R Notebook

ECO518 PS4

0. Set up

```
# Load packages
if(!require(pacman)) install.packages("pacman")
## Loading required package: pacman
pacman::p_load(ggplot2, dplyr, sf, tigris,
               viridis, patchwork, sandwich, nlme, jtools, estimatr,
                stargazer, car)
theme_set(theme_bw())
# Set paths
dir <- paste0("/Users/tombearpark/Documents/princeton/1st_year/",</pre>
               "term2/EC0518_Metrics2/sims/exercises/4_grouped_data/")
out <- paste0(dir, "out/")</pre>
# Load in the data
load(pasteO(dir, "caschool.RData"))
df <- tibble(caschool)</pre>
# load a shapefile for maps
cal <- counties(state = "California", cb = TRUE)</pre>
##
   - 1
```

```
(ggplot(plot_df) + geom_sf(aes(fill = N)) +
    scale_fill_viridis(na.value = "white")) +
    (ggplot(plot_df) + geom_histogram(aes(x = N))))
ggsave(p, file = paste0(out, "0_obs_by_county.png"), height = 5, width = 8)

## 'stat_bin()' using 'bins = 30'. Pick better value with 'binwidth'.

## Warning: Removed 13 rows containing non-finite values (stat_bin).
```

2. Exercise

Problem 1

Estimate a linear regression of the average test score (testscr) on student-teacher ratio, computers per student, and expenditures per student. Determine whether the three variables have explanatory power by an F-Test of the hypothesis that all three have zero coefficients and via the Bayesian information criterion (BIC). The latter can be computed from an F-statistic: The BIC rejects the restriction when the F-statistic exceeds the log of the sample size.

```
N <- length(df$avginc)
reg1 <- "testscr ~ str + comp_stu + expn_stu"
lm1 <- lm(data = df, formula(reg1))</pre>
```

The F stat is 14.96.

```
summary(lm1)
```

```
##
## Call:
## lm(formula = formula(reg1), data = df)
##
## Residuals:
##
      Min
               1Q Median
                               3Q
                                      Max
## -49.660 -14.093 -0.733 13.079 45.975
##
## Coefficients:
                Estimate Std. Error t value Pr(>|t|)
##
## (Intercept) 663.317921 19.348195 34.283 < 2e-16 ***
## str
               -1.303902
                           0.606981 - 2.148
                                              0.0323 *
               63.638660 14.477669
                                      4.396
                                            1.4e-05 ***
## comp_stu
## expn stu
                0.001468
                           0.001799
                                      0.816
                                              0.4151
## ---
## Signif. codes: 0 '***' 0.001 '**' 0.05 '.' 0.1 ' ' 1
##
## Residual standard error: 18.17 on 416 degrees of freedom
## Multiple R-squared: 0.09738,
                                   Adjusted R-squared: 0.09087
## F-statistic: 14.96 on 3 and 416 DF, p-value: 2.892e-09
```

```
compare_models <- function(lm_restricted, lm_unrestricted, N){</pre>
    RSSR <- sum(lm_restricted$residuals^2)</pre>
    RSSU <- sum(lm_unrestricted$residuals^2)</pre>
         <- length(lm_unrestricted$coefficients) - length(lm_restricted$coefficients)</pre>
    Fstat <- ((RSSR - RSSU) / k) / (RSSU / (N-k-1))
    pVal <- pf(Fstat, k, N-k-1, lower.tail = FALSE)
    BIC_R <- N * log(RSSR / N) + length(lm_restricted$coefficients) * log(N)
    BIC_U <- N * log(RSSU / N) + length(lm_unrestricted$coefficients) * log(N)
    lowerBIC <- ifelse(BIC_R < BIC_U, "restricted", "unrestricted")</pre>
    return(
      tibble(Fstat = Fstat, pVal = pVal,
             BIC_R = BIC_R, BIC_U = BIC_U, logN = log(N),
             lowest_BIC_model = lowerBIC))
}
lm0 <- lm(data = df, testscr ~ 1)</pre>
comparison_1 <- compare_models(lm0, lm1, N)</pre>
comparison_1
```

