

# Social Science Inquiry II

## Week 6: Linear models, part II

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# Loading packages for this class

```
> library(ggplot2)
> library(estimatr)
> set.seed(60637)
```

# Housekeeping

- ▶ Extra credit problem

## Returning to inference

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- ▶ We've selected an estimating procedure, and produced a point estimate of some target estimand using our estimating procedure.
- ▶ We then produced an estimate of the standard error of our estimate.
- ▶ Now we would like to be able to say something what that means.

One way to do this is to use our estimated standard errors to give an interval of uncertainty around our point estimate.



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- ▶  $\theta$  is a fixed parameter. It does not move.  
(In the frequentist view of statistics.)
- ▶ If you use valid confidence repeatedly in your work, 95% of the time, your confidence intervals will include the true value of the relevant  $\theta$ .

- ▶ We could trivially define valid confidence intervals by including the entire support of the data.

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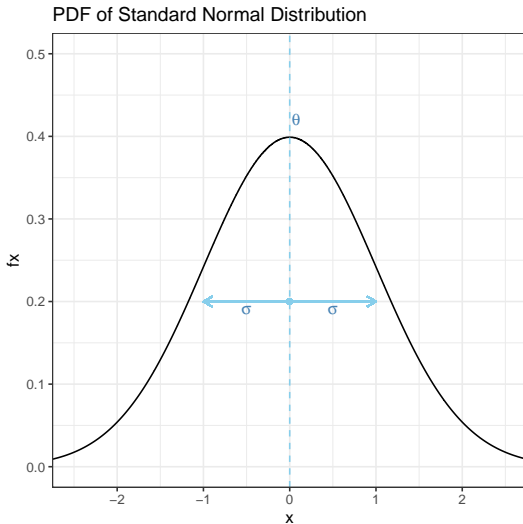
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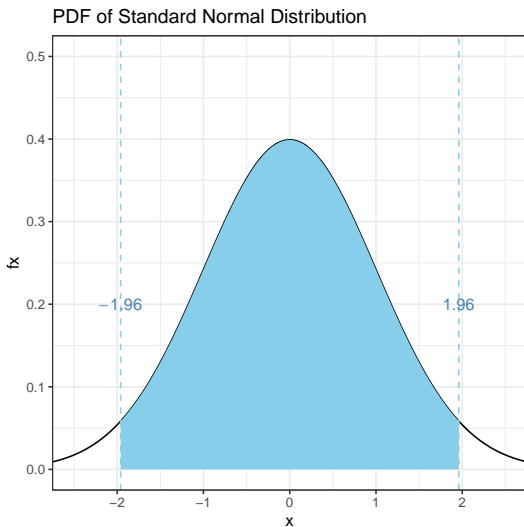
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- ▶ The 1.96 value tells us how many standard errors away from the mean we need to include in our interval to get valid coverage.
- ▶ This formula is based on a *normal approximation*, i.e., we assume the data is going to look like a normal distribution.

The normal distribution has a bell curve shape, with more density around the middle, and less density at more extreme values.



If we want to describe symmetric bounds around the mean that contain 95% of the distribution, this would be from the 2.5th percentile to the 97.5th percentile.



Returning to our example where we flip a coin twice, let  $X$  be the number of heads we observe. Our coin is *not* fair, and the probability of getting a heads is 0.8.

```
> X <- c(0, 1, 2)
> fx <- c(1/16, 3/8, 9/16)
> (Ex <- sum(X*fx))

[1] 1.5
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[1] 1.5
```

Let's take a sample of size  $n = 100$  from this distribution, and see what our confidence intervals look like.

```
> n <- 100
> x_observed <- sample(X, prob = fx, replace = TRUE, size = n)
> head(x_observed)

[1] 1 2 1 1 1 2
```

Our estimates of the mean and standard error of the mean.

```
> (theta_hat <- mean(x_observed))
```

```
[1] 1.47
```

```
> (se_hat <- sd(x_observed)/sqrt(length(x_observed)))
```

```
[1] 0.05938234
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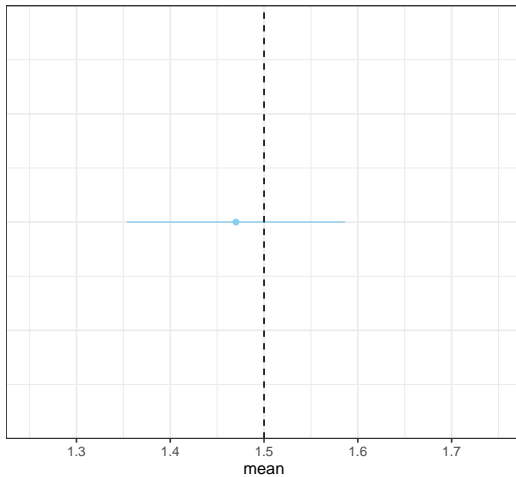
```
[1] 0.05938234
```

Putting it together, the 95% normal approximation-based confidence interval.

