposed by Kroese (2011) is used to compute the p-value of the Kolmogorov-Smirnov statistic for the uniform distribution. First, the modified Kolmogorov-Smirnov statistic is computed as

$$D = \sqrt{W_n^*} D_n$$

The corresponding p-value is computed as follows:

1. Set  $k=100$
2. Define  $\alpha_k = \sum_{i=-k}^k (-1)^i e^{-2(iD)^2}$
3. Calculate  $\alpha_k$  and  $\alpha_{k+1}$
4. If  $|\alpha_k - \alpha_{k+1}| \geq 10^{-5}$  set  $k=k+1$  and repeat step 2; otherwise, go to step 5.
5. p-value =  $1 - \alpha_k$

### Normal and lognormal distributions: p-value

The modified Kolmogorov-Smirnov statistic is

$$D = D_n \left( \sqrt{W_n^*} - 0.01 + \frac{0.85}{\sqrt{W_n^*}} \right)$$

The p-value for the Kolmogorov-Smirnov statistic is computed based on Table 94-5 below, provided by D’Agostino and Stephens (1986). If the value of D is between two probability levels, then linear interpolation is used to estimate the p-value. For more information, see the topic “Weibull distribution: p-value”.

If D is less than the smallest critical value in the table, then the p-value is  $\geq 0.15$ ; and if D is greater than the largest critical value in the table, then the p-value is  $\leq 0.01$ .

Table 94-5

*Upper tail probability and corresponding critical values for the Kolmogorov-Smirnov test, for the Normal and Lognormal distributions*

<b>p-value</b>	<b>0.15</b>	<b>0.10</b>	<b>0.05</b>	<b>0.025</b>	<b>0.01</b>
<i>D</i>	0.775	0.819	0.895	0.995	1.035

### **Exponential distribution: p-value**

The modified Kolmogorov-Smirnov statistic is

$$D = (D_n - 0.2/W_n^*) \left( \sqrt{W_n^*} + 0.26 + 0.5/\sqrt{W_n^*} \right)$$

The p-value for the Kolmogorov-Smirnov statistic is computed based on Table 94-6 below, provided by D’Agostino and Stephens (1986). If the value of D is between two probability levels, then linear interpolation is used to estimate the p-value. For more information, see the topic “Weibull distribution: p-value”.

If D is less than the smallest critical value in the table, then the p-value is  $\geq 0.15$ ; and if D is greater than the largest critical value in the table, then the p-value is  $\leq 0.01$ .

Table 94-6

*Upper tail probability and corresponding critical values for the Kolmogorov-Smirnov test, for the Exponential distribution*

<b>p-value</b>	<b>0.15</b>	<b>0.10</b>	<b>0.05</b>	<b>0.025</b>	<b>0.01</b>
<i>D</i>	0.926	0.995	1.094	1.184	1.298

### **Weibull distribution: p-value**

The modified Kolmogorov-Smirnov statistic is

$$D = \sqrt{W_n^*} D_n$$

The p-value for the Kolmogorov-Smirnov statistic is computed based on Table 94-7 below, provided by D’Agostino and Stephens (1986). If the value of D is between two probability levels, then linear interpolation is used to estimate the p-value. For more information, see the topic “Weibull distribution: p-value”.

If  $D$  is less than the smallest critical value in the table, then the  $p$ -value is  $\geq 0.10$ ; and if  $D$  is greater than the largest critical value in the table, then the  $p$ -value is  $\leq 0.01$ .

Table 94-7

*Upper tail probability and corresponding critical values for the Kolmogorov-Smirnov test, for the Weibull distribution*

<b><math>p</math>-value</b>	<b>0.10</b>	<b>0.05</b>	<b>0.025</b>	<b>0.01</b>
$D$	1.372	1.477	1.557	1.671

### **Gamma distribution: $p$ -value**

The modified Kolmogorov-Smirnov statistic is

$$D = D_n \left( \sqrt{W_n^*} + 0.3/\sqrt{W_n^*} \right)$$

The  $p$ -value for the Kolmogorov-Smirnov statistic is computed based on Table 94-8 below, provided by D'Agostino and Stephens (1986). If the value of  $D$  is between two probability levels, then linear interpolation is used to estimate the  $p$ -value. For more information, see the topic "Weibull distribution:  $p$ -value".

If  $D$  is less than the smallest critical value in the table, then the  $p$ -value is  $\geq 0.25$ ; and if  $D$  is greater than the largest critical value in the table, then the  $p$ -value is  $\leq 0.005$ .

Table 94-8

*Upper tail probability and corresponding critical values for the Kolmogorov-Smirnov test, for the Gamma distribution*

<b><math>p</math>-value</b>	<b>0.25</b>	<b>0.20</b>	<b>0.15</b>	<b>0.10</b>	<b>0.05</b>	<b>0.025</b>	<b>0.01</b>	<b>0.005</b>
$D$	0.74	0.780	0.800	0.858	0.928	0.990	1.069	1.13

### **Determining the recommended distribution**

The distribution fitting module is invoked by the user, who may specify an explicit set of distributions to test or rely on the default set, which is determined from the measurement level of the input to be fit. For continuous inputs, the user specifies either the Anderson-Darling test (the default) or the Kolmogorov-Smirnov test for the goodness of fit measure (for ordinal and nominal inputs, the Chi-Square test is always used). The distribution fitting module then returns the values of the specified test statistic along with the calculated  $p$ -values (if available) for each of the tested distributions, which are then presented to the user in ascending order of the test statistic. The recommended distribution is the one with the minimum value of the test statistic.

The above approach yields the distribution that most closely fits the data. However, if the  $p$ -value of the recommended distribution is less than 0.05, then the recommended distribution may not provide a close fit to the data.

## Anderson-Darling statistic with frequency weights

To obtain the expression for the Anderson-Darling statistic with frequency weights, we first give the expression where the frequency weight of each value is 1:

$$\begin{aligned}
 z &= -n - \frac{1}{n} \sum_{i=1}^n (2i - 1) [\ln (y_{(i)} (1 - y_{(n+1-i)}))] \\
 &= -n - \frac{1}{n} \sum_{i=1}^n (2i - 1) [\ln (y_{(i)}) + \ln (1 - y_{(n+1-i)})] \\
 &= -n - \frac{1}{n} \sum_{i=1}^n (2i - 1) [\ln (y_{(i)})] - \frac{1}{n} \sum_{i=1}^n (2(n + 1 - i) - 1) [\ln (1 - y_{(i)})] \\
 &= -n - \frac{1}{n} \sum_{i=1}^n (2i - 1) [\ln (y_{(i)})] - \frac{1}{n} \sum_{i=1}^n (1 - 2i) [\ln (1 - y_{(i)})] - \sum_{i=1}^n 2 [\ln (1 - y_{(i)})] \\
 &= A + B + C + D
 \end{aligned}$$

If there is a frequency weight variable, then the corresponding four terms of the above expression are given by:

$$A = -W_n^*$$

$$\begin{aligned}
 B &= -\frac{1}{W_n^*} \sum_{i=1}^n \sum_{j=1}^{w_i^*} (2(W_{i-1}^* + j) - 1) [\ln (y_{(i)})] \\
 &= -\frac{1}{W_n^*} \sum_{i=1}^n w_i^* (2W_{i-1}^* - 1) \ln (y_{(i)}) - \frac{1}{W_n^*} \sum_{i=1}^n w_i^* (w_i^* + 1) \ln (y_{(i)}) \\
 &= -\frac{1}{W_n^*} \sum_{i=1}^n w_i^* (2W_{i-1}^* + w_i^*) \ln (y_{(i)})
 \end{aligned}$$

$$\begin{aligned}
 C &= -\frac{1}{W_n^*} \sum_{i=1}^n \sum_{j=1}^{w_i^*} (1 - 2(W_{i-1}^* + j)) [\ln (1 - y_{(i)})] \\
 &= -\frac{1}{W_n^*} \sum_{i=1}^n w_i^* (1 - 2W_{i-1}^*) \ln (1 - y_{(i)}) + \frac{1}{W_n^*} \sum_{i=1}^n w_i^* (w_i^* + 1) \ln (1 - y_{(i)}) \\
 &= \frac{1}{W_n^*} \sum_{i=1}^n w_i^* (2W_{i-1}^* + w_i^*) \ln (1 - y_{(i)})
 \end{aligned}$$

$$D = -2 \sum_{i=1}^n w_i^* \ln (1 - y_{(i)})$$

where  $w_i^*$  and  $W_i^*$  are defined in the section on goodness of fit measures for continuous distributions. For more information, see the topic ‘‘Continuous distributions’’.

## References

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## Simulation algorithms: run simulation

Running a simulation involves generating data for each of the simulated inputs, evaluating the predictive model based on the simulated data (along with values for any fixed inputs), and calculating metrics based on the model results.

### Generating correlated data

Simulated values of input variables are generated so as to account for any correlations between pairs of variables. This is accomplished using the NORTA (Normal-To-Anything) method described by Biller and Ghosh (2006). The central idea is to transform standard multivariate normal variables to variables with the desired marginal distributions and Pearson correlation matrix.

Suppose that the desired variables are  $X_j$ ,  $j = 1, \dots, k$ , with the desired Pearson correlation matrix  $\Sigma_X$ , where the elements of  $\Sigma_X$  are given by  $\rho_{ij}$ . Then the NORTA algorithm is as follows:

1. For each pair  $X_i$  and  $X_j$ , where  $i < j$ , use a stochastic root finding algorithm (described in the following section) and the correlation  $\rho_{ij}$  to search for an approximate correlation  $\rho_{ij}^*$  of standard bivariate normal variables.
2. Construct the symmetric matrix  $\Sigma_z$  whose elements are given by  $\rho_{ij}^*$ , where  $\rho_{ii}^* = 1$  and  $\rho_{ij}^* = \rho_{ji}^*$ .
3. Generate the standard multivariate normal variables  $Z_1, \dots, Z_k$  with Pearson correlation matrix  $\Sigma_z$ .
4. Transform the variables  $Z_1, \dots, Z_k$  to  $X_1, \dots, X_k$  using

$$X_i = F_i^{-1}(\Phi(Z_i)), i = 1, \dots, k$$

where  $F_i$  is the desired marginal cumulative distribution, and  $\Phi()$  is the cumulative standard normal distribution function. Then the correlation matrix of  $X_1, \dots, X_k$  will be close to the desired Pearson correlation matrix  $\Sigma_X$ .

### Stochastic root finding algorithm

Given a correlation  $\rho_{ij}$ , a stochastic root finding algorithm is used to find an approximate correlation  $\rho_{ij}^*$  such that if standard bivariate normal variables  $Z_i$  and  $Z_j$  have the Pearson correlation  $\rho_{ij}^*$ , then after transforming  $Z_i$  and  $Z_j$  to  $X_i$  and  $X_j$  (using the transformation described in Step 4 of the previous section) the Pearson correlation between  $X_i$  and  $X_j$  is close to  $\rho_{ij}$ . The stochastic root finding algorithm is as follows:

1. Let  $LowCorr = -1$  and  $HighCorr = 1$
2. Simulate N samples of standard normal variables  $Z_i^{(L)}$  and  $Z_j^{(L)}$ ,  $Z_i^{(H)}$  and  $Z_j^{(H)}$ , such that the Pearson correlation between  $Z_i^{(L)}$  and  $Z_j^{(L)}$  is  $LowCorr$  and the Pearson correlation between  $Z_i^{(H)}$  and  $Z_j^{(H)}$  is  $HighCorr$ . The sample size N is set to 1000.
3. Transform the variables  $Z_i^{(L)}$ ,  $Z_j^{(L)}$ ,  $Z_i^{(H)}$  and  $Z_j^{(H)}$  to the variables  $X_i^{(L)}$ ,  $X_j^{(L)}$ ,  $X_i^{(H)}$  and  $X_j^{(H)}$  using the transformation described in Step 4 of the previous section.

4. Compute the Pearson correlation between  $X_i^{(L)}$  and  $X_j^{(L)}$  and denote it as  $\rho_{ij}^L$ . Similarly, compute the Pearson correlation between  $X_i^{(H)}$  and  $X_j^{(H)}$  and denote it as  $\rho_{ij}^H$ .
5. If the desired correlation  $\rho_{ij} \leq \rho_{ij}^L$  or  $\rho_{ij} \geq \rho_{ij}^H$  then stop and set  $\rho_{ij}^* = LowCorr$  if  $\rho_{ij} \leq \rho_{ij}^L$  or set  $\rho_{ij}^* = HighCorr$  if  $\rho_{ij} \geq \rho_{ij}^H$ . Otherwise go to Step 6.
6. Simulate N samples of standard bivariate normal variables  $Z_i^{(M)}$  and  $Z_j^{(M)}$  with a Pearson correlation of  $MidCorr = \frac{1}{2}(LowCorr + HighCorr)$ . As in Steps 3 and 4, transform  $Z_i^{(M)}$  and  $Z_j^{(M)}$  to  $X_i^{(M)}$  and  $X_j^{(M)}$  and compute the Pearson correlation between  $X_i^{(M)}$  and  $X_j^{(M)}$ , which will be denoted  $\rho_{ij}^M$ .
7. If  $|\rho_{ij} - \rho_{ij}^M| \leq \epsilon$  or  $|HighCorr - LowCorr| \leq \epsilon$  where  $\epsilon$  is the tolerance level (set to 0.01), then stop and set  $\rho_{ij}^* = MidCorr$ . Otherwise go to Step 8.
8. If  $\rho_{ij} > \rho_{ij}^M$ , set  $LowCorr = MidCorr$ , else set  $HighCorr = MidCorr$  and return to Step 6.

### Inverse CDF for binomial, Poisson and negative binomial distributions

Use of the NORTA method for generating correlated data requires the inverse cumulative distribution function for each desired marginal distribution. This section describes the method for computing the inverse CDF for the binomial, Poisson and negative binomial distributions. Two parameterizations of the negative binomial distribution are supported. The first parameterization describes the distribution of the number of trials before the  $t^{\text{th}}$  success, whereas the second parameterization describes the distribution of the number of failures before the  $r^{\text{th}}$  success.

The choice of method for determining the CDF depends on the mean  $\mu$  of the distribution. If  $\mu \geq Threshold$ , where *Threshold* is set to 20, the following approximate normal method will be used to compute the inverse CDF for the binomial distribution, the Poisson distribution and the second parameterization of the negative binomial distribution.

$$X = [F^{-1}(\Phi(Z))] = [\sigma(\Phi^{-1}(\Phi(Z))) + \mu] = [\sigma Z + \mu]$$

For the first parameterization of the negative binomial distribution, the formula is as follows:

$$X = [\sigma Z + \mu] + r$$

The parameters  $\mu$  and  $\sigma$  are given by:

- **Binomial distribution.**  $\mu = NP$  and  $\sigma = \sqrt{NP(1-P)}$ , where N is the number of trials and P is the probability of success.
- **Poisson distribution.**  $\mu = \lambda$  and  $\sigma = \sqrt{\lambda}$ , where  $\lambda$  is the rate parameter.
- **Negative binomial distribution (both parameterizations).**  $\mu = r\frac{1-\theta}{\theta}$  and  $\sigma = \sqrt{r\frac{1-\theta}{\theta^2}}$ , where r is the specified number of successes and  $\theta$  is the probability of success.

The notation  $[x]$  used above denotes the integer part of  $x$ .

If  $\mu \leq Threshold$  then the bisection method will be used.

Suppose that  $x$  and  $z$  are the values of  $X$  and  $Z$  respectively, where  $X$  is a random variable with a binomial, Poisson or negative binomial distribution, and  $Z$  is a random variable with the standard

normal distribution. The objective function to be used in the bisection search method is as follows:

- **Binomial distribution.**  $f(x) = 1 - \Pr(B(x + 1, N - x) \leq P) - \Phi(z)$
- **Poisson distribution.**  $f(x) = 1 - \Pr(G(x + 1, 1) \leq \lambda) - \Phi(z)$
- **Negative binomial distribution (second parameterization).**  $f(x) = \Pr(B(r, x + 1) \leq \theta) - \Phi(z)$

where  $B(\alpha, \beta)$  and  $G(\alpha, \beta)$  are random variables with the beta distribution and gamma distribution, respectively, with parameters  $\alpha$  and  $\beta$ .

The bisection method is as follows:

1. If  $f(\mu) = 0$  then stop and set  $x = [\mu + 0.5]$ . Otherwise go to step 2 to determine two values  $x_1$  and  $x_2$  such that  $f(x_1) \times f(x_2) \leq 0$ .
2. If  $f(\mu) > 0$  then let  $x_1 = 0$  and  $x_2 = \mu$ . If  $f(\mu) < 0$  then let  $x_1 = 2^{J-1} \times \mu$  and  $x_2 = 2^J \times \mu$ , where  $J$  is the minimum integer such that  $f(x_1) \times f(x_2) \leq 0$ .
3. Let  $m = \frac{1}{2}(x_1 + x_2)$ . If  $|f(m)| < \epsilon$  or  $|x_1 - x_2| < 1$  where  $\epsilon$  is a tolerance level, which is set to  $10^{-6}$ , then stop and set  $x = [m + 0.5]$ . Otherwise go to step 4.
4. If  $f(m) > 0$ , let  $x_2 = m$ , else let  $x_1 = m$  and return to step 3.

*Note:* The inverse CDF for the first parameterization of the negative binomial distribution is determined by taking the inverse CDF for the second parameterization and adding the distribution parameter  $r$ , where  $r$  is the specified number of successes.

## Sensitivity measures

Sensitivity measures provide information on the relationship between the values of a target and the values of the simulated inputs that give rise to the target. The following sensitivity measures are supported (and rendered as Tornado charts in the output of the simulation):

- **Correlation.** Measures the Pearson correlation between a target and a simulated input.
- **One-at-a-time measure.** Measures the effect on the target of modulating a simulated input by plus or minus a specified number of standard deviations of the input.
- **Contribution to variance.** Measures the contribution to the variance of the target from a simulated input.

## Notation

The following notation is used throughout this section unless otherwise stated:

Table 94-9

Notation

Notation	Description
$n$	Number of records of simulated data

$X$	An $n \times p$ matrix of values of the inputs to the predictive model. The rows $x_i = (x_{i1}, \dots, x_{ip})$ ; $i = 1, \dots, n$ contain the values of the inputs for each simulated record, excluding the target value. The columns $x_j^T = (x_{1j}, \dots, x_{nj})$ ; $j = 1, \dots, p$ represent the set of inputs.
$y$	An $n \times 1$ vector of values of the target variable, consisting of $y_i$ , $i = 1, \dots, n$
$F(X)$	A known model which can generate $y$ from $X$
$sa_j$	The value of a sensitivity measure for the input $x_j$

### Correlation measure

The correlation measure is the Pearson correlation coefficient between the values of a target and one of its simulated predictors. The correlation measure is not supported for targets with a nominal measurement level or for simulated inputs with a categorical distribution. For more information, see the topic “Pearson Correlation”.

### One-at-a-time measure

The one-at-a-time measure is the change in the target due to modulating a simulated input by plus or minus a specified number of standard deviations of the distribution associated with the input. The one-at-a-time measure is not supported for targets with an ordinal or nominal measurement level, or for simulated inputs with any of the following distributions: categorical, Bernoulli, binomial, Poisson, or negative binomial.

The procedure is to modulate the values of a simulated input by the specified number of standard deviations and recompute the target with the modulated values, without changing the values of the other inputs. The mean change in the target is then taken to be the value of the one-at-a-time sensitivity measure for that input.

For each simulated input  $x_j$  for which the one-at-a-time measure is supported:

1. Define the temporary data matrix  $X' = X$
2. Add the specified number of standard deviations of the input's distribution to each value of  $x_j$  in  $X'$ .
3. Calculate  $y' = F(X')$
4. Calculate  $sa_j = \frac{1}{n} \sum_{i=1}^n (y'_i - y_i)$
5. Repeat Step 2, but now subtracting the specified number of standard deviations from each value of  $x_j$ . Continue with Steps 3 and 4 to obtain the value of  $sa_j$  in this case.

### Contribution to variance measure

The contribution to variance measure uses the method of Sobol (2001) to calculate the total contribution to the variance of a target due to a simulated input. The total contribution to variance, as defined by Sobol, automatically includes interaction effects between the input of interest and the other inputs in the predictive model.

The contribution to variance measure is not supported for targets with an ordinal or nominal measurement level, or for simulated inputs with any of the following distributions: categorical, Bernoulli, binomial, Poisson, or negative binomial.

Let  $X'$  be an additional set of simulated data, in the same form as  $X$  and with the same number of simulated records.

Define the following:

$$f_0 = \frac{1}{n} \sum_{i=1}^n y_i$$

$$D = \frac{1}{n} \sum_{i=1}^n y_i^2 - (f_0)^2$$

For each simulated input  $x_j$  for which the contribution to variance measure is supported, calculate

$$D_{x \setminus x_j} = \frac{1}{n} \sum_{i=1}^n y_i [F(X'_{x_j} + X_{x \setminus x_j})]_i - (f_0)^2$$

where:

- $x \setminus x_j$  denotes the set of all inputs excluding  $x_j$
- $X'_{x_j} + X_{x \setminus x_j}$  is a derived data matrix where the column associated with  $x_j$  is taken from  $X'$  and the remaining columns (for all inputs excluding  $x_j$ ) are taken from  $X$

The total contribution to variance from  $x_j$  is then given by

$$sa_j = \frac{D - D_{x \setminus x_j}}{D}$$

*Note:* When interaction terms are present, the sum of the  $sa_j$  over all simulated inputs for which the contribution of variance is supported, may be greater than 1.

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# SPATIAL ASSOCIATION RULES Algorithms

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## 1. Introduction

Since association rule mining (Agrawal and Srikant, 1994) has been proposed, many algorithms have emerged and been successfully applied to real-world applications. In recent years, because of the importance and necessity of analyzing geospatial data in different industries, spatial data mining approaches have gained lots of interests. Among the existing spatial data mining approaches, the spatial association rule mining proposed by Koperski and Han (1995) is one of the most typical approaches for spatial pattern discovery.

As defined by Koperski and Han (1995), a spatial association rule is a rule that describes the implication of one or a set of spatial objects by another set of spatial objects in spatial databases. The spatial objects involved therefore can be classified into two groups: the *event objects* and the *geo-context objects*.

- The **event objects** are the research targets of rule mining, which means that the rules discovered are about the spatial patterns of the event objects.
- The **geo-context objects** are used to describe the patterns of the event objects.

The patterns are represented by *spatial relationships* (e.g., topological relationships) defined between each pair of an event object and a geo-context object.

An example of a spatial association rule, event and geo-context objects, and spatial relationships is given below.

### Example 1

Rule: *Most crime cases within census tract No. 1 are close to Freya St (street).*

This is a spatial association rule discovered in a spatial database containing crime cases and map elements. The crime cases are event objects. *Census tract No. 1* and *Freya St* are specific geo-context objects. The whole set of geo-context objects may include all the census tracts, streets and roads, and other map elements in the database. *Within* and *close to* are spatial relationships defined between the crime cases and the census tract and the road.

The spatial relationships can be symbolically represented by the spatial predicates of event objects.

### Definition 1: Spatial Predicate

A spatial predicate can be seen as a spatial attribute of an event object. It is defined by an ordered 2-tuple  $\langle r, o \rangle$ , where  $r$  is a spatial relationship,  $o$  is a geo-context object.

By using the spatial predicates, the rule in Example 1 can be written as:

$$\langle \text{Within, Tract1} \rangle \rightarrow \langle \text{Close to, Freya St} \rangle \quad (a\%, l\%) \quad (1)$$

where  $\langle \text{Within, Tract1} \rangle$  is the condition of the rule, and  $\langle \text{Close to, Freya St} \rangle$  is the prediction of the rule, both of which are spatial predicates. In parenthesis,  $a\%$  denotes condition support, implying how many crime cases (in percentage) satisfy the condition of the rule, i.e.,  $\langle \text{Within, Tract1} \rangle$ . Symbol  $l\%$  denotes the rule lift, implying the ratio of confidence for the rule (the probability that the prediction is true given that the condition is true) to the prior probability of having the prediction of the rule. Therefore, lift measures the gain in prediction accuracy by using the rule. Rules without sufficiently large  $a\%$  and  $l\%$  could not be regarded as significant. Besides condition support and lift, there are other statistics controlling the rule generation, which will be explained in details in section 2.5.

A spatial association rule describes the spatial distribution pattern of a set of event objects by their spatial relationships with the geo-context objects. However, as analyzed by Dong et al. (2012b), existing spatial association rule mining approaches have a major limitation that they cannot effectively involve all available non-spatial information of the spatial objects. As a result, many interesting rules expressing richer information (e.g., the combinations of spatial and non-spatial information) cannot be found even if non-spatial information that could be useful for rule discovery is available.

This document describes the Generalized Spatial Association Rule (GSAR) mining algorithm, which remedies this significant shortcoming. GSAR is capable of exploiting all available information of the spatial objects, including spatial and non-spatial information.

## 2. Generalized Spatial Association Rule (GSAR)

GSAR combines and extends the merits of the traditional spatial association rule (Koperski and Han, 1995) and the generalized association rule (Srikant and Agrawal, 1995, Han and Fu, 1995) so that much more information can be involved in analysis than ever before.

The overall flow of the Generalized Spatial Association Rule (GSAR) mining algorithm includes the following steps.

Step 1: User specifies event objects and geo-context objects, as well as spatial predicates and criteria for mining association rules.

Step 2: Compute spatial relationships between event objects and geo-context objects, and construct spatial predicate transaction table.

Step 3: Involve non-spatial attributes of event objects, if provided.

Step 4: Involve non-spatial attributes of geo-context objects, if provided.

Step 5: Rule mining, and the output will be GSAR.

Each of the steps is described in the following subsections. We use the crime analysis in Example 1 as a sample scenario to explain each step.

### 2.1. Initialization

First, the user needs to specify which spatial objects in the inputs are event objects, and which are geo-context objects. Suppose we are given a set of crime history, where each crime case has latitude and longitude coordinates, and multiple map layers are available. To analyze the crime patterns using the map

layers, a user can specify the crime cases as event objects, and all the census tracts (may appear as polygons in the database), streets and roads (may appear as polylines) as geo-context objects. Usually, some attributes of all these spatial objects are also available (e.g., the type of crime, the population density of census tracts, etc.). Such information is important for discovering interesting patterns. Typically, an attribute table is associated with each layer of spatial objects.

## 2.2. Construction of Spatial Predicate Transaction Table

To mine spatial association rules, a spatial predicate transaction table of event objects needs to be constructed. Each row of the transaction table contains the spatial predicates of one event object. Let us consider the crime analysis scenario in Example 1. A sample spatial predicate transaction table of the crime cases is given in Table 1, where the ID column represents crime case identifier. The “*close to*” relationship can be defined by a condition such as a distance less than 500 feet. The spatial relationships “*within*” and “*close to*” used here are two typical topological relationships. Other types of spatial relationships, such as directional relationships, can also be used.

Table 1: A Sample Spatial Predicate Transaction Table

ID	Spatial Predicates
1	<Within, Tract1>, <Close to, Freya St>, <Close to, Wellesley Av>
2	<Within, Tract2>
3	<Within, Tract1>, <Close to, Freya St>

By treating spatial predicates as items<sup>1</sup>, a traditional association rule mining algorithm, such as Apriori, can be applied to the spatial predicate transaction table, producing spatial patterns of crimes as rules.

Nonetheless, the spatial predicates only express the spatial attributes of event objects. Non-spatial attributes of reference and geo-context objects, which can also be useful for finding interesting rules, are not included in the transaction table. In fact, involving non-spatial attributes of event objects is straightforward, which is done in the next step.

## 2.3. Involving Non-Spatial Attributes of Event objects

In some cases where non-spatial attributes of event objects are not available, or the user does not want to involve them in analysis, this step can be omitted. Otherwise, the information can be involved by expanding the transaction table by joining available non-spatial attributes<sup>2</sup> of event objects by their unique

<sup>1</sup> Items can be flag-type conditions that indicate the presence or absence of a particular thing in a specific transaction or simply categories of categorical variables.

<sup>2</sup> The non-spatial information is either categorical, or discretized according to user specified cutpoints, or discretized automatically through equal width binning.

identifiers. Suppose each crime case has two non-spatial attributes, crime type and day of week on which it was reported. After joining, the resulting expanded transaction table will look like Table 2.

Table 2: Spatial Predicate Transaction Table Expanded from Table 1

ID	Non-spatial Attributes	Spatial Predicates
1	Drugs, Tuesday	<Within, Tract1>, <Close to, Freya St>, <Close to, Wellesley Av>
2	Robbery, Friday	<Within, Tract2>
3	Vehicle Theft, Monday	<Within, Tract1>, <Close to, Freya St>

## 2.4. Involving Non-Spatial Attributes of Geo-Context Objects

Available non-spatial attributes of geo-context objects are also important for finding interesting patterns. However, if such non-spatial attributes are involved (as above) and a traditional association rule mining algorithm is applied, a large number of redundant patterns that provide nothing interesting can be generated. For instance, suppose Freya St has a non-spatial attribute Load=Heavy. If we simply append this attribute to Table 2, treat it as a usual item, and run Apriori, the following itemset<sup>3</sup> of length two can be found as frequent:

{<Close to, Freya St>, <Close to, Load=Heavy>}

This itemset correlates Freya St with its attribute Load=Heavy. Nonetheless, it provides nothing new to the known information and therefore is redundant. Any rule generated from it thus is also meaningless. Ideally, such patterns should be prevented from pattern generation. However, traditional association rule mining treats items equally and independently. Therefore, in the above case, Freya St and Load=Heavy cannot be prevented from appearing within the same itemset or rule.

GSAR supports user-specified pairs of fields to exclude, so that results can be more relevant and interesting. After removing those pairs, generalized spatial predicates are inferred from spatial predicates. For example, as given in table 3, <Within, POPDEN=Low> and <Within, RMF=Avg> are generalized spatial predicates of <Within, Tract1>, and <Close to, Road> is a generalized spatial predicate of <Close to, Freya St>. We can find that a non-spatial attribute (or a concept) of a geo-context object can only appear in a generalized spatial predicate by replacing the corresponding geo-context object.

Table 3: Transaction Table Further Expanded from Table 2 with Generalized Spatial Predicates

ID	Non-spatial Attributes	Spatial Predicates	Generalized Spatial Predicates
1	Drugs, Tuesday	<Within, Tract1>, <Close to, Freya St>, <Close to, Wellesley Av>	<Within, POPDEN=Low>, <Within, RMF=Avg>, <Close to, Road>
2	Robbery, Friday	<Within, Tract2>	<Within, POPDEN=VeryHigh>, <Within, RMF=Avg>
3	Vehicle Theft, Monday	<Within, Tract1>, <Close to, Freya St>	<Within, POPDEN=Low>, <Within, RMF=Avg>, <Close to, Road>

<sup>3</sup> An itemset is a group of items which may or may not tend to co-occur within transactions.

## 2.5. Rule Mining

All the above steps can be regarded as data preparation for Generalized Spatial Association Rules (GSAR) mining. Now we give a definition of GSAR. A Generalized Spatial Association Rule (GSAR) extends the traditional spatial association rule so that it can contain (1) spatial relationships, (2) non-spatial attributes of event objects, and (3) non-spatial attributes of geo-context objects.

As can be seen, in the GSAR mining algorithm, above points (3) are expressed via the generalized spatial predicates. As described in previous sections, the expanded spatial predicate transaction table which contains non-spatial attributes of event objects (denoted by  $T$ ), is further expanded with generalized spatial predicates and becomes  $T'$ . Taking this as input, frequent itemsets are generated from  $T'$ , and pruning is applied on itemsets with length two. Then rules are generated. Details are summarized in Algorithm 1.

---

### Algorithm 1: Finding Generalized Spatial Association Rules (GSAR)

**Input:** An expanded spatial predicate transaction table  $T$ ; user input excluded field pairs  $S$ , minimum condition support  $a_{min}$ ; minimum lift  $l_{min}$ ; minimum rule support  $s_{min}$ ; minimum confidence  $c_{min}$ ; maximum rule length  $L$ .

**Output:** A set of rules

// Rule mining with redundant pattern pruning

- 1) Start from iteration  $k=1$ . Each item is a candidate itemset at this level.
  - 2) Treat all the elements in  $T'$  as ordinary items, and scan all candidate itemsets of size  $k$  to see if there are any with frequency exceeding a predetermined threshold of minimum rule support  $s_{min}$ . If yes, continue; otherwise, the iteration ends.
  - 3) Find all candidate itemsets of length  $k+1$  (for  $k=1$  the itemsets covered by user input excluded field pairs  $S$  are pruned). If such candidate itemsets are found, continue; otherwise, the iteration ends.
  - 4) From candidate itemsets, find frequent itemsets with support above or equal to  $a_{min}$ .
  - 5) Based on the frequent itemsets, generate association rules with lift values above or equal to  $l_{min}$ , and condition support above or equal to  $a_{min}$ , and confidence values above or equal to minimum confidence  $c_{min}$ .
  - 6) Increase  $k$  by one. If  $k \leq L$  then go to step 2); otherwise, the iteration ends.
- 

Note that GSAR turns to simple Apriori if geo-context objects or pairs of fields to exclude are not given. More details of the GSAR algorithm, as well as its time complexity analysis, can be found in Dong et al. (2012).

## 2.6. Evaluation Measures

The different measures emphasize different aspects of the rules.

Name	Range	Comments
<b>Condition support</b>	[0,100%]	Proportion of input transactions that contain the condition.
<b>Rule Support</b>	[0,100%]	Proportion of input transactions that contain the entire rule: conditions, and prediction. This indicates what percentage of the prediction in the inputs can be predicted through the condition.
<b>Confidence</b>	[0,100%]	Ratio of rule support to condition support. This is the probability of having the prediction in the condition population.
<b>Lift</b>	[1.0, infinity)	Ratio of confidence for the rule to the prior probability of having the prediction. For example, if 10% of the entire population buys bread, then a rule that predicts whether people will buy bread with 20% confidence will have a lift of $20/10 = 2$ . If another rule tells you that people will buy bread with 11% confidence, then the rule has a lift of close to 1, meaning that having the condition does not make a lot of difference in the probability of having the prediction. In general, rules with lift different from 1 will be more interesting than rules with lift close to 1. The GSAR component requires minimum lift to be no less than 1.
<b>Deployability</b>	[0,100%]	The percentage of the transactions that contain the condition but do not contain the prediction. In product purchase terms, it basically means what percentage of the total customer base owns (or has purchased) the condition but has not yet purchased the prediction.

## 3. Appendix

### 3.1. Detection of most interesting rules

Denote  $x_i^{(m)}$  as the value of rule  $i$  ( $i = 1, \dots, I$ ) along rule measurement dimension  $m$  ( $m = 1, \dots, M$ ). The rule  $i$  is considered "interesting" along dimension  $m$  if

$$x_i^{(m)} > \bar{X}^{(m)} + T * SD^{(m)}$$

where  $T$  is a constant, by default set to 3.  $\bar{X}^{(m)}$  and  $SD^{(m)}$  is the mean and standard deviation for dimension  $m$ , respectively. They are computed using the following steps:

1. Start with:  $W_0^{(m)} = \bar{X}_0^{(m)} = 0$ ,
2. Compute statistics below for  $i = 1$  to  $I$ . (Skip to next data record when  $x_i^{(m)}$  is missing):

$$W_i^{(m)} = W_{i-1}^{(m)} + 1,$$

$$V_i^{(m)} = \frac{1}{W_i^{(m)}} (x_i^{(m)} - \bar{X}_{i-1}^{(m)})$$

$$\bar{X}_i^{(m)} = \bar{X}_{i-1}^{(m)} + V_i^{(m)}$$

3. After the last rule  $i = I$  has been processed, return the following result

$$\bar{X}^{(m)} = \bar{X}_I^{(m)}$$

$$SD^{(m)} = \sqrt{\frac{1}{I-1} \sum_{i=1}^I (x_i^{(m)} - \bar{X}_I^{(m)})^2}$$

The effect size of interestingness  $Q_i^{(m)}$  is evaluated by

$$Q_i^{(m)} = \begin{cases} 0, & \text{if } x_i^{(m)} \leq \bar{X}^{(m)} + T * SD^{(m)} \\ \frac{x_i^{(m)} - \bar{X}^{(m)}}{SD^{(m)}} - T, & \text{if } x_i^{(m)} > \bar{X}^{(m)} + T * SD^{(m)} \end{cases}$$

A rule with greater  $Q_i^{(m)}$  is more interesting.

## References

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# SPATIAL TEMPORAL PREDICTION Algorithms

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## 1. Introduction

### 1.1 Background

Spatio-temporal statistical analysis has many applications. For example, energy management for buildings or facilities, performance analysis and forecasting for service branches, or public transport planning. In these applications, measurements such as energy usage are often taken over space and time. The key questions here are what factors will affect future observations, what can we do to effect a desired change, or to better manage the system. In order to address these questions, we need to develop statistical techniques which can forecast future values at different locations, and can explicitly model adjustable factors to perform what-if analyses.

However, these analytical needs are not the focus of traditional spatio-temporal statistical research. In traditional statistical research, spatio-temporal analysis is treated just as an extension of spatial analysis and focuses more on looking for patterns in past data rather than forecasting future values. The traditional spatio-temporal research targets different application areas such as environmental research. There are, however, different types of spatio-temporal problems in which time is the key component. We therefore need to treat spatio-temporal analysis as a unique type of problem itself, not an extension to spatial analysis. Moreover, we need to explicitly model these factors to allow for what-if analysis. Although these kinds of problems could be addressed by traditional methods, the emphasis is quite different.

This algorithm assumes a fixed set of spatial locations (either point location or center of an area) and equally spaced time stamps common across locations. It can issue predicted or interpolated values at locations with no response measurements (but with available covariates). We call our model spatio-temporal prediction (STP).

The goal of the STP algorithm is to address the needs for solving the spatio-temporal problems. STP can generate predictions at any location within a 3D space for any future time. It also explicitly models the external factors so we can perform what-if analysis.

### 1.2 Handling of missing data

The algorithm is designed to accommodate missing values in the response variable, as well as in the predictors. We consider an observation at a given time point and location 'complete' if all predictors and the response are observed at that time and location. To allow for model fitting in spite of missing data, all of the following conditions must be met:

1. At each location, observations need to be complete for at least one sequence of at least  $L + 2$  consecutive time points.
2. At each location  $s_i$ , for any pair of locations  $s_i, s_j, s_j \neq s_i$ , observations must be complete at *both* locations simultaneously for at least two sequences of  $L + 2$  consecutive time points.

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3. Overall, at least  $L$  sequences of at least  $L + 2$  consecutive time points must be present in the data (to allow for estimation of  $\alpha$ ).
4. The total number of complete samples must be at least equal to  $D + L + 2$ , where  $D$  is the number of predictors, including the intercept, and  $L$  the user-specified lag.
5. After removing locations according to the rules above, no more than 5% of the remaining records should be incomplete. As an example, if after removing locations,  $n$  locations and  $m$  time stamps remain, no more than  $n \times m \times .05$  records should be incomplete.

The above conditions should be verified in the following order:

Step 1. Remove locations that do not meet condition 1.

Step 2. Remove locations that violate condition 2 in the following order:

- (a) Let  $J$  be the set of points that violate condition 2.
- (b) Eliminate from the data set the observation(s) that violate condition 2 for the greatest number of pairs. In case of a tie, remove all observations that are tied.
- (c) Update  $J$  by removing any observations that now no longer violate Condition 2. That is, remove observation that only violated the condition 2 in a pair with the observations that were removed in Step 2b.
- (d) Iterate steps 2b and 2c until  $J$  is empty.

Step 3. If after Steps 1 and 2, conditions 3-5 are violated, the model cannot be fit.

## 2 Model

### 2.1 Notation

The following notation is used for the model inputs:

Name	Symbol	Type	Dimensions
Number of time stamps	$m > L$	integer	1
Number of measurement locations	$n \geq 3$	integer	1
Number of prediction grid points	$N$	integer	1
Number of predictors (including intercept)	$D$	integer	1
Index of time stamps	$t \in \{1, \dots, m\}$	integer	1
Spatial coordinates	$s \in \{s_1, \dots, s_n\}; s_j = (u_j, v_j, w_j)'$	vector	$3 \times 1$
Targets observed at location $s$ and time $t$	$Y_t(s)$	scalar	1
Targets observed at location $s$	$Y(s)$	vector	$m \times 1$
Targets observed at time $t$	$Y_t$	vector	$n \times 1$
Predictors observed at location $s$ and time $t$	$X_t(s) = (X_{t,1}(s), \dots, X_{t,D}(s))'$	vector	$D \times 1$
Predictors observed at location $s$	$X(s) = (X_1(s), \dots, X_m(s))'$	matrix	$m \times D$
Predictors observed at time $t$	$X_t = (X_t(s_1), \dots, X_t(s_n))'$	matrix	$n \times D$
Maximum autoregressive time lag	$L > 0$	integer	1
Length of prediction steps	$H > 0$	integer	1

### Notes

- i. For a predictor that does not vary over space,  $X_{t,d}(s_1) = X_{t,d}(s_2) = \dots = X_{t,d}(s_n)$ ;
- ii. For a predictor that does not evolve over time,  $X_{1,d}(s) = X_{2,d}(s) = \dots = X_{m,d}(s)$ .

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The following notation is used for model definition and computation:

Name	Symbol	Type	Dimension
Coefficient vector for linear model	$\beta = (\beta_1, \dots, \beta_D)$	vector	$D$
Coefficient vector for AR model	$\alpha = (\alpha_1, \dots, \alpha_L)$	vector	$L$
Vector of 1's	$1 = (1, \dots, 1)$	vector	variable
Kronecker product	$\otimes$	operator	NA

## 2.1 Model structure

$$Y_t(s) = \sum_{d=1}^D \beta_d X_{t,d}(s) + Z_t(s) \quad (1)$$

where  $Z_t(s)$  is mean-zero space-time correlated random process. Users can specify whether an “intercept” term needs to be included in the model. The inference algorithm works with general “continuous” variables, and with or without intercept.

- Autoregressive model, AR( $L$ ) for time autocorrelation (Brockwell and Davis, 2002):

$$Z_t(s) = \sum_{l=1}^L \alpha_l Z_{t-l}(s) + \epsilon_t(s) \quad (2)$$

Note that users need to specify the maximum AR lag  $L$ .

Let  $\epsilon_t = (\epsilon_t(s_1), \dots, \epsilon_t(s_n))'$  be the AR residual vector at time  $t$ . Since the time autocorrelation effect has already been removed,  $\epsilon_{L+1}, \dots, \epsilon_m$  are independent.

- Parametric or nonparametric covariance model for spatial dependence:

$$V(\epsilon_t) = \Sigma_S, t = L + 1, \dots, m \quad (3)$$

where  $\Sigma_S = \{R(s_i, s_j)\}_{i,j=1,\dots,n}$  is a  $n \times n$  covariance matrix of spatial covariance functions  $R(s, s') = Cov(Y_t(s), Y_t(s'))$  at observed locations. Two alternative ways of modeling the spatial covariance function  $R(s_i, s_j)$  are implemented - a *variogram-based parametric* model (Cressie, 1993) and a *Empirical Orthogonal Functions (EOF)-based nonparametric* model (Cohen and Johnes, 1969; Creutin and Obled, 1982).

Note that users can specify which covariance model to be used.

- If a “parametric model” is chosen, the algorithm will automatically test for the goodness-of-fit. If the test suggests a parametric model is not adequate, the algorithm switch to EOF model fitting and issue prediction based on EOF model.
- If a EOF model is chosen, the switching test part will be skipped, and both model fitting and prediction will follow EOF-based algorithm.

Under this model decomposition, the covariance structure for the spatio-temporal process  $Y = (Y'_{L+1}, \dots, Y'_m)'$  is of separable form

$$V(Y) = V(Z) = \Sigma = \Sigma_T \otimes \Sigma_S \quad (4)$$

where  $\Sigma_T = \{\gamma_T(t - t')\}_{t=L+1,\dots,m;t'=L+1,\dots,m}$  is the  $(m - L) \times (m - L)$  AR( $L$ ) covariance matrix with the autocovariance function.

## 3 Estimation algorithm

This section provides details on the multi-step procedure to fit the STP model (see Figure 1) when the user specifies a “parametric model”. If an “empirical model” is specified, the

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switching test part will be skipped, and both model fitting and prediction follows EOF-based algorithm.

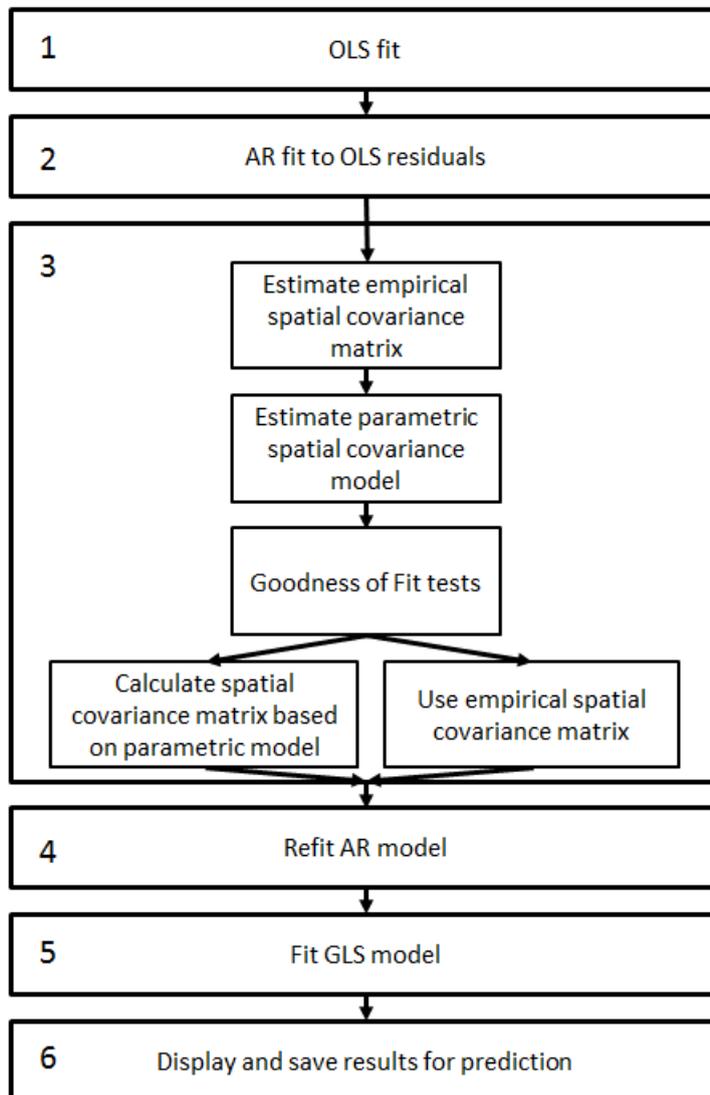


Figure 1. Flowchart of algorithm steps for model fitting when a “parametric model” is specified.

Step 1: Fit regression model by ordinary least squares (OLS) regression using only observations that have no missing values (see Section 3.1).

We first ignore the spatio-temporal dependence in the data and simply estimate the fixed regression part by OLS and obtain the regression residuals  $Z_t(s)$ .

Step 2: Fit autoregressive model using only data without missing values (see Section 3.2).

Ignoring spatial dependence in OLS residuals  $Z_t(s)$ , we estimate autoregressive coefficients by fitting the regression model (2) and obtain the AR residuals  $\epsilon_t(s)$ .

Step 3: Fit spatial covariance model and test for goodness of fit on data without missing values (see Section 3.3).

We fit a parametric spatial covariance model. We perform two Goodness of Fit tests to decide whether to continue with the parametric covariance model or the empirical covariance matrix.

Step 4: Refit autoregressive model using augmented data (see Section 3.4).

We refit autoregressive model accounting for spatial dependence by generalized least squares (GLS) and obtain improved AR coefficients  $\alpha$ .

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Step 5: Refit Regression model using augmented data (see Section 3.5).

We obtain improved regression coefficients  $\beta$  by GLS to account for spatio-temporal correlation in the data.

Step 6: Save the results for use in output and prediction.

### 3.1 Fit regression model

We first ignore the spatio-temporal dependence in the data and simply estimate the fixed regression part by OLS. Assume that out of  $nm$  location-time combinations,  $q$  samples have missing values in either  $X$  or  $Y$ . Let  $Y = (Y', \dots, Y')'$ , a  $(nm - q) \times 1$ -vector and  $X = (X_1', \dots, X_m')'$ , a  $(mn - q) \times D$  matrix, such that  $X$  and  $Y$  contain only complete observations, i.e., observations without any missing values. The OLS estimates of the regression coefficients are:

$$\hat{\beta} = (X'X)^{-1}X'Y \quad (5)$$

The residuals are:

$$\hat{Z} = Y - X\hat{\beta}. \quad (6)$$

### 3.2 Fit autoregressive model

We estimate autoregressive coefficients by OLS assuming no spatial correlation and AR(L) as model for time-series autocorrelation,

$$\hat{Z}_t = \alpha_1 \hat{Z}_{t-1} + \dots + \alpha_L \hat{Z}_{t-L} + \epsilon_t, \quad (7)$$

where  $\hat{Z}_t$  is a  $n_t \times 1$  vector. Note that due to the existence of missing values, the number of locations  $n_t$  varies among different time points. Moreover, for each time points  $t$ , only locations with no missing values at  $L + 1$  consecutive time points, i.e.,  $(t, t - 1, \dots, t - L)$  can be used for model fitting, therefore,  $\sum_{t=L+1}^m n_t \leq [n(m - L) - q]$ .

Step 1: Construct  $n_t \times L$  time lag matrix

Step 2: Let  $\hat{Z}_{lag} = (\hat{Z}'_{L+1-lag}, \dots, \hat{Z}'_{m-lag})'$  and  $\hat{Z}^* = (\hat{Z}'_{L+1}, \dots, \hat{Z}'_m)'$ . Solve the linear system

$$(\hat{Z}'_{lag} \hat{Z}_{lag}) \alpha = \hat{Z}'_{lag} \hat{Z}^* \quad (9)$$

which is equivalent to solving

$$\left( \sum_{t=L+1}^m \hat{Z}'_{t-lag} \hat{Z}_{t-lag} \right) \alpha = \sum_{t=L+1}^m \hat{Z}'_{t-lag} \hat{Z}_t \quad (10)$$

using the sweep operation to find estimate  $\hat{\alpha}$ .

Step 3: Compute the de-autocorrelated AR(L) residuals

$$\hat{\epsilon}_t = \hat{Z}_t - \hat{\alpha}_1 \hat{Z}_{t-1} - \dots - \hat{\alpha}_L \hat{Z}_{t-L}, t = L + 1, \dots, m \quad (11)$$

### 3.3 Fit model and check goodness of fit for spatial covariance structure

We explicitly model the spatial covariance structure among locations, rather than using variogram estimation.

Under the assumption of the model (stationarity, AR-relationship removed), the mean of the residuals is 0 at all locations. We therefore estimate the unadjusted empirical covariances  $s_{ij}$  and correlations  $r_{ij}$  assuming mean 0, i.e.,

$$\mathbf{S} = [s_{ij}]_{i,j=1,\dots,n}, s_{ij} = \frac{1}{t_{ij}} \sum_t \hat{\epsilon}_t(s_i) \hat{\epsilon}_t(s_j) \quad (12)$$

where  $t_{ij}$  is the number of complete residual pairs between locations  $s_i$  and  $s_j$ , and  $t$  indexes these pairs, i.e., the time points for which both  $\hat{\epsilon}_t(s_i)$  and  $\hat{\epsilon}_t(s_j)$  are non-missing.

$$r_{ij} = \frac{s_{ij}}{\sqrt{s_{ii}s_{jj}}} \quad (13)$$

To determine whether to model the spatial covariance structure parametrically or to use the nonparametric EOF model, we perform the following two tests sequentially:

1. Fit parametric model to covariances using the parameter vector  $\boldsymbol{\psi} = (\sigma^2, \theta, \tau^2)$  (Cressie 1993)

$$\text{Cov}(\epsilon_t(s_i), \epsilon_t(s_j); \hat{\boldsymbol{\psi}}) = \begin{cases} \hat{\sigma}^2 \exp(-(\hat{h}_{ij}/\hat{\theta})^p), & \text{if } \hat{h}_{ij} > 0; \\ \hat{\sigma}^2 + \hat{\tau}^2, & \text{otherwise.} \end{cases} \quad (14)$$

where  $\hat{h}_{ij} = \|s_i - s_j\|_2$  is the Euclidean distance between locations  $s_i$  and  $s_j$ . Users need to specify the values for the order parameter  $p$ .

$p \in [1, 2]$  is a user-defined parameter that determines the class of covariance models to be fit.  $p = 1$  corresponds to an exponential covariance model,  $p = 2$  results in a Gaussian covariance model and  $p \in (1, 2)$  belongs to the powered exponential family.

Next, determine if there is a significant decay over space by testing  $H_0: -1/\theta^p \geq 0$ . If we fail to reject  $H_0$ , we conclude that the decay over space is not significant, and EOF estimation will be used. If EOF estimation is used, there is not need to calculate  $\theta$ ,  $\sigma$  or  $\tau$ , as we have concluded that they are invalid descriptions of the covariance matrix. In fact, there may not be valid solutions for these parameters, therefore they should not be estimated.

2. If the previous test rejects  $H_0$ , test for homogeneity of variances among locations: if homogeneity of variances is rejected, EOF estimation will be used. Otherwise, the parametric covariance model will be used.

#### 3.3.1 Fit and test parametric model

- a) Enforce a minimum correlation of +.01: if  $r_{ij} < .01$ , set  $s_{ij} = .01\sqrt{s_{ii}s_{jj}}$  and  $r_{ij} = .01$ .
- b) Let  $\mathbf{s}$  be the vectorized lower triangular of the covariance matrix (excluding the diagonal, i.e., excluding variances),  $\mathbf{r}$  be the vectorized lower triangular of the correlation matrix (excl. diagonal), and  $\mathbf{h}$  the corresponding vector of pairwise distances between the  $n$  locations.  $\mathbf{s}$ ,  $\mathbf{r}$  and  $\mathbf{h}$  are each vectors of length  $n(n-1)/2$ .

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Define  $\varphi = -1/\theta^p$ . Fit the linear model  $\ln \mathbf{s} = \ln \sigma^2 + \varphi \mathbf{h}^p$  using a GLS fit:

$$\mathbf{A} = [1, \mathbf{h}^p] \quad (15)$$

$$\mathbf{V}^{-1} = \frac{1}{2} \mathbf{T}(\mathbf{B}^{-1} - c\mathbf{b}\mathbf{b}')\mathbf{T} \quad (16)$$

where  $\mathbf{b} = 2\mathbf{r}^2/(1 - \mathbf{r}^2)$ ,  $\mathbf{r}^2$  is obtained by squaring each element of vector  $\mathbf{r}$ ,  $\mathbf{B}^{-1} = \text{diag}(\mathbf{b})$ , and scalar  $c = 1/(1 + \mathbf{1}'\mathbf{B}^{-1}\mathbf{1})$ . Also, let  $\mathbf{T} = \text{diag}[\sqrt{t_k}]$ ,  $k = 1, \dots, n(n-1)/2$ , where  $t_k$  is the number of pairs of de-autocorrelated residuals in the calculation of the corresponding element  $r_k$  in  $\mathbf{r}$ , i.e., the number of observations pairs that went into calculating  $r_k$ , which may be different for each entry of the covariance matrix, depending on missing values. Note that  $t_k$  corresponds to the vectorized lower triangular of  $[t_{ij}]_{i,j=1,\dots,n}$ , where  $t_{ij}$  are as defined in (12).

Let  $\boldsymbol{\eta} = (\ln \sigma^2, \varphi)$ , the GLS estimator can be calculated as

$$\hat{\boldsymbol{\eta}} = (\mathbf{A}'\mathbf{V}^{-1}\mathbf{A})^{-1} \mathbf{A}'\mathbf{V}^{-1}\ln \mathbf{s}$$

The standard error for  $\hat{\boldsymbol{\eta}}$  will be  $se(\hat{\boldsymbol{\eta}}) = \sqrt{\text{diag}[(\mathbf{A}'\mathbf{V}^{-1}\mathbf{A})^{-1}]}$ .

Calculate the test statistic  $z_1 = \frac{\hat{\varphi}}{se(\hat{\varphi})}$ . If  $z_1 \geq z_{.05}$ , where  $z_{.05}$  is the .05 quantile of the standard normal distribution (or critical value for selected level of significance  $\gamma_1$ ), then all following calculations will be performed using the empirical spatial covariance matrix, i.e.,  $\Sigma_S = \mathbf{S}$ , and the nonparametric EOF model will be used for prediction. Equivalently, a p-value  $p_1$  can be calculated by evaluating the standard Normal cumulative distribution function (CDF) at  $z_1$  (i.e.,  $p_1 = P(Z < z_1)$ ). If  $p_1 \geq$  level of significance  $\gamma_1$ , then all following calculations will be performed using the empirical covariance matrix.

- c) If the previous test does reject  $H_0$  (i.e., we have not yet decided to continue with the empirical covariance matrix), continue to perform the following test: Let  $\mathbf{v} = (s_{11}, s_{22}, \dots, s_{nn})'$  be the  $(n \times 1)$ -vector of location-specific variances. Calculate the weighted mean variance  $\bar{v}$

$$\bar{v} = \mathbf{1}'\mathbf{W}^{-1}\mathbf{v}/(\mathbf{1}'\mathbf{W}^{-1}\mathbf{1}) = \mathbf{1}'\mathbf{W}^{-1}\mathbf{v} / \sum_{i,j} w_{ij}^* \quad (17)$$

where  $\mathbf{W} = [w_{ij}] = [s_{ij}^2/t_{ij}]_{i,j=1,\dots,n}$  is an  $n \times n$  matrix, where  $t_{ij}$  is defined as in (12), and  $\mathbf{W}^{-1} = [w_{ij}^*]_{i,j=1,\dots,n}$ .

Calculate the test statistic  $z_2 = (\mathbf{v} - \bar{v})'\mathbf{W}^{-1}(\mathbf{v} - \bar{v})$ . If  $z_2 \geq \chi_{n-1, .95}^2$  (or critical value for  $[1 - \text{selected level of significance } \gamma_2]$ ), all following calculations will be performed using the empirical spatial covariance matrix, i.e.,  $\Sigma_S = \mathbf{S}$ , and the nonparametric EOF model will be used for prediction. Equivalently, one may compute a p-value  $p_2$  by evaluating 1 minus the  $\chi_{n-1}^2$  - CDF:  $p_2 = P(\chi_{n-1}^2 > z_2)$ . If  $p_2 <$  level of significance  $\gamma_2$ , then all following calculations will be performed using the empirical spatial covariance matrix.

- d) If the two tests in b) and c) do not indicate a switch to the EOF model, all following calculations will be performed using the parametric covariance model, i.e., the spatial covariance matrix  $\Sigma_S$  is constructed according to (14). Recall that  $\boldsymbol{\eta} = (\ln \sigma^2, -1/\theta^p)$ .

The missing parameter  $\tau^2$  is derived as  $\widehat{\tau^2} = \max\left\{0, \frac{1}{n} \sum_{i=1,\dots,n} s_{ii} - \exp[\widehat{\ln \sigma^2}]\right\}$ .

### 3.4 Re-fit autoregressive model

We refit the autoregressive model accounting for spatial dependence using GLS with augmented data:

Step 1: Compute the Cholesky factorization  $\Sigma_S = \mathbf{H}_S \mathbf{H}'_S$  and the inverse matrix  $\mathbf{H}'_S$ .

Step 2: Substitute 0 for missing values such that  $\hat{\mathbf{Z}}_{t-lag,impute}$  is an  $n \times L$  matrix and  $\hat{\mathbf{Z}}_{t,impute}$  is a vector of length  $n$ .

Step 3: Augment predictor matrix as follows. Let  $\hat{\mathbf{Z}}_{lag,impute} = (\hat{\mathbf{Z}}'_{L+1-lag,impute}, \dots, \hat{\mathbf{Z}}'_{m-lag,impute})'$  be a  $n(m-L) \times L$  matrix and  $\hat{\mathbf{Z}}_{impute} = (\hat{\mathbf{Z}}'_{L+1,impute}, \dots, \hat{\mathbf{Z}}'_{m,impute})'$  is a vector of length  $n(m-L)$ , then

$$\tilde{\mathbf{Z}}_{lag,aug} = (\tilde{\mathbf{Z}}_{lag,impute}, \dots, \mathbf{I}_{Zmiss})$$

where  $\mathbf{I}_{Zmiss}$  is a  $n(m-L) \times q_Z$  indicator matrix given  $q_Z$  the total number of rows with missing values in either  $\tilde{\mathbf{Z}}^*$  or  $\tilde{\mathbf{Z}}_{lag}$ . If there is a missing value in the  $i$ th row of either  $\tilde{\mathbf{Z}}^*$  or  $\tilde{\mathbf{Z}}_{lag}$ , and if this is the  $j$ th out of all  $q_Z$  rows that have missing values, then the  $j$ th column of  $\mathbf{I}_{Zmiss}$  is all 0 except for the  $i$ th element, which is set to 1.

Step 4: Remove the spatial correlation:  $\tilde{\mathbf{Z}}_{t-lag,aug} = \mathbf{H}_S^{-1} \tilde{\mathbf{Z}}_{t-lag,aug}$  and  $\tilde{\mathbf{Z}}_{t,impute} = \mathbf{H}_S^{-1} \tilde{\mathbf{Z}}_{t,impute}$ , where  $\tilde{\mathbf{Z}}_{t-lag,aug}$  are the submatrices of  $\tilde{\mathbf{Z}}_{lag,aug}$  that correspond to the rows of the matrices  $\tilde{\mathbf{Z}}_{t-lag,impute}$ .

Step 5: Use the same computational steps as for the linear system in equation (10) to solve the linear system

$$\left( \sum_{t=L+1}^m \tilde{\mathbf{Z}}'_{t-lag,aug} \tilde{\mathbf{Z}}_{t-lag,aug} \right) \boldsymbol{\alpha}_{aug} = \sum_{t=L+1}^m \tilde{\mathbf{Z}}'_{t-lag,aug} \tilde{\mathbf{Z}}_{t,impute} \quad (18)$$

where  $\boldsymbol{\alpha}_{aug}$  is a vector of length  $L + q_Z$ , and there are  $L^* + q^*$  non-redundant parameters in above linear system. The AR coefficient estimate  $\hat{\boldsymbol{\alpha}}$  is the subvector consisting of the first  $L$  elements of  $\hat{\boldsymbol{\alpha}}_{aug}$ , there are  $L^*$  non-redundant parameters in first  $D$  elements of  $\hat{\boldsymbol{\alpha}}_{aug}$ , and  $q_Z^*$  non-redundant parameters in last  $q_Z$  elements of  $\hat{\boldsymbol{\alpha}}_{aug}$ .

### 3.5 Re-fit Regression model

Refit regression model by GLS using augmented data to account for spatio-temporal correlation in the data.

Step 1: Substitute the following for missing values such that  $\mathbf{X}_{impute}$  is a  $nm \times D$  matrix and  $\mathbf{Y}_{impute}$  is a vector of length  $nm$ : at location  $s_i$ , use the mean of  $\mathbf{Y}(s_i)$  and the mean of each predictor in  $\mathbf{X}(s_i)$ .

Step 2: Augment predictor matrix as follows.

$$\mathbf{X}_{aug} = (\mathbf{X}_{impute}, \mathbf{I}_{Xmiss})$$

where  $\mathbf{I}_{Xmiss}$  is a  $nm \times q$  indicator matrix given  $q$  the total number of rows with missing values in either  $\mathbf{X}$  or  $\mathbf{Y}$ . If there is a missing value in  $i$ th row of either  $\mathbf{X}$  or  $\mathbf{Y}$ , and if this is the  $j$ th out of all  $q$  rows that have missing value, then the  $j$ th column

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of  $\mathbf{I}_{X_{miss}}$  is all 0 except for the  $i$ th element, which is 1.

Step 3: Remove the spatial correlation:  $\tilde{\mathbf{X}}_{t,aug} = \mathbf{H}_S^{-1}\mathbf{X}_{t,aug}$  and  $\tilde{\mathbf{Y}}_{t,impute} = \mathbf{H}_S^{-1}\mathbf{Y}_{t,impute}$ .

