Review of maximum likelihood estimation

560 Hierarchical modeling

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lme4 software

```
lmer                    package:lme4                    R Documentation

Fit Linear Mixed-Effects Models

Description:

     Fit a linear mixed-effects model (LMM) to data.

Usage:

       lmer(formula, data = NULL, REML = TRUE,
         control = lmerControl(), start = NULL, verbose = 0L,
         subset, weights, na.action, offset, contrasts = NULL,
         devFunOnly = FALSE, ...)
```

lme4 software

```
library(lme4)

lmer(y~1+(1|g))

## Linear mixed model fit by REML ['lmerMod']
## Formula: y ~ 1 + (1 | g)
## REML criterion at convergence: 177.9876
## Random effects:
##  Groups   Name        Std.Dev.
##  g        (Intercept) 0.6197
##  Residual             1.3369
## Number of obs: 50, groups:  g, 10
## Fixed Effects:
## (Intercept)
##       16.31
```

Method of moments

```
aovfit<-anova(lm(y~as.factor(g)) )

MSG<-aovfit[1,3]
MSE<-aovfit[2,3]

t2<-(MSG-MSE)/n

s2<-MSE

t2

##         1
## 0.3840768

s2

## [1] 1.787206

sqrt(t2)

##         1
## 0.6197393

sqrt(s2)

## [1] 1.336864

mean(y)

## [1] 16.3064
```

A more complicated example

```
nels_mathdat[1:10,]

##    school enroll flp public urbanicity hwh   ses mscore
## 1    1011      5   3      1      urban   2 -0.23  52.11
## 2    1011      5   3      1      urban   0  0.69  57.65
## 3    1011      5   3      1      urban   4 -0.68  66.44
## 4    1011      5   3      1      urban   5 -0.89  44.68
## 5    1011      5   3      1      urban   3 -1.28  40.57
## 6    1011      5   3      1      urban   5 -0.93  35.04
## 7    1011      5   3      1      urban   1  0.36  50.71
## 8    1011      5   3      1      urban   4 -0.24  66.17
## 10   1011      5   3      1      urban   8 -1.07  46.17
## 11   1011      5   3      1      urban   2 -0.10  58.76
```

A more complicated example

$$y_{i,j} = (\beta_0 + \beta_{0,j}) + \beta_1 \times \text{flp}_j + \beta_2 \times \text{enroll}_j + (\beta_3 + \beta_{3,j}) \times \text{ses}_{i,j} + \epsilon_{i,j}$$

```
fit<-lmer(mscore~flp+enroll+ses+(ses|school),data=nels_mathdat,REML=FALSE)
```

```r
summary(fit)
```

```
## Linear mixed model fit by maximum likelihood  ['lmerMod']
## Formula: mscore ~ flp + enroll + ses + (ses | school)
##    Data: nels_mathdat
##
##      AIC      BIC   logLik deviance df.resid
##  92397.7  92457.5 -46190.9  92381.7    12966
##
## Scaled residuals:
##     Min      1Q  Median      3Q     Max
## -3.9797 -0.6399  0.0180  0.6681  4.5053
##
## Random effects:
##  Groups   Name        Variance Std.Dev. Corr
##  school   (Intercept)  9.004   3.001
##           ses          1.600   1.265    0.05
##  Residual             67.260   8.201
## Number of obs: 12974, groups:  school, 684
##
## Fixed effects:
##              Estimate Std. Error t value
## (Intercept) 55.429339   0.402907  137.57
## flp         -2.411519   0.185311  -13.01
## enroll       0.007095   0.082023    0.09
## ses          4.116886   0.125381   32.83
##
## Correlation of Fixed Effects:
##        (Intr) flp    enroll
## flp    -0.815
## enroll -0.300 -0.193
## ses    -0.202  0.212  0.007
```

A *statistical model* is a collection of probability distributions for observed data:

$$\mathcal{P} = \{p(y|\theta), \theta \in \Theta\}$$

- y is the data;
- Θ is the set of parameter values;
- $p(y|\theta)$ is a probability (density) for each $\theta \in \Theta$.

