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
$$Y_1 = \beta_1 X + U_1 \qquad C = \gamma Z + U_C$$

$$Y_0 = \beta_0 X + U_0$$

Observed Outcomes Choice
$$Y = DY_1 + (1 - D)Y_0 \qquad S = Y_1 - Y_0 - C$$

$$D = I[S > 0]$$

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

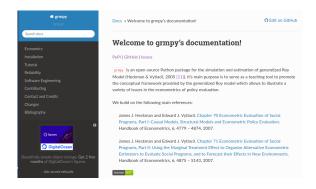
What's yet to come?

- 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



Additional Information

- **p grmpy**-documentation
- Course material regarding the generalized Roy model
- GitHub Repository

Appendix

References

- Carneiro, P., Heckman, J. J., & Vytlacil, E. J. (2011). Estimating marginal returns to education. *American Economic Review*, 101(6), 2754–2781.
- Heckman, J. J., & Vytlacil, E. J. (2007a). Econometric evaluation of social programs, part I: Causal effects, structural models and econometric policy evaluation. In J. J. Heckman & E. E. Leamer (Eds.), Handbook of econometrics (Vol. 6B, pp. 4779–4874). Amsterdam, Netherlands: Elsevier Science.

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