## Big Data in Economics

Lecture 1: Introduction

Grant McDermott
University of Oregon | EC 510

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# Prologue

## Introductions

#### Course

https://github.com/uo-ec510-2020-spring

You'll soon receive access to a linked GitHub Classroom environment, which is how you'll receive and submit assignments, etc.

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**Grant McDermott** (instructor)

Assistant Professor of Economics

https://grantmcdermott.com

**■** grantmcd@uoregon.edu

**Garrett Stanford** (GE)

Doctoral student in economics

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#### You

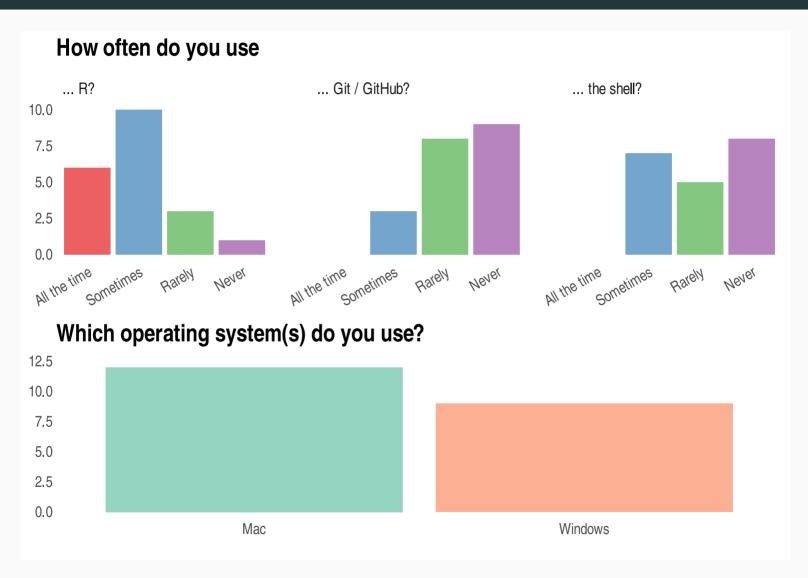
Summary of our survey...

#### **Garrett Stanford** (GE)

Doctoral student in economics

**■** gos@uoregon.edu

## Survey



## A quick note on remote instruction

This is not only a new course (albeit derived from my EC 607 class), but also the first time most (all?) of us have experimented with remote instruction.

I'm going to try Zoom to start, but may switch to precorded lectures depending on how things go.

Regardless, I have some ideas on how we'll proceed (e.g. randomly select some of you to turn your videos on for visual feedback and cues), but we'll very much be experimenting as we go.

• The lecture notes will be very detailed, though.

# Motivation

## Why this course?

As data get bigger, economists need to look beyond their traditional empirical tools.

- How do you run a regression on data that won't even fit into memory?
- How do you make the most of the computational resources at your disposal?
- How do you acquire more resources?
- How do you write efficient, fault-tolerant code that scales and reproduces in multiple environments?
- Etc.

## Big data are everywhere

- Cellphones
- Social media
- Networks
- Remote sensing (i.e. satellites)
- Transaction data (credit cards, etc.)
- Finance
- Transportation
- Administrative data
- etc.

Moreover, economists are increasingly working with "traditional" big data sources that, until recently, were more closely identified with other fields (genomics, climate, etc.)

# Why this course? (redux)

You are going to learn some of the key tools and frameworks for dealing with big data.

• We're going to start small, learning how to write efficient code on our local machines and then scale up.

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"By the end of the quarter, you will have connected to cloud-based based services and high-performance computing clusters, queried petabyte-sized databases, and run distributed code across a network of computers. More importantly, you will have a better understanding of how computers work, what tools are at your disposal for tackling big data problems, and how to meaningfully integrate them into your everyday workflow"

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Caveat: We will not be doing much, if any, machine-learning in this class. For that, you should take Ed Rubin's EC 524 class (part of the same MSc sequence).

# Expectations

Part of the new Masters in Applied Economics program here at UO.

- Prereqs: MATH 253; EC 311; EC 313; one from EC 320, EC 423.
- For undergrads, I have generally only admitted students that received an "A" for EC 421.

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Formal prereqs aside, my basic working assumption is that you have a solid understanding of R (data wrangling, econometrics, etc.) that we can build on quickly.

• We will, however, spend some time laying proper foundations for the latter sections.

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• We will, however, spend some time laying proper foundations for the latter sections.

We'll get to software in a few slides, but the lecture notes (a) will be posted ahead of class and (b) will contain a list of SW requirements for that lecture. My expectation is that you will have completed the SW requirements *before* class.

# You, at the end of this course



# Syllabus highlights

(Read the full document here.)

# Grading

EC 410

EC 510

Component	Weight
4 × HW assignments (25% each)	100%

Component	Weight
4 × HW assignments (20% each)	80%
1 × OSS contribution	20%

- HW assignments are to be completed in **groups of 2**. If you'd like to pair up, let me know soon. Else, I'm going to assign groups at random.
- For the EC 510 students, I encourage you to make an OSS contribution to LOST.