Step 4: Remove the autocorrelation:

$$\tilde{\mathbf{X}}_{t,aug} = \tilde{\mathbf{X}}_{t,aug} - \hat{\alpha}_1\tilde{\mathbf{X}}_{t-1,aug} - \dots - \hat{\alpha}_L\tilde{\mathbf{X}}_{t-L,aug}, t = L + 1, \dots, m \quad (19)$$

$$\tilde{\mathbf{Y}}_{t,impute} = \tilde{\mathbf{Y}}_{t,impute} - \hat{\alpha}_1\tilde{\mathbf{Y}}_{t-1,impute} - \dots - \hat{\alpha}_L\tilde{\mathbf{Y}}_{t-L,impute}, t = L + 1, \dots, m \quad (20)$$

Step 5: Solve the linear system

$$(\tilde{\mathbf{X}}'_{aug}\tilde{\mathbf{X}}_{aug})\boldsymbol{\beta}_{aug} = \tilde{\mathbf{X}}'_{aug}\tilde{\mathbf{Y}}_{impute} \quad (21)$$

where  $\tilde{\mathbf{Y}}_{impute} = (\tilde{\mathbf{Y}}'_{L+1,impute}, \dots, \tilde{\mathbf{Y}}'_{m,impute})'$ , an  $n(m-L) \times 1$ -vector and  $\tilde{\mathbf{X}}_{aug} = (\tilde{\mathbf{X}}'_{L+1,aug}, \dots, \tilde{\mathbf{X}}'_{m,aug})'$ , a  $n(m-L) \times (D+q)$  matrix,  $\boldsymbol{\beta}_{aug}$  is a vector of length  $D+q$ , and there are  $D^* + q^*$  non-redundant parameters in above linear system. The regression coefficients estimate  $\hat{\boldsymbol{\beta}}$  is the subvector consisting of first  $D$  elements of  $\hat{\boldsymbol{\beta}}_{aug}$ , there are  $D^*$  non-redundant parameters in first  $D$  elements of  $\hat{\boldsymbol{\beta}}_{aug}$ , and  $q^*$  non-redundant parameters in last  $q$  elements of  $\hat{\boldsymbol{\beta}}_{aug}$ .

## 3.6 Statistics to display

### 3.6.1 Goodness of Fit statistics

We present statistics referring to the three main elements of the model: the mean structure, the spatial covariance structure, and the temporal structure.

#### 1. Goodness of fit mean structure model $\mathbf{X}\boldsymbol{\beta}$ :

Let  $\mathcal{Q}$  be the set of observations  $(Y_t(s), \mathbf{X}_t(s))$  that have missing values in either  $Y_t(s)$  or  $\mathbf{X}_t(s)$ . Note that  $q$  has been defined as the number of observations in  $\mathcal{Q}$ .

Calculate the mean squared error (MSE) and an  $R^2$  statistic based only on complete observations:

$$\text{MSE} = \sum_{\substack{s \in \{s_1, \dots, s_n\}; \\ t = 1, \dots, m; \\ Y_t(s) \notin \mathcal{Q}}} (Y_t(s) - \hat{Y}_t(s))^2 / (nm - q - D^*) \quad (22)$$

$$R^2 = \begin{cases} 1 - \frac{\sum_{\substack{s \in \{s_1, \dots, s_n\}; \\ t = 1, \dots, m; \\ Y_t(s) \notin \mathcal{Q}}} (Y_t(s) - \hat{Y}_t(s))^2}{\sum_{\substack{s \in \{s_1, \dots, s_n\}; \\ t = 1, \dots, m; \\ Y_t(s) \notin \mathcal{Q}}} Y_t(s)^2}, & \text{if there is no intercept} \\ 1 - \frac{\sum_{\substack{s \in \{s_1, \dots, s_n\}; \\ t = 1, \dots, m; \\ Y_t(s) \notin \mathcal{Q}}} (Y_t(s) - \hat{Y}_t(s))^2}{\sum_{\substack{s \in \{s_1, \dots, s_n\}; \\ t = 1, \dots, m; \\ Y_t(s) \notin \mathcal{Q}}} (Y_t(s) - \bar{Y}_t(s))^2}, & \text{if there is an intercept} \end{cases} \quad (23)$$

where  $\hat{Y}_t(s) = \mathbf{X}'_t(s)\boldsymbol{\beta}$ ,  $D^*$  is the number of non-redundant parameters of re-fitted regression in first  $D$  elements of  $\hat{\boldsymbol{\beta}}_{aug}$ , and  $\bar{Y}_t(s)$  is the mean of  $Y$  only on complete observations. Note that for this calculation the original (untransformed) observations  $\mathbf{Y}$  and covariates  $\mathbf{X}$  are used. Alternatively, we can calculate the adjusted  $R^2$

## 2. Goodness of fit for AR model:

Present  $t$ -tests for AR parameters based on variance estimates in item 3 in Section 3.6.2.

## 3. Goodness of fit of spatial covariance model:

Present the test statistics listed in item 5 in Section 3.6.2.

### 3.6.2 Model and parameter estimates

The following information should be displayed as a summary of the model:

1. Model coefficients  $\hat{\beta}, \hat{\alpha}$  obtained in Sections 3.4 and 3.5
2. Standard errors of elements of  $\beta$  based on  $V(\hat{\beta})$ , the covariance matrix of  $\hat{\beta}$ , which is the upper  $D \times D$  submatrix of  $V(\hat{\beta}_{aug})$ :

$$V(\hat{\beta}_{aug}) = \frac{SS_e}{df_e} \times (\bar{X}'_{aug} \bar{X}_{aug})^{-1} = \frac{SS_e}{df_e} \times \left( \sum_{t=L+1}^m \bar{X}'_{t,aug} \bar{X}_{t,aug} \right)^{-1} \quad (25)$$

where

- $SS_e = \sum_{i=1}^N (\tilde{Y}_{impute} - (\tilde{Y}_{impute})^*)^2 = \tilde{r}_{\tilde{Y}\tilde{Y}}(n(m-L) - 1)V(\tilde{Y}_{impute})$ ,
  - $(\tilde{Y}_{impute})^*$  is the predicted value based on estimated  $\hat{\beta}$ ,
  - $\tilde{r}_{\tilde{Y}\tilde{Y}}$  is corresponding element of  $\tilde{Y}_{impute}$  in the correlation matrix of re-fitted regression after sweep operation,
  - $n(m-L)$  is number of transformed records used in equation (21) for re-fit regression,
  - and  $V(\tilde{Y}_{impute})$  is variance of  $\tilde{Y}_{impute}$ .
- $df_e = n(m-L) - p$ , and  $p = D^* + q^*$  is the number of non-redundant parameters in re-fitted regression.

Based on these standard errors,  $t$ -test statistics and/or  $p$ -values may be computed and displayed according to standard definitions and output scheme of linear models (please refer to linear model documentation):

- (a) For each element  $\beta_j$  of  $\hat{\beta}$  and the corresponding  $j$ -th diagonal element of  $V(\hat{\beta})$ ,

$$j = 1, \dots, D, \text{ compute the } t\text{-statistic } t_j = \beta_j / \sqrt{V(\hat{\beta})_{jj}}$$

- (b) The  $p$ -value corresponding to  $t_j$  is  $2 \times$  the value of the cumulative distribution function of a  $t$ -distribution with  $nm - q - D^*$  degrees of freedom, i.e.,  $p_j = 2 \cdot$

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$$(1 - P(t_{nm-q-D^*} \leq |t_j|)).$$

Note that depending on the implementation of the GLS estimation in Section 3.5,  $(\tilde{X}'_{aug}\tilde{X}_{aug})^{-1}$  may have already been computed, in which case this expression does not need to be recalculated.

- Standard errors of  $\alpha$  based on  $V(\hat{\alpha})$ , the covariance matrix of  $\hat{\alpha}$ , which is the upper  $L \times L$  submatrix of  $V(\hat{\alpha}_{aug})$ :

$$V(\hat{\alpha}_{aug}) = \frac{SS_e^*}{df_e^*} \times \left( \sum_{t=L+1}^m \tilde{Z}'_{t-lag,aug} \tilde{Z}_{t-lag,aug} \right)^{-1} \quad (26)$$

where

- $SS_e^* = \sum_{i=1}^N (\tilde{Z}_{t,impute} - (\tilde{Z}_{t,impute})^*)^2 = \tilde{r}_{\tilde{Z}\tilde{Z}}(n(m-L) - 1)V(\tilde{Z}_{t,impute})$ ,
  - $(\tilde{Z}_{t,impute})^*$  is the predicted value based on estimated  $\hat{\alpha}$  and  $\tilde{Z}_{t-lag,aug}$
  - $\tilde{r}_{\tilde{Z}\tilde{Z}}$  is corresponding element of  $\tilde{Z}_{t,impute}$  in the correlation matrix of re-fitted autoregressive model after sweep operation,
  - $n(m-L)$  is number of transformed records used in equation (18) for re-fit autoregressive,
  - and  $V(\tilde{Z}_{t,impute})$  is variance of  $\tilde{Z}_{t,impute}$ .
- $df_e^* = n(m-L) - p_{AR}$ , and  $p_{AR} = L^* + q_Z^*$  is the number of non-redundant parameters in re-fitted autoregressive model.

Based on these standard errors, t-test statistics and/or p-values may be computed and displayed according to standard definitions and output scheme of linear models.

- For each element  $\alpha_j$  of  $\hat{\alpha}$  and the corresponding  $j$ -th diagonal element of  $V(\hat{\alpha})$ ,  $j = 1, \dots, L$ , compute the t-statistic  $t_j = \alpha_j / \sqrt{V(\hat{\alpha})_{jj}}$
- The p-value corresponding to  $t_j$  is  $2 \times$  the value of the cumulative distribution function of a t-distribution with  $\sum_{t=1}^m n_t - L^*$  degrees of freedom, i.e.,  $p_j = 2 \cdot (1 - P(t_{\sum_{t=1}^m n_t - L^*} \leq |t_j|))$ .

- Indicator of which method has been automatically chosen to model spatial covariances, either empirical covariance (EOF) or parametric variogram model.
- Test statistics from goodness of fit tests for parametric model:
  - Test statistic  $z_1$ , p-value  $p_1$ , level of significance  $\gamma_1$  used for automated test for fit of slope parameter
  - Test statistic  $z_2$ , p-value  $p_2$ , level of significance  $\gamma_2$  used for testing homogeneity of variances
- Parametric covariance parameters  $\psi$  if parametric model has been chosen

### 3.6.3 Tests of effects in Mean Structure Model (Type III)

For each effect specified in the model, type III test matrix  $L$  is constructed and  $H_0: L_i\beta = 0$  is tested. Construction of type III matrix  $L$  as well as generating estimable function (GEF) is based on the generating matrix  $H$ , which is the upper  $D \times D$  submatrix of

$(\tilde{X}'_{aug}\tilde{X}_{aug})^{-1}\tilde{X}'_{aug}\tilde{X}_{aug}$ , such that  $L_i\beta$  is estimable. It involves parameters only for the

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given effect. For type III analysis,  $L$  does not depend on the order of effects specified in the model. If such a matrix cannot be constructed, the effect is not testable.

Then the  $L$  matrix is then used to construct the test statistic

$$F = \frac{\hat{\beta}'L'(L\Sigma L')^{-1}L\hat{\beta}}{r_c}$$

where

- $\hat{\beta}$  is the subvector of the first  $D$  elements of  $\hat{\beta}_{aug}$  obtained in Step 5 of Section 3.5,
- $r_c = rank(L\Sigma L')$ ,
- $\Sigma$  is the covariance matrix of  $\hat{\beta}$ , which is the upper  $D \times D$  submatrix of  $V(\hat{\beta}_{aug})$  defined in equation (25).

The statistic has an approximate  $F$  distribution. The numerator degrees of freedom  $df1$  is  $r_c$  and the denominator degrees of freedom  $df2$  is  $nm - q - D^*$ , where  $D^*$  is the number of non-redundant parameters in the first  $D$  parameters of refitted regression model obtained in Section 3.5. Then the p-values can be calculated accordingly.

An additional test also should be computed, which is similar to “corrected model” if there is an intercept or “model” if there is no intercept in ANOVA table in linear regression. Essentially, the null hypothesis is regression parameters (except intercept if there is on) are zeros. The test statistic would be the same as the above F statistic except the L matrix is from GEF. If there is no intercept, the L matrix is the whole GEF. If there is an intercept, the L matrix is GEF without the first row which corresponds to the intercept.

Statistics saved for Test of effects in Mean Structure Model (including corrected model or model):

- $F$  statistics
- $df1$
- $df2$
- $p$ -value

### 3.6.4 Location clustering for spatial structure visualization

Large spatial covariance matrix or correlation matrix are not suitable to demonstrate the relation among the locations. Grouping method, also called community detection or position analysis (Wasserman, 1994), can be used to identify some representative location clusters. To simplify the implementation, hierarchical clustering (Johnson, 1967) is used to detect clusters among locations based on STP model spatial statistics.

Please note location clustering is only supported when empirical nonparametric covariance model is used.

Given a set of  $n$  locations  $\{s_1, \dots, s_n\}$  in STP to be clustered, and their corresponding spatial correlation matrix  $R$ , a  $n \times n$  matrix, as the similarity matrix

$$R = [r_{ij}]_{i,j=1,\dots,n}$$

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Given similarity threshold  $\alpha$  with default value 0.2, and  $N_C$  with default value 10, the process of location clustering is described in following steps, which is based on the basic process of hierarchical clustering.

Step 1. Initialize the clusters and similarities:

- Assign each location  $s_i$  to a cluster  $C_i$  ( $i = 1, \dots, n$ ). So that for  $n$  locations, the total number of clusters  $n_C = n$  at the beginning, and each cluster has just one location,
- Define the set of clusters:  $C$ ,
- Define similarity matrix

$$R^C = [r_{ij}^C]_{i,j=1,\dots,n}$$

where the similarity  $r_{ij}^C$  between the clusters  $C_i$  and  $C_j$  is the similarity  $r_{ij}$  between location  $s_i$  and  $s_j$ .

Step 2. Find 2 clusters  $C_i$  and  $C_j$  in  $C$  with largest similarity  $\max(r_{ij}^C)$ ,

If  $\max(r_{ij}^C) > \alpha$ :

- Merge  $C_i$  and  $C_j$  into a new cluster  $C_{\langle i,j \rangle}$  to include all locations in  $C_i$  and  $C_j$ ,
- Compute similarities between the new cluster  $C_{\langle i,j \rangle}$  and other clusters  $C_k$ ,  $k \neq i$  and  $j$

$$r_{\langle i,j \rangle, k}^C = \min(r_{ik}^C, r_{jk}^C)$$

- Update  $C$  by adding  $C_{\langle i,j \rangle}$ , discarding  $C_j$  and  $C_i$ . So  $n_C = n_C - 1$ .
- Update similarity matrix  $R^C$  by adding  $r_{\langle i,j \rangle, k}^C$ , discarding  $r_{ik}^C$  and  $r_{jk}^C$ , go to step 3.

If  $\max(r_{ij}^C) \leq \alpha$ , go to step 4.

Step 3. Repeat step 2.

Step 4. For all the detected clusters with more than 1 location, compute following statistics:

- Cluster size:  $n_{C_i}$  is the number of locations in  $C_i$ ,
- Closeness:  $d_i = \frac{1}{n_{C_i}(n_{C_i} - 1)/2} \sum r_{kl}, \forall s_k, s_l \in C_i, \text{ and } k \neq l$ .

Step 5. Define clusters for interactive visualization:

- $C_{closeness}$ : The first  $N_C$  clusters sorted by descending closeness  $d_i$ ,
- $C_{size}$ : The first  $N_C$  clusters sorted by descending cluster size  $n_{C_i}$ .

Step 6. Output the union for location cluster visualization:

$$C^* = C_{closeness} \cup C_{size}$$

Statistics saved for spatial structure visualization including:

4. Number of excluded locations during handling of missing data
5. Spatial correlation matrix  $\mathbf{R} = [r_{ij}]_{i,j=1,\dots,n}$
6. Statistics of each output location cluster in  $C^*$ :
  - Closeness  $d_i$
  - Cluster size  $n_{C_i}$
  - Coordinates of locations in this cluster

### 3.7 Results saved for prediction

1. Model coefficients  $\hat{\beta}$ ,  $\hat{\alpha}$  the covariance estimate  $V(\hat{\beta})$  as defined in (25).
2. Transformed regression residuals and predictors of  $L$  most recent observations for prediction:

$$\check{Z}_{m-l+1} = \mathbf{H}'_S^{-1} \mathbf{H}_S^{-1} (\mathbf{Y}_{m-l+1,impute} - \mathbf{X}_{m-l+1,aug} \hat{\beta}_{aug}), l = 1, \dots, L \quad (27)$$

$$\check{X}_{m-l+1,impute} = \mathbf{H}'_S^{-1} \mathbf{H}_S^{-1} \mathbf{X}_{m-l+1,impute}, l = 1, \dots, L \quad (28)$$

3. Indicator of which method has been chosen to model spatial covariances, either empirical covariance (EOF) or parametric variogram model.
4. Parametric covariance parameters  $\psi$  if parametric model has been chosen.
5. Coordinates of locations  $s$ .
6. Number of unique time points used for model build,  $m$ .
7. Number of records with missing values in the data set used in model building,  $q$ .
8. Spatial covariance matrix  $\Sigma_S$ .
9.  $H_S^{-1}$ , inverse of Cholesky factor of spatial covariance matrix.

## 4 Prediction

We perform the following procedure to issue predictions for future time  $m + 1, \dots, m + H$  at prediction locations  $\mathbf{G} = (\mathbf{g}_1, \dots, \mathbf{g}_N)$  using the results saved in the output file (see Figure 2). The input data set format should include location  $\mathbf{G}$ , predictors  $\mathbf{X}$  for  $t = m + 1, \dots, m + H$ .

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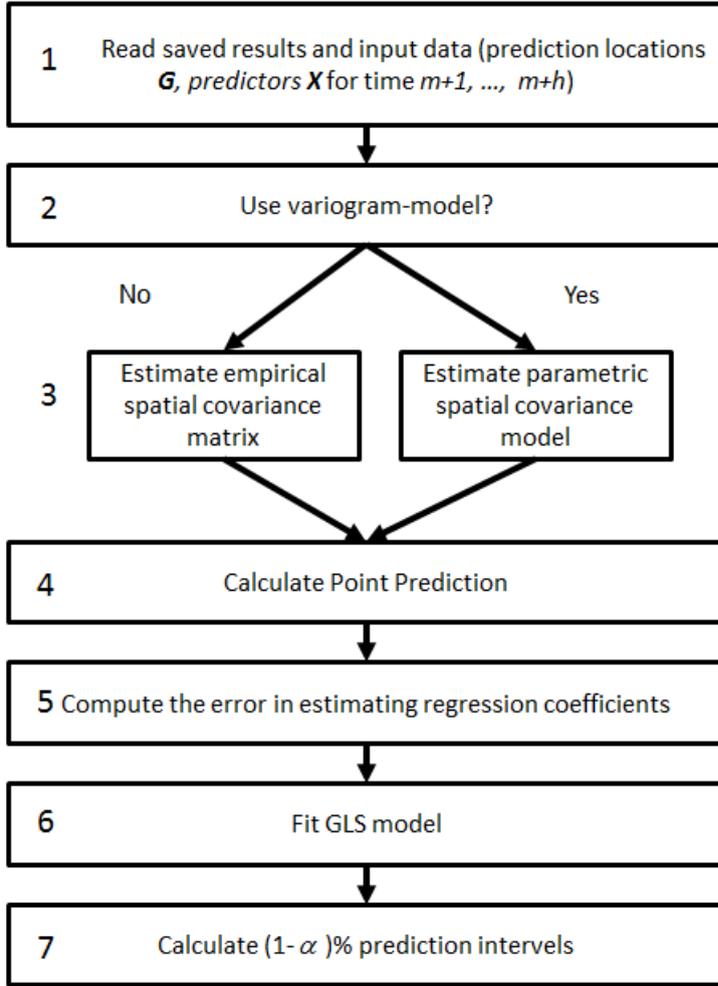


Figure 2. Flowchart of algorithm steps for model prediction

### 4.1 Point prediction

Step 1: Construct the  $N \times n$  spatial covariance matrix to capture the spatial dependence between prediction grids  $\mathbf{g} \in \mathbf{G}$  and original sample locations  $\mathbf{s}$ .

- If variogram-based spatial covariance matrix

$$V_S(\mathbf{g}) = V(\epsilon_t(\mathbf{g})) = \sigma^2 + \tau^2 \quad (29)$$

and

$$\mathbf{C}_S(\mathbf{G}) = \{Cov(\epsilon_t(\mathbf{g}_i), \epsilon_t(\mathbf{s}_j); \hat{\psi})\}_{i=1, \dots, N; j=1, \dots, n} \quad (30)$$

according to (14) for all locations  $\mathbf{g}$  (whether locations were included in the model build or not).

- If EOF-based spatial covariance function is used:

For locations  $\mathbf{g}_i$  that are included in the original sample locations  $\mathbf{s}$ ,  $Cov_{EOF}(\epsilon_t(\mathbf{g}_i), \epsilon_t(\mathbf{s}))$  is equal to the row corresponding to location  $\mathbf{g}_i$  in the empirical covariance matrix  $\Sigma_S$  and  $V_S(\mathbf{g}_i)$  is equal to the empirical variance at that location, i.e., the diagonal element of  $\Sigma_S$  corresponding to that location.

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For locations  $g_i$  that were not included in the model build, calculate the spatial covariance in the following way:

- (a) Perform eigendecomposition on the empirical covariance matrix

$$\mathbf{S} = \mathbf{\Phi}\mathbf{\Lambda}\mathbf{\Phi}'$$

where  $\mathbf{\Phi} = (\phi_1, \dots, \phi_n)$  with  $\Phi_k = (\phi_k(s_1), \dots, \phi_k(s_n))'$  is the  $n \times n$  matrix of eigenvectors and  $\mathbf{\Lambda} = \text{diag}(\lambda_1, \dots, \lambda_n)$  is the  $n \times n$  matrix of eigenvalues.

- (b) Apply inverse distance weighting (IDW) (Shepard 1968) to interpolate eigenvectors to locations with no observations.

$$\phi_k(\mathbf{g}) = \sum_{i=1}^n \frac{w_i(\mathbf{g})\phi_k(s_i)}{\sum_{j=1}^n w_j(\mathbf{g})}, k = 1, \dots, n$$

where

$$w_i(\mathbf{g}) = \frac{1}{\text{dist}(\mathbf{g}, s_i)^\rho}$$

is an Inverse Distance Weighting (IDW) function with  $\rho \leq d$  for  $d$ -dimensional space and  $\text{dist}(\mathbf{g}, s_i)$  may be any distance function. As a default value, use Euclidean distance with  $\rho = 2$  and  $\text{dist}(\mathbf{g}, s_i)^2 = (\mathbf{g} - s_i)'(\mathbf{g} - s_i)$ .

- (c) The EOF-based spatial variance-covariance functions are

$$V_S(\mathbf{g}) = V(\epsilon_t(\mathbf{g})) = \sum_{k=1}^n \lambda_n \phi_k^2(\mathbf{g}) \quad (31)$$

and

$$\text{Cov}(\epsilon_t(\mathbf{g}_i), \epsilon_t(\mathbf{g}_j)) = \sum_{k=1}^n \lambda_n \phi_k(\mathbf{g}_i)\phi_k(\mathbf{g}_j) \quad (32)$$

and the corresponding  $N \times n$  spatial covariance matrix

$$\mathbf{C}_S(\mathbf{G}) = \{\text{Cov}_{EOF}(\epsilon_t(\mathbf{g}_i), \epsilon_t(\mathbf{g}_j))\}_{i=1, \dots, N; j=1, \dots, n} \quad (33)$$

Note that under the EOF model, we allow for space-varying variances.

Step 2: Spatial interpolation to prediction locations  $\mathbf{g}$  for the most recent  $L$  time units,

$$\mathbf{Z}_{m-L+1}, \dots, \mathbf{Z}_m$$

$$\tilde{\mathbf{Z}}_{m-l+1}(\mathbf{G}) = \mathbf{C}_S(\mathbf{G})\mathbf{\Sigma}_S^{-1}\mathbf{Z}_{m-l+1} = \mathbf{C}_S(\mathbf{G})\tilde{\mathbf{Z}}_{m-l+1}, l = 1, \dots, L \quad (34)$$

where  $\tilde{\mathbf{Z}}_{m-l+1}(\mathbf{G})$  is a vector of length  $N$ .

Step 3: Iteratively forecast for future time  $m + 1, \dots, m + H$  at prediction locations  $\mathbf{G}$ .

$$\tilde{\mathbf{Z}}_{m+1}(\mathbf{G}) = \hat{\alpha}_1 \tilde{\mathbf{Z}}_m(\mathbf{G}) + \dots + \hat{\alpha}_L \tilde{\mathbf{Z}}_{m-L+1}(\mathbf{G}) \quad (35)$$

$$\tilde{\mathbf{Z}}_{m+2}(\mathbf{G}) = \hat{\alpha}_1 \tilde{\mathbf{Z}}_{m+1}(\mathbf{G}) + \dots + \hat{\alpha}_L \tilde{\mathbf{Z}}_{m-L+2}(\mathbf{G}) \quad (36)$$

$$\tilde{\mathbf{Z}}_{m+H}(\mathbf{G}) = \hat{\alpha}_1 \tilde{\mathbf{Z}}_{m+H-1}(\mathbf{G}) + \dots + \hat{\alpha}_L \tilde{\mathbf{Z}}_{m+H-L}(\mathbf{G}) \quad (37)$$

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where  $\widehat{\mathbf{Z}}_{m+h}(\mathbf{G}), h = 1, \dots, H$  are vectors of length  $N$ .

Step 4: Incorporate predicted systematic effect

$$\widehat{\mathbf{Y}}_{m+h}(\mathbf{G}) = \widehat{\mathbf{Z}}_{m+h}(\mathbf{G}) + X_{m+h}(\mathbf{G})\widehat{\boldsymbol{\beta}}, \quad h = 1, \dots, H \quad (38)$$

where  $\widehat{\mathbf{Y}}_{m+h}(\mathbf{G}), h = 1, \dots, H$  are vectors of length  $N$ .

### 4.2 Prediction intervals

Under the assumption of Gaussian Process and known variance components, the prediction error  $\widehat{Y}_{m+h}(\mathbf{g}_i) - Y_{m+h}(\mathbf{g}_i)$  comes from two sources:

- The prediction error that would be incurred even if regression coefficients  $\boldsymbol{\beta}$  were known.
- The error in estimating regression coefficients  $\boldsymbol{\beta}$

The variance of prediction error is thus

$$V[\widehat{Y}_{m+h}(\mathbf{g}_i) - Y_{m+h}(\mathbf{g}_i)] = (\mathbf{X}'_{m+h}(\mathbf{g}_i) - \mathbf{C}'_{m+h}(\mathbf{g}_i)\boldsymbol{\Sigma}^{-1}\mathbf{X}_{impute})\mathbf{V}(\widehat{\boldsymbol{\beta}})(\mathbf{X}'_{m+h}(\mathbf{g}_i) - \mathbf{C}'_{m+h}(\mathbf{g}_i)\boldsymbol{\Sigma}^{-1}\mathbf{X}_{impute})' \quad (39)$$

$$+ \mathbf{V}_{m+h}(\mathbf{g}_i) - \mathbf{C}'_{m+h}(\mathbf{g}_i)\boldsymbol{\Sigma}^{-1}\mathbf{C}_{m+h}(\mathbf{g}_i) \quad (40)$$

Expression (39) arises from the variance expression for universal kriging, while (40) is the variance of a predicted random effect with known variance of the random effects (McCulloch et al. 2008, p.171).

- $\mathbf{C}_{m+h}(\mathbf{g}_i) = \mathbf{C}_T(m+h) \otimes \mathbf{C}_S(\mathbf{g}_i)$  is the covariance vector of length  $nm$  between prediction  $Y_{m+h}(\mathbf{g}_i)$  and measurements  $Y_1(s), \dots, Y_m(s)$ . Note that  $\mathbf{C}_T(m+h) = \{\gamma_T(m+h-t)\}_{t=1,\dots,m}$  is the AR(L) covariance vector of length  $m$  and  $\mathbf{C}_S(\mathbf{g}_i) = \{\text{Cov}(Y_t(\mathbf{g}_i), Y_t(\mathbf{g}_j))\}_{j=1,\dots,n}$  is the spatial covariance vector of length  $n$ .
- The  $nm \times nm$  covariance matrix  $\boldsymbol{\Sigma}$  is defined as to  $\boldsymbol{\Sigma} = \boldsymbol{\Sigma}_T \otimes \boldsymbol{\Sigma}_S$  and  $\boldsymbol{\Sigma}_T = \{\gamma_T|t-t'|\}_{t,t'=1,\dots,m}$ . Note that  $\boldsymbol{\Sigma}_S$  is a quantity stored after the model build step.
- $V_{m+h}(\mathbf{g}_i) = V(Y_{m+h}(\mathbf{g}_i)) = \gamma_T(0)V_S(\mathbf{g}_i)$  is the variance of  $Y_{m+h}(\mathbf{g}_i)$ .
- Note that expressions (39) and (40) are not computed explicitly, but instead are implemented as described in the following.

#### Computational process:

Step 1: Compute the error in estimating regression coefficients  $\boldsymbol{\beta}$  in (39).

For  $l = 1, \dots, L$ , interpolate  $\mathbf{X}$  to prediction locations  $\mathbf{g}$  for the most recent  $L$  time units

$$\mathbf{P}_{m+1-l}(\mathbf{g}_i) = \mathbf{X}'_{m+1-l,impute}\boldsymbol{\Sigma}_S^{-1}\mathbf{C}_S(\mathbf{g}_i) = \bar{\mathbf{X}}'_{m+1-l,impute}\mathbf{C}_S(\mathbf{g}_i) \quad (41)$$

where  $\mathbf{P}_{m+1-l}(\mathbf{g}_i)$  is a vector of dimension  $D \times 1$ . Define

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$$\hat{X}_{m+h-l}(g_i) = \begin{cases} P_{m+h-l}(g_i), & \text{if } h-l \leq 0; \\ X_{m+h-l}(g_i), & \text{otherwise.} \end{cases} \quad (42)$$

For  $t = m - L + 1, \dots, m$  ( $h \leq l$ ), we only have  $X$  at sample locations  $s$ , so  $\hat{X}_t(g_i) = P_t(g_i)$ , the interpolated values from  $X_t(s)$ ; for  $t > m$  (or  $h > l$ ), we already input  $X$  at prediction locations  $g$ , so there is no need to interpolate and  $\hat{X}_t(g_i) = X_t(g_i)$ .

Then, for  $h = 1, \dots, H$ , recursively compute the  $D \times 1$  vectors  $W_{m+h}(g_i)$

$$W_{m+h}(g_i) = X_{m+h}(g_i) + \sum_{l=1}^L \hat{\alpha}_l (\hat{W}_{m+h-l}(g_i) - \hat{X}_{m+h-l}(g_i)) \quad (43)$$

where

$$\hat{W}_{m+h-l}(g_i) = \begin{cases} 0, & \text{if } h-l \leq 0; \\ W_{m+h-l}(g_i), & \text{otherwise.} \end{cases} \quad (7) \quad (44)$$

The prediction error in estimating  $\beta$ , that is, expression (39) is thus

$$W'_{m+h}(g_i) V(\hat{\beta}) W_{m+h}(g_i) \quad (45)$$

where  $V(\hat{\beta})$  is computed in (25).

Step 2: Compute the prediction error that would be incurred if regression coefficients  $\beta$  were known, i.e., equation (40).

- Compute  $C_T(m+h)$  by AR(L) autocovariance function  $\gamma_T(k)$  (McLeod 1975).

First, compute  $\gamma_T(0), \dots, \gamma_T(L)$  by solving a linear system  $AX = b$ ,

$$\begin{pmatrix} 1 & -\hat{\alpha}_1 & -\hat{\alpha}_2 & \dots & -\hat{\alpha}_{L-1} & -\hat{\alpha}_L \\ -\hat{\alpha}_1 & 1 - \hat{\alpha}_2 & -\hat{\alpha}_3 & \dots & -\hat{\alpha}_L & 0 \\ -\hat{\alpha}_2 & -(\hat{\alpha}_1 + \hat{\alpha}_3) & 1 - \hat{\alpha}_4 & \dots & 0 & 0 \\ -\hat{\alpha}_3 & -(\hat{\alpha}_2 + \hat{\alpha}_4) & -(\hat{\alpha}_1 + \hat{\alpha}_5) & \dots & 0 & 0 \\ \vdots & \vdots & \vdots & \ddots & \vdots & \vdots \\ -\hat{\alpha}_{L-2} & -(\hat{\alpha}_{L-3} + \hat{\alpha}_{L-1}) & -(\hat{\alpha}_{L-4} + \hat{\alpha}_L) & \dots & 0 & 0 \\ -\hat{\alpha}_{L-1} & -(\hat{\alpha}_{L-2} + \hat{\alpha}_L) & -\hat{\alpha}_{L-3} & \dots & 1 & 0 \\ -\hat{\alpha}_L & -\hat{\alpha}_{L-1} & -\hat{\alpha}_{L-2} & \dots & -\hat{\alpha}_1 & 1 \end{pmatrix} \begin{pmatrix} \gamma_T(0) \\ \gamma_T(1) \\ \gamma_T(2) \\ \gamma_T(3) \\ \vdots \\ \gamma_T(L-2) \\ \gamma_T(L-1) \\ \gamma_T(L) \end{pmatrix} = \begin{pmatrix} 1 \\ 0 \\ 0 \\ 0 \\ \vdots \\ 0 \\ 0 \\ 0 \end{pmatrix} \quad (46)$$

Note that the first element of the vector on the right hand side (the variance of the measurement error) is fixed to be one, to account for the normalization through the spatial variance-covariance structure.

For  $k = L + 1, \dots, m + H - 1$ , recursively compute

$$\gamma_T(k) = \hat{\alpha}_1 \gamma_T(k-1) + \dots + \hat{\alpha}_L \gamma_T(k-L) \quad (47)$$

Remark: To construct the  $(L+1) \times (L+1)$  matrix  $A$ ,

$$A_{ij} = \begin{cases} -[\alpha_{i-1}], & j = 1; i = 1, \dots, L+1 \\ -[\alpha_{i-j}] - [\alpha_{i+j-2}], & j = 2, \dots, L+1; i = 1, \dots, L+1. \end{cases} \quad (48)$$

where

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$$[\alpha_k] = \begin{cases} -1, & k = 0; \\ 0, & k < 0 \text{ or } k > L; \\ \hat{\alpha}_k, & 0 < k \leq L. \end{cases} \quad (49)$$

- Compute the approximated factorization of  $\Sigma_T^{-1}$  such that  $R'R \approx \Sigma_T^{-1}$ , where  $R$  is a  $(m - L) \times m$  matrix (follows from Cholesky or Gram-Schmidt orthogonalization, see for example Fuller 1975):

$$R = \begin{pmatrix} -\hat{\alpha}_L & \dots & -\hat{\alpha}_1 & 1 & 0 & 0 & \dots & \vdots \\ \vdots & \vdots & \vdots & \ddots & \ddots & \vdots & \vdots & \vdots \\ \dots & 0 & -\hat{\alpha}_L & \dots & -\hat{\alpha}_1 & 1 & 0 & 0 \\ \dots & \dots & 0 & -\hat{\alpha}_L & \dots & -\hat{\alpha}_1 & 1 & 0 \\ \dots & \dots & \dots & 0 & -\hat{\alpha}_L & \dots & -\hat{\alpha}_1 & 1 \end{pmatrix} \quad (50)$$

- Compute the value of expression (40):

$$\gamma_T(0)V_S(g_i) - (C'_T(m+h) \otimes C'_S(g_i))(R'R \otimes H_S^{-1}H_S^{-1})(C_T(m+h) \otimes C_S(g_i)) \quad (51)$$

where  $C'_S(g_i)$  is a the row of  $C_S(G)$  corresponding to location  $g_i$ .

Step 3: The  $(1 - \alpha\%)$  prediction interval is

$$\hat{Y}_{m+h}(g_i) \pm t_{nm-q-D^*, \alpha/2} \sqrt{V[\hat{Y}_{m+h}(g_i) - Y_{m+h}(g_i)]} \quad (55)$$

where  $V[\hat{Y}_{m+h}(g_i) - Y_{m+h}(g_i)]$  is the sum of equations (39) and (40) as computed in expressions (45) and (51), respectively.  $t_{nm-q-D^*, \alpha/2}$  is defined as  $P(X \leq t_{nm-q-D^*, \alpha/2}) = 1 - \alpha/2$  where  $X$  follows t-distribution with degree freedom  $nm - q - D^*$ . The default value for  $\alpha$  is 0.05.

As final output from the prediction step, point prediction, variances of point predictions and prediction interval (lower and upper bounds) are issued for each specified (location, time).

We remark that to perform what-if-analysis, a set of  $\mathbf{X}$  variables under the new settings need to be provided. Then we re-run the prediction algorithm described in Section 4 to obtain prediction results under adjusted settings.

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# SPCHART Algorithms

Nine types of Shewhart control charts can be created. In this chapter, the charts are grouped into five sections:

- X-Bar and R Charts
- X-Bar and s Charts
- Individual and Moving Range Charts
- p and np Charts
- u and c Charts

For each type of control chart, the process, the center line, and the control limits (upper and lower) are described.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

Table 95-1

### Notation

Notation	Description
$\sigma$	Population standard deviation for measurements $X$
$A$	Number of sigmas specified by the user, $0 \leq A \leq 9$
$K$	Number of subgroups
$n_i$	Number of units (samples) for subgroup $i$
$N$	Total sample size, equal to $n_1 + \dots + n_K$
$x_{ij}$	Measurement (observation) for the $j$ th unit (sample) of subgroup $i$
$\bar{x}_i$	Mean of measurements for subgroup $i$ , $\bar{x}_i = \left( \sum_{j=1}^{n_i} x_{ij} \right) / n_i$
$S_i$	Sample standard deviation for subgroup $i$ , $S_i^2 = \left( \sum_{j=1}^{n_i} (x_{ij} - \bar{x}_i)^2 \right) / (n_i - 1)$
$R_i$	Sample range for subgroup $i$ , $R_i = \max(x_{i1}, \dots, x_{in_i}) - \min(x_{i1}, \dots, x_{in_i})$
LCL	Lower Control Limit
UCL	Upper Control Limit

## Weight

Weights can be used when the data organization is Cases are units.

- Each value for weight must be a positive integer.
- Cases with either non-positive or fractional weights are dropped.
- When weight is in effect,  $n_i$  is a weighted sum for all the units in subgroup  $i$  and  $\bar{x}_i$  and  $x$  are weighted means.

## X-Bar and R Charts

When X-Bar and R charts are paired, the sample range statistic  $R$  is used to construct the control limits for the X-Bar chart.

*Note:* Subgroups whose sample sizes are less than the specified minimum value are dropped.

### Equal Sample Sizes

Assume that  $n_i = n$  for  $i = 1, \dots, K$ . The process for the X-Bar chart is  $\{x_i : i = 1, \dots, K\}$ . The center line for an X-Bar chart is the grand mean statistic:

$$\bar{\bar{x}} = \frac{1}{K} \sum_{i=1}^K \bar{x}_i$$

and the control limits are

$$\begin{aligned} \text{LCL} &= \bar{\bar{x}} - A\bar{R}/(d_2(n)\sqrt{n}) \\ \text{UCL} &= \bar{\bar{x}} + A\bar{R}/(d_2(n)\sqrt{n}) \end{aligned}$$

where

$$\bar{R} = \frac{1}{K} \sum_{i=1}^K R_i$$

is the mean range statistic. The process for an R chart is  $\{R_i : i = 1, \dots, K\}$ . The center line for an R chart is  $\bar{R}$  and the control limits are

$$\begin{aligned} \text{LCL} &= \max(\bar{R}(1 - Ad_3(n)/d_2(n)), 0) \\ \text{UCL} &= \bar{R}(1 + Ad_3(n)/d_2(n)) \end{aligned}$$

The auxiliary functions are

$$d_2(n) = \int_{-\infty}^{\infty} (1 - (1 - \Phi(x))^n - (\Phi(x))^n) dx$$

$$d_3(n) = \left( 2 \int_{-\infty}^{\infty} \int_{-\infty}^x (1 - (\Phi(x))^n - (1 - \Phi(y))^n + (\Phi(x) - \Phi(y))^n) dy dx - (d_2(n))^2 \right)^{\frac{1}{2}}$$

$$\Phi(z) = \int_{-\infty}^z \frac{1}{\sqrt{2\pi}} e^{-u^2/2} du$$

### Unequal Sample Sizes

The processes for X-Bar and R charts are the same as described in the section ‘‘Equal Sample Sizes’’ above. The center line for an X-Bar chart is the grand mean statistic (numerically identical to that in the section ‘‘Equal Sample Sizes’’):

$$\bar{\bar{x}} = \frac{1}{N} \sum_{i=1}^K n_i \bar{x}_i$$

and the control limits for subgroup  $i$  are

$$\begin{aligned} \text{LCL} &= \bar{x} - A\hat{\sigma}/\sqrt{n_i} \\ \text{UCL} &= \bar{x} + A\hat{\sigma}/\sqrt{n_i} \end{aligned}$$

The center line for an R chart for subgroup  $i$  is  $R_i = \hat{\sigma}d_2(n_i)$  for  $i = 1, \dots, K$  where

$$\hat{\sigma} = \frac{1}{K} \sum_{i=1}^K (R_i/d_2(n_i))$$

and the control limits for subgroup  $i$  are

$$\begin{aligned} \text{LCL} &= \max(R_i - A\hat{\sigma}d_3(n_i), 0) \\ \text{UCL} &= R_i + A\hat{\sigma}d_3(n_i) \end{aligned}$$

## X-Bar and s Charts

When X-Bar and s charts are paired, the sample standard deviation is used to construct the control limits for the X-Bar chart.

### Equal Sample Sizes

Assume  $n_i = n$ . The process for the X-Bar chart is  $\{x_i : i = 1, \dots, K\}$ . The center line for an X-Bar chart is  $\bar{x}$  and the control limits are

$$\begin{aligned} \text{LCL} &= \bar{x} - A\bar{S}/(c_4(n)\sqrt{n}) \\ \text{UCL} &= \bar{x} + A\bar{S}/(c_4(n)\sqrt{n}) \end{aligned}$$

The process for an s chart is  $\{S_i : i = 1, \dots, K\}$ . The center line for an s chart is

$$\bar{S} = \frac{1}{K} \sum_{i=1}^K S_i$$

and the control limits are

$$\begin{aligned} \text{LCL} &= \max\left(\bar{S}\left(1 - A\sqrt{(1 - (c_4(n))^2)}/c_4(n)\right), 0\right) \\ \text{UCL} &= \bar{S}\left(1 + A\sqrt{(1 - (c_4(n))^2)}/c_4(n)\right) \end{aligned}$$

The auxiliary function is

$$c_4(n) = \sqrt{\frac{2}{n-1} \frac{\Gamma(n/2)}{\Gamma((n-1)/2)}}$$

where  $\Gamma(\cdot)$  is the complete Gamma function.

*Note:* When  $n \geq 25$ ,  $c_4(n)\sqrt{n}$  can be approximated by  $\sqrt{n-0.5}$ ,  $\sqrt{(1 - (c_4(n))^2)}/c_4(n)$  can be approximated by  $1/\sqrt{2n-2.5}$ , and  $c_4(n)$  can be approximated by  $\sqrt{(4n-5)/(4n-3)}$ .

## Unequal Sample Sizes

The processes for X-Bar and s charts are the same as the processes in the section “Equal Sample Sizes” above. The center line for an X-Bar chart is  $\bar{x}$  and the control limits are

$$\begin{aligned} \text{LCL} &= \bar{x} - A\hat{\sigma}/\sqrt{n_i} \\ \text{UCL} &= \bar{x} + A\hat{\sigma}/\sqrt{n_i} \end{aligned}$$

or

$$\begin{aligned} \text{LCL} &= \bar{x} - AS_i/(c_4(n_i)\sqrt{n_i}) \\ \text{UCL} &= \bar{x} + AS_i/(c_4(n_i)\sqrt{n_i}) \end{aligned}$$

where

$$\hat{\sigma} = \frac{1}{K} \sum_{i=1}^K S_i/c_4(n_i)$$

However, the center line for an s chart for subgroup  $i$  is  $S_i = \hat{\sigma}c_4(n_i)$  for  $i=1, \dots, K$  and the control limits are

$$\begin{aligned} \text{LCL} &= \max \left( S_i - A\hat{\sigma}\sqrt{(1 - (c_4(n_i))^2)}, 0 \right) \\ \text{UCL} &= S_i + A\hat{\sigma}\sqrt{(1 - (c_4(n_i))^2)} \end{aligned}$$

or

$$\begin{aligned} \text{LCL} &= \max \left( S_i - AS_i\sqrt{(1 - (c_4(n_i))^2)}/c_4(n_i), 0 \right) \\ \text{UCL} &= S_i + AS_i\sqrt{(1 - (c_4(n_i))^2)}/c_4(n_i) \end{aligned}$$

## Individual and Moving Range Charts

When a weight variable is specified, each unit of the process is expanded to multiple units based on the case weight associated with this particular unit. The span (specified by the user) is associated with the expanded process. If the span is greater than  $N$  (the total number of units of the expanded process), an error message is displayed and neither an Individual nor a Moving Range chart is generated.

Since each subgroup has only one unit, the process for an Individual chart is  $\{y_i : i = 1, \dots, N\}$  where  $y_i$  is the  $i$ th unit of the expanded process. For a span of length  $m$ , the moving ranges, are

$$R_i = \begin{cases} \max(y_{i-m+1}, \dots, y_i) - \min(y_{i-m+1}, \dots, y_i) & \text{if } i = m, \dots, N \\ \text{SYSMIS} & \text{if } i = 1, \dots, m - 1 \end{cases}$$

The average moving range is

$$\bar{R} = \frac{1}{(N-m+1)} \sum_m^N R_i$$

The center line for an Individual chart is  $\bar{x}$  and the control limits for an Individual chart are

$$\begin{aligned} \text{LCL} &= \bar{x} - A\bar{R}/d_2(m) \\ \text{UCL} &= \bar{x} + A\bar{R}/d_2(m) \end{aligned}$$

The process for a moving range chart is  $\{R_i, i = m, \dots, N\}$ . The center line for a moving range chart is  $\bar{R}$ . The control limits for a moving range chart are

$$\begin{aligned} \text{LCL} &= \max(\bar{R}(1 - Ad_3(m)/d_2(m)), 0) \\ \text{UCL} &= \bar{R}(1 + Ad_3(m)/d_2(m)) \end{aligned}$$

## ***p* and *np* Charts**

The data for *p* and *np* charts are attribute data. Each measurement  $x_{ij}$  is either 0 or 1, where 1 indicates a non-conforming measurement. Therefore,

$$x_{i+} = \sum_{j=1}^{n_i} x_{ij}$$

is the count of non-conforming units for subgroup  $i$ . When a weight variable is specified,  $x_{i+}$  is a weighted sum of non-conforming units. If the data are aggregated and the value of the count variable is greater than the total number of units for any subgroup, this subgroup is dropped.

## ***Equal Sample Sizes***

Assume  $n_i = n$ . The process for a *p* chart is  $\{p_i : i = 1, \dots, K\}$  where  $p_i = x_{i+}/n$ . The center line for a *p* chart is

$$\bar{p} = \frac{1}{K} \sum_{i=1}^K p_i$$

and the control limits are

$$\begin{aligned} \text{LCL} &= \max\left(\bar{p} - A\sqrt{(\bar{p}(1 - \bar{p}))/n}, 0\right) \\ \text{UCL} &= \min\left(\bar{p} + A\sqrt{(\bar{p}(1 - \bar{p}))/n}, 1\right) \end{aligned}$$

The process for an *np* chart is  $\{x_{i+} : i = 1, \dots, K\}$ . The center line for an *np* chart is

$$\bar{x} = \frac{1}{K} \sum_{i=1}^K x_{i+}$$

and the control limits are

$$\begin{aligned} \text{LCL} &= \max\left(\bar{x} - A\sqrt{n\bar{p}(1 - \bar{p})}, 0\right) \\ \text{UCL} &= \min\left(\bar{x} + A\sqrt{n\bar{p}(1 - \bar{p})}, n\right) \end{aligned}$$

## ***Unequal Sample Sizes***

The process for a *p* chart is  $\{p_i : i = 1, \dots, K\}$  where  $p_i = x_{i+}/n_i$ . The center line for a *p* chart is

$$\bar{p} = \frac{1}{N} \sum_{i=1}^K x_{i+} = \frac{1}{N} \sum_{i=1}^K n_i p_i$$

and the control limits for subgroup  $i$  are

$$\begin{aligned} \text{LCL} &= \max \left( \bar{p} - A \sqrt{(\bar{p}(1-\bar{p}))/n_i}, 0 \right) \\ \text{UCL} &= \min \left( \bar{p} + A \sqrt{(\bar{p}(1-\bar{p}))/n_i}, 1 \right) \end{aligned}$$

The process for an np chart is  $\{x_{i+} : i = 1, \dots, K\}$ . However, the center line for an np chart for subgroup  $i$  is  $n_i \bar{p}$ . The control limits for subgroup  $i$  are

$$\begin{aligned} \text{LCL} &= \max \left( n_i \bar{p} - A \sqrt{(n_i \bar{p}(1-\bar{p}))}, 0 \right) \\ \text{UCL} &= \min \left( n_i \bar{p} + A \sqrt{(n_i \bar{p}(1-\bar{p}))}, n_i \right) \end{aligned}$$

*Note:* A warning message is issued when an np chart is requested for subgroups of unequal sample sizes.

## ***u and c Charts***

Measurements  $x_{ij}$  show the number of defects for the  $j$ th unit for subgroup  $i$ . Hence,

$$x_{i+} = \sum_{j=1}^{n_i} x_{ij}$$

is the total number of defects for subgroup  $i$ . When a weight variable is used,  $x_{i+}$  is a weighted sum of defects.

## ***Equal Sample Size***

Assume  $n_i = n$ . The process for a u chart is  $\{u_i : i = 1, \dots, K\}$  where  $u_i = x_{i+}/n$ . The center line for a u chart is

$$\bar{u} = \frac{1}{K} \sum_{i=1}^K u_i$$

and the control limits are

$$\begin{aligned} \text{LCL} &= \max \left( \bar{u} - A \sqrt{\bar{u}/n}, 0 \right) \\ \text{UCL} &= \bar{u} + A \sqrt{\bar{u}/n} \end{aligned}$$

The process for a c chart is  $\{x_{i+} : i = 1, \dots, K\}$ . The center line for a c chart is

$$\bar{c} = \frac{1}{K} \sum_{i=1}^K x_{i+}$$

and the control limits for a c chart are

$$\begin{aligned} \text{LCL} &= \max(\bar{c} - A\sqrt{\bar{c}}, 0) \\ \text{UCL} &= \bar{c} + A\sqrt{\bar{c}} \end{aligned}$$

## Unequal Sample Size

The process for a u chart is  $\{u_i : i = 1, \dots, K\}$  where  $u_i = x_{i+}/n$ . The center line for a u chart is

$$\bar{u} = \frac{1}{N} \sum_{i=1}^K x_{i+}$$

and the control limits are

$$\begin{aligned} \text{LCL} &= \max\left(\bar{u} - A\sqrt{\bar{u}/n_i}, 0\right) \\ \text{UCL} &= \bar{u} + A\sqrt{\bar{u}/n_i} \end{aligned}$$

The process for a c chart is  $\{x_{i+} : i = 1, \dots, K\}$ . The center line for subgroup  $i$  is  $n_i\bar{u}$  and the control limits are

$$\begin{aligned} \text{LCL} &= \max(n_i\bar{u} - A\sqrt{n_i\bar{u}}, 0) \\ \text{UCL} &= n_i\bar{u} + A\sqrt{n_i\bar{u}} \end{aligned}$$

*Note:* A warning message is issued when a c chart is requested for subgroups of unequal sample sizes.

## Statistics

This section discusses the capability and performance statistics that can be requested through SPCHART, and uses the following notation.

Table 95-2

*Notation*

Notation	Description
$\bar{x}$	the total sample mean.
$s$	the total sample/process standard deviation.
$\hat{\sigma}$	the estimated sigma in the Process Capability Indices.
$\mu_o$	the nominal or the target value, given by the user.
LSL	the lower specification limit, given by the user.
USL	the upper specification limit, given by the user.

## Assumptions

- The process is in control. ( $\bar{x}$  and  $s$  are finitely estimated.)
- The measured variable is normally distributed.

## Prerequisites

- For the Process Capability Indices except  $CpK$  and the Process Performance Indices except  $PpK$ , both LSL and USL must be specified by the user, satisfying  $LSL < USL$ . For  $CpK$  and  $PpK$ , at least one of LSL and USL must be specified by the user.
- A target value  $\mu_o$  such that  $LSL \leq \mu_o \leq USL$  must be given by the user for  $CpM$  and  $PpM$  to be computed.

## Process Capability Indices

The estimated capability sigma  $\hat{\sigma}$  may be computed in one of four ways.

- (1). If it is to be based on the sample within-subgroup variance,

$$\hat{\sigma} = \sqrt{\frac{\sum_{i=1}^k \sum_{j=1}^{n_i} (x_{ij} - \bar{x}_i)^2}{\sum_{i=1}^k (n_i - 1)}}$$

- (2). If it is to be based on the mean range,

$$\hat{\sigma} = \frac{\sum_{i=1}^k \frac{R_i}{d_2(n_i)}}{k}$$

$$\text{where } d_2(n_i) = \int_{-\infty}^{\infty} 1 - (1 - \Phi(x))^{n_i} - (\Phi(x))^{n_i} dx \text{ with } \Phi(x) = \int_{-\infty}^x \frac{1}{\sqrt{2\pi}} e^{-u^2/2} du$$

Note that  $n_i$  may or may not be equal for different subgroups. If they are all equal, we may write

$$\hat{\sigma} = \frac{\bar{R}}{d_2(n_i)}$$

where  $\bar{R} = \sum_{i=1}^k R_i / k$ , the mean range.

- (3). If it is to be based on the mean standard deviation,

$$\hat{\sigma} = \frac{\sum_{i=1}^k \frac{s_i}{c_4(n_i)}}{k}$$

where  $c_4(n_i) = \sqrt{\frac{2}{n_i-1} \frac{\Gamma(n_i/2)}{\Gamma((n_i-1)/2)}}$ , with the complete Gamma function  $\Gamma()$ .

Note that  $n_i$  may or may not be equal for different subgroups. If they are all equal, we may write

$$\hat{\sigma} = \frac{\bar{s}}{c_4(n_i)}$$

- (4). If it is to be based on the mean moving range,

$$\hat{\sigma} = \frac{\sum_{i=m}^n \frac{MR_i}{d_2(m)}}{n-m+1} = \frac{\overline{MR}}{d_2(m)}$$

where

$$MR_i = \begin{cases} \max(y_{i-m+1}, \dots, y_i) - \min(y_{i-m+1}, \dots, y_i), & \text{if } i = m, \dots, n \\ \text{sysmis}, & \text{if } i = 1, \dots, m-1 \end{cases}$$

and  $n$  is the total sample size,  $m$  is the user-given length of span, and  $MR_i$  is the  $i$ th moving range for the data.

All of the capability indices, except  $K$ , require  $\hat{\sigma}$ , and in order to define them, we must have  $\hat{\sigma} > 0$ .

**CP: Capability of the process**

$$CP = \frac{USL - LSL}{6\hat{\sigma}}$$

**CpL: The distance between the process mean and the lower specification limit scaled by capability sigma**

$$CpL = \frac{\bar{x} - LSL}{3\hat{\sigma}}$$

**CpU: The distance between the process mean and the upper specification limit scaled by capability sigma**

$$CpU = \frac{USL - \bar{x}}{3\hat{\sigma}}$$

**K: The deviation of the process mean from the midpoint of the specification limits**

$$K = \frac{2|(\text{USL} + \text{LSL})/2 - \bar{x}|}{\text{USL} - \text{LSL}}$$

Note this is computed independently of the estimated capability sigma, so it does not need to be greater than 0 or even specified.

**CpK: Capability of process related to both dispersion and centeredness**

$$CpK = \min(CpU, CpL)$$

If only one specification limit is provided, we compute and report a unilateral  $CpK$  instead of taking the minimum.

**CR: The reciprocal of CP**

$$CR = \frac{1}{CP}$$

**CpM: An index relating capability sigma and the difference between the process mean and the target value**

$$CpM = \frac{USL - LSL}{6\sqrt{\hat{\sigma}^2 + (\bar{x} - \mu_o)^2}}$$

$\mu_o$  must be given by the user.

**Z-lower (Cap):** The number of capability sigmas between the process mean and the lower specification limit

$$CZ_L = \frac{\bar{x} - LSL}{\hat{\sigma}}$$

**Z-upper (Cap):** The number of capability sigmas between the process mean and the upper specification limit

$$CZ_U = \frac{USL - \bar{x}}{\hat{\sigma}}$$

**Z-min (Cap):** The minimum number of capability sigmas between the process mean and the specification limits

$$CZ_{min} = \min(CZ_U, CZ_L)$$

Note that unlike  $CpK$ , this index is undefined unless both specification limits are given and valid.

**Z-max (Cap):** The maximum number of capability sigmas between the process mean and the specification limits

$$CZ_{max} = \max(CZ_U, CZ_L)$$

Note that unlike  $CpK$ , this index is undefined unless both specification limits are given and valid.

**The estimated percentage outside the specification limits (Cap)**

$$(1 - \Phi(CZ_U) + \Phi(-CZ_L)) \times 100\%$$

where  $\Phi(x)$  is the cumulative distribution function of the standard normal distribution.

## Process Performance Indices

The estimated performance sigma is always the process standard deviation  $s$ . None of the indices in this chapter is defined unless  $s > 0$ .

**PP: Performance of the process**

$$PP = \frac{USL - LSL}{6s}$$

**PpL: The distance between the process mean and the lower specification limit scaled by process standard deviation**

$$PpL = \frac{\bar{x} - LSL}{3s}$$

***PpU: The distance between the process mean and the upper specification limit scaled by process standard deviation***

$$PpU = \frac{USL - \bar{x}}{3s}$$

***PpK: Performance of process related to both dispersion and centeredness***

$$PpK = \min(PpU, PpL)$$

If only one specification limit is provided, we compute and report a unilateral *PpK* instead of taking the minimum.

***PR: The reciprocal of PP***

$$PR = \frac{1}{PP}$$

***PpM: An index relating process variance and the difference between the process mean and the target value***

$$PpM = \frac{USL - LSL}{6\sqrt{s^2 + (\bar{x} - \mu_o)^2}}$$

$\mu_o$  must be given by the user.

***Z-lower (Perf): The number of standard deviations between the process mean and the lower specification limit***

$$PZ_L = \frac{\bar{x} - LSL}{s}$$

***Z-upper (Perf): The number of standard deviations between the process mean and the upper specification limit***

$$PZ_U = \frac{USL - \bar{x}}{s}$$

***Z-min (Perf): The minimum number of standard deviations between the process mean and the specification limits***

$$PZ_{min} = \min(PZ_U, PZ_L)$$

Note that unlike *PpK*, this index is undefined unless both specification limits are given and valid.

***Z-max (Perf): The maximum number of standard deviations between the process mean and the specification limits***

$$PZ_{max} = \max(PZ_U, PZ_L)$$

Note that unlike *PpK*, this index is undefined unless both specification limits are given and valid.

**The estimated percentage outside the specification limits (Perf)**

$$(1 - \Phi(PZ_U) + \Phi(-PZ_L)) \times 100\%$$

where  $\Phi(x)$  is the cumulative distribution function of the standard normal distribution.

**Measure(s) for Assessing Normality: The observed percentage outside the specification limits**

This is the percentage of individual observations in the process which lie outside the specification limits. A point is defined as outside the specification limits when its value is greater than the USL or is less than the LSL.

**References**

Committee E-11 on Quality and Statistics, . 1990. *ASTM Special Technical Publication (STP) 15D: Manual on presentation of data and control chart analysis*, 6 ed. Philadelphia: American Society for Testing and Materials.

Grant, E. L., and R. S. Leavenworth. 1980. *Statistical quality control*, 5 ed. New York: McGraw-Hill.

Harter, H. L. 1969. *Order statistics and their use in testing and estimation, Volumes 1 and 2*. Washington, D.C.: U.S. Government Printing Office: Aerospace Research Laboratories, United States Air Force.

# ***SPECTRA Algorithms***

SPECTRA plots the periodogram and spectral density function estimates for one or more series.

## ***Univariate Series***

For all  $t$ , the series  $X_t$  can be represented by

$$X_t = a_0^x + \sum_{K=1}^q (a_K^x \cos 2\pi f_K(t-1) + b_K^x \sin 2\pi f_K(t-1))$$

where

$$t = 1, 2, \dots, N$$

$$a_0^x = \bar{X}, \bar{X} = \sum_{t=1}^N X_t/N$$

$$a_K^x = \frac{2}{N} \left[ \sum_{t=1}^N (X_t \cos 2\pi f_K(t-1)) \right]$$

$$b_K^x = \frac{2}{N} \left[ \sum_{t=1}^N (X_t \sin 2\pi f_K(t-1)) \right]$$

$$f_K = K/N$$

$$q = \begin{cases} N/2, & \text{if } N \text{ is even} \\ (N-1)/2, & \text{if } N \text{ is odd} \end{cases}$$

The following statistics are calculated:

### ***Frequency***

$$f_K = K/N, K = 1, \dots, q$$

### ***Period***

$$1/f_K = N/K, K = 1, \dots, q$$

### ***Fourier Cosine Coefficient***

$$a_K^x, K = 1, \dots, q$$

## Fourier Sine Coefficient

$$b_K^x = (a_K^x - ib_K^x)(a_K^x + ib_K^x)$$

## Periodogram

$$l_K^x = \left[ (a_K^x)^2 + (b_K^x)^2 \right] N/2, K = 1, \dots, q$$

spectral density estimate

$$s_K^x = \sum_{j=p}^p w_j l_{K+j}^x, \text{ where } 2p + 1 = m \text{ (number of spans)}$$

and

$$\begin{aligned} l_{-K}^x &= l_K^x, K = 1, \dots, q \\ l_0^x &= l_1^x \\ l_K^x &= l_{N+1-K}^x \text{ for } K > q \end{aligned}$$

$w_{-p}, w_{-p+1}, \dots, w_0, w_1, \dots, w_p$  are the periodogram weights defined by different data windows.

## Bivariate Series

For the bivariate series  $X_t$  and  $Y_t$

$$\begin{aligned} X_t &= a_0^x + \sum_{K=1}^q (a_K^x \cos 2\pi f_K t + b_K^x \sin 2\pi f_K t) \quad t = 1, \dots, N \\ Y_t &= a_0^y + \sum_{K=1}^q (a_K^y \cos 2\pi f_K t + b_K^y \sin 2\pi f_K t) \end{aligned}$$

## Cross-Periodogram of X and Y

$$\begin{aligned} l_K^{xy} &= \frac{N}{2} (a_K^x - ib_K^x)(a_K^y + ib_K^y) \\ &= \frac{N}{2} \{ (a_K^x a_K^y + b_K^x b_K^y) + i(a_K^x b_K^y - b_K^x a_K^y) \} \end{aligned}$$

## Real

$$(RC)_K = \frac{N}{2} (a_K^x a_K^y + b_K^x b_K^y)$$

**Imaginary**

$$(IC)_K = \frac{N}{2}(a_K^x b_K^y - b_K^x a_K^y)$$

**Cospectral Density Estimate**

$$C_K = \sum_{j=-p}^p w_j (RC)_{K+j}$$

**Quadrature Spectrum Estimate**

$$Q_K = \sum_{j=-p}^p w_j (IC)_{K+j}$$

**Cross-amplitude Values**

$$A_K = (Q_K^2 + C_K^2)^{1/2}$$

**Squared Coherency Values**

$$K_K = \frac{A_K^2}{s_K^x s_K^y}$$

**Gain Values**

$$G_K = \begin{cases} A_K/s_K^x & \text{(gain of } Y_t \text{ over } X_t \text{ at } f_K) \\ A_K/s_K^y & \text{(gain of } X_t \text{ over } Y_t \text{ at } f_K) \end{cases}$$

**Phase Spectrum Estimate**

$$\Psi_K = \begin{cases} \tan^{-1}(Q_K/C_K) & \text{if } Q_K > 0, C_K > 0 \\ \tan^{-1}(Q_K/C_K) & \text{if } Q_K < 0, C_K > 0 \\ \tan^{-1}(Q_K/C_K) + \pi & \text{if } Q_K > 0, C_K < 0 \\ \tan^{-1}(Q_K/C_K) - \pi & \text{if } Q_K < 0, C_K < 0 \end{cases}$$

## Data Windows

The following spectral windows can be specified. Each formula defines the upper half of the window. The lower half is symmetric with the upper half. In all formulas,  $p$  is the integer part of the number of spans divided by 2. To be concise, the formulas are expressed in terms of the Fejer kernel:

$$F_q(\theta) = \begin{cases} q & \theta = 0, \pm 2\pi, \pm 4\pi, \dots \\ \frac{1}{q} \left( \frac{\sin(q\theta/2)}{\sin(\theta/2)} \right)^2 & \text{otherwise} \end{cases}$$

and the Dirichlet kernel:

$$D_q(\theta) = \begin{cases} 2q + 1 & \theta = 0, \pm 2\pi, \pm 4\pi, \dots \\ \frac{\sin((2q+1)\theta/2)}{\sin(\theta/2)} & \text{otherwise} \end{cases}$$

where  $q$  is any positive real number.