```
> (CI95 <- c(theta_hat + c(-1,1)*1.96*se_hat))
```

```
[1] 1.353611 1.586389
```

95% Normal Approximation–Based CI,  
2 Weighted Coin Flips, Sample Size = 100



What if we did this many times?

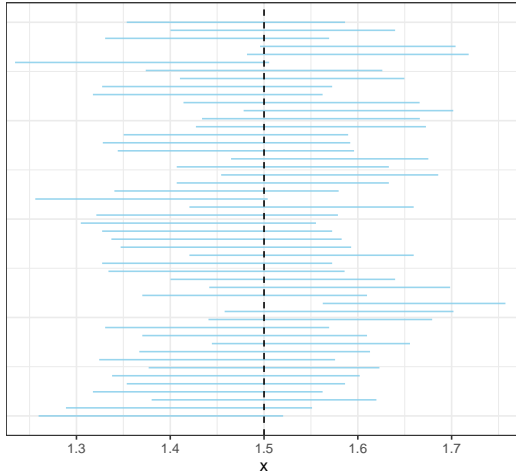
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```
> n_iter <- 50  
> x_mat <- replicate(n_iter, sample(X, prob = fx, replace = TRUE,  
+                               size = n))
```

## What if we did this many times?

```
> n_iter <- 50
> x_mat <- replicate(n_iter, sample(X, prob = fx, replace = TRUE,
+                                 size = n))
> CI_95f <- function(x){
+   theta_hat <- mean(x)
+   se_hat <- sd(x)/sqrt(length(x_observed))
+   CI_hat <- theta_hat +
+     c('conf_lower' = -1, 'conf_upper' = 1)*1.96*se_hat
+ }
> sample_CIs <- as.data.frame(t(apply(x_mat, 2, CI_95f)))
> head(sample_CIs, 3)
  conf_lower conf_upper
1  1.259646  1.520354
2  1.288800  1.551200
3  1.380177  1.619823
```

95% Normal Approximation–Based CI,  
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```
> mean( (Ex >= sample_CIs$conf_lower) &  
+       (Ex <= sample_CIs$conf_upper) )  
[1] 0.98
```

What if we did this many more times?

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```
> x_mat <- replicate(5000, sample(X,  
+                               prob = fx,  
+                               replace = TRUE,  
+                               size = n))  
> CI_n <- as.data.frame(t(apply(x_mat, 2, CI_95f)))
```

What if we did this many more times?

```
> x_mat <- replicate(5000, sample(X,
+                               prob = fx,
+                               replace = TRUE,
+                               size = n))
> CI_n <- as.data.frame(t(apply(x_mat, 2, CI_95f)))
> mean( (Ex >= CI_n$conf_lower) & (Ex <= CI_n$conf_upper) )
[1] 0.9508
```

## Applied example

We can see this in action with respect to the paper by Devah Pager:

Pager, D. (2003). The mark of a criminal record.  
*American Journal of Sociology*, 108(5), 937-975.

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- ▶ In each pair, one respondent listed a criminal record on job applications; the other did not. Otherwise, applicants were matched.
- ▶ The outcome is whether applicants got a callback.



```

> dfp <- data.frame(
+   black = rep(c(0, 1), times = c(300, 400)),
+   record = c(rep(c(0, 1), each = 150),
+               rep(c(0, 1), each = 200)),
+   call_back = c(
+     # whites without criminal records
+     rep(c(0, 1), times = c(99, 51)), # 150
+     # whites with criminal records
+     rep(c(0, 1), times = c(125, 25)), # 150;
+     # - callbacks could be 25 or 26
+     # blacks without criminal records
+     rep(c(0, 1), times = c(172, 28)), # 200
+     # blacks with criminal records
+     rep(c(0, 1), times = c(190, 10)) # 200
+   )
+ )
>

