

PLSC 503 – Spring 2018

Practicum: Binary Response Models

April 12, 2018

Example: House Voting on NAFTA

- `vote` – Whether (=1) or not (=0) the House member in question voted in favor of NAFTA.
- `democrat` – Whether the House member in question is a Democrat (=1) or a Republican (=0).
- `pcthispc` – The percentage of the House member's district who are of Latino/hispanic origin.
- `cope93` – The 1993 AFL-CIO (COPE) voting score of the member in question; this variable ranges from 0 to 100, with higher scores indicating more pro-labor positions.
- `DemXCOPE` – The multiplicative interaction of `democrat` and `cope93`.

Model & Data

$$\Pr(\text{vote}_i = 1) = f[\beta_0 + \beta_1(\text{democrat}_i) + \beta_2(\text{pctthispc}_i) + \beta_3(\text{cope93}_i) + \beta_4(\text{democrat}_i \times \text{cope93}_i) + u_i]$$

```
> summary(nafta)
```

vote	democrat	pctthispc	cope93	DemXCOPE
Min. :0.0000	Min. :0.0000	Min. : 0.0	Min. : 0.00	Min. : 0.00
1st Qu.:0.0000	1st Qu.:0.0000	1st Qu.: 1.0	1st Qu.: 17.00	1st Qu.: 0.00
Median :1.0000	Median :1.0000	Median : 3.0	Median : 81.00	Median : 75.00
Mean :0.5392	Mean :0.5853	Mean : 8.8	Mean : 60.18	Mean : 51.65
3rd Qu.:1.0000	3rd Qu.:1.0000	3rd Qu.:10.0	3rd Qu.:100.00	3rd Qu.:100.00
Max. :1.0000	Max. :1.0000	Max. :83.0	Max. :100.00	Max. :100.00

Basic Model(s)

$$\Pr(Y_i = 1) = \frac{\exp(\mathbf{X}_i\boldsymbol{\beta})}{1 + \exp(\mathbf{X}_i\boldsymbol{\beta})}$$

or

$$\Pr(Y_i = 1) = \Phi(\mathbf{X}_i\boldsymbol{\beta})$$

Probit Estimates

```
> NAFTA.GLM.probit<-glm(vote~democrat+pcthispc+cope93+DemXCOPE,  
  family=binomial(link="probit"))  
> summary(NAFTA.GLM.probit)
```

Call:

```
glm(formula = vote ~ democrat + pcthispc + cope93 + DemXCOPE,  
     family = binomial(link = "probit"))
```

Coefficients:

	Estimate	Std. Error	z value	Pr(> z)	
(Intercept)	1.07761	0.15339	7.03	2.1e-12	***
democrat	3.03359	0.73884	4.11	4.0e-05	***
pcthispc	0.01279	0.00467	2.74	0.0062	**
cope93	-0.02201	0.00440	-5.00	5.8e-07	***
DemXCOPE	-0.02888	0.00903	-3.20	0.0014	**

Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Null deviance: 598.99 on 433 degrees of freedom
Residual deviance: 441.06 on 429 degrees of freedom
AIC: 451.1

Logit Estimates

```
> NAFTA.GLM.logit<-glm(vote~democrat+pcthispc+cope93+DemXCOPE,family=binomial)
> summary(NAFTA.GLM.logit)
```

Call:

```
glm(formula = vote ~ democrat + pcthispc + cope93 + DemXCOPE,
     family = binomial)
```

Coefficients:

	Estimate	Std. Error	z value	Pr(> z)	
(Intercept)	1.79164	0.27544	6.50	7.8e-11	***
democrat	6.86556	1.54729	4.44	9.1e-06	***
pcthispc	0.02091	0.00794	2.63	0.00846	**
cope93	-0.03650	0.00760	-4.80	1.6e-06	***
DemXCOPE	-0.06705	0.01820	-3.68	0.00023	***

Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Null deviance: 598.99 on 433 degrees of freedom
Residual deviance: 436.83 on 429 degrees of freedom
(1 observation deleted due to missingness)
AIC: 446.8

Log-Likelihoods, “Deviance,” etc.