- - BIC is smallest for the true model. BIC is smallest for the more complex model
 - We can also see that the F-stat is larger than the log of the sample size, so we reject the restriction
 - F stat strongly rejects the Null that the coefficients aren't jointly significant

Anova(lm1)

```
## Anova Table (Type II tests)
##
## Response: testscr
##
             Sum Sq Df F value
                                  Pr(>F)
## str
               1523
                     1 4.6147
                                  0.03228 *
## comp_stu
              6377
                     1 19.3217 1.404e-05 ***
## expn_stu
               220
                     1 0.6655
                                  0.41510
## Residuals 137298 416
## ---
## Signif. codes: 0 '*** 0.001 '** 0.01 '* 0.05 '.' 0.1 ' 1
# run a clustered version
lm1_c <- lm_robust(formula(reg1), data = df, cluster = county)</pre>
summary(lm1_c)
```

```
##
## Call:
## lm_robust(formula = formula(reg1), data = df, clusters = county)
## Standard error type: CR2
##
## Coefficients:
##
               Estimate Std. Error t value Pr(>|t|)
                                                     CI Lower CI Upper
## (Intercept) 663.317921 21.950633 30.2186 1.273e-21 618.174063 708.46178 25.72
              -1.303902
                          0.656269 -1.9868 5.796e-02 -2.655260
                                                               0.04746 25.09
## comp_stu
               63.638660 18.873940 3.3718 2.384e-03 24.809323 102.46800 25.55
                          0.00709 22.91
## expn_stu
               0.001468
## Multiple R-squared: 0.09738,
                                 Adjusted R-squared:
## F-statistic: 6.537 on 3 and 44 DF, p-value: 0.0009409
```

Do the same thing with a regression that adds the demographic variables: Average income, subsidized meals, calWorks per cent, and English learners percent. Again check whether the three "policy variables have explanatory power using an F test and BIC. Here you may need to extract the covariance matrix of coefficients from the Im() output to construct the F or chi-squared statistic.

```
## Call:
## lm(formula = formula(reg2), data = df)
##
## Residuals:
##
                  1Q
       Min
                       Median
                                    3Q
                                            Max
## -31.0536 -5.3377
                       0.1755
                                5.0343
                                        26.4272
##
## Coefficients:
                 Estimate Std. Error t value Pr(>|t|)
##
## (Intercept) 6.596e+02 9.023e+00 73.098
                                             < 2e-16 ***
               -1.899e-01
                           2.835e-01
                                      -0.670
                                               0.5034
                1.189e+01 6.898e+00
                                               0.0855 .
## comp_stu
                                       1.724
## expn_stu
                1.526e-03 8.917e-04
                                       1.712
                                               0.0877 .
                6.217e-01 8.772e-02
## avginc
                                       7.087 5.98e-12 ***
## meal pct
               -3.756e-01 3.589e-02 -10.465 < 2e-16 ***
```

```
## calw pct
              -7.782e-02 5.722e-02 -1.360
              -1.981e-01 3.323e-02 -5.962 5.37e-09 ***
## el_pct
## ---
## Signif. codes: 0 '*** 0.001 '** 0.01 '* 0.05 '.' 0.1 ' ' 1
## Residual standard error: 8.391 on 412 degrees of freedom
## Multiple R-squared: 0.8093, Adjusted R-squared: 0.806
## F-statistic: 249.7 on 7 and 412 DF, p-value: < 2.2e-16
Anova(1m2)
## Anova Table (Type II tests)
## Response: testscr
             Sum Sq Df F value
                                    Pr(>F)
## str
              31.6
                          0.4486
                                   0.50337
                     1
              209.2
                     1
                          2.9710
                                   0.08552 .
## comp_stu
## expn_stu
             206.3 1
                          2.9302
                                   0.08769 .
## avginc
                      1 50.2267 5.979e-12 ***
             3536.7
## meal_pct
             7711.7
                      1 109.5178 < 2.2e-16 ***
## calw_pct
              130.3
                      1
                          1.8498
                                   0.17455
             2502.8 1 35.5437 5.365e-09 ***
## el_pct
## Residuals 29011.1 412
## ---
## Signif. codes: 0 '*** 0.001 '** 0.01 '* 0.05 '.' 0.1 ' 1
  • Once again, our tests prefer the more complex model
lm2_c <- lm_robust(formula(reg2), data = df, cluster = county)</pre>
summary(lm2_c)
##
## lm_robust(formula = formula(reg2), data = df, clusters = county)
## Standard error type: CR2
##
## Coefficients:
                Estimate Std. Error t value Pr(>|t|)
                                                       CI Lower
                                                                  CI Upper
## (Intercept) 659.587061 12.566652 52.4871 1.446e-27 633.734800 685.439322 25.57
## str
               -0.189910 0.325244 -0.5839 5.645e-01 -0.859845
                                                                  0.480025 24.94
## comp_stu
                          7.657159 1.5528 1.328e-01 -3.864839 27.645406 25.48
               11.890284
## expn_stu
                          0.001306 1.1685 2.550e-01 -0.001181
               0.001526
                                                                  0.004234 22.20
## avginc
                0.621673
                           0.100062 6.2129 3.462e-05
                                                      0.405035
                                                                  0.838311 12.73
## meal_pct
               -0.375618  0.044597 -8.4226  4.652e-08 -0.468557 -0.282679  20.30
## calw_pct
               -0.077818
                           0.063414 -1.2271 2.459e-01 -0.217716
                                                                  0.062080 10.79
                           0.038746 -5.1137 6.922e-05 -0.279448 -0.116826 18.29
## el_pct
               -0.198137
## Multiple R-squared: 0.8093,
                                   Adjusted R-squared: 0.806
## F-statistic: 407.6 on 7 and 44 DF, p-value: < 2.2e-16
```