### HAMMING

Tukey-Hamming window. The weights are

$$W_k = 0.54D_p(2\pi f_k) + 0.23D_p\left(2\pi f_k + \frac{\pi}{p}\right) + 0.23D_p\left(2\pi f_k - \frac{\pi}{p}\right)$$

for  $k = 0, \dots, p$ .

### TUKEY

Tukey-Hanning window. The weights are

$$W_k = 0.5D_p(2\pi f_k) + 0.25D_p\left(2\pi f_k + \frac{\pi}{p}\right) + 0.25D_p\left(2\pi f_k - \frac{\pi}{p}\right)$$

for  $k = 0, \dots, p$ .

### PARZEN

Parzen window. The weights are

$$W_k = \frac{1}{p} (2 + \cos(2\pi f_k)) (F_{p/2}(2\pi f_k))^2$$

for  $k = 0, \dots, p$ .

**BARTLETT**

Bartlett window. The weights are

$$W_k = F_p(2\pi f_k)$$

for  $k = 0, \dots, I$ .

**DANIELL UNIT**

Daniell window or rectangular window. The weights are

$$W_k = 1$$

for  $k = 0, \dots, I$ .

**NONE**

No smoothing. If NONE is specified, the spectral density estimate is the same as the periodogram. It is also the case when the number of span is 1.

$$W_{-p}, \dots, W_0, \dots, W_p$$

User-specified weights. If the number of weights is odd, the middle weight is applied to the periodogram value being smoothed and the weights on either side are applied to preceding and following values. If the number of weights are even (it is assumed that  $W_p$  is not supplied), the weight after the middle applies to the periodogram value being smoothed. It is required that the weight  $W_0$  must be positive.

**References**

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# ***SURVIVAL Algorithms***

Although life table analysis may be useful in many differing situations and disciplines, for simplicity, the usual survival-time-to-death terminology will be used here.

## ***Notation***

The following notation is used throughout this chapter unless otherwise stated:

$X_j$	Time from starting event to terminal event or censoring for case $j$
$w_j$	Weight for case $j$
$k$	Total number of intervals
$t_i$	Beginning time for $i$ th interval
$h_i$	Width of interval $i$
$c_i$	Sum of weights of cases censored in interval $i$
$d_i$	Sum of weights of cases experiencing the terminal event in interval $i$

## ***Construction of Life Table (Gehan, 1975)***

The following sections detail the construction of the life table.

### ***Computation of Intervals***

The widths of the intervals for the actuarial calculations must be defined by the user. In addition to the last interval specified, an additional interval is automatically created to take care of any times exceeding the last. If the upper limits are not in ascending order, a message is printed and the procedure stops. If the interval width does not divide the time range into an integral number of intervals, a warning is printed and the interval width is reset so that the number of intervals will be the nearest integer to that resulting from the user specification.

### ***Count of Events and Censoring***

For each case, the interval  $i$  into which the survival time falls is determined.

$$t_i \leq X_j < t_{i+1}$$

If  $X_j$  exceeds  $t_k$ , the starting time for the last interval, it is included in the last interval. The status code is examined to determine whether the observed time is time to event or time to censoring. If it is time to censoring, that is, the terminal event did not occur,  $c_i$  is incremented by the case weight. If it is time to event,  $d_i$  is incremented by the case weight.

## Calculation of Survival Functions

For each interval, the following are calculated.

### Number Alive at the Beginning

$$l_i = l_{i-1} - c_{i-1} - d_{i-1}$$

where  $l_1$  is the sum of weights of all cases in the table.

### Number Exposed to Risk of an Event

$$r_i = l_i - c_i/2$$

### Proportion Terminating

$$q_i = \frac{d_i}{r_i}$$

### Proportion Surviving

$$p_i = 1 - q_i$$

### Cumulative Proportion Surviving at End of Interval

$$P_i = P_{i-1}p_i$$

where

$$P_0 = 1$$

### Probability Density Function

$$f_i = \frac{P_{i-1} - P_i}{h_i}$$

### Hazard Rate

$$\lambda_i = \frac{2q_i}{h_i(1+p_i)}$$

### Standard Error of Probability Surviving

$$se(P_i) = P_i \sqrt{\sum_{j=1}^i q_j / (r_j p_j)}$$

### Standard Error of Probability Density

$$se(f_i) = \frac{P_i q_i}{h_i} \sqrt{\sum_{j=1}^{i-1} q_j / (r_j p_j) + p_i / (r_i q_i)}$$

For the first interval

$$se(f_1) = \frac{P_1 q_1}{h_1} \sqrt{\frac{p_1}{r_1 q_1}}$$

### Standard Error of the Hazard Rate

$$se(\lambda_i) = \sqrt{\frac{\lambda_i^2}{r_i q_i} \left\{ 1 - \left( \frac{\lambda_i h_i}{2} \right)^2 \right\}}$$

If  $q_i = 0$ , the standard error for interval  $i$  is set to 0.

### Median Survival Time

If  $P_k > 0.5$  the value printed for median survival time is

$$t_k +$$

Otherwise, let  $i$  be the interval for which  $P_i < 0.5$  and  $P_{i-1} \geq 0.5$ . The estimate of the median survival time is then

$$Md = (t_i) + \frac{h_{i-1}(P_{i-1}-0.5)}{P_{i-1}-P_i}$$

## Comparison of Survival Distributions

The survival times from the groups to be compared are jointly sorted into ascending order. If survival times are equal, the uncensored is taken to be less than the censored. When approximate comparisons are done, they are based on the lifetables, with the beginning of the interval determining the length of survival for cases censored or experiencing the event in that interval.

### Notation

The following notation is used throughout this section unless otherwise stated:

$N$	Number of cases
$X_{(k)}$	Survival time for case $k$ , where times are sorted into ascending order so that case 1 has the shortest time and case $N$ the longest
$w_k$	Weight for case $k$
$g$	Number of nonempty groups in the comparison
$W_j$	Sum of weights of cases in group $j$
$W_c$	Sum of weights of censored cases

$W_u$	Sum of weights of uncensored cases
$W$	Sum of weights of all cases

## Computations

For each case the following are computed:

- $ULE_k$ : Sum of weights of uncensored cases with survival times less than or equal to that of case  $k$ .
- $CLE_k$ : Same as above, but for censored cases.
- $UE_k$ : Sum of weights of uncensored cases with survival times equal to that of case  $k$ .
- $CE_k$ : Same as above, but for censored cases.

The score for case  $k$  is:

$$S_k = \begin{cases} ULE_k & \text{if } X_k \text{ is censored} \\ A_1 - A_2 - A_3 & \text{if } X_k \text{ is uncensored} \end{cases}$$

where

$$\begin{aligned} A_1 &= ULE_k - UE_k && \text{uncensored cases surviving shorter than case } k \\ A_2 &= W_c - CLE_k + CE_k && \text{censored cases surviving longer than or equal to case } k \\ A_3 &= W_u - ULE_k && \text{uncensored cases surviving longer than case } k \end{aligned}$$

## Test Statistic and Significance (Wilcoxon (Gehan))

The test statistic is

$$D = \frac{(W-1)B}{T}$$

where

$$B = \sum_{j=1}^g SS_j^2 / W_j$$

$SS_j$  = the sum of scores of cases in group  $j$

$$T = \sum_{i=1}^N S_i^2$$

Under the hypothesis that the groups are samples from the same survival distribution,  $D$  is asymptotically distributed as a chi square with  $(g-1)$  degrees of freedom.

## References

Gehan, E. A. 1975. Statistical methods for survival time studies. In: *Cancer Therapy: Prognostic Factors and Criteria*, M. J. Staquet, ed. New York: Raven Press, 7–35.

Lee, E., and M. Desu. 1972. A computer program for comparing  $k$  samples with right censored data. *Computer Programs in Biomedicine*, 2, 315–321.

# T Test Algorithms

The T Test procedure compares the means of two groups or (one-sample) compares the means of a group with a constant.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

Table 98-1

Notation

Notation	Description
$X_{ki}$	Value for $i$ th case of group $k$
$w_{ki}$	Weight for $i$ th case of group $k$
$n_k$	Number of cases in group $k$
$W_k$	Sum of weights of cases in group $k$

## Basic Statistics

The following statistics are computed.

### Means

$$\bar{X}_k = \frac{\sum_{i=1}^{n_k} X_{ki} w_{ki}}{W_k} \quad k = 1, 2$$

### Variances

$$S_k^2 = \frac{\sum_{i=1}^{n_k} X_{ki}^2 w_{ki} - \left( \sum_{i=1}^{n_k} X_{ki} w_{ki} \right)^2 / W_k}{(W_k - 1)}$$

### Standard Errors of the Mean

$$SEM_k = S_k / \sqrt{W_k}$$

### Differences of the Means for Groups 1 and 2

$$D = \bar{X}_1 - \bar{X}_2$$

### Unpooled (Separate Variance) Standard Error of the Difference

$$S_D = \sqrt{\frac{S_1^2}{W_1} + \frac{S_2^2}{W_2}}$$

The 95% confidence interval for mean difference is

$$D \pm t_{df'} S_D$$

where  $t_{df'}$  is the upper 2.5% critical value for the  $t$  distribution with  $df'$  degrees of freedom.

### **Pooled Standard Error of the Difference**

$$S'_D = S_p \sqrt{\frac{1}{W_1} + \frac{1}{W_2}}$$

where the pooled estimate of the variance is

$$S_p^2 = \frac{(W_1-1)S_1^2 + (W_2-1)S_2^2}{W_1 + W_2 - 2}$$

The 95% confidence interval for mean difference

$$D \pm t_{df} S'_D$$

where  $df$  is defined in the following.

### **The $t$ Statistics for Equality of Means**

#### **Separate Variance**

$$t = D/S_D$$
$$df' = \frac{1}{\frac{1}{Z_1} + \frac{1}{Z_2}}$$

where

$$Z_k = \left( \frac{S_k^2/W_k}{S_1^2/W_1 + S_2^2/W_2} \right)^2 / (W_k - 1)$$

#### **Pooled Variance**

$$t' = D/S'_D$$
$$df = W_1 + W_2 - 2$$

The two-tailed significance levels are obtained from the  $t$  distribution separately for each of the computer  $t$  values.

### **The Test for Equality of Variances**

The Levene statistic is used and defined as

$$L = \frac{(W-2) \sum_{k=1}^2 W_k (\bar{Z}_k - \bar{Z})^2}{\sum_{k=1}^2 \sum_{i=1}^{n_k} w_{ki} (Z_{ki} - \bar{Z}_k)^2}$$

where

$$Z_{ki} = |X_{ki} - \bar{X}_k|$$

$$\bar{Z}_k = \frac{\sum_{i=1}^{n_k} w_{ki} Z_{ki}}{W_k}$$

$$\bar{Z} = \frac{\sum_{k=1}^2 W_k \bar{Z}_k}{W_1 + W_2}$$

## The t Test for Paired Samples

The following notation is used throughout this section unless otherwise stated:

Table 98-2

Notation

Notation	Description
$X_i$	Value of variable $X$ for case $i$
$Y_i$	Value of variable $Y$ for case $i$
$w_i$	Weight for case $i$
$W$	Sum of the weights
$N$	Number of cases

### Means

$$\bar{X} = \sum_{i=1}^N w_i X_i / W$$

$$\bar{Y} = \sum_{i=1}^N w_i Y_i / W$$

### Variances

$$S_X^2 = \frac{\sum_{i=1}^N w_i X_i^2 - \left( \sum_{i=1}^N w_i X_i \right)^2 / W}{W-1}$$

Similarly for  $S_Y^2$ .

### Covariance between X and Y

$$S_{XY} = \frac{1}{W-1} \left( \sum_{k=1}^N X_k Y_k w_k - \left( \sum_{k=1}^N w_k X_k \right) \left( \sum_{k=1}^N w_k Y_k \right) / W \right)$$

### Difference of the Means

$$D = \bar{X} - \bar{Y}$$

### Standard Error of the Difference

$$S_D = \sqrt{(S_X^2 + S_Y^2 - 2S_{XY})/W}$$

### t statistic for Equality of Means

$$t = D/S_D$$

with  $(W-1)$  degrees of freedom. A two-tailed significance level is printed.

### 95% Confidence Interval for Mean Difference

$$D \pm t_{W-1} S_D$$

### Correlation Coefficient between X and Y

$$r = \frac{S_{XY}}{S_X S_Y}$$

The two-tailed significance level is based on

$$t = r \sqrt{\frac{W-2}{1-r^2}}$$

with  $(W-2)$  degrees of freedom.

## One-Sample t Test

The following notation is used throughout this chapter unless otherwise stated:

Table 98-3

Notation

Notation	Description
$N$	Number of cases
$X_i$	Value of variable $X$ for case $i$
$w_i$	Weight for case $i$
$v$	Test value

### Mean

$$\bar{X} = \frac{1}{W} \sum_{i=1}^N w_i X_i$$

where  $W = \sum_{i=1}^N w_i$  is the sum of the weights.

**Variance**

$$S_X^2 = \frac{1}{W-1} \sum_{i=1}^N w_i (X_i - \bar{X})^2$$

**Standard Deviation**

$$S_X = \sqrt{S_X^2}$$

**Standard Error of the Mean**

$$S_{\bar{X}} = S_X / \sqrt{W}$$

**Mean Difference**

$$D = \bar{X} - v$$

**The t value**

$$t = D / S_{\bar{X}}$$

with  $(W-1)$  degrees of freedom. A two-tailed significance level is printed.

**100p% Confidence Interval for the Mean Difference**

$$CI = D \pm t_{W-1, (p+1)/2} S_{\bar{X}}$$

where  $t_{W-1, (p+1)/2}$  is the  $100((p+1)/2)\%$  percentile of a Student's  $t$  distribution with  $(W-1)$  degrees of freedom.

**References**

Blalock, H. M. 1972. *Social statistics*. New York: McGraw-Hill.

## Effect Size for $t$ -Test

Effect size constitutes one of the major findings in a quantitative research study [Sullivan and Feinn, 2012]. It could be measured by the magnitude of group difference, strength of association, corrected estimates, or risk estimates [Ferguson, 2009]. In this document, we focus on the group difference indices, and present the methods to estimate the effect size in  $t$ -test. The following sections cover both point and interval estimation of the Cohen's  $d$ , Hedges'  $g$ , and Glass's  $\Delta$ . Furthermore, we desire to add a novel feature to the T-Test procedure which automates the effect size computation in the one-sample, related-sample, and independent-sample  $t$ -test.

To facilitate the following discussion, we define  $J(k)$ , a factor proposed by [Hedges, 1981],

$$J(k) = \frac{\Gamma(k/2)}{\sqrt{k/2} \Gamma((k-1)/2)}, \quad (0.0.1)$$

where  $k > 1$ , and  $\Gamma(\cdot)$  denotes the gamma function. To estimate  $J(k)$  in practice, we may first evaluate

$$\log J(k) = \log \Gamma\left(\frac{k}{2}\right) - 0.5 \log \frac{k}{2} - \log \Gamma\left(\frac{k-1}{2}\right), \quad (0.0.2)$$

and then exponentiate it to obtain  $J(k)$ .

## Notations

The following notations will be used in Section ?? unless otherwise stated.

- $x_i$ : Observed value of variable  $X$  for the  $i$ -th case.
- $N$ : Number of cases in the data set.
- $w_i$ : Frequency weight for the  $i$ -th case. A noninteger frequency weight is rounded to the nearest integer. For  $w_i < 0.5$  or missing, the corresponding case will not be used.
- $W$ : Effective sample size  $W = \sum_{i=1}^N w_i$ .  $W = N$  if no weights are present.
- $\nu$ : Test value formulated by the null hypothesis.
- $\alpha$ : The significance level to reflect the type I error. Note that the `/CRITERIA = CI(value)` in the existing T-TEST procedure resets the value of the confidence interval. Here,  $\alpha = 1 - \text{value}$ , where `value = 0.95` by default in the syntax.

The following statistics should have already been computed by the existing T-Test procedure for the one-sample  $t$ -test.

Sample mean:

$$\bar{x} = \frac{1}{W} \sum_{i=1}^N w_i x_i. \quad (0.0.3)$$

Mean difference:

$$D = \bar{x} - \nu. \quad (0.0.4)$$

Sample variance:

$$s_x^2 = \frac{1}{W-1} \sum_{i=1}^N w_i (x_i - \bar{x})^2. \quad (0.0.5)$$

Sample standard deviation:

$$s_x = \sqrt{s_x^2}. \quad (0.0.6)$$

Standard error of the mean:

$$s_{\bar{x}} = \frac{s_x}{\sqrt{W}}. \quad (0.0.7)$$

The  $t$  statistic:

$$t = \frac{D}{s_{\bar{x}}}. \quad (0.0.8)$$

## Point Estimation

The Cohen's  $d$  is estimated by

$$d = \frac{D}{s_x}, \quad (0.0.9)$$

where  $D$  and  $s_x$  are estimated by Equation (0.0.4) and (0.0.6), respectively.

The Hedges'  $g$  is estimated by

$$g = d * J(W - 1), \quad (0.0.10)$$

where  $d$  is estimated by Equation (0.0.9), and  $J(W - 1)$  is Equation (0.0.1) evaluated at  $k = W - 1$ .

## Interval Estimation

Note that the Cohen's  $d$  follows a noncentral  $t$ -distribution with the noncentrality parameter, denoted by  $\lambda$ , estimated by

$$\hat{\lambda} = d \sqrt{W}. \quad (0.0.11)$$

The lower and upper confidence limit of  $\lambda$  are

$$\begin{aligned} \hat{\lambda}_l &= \text{FindNCParmT}(\text{funArg} = |t|, \text{df} = W - 1, \text{prob} = 1 - \alpha/2) \quad \text{and} \\ \hat{\lambda}_u &= \text{FindNCParmT}(\text{funArg} = |t|, \text{df} = W - 1, \text{prob} = \alpha/2), \end{aligned} \quad (0.0.12)$$

respectively<sup>1</sup>, where  $t$  is estimated by Equation (0.0.8). Thus, the lower and upper confidence limit for the Cohen's  $d$  are

$$d_l = \begin{cases} \hat{\lambda}_l / \sqrt{W} & \text{if } t \geq 0 \\ -\hat{\lambda}_u / \sqrt{W} & \text{otherwise} \end{cases} \quad \text{and} \quad d_u = \begin{cases} \hat{\lambda}_u / \sqrt{W} & \text{if } t \geq 0 \\ -\hat{\lambda}_l / \sqrt{W} & \text{otherwise} \end{cases}, \quad (0.0.13)$$

respectively, where  $\hat{\lambda}_l$  and  $\hat{\lambda}_u$  are computed by Equation (0.0.12), and  $t$  is estimated by Equation (0.0.8).

The lower and upper confidence limit for the Hedges'  $g$  are

$$g_l = d_l * J(W - 1) \quad \text{and} \quad g_u = d_u * J(W - 1), \quad (0.0.14)$$

respectively, where  $d_l$  and  $d_u$  are computed by Equation (0.0.13), and  $J(W - 1)$  is Equation (0.0.1) evaluated at  $k = W - 1$ .

## Effect Size for Related-Sample $t$ -Test

### Notations

The following notations will be used in Section unless otherwise stated.

- $x_i$ : Observed value of variable  $X$  for the  $i$ -th case.
- $y_i$ : Observed value of variable  $Y$  for the  $i$ -th case, which is paired by  $x_i$ .
- $N$ : Number of cases in the data set.
- $w_i$ : Frequency weight for the  $i$ -th case. A noninteger frequency weight is rounded to the nearest integer. For  $w_i < 0.5$  or missing, the corresponding case will not be used.
- $W$ : Effective sample size  $W = \sum_{i=1}^N w_i$ .  $W = N$  if no weights are present.
- $\alpha$ : The significance level to reflect the type I error. The definition of  $\alpha$  is the same as aforementioned in Section .

<sup>1</sup> FindNCParmT finds the noncentrality parameter NC from the equation  $\text{NonCentralCdfT}(\text{funArg}, \text{df}, \text{NC}) = \text{prob}$ , where  $\text{NonCentralCdfT}$  is cumulative  $t$ -distribution function;  $\text{funArg}$  is the function argument;  $\text{df}$  is the degrees of freedom; and  $\text{prob}$  is the probability. Source code link: [https://github.ibm.com/SPSS/corecomponents/blob/branch-9100/analytic\\_components/shared/cpp/src/mcmath/mcdistfun.h](https://github.ibm.com/SPSS/corecomponents/blob/branch-9100/analytic_components/shared/cpp/src/mcmath/mcdistfun.h)

The following statistics should have already been computed by the existing T-Test procedure for the related-sample  $t$ -test.

Sample mean:

$$\bar{x} = \frac{1}{W} \sum_{i=1}^N w_i x_i \quad \text{and} \quad \bar{y} = \frac{1}{W} \sum_{i=1}^N w_i y_i. \quad (0.0.15)$$

Mean difference:

$$D = \bar{x} - \bar{y}. \quad (0.0.16)$$

Sample variance:

$$s_x^2 = \frac{1}{W-1} \left[ \sum_{i=1}^N w_i x_i^2 - \left( \sum_{i=1}^N w_i x_i \right)^2 / W \right] \quad \text{and} \\ s_y^2 = \frac{1}{W-1} \left[ \sum_{i=1}^N w_i y_i^2 - \left( \sum_{i=1}^N w_i y_i \right)^2 / W \right]. \quad (0.0.17)$$

Sample standard deviation:

$$s_x = \sqrt{s_x^2} \quad \text{and} \quad s_y = \sqrt{s_y^2}. \quad (0.0.18)$$

Sample covariance:

$$s_{xy} = \frac{1}{W-1} \left[ \sum_{i=1}^N w_i x_i y_i - \left( \sum_{i=1}^N w_i x_i \right) \left( \sum_{i=1}^N w_i y_i \right) / W \right]. \quad (0.0.19)$$

Correlation coefficient between  $X$  and  $Y$ :

$$r = \frac{s_{xy}}{s_x s_y}. \quad (0.0.20)$$

Standard error of the difference:

$$s_D = \sqrt{(s_x^2 + s_y^2 - 2s_{xy})/W}. \quad (0.0.21)$$

The  $t$  statistic:

$$t = \frac{D}{s_D}. \quad (0.0.22)$$

### Point Estimation

Similar to the one-sample  $t$ -test, the Cohen's  $d$  for the related-sample  $t$ -test is estimated by

$$d_z = \frac{D}{\sqrt{(s_x^2 + s_y^2 - 2s_{xy})}}, \quad (0.0.23)$$

where  $D$ ,  $s_x$ ,  $s_y$ , and  $s_{xy}$  are estimated by Equation (0.0.16), (0.0.18), and (0.0.19), respectively. Note that Equation (0.0.23) is commonly used in power analysis, but may not be a popular metric reported in comparing two dependent groups. To prevent inflating effect size unintentionally, [Dunlap et al., 1996] pointed out that the following metric should be estimated and reported in meta-analysis:

$$d_{rm} = \frac{D}{\sqrt{(s_x^2 + s_y^2 - 2s_{xy})}} \sqrt{2(1-r)}, \quad (0.0.24)$$

where  $D$ ,  $s_x$ ,  $s_y$ ,  $s_{xy}$ , and  $r$  are estimated by Equation (0.0.16), (0.0.18), (0.0.19), and (0.0.20), respectively. There is also an alternative way to estimate the Cohen's  $d$  by simply using the average of the variance while ignoring the correlation between the measures:

$$d_{av} = \frac{D}{\sqrt{(s_x^2 + s_y^2)/2}}, \quad (0.0.25)$$

where  $s_x$  and  $s_y$  are estimated by Equation (0.0.18). The Hedges'  $g$  is estimated by

$$g_z = d_z * J(2W - 2), \quad g_{rm} = d_{rm} * J(2W - 2), \quad \text{and} \quad g_{av} = d_{av} * J(2W - 2), \quad (0.0.26)$$

where  $d_z$ ,  $d_{rm}$ , and  $d_{av}$  are estimated by one of Equations (0.0.23), (0.0.24), and (0.0.25), respectively, and  $J(2W - 2)$  is Equation (0.0.1) evaluated at  $k = 2W - 2$ .

### Interval Estimation

If  $d_z$  is estimated by using Equation (0.0.23), its interval estimation is similar to the one-sample  $t$ -test. The noncentrality parameter is estimated by

$$\hat{\lambda} = d_z \sqrt{W}. \quad (0.0.27)$$

The lower and upper confidence limit of  $\lambda$  are

$$\begin{aligned} \hat{\lambda}_l &= \text{FindNCPParamT}(\text{funArg} = |t|, \text{df} = W - 1, \text{prob} = 1 - \alpha/2) \quad \text{and} \\ \hat{\lambda}_u &= \text{FindNCPParamT}(\text{funArg} = |t|, \text{df} = W - 1, \text{prob} = \alpha/2), \end{aligned} \quad (0.0.28)$$

respectively, where  $t$  is estimated by Equation (0.0.22). Thus, the lower and upper confidence limit for the Cohen's  $d$  are

$$d_{z_l} = \begin{cases} \hat{\lambda}_l / \sqrt{W} & \text{if } t \geq 0 \\ -\hat{\lambda}_u / \sqrt{W} & \text{otherwise} \end{cases} \quad \text{and} \quad d_{z_u} = \begin{cases} \hat{\lambda}_u / \sqrt{W} & \text{if } t \geq 0 \\ -\hat{\lambda}_l / \sqrt{W} & \text{otherwise} \end{cases}, \quad (0.0.29)$$

respectively, where  $\hat{\lambda}_l$  and  $\hat{\lambda}_u$  are computed by Equation (0.0.28), and  $t$  is estimated by Equation (0.0.22). Correspondingly, the lower and upper confidence limit for the Hedges'  $g$  are

$$g_{z_l} = d_{z_l} * J(2W - 2) \quad \text{and} \quad g_{z_u} = d_{z_u} * J(2W - 2), \quad (0.0.30)$$

where  $d_{z_l}$  and  $d_{z_u}$  are computed by Equation (0.0.29), and  $J(2W - 2)$  is Equation (0.0.1) evaluated at  $k = 2W - 2$ .

If  $d_{rm}$  is estimated by using Equation (0.0.24), the asymptotic estimate of the standard error, suggested by [Dunlap et al., 1996] and [Nakagawa and Cuthill, 2007], is

$$se(d_{rm}) = \left[ \frac{2(1-r)}{W} + \frac{d_{rm}^2}{2(W-1)} \right]^{1/2}, \quad (0.0.31)$$

where  $r$  and  $d_{rm}$  are estimated by Equation (0.0.20) and (0.0.24), respectively. Thus, the lower and upper confidence limit for the Cohen's  $d$  are

$$d_{rm_l} = d_{rm} - \text{IDF.T}(1 - \alpha/2, W - 1) * se(d_{rm}) \quad \text{and} \quad d_{rm_u} = d_{rm} + \text{IDF.T}(1 - \alpha/2, W - 1) * se(d_{rm}), \quad (0.0.32)$$

respectively, where  $se(d_{rm})$  is estimated by Equation (0.0.31). Correspondingly, the lower and upper confidence limit for the Hedges'  $g$  are

$$g_{rm_l} = d_{rm_l} * J(2W - 2) \quad \text{and} \quad g_{rm_u} = d_{rm_u} * J(2W - 2), \quad (0.0.33)$$

where  $d_{rm_l}$  and  $d_{rm_u}$  are computed by Equation (0.0.32), and  $J(2W - 2)$  is Equation (0.0.1) evaluated at  $k = 2W - 2$ .

Analogously, if  $d_{av}$  is estimated by using Equation (0.0.25), the noncentrality parameter is estimated by

$$\hat{\lambda} = d_{av} \sqrt{W}. \quad (0.0.34)$$

The lower and upper confidence limit of  $\lambda$  are

$$\begin{aligned} \hat{\lambda}_l &= \text{FindNCPParamT}(\text{funArg} = |t_{av}|, \text{df} = W - 1, \text{prob} = 1 - \alpha/2) \quad \text{and} \\ \hat{\lambda}_u &= \text{FindNCPParamT}(\text{funArg} = |t_{av}|, \text{df} = W - 1, \text{prob} = \alpha/2), \end{aligned} \quad (0.0.35)$$

respectively, where

$$t_{av} = \frac{D}{\sqrt{(s_x^2 + s_y^2)/2/\sqrt{W}}}, \quad (0.0.36)$$

where  $s_x$  and  $s_y$  are estimated by Equation (0.0.18). Thus, the lower and upper confidence limit for the Cohen's  $d$  are

$$d_{av_l} = \begin{cases} \hat{\lambda}_l/\sqrt{W} & \text{if } t_{av} \geq 0 \\ -\hat{\lambda}_u/\sqrt{W} & \text{otherwise} \end{cases} \quad \text{and} \quad d_{av_u} = \begin{cases} \hat{\lambda}_u/\sqrt{W} & \text{if } t_{av} \geq 0 \\ -\hat{\lambda}_l/\sqrt{W} & \text{otherwise} \end{cases}, \quad (0.0.37)$$

respectively, where  $\hat{\lambda}_l$  and  $\hat{\lambda}_u$  are computed by Equation (0.0.35), and  $t_{av}$  is estimated by (0.0.36). Correspondingly, the lower and upper confidence limit for the Hedges'  $g$  are

$$g_{av_l} = d_{av_l} * J(2W - 2) \quad \text{and} \quad g_{av_u} = d_{av_u} * J(2W - 2), \quad (0.0.38)$$

where  $d_{av_l}$  and  $d_{av_u}$  are computed by Equation (0.0.37), and  $J(2W - 2)$  is Equation (0.0.1) evaluated at  $k = 2W - 2$ .

### Additional Settings

We will add an additional user-control to the existing related-sample  $t$ -test. The setting determines the method used in calculating the point and interval estimates in Section and . Users can control whether to estimate  $d_z$  and  $g_z$ ,  $d_{rm}$  and  $g_{rm}$ , or  $d_{av}$  and  $g_{av}$ , as well as the corresponding confidence limits. The setting will be exposed to both syntax and user-interface.

## Effect Size for Independent-Sample $t$ -Test

### Notations

The following notations will be used in Section unless otherwise stated.

- $k$ : Group index to define the two independent groups, and  $k = 1, 2$ .
- $x_{ki}$ : Observed value of variable  $X$  for the  $i$ -th case of group  $k$ . Note that  $x_{1i}$  and  $x_{2i}$  are independent.
- $N_k$ : Number of cases in the group  $k$ .
- $w_{ki}$ : Frequency weight for the  $i$ -th case of group  $k$ . A noninteger frequency weight is rounded to the nearest integer. For  $w_i < 0.5$  or missing, the corresponding case will not be used.
- $W_k$ : Effective sample size  $W_k = \sum_{i=1}^{N_k} w_{ki}$ .  $W_k = N_k$ , for  $k = 1, 2$ , if no weights are present.
- $\alpha$ : The significance level to reflect the type I error. The definition of  $\alpha$  is the same as aforementioned in Section .

The following statistics should have already been computed by the existing T-Test procedure for the independent-sample  $t$ -test. For  $k = 1, 2$ ,

Group mean:

$$\bar{x}_k = \frac{1}{W_k} \sum_{i=1}^{N_k} w_{ki} x_{ki}. \quad (0.0.39)$$

Group mean difference:

$$D = \bar{x}_1 - \bar{x}_2. \quad (0.0.40)$$

Group variance:

$$s_k^2 = \frac{1}{W_k - 1} \left[ \sum_{i=1}^{N_k} w_{ki} x_{ki}^2 - \left( \sum_{i=1}^{N_k} w_{ki} x_{ki} \right)^2 / W_k \right], \quad (0.0.41)$$

Group standard deviation:

$$s_k = \sqrt{s_k^2}. \quad (0.0.42)$$

Pooled estimation of sample variance:

$$s_p^2 = \frac{(W_1 - 1)s_1^2 + (W_2 - 1)s_2^2}{W_1 + W_2 - 2}. \quad (0.0.43)$$

Pooled standard error of the difference:

$$s'_D = s_p \sqrt{\frac{1}{W_1} + \frac{1}{W_2}}. \quad (0.0.44)$$

The  $t$  statistic based on the pooled variance:

$$t' = \frac{D}{s'_D}. \quad (0.0.45)$$

### Point Estimation

The issue is open to debate of which standard deviation to use in estimating the Cohen's  $d$  for the independent-sample  $t$ -test. [Coe, 2002] suggested citing both methods including using the pooled standard deviation and the standard deviation of the "control" group. The statistic estimated by using the latter mentioned method is also called Glass's  $\Delta$ , which assumes that an experimental design with a default control group that is representative of the population from which the samples are drawn [Ferguson, 2009]. More details are given in the following discussions.

By using the pooled standard deviation, the Cohen's  $d$  is estimated by

$$d = \frac{D}{\sqrt{s_p^2}}, \quad (0.0.46)$$

where  $D$  and  $s_p^2$  are estimated by Equation (0.0.40) and (0.0.43), respectively.

By using the standard deviation of the "control" group, the Glass's  $\Delta$  is estimated by

$$\Delta = \frac{D}{s_2}, \quad (0.0.47)$$

where  $D$  and  $s_2$  are estimated by Equation (0.0.40) and (0.0.42), respectively.

The Hedges'  $g$  is estimated by

$$g = d * J(W_1 + W_2 - 2), \quad (0.0.48)$$

where  $d$  is estimated by Equation (0.0.46), and  $J(W_1 + W_2 - 2)$  is Equation (0.0.1) evaluated at  $k = W_1 + W_2 - 2$ .

### Interval Estimation

Note that the Cohen's  $d$  follows a noncentral  $t$ -distribution with the noncentrality parameter estimated by

$$\hat{\lambda} = d \sqrt{\tilde{W}}, \quad (0.0.49)$$

where

$$\tilde{W} = \left( \frac{1}{W_1} + \frac{1}{W_2} \right)^{-1}, \quad (0.0.50)$$

The lower and upper confidence limit of  $\lambda$  are

$$\begin{aligned} \hat{\lambda}_l &= \text{FindNCPParamT}(\text{funArg} = |t'|, \text{df} = W_1 + W_2 - 2, \text{prob} = 1 - \alpha/2) \quad \text{and} \\ \hat{\lambda}_u &= \text{FindNCPParamT}(\text{funArg} = |t'|, \text{df} = W_1 + W_2 - 2, \text{prob} = \alpha/2), \end{aligned} \quad (0.0.51)$$

respectively, where  $t'$  is estimated by Equation (0.0.45). Thus, the lower and upper confidence limit for the Cohen's  $d$  are

$$d_l = \begin{cases} \hat{\lambda}_l / \sqrt{\tilde{W}} & \text{if } t' \geq 0 \\ -\hat{\lambda}_u / \sqrt{\tilde{W}} & \text{otherwise} \end{cases} \quad \text{and} \quad d_u = \begin{cases} \hat{\lambda}_u / \sqrt{\tilde{W}} & \text{if } t' \geq 0 \\ -\hat{\lambda}_l / \sqrt{\tilde{W}} & \text{otherwise} \end{cases}, \quad (0.0.52)$$

respectively, where  $\hat{\lambda}_l$  and  $\hat{\lambda}_u$  are computed by Equation (0.0.51),  $\tilde{W}$  is defined by Equation (0.0.50), and  $t'$  is estimated by Equation (0.0.45).

The Glass's  $\Delta$  also follows a noncentral  $t$ -distribution with the noncentrality parameter estimated by

$$\hat{\lambda} = \Delta \sqrt{\tilde{W}}, \quad (0.0.53)$$

where  $\tilde{W}$  is defined by Equation (0.0.50). The lower and upper confidence limit of  $\lambda$  are

$$\begin{aligned} \hat{\lambda}_l &= \text{FindNCParmT}(\text{funArg} = |t_s|, \text{df} = W_2 - 1, \text{prob} = 1 - \alpha/2) \quad \text{and} \\ \hat{\lambda}_u &= \text{FindNCParmT}(\text{funArg} = |t_s|, \text{df} = W_2 - 1, \text{prob} = \alpha/2), \end{aligned} \quad (0.0.54)$$

respectively, where

$$t_s = \frac{D}{s_2/\sqrt{\tilde{W}}}, \quad (0.0.55)$$

where  $D$  and  $s_2$  are estimated by Equation (0.0.40) and (0.0.42), respectively, and  $\tilde{W}$  is defined by Equation (0.0.50). Thus, the lower and upper confidence limit for the Glass's  $\Delta$  are

$$\Delta_l = \begin{cases} \hat{\lambda}_l/\sqrt{\tilde{W}} & \text{if } t_s \geq 0 \\ -\hat{\lambda}_u/\sqrt{\tilde{W}} & \text{otherwise} \end{cases} \quad \text{and} \quad \Delta_u = \begin{cases} \hat{\lambda}_u/\sqrt{\tilde{W}} & \text{if } t_s \geq 0 \\ -\hat{\lambda}_l/\sqrt{\tilde{W}} & \text{otherwise} \end{cases}, \quad (0.0.56)$$

respectively, where  $\hat{\lambda}_l$  and  $\hat{\lambda}_u$  are computed by Equation (0.0.54),  $\tilde{W}$  is defined by Equation (0.0.50), and  $t_s$  is estimated by Equation (0.0.55).

The lower and upper confidence limit for the Hedges'  $g$  are

$$g_l = d_l * J(W_1 + W_2 - 2) \quad \text{and} \quad g_u = d_u * J(W_1 + W_2 - 2), \quad (0.0.57)$$

respectively, where  $d_l$  and  $d_u$  are computed by Equation (0.0.52), and  $J(W_1 + W_2 - 2)$  is Equation (0.0.1) evaluated at  $k = W_1 + W_2 - 2$ .

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# Temporal Causal Modeling Algorithms

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## 1. Introduction

Forecasting and prediction are important tasks in real world applications that involve decision making. In such applications, it is important to go beyond discovering statistical correlations and unravel the key variables that influence the behaviors of other variables using an algebraic approach. Many real world data, such as stock price data, are temporal in nature; that is, the values of a set of variables depend on the values of another set of variables at several time points in the past. Temporal causal modeling, or TCM, refers to a suite of methods that attempt to discover key temporal relationships in time series data. This chapter describes a particular method to discover temporal relationships using a combination of Granger causality and regression algorithms for variable selection. Although this treatment strives to be self-contained, a minimal set of papers describing the design principles behind the method can be found in [Lozano et al., 2011, Lozano et al., 2009, Arnold et al., 2007]<sup>1</sup>.

The rest of the chapter is organized as follows. Section 2 lays the groundwork for the TCM algorithm (notation and brief history) and explains the greedy orthogonal matching pursuit (GOMP) [Lozano et al., 2011] algorithm that is used. Section 3 describes the techniques used to fit and forecast time series and compute approximated forecasting intervals. Section 4 describes scenario analysis, which refers to a capability of the TCM product to “play-out” the repercussions of artificially setting the value of a time series. Section 5 describes the detection of outliers, and Section 6 discusses how potential causes for outliers can be established using root cause analysis.

## 2. Model

Introduced by Clive Granger [Granger, 1980], Granger causality in time series is based on the intuition that a cause should necessarily precede its effect, and that if time series  $a$  causally affects time series  $b$ , then the past values of  $a$  should be useful in predicting the future values of  $a$ . More specifically, time series  $a$  is said to “Granger cause” time series  $b$  if the accuracy of regressing for  $b$  in terms of past values of both  $a$  and  $b$  is statistically significantly better than regressing just with past values of  $b$ . If the time series have  $T$  time points and are denoted by  $\{a_t\}_{t=1}^T$  and  $\{b_t\}_{t=1}^T$ , then the following regressions are performed:

$$b_t \approx \sum_{j=1}^L \alpha_j a_{t-j} + \sum_{j=1}^L \beta_j b_{t-j} \quad (1)$$

$$b_t \approx \sum_{j=1}^L \beta_j b_{t-j} \quad (2)$$

Here  $L$  is the number of lags; that is, the value of  $b$  at time  $t$  can only be determined by values of other time series at times  $\{t-1, t-2, \dots, t-L\}$ . If Equation (1) is statistically more significant (using some test for significance) than Equation (2), then  $a$  is deemed to Granger cause  $b$ .

---

<sup>1</sup> The methods described in this chapter are particularly useful for under-determined systems, where the number of time series ( $n$ ) far exceeds the number of samples ( $m$ ); that is  $n \gg m$ . Although these methods function for both over-determined ( $m \gg n$ ) and fully-determined ( $n = m$ ) systems, there are other approaches to pursue for such systems.

## 2.1 Graphical Granger Modeling

The classical definition of Granger causality is defined for a pair of time series. In the real world, we are interested in finding not one, but *all* the significant time series that influence the target time series. In order to accomplish this, we use group greedy ( $\ell_0$ ) regression algorithms with variable selection (see Section 2.3). An important feature of our TCM algorithm is that it groups influencer/predictor variables; that is, we are interested in predicting whether time series  $a$  as a whole  $-\{\alpha_{t-1}, \alpha_{t-2}, \dots, \alpha_{t-L}\}$  has influence over time series  $b$ . Such grouping is a more natural interpretation of causality and also helps sparsify the solution set. For example, without such grouping we may select the time-lagged series  $\alpha_{t-2}$  to model  $b_t$  but not select any other value of  $a$ , which increases the number of choices for variable selection  $L$ -fold, where  $L$  is the number of lags that is allowed.

## 2.2 Notation

The following notation is used throughout this chapter unless otherwise stated:

Table 1: Notation

Notation	Type	Description
$\mathcal{N}$	—	Set of natural numbers
$\mathcal{R}$	—	Set of real numbers
$\backslash$	—	Regression solve operator
$ \cdot $	$\mathcal{N}$	Size operator
$\ \cdot\ _2$	$\mathcal{R}$	$\ell_2$ norm of a vector, i.e., $\ \mathbf{z}\ _2 = \sqrt{\sum_i z_i^2}$
$m$	$\mathcal{N}$	Number of time points
$n$	$\mathcal{N}$	Number of time series
$L$	$\mathcal{N}$	Number of lags for each target, $L < m$
$\mathbf{X}$	$\mathcal{R}^{m \times n}$	Design matrix of input series
$\mathbf{y}$	$\mathcal{R}^{m \times 1}$	Target series vector
$G$	$G: \mathcal{R}^{m \times n} \times J \times L \rightarrow \mathcal{R}^{(m-L) \times  J L}$ $J = \{j_1, j_2, \dots\}, 1 \leq j_k \leq n$	Computes lag matrix for the set of column indices in $J$
$M$	$M: \mathcal{R}^{m \times k} \rightarrow \mathcal{R}^{k \times 1}$	Computes means for $k$ series
$S$	$S: \mathcal{R}^{m \times k} \rightarrow \mathcal{R}^{k \times 1}$	Computes standard deviations for $k$ series
$\epsilon$	$\mathcal{R}$	Tolerance value for stopping criterion
$K^*$	$\mathcal{N}$	Max number of predictors selected or maximum number of iterations
$K$	$\mathcal{N}$	Actual number of predictors selected for a target series $\mathbf{y}$
$\hat{\boldsymbol{\beta}}^*$	$\mathcal{R}^{k \times 1}, 0 \leq k \leq KL$	Estimated coefficients for predictors on the transformed scale

In this section, we introduce the algorithm that is used to construct the temporal causal model. The list of symbols used in the rest of this chapter is summarized in Table 1. Most of the symbols are self-explanatory; however, the function  $G$ , which stands for grouping, requires some additional explanation.  $G$  is a function that takes a matrix ( $\mathcal{R}^{m \times n}$ ), a set of column indices  $J$ , and a lag value  $L$  and constructs a lag matrix that has  $(m - L)$  rows and  $(|J|L)$  columns. Basically, for every column index  $j \in J$ ,  $G$  constructs a  $(m - L) \times L$  lag matrix by carefully unrolling the  $j^{\text{th}}$  column of the input matrix. An example of  $G$ 's action is shown below:

$$G \left( \mathbf{X} = \begin{bmatrix} a_1 & b_1 & c_1 & d_1 \\ a_2 & b_2 & c_2 & d_2 \\ a_3 & b_3 & c_3 & d_3 \\ a_4 & b_4 & c_4 & d_4 \\ a_5 & b_5 & c_5 & d_5 \end{bmatrix}, J = \{1\}, L = 2 \right) \rightarrow \begin{bmatrix} a_2 & a_1 \\ a_3 & a_2 \\ a_4 & a_3 \end{bmatrix}$$

In this example, the input matrix  $\mathbf{X} \in \mathbb{R}^{5 \times 4}$  has 4 time series ( $n = 4$ ) and five time points per time series ( $m = 5$ ). The lag matrix associated with the time series in column 1, when  $L$  (lag) is 2, is produced by invoking  $G(\mathbf{X}, \{1\}, 2)$ . Note that the lag matrix consists of the lag-1 vector  $\mathbf{X}$  of as the first column, the lag-2 vector as the second column, up to the lag- $L$  vector as the  $L^{\text{th}}$  column. Similarly, the functions  $(M, S)$  accept any input matrix and compute the mean and the standard deviation, respectively, of the matrix's columns. For purposes of numerical stability, and to increase interpretability during modeling, columns of the lagged matrix are both centered by the column means and scaled by the column standard deviations<sup>2</sup>. On the other hand, the target  $\mathbf{y}$  is *only centered*. An example of mean centering and scaling for the lagged matrices is shown below:

$$\left( \begin{bmatrix} a_1 & b_1 \\ a_2 & b_2 \\ a_3 & b_3 \end{bmatrix} \right) \rightarrow \begin{bmatrix} \frac{a_1 - \alpha_\mu}{\alpha_\sigma} & \frac{b_1 - b_\mu}{b_\sigma} \\ \frac{a_2 - \alpha_\mu}{\alpha_\sigma} & \frac{b_2 - b_\mu}{b_\sigma} \\ \frac{a_3 - \alpha_\mu}{\alpha_\sigma} & \frac{b_3 - b_\mu}{b_\sigma} \end{bmatrix}$$

Here,  $(\alpha_\mu, \alpha_\sigma)$  and  $(b_\mu, b_\sigma)$  are the means and standard deviations of the first and the second columns,  $(a, b)$  respectively.

## 2.3 Group Orthogonal Matching Pursuit (GOMP)

### Algorithm 1: GOMP

**Input:**  $\mathbf{X}, \mathbf{y}, G, M, S, L, \epsilon, K^*, J_{sel}^0, \tilde{J}_{sel}$ .

**Output:**  $J_{sel}, \hat{\boldsymbol{\beta}}^*$ .

- 1  $\mathbf{X}_{aug}^0 = G(\mathbf{X}, J_{sel}^0, L)$ ;
- 2 for  $i \in [1, (m - L)]$  do  $\mathbf{X}_{aug}^0(i, :) = \frac{\mathbf{X}_{aug}^0(i, :) - M(\mathbf{X}_{aug}^0)^T}{S(\mathbf{X}_{aug}^0)^T}$ ;
- 3  $\hat{\boldsymbol{\beta}}^{*0} = \mathbf{X}_{aug}^0 \setminus (\mathbf{y} - M(\mathbf{y}))$ ;
- 4  $\mathbf{r}^0 = \mathbf{y} - M(\mathbf{y}) - \mathbf{X}_{aug}^0 \hat{\boldsymbol{\beta}}^{*0}$ ;
- 5 if any redundant series are found, delete them in  $J_{sel}^0$ ;
- 6 if  $(|J_{sel}^0| \geq K^*)$ , then  $J_{sel}^0 = J_{sel}^0(1:K^*)$ , update  $\hat{\boldsymbol{\beta}}^{*0}$ , return  $J_{sel}^0, \hat{\boldsymbol{\beta}}^{*0}$  and stop;
- 7 otherwise update  $\hat{\boldsymbol{\beta}}^{*0}$  and  $\mathbf{r}^0$ ;
- 8 for  $k \in 1, 2, 3 \dots (K^* - |J_{sel}^0|)$  do
- 9  $j^k = \text{argmin}(\mathbf{X}, \mathbf{r}^{k-1}, G, M, S, L, \epsilon, J_{sel}^0, \tilde{J}_{sel})$ ;
- 10 if  $j^k = -1$ , return  $J_{sel}^{(k-1)}$  and  $\hat{\boldsymbol{\beta}}^{*(k-1)}$  and stop;
- 11  $\mathbf{X}_{aug}^k = G(\mathbf{X}, J_{sel}^{k-1} \cup j^k, L)$ ;

<sup>2</sup> Although each column of the lagged matrix has a different mean and standard deviation, due to the structure of these columns, it is possible to compute the mean and the standard deviation of the time series itself and use those to center and scale the lagged columns.

## Temporal Causal Modeling Algorithms

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12  for  $i \in [1, (m - L)]$  do
13     $\mathbf{X}_{aug}^k(i, :) = \frac{\mathbf{X}_{aug}^k(i, :) - M(\mathbf{X}_{aug}^k)^T}{S(\mathbf{X}_{aug}^k)^T}$ ;
14     $\hat{\boldsymbol{\beta}}^{*k} = \mathbf{X}_{aug}^k \setminus (\mathbf{y} - M(\mathbf{y}))$ ;
15     $\mathbf{r}^k = \mathbf{y} - M(\mathbf{y}) - \mathbf{X}_{aug}^k \hat{\boldsymbol{\beta}}^{*k}$ ;
16     $J_{sel}^k = J_{sel}^{k-1} \cup j^k$ ;
17    if  $\|\mathbf{r}^k\|_2 \leq \epsilon$ , break;
18  return  $J_{sel}^k, \hat{\boldsymbol{\beta}}^{*k}$ .

```

We begin by describing Algorithm 1: GOMP, which will be used to establish causality of time-series data. This algorithm receives the variables  $\mathbf{X}, \mathbf{y}, G, M, S, L, \epsilon, K^*$  (described in Table 1) as input. Briefly,  $\mathbf{y} \in \mathbf{R}^{(m-L) \times 1}$  is a target vector for which we want to establish the Granger causality (note that we have excluded the first  $L$  values of  $\mathbf{y}$ ). In contrast,  $\mathbf{X} \in \mathbf{R}^{m \times n}$  is the input *unlagged* time series data.  $L$  is the number of lags for each predictor in each target series,  $K^*$  is the maximum number of predictors to be selected per-target, and  $\epsilon$  determines whether a new predictor needs to be added. In addition,  $G, M$  and  $S$  are grouping, centering, and scaling functions which have been described in Section 2.2.  $J_{sel}^0$  is the set of pre-selected predictor indices for  $\mathbf{y}$ , and always contains the lagged  $\mathbf{y}$ .  $\tilde{J}_{sel}$  is the set of forbidden predictors, if any, for  $\mathbf{y}$ . If there are no forbidden predictors, then  $\tilde{J}_{sel} = \emptyset$ . Given these, the goal is to greedily find predictors that solve the system  $\mathbf{X}\boldsymbol{\beta} = \mathbf{y}$  subject to sparsity constraints.

The greedy algorithm approximates an  $\ell_0$ -sparse solution by iteratively choosing the best predictor for addition at each iteration. We use superscripts to denote the iteration number in Algorithm 1. For example,  $J_{sel}^0$  represents the initial values of  $J_{sel}$  at the 0<sup>th</sup> iteration (before the actual iteration starts). The first part of the algorithm (lines 1 – 4) constructs and solves a linear system consisting of the predictors in  $J_{sel}^0$  to obtain  $\boldsymbol{\beta}^{*0}$ , the coefficient vector for predictors on the transformed scale. At the end of this first part, we have  $\mathbf{r}^0$ , the initial residual. Then check whether there are redundant predictor series in  $J_{sel}^0$ . If yes, then delete them. If the number of predictor series in the (updated)  $J_{sel}^0$  is equal to or larger than the maximum number of iterations (i.e.,  $|J_{sel}^0| \geq K^*$ ) then keep the first  $K^*$  predictor series in  $J_{sel}^0$ , update  $\boldsymbol{\beta}^{*0}$ , return  $J_{sel}^0$  and  $\boldsymbol{\beta}^{*0}$ , and stop the process (line 6); otherwise (i.e.,  $|J_{sel}^0| < K^*$ ), update  $\boldsymbol{\beta}^{*0}$  and  $\mathbf{r}^0$  (line 7) if any redundant predictor series were deleted. Then start the iterative process to add one predictor series at a time (line 8). The first step in predictor selection (line 9) consists of an **argmin** function that systematically goes over each eligible predictor and evaluates its goodness (see Algorithm 2). This step is the performance critical portion of the algorithm and can be searched in parallel. At the end of the step,  $j^k$ , the index corresponding to the best predictor is available. However, if no suitable predictor is found in the **argmin** function (i.e.,  $j^k = -1$ ), then return  $J_{sel}^{k-1}$  and  $\boldsymbol{\beta}^{*(k-1)}$  and stop (line 10). The next part (lines 11 – 14) re-estimates the model coefficients by adding  $j^k$  to the model. Line 15 updates the residual,  $\mathbf{r}^k$ , for this model and line 16 adds  $j^k$  to the model. Finally, if the  $\ell_2$  norm of the current residuals is equal to or smaller than the tolerance value (i.e.,  $(\|\mathbf{r}^k\|_2 \leq \epsilon)$ ), then the iterative process is terminated.

Note that if the tolerance  $\epsilon$  is achieved by adding  $j^k$ , then no new iterations are required and the iterative process is terminated. Thus the actual number of predictors selected,  $K$ , can be less than the maximum number of iterations, (i.e.,  $K \leq K^*$ ). However, if the tolerance  $\epsilon$  is set very small, then it is highly unlikely that such a situation will happen.

### Algorithm 2: argmin

---

**Input:**  $\mathbf{X}, \mathbf{r}, G, M, S, L, \epsilon_2, K^*, J_{sel}^0, \tilde{J}_{sel}$ .

**Output:**  $J_{sel}$ : Selected group index.

