

Ch 4 Hypotheses Testing

$\beta \rightarrow$ unknown

test e.g. $\beta = 0$

Test using $\hat{\beta}$

This approach \rightarrow biased towards
claims (such as $\beta = 0$)

· we reject such claims only if
data provide overwhelming
evidence against them

3 ways of testing

is $\hat{\beta}$ too far from β

how improbable is our $\hat{\beta}$ value

is β in $\hat{\beta} - E, \hat{\beta} + E$