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PS — I may award a class participation bonus (2.5%) at my discretion.

## Lecture outline

#### **Foundations**

- Introduction: Motivation, software installation, and data visualization
- Version control with Git(Hub)
- Learning to love the shell
- R language basics (Optional)

### Data wrangling, I/O, and acquistion

- Data cleaning and wrangling: (1) Tidyverse
- Data cleaning and wrangling: (2) data.table
- Big data I/O
- Webscraping: (1) Server-side and CSS
- Webscraping: (2) Client-side and APIs

## Lecture outline (cont.)

### Programming

- Functions in R: (1) Introductory concepts
- Functions in R: (2) Advanced concepts
- Parallel programming

### Cloud resources and distributed computation

- Docker
- Cloud computing with Google Compute Engine
- High performance computing (Talapas cluster)
- Databases: SQL(ite) and BigQuery
- Spark

## Lecture outline (cont.)

### Other potential topics (time permitting)

- Regression tools for big data problems
- Google Earth Engine
- Networks
- Deep learning
- Automation and workflow
- Rcpp (i.e. integrating C++ with R)

# Getting started

# Software installation and registration

- 1. Download R.
- 2. Download RStudio.
- 3. Download Git.
- 4. Create an account on GitHub and register for a student/educator discount.
  - You will soon receive an invitation to the quarter-specific course org. on GitHub, as well as GitHub classroom, which is how we'll disseminate and submit assignments, receive feedback and grading, etc.

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If you had trouble completing any of these steps, please let me know ASAP.

• My go-to place for installation guidance and troubleshooting is Jenny Bryan's http://happygitwithr.com.

## Some OS-specific extras

I'll detail further software requirements as and when the need arises.<sup>1</sup> However, to help smooth some software installation issues further down the road, please also do the following (depending on your OS):

- Windows: Install Rtools. I also recommend that you install Chocolately.
- Mac: Install Homebrew. I also recommend that you configure/open your C++ toolchain (see here.)
- **Linux:** None (you should be good to go).

<sup>&</sup>lt;sup>1</sup> **Important:** I expect you to have fulfilled any SW requirements well before class starts. Don't wait until the last minute, otherwise we won't be able to help troubleshoot.

## Checklist

☑ Do you have the most recent version of R?

```
version$version.string
## [1] "R version 3.6.3 (2020-02-29)"
```

☑ Do you have the most recent version of RStudio? (The preview version is fine.)

```
RStudio.Version()$version
## Requires an interactive session but should return something like "[1] '1.3.92
```

☑ Have you updated all of your R packages?

```
update.packages(ask = FALSE, checkBuilt = TRUE)
```

## Checklist (cont.)

Open up the shell.

- Windows users, make sure that you installed a Bash-compatible version of the shell. If you installed Git for Windows, then you should be good to go.
- ☑ Which version of Git have you installed?

```
git --version
## git version 2.25.1
```

☑ Did you introduce yourself to Git? (Substitute in your details.)

```
git config --global user.name 'Grant McDermott'
git config --global user.email 'grantmcd@uoregon.edu'
git config --global --list
```

☑ Did you register an account in GitHub?

# Checklist (cont.)

We will make sure that everything is working properly with your R and GitHub setup next lecture.

For the rest of today's lecture, I want to go over some very basic R concepts.

## Checklist (cont.)

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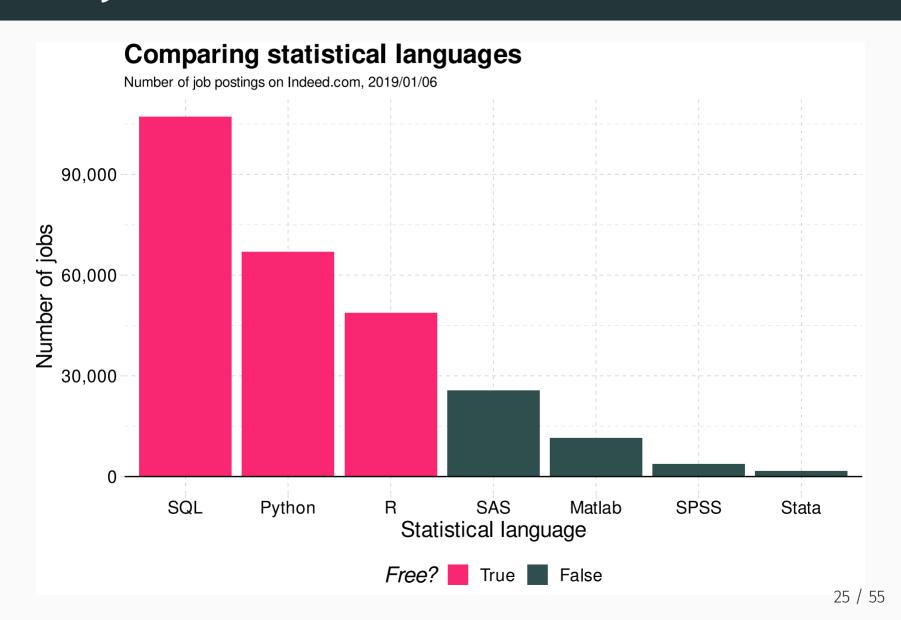
For the rest of today's lecture, I want to go over some very basic R concepts.