Models and inference

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Example: Normal model

For example, the normal model is

$$\{p(y|\mu, \sigma^2) = (2\pi\sigma^2)^{-1/2} \exp\{-(y-\mu)^2/(2\sigma^2)\}, \mu \in \mathbb{R}, \sigma^2 \in \mathbb{R}^+\}.$$

- y is a single observed data value;
- $\theta = \{\mu, \sigma^2\}$ is the parameter (or are the parameters);
- $\Theta = \mathbb{R} \times \mathbb{R}^+$ is the set of possible parameter values;
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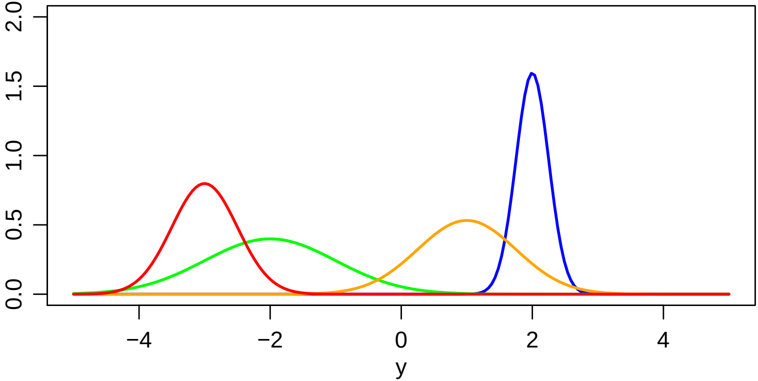

Model-based inference

Model-based statistical inference involves

Estimation: Obtaining a value $\hat{\theta} \in \Theta$ that "best" represents the population.

Inference: Describing how well $\hat{\theta}$ represents the population.

Inference includes things like: confidence intervals, hypotheses tests.

Likelihood-based statistical inference:

- a type of model based inference;
- estimation and inference are based on the likelihood function.

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Joint probability of the data

Independent events: Recall if A and B are independent events,

$$\Pr(A \text{ and } B) = \Pr(A) \times \Pr(B).$$

Independent observations: If y_1 and y_2 are independent observations, then

$$\begin{aligned} p_{y_1 y_2}(y_1, y_2|\theta) &= p(y_1|\theta) \times p(y_2|\theta) \\ &= \prod_{i=1}^{2} p(y_i|\theta) \end{aligned}$$

Independent sample: If $\boldsymbol{y} = (y_1, \ldots, y_n)$ are independent observations, then

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Example: Binary data

Suppose we are sampling people from a population and recording whether or not they have a particular disease.

Let $y_i \in \{0, 1\}$ depending on if they are uninfected or infected.

A natural model is the binomial/binary model:

$$y_1, \ldots, y_n \sim \text{i.i.d. binary}(\theta), \;\; \theta \in [0, 1]$$

In this model

- The parameter is $\theta \in [0, 1]$.
- The probability density is

$$p(y|\theta) = \begin{cases} (1-\theta) & \text{if } y = 0 \\ \theta & \text{if } y = 1 \end{cases},$$

which can be compactly written as $p(y|\theta) = \theta^y (1-\theta)^{1-y}$.

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Joint probability

If $y_1, \ldots, y_n$ are i.i.d. samples from this population,

$$\begin{aligned} p(\boldsymbol{y}|\theta) &= \prod_{i=1}^{n} p(y_i|\theta) \\ &= \prod_{i=1}^{n} \theta^{y_i}(1-\theta)^{1-y_i} \\ &= \theta^{\sum y_i}(1-\theta)^{n-\sum y_i} \end{aligned}$$

Interpretation:
$p(\boldsymbol{y}|\theta)$ tells you how probable a given outcome is, for a particular θ.

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$p(\boldsymbol{y}|\theta)$ tells you how probable a given outcome is, for a particular θ.

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Quiz: If $n = 3$ and $\theta = 1/2$, what is

- $p(\{1, 0, 1\}|\theta)$?
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If your observed data were $\{0, 0, 0\}$, which θ value is "more likely"?

