grmpy Tutorial

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Introduction

grmpy

`grmpy` is an open-source Python package for the simulation and estimation of generalized Roy model. Its main purpose is to serve as a teaching tool to promote the conceptual framework provided by the generalized Roy model to illustrate a variety of issues in the econometrics of policy evaluation.

grmpy

- ***grmpy*** is ...
  - ...an open-source Python Package for the simulation and estimation of the generalized Roy model.
  - ...intended as a useful device to support and improve the understanding of the framework by providing the opportunity to experience the effect of particular specifications directly.

Setup

Setup

- Normal linear-in-parameters version of the generalized Roy model.

Potential Outcomes	Cost
$Y_1 = \beta_1 X + U_1$	$C = \gamma Z + U_C$
$Y_0 = \beta_0 X + U_0$	

Observed Outcomes	Choice
$Y = DY_1 + (1-D)Y_0$	$S = Y_1 - Y_0 - C$
	$D = \mathrm{I}[S > 0]$

Features

Features

- *grmpy* is currently capable of the following features:
  - Simulating a dataset based on your own specifications.
  - Providing some useful information about the simulated dataset for instance:
    - Distributional outcome characteristics
    - ATE, TT, TUT
    - MTE by ventile
  - Estimating the coefficients of interest given a dataset (of a specific form).

Install the package

- OS, Linux : Use the pip install manager (*pip install grmpy*) or download the package via GitHub and install it manually.

- Windows: The same procedure as for Linux, OS but you have to verify that the numpy package is already installed on your machine.

Initialization file

- The initialization file provides the user with the opportunity to specify all parameters of his/her model, for instance:
  - Simulation parameters (number of observations, name of the output files)
  - Estimation parameters (optimization algorithm, start values)
  - Optimization parameters
  - Coefficients and covariance parameters, dummy variables...
- Example
- for a detailed explanation see: *grmpy*-documentation

Simulation

- *grmpy.simulate():*
  - Input: path of the initialization file.
  - The function returns a data frame based on your specifications and different output files.
    - The data set as a pickle and a txt file.
    - An Info file that provides the distributional characteristics of the data as well as information about the different treatment effects.

Estimation

- *grmpy.estimate():*
  - Input: path of the initialization file.
  - At the moment the estimation process is only capable of two different optimization algorithms:
    - Broyden Fletcher Goldfarb Shanno (BFGS) algorithm
    - Powell's conjugate direction method

- There are two different options for the start values that could be set in the initialization file:
  - *init:* The estimation process uses the coefficient values specified in the initialization file as the start values for the estimation process.
  - *auto:* The start values are determined via a simple OLS followed by a Probit regression for the choice indicator.
- The estimation results are printed to an output file

Test battery

- We also provide a test battery that includes several tests to ensure that the processes perform as intended.
  - Property-based testing
  - Reliability testing
  - Regression testing

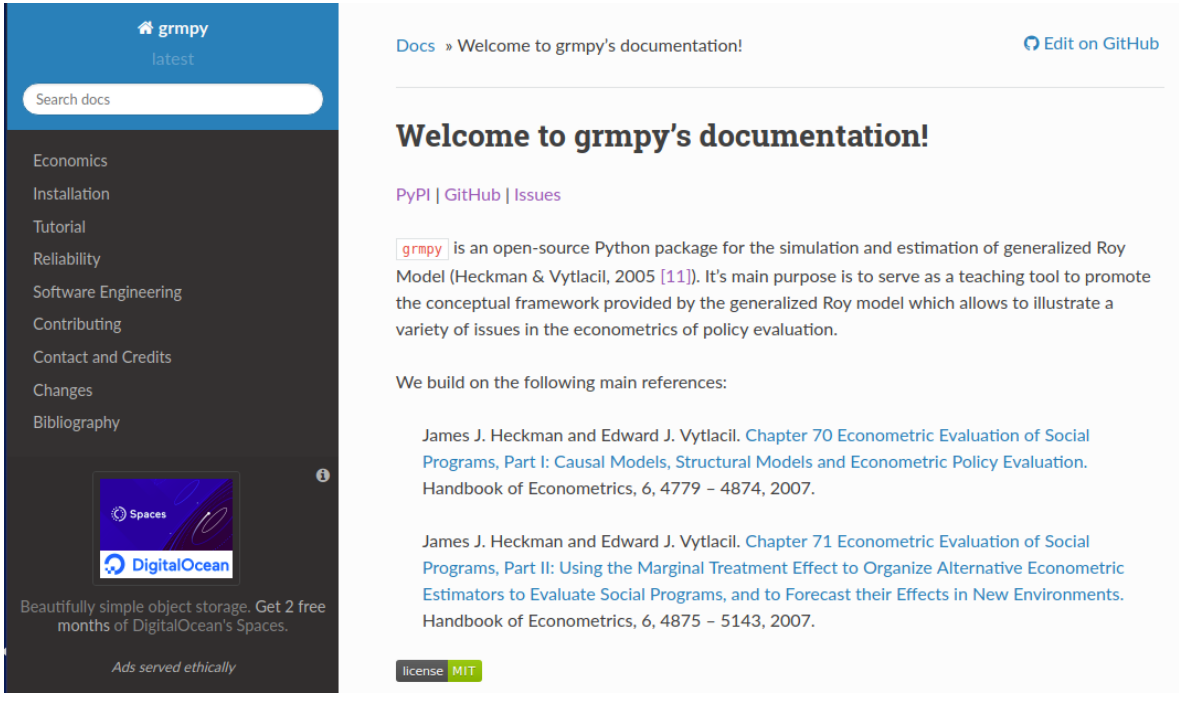
What's yet to come?

- Partial replication of Carneiro, Heckman, and Vytlacil (2011) (very soon!)
- Addition of marginal surplus and marginal cost parameters
- Implementation of polynomial and local instrumental variable estimation
- Exploration of alternative optimization algorithms to address large estimation tasks

Application Example

Additional Information

Online documentation



Appendix

References

Becker, G. S. (1964). *Human capital* (1st ed.). New York City, NY: Columbia University Press.

Carneiro, P., Heckman, J. J., & Vytlacil, E. J. (2011). Estimating marginal returns to education. *American Economic Review*, *101*(6), 2754–2781.