PS — Just so you know where we're headed: We'll return to these R concepts (and delve much deeper) next week after a brief, but important detour to the lands of Git(Hub) and the shell.

• Don't worry, it will all make sense. You'll see.

# R for data science

# Why R and RStudio? (cont.)



## Why R and RStudio? (cont.)

### Data science positivism

- Alongside Python, R has become the *de facto* language for data science.
  - See: The Impressive Growth of R, The Popularity of Data Science Software
- Open-source (free!) with a global user-base spanning academia and industry.
  - "Be a profit center, not a cost center." (source)

### Bridge to applied economics and other tools

- Already has all of the statistics and econometrics support, and is amazingly adaptable as a "glue" language to other programming languages and APIs.
- The RStudio IDE and ecosystem allow for further, seamless integration.

### Path dependency

It's also the language that I know best.

## Why R and RStudio? (cont.)

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- It's also the language that I know best.
- (Learning multiple languages is a good idea, though.)

#### Some R basics

- 1. Everything is an object.
- 2. Everything has a name.
- 3. You do things using functions.
- 4. Functions come pre-written in packages (i.e. "libraries"), although you can and should write your own functions too.

#### Some R basics

- 1. Everything is an object.
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- 4. Functions come pre-written in packages (i.e. "libraries"), although you can and should write your own functions too.

Points 1. and 2. can be summarised as an object-orientated programming (OOP) approach.

• This may sound super abstract now, but we'll see *lots* of examples over the coming weeks that will make things clear.

#### R vs Stata

If you're coming from Stata, some additional things worth emphasizing:

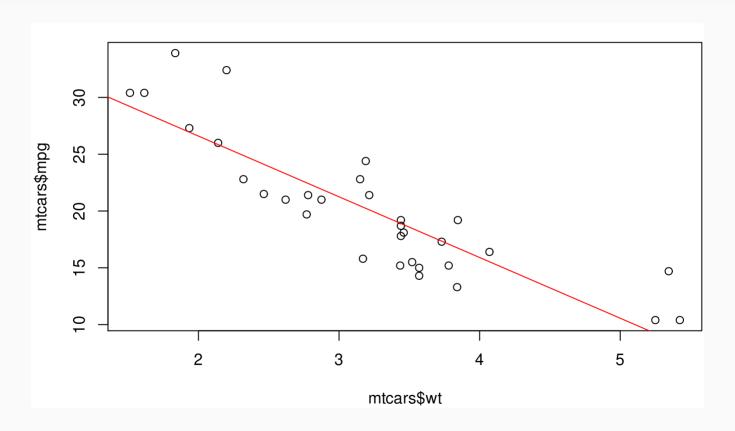
- Multiple objects (e.g. data frames) can exist happily in the same workspace.
  - No more keep, preserve, restore hackery. (Though, props to Stata 16.)
  - This is a direct consequence of the OOP approach.
- You will load packages at the start of every new R session. Make peace with this.
  - "Base" R comes with tons of useful in-built functions. It also provides all the tools necessary for you to write your own functions.
  - However, many of R's best data science functions and tools come from external packages written by other users.
- R easily and infinitely parallelizes. For free.
  - Compare the cost of a Stata/MP license, nevermind the fact that you effectively pay per core...
- You don't need to tset or xtset your data. (Although you can too.)

### R code example (linear regression)

```
fit = lm(mpg ~ wt, data = mtcars)
summary(fit)
###
## Call:
## lm(formula = mpg ~ wt, data = mtcars)
###
## Residuals:
## Min 10 Median 30 Max
## -4.5432 -2.3647 -0.1252 1.4096 6.8727
###
## Coefficients:
             Estimate Std. Error t value Pr(>|t|)
##
## (Intercept) 37.2851 1.8776 19.858 < 2e-16 ***
## wt -5.3445 0.5591 -9.559 1.29e-10 ***
## ---
## Signif. codes: 0 '***' 0.001 '**' 0.05 '.' 0.1 ' ' 1
##
## Residual standard error: 3.046 on 30 degrees of freedom
## Multiple R-squared: 0.7528, Adjusted R-squared: 0.7446
## F-statistic: 91.38 on 1 and 30 DF, p-value: 1.294e-10
```