```

1   $cost = \|\mathbf{r}\|_2^2, j_{sel} = -1;$ 
2  for  $j \in 1, 2, 3 \dots n$  do
3    if  $j \in J_{sel} \parallel j \in \tilde{J}_{sel}$  continue;
4     $\mathbf{X}_{G_j} = G(\mathbf{X}, j, L);$ 
5    for  $i \in [1, (m - L)]$  do  $\mathbf{X}_{G_j}(i, :) = \frac{\mathbf{X}_{G_j}(i,:) - M(\mathbf{X}_{G_j})^T}{S(\mathbf{X}_{G_j})^T};$ 
6     $\hat{\boldsymbol{\beta}}_j = \mathbf{X}_{G_j} \setminus \mathbf{r};$ 
7     $\mathbf{r}_j = \mathbf{r} - (\mathbf{X}_{G_j} \hat{\boldsymbol{\beta}}_j)_{G_j};$ 
8    if  $\|\mathbf{r}_j\|_2^2 < (cost - \epsilon_2)$ , then  $(cost, j_{sel}) = (\|\mathbf{r}_j\|_2^2, j);$ 
9  return  $j_{sel}$ .
```

The implementation of the **argmin** function (line 8, Algorithm 1) is shown in Algorithm 2. The algorithm first assigns the initial cost to be the square of the  $\ell_2$  norm of the current residuals, and the selected group index to be  $-1$  (line 1). Then it loops over each series group, first checking if the time series being considered for addition ( $j$ ) has already been added to the solution  $J_{sel}$  or if it is a forbidden predictor (line 3). If the current group ( $j$ ) is not yet selected, the lagged transformed matrix corresponding to this time series ( $\mathbf{X}_{G_j}$ ) is constructed using the  $G$ ,  $M$  and  $S$  functions (lines 4 and 5). After grouping and transforming  $\mathbf{X}_{G_j}$ , the residual ( $\mathbf{r}_j$ ) corresponding to the candidate time series  $j$  is computed by first regressing  $\mathbf{r}$  on  $\mathbf{X}_{G_j}$  (line 6), and then computing the residual (line 7). Finally, the current time series is selected as the leading candidate if the square of the  $\ell_2$  norm of its residual ( $\mathbf{r}_j$ ) is lower than the previous estimate minus a threshold value,  $\epsilon_2$ . Including such a threshold value prevents selecting an (almost) identical series.

The loop in Algorithm 2 (line 2) can be thought of as iterating over all candidate series. For each candidate series, the following computations are carried out: (1) a filter is applied in line 3 to ensure that it is a valid candidate; (2) lines 4 and 5 map the current candidate to the transformed matrix ( $\mathbf{X}_{G_j}$ ) that represents the lag matrix to be used; (3) lines 6 and 7 evaluate the goodness of the current candidate by first solving a dense linear system and then computing the residual; (4) line 8 applies a predicate to check if the current candidate series is better than previously evaluated candidates. Notice that the predicate (line 8) is associative and commutative; therefore, Algorithm 2 can be parallelized by dividing the iteration space ( $[1, n]$ ) into chunks and executing each chunk in parallel. To get the globally best group, it is sufficient to *reduce* the groups that were selected by each parallel instance in a tree-like fashion by applying the predicate in line 8.

## 2.4 Selecting $L$

Both Algorithms 1 and 2 accept  $L$  as an input parameter which can be specified by user. If  $L$  is not explicitly specified then the following heuristic approach can be used to determine  $L$  based on (# of time points) and  $s$  (periodicity or seasonal length):

- (1) If  $s > 1$  and  $m \geq 4s$ , then  $L = \min(s, 20)$ .
- (2) If  $s = 1$  or  $m < 4s$ , then  $L = 5$ .

## 2.5 AR(L) Model

Out of the  $n$  series in the data, some series may be used as predictors only, so no TCM models are built for them. However, if they are selected as predictors for some target series, then simple models need to be built for them in order to do forecasting. For example, suppose that time series 1 is a selected predictor for time series 2, but there is no model built for time series 1. While a model for time series 1 is not needed in order to forecast time series 2 at time  $(t + 1)$  (where  $t$  is the latest time in the data), forecasts for time  $(t + 2)$  require values of time series 1 for time  $(t + 1)$ , which then requires a model for time series 1.

Hence, for each predictor-only series, a simple auto-regressive (AR) model is built using the same lag,  $L$ , as used for the target series. This model, called an AR( $L$ ) model, can be constructed using Algorithm 1 by specifying  $J_{sel}^0$  to be the target itself and setting the maximum number of predictors to be 1.

## 2.6 Post-estimation steps

Algorithm 1 selects the best predictors (time series) to model a target series  $y$ . Without loss of generality, we assume that the model for  $y$  is  $y = \bar{y} + X_G^* \hat{\beta} + r = \hat{y} + r$ , where  $X_G^*$  is the selected predictor series matrix with the lagged terms on the transformed scale,  $\hat{\beta}^*$  is the estimated standardized coefficient vector, and  $r = y - \hat{y}$  is the residual vector.

However, this is not the end of modeling. Several post processing steps are needed in order to complete the modeling process for  $y$ . The steps include three parts: (1) coefficients and statistics inference; (2) tests of model effects; (3) model quality measures.

### 2.6.1 Coefficients and statistical inference

The results of Algorithm 1 include  $\hat{\beta}^*$  and  $(X^{*T} X^*)^-$  (by solving the linear system from Cholesky decomposition), where superscript T means the transpose of a matrix or vector, and  $(z)^-$  is a generalized inverse of the  $z$  matrix. Based on these quantities, the first step is to compute coefficient estimates, their standard errors, and statistical inference on the original scale.

Table 2: Additional notation

Notation	Description
$K$	Actual number of predictors selected (including target itself) for $y$ , i.e., $K =  J_{sel} $ .
$p$	Number of coefficient estimates in $\hat{\beta}^*$ , i.e., $p = K \times L$
$p^c$	Number of non-redundant coefficient estimates in $\hat{\beta}^*$ , $p^c \leq p$
$X_G^*$	Selected predictor series matrix with lagged terms on the transformed scale. This is an $(m - L) \times p$ matrix as $X_G^* = [X_{G_1}^*, \dots, X_{G_K}^*]$ with $X_{G_j}^* = G(X^*, j, L) = [X_{G_{j1}}^*, \dots, X_{G_{jL}}^*]$ (an $(m - L) \times L$ matrix).
$X_G$	Selected predictor series matrix on the original scale. This is an $(m - L) \times (p + 1)$ matrix as $X_G = [\mathbf{1}, X_{G_1}, \dots, X_{G_K}] = [\mathbf{1}, X_{G_{11}}, \dots, X_{G_{1L}}, \dots, X_{G_{K1}}, \dots, X_{G_{KL}}]$ , where $\mathbf{1}$ is a column vector of 1's corresponding to an intercept.
$\hat{\beta}$	Unstandardized coefficient estimates vector (corresponding to $X_G$ ), which is a $(p + 1) \times$

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	1 vector. The first element, $\hat{\beta}_0$ , is the intercept estimate.
$\hat{\sigma}^2$	Estimated variance of the model based on residuals.
$\Sigma^*$	Covariance matrix of standardized coefficient estimates on the transformed scale, i.e., $\Sigma^* = \hat{\sigma}^2(\mathbf{X}_G^{*\top}\mathbf{X}_G^*)^{-1}$ . The $j^{\text{th}}$ diagonal element is $\hat{\sigma}_{\hat{\beta}_j^*}^2$ and its square root, $\hat{\sigma}_{\hat{\beta}_j^*}$ , is the standard error of the $j^{\text{th}}$ standardized coefficient estimate.
$\Sigma$	Covariance matrix of unstandardized coefficient estimates on the original scale. The $j^{\text{th}}$ diagonal element is $\hat{\sigma}_{\hat{\beta}_j}^2$ and its square root, $\hat{\sigma}_{\hat{\beta}_j}$ , is the standard error of the $j^{\text{th}}$ unstandardized coefficient estimate.
$\mathbf{M}$	Centering vector of $\mathbf{X}$ , i.e., $\mathbf{M} = [M_1, \dots, M_p]^\top$ , where $M_j = M(\mathbf{X}_j)$ is the mean of $\mathbf{X}_j$ .
$\mathbf{S}$	Scaling matrix of $\mathbf{X}$ , i.e., $\mathbf{S} = \text{diag}[S_1, \dots, S_p]$ , where $S_j = S(\mathbf{X}_j)$ is the standard deviation of $\mathbf{X}_j$ .
$\mathbf{A}$	Transformation matrix of $\mathbf{X}$ to $\mathbf{X}^*$ , i.e., $\mathbf{A} = \begin{bmatrix} -\mathbf{M}^\top\mathbf{S}^{-1} \\ \mathbf{S}^{-1} \end{bmatrix}$ , which is a $(p+1) \times p$ vector. Note that $\mathbf{X}_G^* = \mathbf{X}_G\mathbf{A}$ .

The relationship between  $\hat{\beta}$  and  $\hat{\beta}^*$  is  $\hat{\beta} = \mathbf{A}\hat{\beta}^* + [\bar{y}, 0, \dots, 0]^\top$  and the relationship between  $\Sigma$  and  $\Sigma^*$  is  $\Sigma = \mathbf{A}\Sigma^*\mathbf{A}^\top$ . The relevant statistics are computed as follows:

- **Unstandardized coefficient estimates**

$$\hat{\beta}_j = S_j^{-1}\hat{\beta}_j^*, \quad j = 1, \dots, p \quad (3)$$

$$\hat{\beta}_0 = \bar{y} - \mathbf{M}^\top\mathbf{S}^{-1}\hat{\beta}^* \quad (4)$$

- **Standard errors of unstandardized coefficient estimates**

$$\hat{\sigma}_{\hat{\beta}_j} = \frac{\hat{\sigma}_{\hat{\beta}_j^*}}{S_j}, \quad j = 1, \dots, p \quad (5)$$

$$\hat{\sigma}_{\hat{\beta}_0} = \text{sqrt} \left( \begin{bmatrix} M_1 & & \\ S_1 & & \\ & \dots & \\ & & M_p \\ & & S_p \end{bmatrix} \Sigma^* \begin{bmatrix} M_1 \\ S_1 \\ \vdots \\ M_p \\ S_p \end{bmatrix} \right) \quad (6)$$

where  $\Sigma^* = \hat{\sigma}^2(\mathbf{X}_G^{*\top}\mathbf{X}_G^*)^{-1}$  and  $\hat{\sigma}^2 = SS_e/df_e$  with  $SS_e = \|\mathbf{y} - \hat{\mathbf{y}}\|_2^2 = \sum_{t=1}^{t=(m-L)} (y_t - \hat{y}_t)^2$  and  $df_e = m - L - p^c - 1$ .

- **t-statistics for coefficient estimates**

$$t_j = \frac{\hat{\beta}_j}{\hat{\sigma}_{\hat{\beta}_j}}, \quad j = 0, 1, \dots, p, \quad (7)$$

which follows an asymptotic  $t$  distribution with  $df_e$  degrees of freedom. Then the  $p$ -value is computed as

$$p_{t_j} = 2 \times \left(1 - \text{prob}(t_{df_e} \leq |t_j|)\right) \quad (8)$$

- **100(1 -  $\alpha$ )% confidence internals**

$$\hat{\beta}_j \pm \hat{\sigma}_{\hat{\beta}_j} \times t_{\alpha/2, df_e} \quad (9)$$

where  $\alpha$  is the significance level and  $t_{\alpha/2, df_e}$  is the  $100(1 - \alpha/2)^{\text{th}}$  percentile of the  $t$  distribution with  $df_e$  degrees of freedom.

## 2.6.2 Tests of model effects

For each selected predictor series for  $y$ , there are  $L$  lagged columns associated with it. The columns can be grouped together, considered as an effect, and tested with a null hypothesis of zero for all coefficients. This is similar to the test of a categorical effect with all dummy variables in a (generalized) linear model setting. Only type III tests are conducted here. For each selected predictor series  $X_{G,i}$ , the type III test matrix  $L_i$  is constructed and  $H_0: L_i\beta = \mathbf{0}$  is tested based on an F-statistic.

- **F-statistics for effects**

$$F_i = \frac{\hat{\beta}^T L_i^T (L_i \Sigma L_i^T)^{-1} L_i \hat{\beta}}{r_i} \quad (10)$$

where  $r_i = \text{rank}(L_i \Sigma L_i^T)$ . The statistic follows an approximate  $F$  distribution with the numerator degrees of freedom  $r_i$  and the denominator degrees of freedom  $df_e$ . Then the  $p$ -value is computed as follows:

$$p_{F_i} = 1 - \text{prob}(F_{r_i, df_e} \leq |F_i|) \quad (11)$$

## 2.6.3 Model quality measures

In addition to statistical inferences, the goodness of the model can be evaluated. The following model quality measures are provided:

- **Root Mean Squared Error (RMSE)**

$$RMSE = \sqrt{MSE} = \sqrt{\frac{SS_e}{df_e}} \quad (12)$$

Note that  $RMSE = \hat{\sigma}$ .

- **Root Mean Squared Percentage Error (RMSPE)**

$$RMSPE = \sqrt{MSPE} = \sqrt{\frac{\sum_{t=L+1}^m \left(\frac{y_t - \hat{y}_t}{y_t}\right)^2}{(m-L)}} \quad (13)$$

- **R squared**

$$R^2 = 1 - \frac{\sum_{t=1}^{t=(m-L)} (y_t - \hat{y}_t)^2}{\sum_{t=1}^{t=(m-L)} (y_t - \bar{y})^2} = 1 - \frac{SS_e}{SS_t} \quad (14)$$

- **Bayesian Information Criterion (BIC)**

$$BIC = (m - L) \ln \left( \frac{SS_e}{(m-L)} \right) + ((p^c + 1) \ln(m - L)) \quad (15)$$

- **Akaike Information Criterion (AIC)**

$$AIC = (m - L) \ln \left( \frac{SS_e}{(m-L)} \right) + 2(p^c + 1) \quad (15')$$

### 3. Scoring

Once the models  $(\hat{\beta}, J_{sel})$  for all the required targets ( $y$ ) are built and post-estimation statistics are computed, the next task is to use these models to do scoring. There are two types of scoring: (1) fit: in-sample prediction for the past and current values of the target series; (2) forecast: out-of-sample prediction for future values of the target series.

#### 3.1 Fit

Without loss of generality, we assume  $\mathbf{X}$  and  $\mathbf{X}_G$  are the selected predictor series matrices without lagged terms and with lagged terms, respectively; and  $\hat{\beta}$  is the coefficient estimates vector for the target  $y$ , so  $\mathbf{X} = [\mathbf{X}_1, \dots, \mathbf{X}_K]$ ,  $\mathbf{X}_G = [\mathbf{1}, \mathbf{X}_{G_{11}}, \dots, \mathbf{X}_{G_{1L}}, \dots, \mathbf{X}_{G_{K1}}, \dots, \mathbf{X}_{G_{KL}}]$  and  $\hat{\beta} = [\hat{\beta}_0, \hat{\beta}_{11}, \dots, \hat{\beta}_{1L}, \dots, \hat{\beta}_{K1}, \dots, \hat{\beta}_{KL}]^T$ . Given that all series have  $m$  time points, in-sample prediction of  $y$  is one-step ahead prediction and can be written as

$$\hat{y}_t = \mathbf{X}_{G,t} \hat{\beta} = \hat{\beta}_0 + \sum_{j \in J_{sel}} \sum_{\ell=1}^L \hat{\beta}_{j,\ell} \cdot X_{G,j,\ell,t} \quad (16)$$

$$= \hat{\beta}_0 + \sum_{j \in J_{sel}} \sum_{\ell=1}^L \hat{\beta}_{j,\ell} \cdot X_{j,t-\ell}; \quad t = L + 1, \dots, m. \quad (17)$$

The corresponding  $100(1 - \alpha)\%$  confidence interval of  $y$  is

$$[\hat{y}_t - t_{\alpha/2, df_e} \times \hat{\sigma}, \hat{y}_t + t_{\alpha/2, df_e} \times \hat{\sigma}]; \quad t = L + 1, \dots, m. \quad (18)$$

#### 3.2 Forecast

Given that data is available up to time interval  $m$ , the one-step ahead forecast for  $y$  is

$$\hat{y}_m(1) = \hat{\beta}_0 + \sum_{j \in J_{sel}} \sum_{\ell=1}^L \hat{\beta}_{j,\ell} \cdot X_{j,m+1-\ell} \quad (19)$$

The  $h$ -step ahead forecast for  $y$  is

$$\hat{y}_m(h) = \hat{\beta}_0 + \sum_{j \in J_{sel}} \sum_{\ell=1}^L \hat{\beta}_{j,\ell} \cdot \hat{X}_{j,m+h-\ell} \quad (20)$$

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where

$$\hat{X}_{j,m+h-\ell} = \begin{cases} X_{j,m+h-\ell}, & h \leq \ell \\ \hat{X}_{j,m}(h-\ell), & h > \ell \end{cases}$$

Thus, forecasting the value of  $y_{m+2}$  requires us to first forecast the values of all the predictors up to time  $(m+1)$ . Forecasting the values of all the predictors up to time  $(m+1)$  requires us to use Equation (19) on all the predictors  $j \in J_{sel}$ . Similarly, to predict the value of  $y_{m+3}$ , we need to forecast the values of predictors  $j \in J_{sel}$  at time  $(m+2)$  by using Equation (20). This task poses a bigger problem; to forecast the values of  $j \in J_{sel}$  at time  $(m+2)$ , we first need to forecast the values of the predictors of  $j \in J_{sel}$  at time  $(m+1)$ . That is, as we increasingly look into the future, we need to forecast more and more values to determine the value of  $y_{m+h}$ .

### 3.3 Approximated forecasting variances and intervals

In this subsection, we outline how forecasting variances and intervals can be computed for TCM models. We start by using the following representation for the linear model built by TCM for target  $y_{m+h}$ :

$$y_{m+h} = \hat{\beta}_0 + \sum_{j \in J_{sel}} \sum_{\ell=1}^L \hat{\beta}_{j,\ell} \cdot X_{j,m+h-\ell} + \varepsilon_{m+h} \quad (21)$$

where  $\varepsilon_{m+h} \sim N(0, \sigma^2)$  and  $\sigma^2$  is estimated as  $\hat{\sigma}^2$  (computed in Section 2.6.1). Please note that we don't include parameter estimation error when defining forecasting error in TCM.

The forecasting error at  $m+1$  is defined as the difference between  $y_{m+1}$  and  $\hat{y}_m(1)$ , which can be written as

$$e_{y,m}(1) = y_{m+1} - \hat{y}_m(1) = \varepsilon_{m+1} \quad (22)$$

The forecasting variance for one-step ahead forecasts is computed as  $\sigma^2$ . For multi-step ahead forecasts, the forecasting error at  $m+h$  is

$$e_{y,m}(h) = y_{m+h} - \hat{y}_m(h) = \sum_{j \in J_{sel}} \sum_{\ell=1}^L \hat{\beta}_{j,\ell} \cdot e_{X_{j,m}}(h-\ell) + \varepsilon_{m+h} \quad (23)$$

where  $e_{X_{j,m}}(h-\ell) = X_{j,m+h-\ell} - \hat{X}_{j,m}(h-\ell)$  and  $e_{X_{j,m}}(h-\ell) = 0$  if  $h \leq \ell$ .

In general,  $e_{X_{j,m}}(1), \dots, e_{X_{j,m}}(h-\ell)$  are not independent of each other. The larger the  $h$  is, the more complex the dependence is. In addition,  $e_{X_{j,m}}(h-\ell)$  and  $e_{X_{i,m}}(h-\ell)$  might not be independent for  $j, i \in J_{sel}$ . In order to fully consider the dependence, we need to write all time series in vector autoregressive (VAR) format. Since we assume the number of series  $n$  is usually large, the parameter matrix, which is an  $n \times n$  matrix, might be too large to handle in computation of the forecasting variances. Therefore, we make the assumption that all forecasting error terms in Equation (23),  $e_{X_{j,m}}(h-\ell), j \in J_{sel}, \ell = 1, \dots, L$ , are independent, so it is easier to compute the forecasting variances.

Based on the above independence assumption, the approximated variance of the forecasting error,  $e_{y,m}(h)$ , is

$$\hat{\sigma}_{e_{y,m,h}}^2 = \sum_{j \in J_{sel}} \sum_{\ell=1}^L \hat{\beta}_{j,\ell}^2 \hat{\sigma}_{e_{X_{j,m,h-\ell}}}^2 + \hat{\sigma}^2 \quad (24)$$

where  $\hat{\sigma}_{e_{X_j, m, h-\ell}}^2$  is the variance of the forecasting error in the series  $X_j$  at  $m + h - \ell$ .

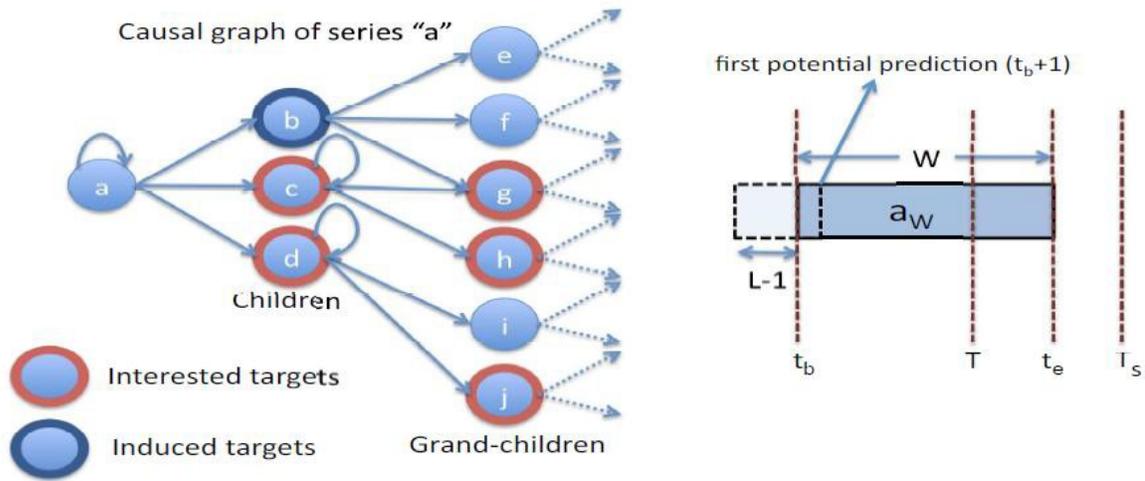
Then the corresponding  $100(1 - \alpha)\%$  approximated forecasting interval of  $y_{m+h}$  can be expressed as

$$\left[ \hat{y}_m(h) - t_{\alpha/2, df_e} \times \hat{\sigma}_{e_{y, m, h}}, \hat{y}_m(h) + t_{\alpha/2, df_e} \times \hat{\sigma}_{e_{y, m, h}} \right] \quad (25)$$

## 4. Scenario analysis

Scenario analysis refers to a capability of TCM to “play-out” the repercussions of artificially setting the value of a time series. A scenario is the set of forecasts that are generated by substituting the values of a *root* time series by a vector of substitute values, as illustrated in Figure 1.

Figure 1: Causal graph of a root time series and the specification of the vector of substitute values



During scenario analysis, we specify the targets that we want to analyze as a response to changes in the values of the root series (“a” in Figure 1), along with the time window. In Figure 1, we are interested in the behavior of time series “c”, “d”, “g”, “h”, and “j” *only*. The rest of the time series are ignored. The figure also depicts the vector  $\mathbf{a}_W$  of values for “a” that should be used instead of the observed or predicted values of “a”. The values  $(t_b, t_e, T, T_s)$  specify the beginning and end of the replacement values for the root series, the current time, and the farthest time for analysis, respectively.

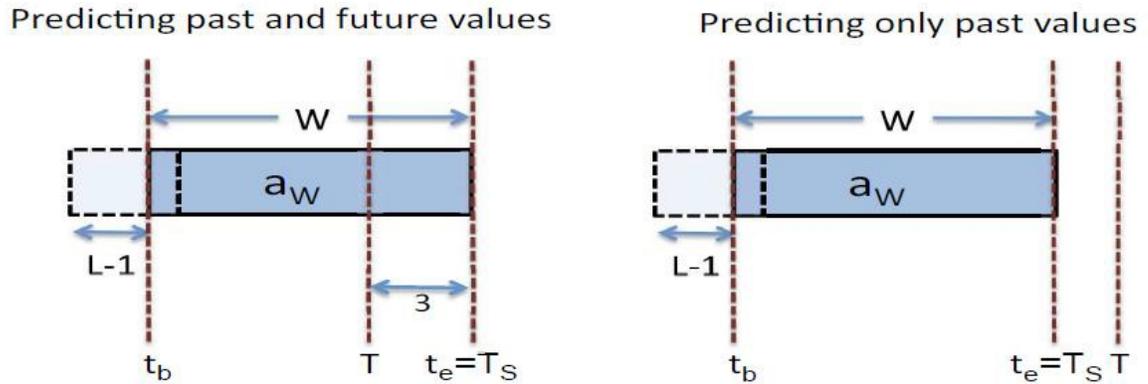
The partial Granger causal graph of time series “a” is shown in Figure 1. That is, “a” is the parent of itself, “b”, “c”, and “d”. Similarly, it is the grand-parent of “e”, “f”, “g”, “h”, “i”, and “j”. Further descendents are possible, but only two generations suffice for the sake of explanation. Figure 1 also displays the specification of the vector  $\mathbf{a}_W$ , of length  $W$ , that contains the replacement values of the root series. In the example shown in the figure,  $\mathbf{a}_W$  starts at time  $t_b < T$ , where  $T$  is the current time, and ends at  $t_e > T$ , which is in the future. We are also given  $T_s$ , the last time point ( $t_e \leq T_s$ ) for which we want to perform scenario analysis on the target variables. Finally, we are given a set of time series for which the scenario predictions are carried out. In the figure, these are “c”, “d”, “g”, “h”, and “j”, which are marked with a thick red border. Since “b” is required to model “g”, “b” is marked with a thick blue border to signify that it is an induced target. Given this information, the goal of scenario analysis is to forecast the

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values of the target time series (“c”, “d”, “g”, “h”, and “j”) up to time  $T_s$ , based on the values of the root time series  $\mathbf{a}_w$ .

Notice that we have to predict values of targets up to time  $T_s$ , where  $T_s$  can be  $> (T + 1)$  or  $\leq (T + 1)$ . When  $T_s = (T + 2)$ , we need to compute the values of the predictors of the target time series at time  $(T + 1)$ . Similarly, when  $T_s = (T + 3)$ , we need to compute the values of the predictors’ predictors at time  $(T + 1)$  and the values of the predictors at time  $(T + 2)$  before predicting the values of the target time series at time  $(T + 3)$ .

Figure 2: Scenarios with and without predicting future values



The left-hand panel in Figure 2 depicts a scenario where the values of ancestors of targets of interest also have to be predicted. In this particular case,  $T_s = (T + 3)$  and therefore it is necessary to predict the values of the predictors of the targets at  $(T + 1)$  and  $(T + 2)$ , and values of the predictors’ predictors at time  $(T + 1)$ . The right-hand panel depicts a scenario where the entire period of prediction is earlier than the current time  $T$  (i.e.,  $T_s < T$ ). In this case, all the values of the predictors and their ancestors are readily available.

### Determining $\mathbf{a}_w$

In the discussion above, we have neglected the issue of  $\mathbf{a}_w$ , the substitute values for time series “a”, which is the root time series. For purposes of scenario analysis, it is sufficient to consider that  $\mathbf{a}_w$  is readily available. In a typical use case for scenario analysis,  $\mathbf{a}_w$  will come from the values specified by the user’s direct input, although its values could also come as input from a calling meta-process (as is the case with the use of scenario analysis as a sub-procedure in root cause analysis, as shown in Section 6).

### Caveat on scenario analysis

It is possible to carry out scenario analysis for a time period that is entirely in the future; that is  $t_b > T$ . However, forecasting errors in the remaining predictors may make such scenario analysis inherently low-precision. That is, if  $\theta = t_b - T$  and  $t_b > T$ , then the precision of scenario analysis decreases with an increase in  $\theta$ .

## 4.1 SA, the scenario analysis algorithm

### Input:

The inputs to SA are: (1)  $\mathbf{r}$ : the root time series; (2)  $\mathbf{r}_w$ : the vector of replacement values for time series  $\mathbf{r}$ ; (3)  $(t_b, t_e, T, T_s)$ : the beginning and end time for the modified values of  $\mathbf{r}$ , the current time, and the last time point for

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which target values need to be predicted, respectively; (4)  $D$ : a set of descendant target time series of interest along with their relation to  $\mathbf{r}$  (which may be input as the Granger causal graph,  $G$ ). Notice that the length of  $\mathbf{r}_W$  is  $t_e - t_b + 1$  and  $t_e \leq T_s$ . Furthermore, it is erroneous to have a target  $\mathbf{d} \in D$ , where  $\mathbf{r}$  is not an ancestor of  $\mathbf{d}$ .

### Output:

For each  $\mathbf{d}$  in  $D$ , we output a vector  $\mathbf{d}_{sa}$  containing values that pertain to the scenario analysis of these time series and the corresponding confidence intervals (when  $T_s \leq T$ ) or approximated forecasting intervals (when  $T_s > T$ ). Please note that the time period for the children series in  $D$  is  $[t_b + 1, T_s]$ , for the grand-children series is  $[t_b + 2, T_s]$ , etc.

### Preparation:

To prepare for SA, we first calculate the closure on the set of targets  $D^*$  that need to be predicted, which is determined by the relationship between  $\mathbf{r}$  and each of the targets in  $D$ . Essentially,  $D^*$  is computed by iteratively looking at the path from each  $\mathbf{d} \in D$  and adding all those intermediate nodes that are ancestors of  $\mathbf{d}$  and are also descendants of  $\mathbf{r}$ . In the example shown in Figure 1, the time series “b” is itself not of primary interest, but since it is a parent of “g”, which is of interest, “b” is also added as a target of interest to the set {“c”, “d”, “g”, “h”, “j”}.

Next, we compute  $M$ , the set of models that need to be included in order to perform scenario analysis on  $D^*$ . Obviously,  $M$  contains the models for each of the series in  $D^*$ , i.e.,  $D^* \subset M$ ; however, depending on the time span of the scenario analysis, additional models of some time series might have to be brought in (see Figure 2). Basically, depending on how far ahead  $T_s$  is from  $T$ , we may need to compute the values of the ancestors (other than  $\mathbf{r}$ ) of the targets of interest at time points  $(T + 1), \dots, (T_s - 1)$ . That is, the set  $\{M - D^*\}$  (which may be  $\emptyset$ ) contains all series that are needed for scenario analysis and are not descendants of  $\mathbf{r}$ .

At the end of the preparation phase we have  $D^*$  and  $M$ , which allows us to predict all the time series of interest.

### Computation:

The computation in scenario analysis is exactly that of scoring the values of a set of time series (see Section 3). For each target in  $D^*$ , we have a range of time points for which we need to fit/forecast values. For example, for immediate children of the root (“c”, “d”, and the induced child “b” in Figure 1), this range is  $[t_b + 1, T_s]$ . Similarly, for grand-children (“g”, “h”, and “j” in Figure 1), this range is  $[t_b + 2, T_s]$ . Using the models in  $M$  and substituted values  $\mathbf{r}_W$  for  $\mathbf{r}$ , this task can be carried out.

## 5. Outlier detection

One of the advantages of building TCM models is the ability to detect model-based outliers. Outliers can be defined in several ways. For now, we shall define an outlier in a time series to be a value that strays too far from its expected (fitted) value based on the TCM models. The detection process is based on the normal distribution assumption for series  $\mathbf{y}$ . Consider the value of a time series  $\mathbf{y}$  at time  $t$ . Let  $y_t$  and  $\hat{y}_t$  be the observed and expected values of  $\mathbf{y}$  at time  $t$ , respectively; and  $\hat{\sigma}^2$  be the variance of  $\mathbf{y}$  from the TCM model (based on residuals). Given these inputs, we call  $y_t$  an outlier if the likelihood of  $y_t$  when modeled as a normal random variable with mean  $\hat{y}_t$  and variance  $\hat{\sigma}^2$  is below a particular threshold.

**Input:**

The inputs to OD (outlier detection) are: (1)  $y_t, \forall t$ ; (2)  $\hat{y}_t, \forall t$ ; (3)  $\hat{\sigma}^2$ ; (4) the outlier threshold value  $\kappa \in (0,1]$  (the default is 0.95).

**Computation:**

- a) Under the assumption that the observed value  $y_t$  is a normal random variable with mean  $\hat{y}_t$  and variance  $\hat{\sigma}^2$ , compute the square score at time  $t$  as

$$s_{sqr,t} = \frac{(y_t - \hat{y}_t)^2}{\hat{\sigma}^2} \tag{26}$$

- b) Compute the outlier probability as

$$p_{sqr,t} = prob(\chi_1^2 \leq s_{sqr,t}) \tag{27}$$

where  $\chi_1^2$  is a random variable with a chi-squared distribution with 1 degree of freedom.

- c) Flag  $y_t$  as an outlier if  $p_{sqr,t} \geq \kappa$ .

**Output:**

The output to OD for series  $y$  is a set of time points with their corresponding outlier probabilities.

## 6. Outlier root cause analysis

In Section 5, we saw how to detect outliers. The next logical step is to find the likely causes for a time series whose value has been flagged as an outlier. Outlier root cause analysis refers to the capability to explore the Granger causal graph in order to analyse the key/root values that resulted in the outlier under question. To formalize this notion, consider a time series  $y$ , whose observed value at time  $t$  (that is,  $y_t$ ) has been flagged as an outlier due to its abnormal deviation from its expected value  $\hat{y}_t$ . The goal of outlier root cause analysis (*ORCA*) is to output the set of time series  $\mathcal{A}$  that can be considered as root causes of the anomalous value of  $y_t$ . The idea is that setting the values of time series in the predictor set  $X$  to their normal/expected values, instead of their observed values, will bring the outlying  $y_t$  back to normal. The normal value of  $y_t$  is unknown so we specify it with the expected value of  $y$  at time  $t$  as predicted by  $y$ 's univariate model, which is an  $AR(L)$  model, and denoted as  $\tilde{y}_t$ .

The result of *ORCA* has the following objective function with a constraint as follows:

$$\arg \max_{x \in \mathcal{A}_y} |\hat{y}_t - \tilde{y}_t| - |\hat{y}_{t|x=\hat{x}} - \tilde{y}_t| \tag{28}$$

$$\text{s. t. } |\hat{y}_t - \tilde{y}_t| \geq |\hat{y}_{t|x=\hat{x}} - \tilde{y}_t|$$

where  $\mathcal{A}_y$  corresponds to the set of ancestors of  $y$  according to the Granger causal graph  $G$ . The quantity  $\hat{y}_{t|x=\hat{x}}$  should be interpreted as the likely predicted value of  $y$  at time  $t$  had the value of its ancestor  $x$  been set to its expected value of  $\hat{x}$ . We see that Equation (28) is made up of two parts: (1) the portion  $|\hat{y}_t - \tilde{y}_t|$ , which is the

degree of “outlier-ness” of  $y$  at  $t$  as predicted by the “Granger model”, where the outlier-ness is judged based on what is expected from the history of  $y$ ; (2) the portion  $|\hat{y}_{t|x=\hat{x}} - \tilde{y}_t|$ , which is the degree of “outlier-ness” of  $y$  at  $t$  as predicted by the “Granger model”, if  $x$  was corrected. In other words, Equation (28) amounts to replacing the observed value  $y_t$  by its “expected” value, given by a simpler, univariate model. Therefore Equation (28) expresses the reduction in the degree of outlier-ness in  $y_t$  brought about by correcting  $x$ .

### 6.1 ORCA, the outlier root cause analysis algorithm

**Input:**

The inputs to *ORCA* are: (1)  $y$ , the anomalous time series; (2)  $t$ , the time at which the anomaly was detected; (3)  $y_t$ , the anomalous value; (4)  $\hat{y}_t$ , the expected value of  $y_t$ ; (5)  $k$ , the oldest generation of ancestors to search based on the Granger causal graph,  $G$ .

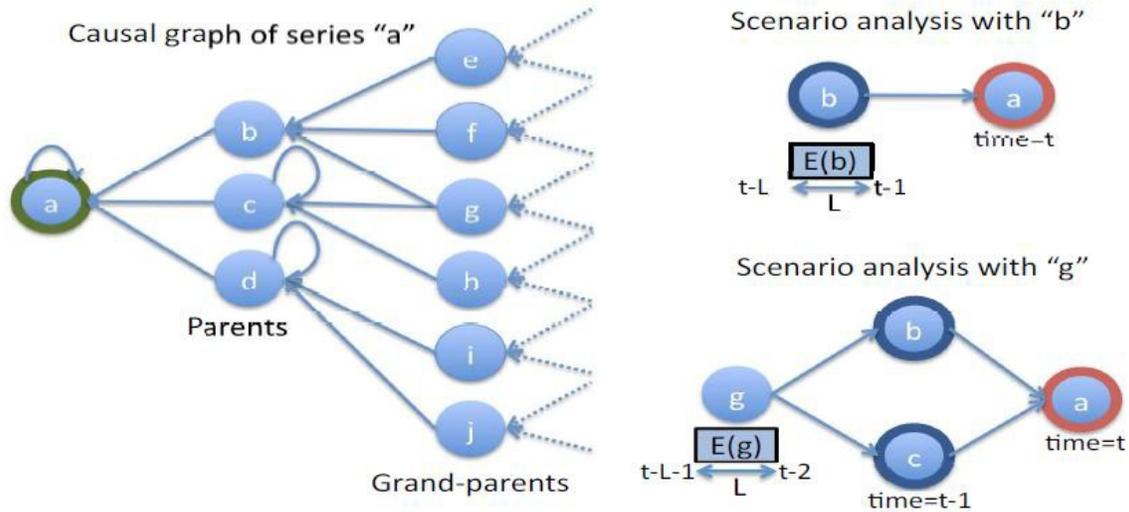
**Output:**

*ORCA* outputs the set of root causes  $\mathcal{A}$  of the anomaly in  $y_t$ , where each  $x \in \mathcal{A}$  maximizes the objective function in Equation (28) by the same amount.

**Preparation:**

To prepare for *ORCA*, we first compute  $\mathcal{A}_y$ , the set of ancestors that need to be examined as the potential root causes of the anomaly in  $y_t$ .

Figure 3: Outlier root cause analysis for a time series



In the example shown in Figure 3, assuming that  $y = \text{“a”}$  and  $k = 2$ , then  $\mathcal{A}_y = \{ \text{“b”}, \text{“c”}, \text{“d”}, \text{“e”}, \text{“f”}, \text{“g”}, \text{“h”}, \text{“i”}, \text{“j”} \}$ .  $\mathcal{A}_y$  can be computed by performing a reverse breadth-first search from  $y$  to  $k$  levels.

Second, each potential root cause  $x \in \mathcal{A}_y$  is prepped for scenario analysis by computing the vector of substitute values of  $x$  to be used during scenario analysis. Note that the length of this substitute vector is  $L$ , the lag. For

## Temporal Causal Modeling Algorithms

example, consider  $\mathbf{b}_L$ , the substitute for time series “b” in Figure 3. As “b” is a parent of “a”, we need to compute the fits of “b” from  $(t - L)$  to  $(t - 1)$ . On the other hand, as “g” is a grand-parent of “a”,  $\mathbf{g}_L$  contains the fits for “g” from the time  $(t - L - 1)$  to  $(t - 2)$  (see Section 3.1 for computation of fits). Please note that this approach assumes that any anomalies are purely in “b” (the parent series) or “g” (the grandparent series). In particular, it is assumed that anomalies in “b” are not caused by values in the grandparent series, including anomalous values in the grandparent series.

Third, for each potential root cause  $\mathbf{x} \in \mathcal{A}_y$ , scenario analysis is carried out (see Section 4) using the substitute values computed in the previous step. For the example in Figure 3, scenario analysis is called for series “b” with the parameters  $(\mathbf{r} = \mathbf{b}, \mathbf{r}_W = \mathbf{b}_L, t_b = (t - L), t_e = (t - 1), T = t, D = \{\mathbf{a}\}, T_s = t)$ . And the result of scenario analysis is  $\hat{y}_{t|x=\hat{x}}$ .

### Computation:

The process of *ORCA* is as follows:

- Initiaize  $\mathcal{A}$ , the set of potential root causes for  $y_t$ , to  $\emptyset$ .  
Initialize  $obj_{max}$ , the maximum objective function value, to 0.
- Suppose there are  $J$  series in  $\mathcal{A}_y$ ,  $\mathbf{x}_1, \dots, \mathbf{x}_J$ .  
For each  $\mathbf{x}_j, j \in 1, \dots, J$ , compute  $obj_j = |\hat{y}_t - \check{y}_t| - |\hat{y}_{t|x_j=\hat{x}_j} - \check{y}_t|$ .  
If  $obj_j \geq obj_{max}$ , set  $obj_{max} = obj_j$  and store  $\mathbf{x}_j$  in  $\mathcal{A}$ .

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# TREE Algorithms

The TREE procedure creates a tree-based classification model using the CART, CHAID, or QUEST algorithm.

## CART Algorithms

The CART algorithm is based on Classification and Regression Trees by Breiman et al (1984). A CART tree is a binary decision tree that is constructed by splitting a node into two child nodes repeatedly, beginning with the root node that contains the whole learning sample.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$Y$	The dependent, or target, variable. It can be ordinal categorical, nominal categorical or continuous. If $Y$ is categorical with $J$ classes, its class takes values in $C = \{1, \dots, J\}$ .
$X_m, m=1, \dots, M$	The set of all predictor variables. A predictor can be ordinal categorical, nominal categorical or continuous.
$\mathbf{h} = \{\mathbf{x}_n, y_n\}_{n=1}^N$	The whole learning sample.
$\mathbf{h}(t)$	The learning samples that fall in node $t$ .
$w_n$	The case weight associated with case $n$ .
$f_n$	The frequency weight associated with case $n$ . Non-integral positive value is rounded to its nearest integer.
$\pi(j), j=1, \dots, J$	Prior probability of $Y = j, j = 1, \dots, J$ .
$p(j, t), j=1, \dots, J$	The probability of a case in class $j$ and node $t$ .
$p(t)$	The probability of a case in node $t$ .
$p(j t), j=1, \dots, J$	The probability of a case in class $j$ given that it falls into node $t$ .
$C(i j)$	The cost of miss-classifying a class $j$ case as a class $i$ case. $C(j j)=0$

## Tree Growing Process

The basic idea of tree growing is to choose a split among all the possible splits at each node so that the resulting child nodes are the “purest”. In this algorithm, only univariate splits are considered. That is, each split depends on the value of only one predictor variable. All possible splits consist of possible splits of each predictor. If  $X$  is a nominal categorical variable of  $I$  categories, there are  $2^{I-1} - 1$  possible splits for this predictor. If  $X$  is an ordinal categorical or continuous variable with  $K$  different values, there are  $K-1$  different splits on  $X$ . A tree is grown starting from the root node by repeatedly using the following steps on each node.

1. Find each predictor’s best split.

For each continuous and ordinal predictor, sort its values from the smallest to the largest. For the sorted predictor, go through each value from top to examine each candidate split point (call it  $v$ , if  $x \leq v$ , the case goes to the left child node, otherwise, it goes to the right) to determine the best.

The best split point is the one that maximize the splitting criterion the most when the node is split according to it. The definition of splitting criterion is in a later section.

For each nominal predictor, examine each possible subset of categories (call it  $A$ , if  $x \in A$ , the case goes to the left child node, otherwise, it goes to the right) to find the best split.

2. Find the node's best split.

Among the best splits found in step 1, choose the one that maximizes the splitting criterion.

3. Split the node using its best split found in step 2 if the stopping rules are not satisfied.

### Splitting Criteria and Impurity Measures

At node  $t$ , the best split  $s$  is chosen to maximize a splitting criterion  $\Delta i(s, t)$ . When the impurity measure for a node can be defined, the splitting criterion corresponds to a decrease in impurity.

$\Delta I(s, t) = p(t) \Delta i(s, t)$  is referred to as the improvement.

#### Categorical Dependent Variable

If  $Y$  is categorical, there are three splitting criteria available: Gini, Twoing, and ordered Twoing criteria. At node  $t$ , let probabilities  $p(j, t)$ ,  $p(t)$  and  $p(j|t)$  be estimated by

$$p(j, t) = \frac{\pi(j) N_{w,j}(t)}{N_{w,j}}$$

$$p(t) = \sum_j p(j, t)$$

$$p(j|t) = \frac{p(j, t)}{p(t)} = \frac{p(j, t)}{\sum_j p(j, t)}$$

where

$$N_{w,j} = \sum_{n \in \mathcal{h}} w_n f_n I(y_n = j)$$

$$N_{w,j}(t) = \sum_{n \in \mathcal{h}(t)} w_n f_n I(y_n = j)$$

with  $I(a=b)$  being the indicator function taking value 1 when  $a=b$ , 0 otherwise.

#### Gini Criterion

The Gini impurity measure at a node  $t$  is defined as

$$i(t) = \sum_{i,j} C(i,j) p(i|t) p(j|t)$$

The Gini splitting criterion is the decrease of impurity defined as

$$\Delta i(s, t) = i(t) - p_L i(t_L) - p_R i(t_R)$$

where  $p_L$  and  $p_R$  are probabilities of sending a case to the left child node  $t_L$  and to the right child node  $t_R$  respectively. They are estimated as  $p_L = p(t_L)/p(t)$  and  $p_R = p(t_R)/p(t)$ .

*Note:* When user-specified costs are involved, the altered priors can optionally be used to replace the priors. When altered priors are used, the problem is considered as if no costs are involved. The altered prior is defined as  $\pi'(j) = \frac{C(j)\pi(j)}{\sum_j C(j)\pi(j)}$ , where  $C(j) = \sum_i C(i|j)$ .

*Note:* When the Gini index is used to find the improvement for a split during tree growth, only those records in node  $t$  and the root node with valid values for the split-predictor are used to compute  $N_j(t)$  and  $N_j$ , respectively.

### Twoing Criterion

$$\Delta i(s, t) = p_L p \left[ \sum_j |p(j|t_L) - p(j|t_R)| \right]^2$$

### Ordered Twoing Criterion

Ordered Twoing is used only when  $Y$  is ordinal categorical. Its algorithm is as follows:

1. First separate the class  $C = \{1, \dots, J\}$  of  $Y$  as two super-classes  $C_1$  and  $C_2 = C - C_1$  such that  $C_1$  is of the form  $C_1 = \{1, \dots, j_1\}, j_1 = 1, \dots, J-1$ .
2. Using the 2-class measure  $i(t) = p(C_1 | t)p(C_2 | t)$ , find the split  $s^*(C_1)$  that maximizes

$$\Delta i(s, t) = i(t) - p_L i(t_L) - p_R i(t_R) = p_L p_R \left[ \sum_{j \in C_1} \{p(j|t_L) - p(j|t_R)\} \right]^2$$

3. Find the super-class  $C_1^*$  of  $C_1$  which maximizes  $\Delta i(s^*(C_1), t)$ .

### Continuous Dependent Variable

When  $Y$  is continuous, the splitting criterion  $\Delta i(s, t) = i(t) - p_L i(t_L) - p_R i(t_R)$  is used with the Least Squares Deviation (LSD) impurity measures

$$i(t) = \frac{\sum_{n \in h(t)} w_n f_n (y_n - \bar{y}(t))^2}{\sum_{n \in h(t)} w_n f_n}$$

where

$$p_L = N_w(t_L)/N_w(t), p_R = N_w(t_R)/N_w(t), N_w(t) = \sum_{n \in \mathfrak{h}(t)} w_n f_n$$

$$\bar{y}(t) = \frac{\sum_{n \in \mathfrak{h}(t)} w_n f_n y_n}{N_w(t)}$$

## Stopping Rules

Stopping rules control if the tree growing process should be stopped or not. The following stopping rules are used:

- If a node becomes pure; that is, all cases in a node have identical values of the dependent variable, the node will not be split.
- If all cases in a node have identical values for each predictor, the node will not be split.
- If the current tree depth reaches the user-specified maximum tree depth limit value, the tree growing process will stop.
- If the size of a node is less than the user-specified minimum node size value, the node will not be split.
- If the split of a node results in a child node whose node size is less than the user-specified minimum child node size value, the node will not be split.
- If for the best split  $s^*$  of node  $t$ , the improvement  $\Delta I(s^*, t) = p(t) \Delta i(s^*, t)$  is smaller than the user-specified minimum improvement, the node will not be split.

## Surrogate Splits

Given a split  $X^* \leq s^*$ , its surrogate split is a split using another predictor variable  $X$ ,  $X \leq s_X$  (or  $X > s_X$ ), such that this split is most similar to it and is with positive predictive measure of association. There may be multiple surrogate splits. The bigger the predictive measure of association is, the better the surrogate split is.

### Predictive measure of association

Let  $\mathfrak{h}_{X^* \cap X}$  (resp.  $\mathfrak{h}_{X^* \cap X}(t)$ ) be the set of learning cases (resp. learning cases in node  $t$ ) that has non-missing values of both  $X^*$  and  $X$ . Let  $p(s^* \approx s_X | t)$  be the probability of sending a case in  $\mathfrak{h}_{X^* \cap X}(t)$  to the same child by both  $s^*$  and  $s_X$ , and  $\tilde{s}_X$  be the split with maximized probability  $p(s^* \approx \tilde{s}_X | t) = \max_{s_X} (p(s^* \approx s_X | t))$ .

The predictive measure of association  $\lambda(s^* \approx \tilde{s}_X | t)$  between  $s^*$  and  $\tilde{s}_X$  at node  $t$  is

$$\lambda(s^* \approx \tilde{s}_X | t) = \frac{\min(p_L, p_R) - (1 - p(s^* \approx \tilde{s}_X | t))}{\min(p_L, p_R)}$$

where  $p_L$  (resp.  $p_R$ ) is the relative probability that the best split  $s^*$  at node  $t$  sends a case with non-missing value of  $X^*$  to the left (resp. right) child node. And where

$$p(s^* \approx s_X | t) = \begin{cases} \sum_j \frac{\pi(j) N_{w,j}(s^* \approx s_X, t)}{N_{w,j}(X^* \cap X)} & \text{if } Y \text{ is categorical} \\ \frac{N_w(s^* \approx s_X, t)}{N_w(X^* \cap X)} & \text{if } Y \text{ is continuous} \end{cases}$$

with

$$N_w(X^* \cap X) = \sum_{n \in \tilde{h}_{X^* \cap X}} w_n f_n, N_w(X^* \cap X, t) = \sum_{n \in \tilde{h}_{X^* \cap X}(t)} w_n f_n$$

$$N_w(s^* \approx s_X, t) = \sum_{n \in \tilde{h}_{X^* \cap X}(t)} w_n f_n I(n : s^* \approx s_X)$$

$$N_{w,j}(X^* \cap X) = \sum_{n \in \tilde{h}_{X^* \cap X}} w_n f_n I(y_n = j), N_{w,j}(X^* \cap X, t) = \sum_{n \in \tilde{h}_{X^* \cap X}(t)} w_n f_n I(y_n = j)$$

$$N_{w,j}(s^* \approx s_X, t) = \sum_{n \in \tilde{h}_{X^* \cap X}(t)} w_n f_n I(y_n = j) I(n : s^* \approx s_X)$$

and  $I(n : s^* \approx s_X)$  being the indicator function taking value 1 when both splits  $s^*$  and  $s_X$  send the case  $n$  to the same child, 0 otherwise.

## Missing Value Handling

If the dependent variable of a case is missing, this case will be ignored in the analysis. If all predictor variables of a case are missing, this case will also be ignored. If the case weight is missing, zero, or negative, the case is ignored. If the frequency weight is missing, zero, or negative, the case is ignored.

The surrogate split method is otherwise used to deal with missing data in predictor variables. Suppose that  $X^* < s^*$  is the best split at a node. If value of  $X^*$  is missing for a case, the best surrogate split (among all non-missing predictors associated with surrogate splits) will be used to decide which child node it should go. If there are no surrogate splits or all the predictors associated with surrogate splits for a case are missing, the majority rule is used.

## Variable Importance

The Measure of Importance  $M(X)$  of a predictor variable  $X$  in relation to the final tree  $T$  is defined as the (weighted) sum across all splits in the tree of the improvements that  $X$  has when it is used as a primary or surrogate (but not competitor) splitter. That is,

$$M(X) = \sum_{t \in T} \Delta(\tilde{s}_X, t)$$

If, for a given  $t$ , the rank of the surrogate is larger than the maximum number of surrogates to keep in each node, then the contribution of that split is set to 0.

The Variable Importance  $VI(X)$  of  $X$  is expressed in terms of a normalized quantity relative to the variable having the largest measure of importance. It ranges from 0 to 100, with the variable having the largest measure of importance scored as 100. That is,

$$VI(X) = \frac{M(X)}{\max_X M(X)} \times 100$$

## References

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## CHAID and Exhaustive CHAID Algorithms

The CHAID algorithm is originally proposed by Kass (1980) and the Exhaustive CHAID is by Biggs et al (1991). Algorithm CHAID and Exhaustive CHAID allow multiple splits of a node.

Both CHAID and exhaustive CHAID algorithms consist of three steps: merging, splitting and stopping. A tree is grown by repeatedly using these three steps on each node starting from the root node.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$Y$	The dependent variable, or target variable. It can be ordinal categorical, nominal categorical or continuous. If $Y$ is categorical with $J$ classes, its class takes values in $C = \{1, \dots, J\}$ .
$X_m, m=1, \dots, M$	The set of all predictor variables. A predictor can be ordinal categorical, nominal categorical or continuous.
$\tilde{n} = \{x_n, y_n\}_{n=1}^N$	The whole learning sample.
$w_n$	The case weight associated with case $n$ .
$f_n$	The frequency weight associated with case $n$ . Non-integral positive value is rounded to its nearest integer.

## CHAID Algorithm

The following algorithm only accepts nominal or ordinal categorical predictors. When predictors are continuous, they are transformed into ordinal predictors before using the following algorithm.

### Binning Continuous Predictors

For a given set of break points  $a_1, a_2, \dots, a_{K-1}$  (in ascending order), a given  $x$  is mapped into category  $C(x)$  as follows:

$$C(x) = \begin{cases} 1 & x \leq a_1 \\ k + 1 & a_k < x \leq a_{k+1}, k = 1, \dots, K - 2 \\ K & a_{K-1} < x \end{cases}$$

If  $K$  is the desired number of bins, the break points are computed as follows:

Calculate the rank of  $x_i$ . Frequency weights are incorporated when calculating the ranks. If there are ties, the average rank is used. Denote the rank and the corresponding values in ascending order as  $\{r_{(i)}, x_{(i)}\}_{i=1}^n$ .

For  $k=0$  to  $(K-1)$ , set  $I_k = \left\{i: \left\lfloor r_{(i)} \frac{K}{N_f+1} \right\rfloor = k\right\}$  where  $\lfloor x \rfloor$  denotes the floor integer of  $x$ . If  $I_k$  is not empty,  $i_k = \max\{i: i \in I_k\}$ . The break points are set equal to the  $x$  values corresponding to the  $i_k$ , excluding the largest.

### Merging

For each predictor variable  $X$ , merge non-significant categories. Each final category of  $X$  will result in one child node if  $X$  is used to split the node. The merging step also calculates the adjusted  $p$ -value that is to be used in the splitting step.

1. If  $X$  has 1 category only, stop and set the adjusted  $p$ -value to be 1.
2. If  $X$  has 2 categories, go to step 8.
3. Else, find the allowable pair of categories of  $X$  (an allowable pair of categories for ordinal predictor is two adjacent categories, and for nominal predictor is any two categories) that is least significantly different (i.e., most similar). The most similar pair is the pair whose test statistic gives the largest  $p$ -value with respect to the dependent variable  $Y$ . How to calculate  $p$ -value under various situations will be described in later sections.
4. For the pair having the largest  $p$ -value, check if its  $p$ -value is larger than a user-specified alpha-level  $\alpha_{\text{merge}}$ . If it does, this pair is merged into a single compound category. Then a new set of categories of  $X$  is formed. If it does not, then go to step 7.
5. (Optional) If the newly formed compound category consists of three or more original categories, then find the best binary split within the compound category which  $p$ -value is the smallest. Perform this binary split if its  $p$ -value is not larger than an alpha-level  $\alpha_{\text{split-merge}}$ .
6. Go to step 2.
7. (Optional) Any category having too few observations (as compared with a user-specified minimum segment size) is merged with the most similar other category as measured by the largest of the  $p$ -values.
8. The adjusted  $p$ -value is computed for the merged categories by applying Bonferroni adjustments that are to be discussed later.

### **Splitting**

The “best” split for each predictor is found in the merging step. The splitting step selects which predictor to be used to best split the node. Selection is accomplished by comparing the adjusted  $p$ -value associated with each predictor. The adjusted  $p$ -value is obtained in the merging step.

1. Select the predictor that has the smallest adjusted  $p$ -value (i.e., most significant).
2. If this adjusted  $p$ -value is less than or equal to a user-specified alpha-level  $\alpha_{\text{split}}$ , split the node using this predictor. Else, do not split and the node is considered as a terminal node.

### **Stopping**

The stopping step checks if the tree growing process should be stopped according to the following stopping rules.

1. If a node becomes pure; that is, all cases in a node have identical values of the dependent variable, the node will not be split.
2. If all cases in a node have identical values for each predictor, the node will not be split.
3. If the current tree depth reaches the user specified maximum tree depth limit value, the tree growing process will stop.
4. If the size of a node is less than the user-specified minimum node size value, the node will not be split.
5. If the split of a node results in a child node whose node size is less than the user-specified minimum child node size value, child nodes that have too few cases (as compared with this minimum) will merge with the most similar child node as measured by the largest of the  $p$ -values. However, if the resulting number of child nodes is 1, the node will not be split.

## **Exhaustive CHAID Algorithm**

Splitting and stopping steps in Exhaustive CHAID algorithm are the same as those in CHAID. Merging step uses an exhaustive search procedure to merge any similar pair until only a single pair remains.

Also like CHAID, only nominal or ordinal categorical predictors are allowed, continuous predictors are first transformed into ordinal predictors before using the following algorithm.

### **Merging**

1. If  $X$  has 1 category only, then set the adjusted  $p$ -value to be 1.
2. Set  $index = 0$ . Calculate the  $p$ -value based on the set of categories of  $X$  at this time. Call the  $p$ -value  $p(index) = p(0)$ .
3. Else, find the allowable pair of categories of  $X$  that is least significantly different; that is, most similar. This can be determined by the pair whose test statistic gives the largest  $p$ -value with

respect to the dependent variable  $Y$ . How to calculate  $p$ -value under various situations will be described in a later section.

4. Merge the pair that gives the largest  $p$ -value into a compound category.
5. (Optional) If the compound category just formed contains three or more original categories, search for a binary split of this compound category that gives the smallest  $p$ -value. If this  $p$ -value is larger than the one in forming the compound category by merging in the previous step, perform the binary split on that compound category.
6. Update the  $index = index + 1$ , calculate the  $p$ -value based on the set of categories of  $X$  at this time. Denote  $p(index)$  as the  $p$ -value.
7. Repeat 3 to 6 until only two categories remain. Then among all the indices, find the set of categories such that  $p(index)$  is the smallest.
8. (Optional) Any category having too few observations (as compared with a user-specified minimum segment size) is merged with the most similar other category as measured by the largest  $p$ -value.
9. The adjusted  $p$ -value is computed by applying Bonferroni adjustments which are to be discussed in a later section.

Unlike CHAID algorithm, no user-specified alpha-level is needed. Only the alpha-level  $\alpha_{split}$  is needed in the splitting step.

## ***p*-Value Calculations**

Calculations of (unadjusted)  $p$ -values in the above algorithms depend on the type of dependent variable.

The merging step of both CHAID and Exhaustive CHAID sometimes needs the  $p$ -value for a pair of  $X$  categories, and sometimes needs the  $p$ -value for all the categories of  $X$ . When the  $p$ -value for a pair of  $X$  categories is needed, only part of data in the current node is relevant. Let  $D$  denote the relevant data. Suppose in  $D$  there are  $I$  categories of  $X$ , and  $J$  categories of  $Y$  (if  $Y$  is categorical). The  $p$ -value calculation using data in  $D$  is given below.

### **Scale Dependent Variable**

If the dependent variable  $Y$  is scale, perform an ANOVA  $F$  test that tests if the means of  $Y$  for different categories of  $X$  are the same. This ANOVA  $F$  test calculates the  $F$ -statistic and hence derives the  $p$ -value as

$$F = \frac{\sum_{i=1}^I \sum_{n \in D} w_n f_n I(x_n = i) (\bar{y}_i - \bar{y})^2 / (I - 1)}{\sum_{i=1}^I \sum_{n \in D} w_n f_n I(x_n = i) (y_n - \bar{y}_i)^2 / (N_f - I)}$$

$$p = \Pr(F(I - 1, N_f - I) > F)$$

where

$$\bar{y}_i = \frac{\sum_{n \in D} w_n f_n y_n I(x_n = i)}{\sum_{n \in D} w_n f_n I(x_n = i)}, \bar{y} = \frac{\sum_{n \in D} w_n f_n y_n}{\sum_{n \in D} w_n f_n}, N_f = \sum_{n \in D} f_n$$

and  $F(I-1, N_f-I)$  is a random variable following a  $F$ -distribution with degrees of freedom  $I-1$  and  $N_f-I$ .

### Nominal Dependent Variable

If the dependent variable  $Y$  is nominal categorical, the null hypothesis of independence of  $X$  and  $Y$  is tested. To perform the test, a contingency (or count) table is formed using classes of  $Y$  as columns and categories of the predictor  $X$  as rows. The expected cell frequencies under the null hypothesis are estimated. The observed cell frequencies and the expected cell frequencies are used to calculate the Pearson chi-squared statistic or likelihood ratio statistic. The  $p$ -value is computed based on either one of these two statistics.

The Pearson's Chi-square statistic and likelihood ratio statistic are, respectively,

$$X^2 = \sum_{j=1}^J \sum_{i=1}^I \frac{(n_{ij} - \hat{m}_{ij})^2}{\hat{m}_{ij}}$$

$$G^2 = 2 \sum_j \sum_{i=1}^I n_{ij} \ln(n_{ij}/\hat{m}_{ij})$$

where  $n_{ij} = \sum_{n \in D} f_n I(x_n = i \wedge y_n = j)$  is the observed cell frequency and  $\hat{m}_{ij}$  is the estimated expected cell frequency for cell  $(x_n = i, y_n = j)$  following the independence model. The corresponding  $p$ -value is given by  $p = \Pr(\chi_d^2 > X^2)$  for Pearson's Chi-square test or  $p = \Pr(\chi_d^2 > G^2)$  for likelihood ratio test, where  $\chi_d^2$  follows a chi-squared distribution with degrees of freedom  $d = (J-1)(I-1)$ .

#### Estimation of Expected Cell Frequencies without Case Weights

$$\hat{m}_{ij} = \frac{n_{i.} n_{.j}}{n_{..}}$$

where

$$n_{i.} = \sum_{j=1}^{J_t} n_{ij}, n_{.j} = \sum_{i=1}^{I_t} n_{ij}, n_{..} = \sum_{j=1}^{J_t} \sum_{i=1}^{I_t} n_{ij}$$

#### Estimation of Expected Cell Frequencies with Case Weights

If case weights are specified, the expected cell frequency under the null hypothesis of independence is of the form

$$m_{ij} = \bar{w}_{ij}^{-1} \alpha_i \beta_j$$

where  $\alpha_i$  and  $\beta_j$  are parameters to be estimated, and

$$\bar{w}_{ij} = \frac{w_{ij}}{n_{ij}}, w_{ij} = \sum_{n \in D} w_n f_n I(x = i \wedge y_n = j)$$

Parameters estimates  $\hat{\alpha}_i, \hat{\beta}_j$ , and hence  $\hat{m}_{ij}$ , are resulted from the following iterative procedure.

1.  $k = 0, \alpha_i^{(0)} = \beta_j^{(0)} = 1, m_{ij}^{(0)} = \bar{w}_{ij}^{-1}$
2.  $\alpha_i^{(k+1)} = \frac{n_i}{\sum_j \bar{w}_{ij}^{-1} \beta_j^{(k)}} = \alpha_i^{(k)} \frac{n_i}{\sum_j m_{ij}^{(k)}}$
3.  $\beta_j^{(k+1)} = \frac{n_j}{\sum_i \bar{w}_{ij}^{-1} \alpha_i^{(k+1)}}$
4.  $m_{ij}^{(k+1)} = \bar{w}_{ij}^{-1} \alpha_i^{(k+1)} \beta_j^{(k+1)}$
5. If  $\max_{i,j} |m_{ij}^{(k+1)} - m_{ij}^{(k)}| < \epsilon$ , stop and output  $\alpha_i^{(k+1)}, \beta_j^{(k+1)}$  and  $m_{ij}^{(k+1)}$  as the final estimates. Otherwise,  $k=k+1$ , go to step 2.

### Ordinal Dependent Variable

If the dependent variable  $Y$  is categorical ordinal, the null hypothesis of independence of  $X$  and  $Y$  is tested against the row effects model, with the rows being the categories of  $X$  and columns the classes of  $Y$ , proposed by Goodman (1979). Two sets of expected cell frequencies,  $\hat{m}_{ij}$  (under the hypothesis of independence) and  $\hat{\hat{m}}_{ij}$  (under the hypothesis that the data follow a row effects model), are both estimated. The likelihood ratio statistic and the  $p$ -value are

$$H^2 = 2 \sum_{i=1}^I \sum_{j=1}^J \hat{\hat{m}}_{ij} \ln \left( \frac{\hat{\hat{m}}_{ij}}{\hat{m}_{ij}} \right)$$

$$p = \Pr \left( \chi_{I-1}^2 > H^2 \right)$$

#### Estimation of Expected Cell Frequencies under Row Effects Model

In the row effects model, scores for classes of  $Y$  are needed. By default, the order of a class of  $Y$  is used as the class score. Users can specify their own set of scores. Scores are set at the beginning of the tree and kept unchanged afterward. Let  $s_j$  be the score for class  $j$  of  $Y, j = 1, \dots, J$ . The expected cell frequency under the row effects model is given by

$$m_{ij} = \bar{w}_{ij}^{-1} \alpha_i \beta_j \gamma_i$$

where

$$\bar{s} = \frac{\sum_{j=1}^J w_{.j} s_j}{\sum_{j=1}^J w_{.j}}$$

in which  $w_{.j} = \sum_i w_{ij}$ ,  $\alpha_i$ ,  $\beta_j$  and  $\gamma_i$  are unknown parameters to be estimated. Parameters estimates  $\hat{\alpha}_i, \hat{\beta}_j, \hat{\gamma}_i$  and hence  $\hat{m}_{ij}$  are resulted from the following iterative procedure.

1.  $k = 0, \alpha_i^{(0)} = \beta_j^{(0)} = \gamma_i^{(0)} = 1, m_{ij}^{(0)} = \bar{w}_{ij}^{-1}$
2.  $\alpha_i^{(k+1)} = \frac{n_{.j}}{\sum_j \bar{w}_{ij}^{-1} \beta_j^{(k)} (\gamma_i^{(k)})^{(s_j - \bar{s})}} = \alpha_i^{(k)} \frac{n_{i.}^{(k)}}{\sum_j m_{ij}^{(k)}}$
3.  $\beta_j^{(k+1)} = \frac{n_{.j}}{\sum_i \bar{w}_{ij}^{-1} \alpha_i^{(k+1)} (\gamma_i^{(k)})^{(s_j - \bar{s})}}$
4.  $m_{ij}^* = \bar{w}_{ij}^{-1} \alpha_i^{(k+1)} \beta_j^{(k+1)} (\gamma_i^{(k)})^{(s_j - \bar{s})}, G_i = 1 + \frac{\sum_j (s_j - \bar{s}) (n_{ij} - m_{ij}^*)}{\sum_j (s_j - \bar{s})^2 m_{ij}^*}$
5.  $\gamma_i^{(k+1)} = \begin{cases} \gamma_i^{(k)} G_i & G_i > 0 \\ \gamma_i^{(k)} & \text{otherwise} \end{cases}$
6.  $m_{ij}^{(k+1)} = \bar{w}_{ij}^{-1} \alpha_i^{(k+1)} \beta_j^{(k+1)} (\gamma_i^{(k+1)})^{(s_j - \bar{s})}$
7. If  $\max_{i,j} |m_{ij}^{(k+1)} - m_{ij}^{(k)}| < \epsilon$ , stop and output  $\alpha_i^{(k+1)}, \beta_j^{(k+1)}, \gamma_i^{(k+1)}$  and  $m_{ij}^{(k+1)}$  as the final estimates. Otherwise,  $k=k+1$ , go to step 2.

## Bonferroni Adjustments

The adjusted  $p$ -value is calculated as the  $p$ -value times a Bonferroni multiplier. The Bonferroni multiplier adjusts for multiple tests.

### CHAID

Suppose that a predictor variable originally has  $I$  categories, and it is reduced to  $r$  categories after the merging step. The Bonferroni multiplier  $B$  is the number of possible ways that  $I$  categories can be merged into  $r$  categories. For  $r = I$ ,  $B = 1$ . For  $2 \leq r < I$ , use the following equation.

$$B = \begin{cases} \binom{I-1}{r-1} & \text{Ordinal predictor} \\ \sum_{v=0}^{r-1} (-1)^v \frac{(r-v)^I}{v!(r-v)!} & \text{Nominal predictor} \\ \binom{I-2}{r-2} + r \binom{I-2}{r-1} & \text{Ordinal with a missing category} \end{cases}$$

### Exhaustive CHAID

Exhaustive CHAID merges two categories iteratively until only two categories left. The Bonferroni multiplier  $B$  is the sum of number of possible ways of merging two categories at each iteration.

$$B = \begin{cases} \frac{I(I-1)}{2} & \text{Ordinal predictor} \\ \frac{I(I^2-1)}{2} & \text{Nominal predictor} \\ \frac{I(I-1)}{2} & \text{Ordinal with a missing category} \end{cases}$$

## Missing Values

If the dependent variable of a case is missing, it will not be used in the analysis. If all predictor variables of a case are missing, this case is ignored. If the case weight is missing, zero, or negative, the case is ignored. If the frequency weight is missing, zero, or negative, the case is ignored.

Otherwise, missing values will be treated as a predictor category. For ordinal predictors, the algorithm first generates the “best” set of categories using all non-missing information from the data. Next the algorithm identifies the category that is most similar to the missing category. Finally, the algorithm decides whether to merge the missing category with its most similar category or to keep the missing category as a separate category. Two  $p$ -values are calculated, one for the set of categories formed by merging the missing category with its most similar category, and the other for the set of categories formed by adding the missing category as a separate category. Take the action that gives the smallest  $p$ -value.

For nominal predictors, the missing category is treated the same as other categories in the analysis.

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## QUEST Algorithms

QUEST is proposed by Loh and Shih (1997) as a Quick, Unbiased, Efficient, Statistical Tree. It is a tree-structured classification algorithm that yields a binary decision tree. A comparison study of QUEST and other algorithms was conducted by Lim et al (2000).

### Notation

The following notation is used throughout this chapter unless otherwise stated:

$Y$	The dependent, or target, variable. It must be nominal categorical. If $Y$ is categorical with $J$ classes, its class takes values in $C = \{1, \dots, J\}$ .
$X_m, m=1, \dots, M$	The set of all predictor variables. A predictor can be nominal categorical or continuous (including ordinal categorical).
$\tilde{h} = \{\mathbf{x}_n, y_n\}_{n=1}^N$	The whole learning sample.
$\tilde{h}(t)$	The learning samples that fall in node $t$ .
$f_n$	The frequency weight associated with case $n$ . Non-integral positive value is rounded to its nearest integer.
$N_f$	Total number of learning cases, $N_f = \sum_{n \in \tilde{h}} f_n$
$N_{f,j}$	Total number of class $j$ learning cases, $N_{f,j} = \sum_{n \in \tilde{h}} f_n I(y_n = j)$
$N_f(t)$	Total number of learning cases in node $t$ , $N_f(t) = \sum_{n \in \tilde{h}(t)} f_n$
$N_{f,j}(t)$	Total number of class $j$ learning cases in node $t$ , $N_{f,j}(t) = \sum_{n \in \tilde{h}(t)} f_n I(y_n = j)$ .
$\pi(j), j=1, \dots, J$	Prior probability of $Y = j, j = 1, \dots, J$ .
$p(j,t), j=1, \dots, J$	The probability of a case in class $j$ and node $t$ .
$p(t)$	The probability of a case in node $t$ .
$p(j t), j=1, \dots, J$	The probability of a case in class $j$ given that it falls into node $t$ .
$C(i j)$	The cost of miss-classifying a class $j$ case as a class $i$ case. $C(j j)=0$

### Tree Growing Process

The QUEST tree growing process consists of the selection of a split predictor, selection of a split point for the selected predictor, and stopping. In this algorithm, only univariate splits are considered.

#### Selection of Split Predictor

1. For each continuous predictor  $X$ , perform an ANOVA  $F$  test that tests if all the different classes of the dependent variable  $Y$  have the same mean of  $X$ , and calculate the  $p$ -value according to the

$F$  statistics. For each categorical predictor, perform a Pearson's chi-square test of  $Y$  and  $X$ 's independence, and calculate the  $p$ -value according to the chi-square statistics.

2. Find the predictor with the smallest  $p$ -value and denote it  $X^*$ .
3. If this smallest  $p$ -value is less than  $\alpha / M$ , where  $\alpha \in (0,1)$  is a user-specified level of significance and  $M$  is the total number of predictor variables, predictor  $X^*$  is selected as the split predictor for the node. If not, go to 4.
4. For each continuous predictor  $X$ , compute a Levene's  $F$  statistic based on the absolute deviation of  $X$  from its class mean to test if the variances of  $X$  for different classes of  $Y$  are the same, and calculate the  $p$ -value for the test.
5. Find the predictor with the smallest  $p$ -value and denote it as  $X^{**}$ .
6. If this smallest  $p$ -value is less than  $\alpha / (M + M_1)$ , where  $M_1$  is the number of continuous predictors,  $X^{**}$  is selected as the split predictor for the node. Otherwise, this node is not split.

### ANOVA $F$ Test

Suppose, for node  $t$ , there are  $J_t$  classes of dependent variable  $Y$ . The  $F$  statistic for a continuous predictor  $X$  is given by