Repeat the previous estimations and tests in models that add county fixed effects. In R using lm(), this is accomplished by just adding "county" to the list of right-hand side variables. (county is a "factor" in the R dataframe, so R automatically converts it into the appropriate array of dummy variables when including it in a regression.)

```
reg3.1 <- paste0(reg1, "+ county")
lm3.1 <- lm(data = df, formula(reg3.1))
lm3.1_c <- lm_robust(data = df, formula(reg3.1), cluster = county)

reg3.2 <- paste0(reg2, "+ county")
lm3.2 <- lm(data = df, formula(reg3.2))
lm3.2_c <- lm_robust(data = df, formula(reg3.2), cluster = county)</pre>
```

```
compare_models(lm1, lm3.1, N)
```

```
## # A tibble: 1 x 6
## Fstat    pVal BIC_R BIC_U logN lowest_BIC_model
## <dbl> <dbl> <dbl> <dbl> <dbl> <chr>
## 1 5.12 2.46e-19 2456. 2524. 6.04 restricted
```

- This time, our model doesn't want us to choose the extra complexity in the BIC.
- However, our F-stat approach prefers the more complex model

```
## Registered S3 methods overwritten by 'broom':
##
    method
                       from
                       jtools
##
     tidy.glht
##
     tidy.summary.glht jtools
## Loading required namespace: broom.mixed
## Registered S3 method overwritten by 'broom.mixed':
##
    method
                 from
##
    tidy.gamlss broom
q <- plot_summs(lm2, lm3.2, coefs = vars, scale = TRUE,
               model.names = c("Without County FEs", "With County FEs"))
r <- p + (ggplot() + theme_void()) + q
ggsave(r, file = paste0(out, "3_comparison_with_FEs.png"), height = 5, width = 9)
```

The districts vary greatly in size. Average scores might have more sampling variation in small districts. Plot the squared residuals from the estimated model in 2 against the total enrollment variable. Estimate a linear regression of these squared residuals on $1/\text{enrl_tot}$. Use the inverse of these predicted values as the weights argument in lm() (or otherwise estimate the corresponding weighted regression estimates) in the question 2 regression.

First, lets plot the squared residuals against the total enrollment variable.