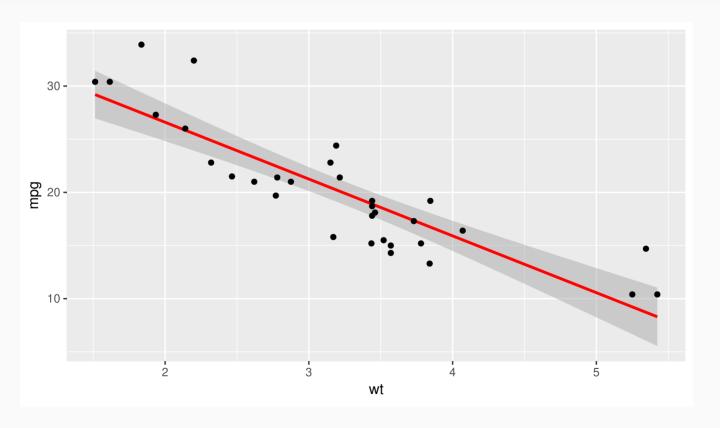
### Base R plot

```
par(mar = c(4, 4, 1, .1)) ## Just for nice plot margins on this slide deck
plot(mtcars$wt, mtcars$mpg)
abline(fit, col = "red")
```



# ggplot2

```
library(ggplot2)
ggplot(data = mtcars, aes(x = wt, y = mpg)) +
  geom_smooth(method = "lm", col = "red") +
  geom_point()
```



# More ggplot2

#### Install and load

Open up your laptops. For the remainder of this first lecture, we're going continue playing around with ggplot2 (i.e. livecoding).

If you don't have them already, install the ggplot2 and gapminder packages via either:

- Console: Enter install.packages(c("ggplot2", "gapminder"), dependencies=T).
- **RStudio:** Click the "Packages" tab in the bottom-right window pane. Then click "Install" and search for these two packages.

#### Install and load (cont.)

Once the packages are installed, load them into your R session with the library() function.

```
library(ggplot2)
library(gapminder) ## We're just using this package for the gapminder data
```

Notice too that you don't need quotes around the package names any more. Reason: R now recognises these packages as defined objects with given names. ("Everything in R is an object and everything has a name.")

#### Install and load (cont.)

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PS — A convenient way to combine the package installation and loading steps is with the pacman package's p\_load() function. If you run pacman::p\_load(ggplot, gapminder) it will first look to see whether it needs to install either package before loading them. Clever.

• We'll get to this next week, but if you want to run a function from an (installed) package without loading it, you can use the PACKAGE::package\_function() syntax.

# Brief aside: The gapminder dataset

Because we're going to be plotting the gapminder dataset, it is helpful to know that it contains panel data on life expectancy, population size, and GDP per capita for 142 countries since the 1950s.

```
## # A tibble: 1.704 x 6
                  continent year lifeExp
###
      country
                                               pop gdpPercap
                                             <int>
###
      <fct>
                  <fct>
                            <int>
                                    <dbl>
                                                        <dbl>
   1 Afghanistan Asia
                             1952
                                     28.8 8425333
                                                         779.
##
   2 Afghanistan Asia
###
                             1957
                                     30.3 9240934
                                                         821.
   3 Afghanistan Asia
                                                         853.
##
                             1962
                                     32.0 10267083
   4 Afghanistan Asia
##
                             1967
                                     34.0 11537966
                                                         836.
    5 Afghanistan Asia
                             1972
                                     36.1 13079460
                                                         740.
##
    6 Afghanistan Asia
                             1977
                                     38.4 14880372
                                                         786.
###
   7 Afghanistan Asia
##
                             1982
                                     39.9 12881816
                                                         978.
   8 Afghanistan Asia
                             1987
                                     40.8 13867957
                                                         852.
##
   9 Afghanistan Asia
                             1992
                                     41.7 16317921
                                                         649.
##
   10 Afghanistan Asia
                                                         635.
                             1997
                                     41.8 22227415
  # ... with 1,694 more rows
```

gapminder

### Elements of ggplot2

Hadley Wickham's ggplot2 is one of the most popular packages in the entire R canon.

• It also happens to be built upon some deep visualization theory: i.e. Leland Wilkinson's *The Grammar of Graphics*.

There's a lot to say about ggplot2's implementation of this "grammar of graphics" approach, but the three key elements are:

- 1. Your plot ("the visualization") is linked to your variables ("the data") through various **aesthetic mappings**.
- 2. Once the aesthetic mappings are defined, you can represent your data in different ways by choosing different **geoms** (i.e. "geometric objects" like points, lines or bars).
- 3. You build your plot in layers.