- Reports “deviances”:
 - “Residual” deviance = $2(\ln L_S - \ln L_M)$
 - “Null” deviance = $2(\ln L_S - \ln L_N)$
 - stored in `object$deviance` and `object$null.deviance`
- So:

$$\begin{aligned} LR_{\beta=0} &= 2(\ln L_M - \ln L_N) \\ &= \text{“Null” deviance} - \text{“Residual” deviance} \end{aligned}$$

```
> NAFTA.GLM.logit$null.deviance - NAFTA.GLM.logit$deviance  
[1] 162.1577
```

Interpretation: “Signs-n-Significance”

For both logit and probit:

- $\hat{\beta}_k > 0 \leftrightarrow \frac{\partial \Pr(Y=1)}{\partial X_k} > 0$
- $\hat{\beta}_k < 0 \leftrightarrow \frac{\partial \Pr(Y=1)}{\partial X_k} < 0$
- $\frac{\hat{\beta}_k}{\hat{\sigma}_k} \sim N(0, 1)$

Interactions:

$$\hat{\beta}_{\text{cope93}|\text{democrat}=1} \equiv \hat{\phi}_{\text{cope93}} = \hat{\beta}_3 + \hat{\beta}_4$$

$$\text{s.e.}(\hat{\beta}_{\text{cope93}|\text{democrat}=1}) = \sqrt{\text{Var}(\hat{\beta}_3) + (\text{democrat})^2 \text{Var}(\hat{\beta}_4) + 2(\text{democrat}) \text{Cov}(\hat{\beta}_3, \hat{\beta}_4)}$$

$\hat{\phi}_{\text{cope93}}$ point estimate:

```
> NAFTA.GLM.logit$coeff[4]+ NAFTA.GLM.logit$coeff[5]  
  
cope93  
-0.1035551
```

z-score (“by hand”):

```
> (NAFTA.GLM.logit $coeff[4]+ NAFTA.GLM.logit $coeff[5]) / (sqrt(vcov(NAFTA.GLM.logit)[4,4] +  
  (1)^2*vcov(NAFTA.GLM.logit)[5,5] + 2*1*vcov(NAFTA.GLM.logit)[4,5]))  
  
cope93  
-6.245699
```

(Or use car...)

```
> library(car)
> linear.hypothesis(NAFTA.GLM.logit,"cope93+DemXCOPE=0")
Linear hypothesis test
```

Hypothesis:

cope93 + DemXCOPE = 0

Model 1: vote ~ democrat + pctthispc + cope93 + DemXCOPE

Model 2: restricted model

	Res.Df	Df	Chisq	Pr(>Chisq)
1	429			
2	430	-1	39.009	4.219e-10 ***

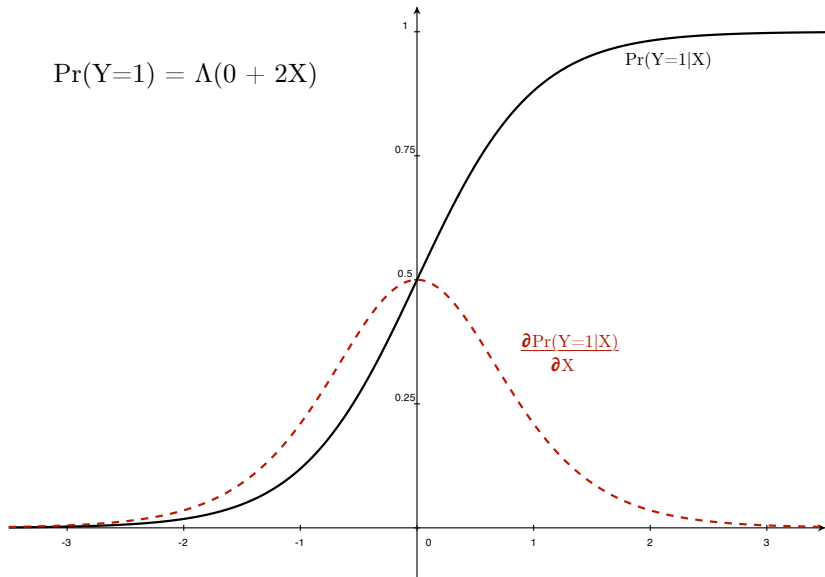
Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Marginal Effects

$$\begin{aligned}\frac{\partial \Pr(\hat{Y}_i = 1)}{\partial X_k} &= \frac{\partial F(\mathbf{X}_i \hat{\beta})}{\partial X_k} \\ &= f(\mathbf{X}_i \hat{\beta}) \hat{\beta}_k \\ &= \Lambda(\mathbf{X}_i \hat{\beta}) [1 - \Lambda(\mathbf{X}_i \hat{\beta})] \hat{\beta}_k \quad (\text{logit}) \text{ or} \\ &= \phi(\mathbf{X}_i \hat{\beta}) \hat{\beta}_k \quad (\text{probit})\end{aligned}$$