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The *likelihood* is the probability of the data as a function of the parameter:

$$L(\theta : \boldsymbol{y}) = p(\boldsymbol{y}|\theta)$$

Example (binomial model): If $\boldsymbol{y} = \{0, 0, 0\}$, then

$$L(\tfrac{1}{2} : \{0, 0, 0\}) = \tfrac{1}{8} = 0.125$$

$$L(\tfrac{1}{3} : \{0, 0, 0\}) = \tfrac{8}{27} \approx 0.296$$

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The *maximum likelihood estimator*, or *MLE*, is the value of θ that maximizes the likelihood:

$$\hat{\theta}_{MLE} = \arg\max_{\theta \in \Theta} L(\theta : \boldsymbol{y})$$

Example (binomial model): If $\boldsymbol{y} = \{0, 0, 0\}$ and θ is either $1/2$ or $1/3$, then

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Binomial MLE

Suppose 5 people are infected in a sample of size 30.

$$n = 30, \ \sum y_i = 5$$

The likelihood function is

$$L(\theta : \boldsymbol{y}) = \theta^{\sum y_i}(1-\theta)^{n-\sum y_i} = \theta^5(1-\theta)^{25}.$$

Careful examination, or trial and error gives $\hat{\theta} = 5/30 = 1/6 = 0.166\bar{6}$.

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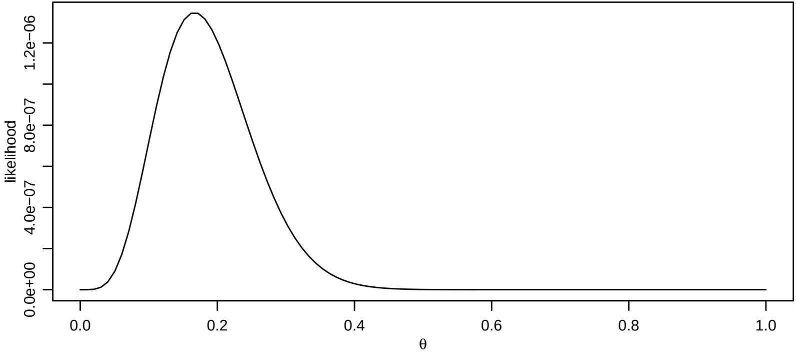

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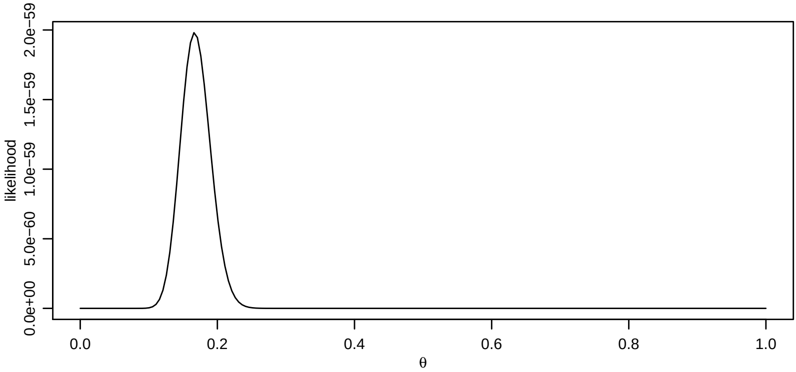

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Log likelihoods

Likelihoods with lots of data can give extreme numbers.

Alternatively, we can make inference with the *log-likelihood*:

If $\hat{\theta}$ maximizes $L(\theta : \boldsymbol{y})$ then it also maximizes $\log L(\theta : \boldsymbol{y}) = l(\theta : \boldsymbol{y})$.

To find the MLE we can work with the log-likelihood. For the binomial model,

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As before, $\hat{\theta} = 5/30 = 1/6 = 0.166\bar{6}$.

Binomial MLE

Suppose 5 people are infected in a sample of size 30.

$$n = 30, \ \sum y_i = 5$$

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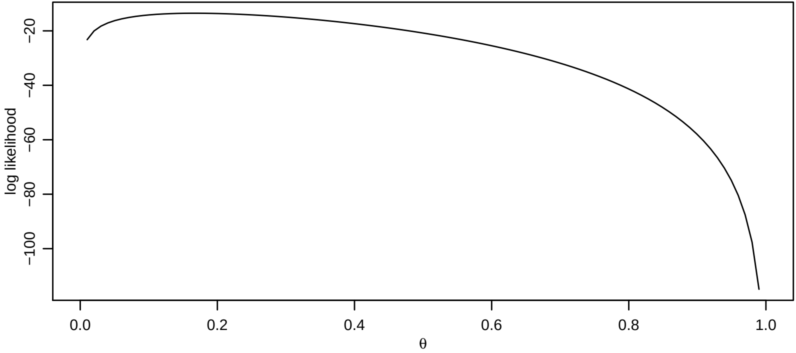

