

# INDEX

## A

- A/B test
  - click-through rate example
    - (*see* click-through rate example)
  - parameter estimation with, 194
  - techniques, 150
  - usage, 149–150
- absolute deviation, 103–106
- absolute error, 53
- absolute value, 105–106. *See also* variance
- alternate hypotheses, 9–10, 11
- AND, 21–22, 24–25
- antiderivatives, 227
- averaging
  - defining, 94
  - mean, compared to, 99–100
  - probability, relationship between, 95
  - snowfall estimation example
    - error minimization through averaging, 94–95
    - errors, 97, 98–99
    - extreme distribution, 97–98
    - overview, 94
    - simplifying, 95–97

## B

- Bayes, Thomas, 146
- Bayesian A/B test. *See* A/B test
- Bayesian Battlers game example, 41–43
- Bayesian reasoning
  - data, observing, 4
  - falsifiability, 180–181
  - overview, 3–4
  - psychic rolling dice example
    - alternate hypotheses, 178–179
    - likelihoods, comparing, 176–177
    - prior odds, including, 177–178

- Twilight Zone example
  - Bayes factor, measuring, 169–170
  - hypotheses regarding, 175, 176
  - Mystic Seer, using Bayes factor to understand, 168–169, 170–171, 172
  - overview, 168
  - prior beliefs, accounting for, 170–171
  - psychic powers, developing, 171–172

## Bayes factor

- carnival game analysis, 184
- likelihood ratio, 188–189
- multiple hypotheses, 185, 186–188
- defining, 157
- formula, 159
- posterior odds, 160
  - hypothesis testing, 161–162
  - loaded die, testing, 161–162
  - rare diseases example, 162–164
- prior beliefs, relationship between, 157
- prior odds, 159–160

## Bayes' theorem

- beliefs, use in analyzing, 64–65, 75, 80–81
- calculating, in LEGO example (*see* LEGO visualization)
- climate change probability example, 64–65
- crime scene example
  - alternate hypotheses, 78–79
  - beliefs, strength of, 80, 81
  - likelihood, solving for, 75, 78
  - normalizing data, 76–77
  - posterior probability, 76
  - prior, calculating, 75–76, 78–79
  - scene of crime, 74
  - unnormalized posteriors, 80–81

- Bayes' theorem (*continued*)
    - evidence observation, use in, 65
    - formula, 64, 67, 158
    - LEGO example (*see* LEGO visualization)
    - likelihood, 158 (*see also* likelihood)
    - posterior probabilities, 158 (*see also* posterior probabilities)
    - prior probability, 158 (*see also* prior probabilities)
    - proportional form, 87, 158
    - statistics, importance to, 64, 67
  - beliefs
    - data, relationship between, 10–11, 64–65, 74
    - distribution of, 84–85
    - irrational, 179
    - measuring, 18–19
    - mutability of, 11
    - origins of, 11
    - prior, 5, 86, 141, 143–144, 157, 170–171
    - probability distribution of, 49, 83
    - ranges of, 83
    - strength of, analyzing, 64–65, 67, 80–81
    - worldview, relationship between, 64–65
  - beta distributions
    - applications, 45
    - beliefs, of, 87
    - binomial distributions, *versus*, 50, 52
    - changes in, as information is gained, 138, 142
    - estimating with, 121
    - Gacha game example, use in, 54
    - mean of, 125
    - normal distributions, compared to, 121–122
    - normalizing values, 51
    - overview, 45
    - parameters, 84, 135, 140
    - prize distribution example, 191–194
    - probability density function of, 51–52, 124
    - probability, true, 121
    - quantiles, of, 135
    - undefined, 145
  - binomial coefficients, 36–38. *See also* combinatorics
  - binomial distributions
    - beta distributions, *versus*, 50, 52
    - examples, 34
    - outcomes, 34
    - overview, 34
    - parameters, 34
    - Probability Mass Function (PMF), relationship between, 39
    - probability, use in calculating, 47–48
    - shorthand notations, 34–35
    - solving for, 43
    - structure, 34–35
- ## C
- C-3PO example, 84–88
  - $c()$ , 200
  - calculus, fundamental theorem of, 228
  - change, rate of, 223
  - click-through rate example, 149
    - A/B test
      - conversion rate, 150–152
      - data collection, 151
      - parameters, 151–152
      - prior probability, finding, 150
      - setting up the A/B test, 150
    - Monte Carlo simulations, 152–153, 153–154, 154–155
  - combinatorics, 16, 37–38
  - conditional probabilities, 5–6
    - beliefs, impact of, 6
    - color blindness example, 61–64
    - defining, 60, 65
    - experiences, impact of, 6
    - flu vaccine risks example, 60–61
    - likelihoods, 64
    - overview, 60
    - reversing, 62–63, 67–68
  - confidence intervals (CIs), 132–133
  - conspiracy theories, 181
  - continuous distributions, quantifying, 52–53, 55
  - conversion event, estimating. *See also* click-through rate example
    - beta distributions for, 138, 139–140
    - PDF, using, 124–127, 135
    - prior probabilities regarding, 141–142
  - conversion rate, 124
  - critical region, 132–133
  - $cumsum()$ , 204