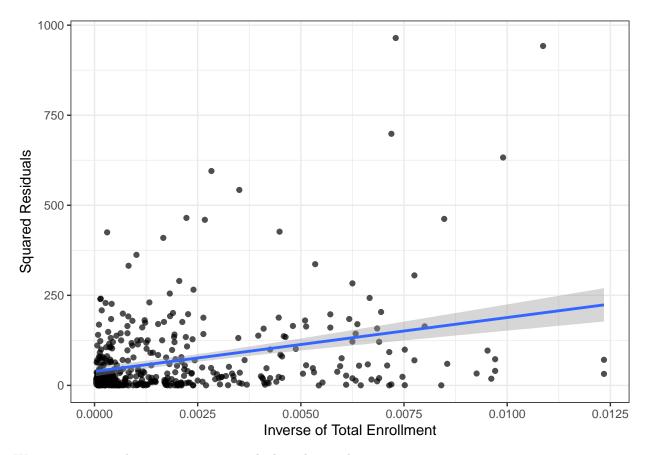
```
df$u2 <- lm2$residuals
df$sqr_u2 <- lm2$residuals ^ 2
p4 <- ggplot(df, aes(x = enrl_tot, y = sqr_u2)) +
    geom_point(alpha= .7) +
    xlab("Total Enrollment") + ylab("Squared Residuals") +
    geom_smooth(method = lm)
ggsave(p4, file = pasteO(out, "4_resids_vs_enrollment.png"), height = 5, width = 5)</pre>
```

```
## 'geom_smooth()' using formula 'y ~ x'
```

Lets also plot the squared residuals against the inverse of total enrollment, since that relationship is what we are going to use for our weighting scheme.

```
ggplot(df, aes(x = 1/enrl_tot, y = sqr_u2)) +
geom_point(alpha= .7) +
xlab("Inverse of Total Enrollment") + ylab("Squared Residuals") +
geom_smooth(method = lm)
```

```
## 'geom smooth()' using formula 'y ~ x'
```



We can estimate a linear regression, to calculate the weights...

```
df$inv_enrl_tot <- 1 / df$enrl_tot
lm4_w <- lm(data = df, sqr_u2 ~ inv_enrl_tot)</pre>
```

Next we run a regression weighted by the inverse of the residuals

```
df$weights_lm4 <- 1 / lm4_w$fitted.values
lm4 <- lm(data = df, formula(reg2), weights = df$weights_lm4)
summary(lm4)</pre>
```

```
##
## Call:
## lm(formula = formula(reg2), data = df, weights = df$weights_lm4)
##
## Weighted Residuals:
##
                1Q
                   Median
                                       Max
  -2.7312 -0.6772
                   0.0079 0.6082 3.2024
##
##
## Coefficients:
##
                 Estimate Std. Error t value Pr(>|t|)
## (Intercept) 6.602e+02 9.052e+00 72.934
                                              < 2e-16 ***
## str
               -3.455e-01 2.811e-01
                                      -1.229
                                               0.2198
                                               0.1048
## comp_stu
                1.136e+01 6.986e+00
                                       1.626
## expn_stu
                2.007e-03 8.895e-04
                                       2.256
                                               0.0246 *
## avginc
                6.221e-01 8.106e-02
                                       7.675 1.21e-13 ***
```

```
## meal_pct
              -3.857e-01 3.463e-02 -11.138 < 2e-16 ***
              -6.986e-02 5.104e-02 -1.369
## calw_pct
                                              0.1718
## el pct
              -1.773e-01 3.078e-02 -5.761 1.64e-08 ***
## ---
## Signif. codes: 0 '***' 0.001 '**' 0.05 '.' 0.1 ' ' 1
## Residual standard error: 1.009 on 412 degrees of freedom
## Multiple R-squared: 0.8435, Adjusted R-squared: 0.8409
## F-statistic: 317.3 on 7 and 412 DF, p-value: < 2.2e-16
Compare model 2 to this weighted version...
png(file = pasteO(out, "4_coef_plot_weighted_vs_2.png"), height = 1000, width = 1200, res=200)
print(plot_summs(lm2, lm4, scale = TRUE, model.names = c("Unweighted", "Weighted")))
dev.off()
## pdf
##
    2
```

For at least two of the above regression models, calculate standard errors clustered by county. This is done very easily with the vcovCL() function from the sandwich package — so easily that if you're doing it this way you might want to see how much difference it makes in all of the above regressions.

This is done in code throughout. General comment - clustering doesn't make much difference in this setup.