$$F_X = \frac{\sum_{j=1}^{J_t} N_{f,j}(t) \left( \bar{x}^{(j)}(t) - \bar{x}(t) \right)^2 / (J_t - 1)}{\sum_{n \in h(t)} f_n \left( x_n - \bar{x}^{(y_n)}(t) \right)^2 / (N_f(t) - J_t)}$$

where

$$\bar{x}^{(j)}(t) = \frac{\sum_{n \in h(t)} f_n x_n I(y_n = j)}{N_{f,j}(t)}, \quad \bar{x}(t) = \frac{\sum_{n \in h(t)} f_n x_n}{N_f(t)}$$

Its corresponding  $p$ -value is given by

$$p_X = \Pr \left( F(J_t - 1, N_f(t) - J_t) > F_X \right)$$

where  $F(J_t - 1, N_f(t) - J_t)$  follows an  $F$  distribution with  $J_t - 1$  and  $N_f(t) - J_t$  degrees of freedom.

### Pearson's Chi-Square Test

Suppose, for node  $t$ , there are  $J_t$  classes of dependent variable  $Y$ . The Pearson's Chi-Square statistic for a categorical predictor  $X$  with  $I_t$  categories is given by

$$X^2 = \sum_{j=1}^{J_t} \sum_{i=1}^{I_t} \frac{(n_{ij} - \hat{m}_{ij})^2}{\hat{m}_{ij}}$$

where

$$n_{ij} = \sum_{n \in \mathcal{h}(t)} f_n I(y_n = j \wedge x_n = i), \quad \hat{m}_{ij} = \frac{n_{i..} n_{.j}}{n_{..}}$$

with

$$n_{i.} = \sum_{j=1}^{J_t} n_{ij}, \quad n_{.j} = \sum_{i=1}^{I_t} n_{ij}, \quad n_{..} = \sum_{j=1}^{J_t} \sum_{i=1}^{I_t} n_{ij}$$

where  $I(y_n = j \wedge x_n = i) = 1$  if case  $n$  has  $y_n = j$  and  $x_n = i$ ; 0 otherwise.

The corresponding  $p$ -value is given by  $p_X = \Pr(\chi_d^2 > X^2)$  where  $\chi_d^2$  follows a chi-squared distribution with degrees of freedom  $d = (J_t - 1)(I_t - 1)$ .

### Levene's F Test

For continuous predictor  $X$ , calculate  $z_n = |x_n - \bar{x}^{(y_n)}(t)|$ . The Levene's  $F$  statistics for predictor  $X$  is the ANOVA  $F$  statistic for  $z_n$ .

### Selection of Split Point

At a node, suppose that a predictor variable  $X$  has been selected for splitting. The next step is to determine the split point. If  $X$  is a continuous predictor variable, a split point  $d$  in the split  $X \leq d$  is to be determined. If  $X$  is a nominal categorical predictor variable, a subset  $K$  of the set of all values taken by  $X$  in the split  $X \in K$  is to be determined. The algorithm is as follows.

### Continuous Splitting Predictor

If the selected predictor variable  $X$  is continuous:

1. Group classes of dependent variable  $Y$  into two super-classes. If there are only two classes of  $Y$ , go to step 2. Otherwise, calculate the sample mean of  $X$  for each class of  $Y$ . If all class means are identical, the class with the most cases is gathered as super-class  $A$  and the other classes as super-class  $B$ . If there are two or more classes with the same maximum number of cases, the one with the smallest class index  $j$  is chosen to form  $A$  and the rest to  $B$ . If not all the class means are identical, a  $k$ -means clustering method, with the initial cluster centers set at the two most extreme class means, is applied to class means to divide classes of  $Y$  into two super-classes:  $A$  and  $B$ . Let  $\bar{x}_A$  and  $s_A^2$  denote the sample mean and variance for super-class  $A$ ,  $\bar{x}_B$  and  $s_B^2$  the sample mean and variance for super-class  $B$ .
2. If  $\min(s_A^2, s_B^2) = 0$ , order the two super-classes by their variance in increasing order and denote the variances by  $s_1^2 < s_2^2$ , and the corresponding means by  $\bar{x}_1, \bar{x}_2$ . Let  $\epsilon$  be a very small positive number, say  $\epsilon = 10^{-12}$ . If  $\bar{x}_1 < \bar{x}_2$ ,  $d = \bar{x}_1(1 + \epsilon)$ . Else,  $d = \bar{x}_1(1 - \epsilon)$ .

3. If  $\min(s_A^2, s_B^2) \neq 0$ , quadratic discriminant analysis (QDA) is applied to determine the split point  $d$ . QDA assumes that  $X$  follows a normal distributions in each super-class with the calculated sample mean and variance. The split point is among the roots that make probability  $\Pr(x, A|t) = \Pr(x, B|t)$  for node  $t$ , where

$$\Pr(x, A|t) = P(x|A, t)P(A|t) = P(A|t) \frac{1}{\sqrt{2\pi s_A^2}} \exp\left\{-\frac{(x-\bar{x}_A)^2}{2s_A^2}\right\}$$

with

$$p(A|t) = \sum_{j \in A} p(j|t) = \sum_{j \in A} \frac{p(j, t)}{\sum_j p(j, t)}, p(j, t) = \frac{\pi(j)N_{f,j}(t)}{N_{f,j}}$$

Solving  $P(X, A|t) = P(X, B|t)$  is equivalent to solving the following quadratic equation

$$ax^2 + bx + c = 0$$

where

$$a = s_A^2 - s_B^2, b = 2(\bar{x}_A s_B^2 - \bar{x}_B s_A^2)$$

$$c = \bar{x}_B s_A^2 - \bar{x}_A s_B^2 + 2s_A^2 s_B^2 \log \frac{p(A|t)s_B}{p(B|t)s_A}$$

If there is only one real root, it is chosen to be the split point, provided this yields two non-empty nodes. If there are two real roots, choose the one that is closer to  $\bar{x}_A$ , provided this yields two non-empty nodes. Otherwise use the mean  $(\bar{x}_A + \bar{x}_B)/2$  as split point.

*Note:* In step 3, the prior probability distribution for the dependent variable is needed. When user specified costs are involved, the altered priors can be used to replace the priors (optional). The altered prior is defined as  $\pi'(j) = \frac{C(j)\pi(j)}{\sum_j C(j)\pi(j)}$ , where  $C(j) = \sum_i C(i|j)$ .

### Nominal Splitting Predictor

If the selected predictor variable  $X$  is nominal and with more than two categories (if  $X$  is binary, the split point is clear), QUEST first transforms it into a continuous variable (call it  $\xi$ ) by assigning the largest discriminant coordinates to categories of the predictor. QUEST then applies the split point selection algorithm for continuous predictor on  $\xi$  to determine the split point.

### Transforming a Categorical Predictor into a Continuous Predictor

Let  $X$  be a nominal categorical predictor taking values in the set  $\{b_1, \dots, b_I\}$ . Transform  $X$  into a continuous variable  $\xi$  such that the ratio of between-classes to within-classes sum squares of  $\xi$  is maximized (the classes here refer to the classes of dependent variable). The details are as follows:

- Transform each value  $x$  of  $X$  in  $\mathcal{h}$  into an  $I$ -dimensional dummy vector  $v = (v_1, \dots, v_I)'$ , where
 
$$v_i = \begin{cases} 1 & x = b_i \\ 0 & \text{otherwise} \end{cases}.$$
- Calculate the overall and class  $j$  mean of  $\mathbf{v}$

$$\bar{v} = \frac{\sum_{n \in h} f_n v_n}{N_f}, \quad \bar{v}^{(j)} = \frac{\sum_{n \in h} f_n v_n I(y_n = j)}{N_{f,j}}$$

- Calculate the following  $I \times I$  matrices.

$$\mathbf{B} = \sum_{j=1}^J N_{f,j} (\bar{v}^{(j)} - \bar{v}) (\bar{v}^{(j)} - \bar{v})'$$

$$\mathbf{T} = \sum_{n \in h} f_n (v_n - \bar{v})(v_n - \bar{v})'$$

- Perform single value decomposition on  $\mathbf{T}$  to obtain  $\mathbf{T} = \mathbf{Q}\mathbf{D}\mathbf{Q}'$ , where  $\mathbf{Q}$  is an  $I \times I$  orthogonal matrix,  $\mathbf{D} = \text{diag}(d_1, \dots, d_I)$  such that  $d_1 \geq \dots \geq d_I \geq 0$ . Let  $D^{-\frac{1}{2}} = \text{diag}(d_1^*, \dots, d_I^*)$  where  $d_i^* = d_i^{-1/2}$  if  $d_i > 0$ , 0 otherwise. Perform single value decomposition on  $D^{-\frac{1}{2}} Q' B Q D^{-\frac{1}{2}}$  to obtain its eigenvector  $\mathbf{a}$  which is associated with its largest eigenvalue.

- The largest discriminant coordinate of  $\mathbf{v}$  is the projection

$$\xi = \mathbf{a}' D^{-\frac{1}{2}} Q' \mathbf{v}$$

*Note:* The original QUEST by Loh and Shih (1997) transforms a categorical predictor into a continuous predictor at a considered node based on the data in the node. This implementation of QUEST does the transformation only once at the very beginning based on the whole learning sample.

## Stopping

The stopping step checks if the tree growing process should be stopped according to the following stopping rules.

1. If a node becomes pure; that is, all cases belong to the same dependent variable class at the node, the node will not be split.
2. If all cases in a node have identical values for each predictor, the node will not be split.
3. If the current tree depth reaches the user-specified maximum tree depth limit value, the tree growing process will stop.
4. If the size of a node is less than the user-specified minimum node size value, the node will not be split.
5. If the split of a node results in a child node whose node size is less than the user-specified minimum child node size value, the node will not be split.

## Missing Values

If the dependent variable of a case is missing, this case will be ignored in the analysis. If all predictor variables of a case are missing, this case will be ignored. If the frequency weight is missing, zero or negative, the case will be ignored.

Otherwise, the surrogate split method will be used to deal with missing data in predictor variables. If a case has a missing value at the selected predictor, the assignment will be done based on the surrogate split. The method of defining and calculating surrogate splits is the same as that in CART. For more information, see the topic “Missing Value Handling”.

## References

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## Assignment and Risk Estimation Algorithms

This section discusses how a class or a value is assigned to a node and to a case and three methods of risk estimation: the resubstitution method, test sample method and cross validation method. The information is applicable to the tree growing algorithms CART, CHAID, exhaustive CHAID and QUEST. Materials in this document are based on Classification and Regression Trees by Breiman, et al (1984). It is assumed that a CART, CHAID, exhaustive CHAID or QUEST tree has been grown successfully using a learning sample.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$Y$	The dependent variable, or target variable. It can be either categorical (nominal or ordinal) or continuous. If $Y$ is categorical with $J$ classes, its class takes values in $C = \{1, \dots, J\}$ .
$\mathfrak{h} = \{\mathbf{x}_n, y_n\}_{n=1}^N$	The learning sample where $\mathbf{x}_n$ and $y_n$ are the predictor vector and dependent variable for case $n$ .
$\mathfrak{h}(t)$	The learning samples that fall in node $t$ .
$f_n$	The frequency weight associated with case $n$ . Non-integral positive value is rounded to its nearest integer.
$w_n$	The case weight associated with case $n$ .
$\pi(j), j=1, \dots, J$	Prior probability of $Y = j$
$C(i   j)$	The cost of miss-classifying a class $j$ case as a class $i$ case, $C(j   j)=0$ .

## Assignment

Once the tree is grown, an assignment (also called action or decision) is given to each node based on the learning sample. To predict the dependent variable value for an incoming case, we first find in which terminal node it falls, then use the assignment of that terminal node for prediction.

### Assignment of a Node

For any node  $t$ , let  $d_t$  be the assignment given to node  $t$ ,

$$d_t = \begin{cases} j^*(t) & Y \text{ is categorical} \\ \bar{y}(t) & Y \text{ is continuous} \end{cases}$$

$$j^*(t) = \arg \min_i \sum_j C(i|j) p(j|t)$$

$$\bar{y}(t) = \frac{1}{N_w(t)} \sum_{n \in \mathcal{h}(t)} w_n f_n y_n$$

where

$$p(j|t) = \frac{p(j,t)}{\sum_j p(j,t)}, p(j,t) = \pi(j) \frac{N_{w,j}(t)}{N_{w,j}}$$

$$N_w = \sum_{n \in \mathcal{h}} w_n f_n, N_{w,j} = \sum_{n \in \mathcal{h}} w_n f_n I(y_n = j)$$

$$N_w(t) = \sum_{n \in \mathcal{h}(t)} w_n f_n, N_{w,j}(t) = \sum_{n \in \mathcal{h}(t)} w_n f_n I(y_n = j)$$

If there is more than one class  $j$  that achieves the minimum, choose  $j^*(t)$  to be the smallest such  $j$  for which  $N_{f,j}(t) = \sum_{n \in \mathcal{h}(t)} f_n I(y_n = j)$  is greater than 0, or the absolute smallest if  $N_{f,j}(t)$  is zero for all of them. For CHAID and exhaustive CHAID, use  $\pi(j) = N_{w,j}/N_w$  in the equation.

### Assignment of a Case

For a case with predictor vector  $\mathbf{x}$ , the assignment or prediction  $d_T(\mathbf{x})$  for this case by the tree  $T$  is

$$d_T(\mathbf{x}) = \begin{cases} j^*(t(\mathbf{x})) & Y \text{ is categorical} \\ \bar{y}(t(\mathbf{x})) & Y \text{ is continuous} \end{cases}$$

where  $t(\mathbf{x})$  is the terminal node the case falls in.

### Risk Estimation

Note that case weight is not involved in risk estimation, though it is involved in tree growing process and class assignment.

### Loss Function

A loss function  $L(y, a)$  is a real-valued function in which  $y$  is the actual value of  $Y$  and  $a$  is the assignment taken. Throughout this document, the following types of loss functions are used.

$$L(y, a) = \begin{cases} C(a|y) & Y \text{ is categorical} \\ (y - a)^2 & Y \text{ is continuous} \end{cases}$$

### Risk Estimation of a Tree

Suppose that a tree  $T$  is grown and assignments have been given to each node. Let  $\tilde{T}$  denote the set of terminal nodes of the tree. Let  $D$  be the data set used to calculate the risk. Dropping all cases in  $D$  to  $T$ , let  $D(t)$  denote the set of cases that fall in node  $t$ . The risk of the tree based on data  $D$  is estimated by

$$R(T|D) = \begin{cases} \sum_j \pi(j) \bar{L}_j & Y \text{ categorical} \\ \bar{L} & Y \text{ continuous} \end{cases} = \begin{cases} \bar{L} & Y \text{ categorical, M1} \\ \sum_j \pi(j) \bar{L}_j & Y \text{ categorical, M2} \\ \bar{L} & Y \text{ continuous} \end{cases}$$

where M1 represents empirical prior situation, and M2 non-empirical prior, and

$$\bar{L} = \frac{1}{N_f} \sum_{n \in D} f_n L(y_n, d_T(x_n)), \bar{L}_j = \frac{1}{N_{f,j}} \sum_{n \in D} f_n L(y_n, d_T(x_n)) I(y_n = j)$$

$$N_f = \sum_{n \in D} f_n, N_{f,j} = \sum_{n \in D} f_n I(y_n = j)$$

Assuming that  $L(y_n, d_T(x_n))$  are independent of each other, then the variance of  $R(T)$  is estimated by

$$\text{Var}(R(T)) = \begin{cases} \sum_j \pi(j)^2 \frac{s_j^2}{N_{f,j}} & Y \text{ categorical, M2} \\ \frac{s^2}{N_f} & Y \text{ con, or, } Y \text{ cat and M1} \end{cases}$$

where

$$\begin{aligned} s_j^2 &= \frac{1}{N_{f,j}} \sum_{n \in D} f_n (L(y_n, d_T(x_n)) - \bar{L}_j)^2 I(y_n = j) \\ &= \frac{1}{N_{f,j}} \sum_{n \in D} f_n L^2(y_n, d_T(x_n)) I(y_n = j) - \bar{L}_j^2 \end{aligned}$$

$$s^2 = \frac{1}{N_f} \sum_{n \in D} f_n (L(y_n, d_T(x_n)) - \bar{L})^2 = \frac{1}{N_f} \sum_{n \in D} f_n L^2(y_n, d_T(x_n)) - \bar{L}^2$$

Putting everything together:

$$R(T|D) = \begin{cases} \frac{1}{N_f} \sum_{t \in \tilde{T}} \sum_j C(j^*(t)|j) N_{f,j}(t) & Y \text{ categorical, M1} \\ \sum_j \frac{\pi(j)}{N_{f,j}} \sum_{t \in \tilde{T}} C(j^*(t)|j) N_{f,j}(t) & Y \text{ categorical, M2} \\ \frac{1}{N_f} \sum_{t \in \tilde{T}} \sum_{n \in D(t)} f_n (y_n - \bar{y}(t))^2 & Y \text{ continuous} \end{cases}$$

$$\begin{aligned} & \text{Var}(R(T|D)) \\ &= \begin{cases} \frac{1}{(N_f)^2} \left\{ \sum_j \sum_{t \in \tilde{T}} N_{f,j}(t) C(j^*(t)|j)^2 - N_f R(T|D)^2 \right\} & Y \text{ cat, M1} \\ \sum_j \left( \frac{\pi(j)}{N_{f,j}} \right)^2 \left[ \sum_{t \in \tilde{T}} N_{f,j}(t) C(j^*(t)|j)^2 - \frac{\left\{ \sum_{t \in \tilde{T}} N_{f,j}(t) C(j^*(t)|j) \right\}^2}{N_{f,j}} \right] & Y \text{ cat, M2} \\ \frac{1}{N_f} \left\{ \sum_{t \in \tilde{T}} \sum_{n \in D(t)} f_n (y_n - \bar{y}(t))^4 - N_f R(T|D)^2 \right\} & Y \text{ con} \end{cases} \end{aligned}$$

where

$$N_{f,j}(t) = \sum_{n \in D(t)} f_n I(y_n = j)$$

The estimated standard error of  $R(T|D)$  is given by  $\text{se}(R(T|D)) = \sqrt{\text{var}(R(T|D))}$ .

Risk estimation of a tree is often written as  $R(T|D) = \sum_{t \in \tilde{T}} R(t|D)$  with  $R(t|D)$  being the contribution from node  $t$  to the tree risk such that

$$R(t|D) = \begin{cases} \frac{1}{N_f} \sum_j N_{f,j}(t) C(j^*(t)|j) & Y \text{ categorical, M1} \\ \sum_j \frac{\pi(j) N_{f,j}(t)}{N_{f,j}} C(j^*(t)|j) & Y \text{ categorical, M2} \\ \frac{1}{N_f} \sum_{n \in D(t)} f_n (y_n - \bar{y}(t))^2 & Y \text{ continuous} \end{cases}$$

### Resubstitution Estimate of the Risk

The resubstitution risk estimation method uses the same set of data (learning sample) that is used to grow the tree  $T$  to calculate its risk, that is:

$$\begin{aligned} R(t) &= R(t|\tilde{h}) \\ R(T) &= R(T|\tilde{h}) = \sum_{t \in \tilde{T}} R(t) \\ \text{Var}(R(T)) &= \text{Var}(R(T|\tilde{h})) \end{aligned}$$

### Test Sample Estimate of the Risk

The idea of test sample risk estimation is that the whole data set is divided into 2 mutually exclusive subsets  $\tilde{h}$  and  $\tilde{h}'$ .  $\tilde{h}$  is used as a learning sample to grow a tree  $T$  and  $\tilde{h}'$  is used as a test sample to check the accuracy of the tree. The test sample estimate is

$$\begin{aligned} R^{ts}(T) &= R(T|\tilde{h}') \\ \text{Var}(R^{ts}(T)) &= \text{Var}(R(T|\tilde{h}')) \end{aligned}$$

### Cross Validation Estimate of the Risk

Cross validation estimation is provided only when a tree is grown using the automatic tree growing process. Let  $T$  be a tree which has been grown using all data from the whole data set  $\tilde{h}^0$ . Let  $V \geq 2$  be a positive integer.

1. Divide  $\tilde{h}^0$  into  $V$  mutually exclusive subsets  $\tilde{h}'_v$ ,  $v = 1, \dots, V$ . Let  $\tilde{h}_v$  be  $\tilde{h}^0 - \tilde{h}'_v$ ,  $v = 1, \dots, V$ .
2. For each  $v$ , consider  $\tilde{h}_v$  as a learning sample and grow a tree  $T_v$  on  $\tilde{h}_v$  by using the same set of user specified stopping rules which was applied to grow  $T$ .
3. After  $T_v$  is grown and assignment  $j_v^*(t)$  or  $\bar{y}_v(t)$  for node  $t$  of  $T_v$  is done, consider  $\tilde{h}'_v$  as a test sample and calculate its test sample risk estimate  $R^{ts}(T_v)$ .
4. Repeat above for each  $v = 1, \dots, V$ . The weighted average of these test sample risk estimates is used as the  $V$ -fold cross validation risk estimate of  $T$ .

The  $V$ -fold cross validation estimate,  $R^{cv}(T)$ , of the risk of a tree  $T$  and its variance are estimated by

$$R^{CV}(T) = \begin{cases} \sum_j \pi(j) \frac{1}{N_{f,j}^0} \sum_v N'_{v,f,j} R^{ts}(T_v|j) & \text{Y categorical, M2} \\ \frac{1}{N_f^0} \sum_v N'_{v,f} R^{ts}(T_v) & \text{Y con, or, Y cat and M1} \end{cases}$$

$$\begin{aligned}
 & \text{Var} (R^{CV} (T)) \\
 &= \left\{ \begin{array}{l} \frac{1}{(N_f^0)^2} \left\{ \sum_v \sum_j \sum_{t \in \tilde{T}_v} N'_{v,f,j} (t) C(j_v^*(t) | j)^2 - N_f^0 R^{cv}(T)^2 \right\} \quad Y \text{ cat, M1} \\ \sum_j \left( \frac{\pi(j)}{N_{f,j}^0} \right)^2 \left[ \sum_v \sum_{t \in \tilde{T}_v} N'_{v,f,j} (t) C(j_v^*(t) | j)^2 - \frac{\left\{ \sum_v N'_{v,f,j} R^{ts}(T_v | Y = j) \right\}^2}{N_{f,j}^0} \right] \quad Y \text{ cat, M2} \\ \frac{1}{(N_f^0)^2} \left\{ \sum_v \sum_{t \in \tilde{T}_v} \sum_{n \in \tilde{h}'_v(t)} f_n (y_n - \bar{y}_v(t))^4 - N_f^0 R^{cv}(T)^2 \right\} \quad Y \text{ con} \end{array} \right.
 \end{aligned}$$

where

$$R^{ts}(T_v | j) = \frac{1}{N'_{v,f,j}} \sum_{t \in \tilde{T}_v} N'_{v,f,j} (t) C(j_v^*(t) | j)$$

$$N_f^0 = \sum_{n \in \tilde{h}^0} f_n, \quad N_{f,j}^0 = \sum_{n \in \tilde{h}^0} f_n I(y_n = j)$$

$$N'_{v,f} = \sum_{n \in \tilde{h}'_v} f_n, \quad N'_{v,f,j} = \sum_{n \in \tilde{h}'_v} f_n I(y_n = j), \quad N'_{v,f,j}(t) = \sum_{n \in \tilde{h}'_v(t)} f_n I(y_n = j)$$

## References

Breiman, L., J. H. Friedman, R. A. Olshen, and C. J. Stone. 1984. *Classification and Regression Trees*. New York: Chapman & Hall/CRC.

## Gain Summary Algorithms

The Gain Summary summarizes a tree by displaying descriptive statistics for each terminal node. This allows users to recognize the relative contribution of each terminal node and identify the subsets of terminal nodes that are most useful. This document can be used for all tree growing algorithms CART, CHAID, exhaustive CHAID and QUEST.

Note that case weight is not involved in gain summary calculations though it is involved in tree growing process and class assignment.

## Types of Gain Summaries

Depending on the type of dependent variable, different statistics are given in the gain summary.

**Average Oriented Gain Summary (Y continuous).** Statistics related to the node mean of  $Y$  are given. Through this summary, users may identify the terminal nodes that give the largest (or smallest) average of the dependent variable.

**Target Class Gain Summary (Y categorical).** Statistics related to an interested dependent variable class (target class) are given. Users may identify the terminal nodes that have a large relative contribution to the target class.

**Average Profit Value Gain Summary (Y categorical).** Statistics related to average profits are given. Users may be interested in identifying the terminal nodes that have relatively large average profit values.

**Node-by-Node, Cumulative, Percentile Gain Summary.** To assist users in identifying the interesting terminal nodes and in understanding the result of a tree, three different ways (node-by-node, cumulative and percentile) of looking at the gain summaries mentioned above are provided.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$Y$	The dependent, or target, variable. It can be either categorical (nominal or ordinal) or continuous. If $Y$ is categorical with $J$ classes, its class takes values in $C = \{1, \dots, J\}$ .
$D$	Data set used to calculate gain statistics. It can be either learning sample data set or test sample data set.
$D(t)$	Cases in $D$ in node $t$ .
$y_n$	The dependent variable value for case $n$ .
$f_n$	The frequency weight associated with case $n$ . Non-integral positive value is rounded to its nearest integer.
$N_f$	The number of cases in $D$ , $N_f = \sum_{n \in D} f_n$
$N_f(t)$	The number of cases in $D(t)$ , $N_f(t) = \sum_{n \in D(t)} f_n$
$N_{f,j}$	The number of class $j$ cases in $D$ , $N_{f,j} = \sum_{n \in D} f_n I(y_n = j)$
$N_{f,j}(t)$	The number of class $j$ cases in $D(t)$ , $N_{f,j}(t) = \sum_{n \in D(t)} f_n I(y_n = j)$
$\bar{y}(t)$	The mean of dependent variable in $D(t)$ , $\bar{y}(t) = \frac{1}{N_f(t)} \sum_{n \in D(t)} f_n y_n$
$j''$	Target class of interest; it is any value in $\{1, \dots, J\}$ . If not user-specified, the default target class is 1.
$r(j), e(j)$	Respectively, the revenue and expense associated with class $j$ .
$pv(j)$	The profit value associated with class $j$ , $pv(j) = r(j) - e(j)$
$j^*(\tilde{t})$	Class assignment given by terminal node $\tilde{t}$ .
$\pi(j)$	Prior probability of class $j$ , $j = 1, \dots, J$ .

M1	For categorical Y, denotes the empirical prior situation. CHAID and exhaustive CHAID are always considered as having an empirical prior.
M2	For categorical Y, denotes the non-empirical prior situation.

## Node by Node Summary

The node-by-node gain summary includes statistics for each node that are defined as follows.

### Terminal Node

The identity of a terminal node. It is denoted by  $\tilde{t}$

### Size: n

Total number of cases in the terminal node. It is denoted by  $N_f(\tilde{t})$ .

### Size: %

Percentage of cases in the node. It is denoted by  $p_f(\tilde{t})100\%$ , where  $p_f(\tilde{t})$  is given by

$$p_f(\tilde{t}) = \begin{cases} \frac{N_f(\tilde{t})}{N_f} & \text{M1, or, Y continuous} \\ \sum_j \frac{\pi(j) N_{f,j}(\tilde{t})}{N_{f,j}} & \text{M2} \end{cases}$$

### Gain: n

Total number of target class  $j''$  cases in the node,  $N_{f,j''}(\tilde{t})$ .

This is only computed for the target class gain summary type.

### Gain: %

Percentage of target class  $j''$  cases in the sample that belong to the node. It is denoted by  $p_f(\tilde{t}|j'')100\%$ , where

$$p_f(\tilde{t}|j'') = \frac{N_{f,j''}(\tilde{t})}{N_{f,j''}}$$

This is only computed for the target class gain summary type.

### Score

Depending on the type of gain summary, the score is defined and named differently. But they are all denoted by  $s(\tilde{t})$ .

**Response: % (for target class gain summary only)**

The ratio of the number of target class  $j''$  cases in the node to the total number of cases in the node.

$$s(\tilde{t}) = \begin{cases} \frac{N_{f,j''}(\tilde{t})}{N_f(\tilde{t})} & \text{M1} \\ \frac{1}{p_f(\tilde{t})} \cdot \frac{\pi(j'')N_{f,j''}(\tilde{t})}{N_{f,j''}} & \text{M2} \end{cases}$$

**Average Profit (for average profit value gain summary only)**

The average profit value for the node.

$$s(\tilde{t}) = \begin{cases} \frac{\sum_j N_{f,j}(\tilde{t}) \cdot pv(j)}{N_f(\tilde{t})} & \text{M1} \\ \frac{1}{p_f(\tilde{t})} \cdot \sum_j \frac{\pi(j) N_{f,j}(\tilde{t}) \cdot pv(j)}{N_{f,j}} & \text{M2} \end{cases}$$

**Mean (for average oriented gain summary only)**

The respective mean of the continuous dependent variable  $Y$  at the node.

$$s(\tilde{t}) = \bar{y}(\tilde{t})$$

**ROI (Return on Investment)**

ROI for a node is calculated as average profit divided by average expense.

$$ROI(\tilde{t}) = \frac{s(\tilde{t})}{s_0(\tilde{t})}$$

Where  $s_0(\tilde{t})$  is the average expense for node  $\tilde{t}$  and is calculated using equation for  $s(\tilde{t})$  with  $pv(j)$  replaced by  $e(j)$ .

This is only computed for the average profit value gain summary type.

**Index (%)**

For the target class gain summary, it is the ratio of the score for the node to the proportion of class  $j''$  cases in the sample. It is denoted by  $is(\tilde{t})100\%$ , where  $is(\tilde{t})$  is

$$is(\tilde{t}) = \begin{cases} \frac{s(\tilde{t})}{N_{f,j''}/N_f} & \text{M1} \\ \frac{s(\tilde{t})}{\pi(j'')} & \text{M2} \end{cases}$$

For the average profit value gain summary, it is the ratio of the score for the node to the average profit value for the sample.

$$is(\tilde{t}) = \begin{cases} \frac{s(\tilde{t})}{\sum_j N_{f,j} pv(j) / N_f} & \text{M1} \\ \frac{s(\tilde{t})}{\sum_j \pi(j) pv(j)} & \text{M2} \end{cases}$$

For the average oriented gain summary, it is the ratio of the gain score for the node to the gain score  $s(t = 1)$  for root node  $t = 1$ .

$$is(\tilde{t}) = \frac{s(\tilde{t})}{s(t = 1)}$$

*Note:* if the denominator is 0, the index is not available.

## Cumulative Summary

In the cumulative gain summary, all nodes are first sorted with respect to the values of the score  $s(\tilde{t})$ . To simplify the formulas, we assume that nodes in the collection  $\{\tilde{t}_1, \tilde{t}_2, \dots, \tilde{t}_{|\tilde{T}|}\}$  are already sorted either in descending or ascending order.

### Terminal Node

The identity of a terminal node. It is denoted by  $\tilde{t}_s$ .

### Cumulative Size: n

$$\oplus N_f(\tilde{t}_s) = \sum_{i=1}^s N_f(\tilde{t}_s)$$

### Cumulative Size: %

$$\oplus p_f(\tilde{t}_s) = \sum_{i=1}^s p_f(\tilde{t}_s)$$

### Cumulative Gain: n

$$\oplus N_{f,j''}(\tilde{t}_s) = \sum_{i=1}^s N_{f,j''}(\tilde{t}_s)$$

**Cumulative Gain: %**

$$\oplus p_f (\tilde{t}_s | j'') = \sum_{i=1}^s p_f (\tilde{t}_s | j'')$$

**Score**

For Cumulative response, it is the ratio of the number of target class  $j''$  cases up to the node to the total number of cases up to the node. For cumulative average profit, it is the average profit value up to the node. For cumulative mean, it is the mean of all  $y_n$ 's up to the terminal nodes. In all cases, the same formula is used, but the appropriate formulas for  $s(\tilde{t}_s)$  and  $p_f(\tilde{t}_s)$  should be used in the calculations. This cumulative score is denoted by:

$$\oplus s(\tilde{t}_s) = \begin{cases} \frac{\sum_{i=1}^s s(\tilde{t}_i) N_f(\tilde{t}_i)}{\sum_{i=1}^s N_f(\tilde{t}_i)} & \text{M1, or, Y continuous} \\ \frac{\sum_{i=1}^s s(\tilde{t}_i) \cdot p_f(\tilde{t}_i)}{\sum_{i=1}^s p_f(\tilde{t}_i)} & \text{M2} \end{cases}$$

**Cumulative ROI**

$$\oplus ROI(\tilde{t}_s) = \frac{\oplus s(\tilde{t}_s)}{\oplus s_0(\tilde{t}_s)}$$

Where  $\oplus s_0(\tilde{t}_s)$  is the cumulative expense and calculated by equation for  $\oplus s(\tilde{t}_s)$  with  $p_v(\tilde{t})$  replaced by  $e(\tilde{t})$ .

This is only computed for the average profit value gain summary type.

**Cumulative Index %**

For the target class cumulative gain summary, it is the ratio of the cumulative gain score for the node to the proportion of class  $j''$  cases in the sample. It is denoted by  $\oplus is(\tilde{t}_s)100\%$ , where:

$$\oplus is(\tilde{t}_s) = \begin{cases} \frac{\oplus s(\tilde{t}_s)}{N_{j,j''}/N_j} & \text{M1} \\ \frac{\oplus s(\tilde{t}_s)}{\pi(j'')} & \text{M2} \end{cases}$$

For the average profit value cumulative gain summary, it is the ratio of the cumulative gain score for the node to the average profit value for the sample.

$$\oplus is(\tilde{t}_s) = \begin{cases} \frac{\oplus s(\tilde{t}_s)}{\sum_j N_{f,j} \cdot pv(j) / N_f} & \text{M1} \\ \frac{\oplus s(\tilde{t}_s)}{\sum_j \pi(j) \cdot pv(j)} & \text{M2} \end{cases}$$

For the average oriented cumulative gain summary, it is the ratio of the cumulative score for the node to the score  $s(t=1)$  for root node  $t=1$ .

$$\oplus is(\tilde{t}_s) = \frac{\oplus s(\tilde{t}_s)}{s(t=1)} = \sum_{i=1}^s is(\tilde{t}_i)$$

*Note:* if the denominator is 0, the index is not available.

## Percentile Summary

Like cumulative gain summary, all nodes are first sorted with respect to the values of their scores. To simplify the formulas, we assume that nodes in the collection  $\{\tilde{t}_1, \tilde{t}_2, \dots, \tilde{t}_{|\tilde{T}|}\}$  are already sorted in either descending or ascending order. Let  $q$  be any positive integer divisible to 100. The value of  $q$  will be used as the percentage increment for percentiles, and is user-specified (default  $q=10$ ). For fixed  $q$ , the number of percentiles to be studied is  $100/q$ . The  $p$ th percentile to be studied is the  $pq\%$ -tile, and its size is  $N_{f,pq} = N_f \cdot pq\%$ ,  $p=1, \dots, 100/q$ . For any  $pq\%$ -tile, let  $s_p$  and  $s'_p$  be the two smallest integers in  $\{1, \dots, |\tilde{T}|\}$  such that

$$N_{f,pq} \in (\oplus N_f(\tilde{t}_{s_{p-1}}), \oplus N_f(\tilde{t}_{s_p})], N_{f,pq} \in [\oplus N_f(\tilde{t}_{s'_p-1}), \oplus N_f(\tilde{t}_{s'_p})]$$

where  $\oplus N_f(\tilde{t}_0) \equiv 0$

### Terminal Node

The identity of all terminal nodes that belong to the  $p$ th increment. Node  $\tilde{t}$  belongs to the  $p$ th increment if  $\tilde{t} \in [s'_{p-1}, s_p]$ .

### Percentile (%)

Percentile being studied. The  $p$ th percentile is the  $pq\%$ -tile.

### Percentile: $n$

Total number of cases in the percentile,  $N_{f,pq}^* = [N_f \cdot pq\%]$ , where  $[x]$  denotes the nearest integer of  $x$ .

**Gain: n**

Total number of class  $j''$  cases in the  $pq$ -percentile.

$$?N_{f,j''}(p) = \oplus N_{f,j''}(\tilde{t}_{s_p-1}) + \frac{N_{f,pq} - \oplus N_f(\tilde{t}_{s_p-1})}{N_f(\tilde{t}_{s_p})} N_{f,j''}(\tilde{t}_{s_p})$$

where  $\oplus N_{f,j''}(\tilde{t}_0)$  is defined to be 0.

This is only computed for the target class percentile gain summary type.

**Gain: %**

Percentage of class  $j''$  cases in the sample that belong to the  $pq\%$ -tile. It is denoted by  $?p_{f,j''}(p)100\%$ , where

$$?p_{f,j''}(p) = \frac{?N_{f,j''}(p)}{N_{f,j''}}$$

This is only computed for the target class percentile gain summary type.

**Percentile Score**

For the target class percentile gain summary, it is an estimate of the ratio of the number of class  $j''$  cases in the  $pq$ -percentile to the total number of cases in the percentile. For the average profit value percentile gain summary, it is an estimate of the average profit value in the  $pq$ -percentile. For the average oriented percentile gain summary, it is an estimate of the average of the gain score for all nodes in the percentile. In all charts, the same formula is used.

$$?s(p) = \begin{cases} \frac{\oplus N_f(\tilde{t}_{s_p-1}) \cdot \oplus s(\tilde{t}_{s_p-1}) + \{N_{f,pq} - \oplus N_f(\tilde{t}_{s_p-1})\} \cdot s(\tilde{t}_{s_p})}{N_{f,pq}} & \text{M1} \\ \frac{\oplus p_f(\tilde{t}_{s_p-1}) \cdot \oplus s(\tilde{t}_{s_p-1}) + \{p_{f,pq} - \oplus p_f(\tilde{t}_{s_p-1})\} \cdot s(\tilde{t}_{s_p})}{p_{f,pq}} & \text{M2} \end{cases}$$

where

$$p_{f,pq} = \oplus p_f(\tilde{t}_{s_p-1}) + \frac{N_{f,pq} - \oplus N_f(\tilde{t}_{s_p-1})}{N_f(\tilde{t}_{s_p})} p_f(\tilde{t}_{s_p})$$

**Percentile ROI**

$$?ROI(p) = \frac{?s(p)}{?s_0(p)}$$

where  $?s_0(p)$  is the percentile expense and calculated through equation  $?s(p)$  with  $p_v(\tilde{t})$  replaced by  $e(\tilde{t})$ .

This is only computed for the average profit value gain summary type.

### Percentile Index

For the target class percentile gain summary, it is the ratio of the percentile gain score for the  $pq$ -percentile to the proportion of class  $j''$  cases in the sample. It is denoted by  $?is(p)$ 100 percent, where

$$?is(p) = \begin{cases} \frac{?s(p)}{N_{f,j''}/N_f} & \text{M1} \\ \frac{?s(p)}{\pi(j'')} & \text{M2} \end{cases}$$

For the average profit value percentile gain summary, it is the ratio of the percentile gain score for the  $pq$ -percentile to the average of the profit values for the sample.

$$?is(p) = \begin{cases} \frac{?s(p)}{\sum_j N_{f,j} \cdot pv(j) / N_f} & \text{M1} \\ \frac{?s(p)}{\sum_j \pi(j) \cdot pv(j)} & \text{M2} \end{cases}$$

For the average oriented cumulative gain summary, it is the ratio of the percentile gain score in the  $pq$ -percentile to the gain score  $s(t = 1)$  for root node  $t = 1$ .

$$?is(p) = \frac{?s(p)}{s(t = 1)}$$

*Note:* if the denominator, which is the average or the median of  $y_n$ 's in the sample, is 0, the index is not available.

## Cost—Complexity Pruning Algorithms

Assuming a CART or QUEST tree has been grown successfully using a learning sample, this document describes the automatic cost-complexity pruning process for both CART and QUEST trees. Materials in this document are based on Classification and Regression Trees by Breiman et al (1984). Calculations of the risk estimates used throughout this document are given in *TREE Algorithms*.

### Cost-Complexity Risk of a Tree

Given a tree  $T$  and a real number  $\alpha$ , the cost-complexity risk of  $T$  with respect to  $\alpha$  is

$$R_\alpha(T) = R(T) + \alpha \left| \tilde{T} \right|$$

where  $|\tilde{T}|$  is the number of terminal nodes and  $R(T)$  is the resubstitution risk estimate of  $T$ .

### Smallest Optimally Pruned Subtree

**Pruned subtree.** For any tree  $T$ ,  $T'$  is a pruned subtree of  $T$  if  $T'$  is a tree with the same root node as  $T$  and all nodes of  $T'$  are also nodes of  $T$ . Denote  $T' \preceq T$  if  $T'$  is a pruned subtree of  $T$ .

**Optimally pruned subtree.** Given  $\alpha$ , a pruned  $T'$  subtree of  $T$  is called an optimally pruned subtree of  $T$  with respect to  $\alpha$  if  $R_\alpha(T') = \min_{T'' \preceq T} R_\alpha(T'')$ . The optimally pruned subtree may not be unique

**Smallest optimally pruned subtree.** If  $T' \preceq T''$  for any optimally pruned subtree  $T'' \preceq T_0$  such that  $R_\alpha(T') = R_\alpha(T'')$ , then  $T'$  is the smallest optimally pruned subtree of  $T_0$  with respect to  $\alpha$ , and is denoted by  $T_0(\alpha)$ .

### Cost-Complexity Pruning Process

Suppose that a tree  $T_0$  was grown. The cost-complexity pruning process consists of two steps:

1. Based on the learning sample, find a sequence of pruned subtrees  $\{T_k\}_{k=0}^K$  of  $T_0$  such that  $T_0 \succ T_1 \succ T_2 \succ \dots \succ T_K$ , where  $T_K$  has only the root node of  $T_0$ .
2. Find an “honest” risk estimate  $\hat{R}(T_k)$  of each subtree. Select a right sized tree from the sequence of pruned subtrees.

### Generate a sequence of smallest optimally pruned subtrees

To generate a sequence of pruned subtrees, the cost-complexity pruning technique developed by Breiman et. al. (1984) is used. In generating the sequence of subtrees, only the learning sample is used. Given any real value  $\alpha_{\min}$  ( $\alpha_{\min} = 0$ ) and an initial tree  $T_0$ , there exists a sequence of real values  $-\infty < \alpha_1 = \alpha_{\min} < \alpha_2 < \dots < \alpha_K < +\infty$  and a sequence of pruned subtrees  $T_0 \preceq T_1 \preceq \dots \preceq T_K$ , such that the smallest optimally pruned subtree of  $T_0$  for a given  $\alpha$  is

$$T_0(\alpha) = \begin{cases} T_0 & \alpha < \alpha_1 \\ T_0(\alpha_k) = T_k & \alpha_k \leq \alpha < \alpha_{k+1} \quad 1 \leq k < K \\ T_0(\alpha_K) = T_K & \alpha_K \leq \alpha \end{cases}$$

where

$$\alpha_{k+1} = \min_{t \in T_k} g_k(t), T_{k+1} = \{t \in T_k : g_k(s) > \alpha_{k+1} \text{ for all ancestors of } t\}$$

$$g_k(t) = \begin{cases} \frac{R(t) - R(T_{k,t})}{|\tilde{T}_{k,t}| - 1} & t \in T_k - \tilde{T}_k \\ +\infty & t \in \tilde{T}_k \end{cases}$$

$\tilde{T}_{k,t}$  is the branch of  $T_k$  stemming from node  $t$ , and  $R(t)$  is the resubstitution risk estimate of node  $t$  based on the learning sample.

**Explicit algorithm**

For node  $t$ , let

$$lt(t) = \begin{cases} 0 & t \text{ is terminal} \\ \text{left child of } t & \text{otherwise} \end{cases}$$

$$rt(t) = \begin{cases} 0 & t \text{ is terminal} \\ \text{right child of } t & \text{otherwise} \end{cases}$$

$$pa(t) = \begin{cases} 0 & t \text{ is root node} \\ \text{parent of } t & \text{otherwise} \end{cases}$$

$$\tilde{N}(t) = \begin{cases} 1 & t \text{ is terminal} \\ |\tilde{T}_{k,t}| & \text{otherwise} \end{cases}$$

$$S(t) = \begin{cases} R(t) & t \text{ is terminal} \\ R(T_{k,t}) & \text{otherwise} \end{cases}$$

$$G(t) = \min_{s \in T_{k,t}} g_k(s)$$

Then the explicit algorithm is as follows:

**Initialization.** Set  $k=1, \alpha=\alpha_{\min}$

For  $t=\#T_0$  to 1:

if  $t$  is a terminal node, set

$$\tilde{N}(t)=1, S(t)=R(t), g(t)=G(t)=+\infty$$

else set

$$\tilde{N}(t) = \tilde{N}(lt(t)) + \tilde{N}(rt(t))$$

$$S(t) = S(lt(t)) + S(rt(t))$$

$$g(t) = (R(t) - S(t)) / (\tilde{N}(t) - 1)$$

$$G(t) = \min\{g(t), G(lt(t)), G(rt(t))\}$$

**Main algorithm.** If  $G(1) > \alpha$ , set

$$\alpha_k = \alpha \text{ and } T_k = \{t \in T_{k-1} : g(s) > \alpha_k \text{ for all ancestor } s \text{ of } t\}$$

$$\alpha = G(1), k = k + 1$$

else if  $\tilde{N}(1) = 1$ , terminate the process.

Set  $t=1$ .

While  $G(t) < g(t)$ ,  $t = \begin{cases} lt(t) & G(t) = G(lt(t)) \\ rt(t) & \text{otherwise} \end{cases}$

Make the current node  $t$  terminal by setting  $\tilde{N}(t)=1$ ,  $S(t)=R(t)$ ,  $g(t)=G(t)=+\infty$

Update ancestor's information of current node  $t$ ; while  $t > 1$

$t=pa(t)$

$\tilde{N}(t) = \tilde{N}(lt(t)) + \tilde{N}(rt(t))$

$S(t) = S(lt(t)) + S(rt(t))$

$g(t) = (R(t) - S(t)) / (\tilde{N}(t) - 1)$

$G(t) = \min\{g(t), G(lt(t)), G(rt(t))\}$

Repeat the main algorithm until the process terminates.

### Selecting the Right Sized Subtree

To select the right sized pruned subtree from the sequence of pruned subtrees  $\{T_k\}_{k=0}^K$  of  $T_0$ , an "honest" method is used to estimate the risk  $\hat{R}(T_k)$  and its standard error  $se(\hat{R}(T_k))$  of each subtree  $T_k$ . Two methods can be used: the resubstitution estimation method and the test sample estimation method. Resubstitution estimation is used if there is no test sample. Test sample estimation is used if there is a testing sample. Select the subtree  $T_{k^*}$  as the right sized subtree of  $T_0$  based on one of the following rules.

#### Simple rule

The right sized tree is selected as the  $k^* \in \{0, 1, 2, \dots, K\}$  such that

$$\hat{R}(T_{k^*}) = \min_k \hat{R}(T_k)$$

#### b-SE rule

For any nonnegative real value  $b$  (default  $b = 1$ ), the right sized tree is selected as the largest  $k^{**} \in \{0, 1, 2, \dots, K\}$  such that

$$\hat{R}(T_{k^{**}}) \leq \hat{R}(T_{k^*}) + b \cdot se(\hat{R}(T_{k^*}))$$

### References

Breiman, L., J. H. Friedman, R. A. Olshen, and C. J. Stone. 1984. *Classification and Regression Trees*. New York: Chapman & Hall/CRC.

# TSMODEL Algorithms

The TSMODEL procedure builds univariate exponential smoothing, ARIMA (Autoregressive Integrated Moving Average), and transfer function (TF) models for time series, and produces forecasts. The procedure includes an Expert Modeler that identifies and estimates an appropriate model for each dependent variable series. Alternatively, you can specify a custom model.

This algorithm is designed with help from professor Ruey Tsay at The University of Chicago.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$Y_t$ ( $t=1, 2, \dots, n$ )	Univariate time series under investigation.
$n$	Total number of observations.
$\hat{Y}_t(k)$	Model-estimated k-step ahead forecast at time t for series Y.
$S$	The seasonal length.

## Models

TSMODEL estimates exponential smoothing models and ARIMA/TF models.

## Exponential Smoothing Models

The following notation is specific to exponential smoothing models:

$\alpha$	Level smoothing weight
$\gamma$	Trend smoothing weight
$\phi$	Damped trend smoothing weight
$\delta$	Season smoothing weight

### Simple Exponential Smoothing

Simple exponential smoothing has a single level parameter and can be described by the following equations:

$$L(t) = \begin{cases} \alpha Y(t) + (1 - \alpha)L(t - 1), & \text{if } Y(t) \text{ is not missing} \\ L(t - 1), & \text{else} \end{cases}$$

$$\hat{Y}_t(k) = L(t)$$

It is functionally equivalent to an ARIMA(0,1,1) process.

### **Brown's Exponential Smoothing**

Brown's exponential smoothing has level and trend parameters and can be described by the following equations:

$$L(t) = \begin{cases} \alpha Y(t) + (1 - \alpha)L(t-1), & \text{if } Y(t) \text{ is not missing} \\ L(t-1) + T(t-1), & \text{else} \end{cases}$$

$$T(t) = \begin{cases} \alpha(L(t) - L(t-1)) + (1 - \alpha)T(t-1), & \text{if } Y(t) \text{ is not missing} \\ T(t-1), & \text{else} \end{cases}$$

$$\hat{Y}_t(k) = L(t) + ((k-1) + \alpha^{-1})T(t)$$

It is functionally equivalent to an ARIMA(0,2,2) with restriction among MA parameters.

### **Holt's Exponential Smoothing**

Holt's exponential smoothing has level and trend parameters and can be described by the following equations:

$$L(t) = \begin{cases} \alpha Y(t) + (1 - \alpha)(L(t-1) + T(t-1)), & \text{if } Y(t) \text{ is not missing} \\ L(t-1) + T(t-1), & \text{else} \end{cases}$$

$$T(t) = \begin{cases} \gamma(L(t) - L(t-1)) + (1 - \gamma)T(t-1), & \text{if } Y(t) \text{ is not missing} \\ T(t-1), & \text{else} \end{cases}$$

$$\hat{Y}_t(k) = L(t) + kT(t)$$

It is functionally equivalent to an ARIMA(0,2,2).

### **Damped-Trend Exponential Smoothing**

Damped-Trend exponential smoothing has level and damped trend parameters and can be described by the following equations:

$$L(t) = \begin{cases} \alpha Y(t) + (1 - \alpha)(L(t-1) + \varphi T(t-1)), & \text{if } Y(t) \text{ is not missing} \\ L(t-1) + \varphi T(t-1), & \text{else} \end{cases}$$

$$T(t) = \begin{cases} \gamma(L(t) - L(t-1)) + (1 - \gamma)\varphi T(t-1), & \text{if } Y(t) \text{ is not missing} \\ \varphi T(t-1), & \text{else} \end{cases}$$

$$\hat{Y}_t(k) = L(t) + \sum_{i=1}^k \phi^i T(t)$$

It is functionally equivalent to an ARIMA(1,1,2).

### Simple Seasonal Exponential Smoothing

Simple seasonal exponential smoothing has level and season parameters and can be described by the following equations:

$$L(t) = \begin{cases} \alpha(Y(t) - S(t-s)) + (1-\alpha)L(t-1), & \text{if } Y(t) \text{ is not missing} \\ L(t-1), & \text{else} \end{cases}$$

$$S(t) = \begin{cases} \delta(Y(t) - L(t)) + (1-\delta)S(t-s), & \text{if } Y(t) \text{ is not missing} \\ S(t-s) & \text{else} \end{cases}$$

$$\hat{Y}_t(k) = L(t) + S(t+k-s)$$

It is functionally equivalent to an ARIMA(0,1,(1,s,s+1))(0,1,0) with restrictions among MA parameters.

### Winters' Additive Exponential Smoothing

Winters' additive exponential smoothing has level, trend, and season parameters and can be described by the following equations:

$$L(t) = \begin{cases} \alpha(Y(t) - S(t-s)) + (1-\alpha)(L(t-1) + T(t-1)), & \text{if } Y(t) \text{ is not missing} \\ L(t-1) + T(t-1), & \text{else} \end{cases}$$

$$T(t) = \begin{cases} \gamma(L(t) - L(t-1)) + (1-\gamma)T(t-1), & \text{if } Y(t) \text{ is not missing} \\ T(t-1), & \text{else} \end{cases}$$

$$S(t) = \begin{cases} \delta(Y(t) - L(t)) + (1-\delta)S(t-s), & \text{if } Y(t) \text{ is not missing} \\ S(t-s) & \text{else} \end{cases}$$

$$\hat{Y}_t(k) = L(t) + kT(t) + S(t+k-s)$$

It is functionally equivalent to an ARIMA(0,1,s+1)(0,1,0) with restrictions among MA parameters.

### Winters' Multiplicative Exponential Smoothing

Winters' multiplicative exponential smoothing has level, trend and season parameters and can be described by the following equations:

$$L(t) = \begin{cases} \alpha(Y(t)/S(t-s)) + (1-\alpha)(L(t-1) + T(t-1)), & \text{if } Y(t) \text{ is not missing} \\ L(t-1) + T(t-1), & \text{else} \end{cases}$$

$$T(t) = \begin{cases} \gamma(L(t) - L(t-1)) + (1-\gamma)T(t-1), & \text{if } Y(t) \text{ is not missing} \\ T(t-1), & \text{else} \end{cases}$$

$$S(t) = \begin{cases} \delta(Y(t)/L(t)) + (1-\delta)S(t-s), & \text{if } Y(t) \text{ is not missing} \\ S(t-s) & \text{else} \end{cases}$$

$$\hat{Y}_t(k) = (L(t) + kT(t))S(t+k-s)$$

There is no equivalent ARIMA model.

### Estimation and Forecasting of Exponential Smoothing

The sum of squares of the one-step ahead prediction error,  $\sum (Y_t - \hat{Y}_{t-1}(1))^2$ , is minimized to optimize the smoothing weights.

### Initialization of Exponential Smoothing

Let  $L$  denote the level,  $T$  the trend and,  $S$ , a vector of length  $s$ , denote the seasonal states. The initial smoothing states are made by back-casting from  $t=n$  to  $t=0$ . Initialization for back-casting is described here.

For all the models  $L = y_n$ .

For all non-seasonal models with trend,  $T$  is the negative of the slope of the line (with intercept) fitted to the data with time as a regressor.

For the simple seasonal model, the elements of  $S$  are seasonal averages minus the sample mean; for example, for monthly data the element corresponding to January will be average of all January values in the sample minus the sample mean.

For the additive Winters' model, fit  $y = \alpha t + \sum_{i=1}^s \beta_i I_i(t)$  to the data where  $t$  is time and  $I_i(t)$  are seasonal dummies. Note that the model does not have an intercept. Then  $T = -\alpha$ , and  $S = \beta - \text{mean}(\beta)$ .

For the multiplicative Winters' model, fit a separate line (with intercept) for each season with time as a regressor. Suppose  $\mu$  is the vector of intercepts and  $\beta$  is the vector of slopes (these vectors will be of length  $s$ ). Then  $T = -\text{mean}(\beta)$  and  $S = (\mu + \beta) / (\text{mean}(\mu) + \text{mean}(\beta))$ .

The initial smoothing states are:

$$L' = L(0)$$

$$T' = -T(0)$$

$$S' = (S(1-s), S(2-s), \dots, S(-1), S(0)) = (S(1), S(2), \dots, S(-1+s), S(0))$$

### ARIMA and Transfer Function Models

The following notation is specific to ARIMA/TF models:

$a_t (t = 1, 2, \dots, n)$	White noise series normally distributed with mean zero and variance $\sigma^2$
$p$	Order of the non-seasonal autoregressive part of the model
$q$	Order of the non-seasonal moving average part of the model
$d$	Order of the non-seasonal differencing
$P$	Order of the seasonal autoregressive part of the model
$Q$	Order of the seasonal moving-average part of the model
$D$	Order of the seasonal differencing

$s$	Seasonality or period of the model
$\phi_p(B)$	AR polynomial of B of order p, $\phi_p(B) = 1 - \varphi_1 B - \varphi_2 B^2 - \dots - \varphi_p B^p$
$\theta_q(B)$	MA polynomial of B of order q, $\theta_q(B) = 1 - \vartheta_1 B - \vartheta_2 B^2 - \dots - \vartheta_q B^q$
$\Phi_P(B^s)$	Seasonal AR polynomial of BS of order P, $\Phi_P(B^s) = 1 - \Phi_1 B^s - \Phi_2 B^{s^2} - \dots - \Phi_P B^{s^P}$
$\Theta_Q(B^s)$	Seasonal MA polynomial of BS of order Q, $\Theta_Q(B^s) = 1 - \Theta_1 B^s - \Theta_2 B^{s^2} - \dots - \Theta_Q B^{s^Q}$
$\Delta$	Differencing operator $\Delta = (1 - B)^d(1 - B^s)^D$
$B$	Backward shift operator with $BY_t = Y_{t-1}$ and $Ba_t = a_{t-1}$
$Z\sigma_t^2$	Prediction variance of $Z_t$
$N\sigma_t^2$	Prediction variance of the noise forecasts

Transfer function (TF) models form a very large class of models, which include univariate ARIMA models as a special case. Suppose  $Y_t$  is the dependent series and, optionally,  $X_{1t}, X_{2t}, \dots, X_{kt}$  are to be used as predictor series in this model. A TF model describing the relationship between the dependent and predictor series has the following form:

$$Z_t = f(Y_t),$$

$$\Delta Z_t = \mu + \sum_{i=1}^k \frac{Num_i}{Den_i} \Delta_i B^{b_i} f_i(X_{it}) + \frac{MA}{AR} a_t.$$

The univariate ARIMA model simply drops the predictors from the TF model; thus, it has the following form:

$$\Delta Z_t = \mu + \frac{MA}{AR} a_t$$

The main features of this model are:

- An initial transformation of the dependent and predictor series,  $f$  and  $f_i$ . This transformation is optional and is applicable only when the dependent series values are positive. Allowed transformations are log and square root. These transformations are sometimes called variance-stabilizing transformations.
- A constant term  $\mu$ .
- The unobserved i.i.d., zero mean, Gaussian error process  $a_t$  with variance  $\sigma^2$ .
- The moving average lag polynomial  $MA = \theta_q(B)\Theta_Q(B^s)$  and the auto-regressive lag polynomial  $AR = \phi_p(B)\Phi_P(B^s)$ .
- The difference/lag operators  $\Delta$  and  $\Delta_i$ .
- A delay term,  $B^{b_i}$ , where  $b_i$  is the order of the delay
- Predictors are assumed given. Their numerator and denominator lag polynomials are of the form:  $Num_i = (\omega_{i0} - \omega_{i1}B - \dots - \omega_{iu}B^u)(1 - \Omega_{i1}B^s - \dots - \Omega_{iv}B^{vs})B^b$  and  $Den_i = (1 - \delta_{i1}B - \dots - \delta_{ir}B^r)(1 - \Delta_{i1}B^s - \dots)$ .
- The “noise” series

$$N_t = \Delta Z_t - \mu - \sum_{i=1}^k \frac{Num_i}{Den_i} \Delta_i B^{b_i} X_{it}$$

is assumed to be a mean zero, stationary ARMA process.

### **Interventions and Events**

Interventions and events are handled like any other predictor; typically they are coded as 0/1 variables, but note that a given intervention variable's exact effect upon the model is determined by the transfer function in front of it.

### **Estimation and Forecasting of ARIMA/TF**

There are two forecasting algorithms available: Conditional Least Squares (CLS) and Exact Least Squares (ELS) or Unconditional Least Squares forecasting (ULS). These two algorithms differ in only one aspect: they forecast the noise process differently. The general steps in the forecasting computations are as follows:

1. Computation of noise process  $N_t$  through the historical period.
2. Forecasting the noise process  $N_t$  up to the forecast horizon. This is one step ahead forecasting during the historical period and multi-step ahead forecasting after that. The differences in CLS and ELS forecasting methodologies surface in this step. The prediction variances of noise forecasts are also computed in this step.
3. Final forecasts are obtained by first adding back to the noise forecasts the contributions of the constant term and the transfer function inputs and then integrating and back-transforming the result. The prediction variances of noise forecasts also may have to be processed to obtain the final prediction variances.

Let  $\hat{N}_t(k)$  and  $\sigma_t^2(k)$  be the k-step forecast and forecast variance, respectively.

### **Conditional Least Squares (CLS) Method**

$$\hat{N}_t(k) = E(N_{t+k} | N_t, N_{t-1}, \dots) \text{ assuming } N_t = 0 \text{ for } t < 0.$$

$$\sigma_t^2(k) = \sigma^2 \sum_{j=0}^{k-1} \psi_j^2$$

where  $\psi_j$  are coefficients of the power series expansion of  $MA / (\Delta \times AR)$ .

$$\text{Minimize } S = \sum (N_t - \hat{N}_t(1))^2$$

Missing values are imputed with forecast values of  $N_t$ .

### **Maximum Likelihood (ML) Method (Brockwell and Davis, 1991)**

$$\hat{N}_t(k) = E(N_{t+k} | N_t, N_{t-1}, \dots, N_1)$$

Maximize likelihood of  $\left\{N_t - \hat{N}_t(1)\right\}_{t=1}^n$ ; that is,

$$L = -\ln(S/n) - (1/n) \sum_{j=1}^n \ln(\eta_j)$$

where  $S = \sum (N_t - \hat{N}_t(1))^2 / \eta_t$ , and  $\sigma_t^2 = \sigma^2 \eta_t$  is the one-step ahead forecast variance.

When missing values are present, a Kalman filter is used to calculate  $\hat{N}_t(k)$ .

### **Error Variance**

$$\hat{\sigma}^2 = S / (n - k)$$

in both methods. Here  $n$  is the number of non-zero residuals and  $k$  is the number of parameters (excluding error variance).

### **Initialization of ARIMA/TF**

A slightly modified Levenberg-Marquardt algorithm is used to optimize the objective function. The modification takes into account the “admissibility” constraints on the parameters. The admissibility constraint requires that the roots of AR and MA polynomials be outside the unit circle and the sum of denominator polynomial parameters be non-zero for each predictor variable. The minimization algorithm requires a starting value to begin its iterative search. All the numerator and denominator polynomial parameters are initialized to zero except the coefficient of the 0th power in the numerator polynomial, which is initialized to the corresponding regression coefficient.

The ARMA parameters are initialized as follows:

Assume that the series  $Y_t$  follows an ARMA(p,q)(P,Q) model with mean 0; that is:

$$Y_t - \varphi_1 Y_{t-1} - \dots - \varphi_p Y_{t-p} = a_t - \theta_1 a_{t-1} - \dots - \theta_q a_{t-q}$$

In the following  $c_l$  and  $\rho_l$  represent the  $l$ th lag autocovariance and autocorrelation of  $Y_t$  respectively, and  $\hat{c}_l$  and  $\hat{\rho}_l$  represent their estimates.

#### **Non-Seasonal AR Parameters**

For AR parameter initial values, the estimated method is the same as that in appendix A6.2 of (Box, Jenkins, and Reinsel, 1994). Denote the estimates as  $\hat{\varphi}'_1, \dots, \hat{\varphi}'_{p+q}$ .

#### **Non-Seasonal MA Parameters**

Let

$$w_t = Y_t - \varphi_1 Y_{t-1} - \dots - \varphi_p Y_{t-p} = a_t - \theta_1 a_{t-1} - \dots - \theta_q a_{t-q}$$

The cross covariance

$$\lambda_l = E(w_{t+l}a_t) = E((a_{t+l} - \theta_1 a_{t+l-1} - \dots - \theta_q a_{t+l-q})a_t) = \begin{cases} \sigma_a^2 & l = 0 \\ -\theta_1 \sigma_a^2 & l = 1 \\ \dots & \dots \\ -\theta_q \sigma_a^2 & l = q \\ 0 & l > q \end{cases}$$

Assuming that an AR(p+q) can approximate  $Y_t$ , it follows that:

$$Y_t - \phi'_1 Y_{t-1} - \dots - \phi'_p Y_{t-p} - \phi'_{p+1} Y_{t-p-1} - \dots - \phi'_{p+q} Y_{t-p-q} = a_t$$

The AR parameters of this model are estimated as above and are denoted as  $\hat{\phi}'_1, \dots, \hat{\phi}'_{p+q}$ .

Thus  $\lambda_l$  can be estimated by

$$\lambda_l \approx E\left((Y_{t+l} - \phi_1 Y_{t+l-1} - \dots - \phi_p Y_{t+l-p})\left(Y_t - \phi'_1 Y_{t-1} - \dots - \phi'_{p+q} Y_{t-p-q}\right)\right) \\ = \left(\rho_l - \sum_{j=1}^{p+q} \phi_j \rho_{l+j} - \sum_{i=1}^p \phi_i \rho_{l-i} + \sum_{i=1}^p \sum_{j=1}^{p+q} \phi_i \phi_j \rho_{l+j-i}\right) c_0$$

And the error variance  $\sigma_a^2$  is approximated by

$$\hat{\sigma}_a^2 = Var\left(-\sum_{j=0}^{p+q} \phi'_j Y_{t-j}\right) = \sum_{i=0}^{p+q} \sum_{j=0}^{p+q} \phi'_i \phi'_j c_{i-j} = c_0 \sum_{i=0}^{p+q} \sum_{j=0}^{p+q} \phi'_i \phi'_j \rho_{i-j}$$

with  $\phi'_0 = -1$  .

Then the initial MA parameters are approximated by  $\theta_l = -\lambda_l / \sigma_a^2$  and estimated by

$$\hat{\theta}_l = -\hat{\lambda}_l / \hat{\sigma}_a^2 = \frac{\rho_l - \sum_{j=1}^{p+q} \hat{\phi}_j \rho_{l+j} - \sum_{i=1}^p \hat{\phi}_i \rho_{l-i} + \sum_{i=1}^p \sum_{j=1}^{p+q} \hat{\phi}_i \hat{\phi}_j \rho_{l+j-i}}{\sum_{i=0}^{p+q} \sum_{j=0}^{p+q} \hat{\phi}'_i \hat{\phi}'_j \rho_{i-j}}$$

So  $\hat{\theta}_l$  can be calculated by  $\hat{\phi}'_j, \hat{\phi}_i$ , and  $\{\hat{\rho}_l\}_{l=1}^{p+2q}$ . In this procedure, only  $\{\hat{\rho}_l\}_{l=1}^{p+q}$  are used and all other parameters are set to 0.

### Seasonal parameters

For seasonal AR and MA components, the autocorrelations at the seasonal lags in the above equations are used.

### Calculation of the Transfer Function

The transfer function needs to be calculated for each predictor series. For the predictor series  $X_{it}$ , let the transfer function be:

$$V_{it} = \frac{Num_i}{Den_i} \Delta_i B^{b_i} f_i(X_{it})$$

It can be calculated as follows:

1. Calculate  $U_{it} = \Delta_i B^{b_i} f_i(X_{it})$
2. Recursively calculate

$$V_{it} = - \sum_{j=1}^{D_i} Cden_i(j) * V_{it-j} + \sum_{j=0}^{N_i} Cnum_i(j) * U_{it-j}$$

where  $Cden_i(j)$  and  $Cnum_i(j)$  are the coefficients of  $B^j$  in the polynomials  $Den_i$  and  $Num_i$  respectively. Likewise, the summation limits  $D_i$  and  $N_i$  are the maximum degree of  $B^j$  in the polynomials  $Den_i$  and  $Num_i$  respectively.

All missing  $V_{it-j}$  in the first term of  $V_{it}$  are taken to be  $V_{i,-\infty}$  and missing  $U_{it-j}$  in the second term are taken to be  $U_{i,-\infty}$ , where  $U_{i,-\infty}$  is the first non-missing measurement of  $U_{it}$ .  $V_{i,-\infty}$  is given by

$$V_{i,-\infty} = \frac{Num_i(1)}{Den_i(1)} * U_{i,-\infty}$$

where  $Num_i(1)$  and  $Den_i(1)$  are the  $Num_i$  and  $Den_i$  polynomials evaluated at  $B = 1$ .

### **Diagnostic Statistics**

ARIMA/TF diagnostic statistics are based on residuals of the noise process,  $R(t) = N(t) - \hat{N}(t)$ .

### **Ljung-Box Statistic**

$$Q(K) = n(n+2) \sum_{k=1}^K r_k^2 / (n-k)$$

where  $r_k$  is the kth lag ACF of residual.

$Q(K)$  is approximately distributed as  $\chi^2(K-m)$ , where  $m$  is the number of parameters other than the constant term and predictor related-parameters.

## **Outlier Detection in Time Series Analysis**

The observed series may be contaminated by so-called outliers. These outliers may change the mean level of the uncontaminated series. The purpose of outlier detection is to find if there are outliers and what are their locations, types, and magnitudes.

TSMODEL considers seven types of outliers. They are additive outliers (AO), innovational outliers (IO), level shift (LS), temporary (or transient) change (TC), seasonal additive (SA), local trend (LT), and AO patch (AOP).

## Notation

The following notation is specific to outlier detection:

$U(t)$  or  $U_t$       The uncontaminated series, outlier free. It is assumed to be a univariate ARIMA or transfer function model.

## Definitions of Outliers

Types of outliers are defined separately here. In practice any combination of these types can occur in the series under study.

### AO (Additive Outliers)

Assuming that an AO outlier occurs at time  $t=T$ , the observed series can be represented as

$$Y(t) = U(t) + wI_T(t)$$

where  $I_T(t) = \begin{cases} 0 & t \neq T \\ 1 & t = T \end{cases}$  is a pulse function and  $w$  is the deviation from the true  $U(T)$  caused by the outlier.

### IO (Innovational Outliers)

Assuming that an IO outlier occurs at time  $t=T$ , then

$$Y(t) = \mu(t) + \frac{\theta(B)}{\Delta\varphi(B)}(a(t) + wI_T(t))$$

### LS (Level Shift)

Assuming that a LS outlier occurs at time  $t=T$ , then

$$Y(t) = U(t) + wS_T(t)$$

where  $S_T(t) = \frac{1}{1-B}I_T(t) = \begin{cases} 0 & t < T \\ 1 & t \geq T \end{cases}$  is a step function.

### TC (Temporary/Transient Change)

Assuming that a TC outlier occurs at time  $t=T$ , then

$$Y(t) = U(t) + wD_T(t)$$

where  $D_T(t) = \frac{1}{1-\delta B}I_T(t)$ ,  $0 < \delta < 1$  is a damping function.

### SA (Seasonal Additive)

Assuming that a SA outlier occurs at time  $t=T$ , then

$$Y(t) = U(t) + wSS_T(t)$$

where  $SS_T(t) = \frac{1}{1-B^s} I_T(t) = \begin{cases} 1 & t = T + ks, k \geq 0 \\ 0 & o.w. \end{cases}$  is a step seasonal pulse function.

### LT (Local Trend)

Assuming that a LT outlier occurs at time  $t=T$ , then

$$Y(t) = U(t) + wT_T(t)$$

where  $T_T(t) = \frac{1}{(1-B)^T} I_T(t) = \begin{cases} t + 1 - T & t \geq T \\ 0 & o.w. \end{cases}$  is a local trend function.

### AOP (AO patch)

An AO patch is a group of two or more consecutive AO outliers. An AO patch can be described by its starting time and length. Assuming that there is a patch of AO outliers of length  $k$  at time  $t=T$ , the observed series can be represented as

$$Y(t) = U(t) + \sum_{i=1}^k w_i I_{T-1+i}(t)$$

Due to a masking effect, a patch of AO outliers is very difficult to detect when searching for outliers one by one. This is why the AO patch is considered as a separate type from individual AO. For type AO patch, the procedure searches for the whole patch together.

### Summary

For an outlier of type O at time  $t=T$  (except AO patch):

$$Y(t) = \mu(t) + wL_O(B) I_T(t) + \frac{\theta(B)}{\Delta\varphi(B)} a(t)$$

where

$$L_O(B) = \begin{cases} 1 & O = AO \\ 1/(\Delta\pi(B)) & O = IO \\ 1/(1-B) & O = LS \\ 1/(1-\delta B) & O = TC \\ 1/(1-B^s) & O = SA \\ 1/(1-B)^2 & O = LT \end{cases}$$

with  $\pi(B) = \varphi(B)/\theta(B)$ . A general model for incorporating outliers can thus be written as follows:

$$Y(t) = \mu(t) + \sum_{k=1}^M w_k L_{O_k}(B) I_{T_k}(t) + \frac{\theta(B)}{\Delta\varphi(B)} a(t)$$

where  $M$  is the number of outliers.

## Estimating the Effects of an Outlier

Suppose that the model and the model parameters are known. Also suppose that the type and location of an outlier are known. Estimation of the magnitude of the outlier and test statistics are as follows.

The results in this section are only used in the intermediate steps of outlier detection procedure. The final estimates of outliers are from the model incorporating all the outliers in which all parameters are jointly estimated.

### Non-AO Patch Deterministic Outliers

For a deterministic outlier of any type at time T (except AO patch), let  $e(t)$  be the residual and  $x(t) = \pi(B) L(B) \Delta I_T(t)$ , so:

$$e(t) = wx(t) + a(t)$$

From residuals  $e(t)$ , the parameters for outliers at time T are estimated by simple linear regression of  $e(t)$  on  $x(t)$ .

For  $j = 1$  (AO), 2 (IO), 3 (LS), 4 (TC), 5 (SA), 6 (LT), define test statistics:

$$\lambda_j(T) = \frac{w_j(T)}{\sqrt{\text{Var}(w_j(T))}}$$

Under the null hypothesis of no outlier,  $\lambda_j(T)$  is distributed as  $N(0,1)$  assuming the model and model parameters are known.

### AO Patch Outliers

For an AO patch of length  $k$  starting at time T, let  $x_i(t; T) = \pi(B) \Delta I_{T+i-1}(t)$  for  $i = 1$  to  $k$ , then

$$e(t) = \sum_{i=1}^k w_i(T) x_i(t; T) + a(t)$$

Multiple linear regression is used to fit this model. Test statistics are defined as:

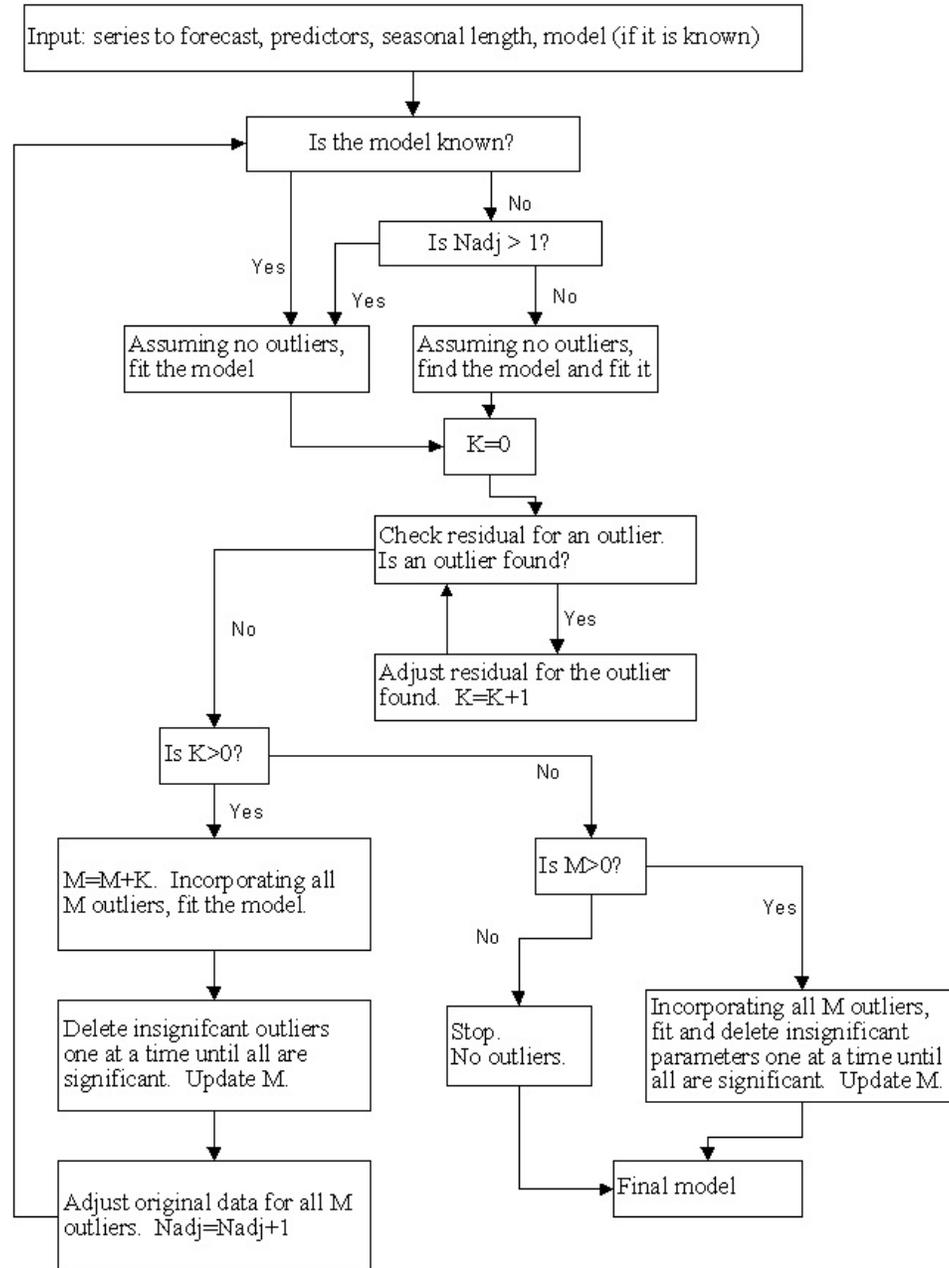
$$\chi^2(T) = \frac{\mathbf{w}'(T)(X_T'X_T)\mathbf{w}(T)}{\sigma^2}$$

Assuming the model and model parameters are known,  $\chi^2(T)$  has a Chi-square distribution with  $k$  degrees of freedom under the null hypothesis  $w_1(T) = \dots = w_k(T) = 0$ .

## Detection of Outliers

The following flow chart demonstrates how automatic outlier detection works. Let  $M$  be the total number of outliers and  $N_{adj}$  be the number of times the series is adjusted for outliers. At the beginning of the procedure,  $M = 0$  and  $N_{adj} = 0$ .

Figure 100-1



## Goodness-of-Fit Statistics

Goodness-of-fit statistics are based on the original series  $Y(t)$ . Let  $k$  = number of parameters in the model,  $n$  = number of non-missing residuals.

### Mean Squared Error

$$MSE = \frac{\sum (Y(t) - \hat{Y}(t))^2}{n-k}$$

### Mean Absolute Percent Error

$$MAPE = \frac{100}{n} \sum \left| \frac{Y(t) - \hat{Y}(t)}{Y(t)} \right|$$

### Maximum Absolute Percent Error

$$MaxAPE = 100 \max \left( \left| \frac{Y(t) - \hat{Y}(t)}{Y(t)} \right| \right)$$

### Mean Absolute Error

$$MAE = \frac{1}{n} \sum |Y(t) - \hat{Y}(t)|$$

### Maximum Absolute Error

$$MaxAE = \max \left( |Y(t) - \hat{Y}(t)| \right)$$

### Normalized Bayesian Information Criterion

$$\text{Normalized } BIC = \ln(MSE) + k \frac{\ln(n)}{n}$$

### R-Squared

$$R^2 = 1 - \frac{\sum (Y(t) - \hat{Y}(t))^2}{\sum (Y(t) - \bar{Y})^2}$$

### Stationary R-Squared

A similar statistic was used by Harvey (Harvey, 1989).

$$R_S^2 = 1 - \frac{\sum_t (Z(t) - \hat{Z}(t))^2}{\sum_t (\Delta Z(t) - \overline{\Delta Z})^2}$$

where

The sum is over the terms in which both  $Z(t) - \hat{Z}(t)$  and  $\Delta Z(t) - \overline{\Delta Z}$  are not missing.

$\overline{\Delta Z}$  is the simple mean model for the differenced transformed series, which is equivalent to the univariate baseline model ARIMA(0,d,0)(0,D,0).

For the exponential smoothing models currently under consideration, use the differencing orders (corresponding to their equivalent ARIMA models if there is one).

$$d = \begin{cases} 2 & \text{Brown, Holt} \\ 1 & \text{other} \end{cases}, D = \begin{cases} 0 & s = 1 \\ 1 & s > 1 \end{cases}$$

*Note:* Both the stationary and usual R-squared can be negative with range  $(-\infty, 1]$ . A negative R-squared value means that the model under consideration is worse than the baseline model. Zero R-squared means that the model under consideration is as good or bad as the baseline model. Positive R-squared means that the model under consideration is better than the baseline model.

## Expert Modeling

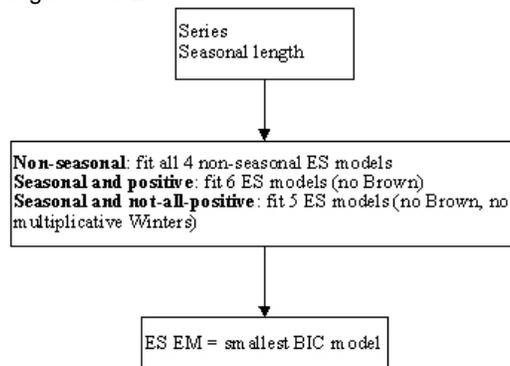