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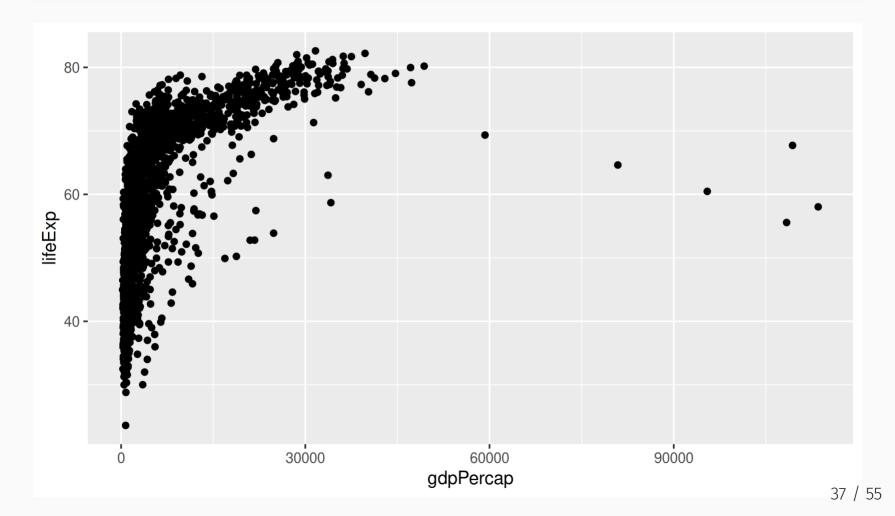
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That's kind of abstract. Let's review each element in turn with some actual plots.

### 1. Aesthetic mappings

```
ggplot(data = gapminder, mapping = aes(x = gdpPercap, y = lifeExp)) +
  geom_point()
```



```
ggplot(data = gapminder, mapping = aes(x = gdpPercap, y = lifeExp)) +
  geom_point()
```

Focus on the top line, which contains the initialising ggplot() function call. This function accepts various arguments, including:

- Where the data come from (i.e. data = gapminder).
- What the aesthetic mappings are (i.e. mapping = aes(x = gdpPercap, y = lifeExp)).

```
ggplot(data = gapminder, mapping = aes(x = gdpPercap, y = lifeExp)) +
  geom_point()
```

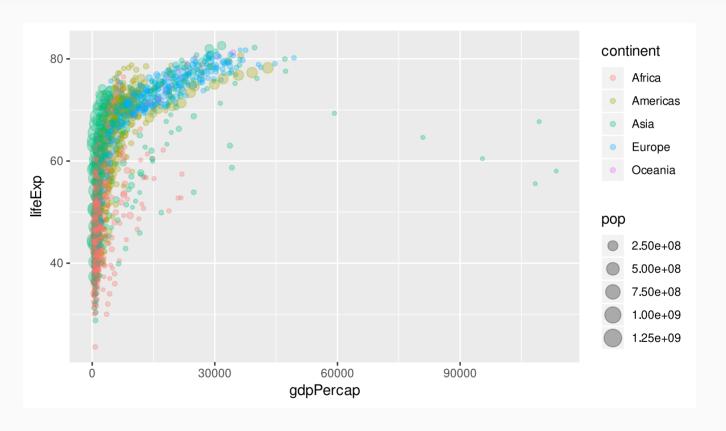
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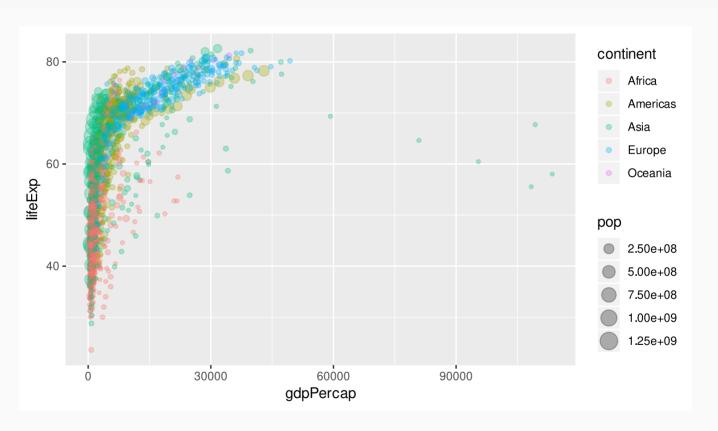
The aesthetic mappings here are pretty simple: They just define an x-axis (GDP per capita) and a y-axis (life expecancy).

