# Statistics

Concepts and Applications



Amir D. Aczel

# Statistics

Concepts and Applications





We live in the information age. The half-life of human knowledge is currently ten years overall, and only two years in science. This means that new knowledge accumulates so fast that in ten years (and a mere two years in science), half of what we now know will no longer be valid and will be replaced with new knowledge. The methods for gathering, assessing, understanding and interpreting, and drawing inferences from data constitute the field of *statistics*.

Yet, despite the great importance of the field of statistics, it seems that we have not been able to teach this discipline well. In almost two decades of dealing with students of different levels, backgrounds, and prior statistical education, I have rarely met a student who—a semester or more after completing an introductory statistics course—could demonstrate a true understanding of basic statistical concepts. I believe that one of the culprits is poorly written statistics textbooks.

Most statistics textbooks have fallen into one of two categories. In the first group are books that are theoretically correct, but abstract, mathematical, and intimidating to the student. They have no direct relevance to, or bearing on, the real world. These books perpetuate the well-known "Oh no! Not statistics!" mentality among beginning students. In the second category are books designed to be very user friendly. These books aim at what their authors perceive as the level of understanding of today's student—they focus on simple "cookbook" procedures and calculations. In my opinion, such books miss the boat completely. They tend to avoid the important concepts, their explanations tend to be superficial, and ultimately they do not really motivate

or teach statistics. Students who use such books come out of the introductory course with no lasting understanding of this important discipline or appreciation of its applications. Days after taking the final exam, students cannot remember what a *p*-value is, and in the future they are likely to misuse statistical methods and misinterpret results.

#### WHAT'S DIFFERENT, AND WHY?

The key features of this book that distinguish it from the competition are

- Superior treatment of the topics that usually cause the most difficulty for students, such as sampling, confidence intervals, and hypothesis testing.
- Optimal, research-based choice of topics to be covered.
- Careful selection of stimulating, relevant, and instructive examples that motivate the student and clarify key concepts.
- Wide variety of problems covering all levels and application areas.
- A flexible, modern introduction to statistical use of the computer, which stresses application rather than "syntax."
- A unique cross-referencing system for key concepts.
- A friendly writing style and an approach that makes statistics understandable and interesting.

In writing this book, I felt that I could make statistics both interesting and useful to students—I have been doing this for many years, teaching stu-

# Contents in Brief

- CHAPTER 1 Information Everywhere 2
  Interview with Melissa Anderson 67
- CHAPTER 2 What Are the Chances? 70

  Interview with Alan Dershowitz 107
- CHAPTER 3 Chance Quantities 112

  Interview with Arnold Zellner 151
- CHAPTER 4 The Bell-Shaped Curve 154

  Interview with Bud Goode 185
- CHAPTER 5 Let's Take a Sample 190
  Interview with Bradley Efron 239

- CHAPTER 6 Trial by Probability 244

  Interview with Lee Wilkinson 309
- CHAPTER 7 Making Comparisons 314 *Interview with Toni Falvo 351*
- CHAPTER 8 Making Extended Comparisons 356

  Interview with Nancy Kirkendall 401
- CHAPTER 9 Is There a Relationship? 406
  Interview with Mary Guinan 461
- CHAPTER 10 The Quest for Quality 464
  Interview with Phil Crosby 481

# Contents

CHAPTER 1 Information Everywhere 2	2.4 Conditional Probability 87
1.1 Introduction 2 Samples and Populations 5 Data and Data Collection 5	<ul> <li>2.5 Independence of Events 92 Product Rules for Independent Events 93</li> <li>2.6 Bayes' Theorem 97</li> </ul>
Data Distributions 7  1.2 Methods of Displaying Data 9 Pie Charts 9 Page Craphs 12	Interview with Alan Dershowitz 107
Bar Graphs 12 The Histogram 13	CHAPTER 3 Chance Quantities 112
Stemplots (Stem-and-Leaf Displays) 15 Frequency Polygons and Ogives 19 A Caution about Graphs 21	3.1 Random Variables 115 Discrete and Continuous Random Variables 120 3.2 Expected Values of Discrete Random
1.3 Percentiles, Quartiles, and the Median 35 Percentiles 35	Variables 124
Quartiles 35 The Median 36	The Variance and the Standard Deviation of a Random Variable 127
<ul> <li>1.4 Box Plots 42</li> <li>1.5 Measures of Centrality 45</li> <li>1.6 Measures of Variability 50</li></ul>	Some Properties of Means and Variances 129 3.3 The Binomial Distribution 130 The Binomial Table 132 Mean, Variance, and Shape of the Binomial Distribution 135
1.7 Caution, Care with Numbers, and Ethics 56 Ethics 57	Sampling with or without Replacement 137 3.4 Continuous Random Variables 140
Interview with Melissa Anderson 67	Interview with Arnold Zellner 151
2	
CHAPTER 2 What Are the Chances? 70	GTT D TO D 11 G1 - 1 G - 154
2.1 Introduction 72	CHAPTER 4 The Bell-Shaped Curve 154
<ul><li>2.2 Basic Definitions: Events, Sample Space, and Probabilities 75</li><li>2.3 Basic Rules for Probability 81</li></ul>	<ul> <li>4.1 The Normal Probability Distribution 156</li> <li>The Shape of the Normal Distribution 158</li> <li>Notation 159</li> </ul>
The Range of Values 81	4.2 The Standard Normal Distribution 159