### Univariate Series

Users can let the Expert Modeler select a model for them from:

- All models (default).
- Exponential smoothing models only.
- ARIMA models only.

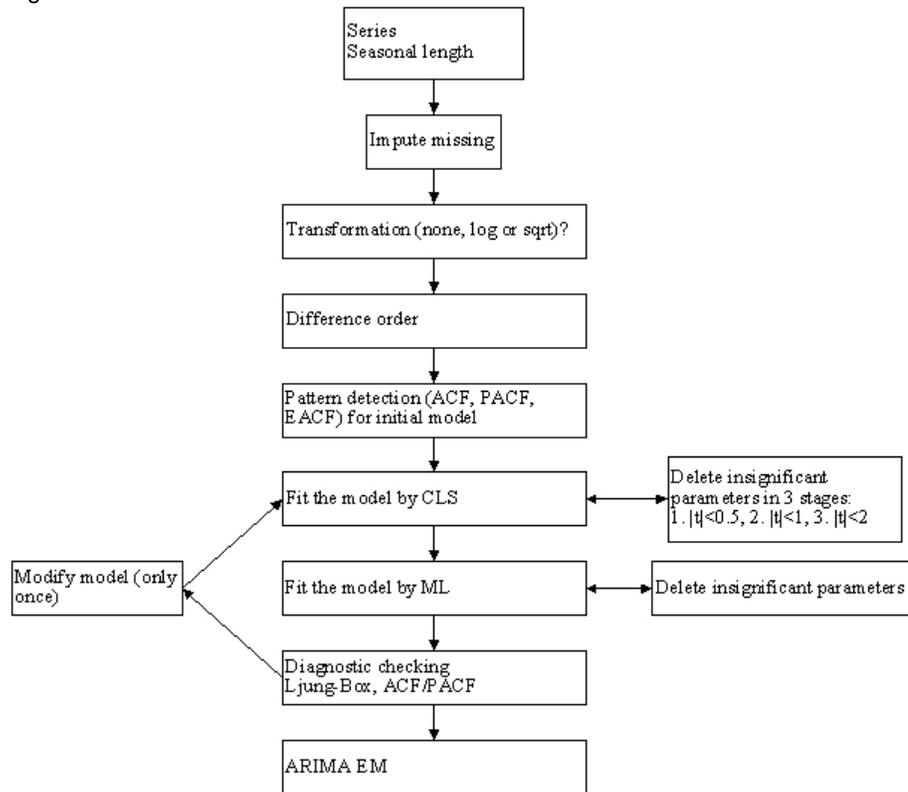
### Exponential Smoothing Expert Model

Figure 100-2



### ARIMA Expert Model

Figure 100-3



Note: If  $10 < n < 3s$ , set  $s=1$  to build a non-seasonal model.

### All Models Expert Model

In this case, the Exponential Smoothing and ARIMA expert models are computed, and the model with the smaller normalized BIC is chosen.

Note: For short series,  $n < \max(20, 3s)$ , use Exponential Smoothing Expert Model.

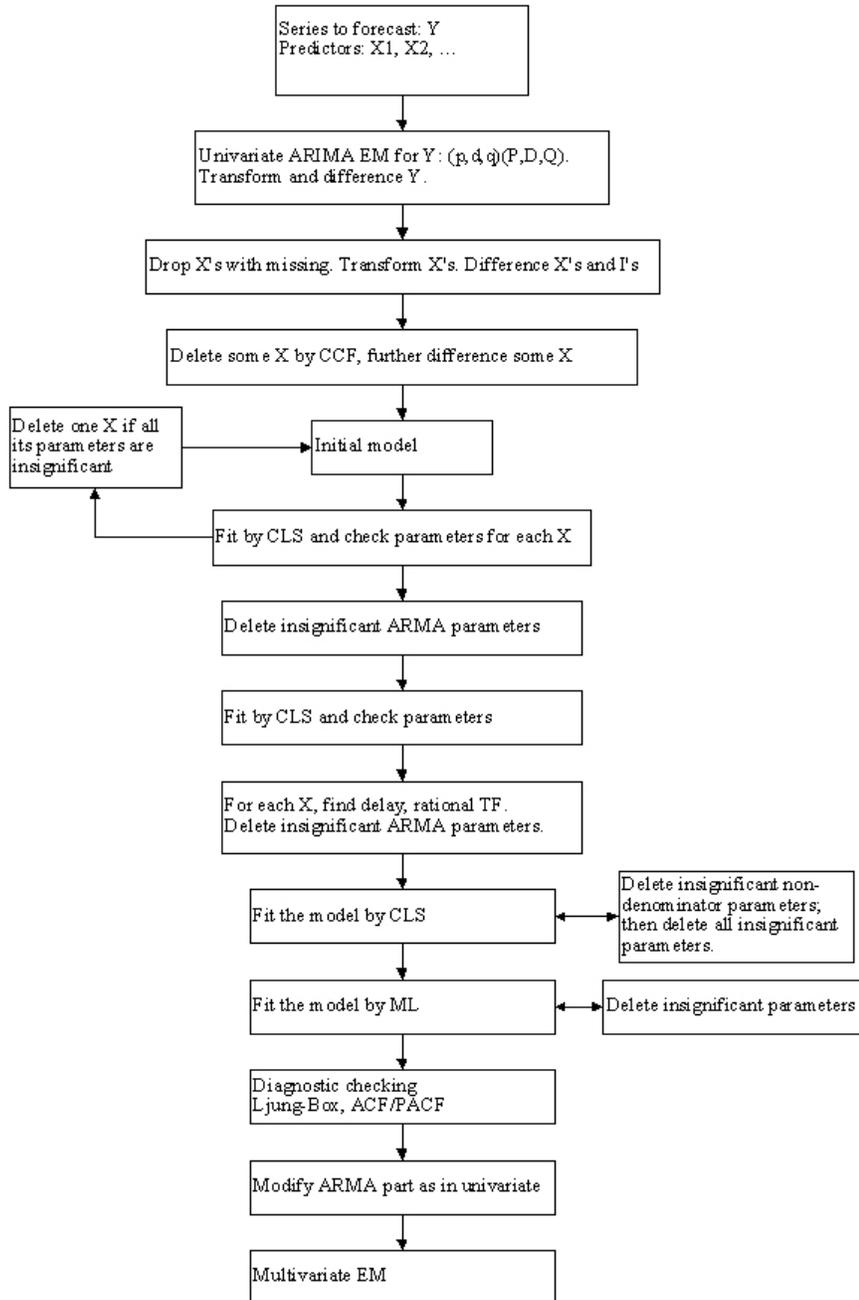
### Multivariate Series

In the multivariate situation, users can let the Expert Modeler select a model for them from:

- All models (default). Note that if the multivariate expert ARIMA model drops all the predictors and ends up with a univariate expert ARIMA model, this univariate expert ARIMA model will be compared with expert exponential smoothing models as before and the Expert Modeler will decide which is the best overall model.
- ARIMA models only.

**Transfer Function Expert Model**

Figure 100-4



Note: For short series,  $n < \max(20, 3s)$ , fit a univariate expert model.

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# TWOSTEP CLUSTER Algorithms

The TwoStep cluster method is a scalable cluster analysis algorithm designed to handle very large data sets. It can handle both continuous and categorical variables or attributes. It requires only one data pass. It has two steps 1) pre-cluster the cases (or records) into many small sub-clusters; 2) cluster the sub-clusters resulting from pre-cluster step into the desired number of clusters. It can also automatically select the number of clusters.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

Table 101-1

### Notation

Notation	Description
$K^A$	Total number of continuous variables used in the procedure.
$K^B$	Total number of categorical variables used in the procedure.
$L_k$	Number of categories for the $k$ th categorical variable.
$R_k$	The range of the $k$ th continuous variable.
$N$	Number of data records in total.
$N_k$	Number of data records in cluster $k$ .
$\hat{\mu}_k$	The estimated mean of the $k$ th continuous variable across the entire dataset.
$\hat{\sigma}_k^2$	The estimated variance of the $k$ th continuous variable across the entire dataset.
$\hat{\mu}_{jk}$	The estimated mean of the $k$ th continuous variable in cluster $j$ .
$\hat{\sigma}_{jk}^2$	The estimated variance of the $k$ th continuous variable in cluster $j$ .
$N_{jkl}$	Number of data records in cluster $j$ whose $k$ th categorical variable takes the $l$ th category.
$N_{kl}$	Number of data records in the $k$ th categorical variable that take the $l$ th category.
$d(j, s)$	Distance between clusters $j$ and $s$ .
$\langle j, s \rangle$	Index that represents the cluster formed by combining clusters $j$ and $s$ .

## TwoStep Clustering Procedure

The TwoStep clustering procedure consists of the following steps:

- ▶ Pre-clustering,
- ▶ Outlier handling (optional),
- ▶ Clustering

## **Pre-cluster**

The pre-cluster step uses a sequential clustering approach. It scans the data records one by one and decides if the current record should be merged with the previously formed clusters or starts a new cluster based on the distance criterion (described below).

The procedure is implemented by constructing a modified cluster feature (CF) tree. The CF tree consists of levels of nodes, and each node contains a number of entries. A leaf entry (an entry in the leaf node) represents a final sub-cluster. The non-leaf nodes and their entries are used to guide a new record quickly into a correct leaf node. Each entry is characterized by its CF that consists of the entry's number of records, mean and variance of each range field, and counts for each category of each symbolic field. For each successive record, starting from the root node, it is recursively guided by the closest entry in the node to find the closest child node, and descends along the CF tree. Upon reaching a leaf node, it finds the closest leaf entry in the leaf node. If the record is within a threshold distance of the closest leaf entry, it is absorbed into the leaf entry and the CF of that leaf entry is updated. Otherwise it starts its own leaf entry in the leaf node. If there is no space in the leaf node to create a new leaf entry, the leaf node is split into two. The entries in the original leaf node are divided into two groups using the farthest pair as seeds, and redistributing the remaining entries based on the closeness criterion.

If the CF tree grows beyond allowed maximum size, the CF tree is rebuilt based on the existing CF tree by increasing the threshold distance criterion. The rebuilt CF tree is smaller and hence has space for new input records. This process continues until a complete data pass is finished. For details of CF tree construction, see the BIRCH algorithm (Zhang, Ramakrishnon, and Livny, 1996).

All records falling in the same entry can be collectively represented by the entry's CF. When a new record is added to an entry, the new CF can be computed from this new record and the old CF without knowing the individual records in the entry. These properties of CF make it possible to maintain only the entry CFs, rather than the sets of individual records. Hence the CF-tree is much smaller than the original data and can be stored in memory more efficiently.

Note that the structure of the constructed CF tree may depend on the input order of the cases or records. To minimize the order effect, randomly order the records before building the model.

## **Outlier Handling**

An optional outlier-handling step is implemented in the algorithm in the process of building the CF tree. Outliers are considered as data records that do not fit well into any cluster. We consider data records in a leaf entry as outliers if the number of records in the entry is less than a certain fraction (25% by default) of the size of the largest leaf entry in the CF tree. Before rebuilding the CF tree, the procedure checks for potential outliers and sets them aside. After rebuilding the CF tree, the procedure checks to see if these outliers can fit in without increasing the tree size. At the end of CF tree building, small entries that cannot fit in are outliers.

## **Cluster**

The cluster step takes sub-clusters (non-outlier sub-clusters if outlier handling is used) resulting from the pre-cluster step as input and then groups them into the desired number of clusters. Since the number of sub-clusters is much less than the number of original records, traditional clustering

methods can be used effectively. TwoStep uses an agglomerative hierarchical clustering method, because it works well with the auto-cluster method (see the section on auto-clustering below).

**Hierarchical clustering** refers to a process by which clusters are recursively merged, until at the end of the process only one cluster remains containing all records. The process starts by defining a starting cluster for each of the sub-clusters produced in the pre-cluster step. (For more information, see the topic “Pre-cluster”.) All clusters are then compared, and the pair of clusters with the smallest distance between them is selected and merged into a single cluster. After merging, the new set of clusters is compared, the closest pair is merged, and the process repeats until all clusters have been merged. (If you are familiar with the way a decision tree is built, this is a similar process, except in reverse.) Because the clusters are merged recursively in this way, it is easy to compare solutions with different numbers of clusters. To get a five-cluster solution, simply stop merging when there are five clusters left; to get a four-cluster solution, take the five-cluster solution and perform one more merge operation, and so on.

## Accuracy

In general, the larger the number of sub-clusters produced by the pre-cluster step, the more accurate the final result is. However, too many sub-clusters will slow down the clustering during the second step. The maximum number of sub-clusters should be carefully chosen so that it is large enough to produce accurate results and small enough not to slow down the second step clustering.

## Distance Measure

A log-likelihood or Euclidean measure can be used to calculate the distance between clusters.

### Log-Likelihood Distance

The log-likelihood distance measure can handle both continuous and categorical variables. It is a probability based distance. The distance between two clusters is related to the decrease in log-likelihood as they are combined into one cluster. In calculating log-likelihood, normal distributions for continuous variables and multinomial distributions for categorical variables are assumed. It is also assumed that the variables are independent of each other, and so are the cases. The distance between clusters  $j$  and  $s$  is defined as:

$$d(i, j) = \xi_i + \xi_j - \xi_{\langle i, j \rangle}$$

where

$$\xi_v = -N_v \left( \sum_{k=1}^{K^A} \frac{1}{2} \log(\hat{\sigma}_k^2 + \hat{\sigma}_{vk}^2) + \sum_{k=1}^{K^B} \hat{E}_{vk} \right)$$

and

$$\hat{E}_{vk} = - \sum_{l=1}^{L_k} \frac{N_{vkl}}{N_v} \log \frac{N_{vkl}}{N_v}$$

If  $\hat{\sigma}_k^2$  is ignored in the expression for  $\xi_v$ , the distance between clusters  $i$  and  $j$  would be exactly the decrease in log-likelihood when the two clusters are combined. The  $\hat{\sigma}_k^2$  term is added to solve the problem caused by  $\hat{\sigma}_{v,k}^2 = 0$ , which would result in the natural logarithm being undefined. (This would occur, for example, when a cluster has only one case.)

## **Euclidean Distance**

This distance measure can only be applied if all variables are continuous. The Euclidean distance between two points is clearly defined. The distance between two clusters is here defined by the Euclidean distance between the two cluster centers. A cluster center is defined as the vector of cluster means of each variable.

## **Number of Clusters (auto-clustering)**

TwoStep can use the hierarchical clustering method in the second step to assess multiple cluster solutions and automatically determine the optimal number of clusters for the input data. A characteristic of hierarchical clustering is that it produces a sequence of partitions in one run: 1, 2, 3, ... clusters. In contrast, a  $k$ -means algorithm would need to run multiple times (one for each specified number of clusters) in order to generate the sequence. To determine the number of clusters automatically, TwoStep uses a two-stage procedure that works well with the hierarchical clustering method. In the first stage, the BIC for each number of clusters within a specified range is calculated and used to find the initial estimate for the number of clusters. The BIC is computed as

$$BIC(J) = -2 \sum_{j=1}^J \xi_j + m_J \log(N)$$

where

$$m_J \equiv J \left\{ 2K^A + \sum_{k=1}^{K^B} (L_K - 1) \right\}$$

and other terms defined as in “Distance Measure”. The ratio of change in BIC at each successive merging relative to the first merging determines the initial estimate. Let  $dBIC(J)$  be the difference in BIC between the model with  $J$  clusters and that with  $(J + 1)$  clusters,  $dBIC(J) = BIC(J) - BIC(J + 1)$ . Then the change ratio for model  $J$  is

$$R_1(J) = \frac{dBIC(J)}{dBIC(1)}$$

If  $dBIC(1) < 0$ , then the number of clusters is set to 1 (and the second stage is omitted). Otherwise, the initial estimate for number of clusters  $k$  is the smallest number for which  $R_1(J) < 0.04$

In the second stage, the initial estimate is refined by finding the largest relative increase in distance between the two closest clusters in each hierarchical clustering stage. This is done as follows:

- ▶ Starting with the model  $C_k$  indicated by the BIC criterion, take the ratio of minimum inter-cluster distance for that model and the next larger model  $C_{k+1}$ , that is, the previous model in the hierarchical clustering procedure,

$$R_2(k) = \frac{d_{\min}(C_k)}{d_{\min}(C_{k+1})}$$

where  $C_k$  is the cluster model containing  $k$  clusters and  $d_{\min}(C)$  is the minimum inter-cluster distance for cluster model  $C$ .

- ▶ Now from model  $C_{k-1}$ , compute the same ratio with the following model  $C_k$ , as above. Repeat for each subsequent model until you have the ratio  $R_2(2)$ .
- ▶ Compare the two largest  $R_2$  ratios; if the largest is more than 1.15 times the second largest, then select the model with the largest  $R_2$  ratio as the optimal number of clusters; otherwise, from those two models with the largest  $R_2$  values, select the one with the larger number of clusters as the optimal model.

## Cluster Membership Assignment

Records are assigned to clusters based upon the specified outlier handling and distance measure options.

### Without Outlier-Handling

Assign a record to the closest cluster according to the distance measure.

### With Outlier-Handling

With outlier handling, records are assigned depending upon the distance measure specified.

### Log-Likelihood Distance

Assume outliers or noises follow a uniform distribution. Calculate both the log-likelihood resulting from assigning a record to a noise cluster and that resulting from assigning it to the closest non-noise cluster. The record is then assigned to the cluster which leads to the larger log-likelihood. This is equivalent to assigning a record to its closest non-noise cluster if the distance between them is smaller than a critical value  $C = \log(V)$ , where  $V = \prod_m R_m \prod_m L_m$ . Otherwise, designate it as an outlier.

### **Euclidean Distance**

Assign a record to its closest non-noise cluster if the Euclidean distance between them is smaller than a critical value  $C = 2\sqrt{\frac{1}{JK_A} \sum_{j=1}^J \sum_{k=1}^{K_A} \hat{\sigma}_{jk}^2}$ . Otherwise, designate it as an outlier.

### **Missing Values**

No missing values are allowed. Cases with missing values are deleted on a listwise basis.

### **References**

- Zhang, T., R. Ramakrishnon, and M. Livny. 1996. BIRCH: An efficient data clustering method for very large databases. In: *Proceedings of the ACM SIGMOD Conference on Management of Data*, Montreal, Canada: ACM, 103–114.
- Chiu, T., D. Fang, J. Chen, Y. Wang, and C. Jeris. 2001. A Robust and Scalable Clustering Algorithm for Mixed Type Attributes in Large Database Environment. In: *Proceedings of the seventh ACM SIGKDD international conference on knowledge discovery and data mining*, SanFrancisco, CA: ACM, 263–268.

# VARCOMP Algorithms

The Variance Components procedure provides estimates for variances of random effects under a general linear model framework. Four types of estimation methods are available in this procedure.

## Notation

The following notation is used throughout this chapter. Unless otherwise stated, all vectors are column vectors and all quantities are known.

$n$	Number of observations, $n \geq 1$
$k$	Number of random effects, $k \geq 0$
$m_0$	Number of parameters in the fixed effects, $m_0 \geq 0$
$m_i$	Number of parameters in the $i$ th random effect, $m_i \geq 0, i=1, \dots, k$
$m$	Total number of parameters, $m = m_0 + m_1 + \dots + m_k$
$\sigma_i^2$	Unknown variance of the $i$ th random effect, $\sigma_i^2 \geq 0, i=1, \dots, k$
$\sigma_e^2$	Unknown variance of the residual term, same as $\sigma_{k+1}^2$ , $\sigma_e^2 > 0$
$\gamma_i^2$	Unknown variance ratio of the $i$ th random effect, $\gamma_i^2 = \sigma_i^2 / \sigma_e^2$ , $\gamma_i^2 \geq 0$ , $i=1, \dots, k$ , and $\gamma_{k+1}^2 = 1$
$\mathbf{y}$	The length $n$ vector of observations
$\mathbf{e}$	The length $n$ vector of residuals
$\mathbf{X}_i$	The $n \times m_i$ design matrix, $i=0, 1, \dots, k$
$\beta_0$	The length $m_0$ vector of parameters of the fixed effects
$\beta_i$	The length $m_i$ vector of parameters of the $i$ th random effect, $i=1, \dots, k$

Unless otherwise stated, a  $p \times p$  identity matrix is denoted as  $\mathbf{I}_p$ , a  $p \times q$  zero matrix is denoted as  $\mathbf{0}_{p \times q}$ , and a zero vector of length  $p$  is denoted as  $\mathbf{0}_p$ .

## Weights

For the sake of clarity and simplicity, the algorithms described in this chapter assume unit frequency weight and unit regression weight for all cases. Weights can be applied as described in the following two sections.

### Frequency Weight

The WEIGHT command specifies frequency weights.

- Cases with nonpositive frequency are excluded from all calculations in the procedure.
- Non-integral frequency weight is rounded to the nearest integer.
- The total sample size is equal to the sum of positive rounded frequency weights.

## Regression Weight

The REGWGT subcommand specifies regression weights. Suppose the  $l$ th case has a regression weight  $w_i > 0$  (cases with nonpositive regression weights are excluded from all calculations in the procedure). Let  $\mathbf{W} = \text{diag}(w_1, \dots, w_n)$  be the  $n \times n$  diagonal weight matrix. Then the VARCOMP procedure will perform all calculations as if  $\mathbf{y}$  is physically transformed to  $\mathbf{W}^{\frac{1}{2}}\mathbf{y}$  and  $\mathbf{X}_i$  to  $\mathbf{W}^{\frac{1}{2}}\mathbf{X}_i$ ,  $i=0,1,\dots,k$ ; and then the pertinent algorithm is applied to the transformed data.

## Model

The mixed model is represented, following Rao (1973), as

$$\mathbf{y} = \mathbf{X}_0\beta_0 + \sum_{i=1}^k \mathbf{X}_i\beta_i + \mathbf{e}$$

The random vectors  $\beta_1, \dots, \beta_k$  and  $\mathbf{e}$  are assumed to be jointly independent. Moreover, the random vector  $\beta_i$  is distributed as  $N_{m_i}(\mathbf{0}, \sigma_i^2 \mathbf{I}_{m_i})$  for  $i=1,\dots,k$  and the residual vector  $\mathbf{e}$  is distributed as  $N_n(\mathbf{0}, \sigma_e^2 \mathbf{I}_n)$ . It follows from these assumptions that  $\mathbf{y}$  is distributed as  $N_n(\mathbf{X}_0\mathbf{b}_0, \sigma_e^2 \mathbf{V})$  where

$$\mathbf{V} = \sum_{i=1}^k \gamma_i^2 \mathbf{X}_i \mathbf{X}_i' + \mathbf{I}_n = \sum_{i=1}^{k+1} \gamma_i^2 \mathbf{V}_i$$

where  $\mathbf{V}_i = \mathbf{X}_i \mathbf{X}_i'$ ,  $i=1,\dots,k$ , and  $\mathbf{V}_{k+1} = \mathbf{I}_n$ .

## Minimum Norm Quadratic Unbiased Estimate (MINQUE)

Given the initial guess or the prior values  $\gamma_i^2 = \alpha_i (\alpha_i \geq 0)$ ,  $i=1,\dots,k+1$ , the MINQUE of  $\sigma$  are obtained as a solution of the linear system of equations:

$$\mathbf{S}\sigma = \mathbf{q}$$

where  $\mathbf{S} = \{s_{ij}\}$  is a  $(k+1) \times (k+1)$  symmetric matrix,  $\mathbf{q} = \{q_i\}$  is a  $(k+1)$  vector, and  $\sigma = (\sigma_1^2, \dots, \sigma_{k+1}^2)$ . Define

$$\mathbf{R} = \mathbf{V}^{-1} - \mathbf{V}^{-1}\mathbf{X}_0(\mathbf{X}_0'\mathbf{V}^{-1}\mathbf{X}_0)^{-1}\mathbf{X}_0'\mathbf{V}^{-1}$$

The elements of  $\mathbf{S}$  and  $\mathbf{q}$  are

$$s_{ij} \equiv \begin{cases} SSQ(\mathbf{X}_i' \mathbf{R} \mathbf{X}_j) & i = 1, \dots, k, \quad j = 1, \dots, k \\ SSQ(\mathbf{X}_i' \mathbf{R}) & i = 1, \dots, k, \quad j = k+1 \\ SSQ(\mathbf{R} \mathbf{X}_j) & i = k+1, \quad j = 1, \dots, k \\ SSQ(\mathbf{R}) & i = k+1, \quad j = k+1 \end{cases}$$

and

$$q_i = \begin{cases} SSQ(\mathbf{X}_i' \mathbf{R} \mathbf{y}) & i = 1, \dots, k \\ SSQ(\mathbf{R} \mathbf{y}) & i = k+1 \end{cases}$$

where  $SSQ(\mathbf{A})$  is the sum of squares of all elements of a matrix  $\mathbf{A}$ .

### MINQUE(0)

The prior values are  $\alpha_i = 0, i=1, \dots, k$ , and  $\alpha_{k+1} = 1$ . Under this set of prior values,  $\mathbf{V} = \mathbf{I}_n$  and  $\mathbf{R} = \mathbf{I}_n - \mathbf{X}_0(\mathbf{X}'_0\mathbf{X}_0)^{-1}\mathbf{X}'_0$ . Since this  $\mathbf{R}$  is an idempotent matrix, some of the elements of  $\mathbf{S}$  and  $\mathbf{q}$  can be simplified to

$$\begin{aligned} s_{i,k+1} &= \text{trace}(\mathbf{X}'_i\mathbf{R}\mathbf{X}_i) \quad i = 1, \dots, k; \\ s_{k+1,j} &= \text{trace}(\mathbf{X}'_j\mathbf{R}\mathbf{X}_j) \quad j = 1, \dots, k; \\ s_{k+1,k+1} &= n - \text{rank}(\mathbf{X}_0) \\ q_{k+1} &= \mathbf{y}'\mathbf{R}\mathbf{y} \end{aligned}$$

Using the algorithm by Goodnight (1978), the elements of  $\mathbf{S}$  and  $\mathbf{q}$  are obtained without explicitly computing  $\mathbf{R}$ . The steps are described as follows:

Step 1. Form the symmetric matrix:

$$\begin{bmatrix} \mathbf{X}'_0\mathbf{X}_0 & \mathbf{X}'_0\mathbf{X}_1 & \cdots & \mathbf{X}'_0\mathbf{X}_k & \mathbf{X}'_0\mathbf{y} \\ \mathbf{X}'_1\mathbf{X}_0 & \mathbf{X}'_1\mathbf{X}_1 & \cdots & \mathbf{X}'_1\mathbf{X}_k & \mathbf{X}'_1\mathbf{y} \\ \vdots & \vdots & \ddots & \vdots & \vdots \\ \mathbf{X}'_k\mathbf{X}_0 & \mathbf{X}'_k\mathbf{X}_1 & \cdots & \mathbf{X}'_k\mathbf{X}_k & \mathbf{X}'_k\mathbf{y} \\ \mathbf{y}'\mathbf{X}_0 & \mathbf{y}'\mathbf{X}_1 & \cdots & \mathbf{y}'\mathbf{X}_k & \mathbf{y}'\mathbf{y} \end{bmatrix}$$

Step 2. Sweep the above matrix by pivoting on each diagonal of  $\mathbf{X}'_0\mathbf{X}_0$ . This produces the following matrix:

$$\begin{bmatrix} \mathbf{G} & \mathbf{G}\mathbf{X}'_0\mathbf{X}_1 & \cdots & \mathbf{G}\mathbf{X}'_0\mathbf{X}_k & \mathbf{G}\mathbf{X}'_0\mathbf{y} \\ \mathbf{X}'_1\mathbf{X}_0\mathbf{G} & \mathbf{X}'_1\mathbf{R}\mathbf{X}_1 & \cdots & \mathbf{X}'_1\mathbf{R}\mathbf{X}_k & \mathbf{X}'_1\mathbf{R}\mathbf{y} \\ \vdots & \vdots & \ddots & \vdots & \vdots \\ \mathbf{X}'_k\mathbf{X}_0\mathbf{G} & \mathbf{X}'_k\mathbf{R}\mathbf{X}_1 & \cdots & \mathbf{X}'_k\mathbf{R}\mathbf{X}_k & \mathbf{X}'_k\mathbf{R}\mathbf{y} \\ \mathbf{y}'\mathbf{X}_0\mathbf{G} & \mathbf{y}'\mathbf{R}\mathbf{X}_1 & \cdots & \mathbf{y}'\mathbf{R}\mathbf{X}_k & \mathbf{y}'\mathbf{R}\mathbf{y} \end{bmatrix}$$

where  $\mathbf{G} = (\mathbf{X}'_0\mathbf{X}_0)^{-1}$ . In the process of computing the above matrix, the rank of  $\mathbf{X}_0$  is obtained as the number of nonzero pivots found.

Step 3. Form  $\mathbf{S}$  and  $\mathbf{q}$ . The MINQUE(0) of  $\boldsymbol{\sigma}$  are  $\hat{\boldsymbol{\sigma}} = \mathbf{S}^{-1}\mathbf{q}$ .

### MINQUE(1)

The prior values are  $\alpha_i = 1, i=1, \dots, k+1$ . Under this set of prior values,  $\mathbf{V} = \sum_{i=1}^{k+1} \mathbf{X}'_i\mathbf{X}_i$ . Using Giesbrecht (1983), the matrix  $\mathbf{S}$  and the vector  $\mathbf{q}$  are obtained through an iterative procedure. The steps are described as follows:

Step 1. Construct the augmented matrix  $\mathbf{A} = [\mathbf{X}_0|\mathbf{X}_1|\cdots|\mathbf{X}_k|\mathbf{y}]$ . Then compute the  $(m+1) \times (m+1)$  matrix  $\mathbf{T}_{(k+1)} = \mathbf{A}'\mathbf{A}$ .

Step 2. Define  $\mathbf{H}_{(l)} = \sum_{i=l}^{k+1} \mathbf{X}'_i \mathbf{X}_i$ , and  $\mathbf{T}_{(l)} = \mathbf{A}' \mathbf{H}_{(l)}^{-1} \mathbf{A}$ ,  $l=1, \dots, k$ . Update  $\mathbf{T}_{(l+1)}$  to  $\mathbf{T}_{(l)}$  using the W Transform given in Goodnight and Hemmerle (1979). The updating formula is

$$\mathbf{T}_{(l)} = \mathbf{T}_{(l+1)} - \mathbf{A}' \mathbf{H}_{(l+1)}^{-1} \mathbf{X}_l \left( \mathbf{I}_{m_l} + \mathbf{X}'_l \mathbf{H}_{(l+1)}^{-1} \mathbf{X}_l \right)^{-1} \mathbf{X}'_l \mathbf{H}_{(l+1)}^{-1} \mathbf{A}$$

Step 3. Once  $\mathbf{T}_{(1)} = \mathbf{A}' \mathbf{H}_{(1)}^{-1} \mathbf{A} = \mathbf{A}' \mathbf{V}^{-1} \mathbf{A}$  is obtained, apply the Sweep operation to the diagonal elements of upper left  $m_0 \times m_0$  submatrix of  $\mathbf{T}_{(1)}$ . The resulting matrix will contain the quadratic form  $\mathbf{y}' \mathbf{R} \mathbf{y}$ , the vectors  $\mathbf{y}' \mathbf{R} \mathbf{X}_j$ ,  $j=1, \dots, k$ , and the matrices  $\mathbf{X}'_i \mathbf{R} \mathbf{X}_j$ ,  $i, j=1, \dots, k$ .

Step 4. Compute the elements of  $\mathbf{S}$  and  $\mathbf{q}$ . Since  $\mathbf{R} \mathbf{V} \mathbf{R} = \mathbf{R}$ , then

$$\begin{aligned} SSQ(\mathbf{R} \mathbf{X}_j) &= tr(\mathbf{X}'_j \mathbf{R} \mathbf{X}_j) - \sum_{i=1}^k SSQ(\mathbf{X}'_j \mathbf{R} \mathbf{X}_i) \quad j = 1, \dots, k \\ SSQ(\mathbf{R}) &= n - rank(\mathbf{X}_0) - \sum_{i=1}^k tr(\mathbf{X}'_i \mathbf{R} \mathbf{X}_i) - \sum_{j=1}^k SSQ(\mathbf{R} \mathbf{X}_j) \\ SSQ(\mathbf{R} \mathbf{y}) &= \mathbf{y}' \mathbf{R} \mathbf{y} - \sum_{j=1}^k SSQ(\mathbf{y}' \mathbf{R} \mathbf{X}_j) \end{aligned}$$

The MINQUE(1) of  $\boldsymbol{\sigma}$  are  $\hat{\boldsymbol{\sigma}} = \mathbf{S}^{-1} \mathbf{q}$ .

## Maximum Likelihood Estimate (MLE)

The maximum likelihood estimates are obtained using the algorithm by Jennrich and Sampson (1976). The algorithm is an iterative procedure that combines Newton-Raphson steps and Fisher scoring steps.

### Parameters

The parameter vector is  $\boldsymbol{\theta} = \begin{bmatrix} \beta_0 \\ \gamma^2 \\ \sigma_e^2 \end{bmatrix}$  where  $\gamma^2 = \begin{bmatrix} \gamma_1^2 \\ \cdot \\ \gamma_k^2 \end{bmatrix}$ .

### Likelihood Function

The likelihood function is

$$L \equiv L(\boldsymbol{\theta}) = (2\pi)^{-n/2} |\sigma_e^2 \mathbf{V}|^{-1/2} \exp\left(-\frac{1}{2}(\mathbf{y} - \mathbf{X}_0 \boldsymbol{\beta}_0)' \mathbf{V}^{-1} (\mathbf{y} - \mathbf{X}_0 \boldsymbol{\beta}_0) / \sigma_e^2\right).$$

The log-likelihood function is

$$l = \log L = -\frac{n}{2} \log(2\pi) - \frac{n}{2} \log(\sigma_e^2) - \frac{1}{2} \log |\mathbf{V}| - \frac{\mathbf{1}}{2\sigma_e^2} (\mathbf{y} - \mathbf{X}_0 \boldsymbol{\beta}_0)' \mathbf{V}^{-1} (\mathbf{y} - \mathbf{X}_0 \boldsymbol{\beta}_0).$$

## Gradient Vector

$$\begin{aligned}\frac{\partial l}{\partial \beta_0} &= \frac{1}{\sigma_e^2} \mathbf{X}'_0 \mathbf{V}^{-1} \mathbf{r}, \\ \frac{\partial l}{\partial \gamma_i^2} &= \frac{1}{2\sigma_e^2} \mathbf{r}' \mathbf{V}^{-1} \mathbf{X}_i \mathbf{X}'_i \mathbf{V}^{-1} \mathbf{r} - \frac{1}{2} \text{tr} \left( \mathbf{X}'_i \mathbf{V}^{-1} \mathbf{X}_i \right), \quad i = 1, \dots, k, \\ \frac{\partial l}{\partial \sigma_e^2} &= \frac{1}{2\sigma_e^4} \mathbf{r}' \mathbf{V}^{-1} \mathbf{r} - \frac{n}{2\sigma_e^2}.\end{aligned}$$

where  $\mathbf{r} = \mathbf{y} - \mathbf{X}_0 \beta_0$ . The gradient vector is

$$\frac{dl}{d\theta} = \begin{bmatrix} \frac{\partial l}{\partial \beta_0} \\ \frac{\partial l}{\partial \gamma^2} \\ \frac{\partial l}{\partial \sigma_e^2} \end{bmatrix}$$

## Hessian Matrix

$$\begin{aligned}\frac{\partial^2 l}{\partial \beta_0 \partial \beta_0} &= -\frac{1}{\sigma_e^2} \mathbf{X}'_0 \mathbf{V}^{-1} \mathbf{X}_0 \\ \frac{\partial^2 l}{\partial \gamma_i^2 \partial \beta_0} &= -\frac{1}{\sigma_e^2} \mathbf{r}' \mathbf{V}^{-1} \mathbf{X}_i \mathbf{X}'_i \mathbf{V}^{-1} \mathbf{X}_0 \quad i = 1, \dots, k, \\ \frac{\partial^2 l}{\partial \gamma_i^2 \partial \gamma_j^2} &= \frac{1}{2} \text{tr} \left( \mathbf{X}'_i \mathbf{V}^{-1} \mathbf{X}_j \mathbf{X}'_j \mathbf{V}^{-1} \mathbf{X}_i \right) - \frac{1}{\sigma_e^2} \mathbf{r}' \mathbf{V}^{-1} \mathbf{X}_i \mathbf{X}'_i \mathbf{V}^{-1} \mathbf{X}_j \mathbf{X}'_j \mathbf{V}^{-1} \mathbf{r} \quad i = 1, \dots, k; j = 1, \dots, k, \\ \frac{\partial^2 l}{\partial \sigma_e^2 \partial \beta_0} &= -\frac{1}{\sigma_e^4} \mathbf{r}' \mathbf{V}^{-1} \mathbf{X}_0 \\ \frac{\partial^2 l}{\partial \sigma_e^2 \partial \gamma_j^2} &= -\frac{1}{2\sigma_e^4} \mathbf{r}' \mathbf{V}^{-1} \mathbf{X}_j \mathbf{X}'_j \mathbf{V}^{-1} \mathbf{r} \quad j = 1, \dots, k \\ \frac{\partial^2 l}{\partial \sigma_e^2 \partial \sigma_e^2} &= \frac{n}{2\sigma_e^4} - \frac{1}{\sigma_e^6} \mathbf{r}' \mathbf{V}^{-1} \mathbf{r}\end{aligned}$$

The Hessian matrix is

$$\frac{d^2 l}{d\theta d\theta} = \begin{bmatrix} \frac{\partial^2 l}{\partial \beta_0 \partial \beta_0} & \frac{\partial^2 l}{\partial \beta_0 \partial \gamma^2} & \frac{\partial^2 l}{\partial \beta_0 \partial \sigma_e^2} \\ \frac{\partial^2 l}{\partial \gamma^2 \partial \beta_0} & \frac{\partial^2 l}{\partial \gamma^2 \partial \gamma^2} & \frac{\partial^2 l}{\partial \gamma^2 \partial \sigma_e^2} \\ \frac{\partial^2 l}{\partial \sigma_e^2 \partial \beta_0} & \frac{\partial^2 l}{\partial \sigma_e^2 \partial \gamma^2} & \frac{\partial^2 l}{\partial \sigma_e^2 \partial \sigma_e^2} \end{bmatrix}$$

where

$$\begin{aligned}\frac{\partial^2 l}{\partial \gamma^2 \partial \beta_0} &= \begin{bmatrix} \frac{\partial^2 l}{\partial \gamma_1^2 \partial \beta_0} \\ \frac{\partial^2 l}{\partial \gamma_k^2 \partial \beta_0} \end{bmatrix}, \\ \frac{\partial^2 l}{\partial \gamma^2 \partial \gamma^2} &= \begin{bmatrix} \frac{\partial^2 l}{\partial \gamma_1^2 \partial \gamma_1^2} & \cdots & \frac{\partial^2 l}{\partial \gamma_1^2 \partial \gamma_k^2} \\ \vdots & \ddots & \vdots \\ \frac{\partial^2 l}{\partial \gamma_k^2 \partial \gamma_1^2} & \cdots & \frac{\partial^2 l}{\partial \gamma_k^2 \partial \gamma_k^2} \end{bmatrix}\end{aligned}$$

and

$$\frac{\partial^2 l}{\partial \sigma_e^2 \partial \gamma^2} = \begin{bmatrix} \frac{\partial^2 l}{\partial \sigma_e^2 \partial \gamma_1^2} \\ \frac{\partial^2 l}{\partial \sigma_e^2 \partial \gamma_k^2} \end{bmatrix}$$

## Fisher Information Matrix

As  $E(\mathbf{r}) = \mathbf{0}_n$  and  $E(\mathbf{r}'\mathbf{V}^{-1}\mathbf{r}) = n\sigma_e^2$ , the expected second derivatives are

$$E\left(\frac{\partial^2 l}{\partial \beta_0 \partial \beta_0}\right) = -\frac{1}{\sigma_e^2} \mathbf{X}'_0 \mathbf{V}^{-1} \mathbf{X}_0$$

$$E\left(\frac{\partial^2 l}{\partial \gamma_i^2 \partial \beta_0}\right) = \mathbf{0}'_{m_0} \quad i = 1, \dots, k$$

$$E\left(\frac{\partial^2 l}{\partial \gamma_i^2 \partial \gamma_j^2}\right) = -\frac{1}{2} \text{tr}\left(\mathbf{X}'_i \mathbf{V}^{-1} \mathbf{X}_j \mathbf{X}'_j \mathbf{V}^{-1} \mathbf{X}_i\right) \quad i = 1, \dots, k, j = 1, \dots, k$$

$$E\left(\frac{\partial^2 l}{\partial \sigma_e^2 \partial \beta_0}\right) = \mathbf{0}'_{m_0}$$

$$E\left(\frac{\partial^2 l}{\partial \sigma_e^2 \partial \gamma_j^2}\right) = -\frac{1}{2\sigma_e^2} \text{tr}\left(\mathbf{X}'_j \mathbf{V}^{-1} \mathbf{X}_j\right) \quad j = 1, \dots, k,$$

$$E\left(\frac{\partial^2 l}{\partial \sigma_e^2 \partial \sigma_e^2}\right) = -\frac{n}{2\sigma_e^4}$$

The Fisher Information matrix is

$$E\left(\frac{d^2 l}{d\theta d\theta}\right) = \begin{bmatrix} \frac{\partial^2 l}{\partial \beta_0 \partial \beta_0} & \mathbf{0}_{m_0 \times (m-m_0)} & \mathbf{0}_{m_0} \\ \mathbf{0}_{(m-m_0) \times m_0} & E\left(\frac{\partial^2 l}{\partial \gamma^2 \partial \gamma^2}\right) & E\left(\frac{\partial^2 l}{\partial \gamma^2 \partial \sigma_e^2}\right) \\ \mathbf{0}'_{m_0} & E\left(\frac{\partial^2 l}{\partial \sigma_e^2 \partial \gamma^2}\right) & E\left(\frac{\partial^2 l}{\partial \sigma_e^2 \partial \sigma_e^2}\right) \end{bmatrix}$$

where

$$E\left(\frac{\partial^2 l}{\partial \gamma^2 \partial \gamma^2}\right) = \begin{bmatrix} E\left(\frac{\partial^2 l}{\partial \gamma_1^2 \partial \gamma_1^2}\right) & \dots & E\left(\frac{\partial^2 l}{\partial \gamma_1^2 \partial \gamma_k^2}\right) \\ \vdots & \ddots & \vdots \\ E\left(\frac{\partial^2 l}{\partial \gamma_k^2 \partial \gamma_1^2}\right) & \dots & E\left(\frac{\partial^2 l}{\partial \gamma_k^2 \partial \gamma_k^2}\right) \end{bmatrix}$$

and

$$E\left(\frac{\partial^2 l}{\partial \sigma_e^2 \partial \gamma^2}\right) = \begin{bmatrix} E\left(\frac{\partial^2 l}{\partial \sigma_e^2 \partial \gamma_1^2}\right) \\ \vdots \\ E\left(\frac{\partial^2 l}{\partial \sigma_e^2 \partial \gamma_k^2}\right) \end{bmatrix}$$

## Iteration Procedure

The iterative estimation algorithm proceeds according to the details in the following sections.

### Initial Values

- Fixed Effect Parameters:  $\hat{\beta}_0 = (\mathbf{X}'_0 \mathbf{X}_0)^{-1} \mathbf{X}'_0 \mathbf{y}$
- Random Effect Variance Components: For the  $i$ th random effect, compute  $\hat{\beta}_i = (\mathbf{X}'_i \mathbf{X}_i)^{-1} \mathbf{X}'_i \mathbf{y}$ . Then assign the variance of the  $m_i$  elements of  $\hat{\beta}_i$  using divisor  $(m_i - 1)$  to the estimate  $\hat{\sigma}_i^2$  if  $m_i \geq 2$ ; otherwise  $\hat{\sigma}_i^2 = 0$ .
- Residual Variance:  $\hat{\sigma}_e^2 = \mathbf{r}'\mathbf{r}/n$  where  $\mathbf{X} = [\mathbf{X}_0 | \mathbf{X}_1 | \dots | \mathbf{X}_k]$  and  $\mathbf{r} = \mathbf{y} - (\mathbf{X}'\mathbf{X})^{-1} \mathbf{X}'\mathbf{y}$ . If  $\hat{\sigma}_e^2 = 0$  but  $k \geq 1$  then reset  $\hat{\sigma}_e^2 = 10^{-8}$  so that the iteration can continue.

The variance ratios are then computed as  $\hat{\gamma}_i^2 = \hat{\sigma}_i^2 / \hat{\sigma}_e^2$ . Following the same method in which the residual variance is initialized,  $\hat{\sigma}_e^2 > 0$  for  $k \geq 1$ .

### Updating

At the  $s$ th iteration,  $s=0,1,\dots$ , the parameter vector is updated as

$$\hat{\theta}_{(s+1)} = \hat{\theta}_s + \rho \Delta \hat{\theta}_s$$

where  $\Delta \hat{\theta}_s$  is the value of increment  $\Delta \theta$  evaluated at  $\theta = \hat{\theta}_s$ , and  $\rho > 0$  is a step size such that  $l(\hat{\theta}_{(s+1)}) > l(\hat{\theta}_s)$ . The increment vector depends on the choice of step type—Newton-Raphson versus Fisher scoring. The step size is determined by the step-halving technique with  $\rho=1$  initially and a maximum of 10 halvings.

### Choice of Step

Following Jennrich and Sampson (1976), the first iteration is always the Fisher scoring step because it is more robust to poor initial values. For subsequent iteration the Newton-Raphson step is used if:

1. The Hessian matrix is nonnegative definite, and
2. The increment in the log-likelihood function of step 1 is less than or equal to one.

Otherwise the Fisher scoring step is used. The increment vector for each type of step is:

- Newton-Raphson Step:  $\Delta \theta = \left( -\frac{d^2 l}{d\theta d\theta} \right)^{-1} \frac{dl}{d\theta}$ .
- Fisher Scoring Step:  $\Delta \theta = \left( -E \left( \frac{d^2 l}{d\theta d\theta} \right) \right)^{-1} \frac{dl}{d\theta}$ .

### Convergence Criteria

Given the convergence criterion  $\epsilon > 0$ , the iteration is considered converged when the following criteria are satisfied:

1.  $|l(\hat{\theta}_{(s+1)}) - l(\hat{\theta}_s)| < \epsilon \times \max(1, |\hat{\theta}_s|)$ , and
2.  $\langle l(\hat{\theta}_{(s+1)}) - l(\hat{\theta}_s) \rangle < \epsilon \times \max(1, \langle \hat{\theta}_s \rangle)$  where  $\langle \mathbf{a} \rangle$  is the sum of absolute values of elements of the vector  $\mathbf{a}$ .

### Negative Variance Estimates

Negative variance estimates can occur at the end of an iteration. An *ad hoc* method is to set those estimates to zero before the next iteration.

### Covariance Matrix

Let  $\hat{\theta}$  be the vector of maximum likelihood estimates. Their covariance matrix is given by

$$\text{cov}(\hat{\theta}) = \left( -E\left(\frac{d^2l}{d\theta d\theta}\right)\bigg|_{\theta=\hat{\theta}} \right)^{-1}$$

Let

$$\Psi = \begin{bmatrix} \beta_0 \\ \sigma_1^2 \\ \cdot \\ \sigma_k^2 \\ \sigma_e^2 \end{bmatrix}$$

be the original parameters. Their maximum likelihood estimates are given by

$$\hat{\Psi} = \begin{bmatrix} \hat{\beta}_0 \\ \hat{\sigma}_e^2 \hat{\gamma}_1^2 \\ \cdot \\ \hat{\sigma}_e^2 \hat{\gamma}_k^2 \\ \hat{\sigma}_e^2 \end{bmatrix}$$

and their covariance matrix is estimated by

$$\text{cov}(\hat{\Psi}) = \mathbf{J} \text{cov}(\hat{\theta}) \mathbf{J}'$$

where

$$\mathbf{J} = \begin{bmatrix} \mathbf{I}_{m_0} & \mathbf{0}_{m_0 \times k} & \mathbf{0}_{m_0} \\ \mathbf{0}_{k \times m_0} & \sigma_e^2 \mathbf{I}_k & \gamma \\ 0 & 0 & 1 \end{bmatrix}$$

which is the  $(m_0 + k + 1) \times (m_0 + k + 1)$  Jacobian matrix of transforming  $\theta$  to  $\psi$ .

## Restricted Maximum Likelihood Estimate (REML)

The restricted maximum likelihood method finds a linear transformation on  $\mathbf{y}$  such that the resulting vector does not involve the fixed effect parameter vector  $\mathbf{b}_0$  regardless of their values. It has been shown that these linear combinations are the residuals obtained after a linear regression on the fixed effects. Suppose  $r$  is the rank of  $\mathbf{X}_0$ ; then there are at most  $n - r$  linearly independent combinations. Let  $\mathbf{K}$  be an  $n \times (n - r)$  matrix whose columns are these linearly independent combinations. Then the properties of  $\mathbf{K}$  are (Searle et al., 1992, Chapter 6):

$$\begin{aligned} \mathbf{K}' \mathbf{X}_0 &= \mathbf{0}_{(n-r) \times m_0} \\ \mathbf{K}' &= \mathbf{T} \mathbf{M} \end{aligned}$$

where  $\mathbf{T}$  is a  $(n - r) \times n$  matrix with linearly independent rows and

$$\mathbf{M} = \mathbf{I}_n - \mathbf{X}_0 (\mathbf{X}_0' \mathbf{X}_0)^{-} \mathbf{X}_0'$$

It can be shown that REML estimation is invariant to  $\mathbf{K}$  (Searle et al., 1992, Chapter 6); thus, we can choose  $\mathbf{K}$  such that  $\mathbf{K}' \mathbf{K} = \mathbf{I}_{n-r}$  to simplify calculations. It follows that the distribution of  $\mathbf{K}' \mathbf{y}$  is  $N_{n-r}(\mathbf{0}, \sigma_e^2 \mathbf{K}' \mathbf{V} \mathbf{K})$ .

## Parameters

The parameter vector is  $\theta = \begin{bmatrix} \gamma^2 \\ \sigma_e^2 \end{bmatrix}$  where  $\gamma^2 = \begin{bmatrix} \gamma_1^2 \\ \vdots \\ \gamma_k^2 \end{bmatrix}$ .

## Likelihood Function

The likelihood function of  $\mathbf{K}'\mathbf{y}$  is

$$L \equiv L(\theta) = (2\pi)^{-(n-r)/2} \left| \sigma_e^2 \mathbf{K}' \mathbf{V} \mathbf{K} \right|^{-1/2} \exp \left( -\frac{1}{2} \mathbf{y}' \mathbf{K} (\mathbf{K}' \mathbf{V} \mathbf{K})^{-1} \mathbf{K}' \mathbf{y} / \sigma_e^2 \right).$$

It can be shown (Searle et al., 1992) that

$$\mathbf{R} \equiv \mathbf{V}^{-1} - \mathbf{V}^{-1} \mathbf{X}_0 (\mathbf{X}'_0 \mathbf{V}^{-1} \mathbf{X}_0)^{-1} \mathbf{X}'_0 \mathbf{V}^{-1} = \mathbf{K} (\mathbf{K}' \mathbf{V} \mathbf{K})^{-1} \mathbf{K}'$$

Thus, the log-likelihood function is

$$l = \log L = -\frac{n-r}{2} \log(2\pi) - \frac{n-r}{2} \log(\sigma_e^2) - \frac{1}{2} \log \left| \mathbf{K}' \mathbf{V} \mathbf{K} \right| - \frac{1}{2\sigma_e^2} \mathbf{y}' \mathbf{R} \mathbf{y}.$$

## Gradient Vector

$$\begin{aligned} \frac{\partial l}{\partial \gamma_i^2} &= \frac{1}{2\sigma_e^2} \mathbf{y}' \mathbf{R} \mathbf{X}_i \mathbf{X}'_i \mathbf{R} \mathbf{y} - \frac{1}{2} \text{tr} \left( \mathbf{X}'_i \mathbf{R} \mathbf{X}_i \right) \quad i = 1, \dots, k \\ \frac{\partial l}{\partial \sigma_e^2} &= \frac{1}{2\sigma_e^4} \mathbf{y}' \mathbf{R} \mathbf{y} - \frac{(n-r)}{2\sigma_e^2} \end{aligned}$$

The gradient vector is

$$\frac{dl}{d\theta} = \begin{bmatrix} \frac{\partial l}{\partial \gamma^2} \\ \frac{\partial l}{\partial \sigma_e^2} \end{bmatrix}$$

## Hessian Matrix

$$\begin{aligned} \frac{\partial^2 l}{\partial \gamma_i^2 \partial \gamma_j^2} &= -\frac{1}{\sigma_e^2} \mathbf{y}' \mathbf{R} \mathbf{X}_i \mathbf{X}'_i \mathbf{R} \mathbf{X}_j \mathbf{X}'_j \mathbf{R} \mathbf{y} + \frac{1}{2} \text{tr} \left( \mathbf{X}'_i \mathbf{R} \mathbf{X}_j \mathbf{X}'_j \mathbf{R} \mathbf{X}_i \right) \quad i = 1, \dots, k; j = 1, \dots, k \\ \frac{\partial^2 l}{\partial \sigma_e^2 \partial \gamma_j^2} &= -\frac{1}{2\sigma_e^4} \mathbf{y}' \mathbf{R} \mathbf{X}_j \mathbf{X}'_j \mathbf{R} \mathbf{y} \quad j = 1, \dots, k \\ \frac{\partial^2 l}{\partial \sigma_e^2 \partial \sigma_e^2} &= -\frac{1}{\sigma_e^6} \mathbf{y}' \mathbf{R} \mathbf{y} + \frac{n-r}{2\sigma_e^4} \end{aligned}$$

The Hessian matrix is

$$\frac{d^2 l}{d\theta d\theta} = \begin{bmatrix} \frac{\partial^2 l}{\partial \gamma^2 \partial \gamma^2} & \frac{\partial^2 l}{\partial \gamma^2 \partial \sigma_e^2} \\ \frac{\partial^2 l}{\partial \sigma_e^2 \partial \gamma^2} & \frac{\partial^2 l}{\partial \sigma_e^2 \partial \sigma_e^2} \end{bmatrix}$$

where

$$\frac{\partial^2 l}{\partial \gamma^2 \partial \gamma^2} = \begin{bmatrix} \frac{\partial^2 l}{\partial \gamma_1^2 \partial \gamma_1^2} & \cdots & \frac{\partial^2 l}{\partial \gamma_1^2 \partial \gamma_k^2} \\ \vdots & \ddots & \vdots \\ \frac{\partial^2 l}{\partial \gamma_k^2 \partial \gamma_1^2} & \cdots & \frac{\partial^2 l}{\partial \gamma_k^2 \partial \gamma_k^2} \end{bmatrix}$$

and

$$\frac{\partial^2 l}{\partial \sigma_e^2 \partial \gamma^2} = \begin{bmatrix} \frac{\partial^2 l}{\partial \sigma_e^2 \partial \gamma_1^2} \\ \vdots \\ \frac{\partial^2 l}{\partial \sigma_e^2 \partial \gamma_k^2} \end{bmatrix}$$

### Fisher Information Matrix

Since  $\mathbf{K}'\mathbf{X}_0 = \mathbf{0}_{(n-r) \times m_0}$  and  $\text{trace}(\mathbf{R}\mathbf{V}) = n - r$ , the expected second derivatives are

$$E\left(\frac{\partial^2 l}{\partial \gamma_i^2 \partial \gamma_j^2}\right) = -\frac{1}{2} \text{tr}\left(\mathbf{X}'_i \mathbf{R} \mathbf{X}_j \mathbf{X}'_j \mathbf{R} \mathbf{X}_i\right) \quad i = 1, \dots, k, j = 1, \dots, k$$

$$E\left(\frac{\partial^2 l}{\partial \sigma_e^2 \partial \gamma_j^2}\right) = -\frac{1}{2\sigma_e^2} \text{tr}\left(\mathbf{X}'_j \mathbf{R} \mathbf{X}_j\right) \quad j = 1, \dots, k$$

$$E\left(\frac{\partial^2 l}{\partial \sigma_e^2 \partial \sigma_e^2}\right) = -\frac{n-r}{2\sigma_e^4}$$

The Fisher Information matrix is

$$E\left(\frac{d^2 l}{d\theta d\theta}\right) = \begin{bmatrix} E\left(\frac{\partial^2 l}{\partial \gamma^2 \partial \gamma^2}\right) & E\left(\frac{\partial^2 l}{\partial \gamma^2 \partial \sigma_e^2}\right) \\ E\left(\frac{\partial^2 l}{\partial \sigma_e^2 \partial \gamma^2}\right) & E\left(\frac{\partial^2 l}{\partial \sigma_e^2 \partial \sigma_e^2}\right) \end{bmatrix}$$

where

$$E\left(\frac{\partial^2 l}{\partial \gamma^2 \partial \gamma^2}\right) = \begin{bmatrix} E\left(\frac{\partial^2 l}{\partial \gamma_1^2 \partial \gamma_1^2}\right) & \dots & E\left(\frac{\partial^2 l}{\partial \gamma_1^2 \partial \gamma_k^2}\right) \\ \vdots & \ddots & \vdots \\ E\left(\frac{\partial^2 l}{\partial \gamma_k^2 \partial \gamma_1^2}\right) & \dots & E\left(\frac{\partial^2 l}{\partial \gamma_k^2 \partial \gamma_k^2}\right) \end{bmatrix}$$

and

$$E\left(\frac{\partial^2 l}{\partial \sigma_e^2 \partial \sigma_e^2}\right) = \begin{bmatrix} E\left(\frac{\partial^2 l}{\partial \sigma_e^2 \partial \gamma_1^2}\right) \\ \vdots \\ E\left(\frac{\partial^2 l}{\partial \sigma_e^2 \partial \gamma_k^2}\right) \end{bmatrix}$$

### Iteration Procedure

The iterative estimation algorithm proceeds according to the details in the following sections.

#### Initial Values

- **Random Effect Variance Components:** For the  $i$ th random effect, compute  $\hat{\beta}_i = (\mathbf{X}'_i \mathbf{X}_i)^{-1} \mathbf{X}'_i \mathbf{y}$ . Then assign the variance of the  $m_i$  elements of  $\mathbf{b}_i$  using divisor  $(m_i - 1)$  to the estimate  $\hat{\sigma}_i^2$  if  $m_i \geq 2$ ; otherwise  $\hat{\sigma}_i^2 = 0$ .
- **Residual Variance:**  $\hat{\sigma}_e^2 = \mathbf{r}' \mathbf{r} / n$  where  $\mathbf{X} = [\mathbf{X}_0 | \mathbf{X}_1 | \dots | \mathbf{X}_k]$  and  $\mathbf{r} = \mathbf{y} - (\mathbf{X}' \mathbf{X})^{-1} \mathbf{X}' \mathbf{y}$ . If  $\hat{\sigma}_e^2 = 0$  but  $k \geq 1$  then reset  $\hat{\sigma}_e^2 = 10^{-8}$  so that the iteration can continue.

The variance ratios are then computed as  $\hat{\gamma}_i^2 = \hat{\sigma}_i^2 / \hat{\sigma}_e^2$ . Following the same method in which the residual variance is initialized,  $\hat{\sigma}_e^2 > 0$  for  $k \geq 1$ .

## Updating

At the  $s$ th iteration,  $s=0,1,\dots$ , the parameter vector is updated as

$$\hat{\theta}_{(s+1)} = \hat{\theta}_s + \rho \Delta \hat{\theta}_s$$

where  $\Delta \hat{\theta}_s$  is the value of increment  $\Delta \theta$  evaluated at  $\theta = \hat{\theta}_s$ , and  $\rho > 0$  is a step size such that  $l(\hat{\theta}_{(s+1)}) > l(\hat{\theta}_s)$ . The increment vector depends on the choice of step type—Newton-Raphson versus Fisher scoring. The step size is determined by the step-halving technique with  $\rho=1$  initially and a maximum of 10 halvings.

## Choice of Step

Following Jennrich and Sampson (1976), the first iteration is always the Fisher scoring step because it is more robust to poor initial values. For subsequent iterations the Newton-Raphson step is used if:

1. The Hessian matrix is nonnegative definite, and
2. The increment in the log-likelihood function of step 1 is less than or equal to one.

Otherwise the Fisher scoring step is used. The increment vector for each type of step is:

- Newton-Raphson Step:  $\Delta \theta = \left( -\frac{d^2 l}{d\theta d\theta} \right)^{-1} \frac{dl}{d\theta}$ .
- Fisher Scoring Step:  $\Delta \theta = \left( -E \left( \frac{d^2 l}{d\theta d\theta} \right) \right)^{-1} \frac{dl}{d\theta}$ .

## Convergence Criteria

Given the convergence criterion  $\epsilon > 0$ , the iteration is considered converged when the following criteria are satisfied:

Given the convergence criterion  $\epsilon > 0$ , the iteration is considered converged when the following criteria are satisfied:

1.  $|l(\hat{\theta}_{(s+1)}) - l(\hat{\theta}_s)| < \epsilon \times \max(1, |\hat{\theta}_s|)$ , and
2.  $\langle l(\hat{\theta}_{(s+1)}) - l(\hat{\theta}_s) \rangle < \epsilon \times \max(1, \langle \hat{\theta}_s \rangle)$  where  $\langle \mathbf{a} \rangle$  is the sum of absolute values of elements of the vector  $\mathbf{a}$ .

## Negative Variance Estimates

Negative variance estimates can occur at the end of an iteration. An *ad hoc* method is to set those estimates to zero before the next iteration.

## Covariance Matrix

Let  $\hat{\theta}$  be the vector of maximum likelihood estimates. Their covariance matrix is given by

$$\text{cov}(\hat{\theta}) = \left( -E\left(\frac{d^2l}{d\theta d\theta}\right)\Big|_{\theta=\hat{\theta}} \right)^{-1}$$

Let

$$\Psi = \begin{bmatrix} \sigma_1^2 \\ \vdots \\ \sigma_k^2 \\ \sigma_e^2 \end{bmatrix}$$

be the original parameters. Their maximum likelihood estimates are given by

$$\hat{\Psi} = \begin{bmatrix} \hat{\sigma}_e^2 \hat{\gamma}_1^2 \\ \vdots \\ \hat{\sigma}_e^2 \hat{\gamma}_k^2 \\ \hat{\sigma}_e^2 \end{bmatrix}$$

and their covariance matrix is estimated by

$$\text{cov}(\hat{\Psi}) = \mathbf{J} \text{cov}(\hat{\theta}) \mathbf{J}'$$

where

$$\mathbf{J} = \begin{bmatrix} \sigma_e^2 \mathbf{I}_k & \gamma \\ 0 & 1 \end{bmatrix}$$

which is the  $(k+1) \times (k+1)$  Jacobian matrix of transforming  $\theta$  to  $\psi$ .

## ANOVA

The ANOVA variance component estimates are obtained by equating the expected mean squares of the random effects to their observed mean squares. The VARCOMP procedure offers two types of sum of squares: Type I and Type III (see Appendix 11 for details).

Let

$$\Psi = \begin{bmatrix} \sigma_1^2 \\ \cdot \\ \sigma_k^2 \\ \sigma_e^2 \end{bmatrix}$$

be the vector of variance components.

Let

$$\mathbf{q} = \begin{bmatrix} MS_1 \\ \cdot \\ MS_k \\ MSE \end{bmatrix}$$

where  $MS_i$  is the observed mean squares of the  $i$ th random effect, and  $MSE$  is the residual mean squares.

Let

$$\mathbf{S} = \begin{bmatrix} \mathbf{s}'_1 \\ ; \\ \mathbf{s}'_k \\ \mathbf{s}'_{k+1} \end{bmatrix}$$

be a  $(k + 1) \times (k + 1)$  matrix whose rows are coefficients for the expected mean squares. For example, the expected mean squares of the  $i$ th random effect is  $\mathbf{s}'_i y$ . Algorithms for computing the expected mean squares can be found in the section “Univariate Mixed Model” in the chapter GLM Univariate and Multivariate. The ANOVA variance component estimates are then obtained by solving the system of linear equations:

$$\mathbf{S}y = \mathbf{q}$$

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# WEIGHTED KAPPA Algorithms

## Introduction

Cohen's kappa statistic is broadly used in cross-classification as a measure of agreement between two observed raters [Warrens, 2012]. It is an appropriate index of agreement when ratings are nominal scales with no order structure [Cohen, 1960]. [Cohen, 1968] proposed a weighted version, an important generalization of the kappa statistic, to measure the agreement of two ordinal subjects with identical categories. Up to now, the estimation of Cohen's weighted kappa in SPSS Statistics relies on an extension so called "STATS WEIGHTED KAPPA.spe," which, however, is not supported by any main procedures or functions.

In this section, we derive the Cohen's weighted kappa statistic, and further discuss the Weighted Kappa procedure in SPSS Statistics.

## General Notations

The following notations defined in this section will be used for the subsequent sections.

$X_i$ : Distinct string or numeric values of the first rating variable arranged for row in ascending order:  $X_1 < X_2 < \dots < X_R$ , where  $R \geq 2$ , and  $R$  is an integer.

$Y_j$ : Distinct string or numeric values of the second rating variable arranged for column in ascending order:  $Y_1 < Y_2 < \dots < Y_C$ , where  $C \geq 2$ , and  $C$  is an integer.

$i$ :  $i = 1, 2, \dots, R$  denoting the row index.  $i$  is an integer.

$j$ :  $j = 1, 2, \dots, C$  denoting the column index.  $j$  is an integer.

$f_{ij}$ : Count for the case in the cell  $(i, j)$ , which is a non-negative integer.

$r_i$ :  $r_i = \sum_{j=1}^C f_{ij}$ , which is the subtotal of the  $i$ -th row.

$c_j$ :  $c_j = \sum_{i=1}^R f_{ij}$ , which is the subtotal of the  $j$ -th column.

$W$ :  $W = \sum_{i=1}^R \sum_{j=1}^C f_{ij} = \sum_{i=1}^R r_i = \sum_{j=1}^C c_j$ , which is the grand total.

$\omega_{ij}$ : Agreement weight preset for the case in the cell  $(i, j)$ .

$\alpha$ : Significance level specified by users.  $\alpha \in (0, 100)$ , and the default setting is  $\alpha = 95$ .

## Implementation Notes

Particularly, we let  $R = C$  for the following presentation, but retain the notations  $R$  and  $C$  to denote the number of rows and columns, respectively.

## Input Data Structure

It requires constructing a two-way table based on an active data set to estimate the Cohen's weighted kappa statistic. Table 1 illustrates a general table design resulting from the classification of  $W$  items by two raters on an *ordinal* scale with  $R$  or  $C$  categories.

The following procedure may be followed to generate Table 1 based on an active data set:

- Pairwise deletion is applied to exclude any missing values for a pair of two rating variables.
- Identify all unique categories specified by the pair of rating variables, and create a union of them.
- Sort the union of the categories in ascending order for both row and column.
- Count  $f_{ij}$  based on the frequency of a rating value equal to  $X_i$  and  $Y_j$ .
- Sum up corresponding  $f_{ij}$ 's to compute  $r_i$ ,  $c_j$ , and  $W$ .

**A Contingency Table with Rating Data**

Rater 1 (column)	Rater 2 (Row)					Total
	$Y_1$	...	$Y_j$	...	$Y_C$	
$X_1$	$f_{11}$	...	$f_{1j}$	...	$f_{1C}$	$r_1$
$\vdots$	$\vdots$	$\vdots$	$\vdots$	$\vdots$	$\vdots$	$\vdots$
$X_i$	$f_{i1}$	...	$f_{ij}$	...	$f_{iC}$	$r_i$
$\vdots$	$\vdots$	$\vdots$	$\vdots$	$\vdots$	$\vdots$	$\vdots$
$X_R$	$f_{R1}$	...	$f_{Rj}$	...	$f_{RC}$	$r_R$
Total	$c_1$	...	$c_2$	...	$c_C$	$W$

Table 1: Input Data with Rating Variables

Note that the estimation of Cohen’s weighted kappa make senses only when the categories of the two rating variables, represented by the row and column in the table, are appropriately ordered. Although users may sometimes request an output table format in descending order, the discussions in the following presentation are strictly based on the categories arranged in *ascending* order for both row and column raters. For a pair of numeric variables, numerical order is applied. For a pair of string variables, alphabetical order is applied. A footnote will be appended to remind users that caution should be exercised in the string categories arranged by the procedure. For a mixed pair of variables, Cohen’s weighted kappa is not estimated. More details will be discussed later in Section ??.

### Input Data Restraints

There are several restraints on the estimation of Cohen’s weighted kappa:

- We need exactly two rating variables to construct Table 1.
- The two rating variables must be of the same type. We do not estimate Cohen’s weighted kappa for a mixed pair of numeric and string variables.
- After pairwise deletion, we require at least two records.
- After pairwise deletion, at least one variable must have at least two different categories.
- The two rating variables are assumed to share the same set of categories, or  $X_i = Y_i$ . When we construct Table 1, any missing categories  $X_i$  or  $Y_j$  should be involved, and listed in both row and column.

### Assignment of Weights

The development of Cohen’s weighted kappa was motivated by the argument that some assignments in a contingency table might be of greater gravity than the others [Cohen, 1968]. As a matter of factor, the statistic relies on the predefined cell weights. A unique weight value is required for each table cell. For the agreement weights  $\omega_{ij}$ , it is convenient but not necessary to assign  $\omega_{ij} = \omega_{max} = 1$  when  $i = j$ , and  $\omega_{min} = 0$ . Theoretically, the weights are assigned a priori, and may arbitrarily be defined, and the estimation of the weighted kappa statistic may vary significantly under different weighting schemes [Graham and Jackson, 1993]. To avoid this undesired behavior, we only implement linear and quadratic weighting for agreement, two most widely used weighting schemes [Vanbelle and Albert, 2009], and thus preventing users from arbitrarily assigning cell weights. Table 2 summarizes the weights that will be used in the following sections. Note that the quantities  $\omega_{ij}$ ,  $i$ ,  $j$ , and  $R$  in the table are defined in Section .

**Predefined Weights for Cohen’s Weighted Kappa**

	Linear	Quadratic
Agreement weights $\omega_{ij}$	$1 -  i - j /(R - 1)$	$1 - (i - j)^2/(R - 1)^2$

Table 2: Predefined Agreement Weights

### Derivation of Cohen’s Weighted Kappa Statistic

For a given cross table setting, the expected count for the cases in the cell  $(i, j)$  can be estimated by

$$E_{ij} = \frac{r_i c_j}{W}, \quad (1)$$

where  $r_i$ ,  $c_j$ , and  $W$  are the marginal and grand totals.

### Point and Interval Estimation

By using the agreement weights, the Cohen's weighted kappa statistic, proposed by [Cohen, 1968], is

$$\kappa_a = \frac{\sum_{i=1}^R \sum_{j=1}^C \omega_{ij} f_{ij} - \sum_{i=1}^R \sum_{j=1}^C \omega_{ij} E_{ij}}{\omega_{max} W - \sum_{i=1}^R \sum_{j=1}^C \omega_{ij} E_{ij}}, \quad (2)$$

where  $\omega_{max} = \max\{\omega_{ij}\} = 1$ , which is associated with the diagonal cells according to the weights defined by Table 2. When  $W$  is large, [Fleiss et al., 1969] suggested the following asymptotic standard error of  $\kappa_a$  useful in estimating the confidence limits

$$\sigma_a = \frac{1}{\sqrt{W}(1-p_e)^2} \left[ \left( \sum_{i=1}^R \sum_{j=1}^C p_{ij} [\omega_{ij}(1-p_e) - (\bar{\omega}_{i.} + \bar{\omega}_{.j})(1-p_o)]^2 \right) - (p_o p_e - 2p_e + p_o)^2 \right]^{1/2}, \quad (3)$$

where

$$p_e = \sum_{i=1}^R \sum_{j=1}^C w_{ij} p_{i.j}, \quad (4)$$

with

$$p_{i.} = \frac{1}{W} \sum_{j=1}^C f_{ij} \quad \text{and} \quad p_{.j} = \frac{1}{W} \sum_{i=1}^R f_{ij}, \quad (5)$$

$$p_{ij} = \frac{f_{ij}}{W}, \quad (6)$$

$$\bar{\omega}_{i.} = \sum_{j=1}^C \omega_{ij} p_{.j} \quad \text{and} \quad \bar{\omega}_{.j} = \sum_{i=1}^R \omega_{ij} p_{i.}, \quad (7)$$

where  $p_{i.}$  and  $p_{.j}$  are defined by Equation (5), and

$$p_o = \sum_{i=1}^R \sum_{j=1}^C w_{ij} p_{ij}, \quad (8)$$

where  $p_{ij}$  is estimated by Equation (6). Since the sampling distribution of  $\kappa_a$  is asymptotically normal for large samples, the  $\alpha\%$  asymptotic confidence interval bounds are determined by

$$\kappa_a \pm \text{IDF.NORMAL}(0.5 + \alpha/200, 0, 1) \times \sigma_a, \quad (9)$$

where  $\alpha$  is specified by users.

### Hypothesis Test

To test the significance of the observed  $\kappa_a$ , we can formulate a  $Z$ -statistic under the null hypothesis of  $\kappa_a = 0$  by computing the test statistic

$$z_a = \kappa_a / \sigma_a^*, \quad (10)$$

where  $\kappa_a$  is estimated by Equation (2), and

$$\sigma_a^* = \frac{1}{\sqrt{W}(1-p_e)} \left[ \left( \sum_{i=1}^R \sum_{j=1}^C p_{i.j} p_{.j} (\omega_{ij} - \bar{\omega}_{i.} - \bar{\omega}_{.j})^2 \right) - p_e^2 \right]^{1/2}, \quad (11)$$

where  $p_e$  is estimated by Equation (4);  $p_{i.}$  and  $p_{.j}$  are defined by Equation (5); and  $\bar{\omega}_{i.}$  and  $\bar{\omega}_{.j}$  are estimated by Equation (7). Thus, the two-sided significance is computed by

$$2 \times [1 - \text{CDFNORM}(|z_a|)], \quad (12)$$

where  $z_a$  is computed by Equation (10).

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# WLS Algorithms

WLS estimates regression model with different weights for different cases.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

$n$	The number of cases
$p$	The number of parameters for the model
$y$	$n \times 1$ vector with element $y_i$ , which represents the observed dependent variable for case $i$
$X$	$n \times p$ matrix with element $x_{ij}$ , which represents the observed value of the $i$ th case of the $j$ th independent variable
$\beta$	$p \times 1$ vector with element $\beta_j$ , which represents the regression coefficient of the $j$ th independent variable
$w$	$n \times 1$ vector with element $w_i$ , which represents the weight for case $i$

## Model

The linear regression model has the form of

$$y_i = \mathbf{X}'_i \beta + \epsilon_i, \quad i = 1, \dots, n$$

where  $\mathbf{X}_i$  is the vector of covariates for the  $i$ th case,  $\mathbf{E}(\epsilon_i) = 0$ , and  $\text{var}(\epsilon_i) = w_i^{-1} \sigma^2$ . Assuming that  $\epsilon_1, \dots, \epsilon_n$  follow a normal distribution, the log-likelihood function is

$$L = 0.5 \left\{ -n \ln 2\pi - n \ln \sigma^2 + \sum_{i=1}^n \ln w_i - \frac{\sum_{i=1}^n w_i (y_i - \mathbf{X}'_i \beta)^2}{\sigma^2} \right\}$$

## Computational Details

The algorithm used to obtain the weighted least-square estimates for the parameters in the model is the same as the REGRESSION procedure with regression weight. For details of the algorithm and statistics (the ANOVA table and the variables in the equation), see REGRESSION.

After the estimation is finished, the log-likelihood function is estimated by

$$\hat{L} = 0.5 \left\{ -n \ln 2\pi - n \ln \hat{\sigma}^2 + \sum_{i=1}^n \ln w_i - (n - p) \right\}$$

where  $\hat{\sigma}^2$  is the mean square error in the ANOVA table.

# Significance Level of a Standard Normal Deviate

The significance level is based on a polynomial approximation.

## Notation

The following notation is used throughout this section unless otherwise stated:

Table A-1

Notation

Notation	Description
$X$	Value of the standard normal deviate
$Q$	One-sided significance level

## Computation

$$Q(X) = 0.5\{1 + Z(a_1 + Z(a_2 + Z(a_3 + Z(a_4 + Z(a_5 + Za_6))))))\}^{-16}$$

where

$$Z = \begin{cases} 0.7071067812|X| & \text{if } |X| \leq 14.14 \\ 10 & \text{otherwise} \end{cases}$$

$$a_1 = 0.070523078 \dots \quad a_4 = 0.0001520143$$

$$a_2 = 0.0422820123 \quad a_5 = 0.0002765672$$

$$a_3 = 0.0092705272 \quad a_6 = 0.0000430638$$

## References

Abramowitz, M., and I. A. Stegun, eds. 1970. *Handbook of mathematical functions*. New York: Dover Publications.

Ling, R. E. 1978. A study of the accuracy of some approximations for t, chi-square, and F tail probabilities. *Journal of American Statistical Association*, 73, 274–283.

# Significance Levels for Fisher's Exact Test

The procedure described in this appendix is used to calculate the exact one-tailed and two-tailed significance levels of Fisher's exact test for a 2x2 table under the assumption of independence of rows and columns and conditional on the marginal totals. All cell counts are rounded to the nearest integers.

## Background

Consider the following observed 2x2 table:

Table B-1  
2 x 2 table

	Column 1	Column 2	Column total
Row 1	n1	n2	n1+n2
Row 2	n3	n4	n3+n4
Row total	n1+n3	n2+n4	N

Conditional on the observed marginal totals, the values of the four cell counts can be expressed as the observed count of the first cell  $n_1$  only. Under the hypothesis of independence, the count of the first cell  $N_1$  follows a hypergeometric distribution with the probability of  $N_1 = n_1$  given by

$$\text{Prob}(N_1 = n_1) = \frac{(n_1+n_2)!(n_3+n_4)!(n_1+n_3)!(n_2+n_4)!}{N!n_1!n_2!n_3!n_4!}$$

where  $N_1$  ranges from  $\max(0, n_1 - n_4)$  to  $\min(n_1 + n_2, n_1 + n_3)$  and  $N = n_1 + n_2 + n_3 + n_4$ .

The exact one-tailed significance level  $p_1$  is defined as

$$p_1 = \begin{cases} \text{Prob}(N_1 > n_1) & \text{if } n_1 > E(N_1) \\ \text{Prob}(N_1 < n_1) & \text{if } n_1 < E(N_1) \end{cases}$$

where  $E(N_1) = (n_1 + n_2)(n_1 + n_3)/N$ .

The exact two-tailed significance level  $p_2$  is defined as the sum of the one-tailed significance level  $p_1$  and the probabilities of all points in the other side of the sample space of  $N_1$  which are not greater than the probability of  $N_1=n_1$ .

## Computations

To begin the computation of the two significance levels  $p_1$  and  $p_2$ , the counts in the observed 2x2 table are rearranged. Then the exact one-tailed and two-tailed significance levels are computed using the CDF.HYPER cumulative distribution function.

## Table Rearrangement

The following steps are used to rearrange the table:

1. Check whether  $n_1 > E(N_1)$ , which can be done by checking whether  $n_1 n_4 > n_2 n_3$ . If so, rearrange the table so that the first cell contains the minimum of  $n_2$  and  $n_3$ , maintaining the row and column totals; otherwise, rearrange the table so that the first cell contains the minimum of  $n_1$  and  $n_4$ , again maintaining the row and column totals.
2. Without loss of generality, we assume that the count of the first cell is  $n_1$  after the above rearrangement. Calculate the first row total, the first column total, and the overall total, and name them *SAMPLE*, *HITS*, and *TOTAL*, respectively.

## One-Tailed Significance Level

The following steps are used to calculate the one-tailed significance level:

1. If  $TOTAL=0$ , set the one-tailed significance level  $p_1$  equal to 1; otherwise, obtain  $p_1$  by using the CDF.HYPER cumulative distribution function with arguments  $n_1$ , *SAMPLE*, *HITS*, and *TOTAL*.
2. Also calculate the probability of the first cell count equal to  $n_1$  by finding the difference between  $p_1$  and the value obtained from CDF.HYPER with  $n_1-1$ , *SAMPLE*, *HITS*, and *TOTAL* as its arguments, provided that  $n_1 > 0$ . Call this probability *PEXACT*.
3. If  $n_1=0$ , set  $PEXACT=p_1$ . *PEXACT* will be used in the next step to find the points for which the probabilities are not greater than *PEXACT*.

## Two-Tailed Significance Level

The following steps are used to calculate the two-tailed significance level:

1. If  $TOTAL=0$ , set the two-tailed significance level  $p_2$  equal to 1; otherwise, start searching backwards from  $\min(n_1+n_2, n_1+n_3)$  to  $(n_1+1)$ , and find the first point  $x$  with its point probability greater than *PEXACT*. (Notice that this backward search takes advantage of the unimodal property of the hypergeometric distribution.)
2. If such an  $x$  exists between  $\min(n_1+n_2, n_1+n_3)$  and  $(n_1+1)$ , calculate the probability value obtained from CDF.HYPER with arguments  $x$ , *SAMPLE*, *HITS*, and *TOTAL*. Call this probability  $p_x$ .
3. The two-tailed significance level  $p_2$  is obtained by finding the sum of  $p_1$  and  $(1 - p_x)$ . If no qualified  $x$  exists, the two-tailed significance level is equal to 1.

# Sorting and Searching

Sorting and searching have a significant impact on the performance of a number of procedures. For those procedures, the methods used are identified here.

## CROSSTABS

In the general mode, the table of cells is searched using an unordered open scatter table search and insertion algorithm similar to Knuth's Algorithm *L* (Knuth, 1973, p. 518). The scatter table contains only pointers to the actual cell contents and is twice as large as it need be (that is, if there is room for  $m$  cells, the scatter table has room for  $2m$  pointers). This means it can never be more than half full. Collisions are resolved by sequential search from the initial location until an empty pointer is found.

Letting

$k$  be the table number

$p$  be the dimension of the table

$v(i)$ ,  $i=1, \dots, p$ , be the bit string used to represent the value of the  $i$ th variable defining table  $k$

$m$  be the length of the scatter table

$n$  be the resulting hash value, to be used as an index in the scatter table

The hash function used is given by the following algorithm:

```

j:=k
for i:=1 to p
  j:=j rotated left 3
  bits j:=j
  EXCLUSIVE OR
  v(i)
end
n:=(j modulo m)+1

```

When the tables have been completed, the cells are sorted by table numbers and the values of the defining variables using the algorithm described by Singleton (1969).

## FREQUENCIES

FREQUENCIES uses the same search and sort algorithms as CROSSTABS, except that its hashing function is given by:

$$h = \left( \left( (k + 16807v) \text{ modulo } 2^{31} \right) \text{ modulo } m \right) + 1$$

where

$h$  is the hash value, to be used as an index in the scatter table

$k$  is the table number

$v$  is the integer value of the bits representing the value to be tabulated

$m$  is the length of the scatter table

## ***NONPAR CORR and NPAR TESTS***

Both use the method of Singleton to sort cases for computing ranks.

## ***SURVIVAL***

SURVIVAL uses a modified Quicksort similar to Knuth's algorithm  $Q$  (Knuth, 1973, p. 116) to sort cases.

## ***References***

Knuth, D. E. 1973. *The Art of Computer Programming, volume3: Sorting and Searching*. Reading, MA: Addison-Wesley.

Singleton, R. C. 1969. Algorithm 347: Efficient sorting in minimal storage. *Communications of the ACM*, 12, 185–187.

# Generation of Uniform Random Numbers

Two different random number generators are available:

- **Version 12 Compatible.** The random number generator used in version 12 and previous releases. If you need to reproduce randomized results generated in previous releases based on a specified seed value, use this random number generator.
- **Mersenne Twister.** A newer random number generator that is more reliable for simulation purposes. If reproducing randomized results from version 12 or earlier is not an issue, use this random number generator.

Specifically, the Mersenne Twister has a far longer period (number of draws before it repeats) and far higher order of equidistribution (its results are “more uniform”) than the IBM® SPSS® Statistics 12 Compatible generator. The Mersenne Twister is also very fast and uses memory efficiently.

## ***IBM SPSS Statistics 12 Compatible Random Number Generator***

Uniform numbers are generated using the algorithm of (Fishman and Moore, 1981). It is a multiplicative congruential generator that is simply stated as:

$$\begin{aligned} \text{seed}(t+1) &= (a * \text{seed}(t)) \\ \text{modulo } p \text{ rand} &= \text{seed}(t+1) / \\ & (p+1) \end{aligned}$$

where  $a = 397204094$  and  $p = 2^{31}-1 = 2147483647$ , which is also its period. Seed(t) is a 32-bit integer that can be displayed using `SHOW SEED`. `SET SEED=number` sets seed(t) to the specified number, truncated to an integer. `SET SEED=RANDOM` sets seed(t) to the current time of day in milliseconds since midnight.

## ***Mersenne Twister Random Number Generator***

The Mersenne Twister (MT) algorithm generates uniform 32-bit pseudorandom integers. The algorithm provides a period of  $2^{19937}-1$ , assured 623-dimensional equal distribution, and 32-bit accuracy. Following the description given by Matsumoto and Nishimura (1998), the algorithm is based on the linear recurrence:

$$\mathbf{x}_{k+n} = \mathbf{x}_{k+m} \oplus (\mathbf{x}_k^u | \mathbf{x}_{k+1}^l) \mathbf{A}, k = 0, 1, \dots$$

where



Table D-2

Notation

Notation	Description
$l, s, t, u$	are integers
$\mathbf{b}, \mathbf{c}$	are suitable bitmasks of word size
$\mathbf{x} \gg u$	denotes the $u$ -bit shiftright
$\mathbf{x} \ll u$	denotes the $u$ -bit shiftleft

To execute the recurrence, let  $\mathbf{x}[0:n-1]$  be an array of  $n$  unsigned integers of word size,  $i$  be an integer variable, and  $\mathbf{x}, \mathbf{v}, \mathbf{a}$  be unsigned constant integers of word size vectors.

Step	Description
<b>Step 0</b>	$\mathbf{u} \leftarrow \begin{matrix} 1 \cdots 1 & 0 \cdots 0 \\ w-r & r \end{matrix}$ ; bitmask for upper $(w-r)$ bits $\mathbf{v} \leftarrow \begin{matrix} 0 \cdots 0 & 1 \cdots 1 \\ w-r & r \end{matrix}$ ; bitmask for lower $r$ bits $\mathbf{a} \leftarrow a_{w-1}a_{w-2} \cdots a_0$ ; the last row of matrix $\mathbf{A}$
<b>Step 1</b>	$i \leftarrow 0$ Initialize the state space vector array $\mathbf{x}[0], \mathbf{x}[1], \dots, \mathbf{x}[n-1]$ .
<b>Step 2</b>	$\mathbf{y} \leftarrow (\mathbf{x}[i] \text{ AND } \mathbf{u}) \text{ OR } (\mathbf{x}[(i+1) \bmod n] \text{ AND } \mathbf{v})$ ; computing $(\mathbf{x}_i^u   \mathbf{x}_{i+1}^l)$
<b>Step 3</b>	If the least significant bit of $\mathbf{y}$ equals to zero then $\mathbf{x}[i] \leftarrow \mathbf{x}[(i+m) \bmod n] \oplus (\mathbf{y} \gg 1) \oplus 0$ If the least significant bit of $\mathbf{y}$ equals to one then $\mathbf{x}[i] \leftarrow \mathbf{x}[(i+m) \bmod n] \oplus (\mathbf{y} \gg 1) \oplus \mathbf{a}$
<b>Step 4</b>	calculate $\mathbf{x}[i] \mathbf{T}$ $\mathbf{y} \leftarrow \mathbf{x}[i]$ $\mathbf{y} \leftarrow \mathbf{y} \oplus (\mathbf{y} \gg u)$ $\mathbf{y} \leftarrow \mathbf{y} \oplus ((\mathbf{y} \ll s) \text{ AND } \mathbf{b})$ $\mathbf{y} \leftarrow \mathbf{y} \oplus ((\mathbf{y} \ll t) \text{ AND } \mathbf{c})$ $\mathbf{y} \leftarrow \mathbf{y} \oplus (\mathbf{y} \gg l)$
<b>Step 5</b>	$i \leftarrow (i+1) \bmod n$
<b>Step 6</b>	Go to <b>Step 2</b> .

## IBM SPSS Statistics Usage

The MT algorithm provides 32 random bits in each draw. IBM® SPSS® Statistics draws 64-bit floating-point numbers in the range [0..1] with 53 random bits in the mantissa using

$$\text{Draw} = (2^{26} * [k(t)/2^5] + [k(t+1)/2^6]) / 2^{53}$$

There are two options for initializing the state space vector array. SET RNG=MT MTINDEX= $x$  accepts a 64-bit floating point number  $x$  to set the seed. SET RNG=MT MTINDEX=RANDOM uses the current time of day in milliseconds since midnight to set the seed.

```
init_genrand(unsigned32 s,unsigned32 &x[])
{
```

```

 $\mathbf{x}[0] = s$  ;
 $f = 1812433253$ ;  $f$  is an unsigned long integer from  $i=0$  to  $n$ 
```

---

## Generation of Uniform Random Numbers

$$x[i+1] = f(x[i] \gg 30) \bmod 2^w$$

$$k[0]: 8*d+4*c+2*b+a$$

$$k[1]: y = \text{trunc}(z*2^{26})$$

$$k[2]: z*2^{53} - y*2^{27}$$

where

- $x$  is the argument  $a$  is 1 if  $x == 0$ , or 0 otherwise
- $b$  is 1 if  $x < 0$ , or 0 otherwise
- $c$  is 1 if  $|x| \geq 1$ , or 0 otherwise
- $d$  is an integer such that
- if  $|x| > 1$ ,  $.5 \leq |x|/2^d < 1$ ,  
else if  $|x| > 0$ ,  $.5 \leq |x|*2^d < 1$   
else  $x == 0$  and  $d == 0$ .
- $e$  is  $d$  if  $|x| \leq 1$ , else  $-d$
- $z$  is  $|x|*2^e$