• To get a sense of the power and flexibility that comes with this approach, however, consider what happens if we add more aesthetics to the plot call...

ggplot(data = gapminder, aes(x = gdpPercap, y = lifeExp, size = pop, col = contine
 geom\_point(alpha = 0.3) ## "alpha" controls transparency. Takes a value between



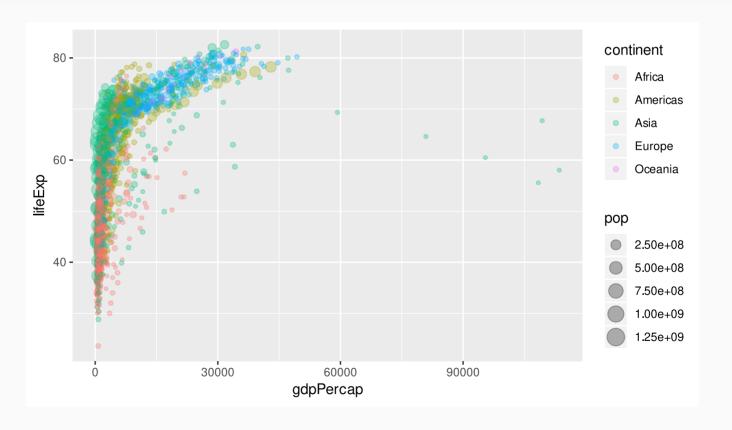
ggplot(data = gapminder, aes(x = gdpPercap, y = lifeExp, size = pop, col = contine
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Note that I've dropped the "mapping =" part of the ggplot call. Most people just start with "aes(...)", since ggplot2 knows the order of the arguments.

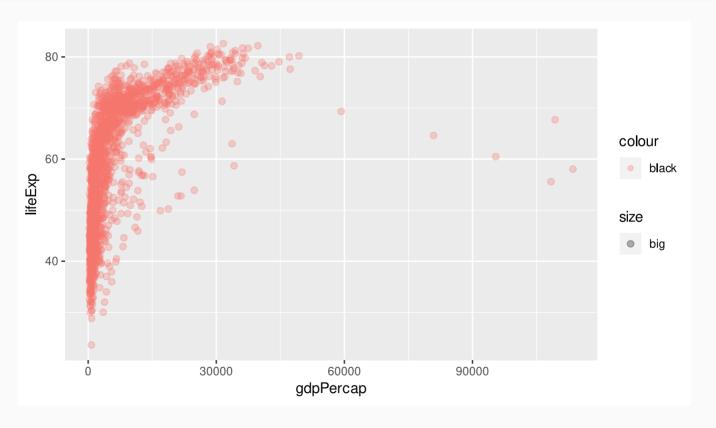
We can specify aesthetic mappings in the geom layer too.

```
ggplot(data = gapminder, aes(x = gdpPercap, y = lifeExp)) + ## Applicable to all g
geom_point(aes(size = pop, col = continent), alpha = 0.3) ## Applicable to this
```



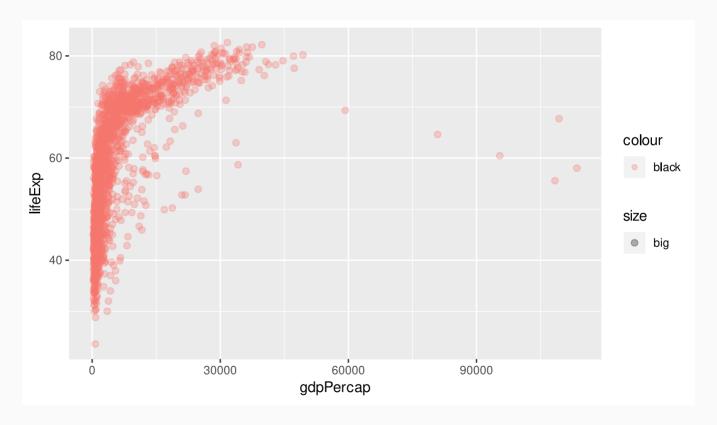
Oops. What went wrong here?

```
ggplot(data = gapminder, aes(x = gdpPercap, y = lifeExp)) +
  geom_point(aes(size = "big", col="black"), alpha = 0.3)
```



Oops. What went wrong here?

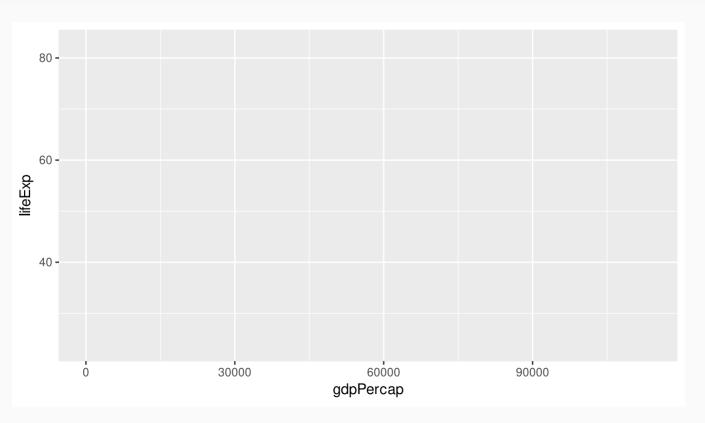
```
ggplot(data = gapminder, aes(x = gdpPercap, y = lifeExp)) +
  geom_point(aes(size = "big", col="black"), alpha = 0.3)
```



**Answer:** Aesthetics must be mapped to variables, not descriptions!

At this point, instead of repeating the same ggplot2 call every time, it will prove convenient to define an intermediate plot object that we can re-use.

