An Improved Confidence Interval

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Abstract

For Interval estimation of a proportion the Wald procedure is almost universally used. This is because of its simplicity. A new method of interval estimation is being suggested here. Actually, this new method is really a modification of the Wald procedure. However, this new method has a chance of being used because it is simple and easy to use.

Key words: Confidence interval; Wald interval; Binomial parameter; Wald procedure.

1.Introduction:

A basic analysis in statistical inference is constructing a confidence interval for a binomial parameter p. The simplest interval which is almost universally used is

$$\hat{p} \pm z_{\frac{\alpha}{2}}[\frac{\hat{p}(1-\hat{p})}{n}]^{\frac{1}{2}} \ (1)$$

where $\hat{p}$ is the sample proportion, n is the sample size and $z_{\frac{\alpha}{2}}$ denotes the $1 - \frac{\alpha}{2}$ quantile of the standard normal distribution. For instance, $\alpha = 0.05$ for a 95 % confidence interval, $\alpha = 0.10$ for a 90% confidence interval, etc. This interval is derived from the Wald large sample confidence interval and is commonly referred to as the Wald interval.

So it seems at first glance that the problem is simple and has a clear solution. Actually the problem is a difficult one with several complexities. It is widely recognized that Wald interval coverage probability is poor for p near 0 or 1. It is known that the Wald interval performs poorly unless n is large by Blyth, C. R. and Still, H. A.(1983). Most statistics books take this into account by requiring that this interval should be used only when $\min(np, n(1 - p))$ is at least 5 or 10 by Brown, L. D., Cai, T., and Das Gupta, A.(2001).

A considerable literature exists about this and other less common methods for constructing a confidence interval for p. By Santner, T. J.(1998), and Vollset, S. E.(1993), reviewed a variety of methods. One of the methods is the Clopper-Pearson "exact" interval by Clopper, C. J. and Pearson, E. S.(1934). This method is widely used and has the advantage of a coverage probability of at least $1 - \alpha$ for every possible value of p. The Score method by Wilson, E. B.(1927) discussed by Agresti, A., and Coull, B. A.(1998), is arguably the best procedure for constructing a confidence interval for a population proportion. Guan,Yu (2012) introduced the generalized score method which computes easily and reduces the spike fluctuations of the score method. Also Bayesian methods are effective for constructing confidence intervals for a population proportion. In addition other effective procedures such as the Arcsin, Logit and Jeffres prior intervals are discussed in Brown, L. D., Cai, T., and Das Gupta, A.(2001). The Jeffres prior interval is a special case of a Bayes procedure with a non-informative prior. Bayes procedures with a non-informative prior have a good track record in constructing confidence intervals for p; described by Wasserman, L.(1991). Wang, W.(2006) discusses methods for constructing the smallest exact confidence intervals. Zou, G. Y., Huang, W., and Zhang, X.(2009)use the Score interval to construct a confidence interval for a linear function of binomial proportions.

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However, most effective procedures are too complicated to use in an introductory statistics course. Therefore Agresti, A., and Coull, B. A.(1998) introduced the Adjusted Wald (AC) procedure. The AC method consists of adding two successes and two failures to the data and then proceeding as in the Wald interval. This method is simple, easy to use and accurate. The accuracy of the AC procedure is due to its midpoint and width being almost the same as those of the Score procedure. Actually the Adjusted Wald (AC) interval is a simplified version of the Score interval.

At the present time the Wald interval is almost exclusively used in everyday practical statistics. Some reasons for its popularity are that it is easy to motivate and easy to use. Under the right conditions such as $np(1 - p) \geq 10$, it is reasonably accurate.

We agree with Brown, L. D., Cai, T., and Das Gupta, A.(2001) (it is generally true that only those methods that are easy to describe, use and compute will be widely used). The purpose of this article is to present an easy to describe, use and compute alternative to the Wald procedure.

2.The T- Wald:

As mentioned earlier the Wald confidence interval procedure gives satisfactory results only under right conditions such as $np(1 - p) \geq 10$. Under these conditions, the sample proportion, $\hat{p}$ is approximately normally distributed. So there is a reason to use the procedure for constructing a confidence interval for the mean of a normal population with unknown variance. This inverval is

$$\bar{x} \pm t \frac{S}{\sqrt{n}} \qquad (2)$$

3.An Improved Confidence Interval:

In equation (2), $\bar{x}$ is the sample mean and S is the sample standard deviation and n is the sample size. In binomial notation, equation (2) becomes

$$\hat{p} \pm t \sqrt{\frac{\hat{p}(1-\hat{p})}{n-1}} \qquad (3)$$

where $\hat{p}$ is the proportion of successes in the sample.