Marginal Effects Illustrated

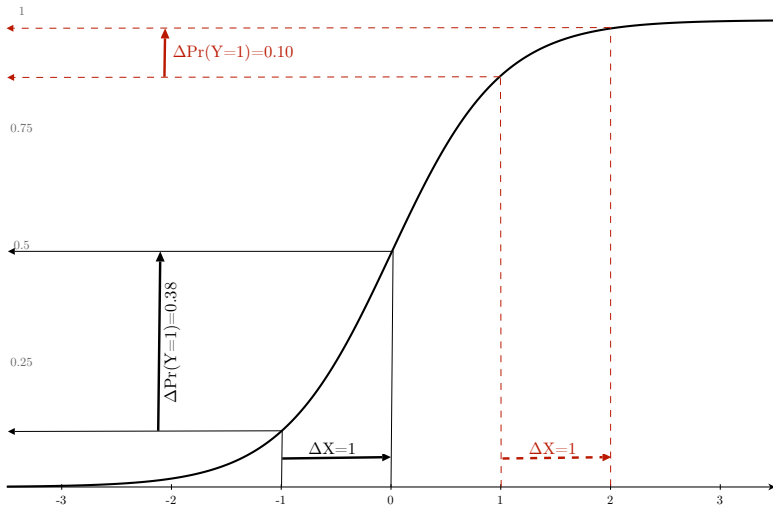
$$\Pr(Y=1) = \Lambda(0 + 2X)$$



Predicted Probabilities

$$\begin{aligned}\Pr(\widehat{Y_i = 1}) &= F(\mathbf{X}_i\hat{\beta}) \\ &= \frac{\exp(\mathbf{X}_i\hat{\beta})}{1 + \exp(\mathbf{X}_i\hat{\beta})} \text{ for logit,} \\ &= \Phi(\mathbf{X}_i\hat{\beta}) \text{ for probit.}\end{aligned}$$

Predicted Probabilities Illustrated



Predicted Probabilities: Standard Errors

$$\begin{aligned}\text{Var}[\widehat{\text{Pr}(Y_i = 1)}] &= \left[\frac{\partial F(\mathbf{X}_i; \hat{\beta})}{\partial \hat{\beta}} \right]' \hat{\mathbf{V}} \left[\frac{\partial F(\mathbf{X}_i; \hat{\beta})}{\partial \hat{\beta}} \right] \\ &= [f(\mathbf{X}_i; \hat{\beta})]^2 \mathbf{X}_i' \hat{\mathbf{V}} \mathbf{X}_i\end{aligned}$$

So,

$$\text{s.e.}[\widehat{\text{Pr}(Y_i = 1)}] = \sqrt{[f(\mathbf{X}_i; \hat{\beta})]^2 \mathbf{X}_i' \hat{\mathbf{V}} \mathbf{X}_i}$$

Probability Changes

$$\hat{\Delta}\Pr(Y = 1)_{\mathbf{x}_A \rightarrow \mathbf{x}_B} = \frac{\exp(\mathbf{X}_B \hat{\beta})}{1 + \exp(\mathbf{X}_B \hat{\beta})} - \frac{\exp(\mathbf{X}_A \hat{\beta})}{1 + \exp(\mathbf{X}_A \hat{\beta})}$$

or

$$= \Phi(\mathbf{X}_B \hat{\beta}) - \Phi(\mathbf{X}_A \hat{\beta})$$

Standard errors obtainable via delta method, bootstrap, etc...

