pset 3 631

```r
#====================#
# ==== IO Pset 3 ====
#====================#



#=============================#
# ==== load packages/data ====
#=============================#


  rm(list = ls(pos = ".GlobalEnv"), pos = ".GlobalEnv")
  options(scipen = 999)
  cat("\f")

  library(package)
  library(data.table)
  library(xtable)

  # set option for who is running this
  opt_nate <- TRUE

  # load data and set directories
  if(opt_nate){

    # load data
    gmdt <- fread("c:/Users/Nmath_000/Documents/MI_school/Third Year/Econ 631/ps3/GMdata.csv")
    f_out <- "c:/Users/Nmath_000/Documents/Code/Econ_631/ps3/"

    # if running on tyler's computer
    }else{

      # load data from tylers locaiton
      gmdt <- fread("C:/Users/tyler/Box/coursework/Econ_631/ps3/GMdata.csv")
      f_out <- "C:/Users/tyler/Box/coursework/Econ_631/ps3"


  }



#=========================#
# ==== summary stats ====
#=========================#

  #==============================#
  # ==== Make balanced panel ====
  #==============================#
```

```r
  # make the balanced panel version of data
  # first get number of years by firm
  gmdt[, num_years := .N, index]

  # check how many are in each group
  gmdt[, .N, num_years]

  # make balanced panel
  gmdt_b <- gmdt[num_years == max(gmdt$num_years)]

  # drop variable
  gmdt[, num_years := NULL]
  gmdt_b[, num_years := NULL]

#=========================#
# ==== do comparison ====
#=========================#

  # make list of variables
  vars <- grep("l", colnames(gmdt_b), value = TRUE)

  #  get each column of summart stats
  sum_stats_li <- list()
  sum_stats_li[[1]] <- data.table(Variable = vars)
  # means
  sum_stats_li[[2]] <- gmdt[, list("Full Mean" = lapply(.SD, mean)), .SDcols = vars]
  sum_stats_li[[3]] <- gmdt_b[, list("Bal. Mean" = lapply(.SD, mean)), .SDcols = vars]

  # t.test for mean equlity
  # function to do it
  tstat_fun <- function(var_i){
  res <- t.test(gmdt[, get(var_i)], gmdt_b[, get(var_i)])

  return(res$statistic)
  }

  # apply over variales
  sum_stats_li[[4]] <- data.table( "Tstat" = unlist(lapply(vars, tstat_fun)))


  # varianvce
  sum_stats_li[[5]] <- gmdt[, list("Full VAR" = lapply(.SD, var)), .SDcols = vars]
  sum_stats_li[[6]] <- gmdt_b[, list("Bal. VAR" = lapply(.SD, var)), .SDcols = vars]


  # fstat for equalit of variance
  ftest_fun <- function(var_i){
    res <- var.test(gmdt[, get(var_i)], gmdt_b[, get(var_i)])

    return(res$statistic)
  }

  #apply over variables
```

```r
    sum_stats_li[[7]] <- data.table( "Fstat" = unlist(lapply(vars, ftest_fun)))



    #min
    sum_stats_li[[8]] <- gmdt[, list("Full Min" = lapply(.SD, min)), .SDcols = vars]
    sum_stats_li[[9]] <- gmdt_b[, list("Bal. Min" = lapply(.SD, min)), .SDcols = vars]
    #max
    sum_stats_li[[10]] <- gmdt[, list("Full max" = lapply(.SD, max)), .SDcols = vars]
    sum_stats_li[[11]] <- gmdt_b[, list("Bal. max" = lapply(.SD, max)), .SDcols = vars]

    # get variance
    sum_stats <- do.call(cbind, sum_stats_li)
    #check it out!
    sum_stats




  #=============================#
  # ==== save table to tex ====
  #=============================#


    # split this into two tables
    sum_stat_1 <- sum_stats[, 1:7, with=FALSE]
    sum_stat_2 <- sum_stats[, c(1, 8:11), with = FALSE]


    # save summary stats
    print(xtable(sum_stat_1, type = "latex"),
          file = paste0(f_out, "sum_stats_1.tex"),
          include.rownames = FALSE,
          floating = FALSE)

    print(xtable(sum_stat_2, type = "latex"),
          file = paste0(f_out, "sum_stats_2.tex"),
          include.rownames = FALSE,
          floating = FALSE)