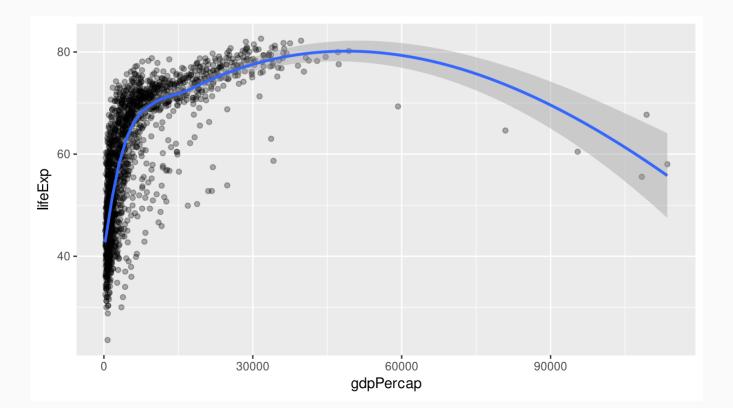
```
p = ggplot(data = gapminder, aes(x = gdpPercap, y = lifeExp))
p
```



#### 2. Geoms

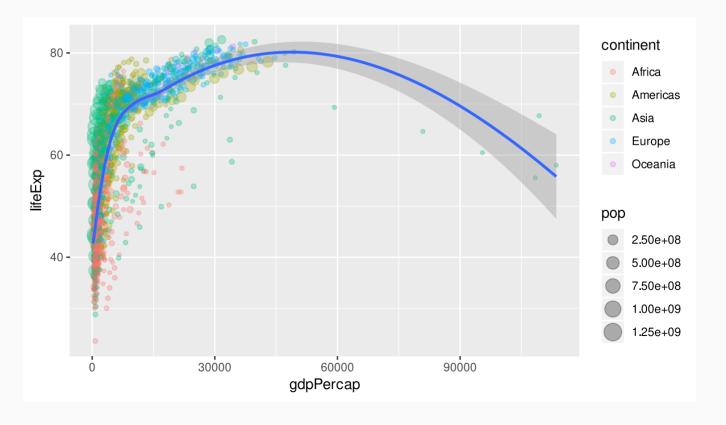
Once your variable relationships have been defined by the aesthetic mappings, you can invoke and combine different geoms to generate different visulaizations.

```
p +
  geom_point(alpha = 0.3) +
  geom_smooth(method = "loess")
```



Aesthetics can be applied differentially across geoms.

```
p +
  geom_point(aes(size = pop, col = continent), alpha = 0.3) +
  geom_smooth(method = "loess")
```



The previous plot provides a good illustration of the power (or effect) that comes from assigning aesthetic mappings "globally" vs in the individual geom layers.

• Compare: What happens if you run the below code chunk?

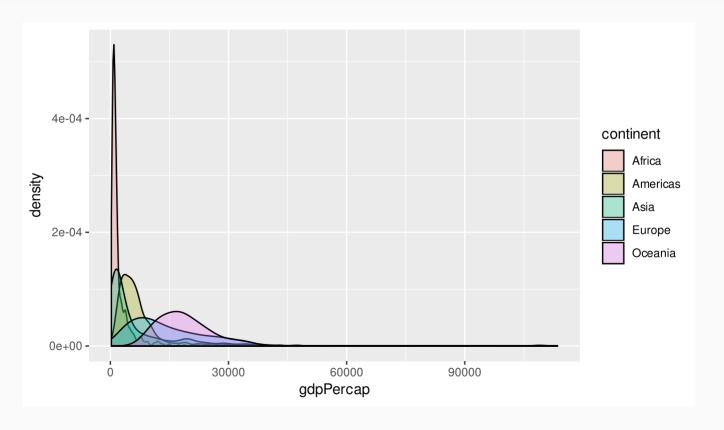
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ggplot(data = gapminder, aes(x = gdpPercap, y = lifeExp, size = pop, col = contine
  geom_point(alpha = 0.3) +
  geom_smooth(method = "loess")
```

Similarly, note that some geoms only accept a subset of mappings. E.g. <code>geom\_density()</code> doesn't know what to do with the "y" aesthetic mapping.

```
p + geom_density()
## Error: geom_density requires the following missing aesthetics: y
```

We can fix that by being more careful about how we build the plot.