- cumulative distribution function (CDF)
  - antiderivative of a PDF, 127
  - confidence intervals, estimating, 132–133
  - distribution, sums of the parts of, 127
  - interpreting, 130
  - intuitiveness, 128
  - inverse of, 133–134
  - mean of, 131
  - median of, 130, 133
  - quantile function, use in
    - calculating, 133–134
- R programming language, use
  - in, 132
- usefulness, 132
- visualization of, 128, 130

## D

- data
  - Bayesian statistics, importance to, 63
  - beliefs, relationship between, 10, 11, 64–65, 74
  - high-probability, 7
  - hypothesis, relationship between, 6–10
  - normalizing, 76–77
  - observation of, 4, 7
  - probability, relationship between, 10, 76, 77
  - size of sets, 75
  - spread, measuring, 103–105, 108
- dbeta(), 53, 126–127
- derivative, 223–227
- dfunction(), 126
- diff(), 204
- dnorm(), 126, 133

## E

- errors, statistical analysis, 84
- error value, 105
- evidence, observation of, 65
- expectation, defining, 99. *See also* mean
- exponential penalty, 107

## F

- factorials, 37
- falsifiability, 180–181
- Frequentist Fighters!* game example, 53–54

- function, 209
- functions
  - calculus, use of, 216–217, 218–220
  - defining, 216
  - integrals, use of (*see* integrals)
- fundamental theorem of calculus, 228

## G

- Gacha games
  - Bayesian Battlers* game example, 41–43
  - Frequentist Fighters!* game example, 53–54
  - probability distributions, 41–43
  - reverse-engineering, 53–54
- ggplot2, 210

## H

- Han Solo example, 84, 86, 139
- hypotheses
  - alternate, 9–10, 11, 78–79, 178–179
  - beliefs, relationship between, 74, 83
  - confidence in, 83
  - developing, 48
  - formal, 7
  - formulating, 4, 6–7
  - hidden, 180
  - infinite, 49–50, 55
  - multiple, 183, 185
  - probability, relationship between, 7, 17–18, 47, 48–49
- R programming language,
  - searching with (*see* R programming language)
- testing, 49

## I

- ifelse, 188, 205–206
- independent probabilities, 59, 61
- inference, 46–47, 48
- infinity, 117
- integrals, 51, 119
  - applications, 53
  - approximating, visually, 131–132
  - beta distribution of, 128
  - derivative, relationship between, 228
  - estimating with, 219–223
    - using R to solve for, 131
- integrate() function, 53, 118
- intuition, use of, 70–72, 107, 108, 128

## K

Keynes, John Maynard, 146

## L

Laplace, Simon-Pierre, 146

LEGO visualization

- Bayes' theorem, calculating, 71–72
- conditional probabilities, 69, 70
- intuition, use of, 70–72
- mutually exclusive events, 68
- physical representations,
  - determining, 70
- probabilities, 68–69, 71
- ratios, 71
- reasoning, use of, 70

likelihood, 73

- beliefs, relationship between, 87
- C-3PO example, 85, 87
- defining, 74
- prior probabilities, including, 177
- solving for, 75, 78

likelihood ratio, 176–187

- priors, adding, 188–189

lines(), 212

logic, 14, 30

logical operators, 21. *See also* specific operators  
reasoning with, 22

## M

Mandela effect, 16–19

max(), 187

mean

- beta distribution, of, 125
- cumulative distribution function (CDF), of, 131
- defining, 99
- estimating with, 111–112
- parameter in normal distribution, 111, 114
- representation of, 99–100
- usage, 100

mean absolute deviation (MAD), 104–108

median, 130, 133

Monte Carlo simulation, 149

- click-through rate example, use in, 152–153, 153–154, 154–155

defining, 152

power of, 154

$\mu$ , 99. *See also* mean

## N

negative infinity, 117

neural networks, 7

noninformative prior, 144–145

normal distributions

- bell-shaped, 114
- beta distributions, compared to, 121–122

defining, 114

integrating functions, 117–118

mean, 111, 114–116, 118–119

parameters, 111, 114

probability density function (PDF)  
of, 116, 118

range of values, 111

standard deviations, 111, 114,  
116, 118

villain bomb example, 112–114,  
116–118, 120

NOT, 21–22

$n$  sigma events, 120

## O

observation, 11

data, of, 4, 7

odds, in probability, 17

$\Omega$ , 15

OR, 21

logical reasoning with, 22

probabilities, combining with, 26

example, calculating

probability of fine, 29–30

mutually exclusive events,

calculating OR for, 26–27

sum rule for non-mutually

exclusive events, 28–29, 30

## P

parameter estimation

applications, 93

averaging (*see* averaging)

