ROBUSTNESS

Our model for simple linear regression has four assumptions:

1. Linear mean function: $E(Y|x) = \eta_0 + \eta_1 x$

2.Constant variance of conditional distributions: $Var(Y|x) = \sigma^2$ (constant variance)

(Equivalently: Constant variance of conditional errors: $Var(e|x) = \sigma^2$)

3. Independence of observations: $y_1, \ldots, y_n$ are chosen independently from $Y|x_1$, $Y|x_2$, …, $Y|x_n$, respectively.

4. $Y|x$ is normal for each x (or at least for each x_i and for each x where we wish to do inference.)

Robustness is the question of how valid our procedures are if the model doesn't exactly fit.

Robustness to departures from linearity:

- Not all relationships are linear, but sometimes a linear model can be useful even if the relationship is known not to be linear. (e.g., to check for an increasing or decreasing trend, or as a good-enough approximation.) However, results need to be interpreted appropriately.
- Remember that a high R^2 does *not* mean that the relationship is linear.
- Often we can transform to linearity to get a better model fit. [More later]
- *Outliers* (observations that don't fit the general pattern of the data) can have a strong influence on the least squares fit.

  Wise practice*: If there is just one predictor, always look at a scatter plot before calculating a simple linear regression -- and make decisions about transforming variables and whether or not to include outliers in the analysis.*

Robustness to departures from constant variance:

- $\hat{\eta}_0$ and $\hat{\eta}_1$ are still unbiased estimators of η_0 and η_1.
- Since the constant variance assumption was important in inference, the inference procedures are <u>not</u> reliable in the presence of non-constant variance ("heteroskedasticity"). Another good reason to plot data.
- Possible remedies for nonconstant variance:
  1. Transform to constant variance
  2. Weighted least squares (Chapter 9)

Robustness to departures from independence of observations:

- $\hat{\eta}_0$ and $\hat{\eta}_1$ are still unbiased estimators of η_0 and η_1.
- Since independence of observations was used in developing inference procedures, the inference procedures are not reliable.
- However, if observations are "almost independent," it's probably OK to use inference procedures

  Important example: We often sample without replacement, which does not give independent observations -- but with large populations, the covariances are negligible.

Robustness to departures from normality

- $\hat{\eta}_0$ and $\hat{\eta}_1$ are still unbiased estimators of η_0 and η_1.
- Since normality of conditional distributions was used in developing inference procedures, the inference procedures might be questioned.
- However, if n is large, the Central Limit Theorem implies that the sampling distributions of the estimates are approximately normal.

Empirical Rule of Thumb: Inference for $\hat{\eta}_0$, $\hat{\eta}_1$, and $\hat{E}(Y|x)$ is approximately valid unless n is small and the distributions of the Y|x's are strongly skewed or bimodal.

However:

a. The inference procedures are not as powerful -- i.e., they are not as good at distinguishing between close values -- so they are less likely to show evidence against NH when NH is false.
Thus: Transforming to (or close to) normality is still desirable. [more later]

b. Prediction is *less* robust -- since y may dominate in prediction.