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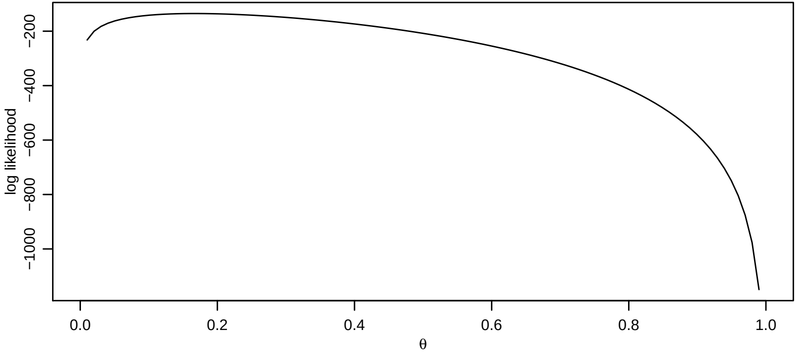

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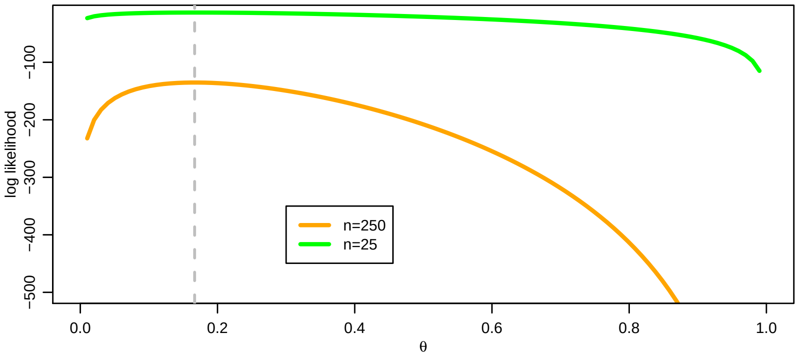
Comparing log-likelihoods



As we've seen and discussed,

- the peak of the log-likelihood gives the MLE.
- the curvature of the log-likelihood gives the *information* or *certainty*.

How can we find the peak in general?

What is the information? How does it relate to estimation accuracy?

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Finding the MLE

Recall from calculus that the *tangent* or *derivative* of a function, at a local maximum, will be zero. This tells us how to find the MLE:

$$\hat{\theta}_{MLE} \text{ satisfies } \frac{d}{d\theta} l(\theta : \boldsymbol{y})|_{\theta=\hat{\theta}} = 0$$

Let's try this for the binomial model. Recall that

$$\frac{d}{d\theta} \log \theta = 1/\theta, \quad \frac{d}{d\theta} \log(1-\theta) = -1/(1-\theta)$$

The derivative of the log-likelihood is

$$\begin{aligned} \frac{d}{d\theta} l(\theta : \boldsymbol{y}) &= \frac{d}{d\theta} \left(\sum y_i \times \log \theta + (n - \sum y_i) \times \log(1-\theta) \right) \\ &= \frac{\sum y_i}{\theta} - \frac{n - \sum y_i}{1-\theta} \end{aligned}$$

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Therefore

$$\begin{aligned}
\frac{dl(\theta : y)}{d\theta}\Big|_{\theta=\hat{\theta}} = \frac{\sum y_i}{\hat{\theta}} - \frac{n - \sum y_i}{1-\hat{\theta}} &= 0 \text{ if} \\
\frac{\sum y_i}{\hat{\theta}} &= \frac{n - \sum y_i}{1-\hat{\theta}} \\
\sum y_i - \hat{\theta}\sum y_i &= \hat{\theta} n - \hat{\theta}\sum y_i \\
\hat{\theta} &= \sum y_i / n
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So not surprisingly, the MLE is the sample proportion $\sum y_i/n$.

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Information and precision

The precision of the MLE (how well it estimates the truth) depends on the second derivative, or curvature, of the log-likelihood.