In-Sample Predictions

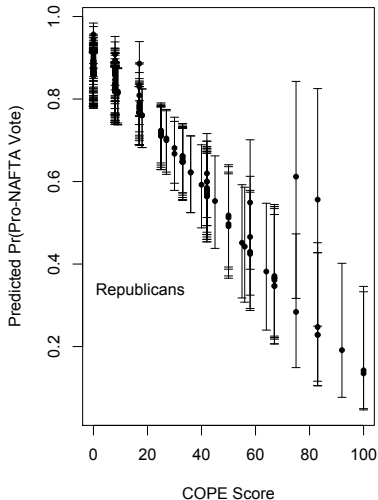
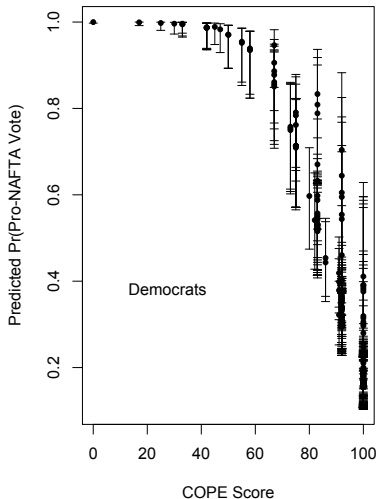
```
> preds<-NAFTA.GLM.logit$fitted.values

> hats<-predict(NAFTA.GLM.logit,se.fit=TRUE)
> hats
$fit
      1      2      3      4 ...
9.01267619 7.25223902 6.11013844 5.57444635 ...
...
$se.fit
      1      2      3      4 ...
1.5331506 1.2531475 1.1106989 0.9894208 ...

> XBUB<-hats$fit + (1.96*hats$se.fit)
> XBLB<-hats$fit - (1.96*hats$se.fit)
> plotdata<-cbind(as.data.frame(hats),XBUB,XBLB)
> plotdata<-data.frame(lapply(plotdata,binomial(link="logit")$linkinv))
```

```
...  
> par(mfrow=c(1,2))  
> library(plotrix)  
> plotCI(cope93[democrat==1],plotdata$fit[democrat==1],  
  ui=plotdata$XBUB[democrat==1],li=plotdata$XBLB[democrat==1],pch=20,  
  xlab="COPE Score",ylab="Predicted Pr(Pro-NAFTA Vote)")  
> text(locator(1),label="Democrats")  
> plotCI(cope93[democrat==0],plotdata$fit[democrat==0],  
  ui=plotdata$XBUB[democrat==0],li=plotdata$XBLB[democrat==0],pch=20,  
  xlab="COPE Score",ylab="Predicted Pr(Pro-NAFTA Vote)")  
> text(locator(1),label="Republicans")
```

In-Sample Predictions



Out-of-Sample Predictions

“Fake” data:

```
> sim.data<-data.frame(pcthispc=mean(nafta$pcthispc),democrat=rep(0:1,101),  
  cope93=seq(from=0,to=100,length.out=101))  
> sim.data$DemXCOPE<-sim.data$democrat*sim.data$cope93
```

Generate predictions:

```
> OutHats<-predict(NAFTA.GLM.logit,se.fit=TRUE,newdata=sim.data)  
> OutHatsUB<-OutHats$fit+(1.96*OutHats$se.fit)  
> OutHatsLB<-OutHats$fit-(1.96*OutHats$se.fit)  
> OutHats<-cbind(as.data.frame(OutHats),OutHatsUB,OutHatsLB)  
> OutHats<-data.frame(lapply(OutHats,binomial(link="logit")$linkinv))
```