To see the conversion of equation (2) to (3), consider a sample consisting of zeros and ones from a binomial population. Note that a zero is a failure and one is a success. Let x be an observation and y be the number of success in the sample. Then S^2, the sample variance is

$$S^2 = \frac{\sum x^2 - (\sum x)^2}{n} \left(\frac{1}{n-1}\right)$$

$$= n\left[\frac{y}{n} - \left(\frac{y}{n}\right)^2\right]\left(\frac{1}{n-1}\right)$$

$$= \frac{n[\hat{p}(1 - \hat{p})]}{n - 1}$$

Thus

$$(S^2)^{\frac{1}{2}} = S = \sqrt{\frac{\hat{p}(1-\hat{p})n}{n-1}} \qquad (4)$$

and

$$\left(\frac{S^2}{n}\right)^{\frac{1}{2}} = \sqrt{\frac{\hat{p}(1-\hat{p})}{n-1}} \qquad (5)$$

So equation (3) is a new formula which we refer to as the T-Wald. It could be used as an alternative to the Wald interval.

One can think of the T-Wald as a simple modification of the Wald procedure with "n" replaced by "n-1" and "z" replaced by the "t" with $n - 1$ degrees of freedom.

Both the Wald and T-Wald procedures are reasonably accurate for $min[np, n(1 - p)] \geq 10$. But the T-Wald is more accurate.

4.Average Coverage:

All confidence intervals for a population proportion are dependent on p, the true population proportion. It would be nice if there was a 95% confidence interval procedure for p that would cover each value of p with a probability of exactly 0.95. However, no such procedure exists. The most one can hope for is that the average coverage of all p to be close to 0.95.

Thus, one way (but not the only way) of comparing different confidence interval procedures for p is to look at average coverage. This is shown in Table 1. In Table 1, p is restricted to values between 0.3 and 0.7. This insures that the sample proportion $\hat{p}$ will be approximately normally distributed.

Table 1 shows comparison of the average coverage of the $\text{Wald}(\text{CI}_W)$, $\text{T} - \text{Wald}(\text{CI}_T)$ for 95% confidence intervals with $0.3 < p < 0.7$ for different values of n.

Table 1: Several properties of confidence intervals for population proportion

n	12	24	48	96	192
CI_W	0.9111	0.9298	0.9400	0.9449	0.9475
CI_T	0.9405	0.9466	0.9484	0.9490	0.9495
ReEr	0.2442	0.1765	0.2072	0.1850	0.1863

Table 1 illustrates several properties of average coverage of confidence intervals for p, a population proportion. One is that the Wald interval (CI_W) is satisfactory as far as average coverage is concerned. But the T-Wald is much better. The row ReEr (relative error) is the relative error of the T-Wald and Wald. For instance the relative error for $n = 48$ is

$$\frac{0.95 - 0.9484}{0.95 - 0.9400} = 0.2072$$

Table 1 indicates that the relative error of the T-Wald relative to the Wald is roughly $\frac{1}{5}$ the relative error of the Wald. The reader must remember that both the T-Wald and the Wald should be used only for certain n and p combinations such as $np(1 - p) \geq 5$.

One might ask how does the average coverage of the T-Wald compare with certain other confidence interval procedures such as the Wilson(Score) or Adjusted Wald by Agresti, A., and Coull, B. A.(1998). Both of these procedures can be used for most combinations of n and p. The Score procedure has probably the best average coverage of any confidence interval procedure. For instance the average coverage of the Score procedure for a 95% confidence interval with $n \geq 96$ and $0.3 < p < 0.7$ is 0.9501.

The average coverage of the adjusted Wald (AC) procedure is about the same as that of the T-Wald for a 95% confidence interval.

5.Discussion

A common analysis in statistical inference is forming a confidence interval for a binomial parameter p. The Wald interval is almost universally used because of its simplicity. We think a simple, easy to use procedure such as the T-Wald has a better chance of partially replacing the Wald. We think the T-Wald serves this purpose. The T-Wald also has the form $\hat{p} \pm E$ so that it's center is $\hat{p}$, where, $E = z_{\frac{\alpha}{2}}[\frac{\hat{p}(1-\hat{p})}{n}]^{\frac{1}{2}}$. Users seems to prefer this type of estimator. Finally, using the T-Wald procedure is the same as constructing a confidence interval for a population mean with the notation changed. That is, $\hat{p}$ replaces $\bar{x}$ and $\frac{\hat{p}(1-\hat{p})}{n-1}$ replaces $\frac{S^2}{n}$.

6.Conclusion:

This new method is a good compromise between simplicity and accuracy.It is also a "natural" method to use since one used the same steps as those used in constructing a confidence interval as those used in constructing a confidence interval for a population mean with unknown variance.

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