For the binomial model, the second derivative is

$$\frac{d^2 l(\theta : y)}{d\theta^2} = -\frac{\sum y_i}{\theta^2} - \frac{n - \sum y_i}{(1-\theta)^2}$$

Plugging in the MLE $\hat{\theta}$ for θ gives

$$\frac{d^2 l(\theta : y)}{d\theta^2}\Big|_{\theta=\hat{\theta}} = -\frac{n}{\hat{\theta}} - \frac{n}{(1-\hat{\theta})} = -\frac{n}{\hat{\theta}(1-\hat{\theta})}$$

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Exercise: Consider how I_n varies with n and $\hat{\theta}$.

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$$\text{Var}[\hat{\theta}] \approx 1/I_n$$
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MLE for the hierarchical normal model

$$y_{i,j} = \mu + a_j + \epsilon_{i,j}$$
$$\{\epsilon_{i,j}\} \sim \text{iid } N(0, \sigma^2)$$
$$\{a_j\} \sim \text{iid } N(0, \tau^2)$$

Parameters to estimate:

- Fixed effects: μ
- Variance components: σ^2, τ^2
- Random effects: $a_1, \ldots, a_m$

Likelihood estimation focuses on estimation of $\theta = (\mu, \sigma^2, \tau^2)$

Alternative methods are requred for estimation of $a_1, \ldots, a_m$.

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- Random effects: $a_1, \ldots, a_m$

Likelihood estimation focuses on estimation of $\theta = (\mu, \sigma^2, \tau^2)$

Alternative methods are requred for estimation of $a_1, \ldots, a_m$.

MLE for the hierarchical normal model

$$y_{i,j} = \mu + a_j + \epsilon_{i,j}$$
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HNM likelihood

Data:

$$\begin{aligned}\boldsymbol{y} &= (y_{1,1}, \ldots, y_{n_j,1}, \ldots, y_{1,m}, \ldots, y_{n_m,m}) \\ &= (\{y_{1,1}, \ldots, y_{n_j,1}\}, \ldots, \{y_{1,m}, \ldots, y_{n_m,m}\}) \\ &= (\boldsymbol{y}_1, \ldots, \boldsymbol{y}_n)\end{aligned}$$

Likelihood:

$$l(\mu, \sigma^2, \tau^2 : \boldsymbol{y}) = p(\boldsymbol{y}|\mu, \tau^2, \sigma^2)$$

Recall: Under the HNM,

- observations within groups are correlated;
- observations across groups are independent.

$$\begin{aligned}l(\mu, \sigma^2, \tau^2 : \boldsymbol{y}) = p(\boldsymbol{y}|\mu, \tau^2, \sigma^2) &= p(\boldsymbol{y}_1|\mu, \tau^2, \sigma^2) \times \cdots \times p(\boldsymbol{y}_m|\mu, \tau^2, \sigma^2) \\ &= \prod_{j=1}^{m} p(\boldsymbol{y}_j|\mu, \tau^2, \sigma^2)\end{aligned}$$

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Likelihood contribution from a single group

$$
\begin{aligned}
y_{i,j} &= \mu + a_j + \epsilon_{i,j} \\
\epsilon_{1,j}, \ldots, \epsilon_{n_j,j} &\sim \text{iid } N(0, \sigma^2) \\
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As we've discussed, the $y_{i,j}$'s are normal with

- $\mathrm{E}[y_{i,j}|\mu] = \mu$
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Multivariate normal distribution

This means that $\boldsymbol{y}_j$ has a *multivariate normal distribution*.

The density of a general multivariate normal(μ, Σ) distribution is

$$p(\boldsymbol{y}|\boldsymbol{\theta}, \Sigma) = (2\pi)^{-p/2}|\Sigma|^{-1/2}\exp\{-(\boldsymbol{y}-\boldsymbol{\theta})^T\Sigma^{-1}(\boldsymbol{y}-\boldsymbol{\theta})/2\}$$