#=========================================#
# ==== Estimate Production Function ==== #
#=========================================#

    # Step 1: Get measurement error from second-order polynomial
    # (including interactions) of emp, dnpt, drst and investment
    setnames(gmdt, c("ldsal", "ldnpt", "ldrst"), c("lsales","lcap", "lrdcap"))

    gmdt[,dummy:=1]

    # do it for balanced too just for fun
    setnames(gmdt_b, c("ldsal", "ldnpt", "ldrst"), c("lsales","lcap", "lrdcap"))
```

```
  gmdt_b[,dummy:=1]


#==============================#
# ==== internal functions ====
#==============================#

  in_data <- gmdt
  get_resid_fun <- function(in_data){

    dt_copy <- copy(in_data)

    X <- as.matrix(dt_copy[,.(dummy, lemp,lcap,lrdcap,ldinv, lemp*lemp,lemp*lcap, lemp*lrdcap,
                             lemp*ldinv,lcap*lcap,lcap*lrdcap,lcap*ldinv,lrdcap*lrdcap,lrdcap*ldinv,ldi

    Y <- as.matrix(dt_copy[,.(lsales)])

    # Get the coefficients of all these interactions
    beta1 <- solve(t(X)%*%X)%*%t(X)%*%Y

    # Get the fitted values
    theta <- X%*%beta1

    # Add the fitted values to the datatable
    dt_copy[,theta:= theta]

    # get lags of emp, cap, rdcap and theta, remove observations without lag values
    cols = c("lemp","lcap","lrdcap", "theta")
    anscols = paste("lag", cols, sep="_")
    dt_copy[, (anscols) := shift(.SD, 1, NA, "lag"), .SDcols=cols]
    dt_copy <- dt_copy[!is.na(lag_lemp),]

    return(dt_copy)

  }

  # ttest the funciton
  gmdt2 <- get_resid_fun(gmdt)



  # function to run GMM
  # a lot of inputs here but this is how you get around using global objects
  # THis is supposed to be better practice but it doe sget a bit wild with all these
  gmm_obj_f <- function(parm_vector.in,
                       Y.in = Y,
                       X.in = X,
                       lX.in = lX,
                       ltheta.in = ltheta,
                       Z.in = Z,
                       W.in = W){

    beta <- as.matrix(parm_vector.in[1:4])
```

```
  rho <- parm_vector.in[5]

  current.resid <- Y.in - X.in%*%beta

  lag.w <- as.matrix(ltheta.in) - lX.in%*%beta

  m <-  current.resid - rho*lag.w

  m <- as.matrix(m)

  distance <- t(Z.in)%*%m

  result <- t(distance/length(m))%*% W.in %*%(distance/length(m))

  # get function value
  return(result)
}

parm_vector <- c(1, .6, .2, .2, .8)

# Get X's and lag X's and Zs for GMM estimation
X <- as.matrix(gmdt2[,.(dummy, lemp, lcap, lrdcap)])
lX <- as.matrix(gmdt2[,.(dummy, lag_lemp, lag_lcap, lag_lrdcap)])
Z <- as.matrix(gmdt2[,.(dummy, lag_lemp, lcap, lrdcap)])
Y <- as.matrix(gmdt2[,.(lsales)])
ltheta <- as.matrix(gmdt2[,.(lag_theta)])
W <- diag(1, 4, 4)

# test it out
f <- gmm_obj_f(parm_vector.in = parm_vector,
               Y.in           = Y,
               X.in           = X,
               lX.in          = lX,
               ltheta.in      = ltheta,
               Z.in           = Z,
               W.in           = W)
# Run the initial GMM using the identity matrix as the weighting matrix
Results.step1 <-  optim(par         = parm_vector,
                        fn          =  gmm_obj_f,
                        Y.in        = Y,
                        X.in        = X,
                        lX.in       = lX,
                        ltheta.in   = ltheta,
                        Z.in        = Z,
                        W.in        = W)

# Function to calculate optimal weighting matrix
find.optimal.W <- function(results.in,
                           Y.in = Y,
                           X.in =X,
                           lX.in = lX,
                           ltheta.in = ltheta,
                           Z.in = Z){
```