Problem 6

Estimate a random effects model, with county effects. In R, use the lme() function from the nlme package to estimate the 7-variable regression, with random effects by county. You do this by giving lme the argument random = ~ 1 / county. Also use the argument method="ML", so that the estimation is by maximum likelihood.

```
RE <- lme(data = df, formula(reg2), random = ~1 | county, method = "ML")
summary(RE)$tTable</pre>
```

```
##
                       Value
                                Std.Error DF
                                                  t-value
                                                                p-value
## (Intercept) 661.036834029 9.0964677878 368 72.6696174 2.445055e-220
                -0.196646628 0.2912970412 368 -0.6750725
                                                          5.000536e-01
                12.606870943 6.8619471986 368
## comp_stu
                                               1.8372148
                                                           6.698437e-02
## expn_stu
                 0.001068223 0.0008875184 368
                                               1.2036069
                                                           2.295152e-01
## avginc
                 0.664923420 0.0925252296 368
                                               7.1864012
                                                           3.727999e-12
## meal pct
                -0.367437398 0.0370049535 368 -9.9294111
                                                           9.623245e-21
## calw_pct
                -0.084161241 0.0589872135 368 -1.4267709
                                                           1.544938e-01
## el_pct
                -0.186981628 0.0347232272 368 -5.3849150
                                                           1.294861e-07
summary(RE)
## Linear mixed-effects model fit by maximum likelihood
##
     Data: df
##
          AIC
                   BIC
                          logLik
##
     2985.113 3025.516 -1482.557
##
## Random effects:
##
   Formula: ~1 | county
##
           (Intercept) Residual
## StdDev:
              2.466434 8.004958
##
## Fixed effects: formula(reg2)
                  Value Std.Error DF t-value p-value
## (Intercept) 661.0368 9.096468 368 72.66962
                                               0.0000
## str
                -0.1966
                         0.291297 368 -0.67507
                                                0.5001
## comp_stu
                12.6069
                         6.861947 368
                                       1.83721
                                                0.0670
## expn stu
                 0.0011
                         0.000888 368
                                       1.20361
                                                0.2295
                 0.6649
                         0.092525 368
                                       7.18640
## avginc
                                                0.0000
## meal_pct
                -0.3674
                         0.037005 368 -9.92941
## calw_pct
                -0.0842 0.058987 368 -1.42677
                                                0.1545
                -0.1870 0.034723 368 -5.38492 0.0000
## el pct
   Correlation:
                          cmp_st expn_s avginc ml_pct clw_pc
##
            (Intr) str
            -0.910
## str
## comp_stu -0.127
                    0.142
## expn_stu -0.750
                   0.513 - 0.137
            -0.097 0.032 -0.024 -0.294
## avginc
## meal_pct -0.097 -0.010 -0.059 -0.110 0.501
## calw_pct 0.073 -0.006 0.118 -0.129 -0.034 -0.625
             0.062 -0.032 0.157 0.005 -0.165 -0.649 0.293
##
## Standardized Within-Group Residuals:
                        Q1
           Min
                                   Med
                                                 Q3
                                                            Max
## -3.86054173 -0.60780373 -0.01266389 0.59529612
## Number of Observations: 420
```

Number of Groups: 45

Compare the random effects 7-variable model to the fixed effects model. In R, you can do this by reestimating the fixed-effect model with the gls()function from the nlme package, again being sure to use method="ML" argument. The summary() function applied to either random effects or fixed effects models computed this way deliver both log likelihood and BIC values, so the models can be compared both by afrequentist chi-squared test based on the log likelihood and via the BIC.

```
FE <- gls(data = df, formula(paste0(reg2, "+ county")), method = "ML")
summary(FE)$tTable[1:8, ]</pre>
```

```
##
                       Value
                                Std.Error
                                              t-value
                                                            p-value
## (Intercept)
                6.714925e+02 1.288580e+01 52.1110365 5.977392e-172
## str
               -1.524921e-01 3.136940e-01 -0.4861174
                                                      6.271733e-01
## comp_stu
                1.045821e+01 7.135233e+00
                                           1.4657140
                                                      1.435801e-01
## expn_stu
                3.512003e-04 9.137477e-04
                                           0.3843515
                                                      7.009399e-01
## avginc
                7.510105e-01 1.055733e-01
                                           7.1136391
                                                      5.937188e-12
## meal_pct
               -3.913137e-01 3.930501e-02 -9.9558217
                                                      7.808023e-21
## calw_pct
               -8.233494e-02 6.558305e-02 -1.2554301
                                                      2.101192e-01
## el_pct
               -1.226652e-01 3.963174e-02 -3.0951246 2.117931e-03
```