where

$$\boldsymbol{y} = \begin{pmatrix} y_1 \\ y_2 \\ \vdots \\ y_p \end{pmatrix} \quad \boldsymbol{\theta} = \begin{pmatrix} \theta_1 \\ \theta_2 \\ \vdots \\ \theta_p \end{pmatrix} \quad \Sigma = \begin{pmatrix} \sigma_1^2 & \sigma_{1,2} & \cdots & \sigma_{1,p} \\ \sigma_{1,2} & \sigma_2^2 & \cdots & \sigma_{2,p} \\ \vdots & \vdots & & \vdots \\ \sigma_{1,p} & \sigma_{2,p} & \cdots & \sigma_p^2 \end{pmatrix}.$$

```
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Computing the log-likelihood

MLEs of (μ, σ^2, τ^2) can be found by maximizing the log likelihood.

Log likelihood:

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\begin{aligned}
L(\boldsymbol{y} : \mu, \sigma^2, \tau^2) &= p(\boldsymbol{y}_1, \ldots, \boldsymbol{y}_m | \mu, \sigma^2, \tau^2) \\
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&= \log \prod_{j=1}^{m} p(\boldsymbol{y}_j | \mu, \sigma^2, \tau^2) \\
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where $\log p(\boldsymbol{y}_j | \mu, \sigma^2, \tau^2)$ is the log of a multivariate normal density.

For the HNM, we replace

- θ with $\mu 1$
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$$\begin{aligned} L(\boldsymbol{y} : \mu, \sigma^2, \tau^2) &= p(\boldsymbol{y}_1, \ldots, \boldsymbol{y}_m | \mu, \sigma^2, \tau^2) \\ l(\boldsymbol{y} : \mu, \sigma^2, \tau^2) &= \log p(\boldsymbol{y}_1, \ldots, \boldsymbol{y}_m | \mu, \sigma^2, \tau^2) \\ &= \log \prod_{j=1}^{m} p(\boldsymbol{y}_j | \mu, \sigma^2, \tau^2) \\ &= \sum_{j=1}^{m} \log p(\boldsymbol{y}_j | \mu, \sigma^2, \tau^2), \end{aligned}$$

where $\log p(\boldsymbol{y}_j | \mu, \sigma^2, \tau^2)$ is the log of a multivariate normal density.

For the HNM, we replace

- $\boldsymbol{\theta}$ with $\mu \mathbf{1}$
- Σ with the covariance matrix from the previous slide.

Computing the log-likelihood

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Computing the (minus) log-likelihood

```
mll.oneway

## function(mus2t2,y,g)
##
## {
##   mu<-mus2t2[1] ; s2<-mus2t2[2] ; t2<-mus2t2[3]
##
##   ll<-0
##
##   for(gj in sort(unique(g)))
##
##   {
##
##     nj<-sum(g==gj)
##
##     S<-diag(s2,nj) + matrix(t2,nj,nj)
##
##     ll<-ll+ldmvnorm(y[g==gj],mu,S)
##
##   }
##
## -ll
##
## }
```

Example: Wheat data

```
mll.oneway( c(16.3, 1.787, 0.384 ), y,g)

##          [,1]
## [1,] 88.6121

mll.oneway( c(15, 1.787, 0.384 ), y,g)

##           [,1]
## [1,] 100.1217

mll.oneway( c(16.3, 2, 0.384 ), y,g)

##           [,1]
## [1,] 88.76881

mll.oneway( c(16.3, 1.787, 0.3 ), y,g)

##           [,1]
## [1,] 88.58599

mll.oneway( c(16.3, 1.787, 0.2 ), y,g)

##           [,1]
## [1,] 88.67161
```

Optimization in R

```
fit.ml<-optim(c(15,1,1),mll.oneway,gr=NULL,y=y,g=g,lower=c(-Inf,0,0),method="L-BFGS-B",hessian=TRUE)