The Rule of Complements 82 The Rule of Unions 83

Mutually Exclusive Events 83

Finding Probabilities of the Standard Normal

Finding Values of Z Given a Probability 164

Distribution 160

xvi Contents

4.3 The Transformation of Normal Random Variables 167

Using the Normal Transformation 169

- 4.4 The Relationship between X and Z and the Use of the Inverse Transformation 173
- 4.5 The Normal Distribution as an Approximation to Other Probability Distributions 176
- 4.6 Normal Data 178

Interview with Bud Goode 185

## CHAPTER 5 Let's Take a Sample 190

- 5.1 Statistical Inference 192
  Sampling Methods and Statistical Inference 196
- 5.2 Sampling Distributions 199
- 5.3 The Sampling Distribution of the Sample Mean 200
- 5.4 Confidence Intervals 205Confidence Interval for the Population MeanWhen the Population Standard Deviation IsKnown 205
- 5.5 Confidence Intervals for  $\mu$  When  $\sigma$  Is Unknown— the t Distribution 214

  The t Distribution 214
- 5.6 The Sampling Distribution of the Sample Proportion 222
   Large-Sample Confidence Intervals for the Population Proportion 223
- 5.7 Sample Size Determination 228
- 5.8 Epilogue: The Polls 234

Interview with Bradley Efron 239

## CHAPTER 6 Trial by Probability 244

- 6.1 Introduction 247
- 6.2 Statistical Hypothesis Testing 257
- 6.3 Tests about the Population Mean,  $\mu$ , When the Population Standard Deviation,  $\sigma$ , Is Known 257

  Standardizing the Test 257

  One-Tailed Tests 260

  The p-Value 265
- 6.4 Tests about the Population mean,  $\mu$ , When the Population Standard Deviation,  $\sigma$ , Is Unknown 274
- 6.5 Large-Sample Tests for the Population Proportion 284

- 6.6 How Hypothesis Testing Works 291 Some Comments and Caveats 294
- 6.7 The Probability of a Type II Error and the Power of the Test 297

Interview with Lee Wilkinson 309

#### CHAPTER 7 Making Comparisons 314

- 7.1 Introduction 316
- 7.2 Paired-Observations Comparisons 316
   Experimental Design 316
   Confidence Intervals 318
- 7.3 A Test for the Difference between Two Population Means, Using Independent Random Samples 322

Confidence Intervals 325

7.4 A Test for the Difference between TwoPopulation Means, Assuming Equal PopulationVariances 330

Confidence Intervals 333

7.5 A Large-Sample Test for the Difference between Two Population Proportions 336 Confidence Intervals 338

Interview with Toni Falvo 351

# CHAPTER 8 Making Extended Comparisons 356

- 8.1 Introduction 358
- 8.2 The Hypothesis Test of Analysis of Variance (ANOVA) 359

The Test Statistic and the F Distribution 361

8.3 The Theory and the Computations of ANOVA 365

The Sum of Squares Principle 369
The Degrees of Freedom 372

The Mean Squares 373

The Expected Values of the Statistics MSTR and MSE under the Null Hypothesis 373

The F Statistic 374

The ANOVA Table 374

More on Experimental Design 379

Randomized Complete Block Design 379

8.4 Contingency Table Analysis: A Chi-Square Test for Independence 384

The Chi-Square Distribution 386

A Chi-Square Test for Equality of Proportions 389

Interview with Nancy Kirkendall 401

Contents

xvii

CHAPTER 9 Is There a Relationship? 406	CHAPTER 10 The Quest for Quality 464
<ul> <li>9.1 Introduction 408</li> <li>9.2 Statistical Models 409</li> <li>9.3 The Simple Linear Regression Model 410</li> <li>9.4 Estimation: The Method of Least Squares 414</li> <li>9.5 Error Variance and the Standard Errors of Regression Estimators 421 Confidence Intervals for the Regression</li> </ul>	<ul> <li>10.1 Control Charts 466</li> <li>10.2 The x̄ Chart 468</li> <li>10.3 The R Chart and the s Chart 472</li></ul>
Parameters 424 A Hypothesis Test for the Existence of a Linear	Interview with Phil Crosby 481
Regression Relationship 425 9.6 How Good Is the Regression? 431	GLOSSARY 483
Analysis of Variance Table and an <i>F</i> Test of the Regression Model 435	BIBLIOGRAPHY 487
9.7 Residual Analysis and Checking for Model Inadequacies 437	APPENDIX A: DATA TABLES 489
A Check for the Equality of Variance of the Errors 438  Testing for Missing Variables 438  Detecting a Curvilinear Relationship between <i>Y</i>	APPENDIX B: STATISTICAL TABLES 493
and X 439	APPENDIX C: ANSWERS
Detecting Deviations from the Normal Distribution Assumption 439 9.8 Use of the Regression Model	TO MOST ODD-NUMBERED PROBLEMS 519
for Prediction 444  Point Predictions 444  Prediction Intervals 445  A Confidence Interval for the Average <i>Y</i> , Given a  Particular Value of <i>X</i> 446	INDEX 531
9.9 Correlation 448	
Interview with Mary Guinan 461	