```
ggplot(data = gapminder) + ## i.e. No "global" aesthetic mappings"
geom_density(aes(x = gdpPercap, fill = continent), alpha=0.3)
```



### 3. Build your plot in layers

We've already seen how we can chain (or "layer") consecutive plot elements using the + connector.

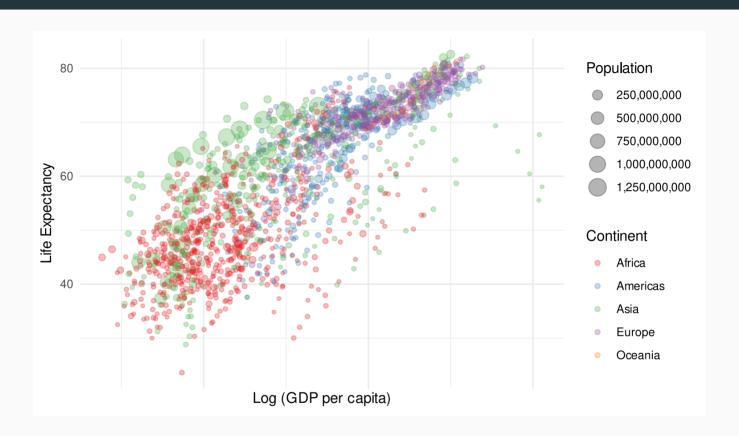
• The fact that we can create and then re-use an intermediate plot object (e.g. "p") is testament to this.

But it bears repeating: You can build out some truly impressive complexity and transformation of your visualization through this simple layering process.

- You don't have to transform your original data; ggplot2 takes care of all of that.
- For example (see next slide for figure).

```
p2 =
   p +
   geom_point(aes(size = pop, col = continent), alpha = 0.3) +
   scale_color_brewer(name = "Continent", palette = "Set1") + ## Different colour s
   scale_size(name = "Population", labels = scales::comma) + ## Different point (i.
   scale_x_log10(labels = scales::dollar) + ## Switch to logarithmic scale on x-axi
   labs(x = "Log (GDP per capita)", y = "Life Expectancy") + ## Better axis titles
   theme_minimal() ## Try a minimal (b&w) plot theme
```

# 3. Build your plot in layers (cont.)



#### What else?

We have barely scratched the surface of ggplot2's functionality... let alone talked about the entire ecosystem of packages that has been built around it.

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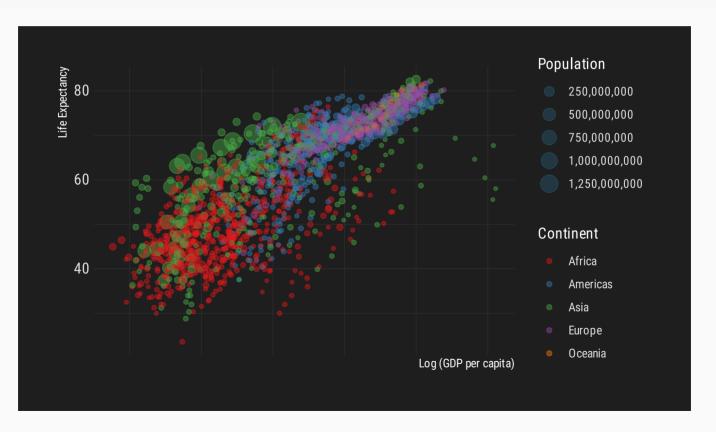
• Here's are two quick additional examples to whet your appetite

Note that you will need to install and load some additional packages if you want to recreate the next two figures on your own machine. A quick way to do this:

```
if (!require("pacman")) install.packages("pacman")
pacman::p_load(hrbrthemes, gganimate)
```

Simple extension: Use an external package theme.

```
# library(hrbrthemes)
p2 + theme_modern_rc() + geom_point(aes(size = pop, col = continent), alpha = 0.2)
```



Elaborate extension: Animation! (See the next slide for the resulting GIF.)

```
# library(gganimate)
ggplot(gapminder, aes(gdpPercap, lifeExp, size = pop, colour = country)) +
    geom_point(alpha = 0.7, show.legend = FALSE) +
    scale_colour_manual(values = country_colors) +
    scale_size(range = c(2, 12)) +
    scale_x_log10() +
    facet_wrap(~continent) +
    # Here comes the gganimate specific bits
    labs(title = 'Year: {frame_time}', x = 'GDP per capita', y = 'life expectancy')
    transition_time(year) +
    ease_aes('linear')
```





Note that this animated plot provides a much more intuitive understanding of the underlying data. Just as Hans Rosling intended.

There's a lot more to say, but I think we'll stop now for today's lecture.

We also haven't touched on ggplot2's relationship to "tidy" data.

- It actually forms part of a suite of packages collectively known as the tidyverse.
- We will get back to this in Lecture 5.

Rest assured, you will be using ggplot2 throughout the rest of this course and developing your skills along the way.

• Your very first assignment (coming up) is a chance specifically to hone some of those skills.

In the meantime, I want you to do some reading and practice on your own. Pick either of the following (or choose among the litany of online resources) and work through their examples:

- Chapter 3 of R for Data Science by Hadley Wickham and Garett Grolemund.
- Data Visualization: A Practical Guide by Kieran Healy.
- Designing ggplots by Malcom Barrett.

Next lecture: Deep dive into Git(Hub).