fit.ml

## $par
## [1] 16.3063995  1.7872063  0.3099255
##
## $value
## [1] 88.5851
##
## $counts
## function gradient
##       16       16
##
## $convergence
## [1] 0
##
## $message
## [1] "CONVERGENCE: REL_REDUCTION_OF_F <= FACTR*EPSMCH"
##
## $hessian
##              [,1]         [,2]         [,3]
## [1,] 1.498426e+01 2.186695e-06 1.090683e-05
## [2,] 2.186695e-06 6.710598e+00 2.245294e+00
## [3,] 1.090683e-05 2.245294e+00 1.122654e+01
```

The MLEs are

$$\hat{\mu} = 16.3063995 \ , \ \hat{\sigma}^2 = 1.7872063 \ , \ \hat{\tau}^2 = 0.3099255$$

Confidence intervals via the Information matrix

For maximum likelihood estimation in general,

- $\hat{\theta}_{MLE} \rightarrow \theta$ as the sample size goes to infinity (if the model is correct);
- $\hat{\theta} \dot{\sim}$ normal$(\theta, \text{Var}[\hat{\theta}])$, where
- $\text{Var}[\hat{\theta}] \approx -[d^2 l(\theta|\boldsymbol{y})/d\theta^2]^{-1}$ for large sample sizes.

For our hierarchical normal model, this means that approximate 95% confidence intervals for (μ, τ^2, σ^2) can be obtained from the curvature of the log likelihood.

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The *observed information matrix* is the (matrix of) second derivative(s) of the negative log-likelihood function at the MLE (aka the *Hessian*):

$$I_n(\hat{\theta} : \boldsymbol{y}) = \{-\frac{\partial^2 l(\theta : y)}{\partial\theta_j \partial\theta_k}\}|_{\theta=\hat{\theta}}$$

The inverse of the information matrix gives an estimate of the variance/covariance of the MLE's:

$$\text{Var}[\hat{\theta} : y] \approx I_n^{-1}(\hat{\theta} : \boldsymbol{y})$$

From this, we can get confidence intervals:

- $\sqrt{I_{jj}^{-1}}$ gives an approximate standard error for θ_k.
- The MLE plus and minus 2 standard errors gives a rough confidence interval for the parameters.

$$\Pr(\theta \in \hat{\theta} \pm 2 \times \text{se}[\hat{\theta}]) \approx 0.95$$

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Confidence intervals via the Information matrix

```
theta.wheat<-fit.ml$par

theta.wheat

## [1] 16.3063995  1.7872063  0.3099255

I<-fit.ml$hessian

V.wheat<-solve(I)

V.wheat

##               [,1]          [,2]          [,3]
## [1,]  6.673668e-02 -5.694851e-11 -6.482475e-08
## [2,] -5.694851e-11  1.597051e-01 -3.194081e-02
## [3,] -6.482475e-08 -3.194081e-02  9.546274e-02

sqrt(diag(V.wheat))

## [1] 0.2583344 0.3996312 0.3089705

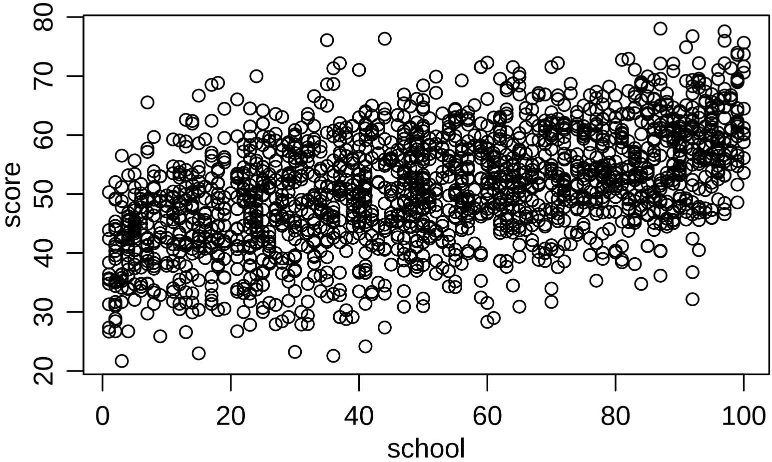
theta.wheat+2*sqrt(diag(V.wheat))

## [1] 16.8230684  2.5864686  0.9278664

theta.wheat-2*sqrt(diag(V.wheat))

## [1] 15.7897307  0.9879440 -0.3080154
```

100 randomly sampled schools from the NELS dataset



Analysis of all schools

```
fit.ml.nels<-optim(c(50, 1, 1), mll.oneway, gr = NULL, y = mscores, g = schools, lower = c(-Inf, 0, 0), me

fit.ml.nels

## $par
## [1] 50.93914 73.70881 23.63382
##
## $value
## [1] 46956.63
##
## $counts
## function gradient
##       27       27
##
## $convergence
## [1] 0
##
## $message
## [1] "CONVERGENCE: REL_REDUCTION_OF_F <= FACTR*EPSMCH"
##
## $hessian
##               [,1]        [,2]       [,3]
## [1,] 24.35837087 -0.01576882 0.04913818
## [2,] -0.01576882  1.13128044 0.03026526
## [3,]  0.04913818  0.03026526 0.42089960
```

The MLEs are

$$\hat{\mu} = 50.9391407 \ , \ \hat{\sigma}^2 = 73.708808 \ , \ \hat{\tau}^2 = 23.6338229$$

Confidence intervals via the Information matrix