Problem 8

Finally, for the random effects model, use a regression of its squared residuals on 1/(total enrollment) to generate weights for a weighted random effects estimation; see if this improves likelihood and/or changes important estimates. [Note: I think that in the nlme estimation functions the "weights" arguments are variance scales — the inverse of the weights used in lm(). So you would use a weights= \sim w argument to lme() if you used weights=1/w in lm()].

```
##
                       Value
                                 Std.Error
                                           DF
                                                  t-value
                                                                 p-value
## (Intercept) 660.917809859 9.1503020743 368
                                                72.229070 1.979801e-219
                                                           2.242845e-01
## str
                -0.353137974 0.2901083886 368
                                                -1.217262
## comp_stu
                12.638742122 6.9264918214 368
                                                 1.824696
                                                            6.885753e-02
## expn_stu
                 0.001556244 0.0008818318 368
                                                 1.764785
                                                           7.842936e-02
## avginc
                 0.686849009 0.0843735423 368
                                                 8.140573
                                                           6.152343e-15
## meal pct
                -0.370073550 0.0352340979 368
                                                           9.580776e-23
                                               -10.503279
## calw pct
                -0.075814218 0.0525721136 368
                                                -1.442099
                                                            1.501248e-01
## el_pct
                -0.172368003 0.0319298944 368
                                                -5.398327
                                                           1.208316e-07
```

Problem 9

Be ready to discuss: Does the evidence favor an important effect from the "controllable" variables? The sizes and signs of the estimated effects, not just the significance levels of tests, should inform your views on this.

```
comp_df <- data.frame(</pre>
  df,
  model_1 = lm1$fitted.values,
  model_2 = lm2$fitted.values,
  model_3 = lm3.2$fitted.values)
p9 <- (ggplot(data = comp_df) +
  geom_point(aes(x = model_1, y = model_2, color = avginc)) +
  scale_color_viridis() +
  geom_abline(slope = 1, color = "red") +
  ggtitle("Comparison of fitted values") +
    theme(legend.position = "none")) + (
ggplot(data = comp_df) +
  geom_point(aes(x = model_2, y = model_3, color = avginc)) +
  scale_color_viridis() +
  geom_abline(slope = 1, color = "red") +
  ggtitle("Comparison of fitted values"))
ggsave(p9, file = paste0(out, "9_fitted_values_comparison.png"), height = 6, width = 9)
library(caret)
## Loading required package: lattice
## Attaching package: 'caret'
## The following object is masked by '.GlobalEnv':
##
##
       compare models
obj <- featurePlot(x = df[vars], y = df$testscr)</pre>
png(file = paste0(out, "0_feature_plot.png"))
print(obj)
dev.off()
## pdf
## 2
# try a lasso regression
library(glmnet)
## Loading required package: Matrix
## Loaded glmnet 4.1
y <- df$testscr %>% as.matrix()
X <- model.matrix(formula(pasteO(reg2, "+ log(avginc) + avginc^2")), df)</pre>
# Helped function for processing results
```

```
get_results = function(fit){
    tmp_coeffs <- coef(fit)</pre>
    myResults <- data.frame(</pre>
        feature = tmp_coeffs@Dimnames[[1]][ which(tmp_coeffs != 0 ) ], #intercept included
                                           [ which(tmp_coeffs != 0 ) ] #intercept included
        coef
                = tmp_coeffs
    )
    return(myResults)
}
fit <- cv.glmnet(X, y)</pre>
png(paste0(out, "A_lasso.png"))
 plot(fit)
dev.off()
## pdf
## 2
get_results(fit)
##
         feature
                          coef
## 1 (Intercept) 6.639341e+02
        comp_stu 2.128674e+00
## 2
## 3
        expn_stu 2.371594e-04
## 4
        avginc 5.585780e-01
      meal_pct -3.929997e-01
## 5
## 6
         el_pct -1.466977e-01
```