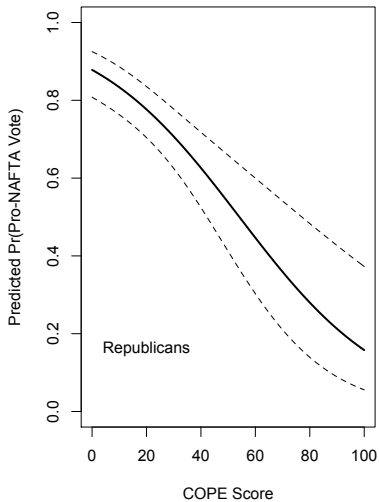
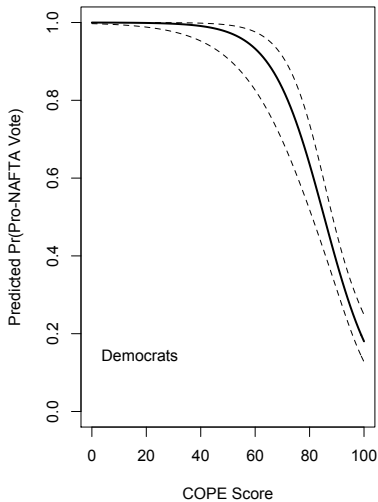
Plotting...

```
> par(mfrow=c(1,2))
> both<-cbind(sim.data,OutHats)
> both<-both[order(both$cope93,both$democrat),]

> plot(both$cope93[democrat==1],both$fit[democrat==1],t="1",lwd=2,ylim=c(0,1),
      xlab="COPE Score",ylab="Predicted Pr(Pro-NAFTA Vote)")
> lines(both$cope93[democrat==1],both$OutHatsUB[democrat==1],lty=2)
> lines(both$cope93[democrat==1],both$OutHatsLB[democrat==1],lty=2)
> text(locator(1),label="Democrats")

> plot(both$cope93[democrat==0],both$fit[democrat==0],t="1",lwd=2,ylim=c(0,1),
      xlab="COPE Score",ylab="Predicted Pr(Pro-NAFTA Vote)")
> lines(both$cope93[democrat==0],both$OutHatsUB[democrat==0],lty=2)
> lines(both$cope93[democrat==0],both$OutHatsLB[democrat==0],lty=2)
> text(locator(1),label="Republicans")
```

Out-of-Sample Predictions



$$\ln \Omega(\mathbf{X}) = \ln \left[\frac{\frac{\exp(\mathbf{X}\beta)}{1+\exp(\mathbf{X}\beta)}}{1 - \frac{\exp(\mathbf{X}\beta)}{1+\exp(\mathbf{X}\beta)}} \right] = \mathbf{X}\beta$$

$$\frac{\partial \ln \Omega}{\partial \mathbf{X}} = \beta$$

Means:

$$\frac{\Omega(X_k + 1)}{\Omega(X_k)} = \exp(\hat{\beta}_k)$$

More generally,

$$\frac{\Omega(X_k + \delta)}{\Omega(X_k)} = \exp(\hat{\beta}_k \delta)$$

$$\text{Percentage Change} = 100[\exp(\hat{\beta}_k \delta) - 1]$$

Odds Ratios Implemented

```
> lreg.or <- function(model)
+   {
+     coeffs <- coef(summary(NAFTA.GLM.logit))
+     lci <- exp(coeffs[,1] - 1.96 * coeffs[,2])
+     or <- exp(coeffs[,1])
+     uci <- exp(coeffs[,1] + 1.96 * coeffs[,2])
+     lreg.or <- cbind(lci, or, uci)
+     lreg.or
+   }
```

```
> lreg.or(NAFTA.GLM.fit)
```

	lci	or	uci
(Intercept)	3.4966	5.9993	1.029e+01
democrat	46.1944	958.6783	1.990e+04
pcthispc	1.0054	1.0211	1.037e+00
cope93	0.9499	0.9642	9.786e-01
DemXCOPE	0.9024	0.9351	9.691e-01

- Pseudo- R^2 (skipped)
- Proportional reduction in error (PRE)
- ROC curves.

$$\text{PRE} = \frac{N_{MC} - N_{NC}}{N - N_{NC}}$$

- N_{NC} = number correct under the “null model,”
- N_{MC} = number correct under the estimated model,
- N = total number of observations.

PRE: Example

```
> table(NAFTA.GLM.logit$fitted.values>0.5,nafta$vote==1)
```

	FALSE	TRUE
FALSE	148	49
TRUE	52	185

$$\begin{aligned}\text{PRE} &= \frac{N_{MC} - N_{NC}}{N - N_{NC}} \\ &= \frac{(148 + 185) - 234}{434 - 234} \\ &= \frac{99}{200} \\ &= \mathbf{0.495}\end{aligned}$$

Chi-Square Test (Prediction)

```
> chisq.test(NAFTA.GLM.logit$fitted.values>0.5,nafta$vote==1)
```

Pearson's Chi-squared test with Yates' continuity correction

```
data:  NAFTA.GLM.logit$fitted.values > 0.5 and nafta$vote == 1  
X-squared = 120.3453, df = 1, p-value < 2.2e-16
```

- *Sensitivity*
 - $\Pr(\widehat{Y} = 1) | Y = 1$
 - “true positives”
- *Specificity*
 - $\Pr(\widehat{Y} = 0) | Y = 0$
 - “true negatives”
- $1 - \text{Sensitivity} = \text{“false positives”}$
- $1 - \text{Specificity} = \text{“false negatives”}$