```
theta.nels<-fit.ml.nels$par

theta.nels

## [1] 50.93914 73.70881 23.63382

I<-fit.ml.nels$hessian

V.nels<-solve(I)

V.nels

##               [,1]          [,2]         [,3]
## [1,]  0.0410638760  0.0007019913 -0.004844505
## [2,]  0.0007019913  0.8856698641 -0.063767034
## [3,] -0.0048445047 -0.0637670344  2.381014344

sqrt(diag(V.nels))

## [1] 0.2026422 0.9411003 1.5430536

theta.nels+2*sqrt(diag(V.nels))

## [1] 51.34443 75.59101 26.71993

theta.nels-2*sqrt(diag(V.nels))

## [1] 50.53386 71.82661 20.54772
```

Fitting via lme4: Wheat

```
fit.wheat<-lmer(yield~1+(1|region),REML=FALSE)
summary(fit.wheat)

## Linear mixed model fit by maximum likelihood  ['lmerMod']
## Formula: yield ~ 1 + (1 | region)
##
##      AIC      BIC   logLik deviance df.resid
##    183.2    188.9    -88.6    177.2       47
##
## Scaled residuals:
##     Min      1Q  Median      3Q     Max
## -2.7913 -0.6035  0.1311  0.6520  1.7262
##
## Random effects:
##  Groups   Name        Variance Std.Dev.
##  region   (Intercept) 0.3099   0.5567
##  Residual             1.7872   1.3369
## Number of obs: 50, groups:  region, 10
##
## Fixed effects:
##             Estimate Std. Error t value
## (Intercept)  16.3064     0.2583   63.12

theta.wheat

## [1] 16.3063995  1.7872063  0.3099255

sqrt(diag(V.wheat))

## [1] 0.2583344 0.3996312 0.3089705
```

Fitting via lme4: Schools

```
fit.nels<-lmer(mscores~1+(1|schools),REML=FALSE)
summary(fit.nels)

## Linear mixed model fit by maximum likelihood  ['lmerMod']
## Formula: mscores ~ 1 + (1 | schools)
##
##      AIC      BIC   logLik deviance df.resid
##  93919.3  93941.7 -46956.6  93913.3    12971
##
## Scaled residuals:
##     Min      1Q  Median      3Q     Max
## -3.8112 -0.6534  0.0093  0.6732  4.6999
##
## Random effects:
##  Groups   Name        Variance Std.Dev.
##  schools  (Intercept) 23.63    4.861
##  Residual             73.71    8.585
## Number of obs: 12974, groups:  schools, 684
##
## Fixed effects:
##             Estimate Std. Error t value
## (Intercept)  50.9391     0.2026   251.4

theta.nels

## [1] 50.93914 73.70881 23.63382

sqrt(diag(V.nels))

## [1] 0.2026422 0.9411003 1.5430536
```

Our technology so far

ANVOA, method of moments:

- Estimation: $\hat{\mu} = \bar{y}_{\cdot\cdot}$, $\hat{\sigma}^2 = MSE$, $\hat{\tau}^2 = (MSG - MSE)/n$
- Inference: F-test for across-group differences.

Maximum likelihood:

- Estimation: MLEs $\hat{\mu}, \hat{\sigma}^2, \hat{\tau}^2$)
- Inference: CIs via likelihood curvature.

What about estimation of a_j or μ_j's ?

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What about estimation of a_j or μ_j's ?

Estimation of group level means

We will consider two types of estimates of the μ_j's:

Unbiased sample mean estimates:

$$\hat{\mu}_j = \bar{y}_j$$

Biased shrinkage estimates:

$$\hat{\mu}_j = \frac{n_j/\hat{\sigma}^2}{n_j/\hat{\sigma}^2 + \hat{\tau}^2}\bar{y}_j + \frac{1/\hat{1}/\tau^2}{n_j/\hat{\sigma}^2 + 1/\hat{\tau}^2}\bar{y}_{\cdot\cdot}$$

The latter will be preferable when τ^2 is small compared to σ^2/n_j.

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