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      beta <- as.matrix(results.in$par[1:4])
      rho  <- results.in$par[5]

      current.resid <- Y.in - X.in%*%beta

      lag.w <- as.matrix(ltheta.in) - lX.in%*%beta

      m <-  current.resid - rho*lag.w

      m <- as.matrix(m)

      distance <- t(Z.in*cbind(m, m, m, m))%*%(Z.in*cbind(m, m, m, m))
      W <- distance/length(m)

      W.inv <- solve(W)
  return(W.inv)
  }

  # Get optimal weighting matrix
  W.opt <- find.optimal.W(results.in = Results.step1,
                          Y.in = Y,
                          X.in = X,
                          lX.in = lX,
                          ltheta.in = ltheta,
                          Z.in = Z)

  # Run again with optimal weighting matrix
  Results.final <-  optim(par         = parm_vector,
                    fn          =  gmm_obj_f,
                    Y.in = Y,
                    X.in = X,
                    lX.in = lX,
                    ltheta.in = ltheta,
                    Z.in = Z,
                    W.in = W.opt)


#========================#
# ==== boot function ====
#========================#

  in_data <- gmdt
  sample <- 1:nrow(in_data)
  to_boot_fun <- function(in_data, sample){

    boot_dt <- in_data[sample]

    # get resids
    boot_dt <- get_resid_fun(boot_dt)

    parm_vector <- c(1, .6, .2, .2, .8)

    # Get X's and lag X's and Zs for GMM estimation
```

```r
  X <- as.matrix(boot_dt[,.(dummy, lemp, lcap, lrdcap)])
  lX <- as.matrix(boot_dt[,.(dummy, lag_lemp, lag_lcap, lag_lrdcap)])
  Z <- as.matrix(boot_dt[,.(dummy, lag_lemp, lcap, lrdcap)])
  Y <- as.matrix(boot_dt[,.(lsales)])
  ltheta <- as.matrix(boot_dt[,.(lag_theta)])
  W <- diag(1, 4, 4)


  # test it out
  f <- gmm_obj_f(parm_vector.in = parm_vector,
                 Y.in           = Y,
                 X.in           = X,
                 lX.in          = lX,
                 ltheta.in      = ltheta,
                 Z.in           = Z,
                 W.in           = W)
  # Run the initial GMM using the identity matrix as the weighting matrix
  Results.step1 <-  optim(par         = parm_vector,
                          fn          =  gmm_obj_f,
                          Y.in        = Y,
                          X.in        = X,
                          lX.in       = lX,
                          ltheta.in   = ltheta,
                          Z.in        = Z,
                          W.in        = W)
  # Get optimal weighting matrix
  W.opt <- find.optimal.W(results.in = Results.step1,
                          Y.in = Y,
                          X.in = X,
                          lX.in = lX,
                          ltheta.in = ltheta,
                          Z.in = Z)

  # Run again with optimal weighting matrix
  Results.final <-  optim(par         = parm_vector,
                          fn          =  gmm_obj_f,
                          Y.in = Y,
                          X.in = X,
                          lX.in = lX,
                          ltheta.in = ltheta,
                          Z.in = Z,
                          W.in = W.opt)

  return(Results.final$par)

}


to_boot_fun(gmdt, 1:(nrow(gmdt)))


# set seed and run boot
set.seed(1234)
```

```r
   boot_res <- boot(data = gmdt, statistic = to_boot_fun, R = 1000, strata = gmdt$index)
   # boot_res <- boot(data = gmdt_b, statistic = to_boot_fun, R = 1000, strata = gmdt_b$index)
   # boot_res2 <- boot(data = gmdt_b, statistic = to_boot_fun, R = 1000)
   # boot_res3 <- boot(data = gmdt, statistic = to_boot_fun, R = 1000)
   #

 # put it in a table
  boot_dt <-  data.table(broom::tidy(boot_res))

 # add parameter names
  parms <- c("B_0", "L", "K", "RD", "P")
  boot_dt[, parm := parms]
  setcolorder(boot_dt, "parm")



  # save table
  print(xtable(boot_dt, type = "latex"),
        file = paste0(f_out, "boot_res.tex"),
        include.rownames = FALSE,
        floating = FALSE)



  #=======================================#
  # ==== run r markdown for tex file ====
  #=======================================#

  rmarkdown::render(input =  "C:/Users/Nmath_000/Documents/Code/Econ_631/ps3/ps3_r_markdown.Rmd",
                    output_format = "pdf_document",
                    output_file = paste0(f_out, "assignment_3_r_code_pdf.pdf"))
```