```
init_by_array(unsigned32 init_key[ ],int key_length, unsigned32 &x[])
```

```
{
  init_genrand(19650218,
  x); i=1, j=0,
  k=max(key_length,n) for
  (;k;k--)
  x[i] = (x[i]^(x[i-1]^(x[i-1]>>30))f1))
  +init_key[j]+
  j; if i>=n
  then x[0] =
  x[n-1]
  i=1
  if (j>=key_length)
  then j=0
end for
for (k=n-1;k;k--)
  x[i] = (x[i]^(x[i-1]^(x[i-
  1]>>30))f2))-i; if i>=n then
  x[0]=x[n-1];
  i=1;
end for
}
```

f1=1664525 is an unsigned long  
integer; f2=1566083941 is an  
unsigned long integer;

## References

Fishman, G., and L. R. I. Moore. 1981. In search of correlation in multiplicative congruential generators with modulus  $2^{31}-1$ . In: *Computer Science and Statistics, Proceedings of the 13th Symposium on the Interface*, W. F. Eddy, ed. New York: Springer-Verlag, 155–157.

Knuth, D. E. 1981. *The Art of Computer Programming, volume 2, p. 106*. Reading, MA: Addison-Wesley.

Matsumoto, M., and T. Nishimura. 1998. Mersenne Twister, A 623-dimensionally equidistributed uniform pseudorandom number generator. *ACM Trans. on Modeling and Computer Simulation*, 8:1, 3–30.

Matsumoto, M., and Y. Kurita. 1994. Twisted GFSR generators II. *ACM Trans. on Modeling and Computer Simulation*, 4:3, 254–266.

# Grouped Percentiles

Two summary functions, GMEDIAN and GPTILE are used in procedures such as Frequencies and Graph, to calculate the percentiles for the data which are grouped by specifying a value for each grouping. It is assumed that the actual data values give represent midpoints of the grouped intervals.

## Notation

The following notation is used throughout this section unless otherwise stated:

Table E-1

### Notation

Notation	Description
$x_i < \dots < x_k$	Distinct observed values with frequencies (caseweights) $c_1, \dots, c_k$
$k$	Number of distinct observed data points
$p$	percentile/100 (a number between 0 and 1)
$cc_l$	Cumulative frequency up to and including $x_l$

$$cc_l = \sum_{i=1}^{l-1} c_i + 0.5 * c_l = 1, \dots, n$$

## Finding Percentiles

To find the 100 $p$ th grouped percentile, first find  $i$  such that  $cc_{i-1} \leq wp < cc_i$ , where  $w = \sum_{j=1}^k c_j$ , the total sum of caseweights. Then the grouped percentile is

$$(1 - R)x_{i-1} + Rx_i$$

where

$$R = \frac{wp - cc_{i-1}}{cc_i - cc_{i-1}}$$

Note the following:

- If  $wp < cc_1$ , the grouped percentile is system missing and a warning message “Since the lower bound of the first interval is unknown, some percentiles are undefined” is produced.
- If  $wp > cc_k$ , the grouped percentile is system missing and a warning message “Since the upper bound of the last interval is unknown, some percentiles are undefined” is produced.
- If  $wp = cc_k$ , the grouped percentile is equal to  $x_k$ .

# Indicator Method

The indicator method is used in the GENLOG and the GLM procedures to generate the design matrix corresponding to the design specified. Under this method, each parameter (either non-redundant or redundant) in the model corresponds uniquely to a column in the design matrix. Therefore, the terms parameter and design matrix column are often used interchangeably without ambiguity.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

Table F-1

Notation

Notation	Description
$n$	Number of valid observations
$p$	Number of parameters
$\mathbf{X}$	$n \times p$ design matrix (also known as model matrix)
$x_{ij}$	Elements of $\mathbf{X}$

## Row Dimension

The design matrix has as many rows as the number of valid observations. In the GLM procedure, an observation is a case in the data file. In the GENLOG procedure, an observation is a cell. In both procedures, the observations are uniquely identified by the factor-level combination. Therefore, rows of the design matrix are also uniquely identified by the factor-level combination.

## Column Dimension

The design matrix has as many columns as the number of parameters in the model. Columns of the design matrix are uniquely indexed by the parameters, which are in turn related to factor-level combinations.

## Elements

A factor-level combination is contained in another factor-level combination if the following conditions are true:

- All factor levels in the former combination appear in the latter combination.
- There are factor levels in the latter combination which do not appear in the former combination.

For example, the combination [A=1] is contained in [A=1]\*[B=3] and so is the combination [B=3]. However, neither [A=3] nor [C=1] is contained in [A=1]\*[B=3].

The design matrix  $\mathbf{X}$  is generated by rows. Elements of the  $i$ th row are generated as follows:

- If the  $j$ th column corresponds to the intercept term, then  $x_{ij} = 1$ .
- If the  $j$ th column is a parameter of a factorial effect which is constituted of factors only, then  $x_{ij} = 1$  if the factor-level combination of the  $j$ th column is contained in that of the  $i$ th row. Otherwise  $x_{ij} = 0$ .
- If the  $j$ th column is a parameter of an effect involving covariates (or, in the GLM procedure, a product of covariates), then  $x_{ij}$  is equal to the covariate value (or the product of the covariate values in GLM) of the  $i$ th row if the levels combination of the factors of the  $j$ th column is contained in that of the  $i$ th row. Otherwise  $x_{ij} = 0$ .

## **Redundancy**

A parameter is redundant if the corresponding column in the design matrix is linearly dependent on other columns. Linear dependent columns are detected using the SWEEP algorithm by Clarke (1982) and Ridout and Cobby (1989). Redundant parameters are permanently set to zero and their standard errors are set to system missing.

## **References**

Clarke, M. R. B. 1982. Algorithm AS 178: The Gauss-Jordan sweep operator with detection of collinearity. *Applied Statistics*, 31:2, 166–168.

Ridout, M. S., and J. M. Cobby. 1989. A remark on algorithm AS 178. *Applied Statistics*, 38, 420–422.

# Post Hoc Tests

Post hoc tests are available in more than one procedure, including ONEWAY and GLM.

## Notation

The following notation is used throughout this section unless otherwise stated:

Table G-1

### Notation

Notation	Description
$k$	Number of levels for an effect
$n_i$	Number of observations at level $i$
$\bar{x}_i$	Mean at level $i$
$s_i$	Standard deviation of level $i$
$v_i$	Degrees of freedom for level $i$ , $n_i - 1$
$s_{pp}$	Square root of the mean square error
$\varepsilon$	Experimentwise error rate under the complete null hypothesis
$\alpha$	Comparisonwise error rate
$r$	Number of steps between means
$f$	Degrees of freedom for the within-groups mean square $\sum_{i=1}^k (n_i - 1)$
$v_{i,j}$	Absolute difference between the $i$ th and $j$ th means $\bar{x}_i - \bar{x}_j$
$k^*$	$k(k - 1)/2$
$Q_{i,j}$	$s_{pp} \sqrt{\frac{1}{2} \left( \frac{1}{n_i} + \frac{1}{n_j} \right)}$
$n_h$	Harmonic mean of the sample size $n_h = \frac{k}{\sum_{1 \leq i \leq k} n_i^{-1}}$
$Q_h$	$s_{pp} / \sqrt{n_h}$

## Studentized Range and Studentized Maximum Modulus

Let  $x_1, x_2, \dots, x_r$  be independent and identically distributed  $N(\mu, \sigma)$ . Let  $s_m$  be an estimate of  $\sigma$  with  $m$  degrees of freedom, which is independent of the  $\{x_i\}$ , and  $ms_m^2/\sigma^2 \sim \chi^2$ . Then the quantity

$$S_{r,m} = \frac{\max(x_1, \dots, x_r) - \min(x_1, \dots, x_r)}{s_m}$$

is called the Studentized range. The upper- $\varepsilon$  critical point of this distribution is denoted by  $S_{\varepsilon,r,m}$ .

The quantity

$$M_{r,m} = \frac{\max(|x_1|, \dots, |x_r|)}{s_m}$$

is called the Studentized maximum modulus. The upper- $\epsilon$  critical point of this distribution is denoted as  $M_{\epsilon,r,m}$ .

## Methods

The tests are grouped as follows according to assumptions about sample sizes and variances.

### Equal Variances

The tests in this section are based on the assumption that variances are equal.

#### Waller-Duncan $t$ Test

The Waller-Duncan  $t$  test statistic is given by

$$v_{i,j} = \bar{x}_i - \bar{x}_j \geq t_B(w, F, q, f) S \sqrt{2/n}$$

where  $t_B(w, F, q, f)$  is the Bayesian  $t$  value that depends on  $w$  (a measure of the relative seriousness of a Type I error versus a Type II error), the  $F$  statistic for the one-way ANOVA,

$$F = \frac{MS_{treat}}{MS_{error}}$$

and

$$S^2 = MS_{error}$$

Here  $f = k(n - 1)$  and  $q = k - 1$ .  $MS_{error}$  and  $MS_{treat}$  are the usual mean squares in the ANOVA table.

Only homogeneous subsets are given for the Waller-Duncan  $t$  test. This method is for equal sample sizes. For unequal sample sizes, the harmonic mean  $n_h$  is used instead of  $n$ .

### Constructing Homogeneous Subsets

For many tests assuming equal variances, homogeneous subsets are constructed using a range determined by the specific test being used. The following steps are used to construct the homogeneous subsets:

1. Rank the  $k$  means in ascending order and denote the ordered means as  $\bar{x}_{(1)}, \dots, \bar{x}_{(k)}$ .
2. Determine the range value,  $R_{\epsilon,k,f}$ , for the specific test, as shown in Range Values.
3. If  $\bar{x}_{(k)} - \bar{x}_{(1)} > Q_h R_{\epsilon,k,f}$ , there is a significant range and the ranges of the two sets of  $k-1$  means  $\{\bar{x}_{(1)}, \dots, \bar{x}_{(k-1)}\}$  and  $\{\bar{x}_{(2)}, \dots, \bar{x}_{(k)}\}$  are compared with  $Q_h R_{\epsilon,k-1,f}$ . Smaller subsets of means

are examined as long as the previous subset has a significant range. For some tests,  $Q_{i,j}$  is used instead of  $Q_h$ . For more information, see the topic “Range Values”.

- Each time a range proves nonsignificant, the means involved are included in a single group—a homogeneous subset.

## Range Values

Following are range values for the various types of tests.

### Student-Newman-Keuls (SNK)

$$R_{\epsilon,r,f} = S_{\epsilon,r,f}$$

### Tukey's Honestly Significant Difference Test (TUKEY)

$$R_{\epsilon,r,f} = S_{\epsilon,k,f}$$

The confidence intervals of the mean difference are calculated using  $Q_{i,j}$  instead of  $Q_h$ .

### Tukey's b (TUKEYB)

$$R_{\epsilon,r,f} = \frac{S_{\epsilon,r,f} + S_{\epsilon,k,f}}{2}$$

### Duncan's Multiple Range Test (DUNCAN)

$$R_{\epsilon,r,f} = S_{\alpha_r,r,f} \text{ where } \alpha_r = 1 - (1 - \epsilon)^{r-1}$$

### Scheffé Test (SCHEFFE)

$$R_{\epsilon,r,f} = \sqrt{2(k-1)F_{1-\epsilon}(k-1, f)}$$

The confidence intervals of the mean difference are calculated using  $Q_{i,j}$  instead of  $Q_h$ .

### Hochberg's GT2 (GT2)

$$R_{\epsilon,r,f} = \sqrt{2}M_{\epsilon,k^*,f}$$

The confidence intervals of the mean difference are calculated using  $Q_{i,j}$  instead of  $Q_h$ .

### Gabriel's Pairwise Comparisons Test (GABRIEL)

The test statistic and the critical point are as follows:

$$|\bar{x}_i - \bar{x}_j| \geq s_{pp} \left( \frac{1}{\sqrt{2n_i}} + \frac{1}{\sqrt{2n_j}} \right) M_{\epsilon,k^*,f}$$

For homogeneous subsets,  $n_h$  is used instead of  $n_i$  and  $n_j$ . The confidence intervals of the mean difference are calculated based on the above equation.

### **Least Significant Difference (LSD), Bonferroni, and Sidak**

For the least significant difference, Bonferroni, and Sidak tests, only pairwise confidence intervals are given. The test statistic is

$$\bar{x}_i - \bar{x}_j > Q_{i,j} R_{\epsilon,k,f}$$

where the range,  $R_{\epsilon,k,f}$ , for each test is provided below.

#### **Least Significant Difference (LSD)**

$$R_{\alpha,r,f} = \sqrt{2F_{1-\alpha}(1, f)}$$

#### **Bonferroni t Test (BONFERRONI or MODLSD)**

$$R_{\epsilon,r,f} = \sqrt{2F_{1-\alpha'}(1, f)}$$

where  $\alpha' = \epsilon/k^*$ .

#### **Sidak t Test (SIDAK)**

$$R_{\epsilon,r,f} = \sqrt{2F_{1-\alpha,1,f}}$$

where  $\alpha = 1 - (1 - \epsilon)^{\frac{2}{k(k-1)}}$ .

### **Dunnett Tests**

For the Dunnett tests, confidence intervals are given only for the difference between the control group and the other groups.

#### **Dunnett's Two-Tailed t Test (DUNNETT)**

When a set of new treatments ( $\bar{x}_i$ ) is compared with a control ( $\bar{x}_0$ ), Dunnett's two-tailed  $t$  test is usually used under the equal variances assumption.

For two-tailed tests,

$$v_{i,0} = |\bar{x}_i - \bar{x}_0| > d_{k,v}^{\epsilon} s_{dd} \sqrt{\frac{1}{n_0} + \frac{1}{n_i}}$$

where  $d_{k,v}^{\epsilon}$  is the upper  $100\epsilon$  percentage point of the distribution of

$$T = \max_{1 \leq i \leq k} \{|T_i|\}$$

$$\text{where } T_i = \frac{(\bar{x}_i - \bar{x}_0)}{s_{dd} \sqrt{\frac{1}{n_0} + \frac{1}{n_i}}} \text{ and } s_{dd}^2 = \frac{\sum_{i=0}^k \sum_{j=1}^{n_i} (x_{ij} - \bar{x}_i)^2}{\sum_{i=0}^k (n_i - 1)}$$

### **Dunnett's One-Tailed t Test (DUNETTL)**

This Dunnett's one-tailed t test indicates whether the mean at any level is smaller than a reference category.

$$\bar{x}_i - \bar{x}_0 > dU_{k,v}^{\epsilon} s_{dd} \sqrt{\frac{1}{n_0} + \frac{1}{n_i}}$$

where  $dU_{k,v}^{\epsilon}$  is the upper 100ε percentage point of the distribution of

$$T = \max_{1 \leq i \leq k} T_i$$

Confidence intervals are given only for the difference between the control group and the other groups.

### **Dunnett's One-Tailed t Test (DUNETTR)**

This Dunnett's one-tailed t test indicates whether the mean at any level is larger than a reference category.

$$\bar{x}_i - \bar{x}_0 < dL_{k,v}^{\epsilon} s_{dd} \sqrt{\frac{1}{n_0} + \frac{1}{n_i}}$$

where  $dL_{k,v}^{\epsilon}$  is the upper 100ε percentage point of the distribution of

$$T = \max_{1 \leq i \leq k} \{T_i\}$$

Confidence intervals are given only for the difference between the control group and the other groups.

## **Ryan-Einot-Gabriel-Welsch (R-E-G-W) Multiple Stepdown Procedures**

For the R-E-G-W F test and the R-E-G-W Q test, a new significant level,  $\gamma_r$ , based on the number of steps between means is introduced:

$$\gamma_r = \begin{cases} 1 - (1 - \epsilon)^{r/k} & \text{if } r < k - 1 \\ \epsilon & \text{if } r \geq k - 1 \end{cases}$$

*Note:* For homogeneous subsets, the  $n_i$  and  $n_j$  are used for the R-E-G-W F test and the R-E-G-W Q test. To apply these methods, the procedures are same as in "Constructing Homogeneous Subsets", using the tests provided below.

### **Ryan-Einot-Gabriel-Welsch Based on the Studentized Range Test (QREGW)**

The R-E-G-W Q test is based on

$$\max_{i,j \in R} \left\{ (\bar{x}_i - \bar{x}_j) \sqrt{\min(n_i, n_j)} \right\} / s_{pp} \geq S_{\gamma_r, r, f}$$

### **Ryan-Einot-Gabriel-Welsch Procedure Based on an F Test (FREGW)**

The R-E-G-W  $F$  test is based on

$$\frac{\left( \sum_{i \in R} n_i \bar{x}_i^2 - \left( \sum_{i \in R} n_i \bar{x}_i \right)^2 / \sum_{i \in R} n_i \right)}{(r-1)s_{pp}^2} \geq F_{\gamma, r-1, f}$$

where  $r = j - i + 1$  and summations are over  $R = \{i, \dots, j\}$ .

### **Unequal Sample Sizes and Unequal Variances**

The tests in this section are based on assumptions that variances are unequal and sample sizes are unequal. An estimate of the degrees of freedom is used. The estimator is

$$v = \frac{(s_i^2/n_i + s_j^2/n_j)^2}{s_i^4/n_i^2 v_i + s_j^4/n_j^2 v_j}$$

Two means are significantly different if

$$|\bar{x}_i - \bar{x}_j| \geq Q_{i,j}^* R_{\epsilon, r, v}$$

where

$$Q_{i,j}^* = \sqrt{\frac{s_i^2}{n_i} + \frac{s_j^2}{n_j}}$$

and  $R_{\epsilon, r, \gamma}$  depends on the specific test being used, as listed below.

For the Games-Howell, Tamhane's T2, Dunnett's T3, and Dunnett's C tests, only pairwise confidence intervals are given.

### **Games-Howell Pairwise Comparison Test (GH)**

$$R_{\epsilon, r, v} = S_{\epsilon, k, v} / \sqrt{2}$$

### **Tamhane's T2 (T2)**

$$R_{\epsilon, r, v} = \sqrt{F_{\gamma, 1, v}} = t_{\gamma, v} \text{ where } \gamma = 1 - (1 - \epsilon)^{1/k^*}$$

### **Dunnett's T3 (T3)**

$$R_{\epsilon, r, v} = M_{\epsilon, k^*, v}$$

### **Dunnett's C (C)**

$$R_{\epsilon, r, v} = \frac{(S_{\epsilon, k, n_i-1} s_i^2/n_i + S_{\epsilon, k, n_j-1} s_j^2/n_j) / \sqrt{2}}{s_i^2/n_i + s_j^2/n_j}$$

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# Sums of Squares

This appendix describes methods for computing sums of squares.

## Notation

The notation used in this appendix is the same as that in the GLM Univariate and Multivariate chapter.

## Type I Sum of Squares and Hypothesis Matrix

The Type I sum of squares is computed by fitting the model in steps according to the order of the effects specified in the design and recording the difference in error sum of squares (ESS) at each step.

By applying the SWEEP operator on the rows and columns of the augmented matrix  $Z'WZ$ , of dimension  $(p+r) \times (p+r)$ , the Type I sum of squares and its hypothesis matrix for each effect (except for the intercept effect, if any) is obtained.

## Calculating the Sum of Squares

The following procedure is used to find the Type I sum of squares for effect F:

Let the order of effects specified in the design be  $F_0, F_1, F_2, \dots, F_m$ . The columns of  $X$  are partitioned into  $X_0, X_1, X_2, \dots, X_m$ , where  $X_0 = \mathbf{1}$  corresponds to the intercept effect  $F_0$ , and the columns in the submatrix  $X_j$  correspond to effect  $F_j, j=0,1,\dots,m$ .

Let  $F_j$  be the effect F of interest. Let  $ESS_{j-1}(l)$  and  $ESS_j(l)$  be the  $l$ th diagonal elements of the  $r \times r$  lower diagonal submatrix of  $Z'WZ$  after the SWEEP operator is applied to the columns associated with  $X_0, X_1, X_2, \dots, X_j$ . When the  $l$ th column of  $Y$  is used as the dependent variable, the Type I sum of squares for effect  $F_j$  is  $ESS_{j-1}(l) - ESS_j(l), l = 1, \dots, r$ , where  $ESS_{-1}(l)$  is defined as 0.

## Constructing a Hypothesis Matrix

The hypothesis matrix  $L$  is constructed using the following steps:

1. Let  $L_0$  be the upper diagonal  $p \times p$  submatrix of  $Z'WZ$  after the SWEEP operator is applied to the columns associated with the effects preceding F. Set the columns and rows of  $L_0$ , which are associated with the effects preceding F, to 0.
2. For the rows of  $L_0$  associated with the effects ordered after  $F_j$ , if any, set the corresponding rows of  $L_0$  to 0. Remove all of the 0 rows in the matrix  $L_0$ . The row dimension of  $L_0$  is then less than  $p$ .
3. Use row operations on the rows of  $L_0$  to remove any linearly dependent rows. The set of all nonzero rows of  $L_0$  forms a Type I hypothesis matrix  $L$ .

## Type II Sum of Squares and Hypothesis Matrix

A Type II sum of squares is the reduction in ESS due to adding an effect after all other terms have been added to the model except effects that contain the effect being tested.

For any two effects F and F', F is contained in F' if the following conditions are true:

- Both effects F and F' involve the same covariate, if any.
- F' consists of more factors than F.
- All factors in F also appear in F'.

**Intercept Effect.** The intercept effect  $\mu$  is contained in all the pure factor effects. However, it is not contained in any effect involving a covariate. No other effect is contained in the intercept effect.

### Calculating the Sum of Squares

To find the Type II (and also Type III and IV) sum of squares associated with any effect F, you must distinguish which effects in the model contain F and which do not. The columns of  $\mathbf{X}$  can then be partitioned into three groups:  $\mathbf{X}_1$ ,  $\mathbf{X}_2$  and  $\mathbf{X}_3$ , where:

- $\mathbf{X}_1$  consists of columns of  $\mathbf{X}$  that are associated with effects that do not contain F.
- $\mathbf{X}_2$  consists of columns that are associated with F.
- $\mathbf{X}_3$  consists of columns that are associated with effects that contain F.

The SWEEP operator applied on the augmented matrix  $\mathbf{Z}'\mathbf{W}\mathbf{Z}$  is used to find the Type II sum of squares for each effect. The order of sweeping is determined by the “contained” relationship between the effect being tested and all other effects specified in the design.

Once the ordering is defined, the Type II sum of squares and its hypothesis matrix  $\mathbf{L}$  can be obtained by a procedure similar to that used for the Type I sum of squares.

### Constructing a Hypothesis Matrix

A hypothesis matrix  $\mathbf{L}$  for the effect F has the form

$$\mathbf{L} = (0 \quad \mathbf{C}\mathbf{X}'_2\mathbf{W}^{\frac{1}{2}}\mathbf{M}_1\mathbf{W}^{\frac{1}{2}}\mathbf{X}_2 \quad \mathbf{C}\mathbf{X}'_2\mathbf{W}^{\frac{1}{2}}\mathbf{M}_1\mathbf{W}^{\frac{1}{2}}\mathbf{X}_3)$$

where

$$\mathbf{M}_1 = \mathbf{I} - \mathbf{W}^{\frac{1}{2}}\mathbf{X}_1(\mathbf{X}'_1\mathbf{W}\mathbf{X}_1)^* \mathbf{X}_1\mathbf{W}^{\frac{1}{2}}$$

$$\mathbf{C} = (\mathbf{X}'_2\mathbf{W}^{\frac{1}{2}}\mathbf{M}_1\mathbf{W}^{\frac{1}{2}}\mathbf{X}_2)^*$$

$\mathbf{A}^*$  is a g2 generalized inverse of a symmetric matrix  $\mathbf{A}$ .

## Type III Sum of Squares and Hypothesis Matrix

The Type III sum of squares for an effect F can best be described as the sum of squares for F adjusted for effects that do not contain it, and orthogonal to effects (if any) that contain it.

### Constructing a Hypothesis Matrix

A Type III hypothesis matrix  $\mathbf{L}$  for an effect F is constructed using the following steps:

1. The design matrix  $\mathbf{X}$  is reordered such that the columns can be grouped in three parts as described in the Type II approach. Compute  $\mathbf{H} = (\mathbf{X}'\mathbf{W}\mathbf{X})^* \mathbf{X}'\mathbf{W}\mathbf{X}$ . Notice that the columns of  $\mathbf{H}$  can also be partitioned into three parts: the columns corresponding to effects not containing F, the columns corresponding to the effect F, and the columns corresponding to the effects containing F (if any).
2. The columns of those effects not containing F (except F) are set to 0 by means of the row operation. That is:
  - a) For each of those columns that is not already 0, fix any nonzero element in that column and call this nonzero element the pivot element.
  - b) Divide the row that corresponds to the pivot element by the value of the pivot element itself.
  - c) Use row operations to introduce zeros to all other nonzero elements (except the pivot element itself) in that column.
  - d) Set the whole row containing the pivot element to 0. The column and the row corresponding to this pivot element should now be 0.
  - e) Continue the process for the next column that is not 0 until all columns corresponding to those effects that do not contain F are 0.
3. For each column associated with effect F, find a nonzero element, use it as pivot, and perform the Gaussian elimination method as described in a, b, and c of step 2. After all such columns are processed, remove all of the 0 rows from the resulting matrix. If there is no column corresponding to effects containing F (which is the case when F contains all other effects), the matrix just constructed is the Type III hypothesis matrix for effect F. If there are columns corresponding to effects that contain F, continue with step 4.
4. The rows of the resulting matrix in step 3 can now be categorized into two groups. In one group, the columns corresponding to the effect F are all 0; call this group of rows  $G_0$ . In the other group, those columns are nonzero; call this group of rows  $G_1$ . Notice that the rows in  $G_0$  form a generating basis for the effects that contain F. Transform the rows in  $G_1$  such that they are orthogonal to any rows in  $G_0$ .

### Calculating the Sum of Squares

Once a hypothesis matrix is constructed, the corresponding sum of squares can be calculated by  $(\mathbf{L}\hat{\mathbf{B}})' (\mathbf{L}\mathbf{G}\mathbf{L}')^* \mathbf{L}\hat{\mathbf{B}}$ .

## **Type IV Sum of Squares and Hypothesis Matrix**

A hypothesis matrix  $\mathbf{L}$  of a Type IV sum of squares for an effect  $F$  is constructed such that for each row of  $\mathbf{L}$ , the columns corresponding to effect  $F$  are distributed equitably across the columns of effects containing  $F$ . Such a distribution is affected by the availability and the pattern of the nonmissing cells.

### **Constructing a Hypothesis Matrix**

A Type IV hypothesis matrix  $\mathbf{L}$  for effect  $F$  is constructed using the following steps:

1. Perform steps 1, 2, and 3 as described for the Type III sum of squares.
2. If there are no columns corresponding to the effects containing  $F$ , the resulting matrix is a Type IV hypothesis matrix for effect  $F$ . If there are columns corresponding to the effects containing  $F$ , the following step is needed.
3. First, notice that each column corresponding to effect  $F$  represents a level in  $F$ . Moreover, the values in these columns can be viewed as the coefficients of a contrast for comparing different levels in  $F$ . For each row, the values of the columns corresponding to the effects that contain  $F$  are based on the values in that contrast. The final hypothesis matrix  $\mathbf{L}$  consists of rows with nonzero columns corresponding to effect  $A$ . For each row with nonzero columns corresponding to effect  $F$ :
  - a) If the value of any column (or level) corresponding to effect  $F$  is 0, set to 0 all values of columns corresponding to effects containing  $F$  and involving that level of  $F$ .
  - b) For columns (or levels) of  $F$  that have nonzero values, count the number of times that those levels occur in one or more common levels of the other effects. This count will be based on the availability of the nonmissing cells in the data. Then set each column corresponding to an effect that contains  $F$  and involves that level of  $F$  to the value of the column that corresponds to that level of  $F$  divided by the count.
  - c) If any value of the column corresponding to an effect that contains  $F$  and involves a level (column) of  $F$  is undetermined, while the value for that level (column) of  $F$  is nonzero, set the value to 0 and claim that the hypothesis matrix created may not be unique.

### **Calculating the Sum of Squares**

Once a hypothesis matrix is constructed, the corresponding sum of squares can be calculated by  $(\mathbf{L}\hat{\mathbf{B}})'(\mathbf{LGL}')^*\mathbf{L}\hat{\mathbf{B}}$ . The corresponding degrees of freedom for this test is the row rank of the hypothesis matrix.

# Distribution and Special Functions

The functions described in this appendix are used in more than one procedure. They are grouped into the following categories:

- **Continuous Distributions.** Beta, Cauchy, chi-square, exponential, F, gamma, Laplace, logistic, lognormal, normal, noncentral beta, noncentral chi-square, noncentral F, noncentral Student's t, Pareto, Student's t, uniform, and Weibull
- **Discrete Distributions.** Bernoulli, binomial, geometric, hypergeometric, negative binomial, and Poisson
- **Special Functions.** Gamma function, beta function, incomplete gamma function (ratio), incomplete beta function (ratio), and standard normal function

## Notation

The following notation is used throughout this chapter unless otherwise stated:

Table I-1

Notation

Notation	Description
$f(x)$	Density function of continuous random variable $X$ or probability mass function of discrete random variable $X$
$F(x)$	Cumulative distribution function of continuous or discrete variable $X$
$F^{-1}(x)$	Inverse cumulative distribution function of $X$

## Continuous Distributions

These are functions of a single scale variable.

### Beta

The beta distribution takes values in the range  $0 < x < 1$  and has two shape parameters,  $\alpha$  and  $\beta$ . Both  $\alpha$  and  $\beta$  must be positive, and they have the property that the mean of the distribution is  $\alpha/(\alpha+\beta)$ .

**Common uses.** The beta distribution is used in Bayesian analyses as a conjugate to the binomial distribution.

**Functions.** The CDF, IDF, PDF, NCDF, NPDF, and RV functions are available.

The beta distribution has PDF, CDF, and IDF

$$f(x; \alpha, \beta) = \frac{1}{\mathbf{B}(\alpha, \beta)} x^{\alpha-1} (1-x)^{\beta-1}$$

$$F(x; \alpha, \beta) = \mathbf{IB}(x; \alpha, \beta)$$

$$F^{-1}(p; \alpha, \beta) = \mathbf{IB}^{-1}(p; \alpha, \beta)$$

where  $\mathbf{B}(a, b) = \int_0^1 x^{a-1}(1-x)^{b-1} dx$  is the beta function and

$\mathbf{IB}(x; a, b) = \int_0^x \frac{1}{\mathbf{B}(a, b)} t^{a-1}(1-t)^{b-1} dt$  is the incomplete beta function.

**Relationship to other distributions.**

- When  $\alpha=\beta=1$ , the beta( $\alpha, \beta$ ) distribution is equivalent to the uniform(0,1) distribution.
- The beta( $\alpha, \beta$ ) distribution is the distribution of  $X/(X+Y)$  where  $X$  and  $Y$  are variables that have chi-square distributions with degrees of freedom parameters  $2\alpha$  and  $2\beta$ , respectively.

Random Number Generation

**Special case** ( $a=1$  or  $b=1$ )

1. Generate  $U$  from Uniform(0,1).
2. If  $a=1$ , set  $X = 1 - (1 - U)^{1/b}$ .
3. If  $b=1$ , set  $X = U^{1/a}$ .
4. If both  $a=1$  and  $b=1$ , set  $X=U$ .

**Algorithm BN due to Ahrens and Dieter (1974)** for  $a > 1$  and  $b > 1$

1. Set  $e = a - 1, f = b - 1, c = e + f, g = c \ln(c), u = e/c$ , and  $s=0.5/\sqrt{c}$ .
2. Generate  $Y$  from  $N(0,1)$  and set  $X = sY + u$ .
3. If  $X < 0$  or  $X > 1$ , go to step 2.
4. Generate  $U$  from Uniform(0,1).
5. If  $\ln(U) \leq (e \ln(X/e) + f \ln((1-X)/f) + g + 0.5Y^2)$ , finish; otherwise go to step 2.

**References.** CDF: AS 63 (1973); ICDF: AS 64 (1973) and AS 109 (1977); RV: AS 134 (1979), (Ahrens and Dieter, 1974), and (Cheng, 1978). (See the Algorithm Index and References.)

## Bivariate Normal

The bivariate normal distribution takes real values and has one correlation parameter,  $\rho$ , which must be between  $-1$  and  $1$ , inclusive.

**Functions.** The CDF and PDF functions are available and require two quantiles,  $x_1$  and  $x_2$ .

The bivariate normal distribution has PDF

$$f(x_1, x_2; \rho) = \frac{1}{2\pi(1-\rho^2)^{1/2}} \exp\left(\frac{-1}{2(1-\rho^2)}(x_1^2 - 2\rho x_1 x_2 + x_2^2)\right)$$

The CDF does not have a closed form and is computed by approximation.

**Relationship to other distributions.**

- Two variables with a bivariate normal( $\rho$ ) distribution with correlation  $\rho$  have marginal normal distributions with a mean of 0 and a standard deviation of 1.

Numerical algorithms for computing the CDF are described in the references.

**References.** AS 462 (1973) and AS 195. (See the Algorithm Index and References.)

**Cauchy**

The Cauchy distribution takes real values and has a location parameter,  $\theta$ , and a scale parameter,  $\varsigma$ ;  $\varsigma$  must be positive. The Cauchy distribution is symmetric about the location parameter, but has such slowly decaying tails that the distribution does not have a computable mean.

**Functions.** The CDF, IDF, PDF, and RV functions are

available. The Cauchy distribution has PDF, CDF, and IDF

$$f(x; \theta, \varsigma) = \frac{1}{\pi \varsigma} \left( 1 + \left( \frac{x - \theta}{\varsigma} \right)^2 \right)^{-1}$$

$$F(x; \theta, \varsigma) = \frac{1}{2} + \frac{1}{\pi} \tan^{-1} \left( \frac{x - \theta}{\varsigma} \right)$$

$$F^{-1}(p; \theta, \varsigma) = \theta + \varsigma \tan(\pi(p - 1/2))$$

**Relationship to other distributions.**

- A “standardized” Cauchy variate,  $(x - \theta)/\varsigma$ , has a  $t$  distribution with 1 degree of freedom.

Random Number Generation

**Inverse CDF algorithm**

1. Generate  $U$  from Uniform(0,1).
2. Set  $X = a + b \tan(\pi(U - 1/2))$

**Chi-Square**

The chi-square( $\nu$ ) distribution takes values in the range  $x \geq 0$  and has one degrees of freedom parameter,  $\nu$ ; it must be positive and has the property that the mean of the distribution is  $\nu$ .

**Functions.** The CDF, IDF, PDF, RV, NCDF, NPDF, and SIG functions are available.

The chi-square distribution has PDF, CDF, and IDF

$$f(x; \nu) = \frac{1}{2^{\nu/2} \Gamma(\nu/2)} x^{(\nu/2)-1} e^{-x/2}$$

$$F(x; \nu) = \text{IG}\left(\frac{x}{2}, \frac{\nu}{2}\right)$$

$$F^{-1}(p; \nu) = 2IG^{-1}\left(p; \frac{\nu}{2}\right)$$

where  $\Gamma(a) = \int_0^{\infty} x^{a-1} e^{-x} dx$  is the gamma function and  $IG(a) = \int_0^x \frac{1}{\Gamma(a)} t^{a-1} e^{-t} dt$  is the incomplete gamma function.

**Relationship to other distributions.**

- The chi-square( $\nu$ ) distribution is the distribution of the sum of squares of  $\nu$  independent normal(0,1) random variates.
- The chi-square( $\nu$ ) distribution is equivalent to the gamma( $\nu/2, 1/2$ ) distribution.

Random Number Generation

Generate  $X$  from the Gamma( $a/2, 1/2$ ) distribution.

**References.** CDF: CACM 299 (1967); ICDF: AS 91 (1975), AS R85(1991), and CACM 451 (1973). (See the Algorithm Index and References.)

## Exponential

The exponential distribution takes values in the range  $x \geq 0$  and has one scale parameter,  $\beta$ , which must be greater than 0 and has the property that the mean of the distribution is  $1/\beta$ .

**Common uses.** In life testing, the scale parameter  $a$  represents the rate of decay.

**Functions.** The CDF, IDF, PDF, and RV functions are available.

The exponential distribution has PDF, CDF, and IDF

$$f(x; \beta) = \beta e^{-\beta x}$$

$$F(x; \beta) = 1 - e^{-\beta x}$$

$$F^{-1}(p; \beta) = -\frac{1}{\beta} \ln(1 - p)$$

**Relationship to other distributions.**

- The exponential( $\beta$ ) distribution is equivalent to the gamma(1, $\beta$ ) distribution.

Random Number Generation

**Inverse CDF algorithm**

Generate  $U$  from Uniform(0,1);  $X = -\ln(1 - U)/a$ .

## F

The F distribution takes values in the range  $x \geq 0$  and has two degrees of freedom parameters,  $\nu_1$  and  $\nu_2$ , which are the “numerator” and “denominator” degrees of freedom, respectively. Both  $\nu_1$  and  $\nu_2$  must be positive.

**Common uses.** The  $F$  distribution is commonly used to test hypotheses under the Gaussian assumption.

**Functions.** The CDF, IDF, PDF, RV, NCDF, NPDF, and SIG functions are available.

The  $F$  distribution has PDF, CDF, and IDF

$$f(x; \nu_1, \nu_2) = \frac{1}{\mathbf{B}(\nu_1/2, \nu_2/2)} \left(\frac{\nu_1}{\nu_2}\right)^{\nu_1/2} x^{(\nu_1/2)-1} \left(1 + \frac{\nu_1}{\nu_2}x\right)^{-(\nu_1+\nu_2)/2}$$

$$F(x; \nu_1, \nu_2) = \mathbf{IB}\left(\frac{\nu_1 x}{\nu_2 + \nu_1 x}; \frac{\nu_1}{2}, \frac{\nu_2}{2}\right)$$

$$F^{-1}(p; \nu_1, \nu_2) = \frac{\nu_2}{\nu_1} \left(\frac{\mathbf{IB}^{-1}(p; \nu_1/2, \nu_2/2)}{1 - \mathbf{IB}^{-1}(p; \nu_1/2, \nu_2/2)}\right)$$

where  $\mathbf{B}(a, b) = \int_0^1 x^{a-1} (1-x)^{b-1} dx$  is the beta function and

$\mathbf{IB}(x; a, b) = \int_0^x \frac{1}{\mathbf{B}(a, b)} t^{a-1} (1-t)^{b-1} dt$  is the incomplete beta function.

**Relationship to other distributions.**

- The  $F(\nu_1, \nu_2)$  distribution is the distribution of  $(X/\nu_1)/(Y/\nu_2)$ , where  $X$  and  $Y$  are independent chi-square random variates with  $\nu_1$  and  $\nu_2$  degrees of freedom, respectively.

Random Number Generation

**Using the chi-square distribution**

1. Generate  $Y$  and  $Z$  independently from chi-square( $a$ ) and chi-square( $b$ ), respectively.
2. Set  $X=(Y/a) / (Z/b)$ .

**References.** CDF: CACM 332 (1968). ICDF: use inverse of incomplete beta function. (See the Algorithm Index and References.)

## Gamma

The gamma distribution takes values in the range  $x \geq 0$  and has one shape parameter,  $\alpha$ , and one scale parameter,  $\beta$ . Both parameters must be positive and have the property that the mean of the distribution is  $\alpha/\beta$ .

**Common uses.** The gamma distribution is commonly used in queuing theory, inventory control, and precipitation processes.

**Functions.** The CDF, IDF, PDF, and RV functions are available.

The gamma distribution has PDF, CDF, and IDF

$$f(x; \alpha, \beta) = \frac{\beta^\alpha}{\Gamma(\alpha)} x^{\alpha-1} e^{-\beta x}$$

$$F(x; \alpha, \beta) = \mathbf{IG}(\beta x; \alpha)$$

$$F^{-1}(p; \alpha, \beta) = \frac{1}{\beta} \mathbf{IG}^{-1}(p; \alpha)$$

where  $\Gamma(a) = \int_0^{\infty} x^{a-1} e^{-x} dx$  is the gamma function and  $\mathbf{IG}(a) = \int_0^x \frac{1}{\Gamma(a)} t^{a-1} e^{-t} dt$  is the incomplete gamma function.

**Relationship to other distributions.**

- When  $\alpha=1$ , the gamma( $\alpha, \beta$ ) distribution reduces to the exponential( $\beta$ ) distribution.
- When  $\beta=1/2$ , the gamma( $\alpha, \beta$ ) distribution reduces to the chi-square( $2\alpha$ ) distribution.
- When  $\alpha$  is an integer, the gamma distribution is also known as the Erlang distribution.

Random Number Generation

**Special case**

If  $a = 1$  and  $b > 0$ , generate  $X$  from an exponential distribution with parameter  $b$ .

**Algorithm GS due to Ahrens and Dieter (1974)** for  $0 < a < 1$  and  $b=1$

1. Generate  $U$  from Uniform(0,1). Set  $c=(e+a)/e$ , where  $e=\exp(1)$ .
2. Set  $P=cU$ . If  $P>1$ , go to step 4.
3. ( $P \leq 1$ ) Set  $X = P^{1/a}$ . Generate  $V$  from Uniform(0,1). If  $V > \exp(-x)$ , go to step 1; otherwise finish.
4. ( $P > 1$ ) Set  $X = -\ln((c-P)/a)$ . If  $X < 0$ , go to step 1; otherwise go to step 5.
5. Generate  $V$  from Uniform(0,1). If  $V > X^{a-1}$ , go to step 1; otherwise finish.

**Algorithm due to Fishman (1976)** for  $a > 1$  and  $b=1$

1. Generate  $Y$  from Exponential (1).
2. Generate  $U$  from Uniform(0,1).
3. If  $\ln U \leq (a-1)(1-Y+\ln Y)$ ,  $X=aY$ ; otherwise go to Step 1.

**References.** CDF: AS 32 (1970) and AS 239 (1988); ICDF: Use the relationship between gamma and chi-square distributions. RV: (Ahrens et al., 1974), (Fishman, 1976), and (Tadikamalla, 1978). (See the Algorithm Index and References.)

## Half-normal

The half-normal distribution takes values in the range  $x \geq \mu$  and has one location parameter,  $\mu$ , and one scale parameter,  $\sigma$ . Parameter  $\sigma$  must be positive.

**Functions.** The CDF, IDF, PDF, and RV functions are available.

The half-normal distribution has PDF, CDF, and IDF

$$f(x; \mu, \sigma) = \phi\left(\frac{x-\mu}{\sigma}\right) / \sigma$$

$$F(x; \mu, \sigma) = 2\Phi\left(\frac{x-\mu}{\sigma}\right) - 1$$

$$F^{-1}(p; \mu, \sigma) = \mu + \sigma\Phi^{-1}\left(\frac{1+p}{2}\right)$$

**Relationship to other distributions.**

- If  $X$  has a normal( $\mu, \sigma$ ) distribution, then  $|X-\mu|$  has a half-normal( $\mu, \sigma$ ) distribution.

Random Number Generation

1. Generate  $X$  from a normal( $a, b$ ) distribution.
2. Then  $|X-a|$  has a half normal distribution.

**Inverse Gaussian**

The inverse Gaussian, or Wald, distribution takes values in the range  $x > 0$  and has two parameters,  $\mu$  and  $\lambda$ , both of which must be positive. The distribution has mean  $\mu$ .

**Common uses.** The inverse Gaussian distribution is commonly used to test hypotheses for model parameter estimates.

**Functions.** The CDF, IDF, PDF, and RV functions are available.

The inverse Gaussian distribution has PDF and CDF

$$f(x; \mu, \lambda) = \left(\frac{\lambda}{2\pi x^3}\right)^{1/2} \exp\left(-\frac{\lambda(x-\mu)^2}{2\mu^2 x}\right)$$

$$F(x; \mu, \lambda) = \Phi\left(\sqrt{\frac{\lambda}{x}}\left(-1 + \frac{x}{\mu}\right)\right) + e^{(2\lambda/\mu)}\Phi\left(-\sqrt{\frac{\lambda}{x}}\left(1 + \frac{x}{\mu}\right)\right)$$

The IDF is computed by approximation.

Inverse CDF Approximation

For the upper tail, an inverse Gaussian variable  $X$  can be approximated by

$$X = \alpha\chi_v^2 + \beta$$

where

$$\alpha = 3a^2/4b$$

$$\beta = a/3$$

$$v = 8b/9a$$

For the lower tail, one can use the approximation

$$X = (\alpha\chi_v^2 + \beta)^{-1}$$

where

$$\alpha = (3b + 8a) / [4b(b + 2a)]$$

$$\beta = (b + 3a) / [a(3b + 8a)]$$

$$v = 8(b + 2a)^3 / [a(8a + 3b)^2]$$

#### Random Number Generation

1. Generate a standard normal variate  $Z$ .
2. Let  $w = aZ^2$
3. Let  $x = a + \frac{a}{2b} \left( w - \sqrt{w(4b + w)} \right)$
4. Let  $p = a / (a + x)$
5. Then the inverse Gaussian variate will take value  $x$  with probability  $1 - p$  and value  $a^2/x$  with probability  $p$ .

**References.**(Mudholkar and Natarajan, 1999) and (Michael, Schucany, and Haas, 1976). (See the Algorithm Index and References.)

## Laplace

The Laplace distribution takes real values and has one location parameter,  $\mu$ , and one scale parameter,  $\beta$ . Parameter  $\beta$  must be positive. The distribution is symmetric about  $\mu$  and has exponentially decaying tails.

**Functions.** The CDF, IDF, PDF, and RV functions are available.

The Laplace distribution has PDF, CDF, and IDF

$$f(x; \mu, \beta) = \frac{1}{2\beta} e^{-|x-\mu|/\beta}$$

$$F(x; \mu, \beta) = \begin{cases} \frac{1}{2} e^{(x-\mu)/\beta} & x \leq \mu \\ 1 - \frac{1}{2} e^{(\mu-x)/\beta} & x > \mu \end{cases}$$

$$F^{-1}(p; \mu, \beta) = \begin{cases} \mu + \beta \ln(2p) & 0 \leq p \leq \frac{1}{2} \\ \mu - \beta \ln(2(1-p)) & \frac{1}{2} < p \leq 1 \end{cases}$$

#### Random Number Generation

##### Inverse CDF algorithm

1. Generate  $Y$  and  $U$  independently from Exponential( $1/b$ ) and Uniform(0,1), respectively.
2. If  $U \geq 0.5$ , set  $X = a + Y$ ; otherwise set  $X = a - Y$ .

## Logistic

The logistic distribution takes real values and has one location parameter,  $\mu$ , and one scale parameter,  $\varsigma$ . Parameter  $\varsigma$  must be positive. The distribution is symmetric about  $\mu$  and has longer tails than the normal distribution.

**Common uses.** The logistic distribution is used to model growth curves.

**Functions.** The CDF, IDF, PDF, and RV functions are available.

The logistic distribution has PDF, CDF, and IDF

$$f(x; \mu, \varsigma) = \frac{1}{\varsigma} e^{-(x-\mu)/\varsigma} (1 + e^{-(x-\mu)/\varsigma})^{-2}$$

$$F(x; \mu, \varsigma) = \frac{1}{1 + e^{-(x-\mu)/\varsigma}}$$

$$F^{-1}(p; \mu, \varsigma) = \mu + \varsigma \ln \left( \frac{p}{1-p} \right)$$

Random Number Generation

**Inverse CDF algorithm**

1. Generate  $U$  from Uniform(0,1).
2. Set  $X = a + b \ln(U/(1-U))$ .

## Lognormal

The lognormal distribution takes values in the range  $x \geq 0$  and has two parameters,  $\eta$  and  $\sigma$ , both of which must be positive.

**Common uses.** Lognormal is used in the distribution of particle sizes in aggregates, flood flows, concentrations of air contaminants, and failure time.

**Functions.** The CDF, IDF, PDF, and RV functions are available.

The lognormal distribution has PDF, CDF, and IDF

$$f(x; \eta, \sigma) = \frac{1}{x\sigma\sqrt{2\pi}} e^{-(\ln(x/\eta))^2/(2\sigma^2)}$$

$$F(x; \eta, \sigma) = \Phi \left( \frac{1}{\sigma} \ln \left( \frac{x}{\eta} \right) \right)$$

$$F^{-1}(p; \eta, \sigma) = \eta e^{\sigma \Phi^{-1}(p)}$$

**Relationship to other distributions.**

- If  $X$  has a lognormal( $\eta, \sigma$ ) distribution, then  $\ln(X)$  has a normal( $\ln(\eta), \sigma$ ) distribution.

Random Number Generation

**Inverse CDF algorithm**

1. Generate  $Z$  from  $N(0,1)$ .
2. Set  $X = a \exp(bZ)$ .

## Noncentral Beta

The noncentral beta distribution is a generalization of the beta distribution that takes values in the range  $0 < x < 1$  and has an extra noncentrality parameter,  $\lambda$ , which must be greater than or equal to 0.

### Functions.

The noncentral beta distribution has PDF, CDF, and IDF

$$f(x; \alpha, \beta, \lambda) = \sum_{j=0}^{\infty} \frac{1}{j!} \left(\frac{\lambda}{2}\right)^j e^{-\lambda/2} \frac{x^{\alpha+j-1} (1-x)^{\beta-1}}{\mathbf{B}(\alpha+j; \beta)}$$

$$F(x; \alpha, \beta, \lambda) = \sum_{j=0}^{\infty} \frac{1}{j!} \left(\frac{\lambda}{2}\right)^j e^{-\lambda/2} \mathbf{IB}(x; \alpha = j, \beta)$$

where  $\mathbf{B}(a, b) = \int_0^1 x^{a-1} (1-x)^{b-1} dx$  is the beta function and

$\mathbf{IB}(x; a, b) = \int_0^x \frac{1}{\mathbf{B}(a, b)} t^{a-1} (1-t)^{b-1} dt$  is the incomplete beta function.

### Relationship to other distributions.

- When  $\lambda$  equals 0, this distribution reduces to the beta distribution.
- The noncentral beta( $\alpha, \beta, \lambda$ ) distribution is the distribution of  $X/(X+Y)$  where  $X$  is a variable that has a noncentral chi-square( $2\alpha, \lambda$ ) distribution, and  $Y$  is a variable that has a central chi-square( $2\beta$ ) distribution.

**References.** CDF: (Abramowitz and Stegun, 1970) Chapter 26, AS 226 (1987), and AS R84 (1990). (See the Algorithm Index and References.)

## Noncentral Chi-Square

The noncentral chi-square distribution is a generalization of the chi-square distribution that takes values in the range  $x \geq 0$  and has an extra noncentrality parameter,  $\lambda$ , which must be greater than or equal to 0.

### Functions.

The noncentral chi-square distribution has PDF and CDF

$$f(x; \nu, \lambda) = \sum_{j=0}^{\infty} \frac{1}{j!} \left(\frac{\lambda}{2}\right)^j e^{-\lambda/2} \frac{x^{\nu/2+j-1} e^{-x/2}}{2^{\nu/2+j} \Gamma(\nu/2 + j)}$$

$$F(x; \nu, \lambda) = \sum_{j=0}^{\infty} \frac{1}{j!} \left(\frac{\lambda}{2}\right)^j e^{-\lambda/2} \mathbf{IG}\left(\frac{x}{2}; \frac{\nu}{2} + j\right)$$

where  $\Gamma(a) = \int_0^{\infty} x^{a-1} e^{-x} dx$  is the gamma function and  $\mathbf{IG}(x; a) = \int_0^x \frac{1}{\Gamma(a)} t^{a-1} e^{-t} dt$  is the incomplete gamma function.

**Relationship to other distributions.**

- When  $\lambda$  equals 0, this distribution reduces to the chi-square distribution.
- The noncentral chi-square( $\nu, \lambda$ ) distribution is the distribution of the sum of squares of  $\nu$  independent normal( $\mu_i, 1$ ) random variates. Then  $\lambda = \sum \mu_i^2$ .

**References.** CDF: (Abramowitz et al., 1970) Chapter 26, AS 170 (1981), AS 231 (1987). Density: AS 275 (1992). (See the Algorithm Index and References.)

## Noncentral F

The noncentral F distribution is a generalization of the F distribution that takes values in the range  $x \geq 0$  and has an extra noncentrality parameter,  $\lambda$ , which must be greater than or equal to 0.

**Functions.**

The noncentral  $F$  distribution has PDF and CDF

$$f(x; \nu_1, b, \lambda) = \sum_{j=0}^{\infty} \frac{1}{j!} \left(\frac{\lambda}{2}\right)^j e^{-\lambda/2} \frac{(\nu_1/b)^{\nu_1/2+j}}{\mathbf{B}(\nu_1/2+j, b/2)} x^{\nu_1/2+j-1} \left(1 + \frac{\nu_1}{b} x\right)^{-((\nu_1+b)/2+j)}$$

$$F(x; \nu_1, b, \lambda) = \sum_{j=0}^{\infty} \frac{1}{j!} \left(\frac{\lambda}{2}\right)^j e^{-\lambda/2} \mathbf{IB}\left(\frac{\nu_1 x}{b + \nu_1 x}; \frac{\nu_1}{2} + j, \frac{b}{2}\right)$$

where  $\mathbf{B}(a, b) = \int_0^1 x^{a-1} (1-x)^{b-1} dx$  is the beta function and

$\mathbf{IB}(x; a, b) = \int_0^x \frac{1}{\mathbf{B}(a, b)} t^{a-1} (1-t)^{b-1} dt$  is the incomplete beta function.

**Relationship to other distributions.**

- When  $\lambda$  equals 0, this distribution reduces to the  $F$  distribution.
- The noncentral  $F$  distribution is the distribution of  $(X/\nu_1)/(Y/\nu_2)$ , where  $X$  and  $Y$  are independent variates with noncentral chi-square( $\nu_1, \lambda$ ) and central chi-square( $\nu_2$ ) distributions, respectively.

**References.** CDF: (Abramowitz et al., 1970) Chapter 26. (See the Algorithm Index and References.)

## Noncentral Student's $t$

The noncentral  $t$  distribution is a generalization of the  $t$  distribution that takes real values and has an extra noncentrality parameter,  $\lambda$ , which must be greater than or equal to 0. When  $\lambda$  equals 0, this distribution reduces to the  $t$  distribution.

### Functions.

The noncentral  $t$  distribution has PDF and CDF

$$f(x; \nu, \lambda) = \sum_{j=0}^{\infty} \frac{1}{j!} (\lambda\sqrt{2})^j e^{-\lambda^2/2} \frac{\Gamma((\nu+j+1)/2)}{\Gamma(\nu/2)\Gamma(1/2)} \frac{x^j}{\nu^{(j+1)/2}} \left(1 + \frac{x^2}{\nu}\right)^{-(\nu+j+1)/2}$$

$$F(x; \nu, \lambda) = \begin{cases} \frac{1}{2} \sum_{j=0}^{\infty} \frac{1}{j!} (-\lambda\sqrt{2})^j e^{-\lambda^2/2} \frac{\Gamma((j+1)/2)}{\Gamma(1/2)} \text{IB}\left(\frac{\nu}{\nu+x^2}; \frac{\nu}{2}, \frac{j+1}{2}\right) & x \leq 0 \\ 1 - \frac{1}{2} \sum_{j=0}^{\infty} \frac{1}{j!} (\lambda\sqrt{2})^j e^{-\lambda^2/2} \frac{\Gamma((j+1)/2)}{\Gamma(1/2)} \text{IB}\left(\frac{\nu}{\nu+x^2}; \frac{\nu}{2}, \frac{j+1}{2}\right) & x > 0 \end{cases}$$

where  $\text{B}(a, b) = \int_0^1 x^{a-1} (1-x)^{b-1} dx$  is the beta function and

$\text{IB}(x; a, b) = \int_0^x \frac{1}{\text{B}(a, b)} t^{a-1} (1-t)^{b-1} dt$  is the incomplete beta function.

### Relationship to other distributions.

- The noncentral  $t(\nu, \lambda)$  distribution is the distribution of  $X/Y$ , where  $X$  is a normal( $\lambda, 1$ ) variate and  $Y$  is a central chi-square( $\nu$ ) variate divided by  $\nu$ .

### Special case

$$F(0) = 1 - \Phi(c)$$

**References.** CDF: (Abramowitz et al., 1970) Chapter 26, AS 5 (1968), AS 76 (1974), and AS 243 (1989). (See the Algorithm Index and References.)

## Normal

The normal, or Gaussian, distribution takes real values and has one location parameter,  $\mu$ , and one scale parameter,  $\sigma$ . Parameter  $\sigma$  must be positive. The distribution has mean  $\mu$  and standard deviation  $\sigma$ .

**Functions.** The CDF, IDF, PDF, and RV functions are available.

The normal distribution has PDF, CDF, and IDF

$$f(x; \mu, \sigma) = \frac{1}{\sigma\sqrt{2\pi}} e^{-(x-\mu)^2/(2\sigma^2)}$$

$$F(x; \mu, \sigma) = \Phi\left(\frac{x-\mu}{\sigma}\right)$$

$$F^{-1}(p; \mu, \sigma) = \mu + \sigma\Phi^{-1}(p)$$

**Relationship to other distributions.**

- If  $X$  has a normal( $\mu, \sigma$ ) distribution, then  $\exp(X)$  has a normal( $\exp(\mu), \sigma$ ) distribution.

For  $\Phi$  and  $\Phi^{-1}$ , see “Standard Normal”

Random Number Generation

**Kinderman and Ramage (1976) method**

1. Generate as  $X=a+bz$ , where  $z$  is an  $N(0,1)$  random number.

**References.** CDF: AS 66 (1973); ICDF: AS 111 (1977) and AS 241 (1988); RV: CACM 488 (1974) and (Kinderman and Ramage, 1976). (See the Algorithm Index and References.)

**Pareto**

The Pareto distribution takes values in the range  $x_{\min} < x$  and has a threshold parameter,  $x_{\min}$ , and a shape parameter,  $\alpha$ . Both parameters must be positive.

**Common uses.** Pareto is commonly used in economics as a model for a density function with a slowly decaying tail.

**Functions.** The CDF, IDF, PDF, and RV functions are available.

The Pareto distribution has PDF, CDF, and IDF

$$f(x; x_{\min}, \alpha) = \frac{\alpha}{x_{\min}} \left( \frac{x_{\min}}{x} \right)^{\alpha+1}$$

$$F(x; x_{\min}, \alpha) = 1 - \left( \frac{x_{\min}}{x} \right)^{\alpha}$$

$$F^{-1}(p; x_{\min}, \alpha) = x_{\min} (1 - p)^{-1/\alpha}$$

Random Number Generation

**Inverse CDF**

1. Generate  $U$  from Uniform(0,1).
2. Set  $X = a(1 - U)^{-1/b}$ .

**Studentized Maximum Modulus**

The Studentized maximum modulus distribution takes values in the range  $x > 0$  and has a number of comparisons parameter,  $k^*$ , and degrees of freedom parameter,  $v$ , both of which must be greater than or equal to 1.

**Common uses.** The Studentized maximum modulus is commonly used in post hoc multiple comparisons for GLM and ANOVA.

**Functions.** The CDF and IDF functions are available, and are computed by approximation.

The Studentized maximum modulus distribution has CDF

$$F(x) = \int_0^{\infty} [2\Phi(xu) - 1]^{k*} dg_{\nu}(u)$$

where  $\phi(\cdot)$  and  $\Phi(\cdot)$  are the PDF and CDF of the standard normal distribution and

$$dg_{\nu}(u) = \frac{\nu^{\nu/2}}{\Gamma(\frac{\nu}{2})^2} u^{\nu-1} \exp(-\nu u^2/2) du$$

The IDF does not have a closed form. The CDF can be computed by using numerical integration. The inverse CDF can be found by solving  $F(x) = p$  numerically for given  $p$ .

## Studentized Range

The Studentized range distribution takes values in the range  $x > 0$  and has a number of samples parameter,  $k$ , and degrees of freedom parameter,  $\nu$ , both of which must be greater than or equal to 1.

**Common uses.** The Studentized range is commonly used in post hoc multiple comparisons for GLM and ANOVA.

**Functions.** The CDF and IDF functions are available, and are computed by approximation.

The Studentized range distribution has CDF

$$F(x) = \int_0^{\infty} \int_{-\infty}^{\infty} a\phi(t) [\Phi(t) - \Phi(t - xu)]^{k-1} dt dg_{\nu}(u)$$

where  $\phi(\cdot)$  and  $\Phi(\cdot)$  are the PDF and CDF of the standard normal distribution and

$$dg_{\nu}(u) = \frac{\nu^{\nu/2}}{\Gamma(\frac{\nu}{2})^2} u^{\nu-1} \exp(-\nu u^2/2) du$$

The IDF does not have a closed form. Both the CDF and IDF have to be computed numerically (see the following references).

**References.** AS 190, plus correction and remark. (See the Algorithm Index and References.)

## Student's $t$

The Student  $t$  distribution takes real values and has one degrees of freedom parameter,  $\nu$ , which must be positive. The Student  $t$  distribution is symmetric about 0.

**Common uses.** The major uses of the Student  $t$  distribution are to test hypotheses and construct confidence intervals for means of data.

**Functions.** The CDF, IDF, PDF, RV, NCDF, and NPDF functions are available.

The  $t$  distribution has PDF, CDF, and IDF

$$f(x; \nu) = \frac{1}{\sqrt{\nu} \mathbf{B}(\nu/2, 1/2)} \left(1 + \frac{x^2}{\nu}\right)^{-(\nu+1)/2}$$

$$F(x; \nu) = \begin{cases} \frac{1}{2} \mathbf{IB}\left(\frac{\nu}{\nu+x^2}; \frac{\nu}{2}, \frac{1}{2}\right) & x \leq 0 \\ 1 - \frac{1}{2} \mathbf{IB}\left(\frac{\nu}{\nu+x^2}; \frac{\nu}{2}, \frac{1}{2}\right) & x > 0 \end{cases}$$

$$F^{-1}(p; \nu) = \begin{cases} -\sqrt{\nu(1/(\mathbf{IB}^{-1}(2p; \frac{\nu}{2}, \frac{1}{2})) - 1)} & 0 \leq p \leq \frac{1}{2} \\ \sqrt{\nu(1/(\mathbf{IB}^{-1}(2(1-p); \frac{\nu}{2}, \frac{1}{2})) - 1)} & \frac{1}{2} < p \leq 1 \end{cases}$$

where  $\mathbf{B}(a, b) = \int_0^1 x^{a-1}(1-x)^{b-1} dx$  is the beta function and

$\mathbf{IB}(x; a, b) = \int_0^x \frac{1}{\mathbf{B}(a, b)} t^{a-1}(1-t)^{b-1} dt$  is the incomplete beta function.

**Relationship to other distributions.**

- The  $t(\nu)$  distribution is the distribution of  $X/Y$ , where  $X$  is a normal(0,1) variate and  $Y$  is a chi-square( $\nu$ ) variate divided by  $\nu$ .
- The square of a  $t(\nu)$  variate has an  $F(1, \nu)$  distribution.
- The  $t(\nu)$  distribution approaches the normal(0,1) distribution as  $\nu$  approaches infinity.

Random Number Generation

**Special case**

If  $a=1$ , generate  $X$  from a Cauchy (0, 1) distribution.

**Using the normal and the chi-square distributions**

1. Generate  $Z$  from  $N(0,1)$  and  $V$  from Chi-square( $a$ ) independently.
2. Set  $X = Z/\sqrt{V/a}$ .

**References.** CDF: AS 3 (1968), AS 27 (1970), and CACM 395 (1970); ICDF: CACM 396 (1970).

(See the Algorithm Index and References.)

**Uniform**

The uniform distribution takes values in the range  $a < x < b$  and has a minimum value parameter,  $a$ , and a maximum value parameter,  $b$ .

**Functions.** The CDF, IDF, PDF, and RV functions are available.

The uniform distribution has PDF, CDF, and IDF

$$f(x; a, b) = \frac{1}{b-a}$$

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$$F(x; a, b) = \frac{x-a}{b-a}$$

$$F^{-1}(p; a, b) = a + (b - a)p$$

Random Number Generation

#### **Inverse CDF algorithm**

1. Generate  $U$  from Uniform(0,1).
2. Set  $X = a + (b - a)U$ .

**References.** Uniform of (0,1) is generated by the method in (Schrage, 1979).

## **Weibull**

The Weibull distribution takes values in the range  $x \geq 0$  and has one scale parameter,  $\beta$ , and one shape parameter,  $\alpha$ , both of which must be positive.

**Common uses.** The Weibull distribution is commonly used in survival analysis.

**Functions.** The CDF, IDF, PDF, and RV functions are available.

The Weibull distribution has PDF, CDF, and IDF

$$f(x; \beta, \alpha) = \frac{\alpha}{\beta} \left(\frac{x}{\beta}\right)^{\alpha-1} e^{-(x/\beta)^\alpha}$$

$$F(x; \beta, \alpha) = 1 - e^{-(x/\beta)^\alpha}$$

$$F^{-1}(p; \beta, \alpha) = \beta(-\ln(1 - p))^{1/\alpha}$$

**Relationship to other distributions.**

- A Weibull( $\beta, 1$ ) distribution is equivalent to an exponential( $\beta$ ) distribution.

Random Number Generation

#### **Inverse CDF algorithm**

1. Generate  $U$  from Uniform(0,1).
2. Set  $X = \beta(-\ln(1 - U))^{1/\alpha}$

## **Discrete Distributions**

These are functions of a single variable that takes integer values.

## Bernoulli

The Bernoulli distribution takes values 0 or 1 and has one success probability parameter,  $\theta$ , which must be between 0 and 1, inclusive.

**Functions.** The CDF, PDF, and RV functions are available.

The Bernoulli distribution has PDF and CDF

$$f(x; \theta) = \theta^x (1 - \theta)^{1-x}$$

$$F(x; \theta) = \begin{cases} 1 - \theta & x = 0 \\ 1 & x = 1 \end{cases}$$

**Relationship to other distributions.**

- The Bernoulli distribution is a special case of the binomial distribution and is used in simple success-failure experiments.

Random Number Generation

**Special case**

If  $a=0$ ,  $X=0$ . If  $a=1$ ,  $X=1$ .

**Direct algorithm** for  $0 < a < 1$

1. Generate  $U$  from Uniform(0,1).
2. Set  $X=1$  if  $U \leq a$  (a success) and  $X=0$  if  $U > a$  (a failure).

## Binomial

The binomial distribution takes integer values  $0 \leq x \leq n$ , representing the number of successes in  $n$  trials, and has one number of trials parameter,  $n$ , and one success probability parameter,  $\theta$ . Parameter  $n$  must be a positive integer and parameter  $\theta$  must be between 0 and 1, inclusive.

**Common uses.** The binomial distribution is used in independently replicated success-failure experiments.

**Functions.** The CDF, PDF, and RV functions are available.

The binomial distribution has PDF and CDF

$$f(x; n, \theta) = \binom{n}{x} \theta^x (1 - \theta)^{n-x}$$

$$F(x; n, \theta) = \begin{cases} 1 - \mathbf{IB}(\theta; x + 1, n - x) & x = 0, 1, \dots, n - 1 \\ 1 & x = n \end{cases}$$

where  $\mathbf{IB}(x; a, b) = \int_0^x \frac{1}{\mathbf{B}(a, b)} t^{a-1} (1-t)^{b-1} dt$  is the incomplete beta function.

Random Number Generation

**Special case**

If  $b = 0$ ,  $X = 0$ . If  $b = 1$ ,  $X = a$ .

**Algorithm BB due to Ahrens and Dieter (1974)** for  $0 < b < 1$

1. Set  $c = a$ ,  $d = b$ ,  $k = 0$ ,  $y = 0$ , and  $h = 1$ .
2. If  $c < 40$ , generate  $J$  from Binomial( $c, d$ ) using algorithm BU.  $X = k + J$ .
3. If  $c$  is odd, go to step 4. If  $c$  is even, set  $c = c - 1$  and generate  $U$  from Uniform(0,1). If  $U \leq d$ , set  $k = k + 1$ .
4. Set  $s = (c + 1)/2$  and generate  $S$  from Beta( $s, s$ ). Set  $G = hs$  and  $Z = y + G$ .
5. If  $Z \leq b$ , set  $y = Z$ ,  $h = h - d$ ,  $d = (b - Z)/h$ , and  $k = k + s$ ; otherwise set  $h = G$  and  $d = (b - y)/h$ .
6. Set  $c = s - 1$  and go to step 2.

Computation time for algorithm BB is  $O(\log a)$ .

**References.** RV: (Ahrens et al., 1974).

## Geometric

The geometric distribution takes integer values  $x \geq 1$ , representing the number of trials needed (including the last trial) before a success is observed, and has one success probability parameter,  $\theta$ , which must be between 0 and 1, inclusive.

**Functions.** The CDF, PDF, and RV functions are available.

The geometric distribution has PDF and CDF

$$f(x; \theta) = \theta(1 - \theta)^{x-1}$$

$$F(x; \theta) = 1 - (1 - \theta)^x$$

**Relationship to other distributions.**

- The geometric( $\theta$ ) distribution is equivalent to the negative binomial (1, $\theta$ ) distribution.

Random Number Generation

**Special case**

If  $a = 1$ ,  $X = 1$ .

**Direct algorithm** for  $0 < a < 1$

1. Set  $X = 1$ .
2. Generate  $U$  from Uniform(0,1).

3. If  $U > a$ , set  $X = X + 1$  and go to step 2; otherwise finish.

## Hypergeometric

The hypergeometric distribution takes integer values in the range  $\max(0, Np + n - N) \leq x \leq \min(Np, n)$ , and has three parameters,  $N$ ,  $n$ , and  $Np$ , where  $N$  is the total number of objects in an urn model,  $n$  is the number of objects randomly drawn without replacement from the urn,  $Np$  is the number of objects with a given characteristic, and  $x$  is the number of objects with the given characteristic observed out of the withdrawn objects. All three parameters are positive integers, and both  $n$  and  $Np$  must be less than or equal to  $N$ .

**Functions.** The CDF, PDF, and RV functions are available.

The hypergeometric distribution has PDF and CDF

$$f(x; N, n, Np) = \frac{\binom{Np}{x} \binom{N - Np}{n - x}}{\binom{N}{n}}$$

$$F(x; N, n, Np) = \sum_{k=\max(0, n+Np-N)}^x \text{Prob}(X=k)$$

Random Number Generation

### Special case

If  $b = a$ ,  $X = c$ . If  $c = a$ ,  $X = b$ .

### Direct algorithm

1. (Initialization)  $X = 0$ ,  $g = c$ ,  $h = b$ ,  $t = a$ .
2. Do the following loop exactly  $b$  times:
 

Begin Loop

  - i. Generate  $U$  from Uniform(0,1).
  - ii. If  $U \leq (g/t)$ , set  $X = X + 1$ ,  $g = g - 1$ , else  $h = h - 1$ .
  - iii. If  $g = 0$ , go to step 3.
  - iv. If  $h = 0$ , set  $X = X + b - i$ , where  $i$  (from 1 to  $b$ ) is the loop index. Go to step 3.
  - v. Set  $t = t - 1$ .

End Loop
3. Finish.

**References.** CDF: AS 152 (1989), AS R77 (1989), and AS R86 (1991). (See the “Algorithm Index” and “References”)

## Negative Binomial

The negative binomial distribution takes integer values in the range  $x \geq r$ , where  $x$  is the number of trials needed (including the last trial) before  $r$  successes are observed, and has one threshold parameter,  $r$ , and one success probability parameter,  $\theta$ . Parameter  $r$  must be a positive integer and parameter  $\theta$  must be greater than 0 and less than or equal to 1.

**Functions.** The CDF, PDF, and RV functions are available.

The negative binomial distribution has PDF and CDF

$$f(x; r, \theta) = \binom{x-1}{r-1} \theta^r (1-\theta)^{x-r}$$

$$F(x; r, \theta) = \text{IB}(\theta; r, x - r + 1)$$

where  $\text{IB}(x; a, b) = \int_0^x \frac{1}{\text{B}(a, b)} t^{a-1} (1-t)^{b-1} dt$  is the incomplete beta function.

**Relationship to other distributions.**

- The negative binomial(1,  $\theta$ ) distribution is equivalent to the geometric( $\theta$ ) distribution.

Random Number Generation

**Special case**

If  $b=1$ ,  $X=a$ .

**Direct algorithm**

1. Generate  $G$  from Gamma( $a$ ,  $b/(1-b)$ ).
2. If  $G=0$ , go to step 1. Otherwise generate  $P$  from Poisson ( $G$ ).
3. Compute  $X=P+a$ .

## Poisson

The Poisson distribution takes integer values in the range  $x \geq 0$  and has one rate or mean parameter,  $\lambda$ . Parameter  $\lambda$  must be positive.

**Common uses.** The Poisson distribution is used in modeling the distribution of counts, such as traffic counts and insect counts.

**Functions.** The CDF, PDF, and RV functions are

available. The Poisson distribution has PDF and CDF

$$f(x; \lambda) = \frac{\lambda^x}{x!} e^{-\lambda}$$

$$F(x; \lambda) = 1 - \text{IG}(\lambda; x+1)$$

where  $IG(x; a) = \int_0^x \frac{1}{\Gamma(a)} t^{a-1} e^{-t} dt$  is the incomplete gamma function.

Random Number Generation

**Algorithm PG due to Ahrens and Dieter (1974)**

1. (Initialization) Set  $X=0$  and  $w=a$ .
2. If  $w > 16$ , go to step 6.
3. Set  $c = \exp(-w)$  and  $p=1$ .
4. Generate  $U$  from Uniform(0,1). Set  $p=pU$ .
5. If  $p < c$ , continue with step 6; otherwise set  $X=X+1$  and go to step 4.
6. Set  $n = \lceil 7w/8 \rceil$ . Generate  $G$  from Gamma( $n, 1$ ).
7. If  $G > w$ , generate  $Y$  from Binomial( $n-1, w/G$ ), set  $X=X+Y$ .
8. If  $G \leq w$ , set  $X = X + n, w = w - G$ , and go to step 2.

**Notes.**  $[y]$  means the integer part of  $y$ .

Steps 3 to 5 of Algorithm PG are in fact the direct algorithm.

**References.** RV: (Ahrens et al., 1974).

## Special Functions

These are not distribution functions, but are used in the functional definition of one or more distributions.

### Gamma Function

$$\Gamma(a) = \int_0^\infty x^{a-1} e^{-x} dx \quad a > 0$$

The gamma function has the following properties:

- $\Gamma(1) = 1$
- $\Gamma(1/2) = \sqrt{\pi}$
- $\Gamma(a) = (a - 1)\Gamma(a - 1) \quad a > 1$
- $\Gamma(a) = (a - 1)!$  when  $a$  is a positive integer

**Note.** Since  $\Gamma(a)$  can be very large even for a moderate value of  $a$ , the (natural) logarithm of  $\Gamma(a)$  is computed instead.

**References.** The  $\ln(\Gamma(a))$  function: CACM 291 (1966) and AS 245 (1989). (See the “Algorithm Index” and “References”)

## Beta Function

$$B(a, b) = \int_0^1 x^{a-1}(1-x)^{b-1} dx \quad a > 0, b > 0$$

The beta function has the following properties:

- $B(a, 1) = 1/a$
- $B\left(\frac{1}{2}, \frac{1}{2}\right) = \pi$
- $B(a, b) = \Gamma(a)\Gamma(b)/\Gamma(a+b)$
- $B(b, a) = B(a, b)$
- $B(a, b) = (b-1)B(a+1, b-1)/a$
- $B(a, b) = (a+b)B(a+1, b)/a$

**Note.** Usually,  $B(x, y)$  is calculated as:

$$B(x, y) = \exp(\ln(\Gamma(x)) + \ln(\Gamma(y)) - \ln(\Gamma(x+y)))$$

## Incomplete Gamma Function (Ratio)

$$IG(x; a) = \int_0^x \frac{1}{\Gamma(a)} t^{a-1} e^{-t} dt \quad x \geq 0$$
$$x_p = IG^{-1}(p; a) \Leftrightarrow p = IG(x_p; a) \quad 0 \leq p \leq 1$$

for  $a > 0$

The incomplete gamma function has the following properties:

- $IG(x; 1) = 1 - e^{-x}$
- Using integration by parts, for  $a > 1$

$$IG(x; a) = \frac{1}{\Gamma(a+1)} x^a e^{-x} + IG(x; a+1)$$

**Note.**  $IG^{-1}(1, a) = \infty$ .

**References.** AS 32 (1970), AS 147 (1980), and AS 239 (1988). (See the “Algorithm Index” and “References”)

## Incomplete Beta Function (Ratio)

$$IB(x; a, b) = \int_0^x \frac{1}{B(a, b)} t^{a-1}(1-t)^{b-1} dt \quad 0 \leq x \leq 1$$
$$x_p = IB^{-1}(p; a, b) \Leftrightarrow p = IB(x_p; a, b) \quad 0 \leq p \leq 1$$

for  $a > 0$  and  $b > 0$

The incomplete beta function has the following properties:

- $IB(x; a, 1) = x^a$
- Using the transformation  $t = \sin^2 \theta$ , we get  $IB\left(x; \frac{1}{2}, \frac{1}{2}\right) = \frac{2}{\pi} \sin^{-1} \sqrt{x}$

- $\text{IB}(x; a, b) = 1 - (1 - x; b, a)$
- Using integration by parts, we get, for  $b > 1$ ,  

$$\text{IB}(x; a, b) = \frac{\Gamma(a+b)}{\Gamma(a)\Gamma(b)} x^a (1-x)^{b-1} + \text{IB}(x; a+1, b-1)$$
- Using the fact that  $\frac{d}{dx} x^a (1-x)^b = ax^{a-1}(1-x)^b - (a+b)x^a(1-x)^{b-1}$  we have  

$$\text{IB}(x; a, b) = \frac{\Gamma(a+b)}{\Gamma(a+1)\Gamma(b)} x^a (1-x)^b + \text{IB}(x; a+1, b)$$

**References.** AS 63 (1973); Inverse: AS 64 (1973), AS 109 (1977). (See the “Algorithm Index” and “References”)

### **Standard Normal**

$$\Phi(x) = \int_{-\infty}^x \frac{1}{\sqrt{2\pi}} e^{-u^2/2} du \quad -\infty < x < \infty$$

$$x_p = \Phi^{-1}(p) \Leftrightarrow \Phi(x) = p$$

For  $\Phi^{-1}$ , the Abramowitz and Stegun method is used.

**References.** AS 66 (1973); Inverse: AS 111 (1977) and AS 241 (1988). See (Patel and Read, 1982) for related distributions, and see the “Algorithm Index” and “References”.

### **Algorithm Index**

- AS 3: (Cooper, 1968)a
- AS 5: (Cooper, 1968)b
- AS 27: (Taylor, 1970)
- AS 32: (Bhattacharjee, 1970)
- AS 63: (Majumder and Bhattacharjee, 1973)a
- AS 64: (Majumder and Bhattacharjee, 1973)b

- AS 66: (Hill, 1973)
- AS 76: (Young and Minder, 1974)
- AS 91: (Best and Roberts, 1975)
- AS 109: (Cran, Martin, and Thomas, 1977)
- AS 111: (Beasley and Springer, 1977)
- AS 134: (Atkinson and Whittaker, 1979)
- AS 147: (Lau, 1980)
- AS 152: (Lund, 1980)
- AS 170: (Narula and Desu, 1981)
- AS 190: (Lund and Lund, 1983) , Correction (Lund and Lund, 1985), Remark (Royston, 1987)
- AS 195: (Schervish, 1984)
- AS 226: (Lenth, 1987)
- AS 231: (Farebrother, 1987)
- AS 239: (Shea, 1988)
- AS 241: (Wichura, 1988)
- AS 243: (Lenth, 1989)
- AS 245: (Macleod, 1989)
- AS 275: (Ding, 1992)
- AS 462: (Donnelly, 1973)
- AS R85: Shea (1991)
- CACM 291: (Pike and Hill, 1966)
- CACM 299: (Hill and Pike, 1967)
- CACM 332: (Dorrer, 1968)
- CACM 395: (Hill, 1970)a
- CACM 396: (Hill, 1970)b

CACM 451: (Goldstein, 1973)

CACM 488: (Brent, 1974)

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# Box's $M$ Test

Box's  $M$  statistic is used to test for homogeneity of covariance matrices. The  $j$ th set of  $r$  dependent variables in the  $i$ th cell are  $y'_{ij} = x'_{ij}\mathbf{B} + e'_{ij}$  where  $e_{ij} \sim N_r(0, w_{ij}^{-1}\Sigma_i)$  for  $i=1, \dots, g$  and  $j = 1, \dots, n_i$ . The null hypothesis of the test for homogeneity of covariance matrices is  $H_o : \Sigma_1 = \dots = \Sigma_g$ . Box (1949) derived a test statistic based on the likelihood-ratio test. The test statistic is called Box's  $M$  statistic. For moderate to small sample sizes, an  $F$  approximation is used to compute its significance.

Box's  $M$  statistic is not designed to be used in a linear model context; therefore the observed cell means are used in computing the statistic.

*Note:* Although Anderson (Anderson, 1958) mentioned that the population cell means can be expressed as linear combinations of parameters, he assumed that the combination coefficients are different for different cells, which is not the model assumed for GLM.

## Notation

The following notation is used throughout this chapter unless otherwise stated:

Table J-1

### Notation

Notation	Description
$g$	Number of cells with non-singular covariance matrices.
$n_i$	Number of cases in the $i$ th cell.
$n$	Total sample size, $n = n_1 + \dots + n_g$
$y_{ij}$	The $j$ th set of dependent variables in the $i$ th cell. A column vector of length $r$ .
$w_{ij}$	Regression weight associated with $y_{ij}$ . It is assumed $w_{ij} > 0$ .

## Means

$$\bar{y}_i = \sum_{j=1}^{n_i} y_{ij} / n_i$$

## Cell Covariance Matrix

$$S_i = \begin{cases} \sum_{j=1}^{n_i} w_{ij} (y_{ij} - \bar{y}_i)(y_{ij} - \bar{y}_i)' / (n_i - 1) & \text{if } n_i > 1 \\ \mathbf{0} & \text{if } n_i \leq 1 \end{cases}$$

## Pooled Covariance Matrix

$$S = \begin{cases} \sum_{i=1}^g (n_i - 1) S_i / (n - g) & \text{if } n > g \\ \mathbf{0} & \text{if } n \leq g \end{cases}$$

## Box's M Statistic

$$M = \begin{cases} (n-g) \log |\mathbf{S}| - \sum_{i=1}^g (n_i - 1) \log |\mathbf{S}_i| & \text{if } |\mathbf{S}| > 0 \\ \text{SYSMIS} & \text{if } |\mathbf{S}| \leq 0 \end{cases}$$

## Significance

$$1 - CDF.F(\gamma M, f_1, f_2)$$

where CDF.F is the IBM® SPSS® Statistics function for the cumulative  $F$  distribution and

$$\begin{aligned} f_1 &= (g-1)r(r+1)/2 \\ \rho &= 1 - \frac{2r^2+3r-1}{6(r+1)(g-1)} \left( \sum_{i=1}^g \frac{1}{(n_i-1)} - \frac{1}{(n-g)} \right) \\ \tau &= \frac{(r-1)(r+2)}{6(g-1)} \left( \sum_{i=1}^g \frac{1}{(n_i-1)^2} - \frac{1}{(n-g)^2} \right) \\ f_2 &= \frac{f_1+2}{|\tau-(1-\rho)^2|} \\ \gamma &= \frac{(\rho-f_1/f_2)}{f_1} \end{aligned}$$

The significance is a system-missing value whenever the denominator is zero in the above expression.

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# Confidence Intervals for Percentages and Counts Algorithms

This document describes the algorithms for computing confidence intervals for percentages and counts for bar charts. The data are assumed to be from a simple random sample, and each confidence interval is a separate or individual interval, based on a binomial proportion of the total count. The computed binomial intervals are equal-tailed Jeffreys prior intervals (see Brown, Cai, & DasGupta, 2001, 2002, 2003). Note that they are generally not symmetric around the observed proportion. Therefore, the plotted interval bounds are generally not symmetric around the observed percentage or count.

## Notation

The following notation is used throughout this section unless otherwise noted:

Table K-1

### Notation

Notation	Description
$X_i$	Distinct values of the category axis variable $X_i$
$w_i$	Rounded sum of weights for cases with value
$W = \sum_i w_i$	Total sum of weights over values of $X$
$P_i$	Population proportion of cases at $X_i$
$\bullet$	Specified error level for 100(1- $\bullet$ )% confidence intervals

IDF.BETA( $p$ ,shape1,shape2) in COMPUTE gives the  $p^{\text{th}}$  quantile of the beta distribution or incomplete beta function with shape parameters shape1 and shape2. For a precise mathematical definition, see “Beta Function”.

## Confidence Intervals for Counts

Lower bound for  $W p_i = W$  [IDF.BETA( $\bullet/2$ , $w_i + .5$ , $W - w_i + .5$ )].

Upper bound for  $W p_i = W$  [IDF.BETA( $1 - \bullet/2$ , $w_i + .5$ , $W - w_i + .5$ )].

Standard error for  $W p_i = W \times \sqrt{(w_i/W)(1 - (w_i/W))/W}$

## Confidence Intervals for Percentages

Lower bound for 100  $p_i = 100$  [IDF.BETA( $\bullet/2$ , $w_i + .5$ , $W - w_i + .5$ )].

Upper bound for 100  $p_i = 100$  [IDF.BETA( $1 - \bullet/2$ , $w_i + .5$ , $W - w_i + .5$ )].

$$\text{Standard error for } p_i = 100 \times \sqrt{(w_i/W)(1 - (w_i/W))/W}$$

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