hypothesis testing with, 184–185

prize distribution example, 191–194

parameters, 93. *See also* parameter estimation

percentile, defining, 123

- permutations, 35. *See also* probability distributions
  - plot(), 212, 214
  - plotting, 210–213
  - point plot, 212
  - population variable, 63
  - posterior, normalized, 87
  - posterior distributions, 87
    - beliefs, relationship between, 153
    - beta distributions, use with, 140–142
  - posterior odds, 160, 170, 177–179, 188, 190
  - posterior probabilities, 73–74, 76–77
  - posteriors, ratio of. *See* ratio of posteriors
  - prior, noninformative, 144–145
  - prior odds, 159–160
  - prior probabilities, 73
    - beliefs, relationship between, 141
    - C-3PO example
      - beliefs, C-3PO's, 84–88
      - beta distribution, 87
      - data, 84–85, 87–88
      - overview, 83
    - calculating, 75–76, 78–79
    - controversy regarding, 83, 86
    - conversion events, use in
      - estimating, 139
    - data regarding, 145, 146
    - defining, 74
    - distributions, 143
    - finding, as part of an A/B test, 150
    - Han Solo example, 84, 86, 139
    - psychic die example, 178
    - subjectivity of, 83
  - probability
    - applications, 46
    - beliefs, calculating as ratio of, 15, 19–20
    - calculating, 47–50
    - conditional (*see* conditional probabilities)
    - data, relationship between, 10, 76–77
    - data observation, as part of, 4
    - defining, 14
    - determining, 5
    - distributions (*see* probability distributions)
    - events, counting outcomes of, 14–15, 18
    - high, data supporting, 8
    - hypotheses, relationship between, 7, 47–49
    - independent, 59, 61
    - language of, 7, 8
    - odds, determining, 17
    - posterior, 73–74, 76–77
    - prior (*see* prior probabilities)
    - product rule of, 24–25, 61–62, 79
    - quantifying, 3
    - rules of, 43, 61–62
    - solving for, 17–18
    - statistics, *versus*, 46
    - sum rule for non-mutually exclusive events, 28–30, 61
  - probability density function (PDF)
    - antiderivative of, 127
    - applications, 51–52
    - C-3PO example, 85
    - conversion event, use in
      - estimating, 124
      - beta distribution, 125–127
      - interpreting, 125–126
      - R, use of PDF in, 126–127
      - visualizing, 125–126
    - formula, 50–51
    - integration, use in, 127
    - normal distribution, of, 116–118
    - parameters, 50
    - plot, 51–52
  - probability distributions
    - applications, 34
    - beliefs, of, 49, 83
    - beta distributions (*see* beta distributions)
    - binomial (*see* binomial distributions)
    - building, 190–191
    - Gacha games example, 41–43 (*see also* Gacha games)
    - generalizations, 41
    - outcomes, 35–36, 38–39
    - overview, 33–34
    - permutations, 35
    - simplifying, 35
  - probability mass function (PMF), 39, 50
  - probability theory, 4, 14
  - product rule of probability, 24–25, 61–62, 79
- Q**
- quantile function, 133–134

## R

R programming language  
  CDF, use of in, 132  
  doubles, 198  
  functions, defining, 209–210  
  installing, 196  
  integrals, solving for, 131  
  likelihood ratios, calculating, 188–189  
  logicals, 199  
  missing values, 200  
  multiple hypotheses testing with,  
    186–188  
  plots, generating, 210–213  
  probability density function (PDF),  
    use of, 126–127  
  quantiles, calculating, 135  
  random numbers generated by,  
    208–209  
  R Script, 197  
  strings, 199, 203  
  vectors, 200–202  
    length(), 202–203  
    sum(), 203  
rate of change, 223  
ratio, coin toss, 19  
ratio of posteriors, 158  
  posterior odds, 159, 170–171, 177  
reasoning, 70, 72, 73. *See also* Bayesian  
  reasoning  
reciprocal, multiplying, 106  
rnorm, 207  
RStudio, 196  
runif(), 206–207

## S

sample(), 207–208  
seq(), 186, 204–205  
set.seed(), 208–209  
sigma events, 120  
skepticism, 175–176  
spatial reasoning, 73  
spread, 103–106, 108  
standard deviation, 103  
  calculating, 112  
  determining, 107–108  
  formula, 108

  parameter in normal distribution,  
    111, 114  
  usefulness, 108–109, 111  
statistical analysis, 84–85  
statistical reasoning, 8, 85  
statistics. *See also* inference  
  conditional probabilities,  
    importance of, 60 (*see also*  
    conditional probabilities)  
  probability, *versus*, 46  
  stock price simulation, 213–214  
sum rule for non-mutually exclusive  
  events, 28–30, 61  
sum\_then\_square(), 209–210  
summation symbol, 42

## T

true value, 105  
Twilight Zone example, 168–172,  
  175–176

## U

uncertainty, measuring, 13–14

## V

variance, 103  
  finding, 106–107  
  properties, 107  
  squaring, 107, 109  
vectors  
  length(), 202–203  
  plots, as part of, 210  
  R, 200–202  
  stock price simulation, 213–214  
  sum(), 203  
villain bomb example, 112–114,  
  116–118, 120

## W

weighted sums, 98