```

```

> pager_agg <- aggregate(call_back~black + record, data = dfp, mean)
> pager_agg$race <- factor(pager_agg$black,
+                           levels = c(1, 0),
+                           labels = c('Black', 'White'))
> pager_agg$criminal_record <- factor(pager_agg$record,
+                                     levels = c(1, 0),
+                                     labels = c('Record', 'No Record'))
> pager_agg

```

	black	record	call_back	race	criminal_record
1	0	0	0.3400000	White	No Record
2	1	0	0.1400000	Black	No Record
3	0	1	0.1666667	White	Record
4	1	1	0.0500000	Black	Record

American Journal of Sociology

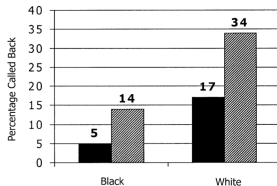


FIG. 6.—The effect of a criminal record for black and white job applicants. The main effects of race and criminal record are statically significant ( $P < .01$ ). The interaction between the two is not significant in the full sample. Black bars represent criminal record; striped bars represent no criminal record.

Let's say our  $\hat{\theta}$  here is the overall mean of `call_back` among black applicants.

```
> (theta_hat <- mean(dfp$call_back[which(dfp$black == 1)]) )  
[1] 0.095
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Our  $\hat{se}$  is our estimate of the standard error of the mean,

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We get this by plugging in our unbiased sample variance estimate into the formula for the standard error of the mean.

```
> (se_hat <- sqrt(var(dfp$call_back[which(dfp$black == 1)])/  
+ length(which(dfp$black == 1))))  
[1] 0.01467911  
>  
>
```

We can then get our 95% confidence intervals by plugging into the formula,

$$CI_n = \left( \hat{\theta}_n - 1.96 \times \hat{se}, \theta_n + 1.96 \times \hat{se} \right)$$

```
> (CI <- c(theta_hat + c(-1,1)*1.96*se_hat))  
[1] 0.06622895 0.12377105
```

# Inference for linear models

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- ▶ As a special case of a linear model, when we regress  $Y$  on an indicator, we just get the sample mean of  $Y$ .
- ▶ In this case, estimating standard errors and confidence intervals follows the same procedures as for sample means.

```
> model <- lm_robust(call_back ~ 1,  
+                   data = dfp[which(df$p$black == 1),])
```



# Inference for linear models

```
> summary(model)
```

Call:

```
lm_robust(formula = call_back ~ 1, data = dfp[which(dfp$black ==  
1), ])
```

Standard error type: HC2

Coefficients:

	Estimate	Std. Error	t value	Pr(> t )	CI Lower	CI Upper
(Intercept)	0.095	0.01468	6.472	2.844e-10	0.06614	0.1239

Multiple R-squared: 5.218e-15 ,                      Adjusted R-squared: 5.218e-15

# Inference for linear models

```
> confint.default(model)
```

	2.5 %	97.5 %
(Intercept)	0.06622948	0.1237705

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- ▶ The true population parameters are generally unknown.

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- ▶ Then each  $\hat{\beta}_k$  is also random, with its own sampling distribution.
- ▶ We can get a point estimate for each of the parameters,  $\hat{\beta}_k$ : the coefficients in our linear model.
- ▶ We also want to get an estimate of the standard errors of the estimates,  $\sqrt{\hat{\text{Var}}[\hat{\beta}_k]}$ .

- Let's try this with the dfp data, where the outcome  $Y$  is `call_back`, regressed on `black`.

$$\hat{Y}_i = \hat{\beta}_0 + \hat{\beta}_1 \text{Black}_i$$

```
> model2 <- lm_robust(call_back ~ black, data = dfp)
```

► How do we go about interpreting these coefficients and confidence intervals?

```
> summary(model2)
```

Call:

```
lm_robust(formula = call_back ~ black, data = dfp)
```

Standard error type: HC2

Coefficients:

	Estimate	Std. Error	t value	Pr(> t )	CI Lower	CI Upper	DF
(Intercept)	0.2533	0.02515	10.072	2.270e-22	0.2040	0.3027	698
black	-0.1583	0.02912	-5.437	7.504e-08	-0.2155	-0.1012	698

Multiple R-squared: 0.04503 , Adjusted R-squared: 0.04366

F-statistic: 29.56 on 1 and 698 DF, p-value: 7.504e-08

- How do we go about interpreting these coefficients and confidence intervals?

```
> confint.default(model2)
```

	2.5 %	97.5 %
(Intercept)	0.2040362	0.3026305
black	-0.2154118	-0.1012548

# References I

Pager, D. (2003). The mark of a criminal record. American journal of sociology, 108(5):937–975.