- Plot: true positive rate vs. false positive rate
- “aROC”: Area under the curve
- Assessment of model fit

ROC Curves Implemented

```
> library(ROCR)

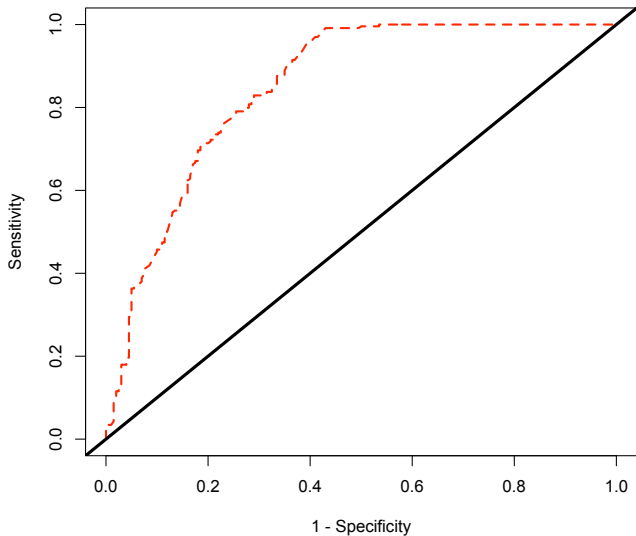
> NAFTA.GLM.logithats<-predict(NAFTA.GLM.logit,
+   type="response")

> preds<-prediction(NAFTA.GLM.logithats,NAFTA$vote)

> plot(performance(preds,"tpr","fpr"),lwd=2,lty=2,
+   col="red",xlab="1 - Specificity",ylab="Sensitivity")

> abline(a=0,b=1,lwd=3)
```


ROC Curve: Example



Interpreting ROC Curves

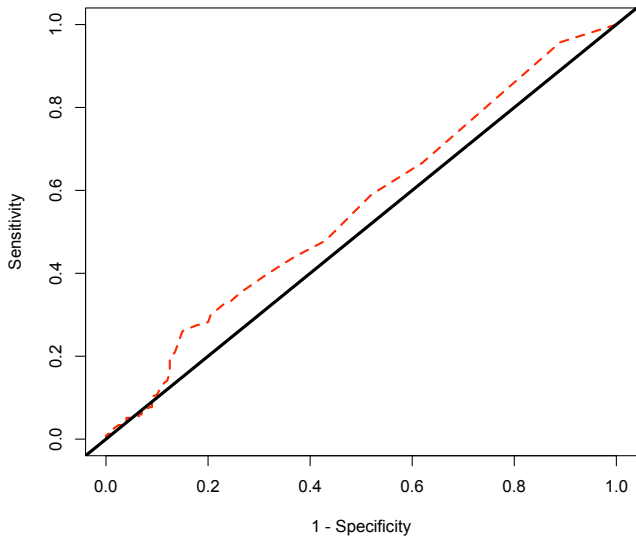
- Area under ROC = 0.90-1.00 → Excellent (A)
- Area under ROC = 0.80-0.90 → Good (B)
- Area under ROC = 0.70-0.80 → Fair (C)
- Area under ROC = 0.60-0.70 → Poor (D)
- Area under ROC = 0.50-0.60 → Total Failure (F)

ROC Curve: A Poorly-Fitting Model

```
> NAFTA.bad<-glm(vote~pctthispc,family=binomial(link="logit"))
> NAFTA.bad.hats<-predict(NAFTA.bad,type="response")
> bad.preds<-prediction(NAFTA.bad.hats,nafta$vote)

> plot(performance(bad.preds,"tpr","fpr"),lwd=2,lty=2,
+      col="red",xlab="1 - Specificity",ylab="Sensitivity")
> abline(a=0,b=1,lwd=3)
```

Bad ROC!



Summary: Various Commands

Concept	R	Stata
Predicted probabilities	<code>predict.glm, fitted.values</code>	<code>predict</code>
Odds ratios	<code>exp(object\$coefficients)</code>	<code>logit, or</code>
PRE, etc.	ROCR package	<code>estat clas</code>
ROC curves	<code>performance</code> (ROCR package)	<code>lroc</code>

See also `zelig`, others...