

R Notebook: Panel Data Models with R - October 2021

This is an R Markdown Notebook. When you execute code within the notebook, the results appear beneath the code.

Try executing this chunk by clicking the *Run* button within the chunk or by placing your cursor inside it and pressing *Cmd+Shift+Enter* (in Windows press *CTRL+Enter*).

Add a new chunk by clicking the *Insert Chunk* button on the toolbar or by pressing *Cmd+Option+I* (or *CTRL+Alt+I* in Windows).

When you save the notebook, an HTML file containing the code and output will be saved alongside it (click the *Preview* button or press *Cmd+Shift+K* to preview the HTML file).

The preview shows you a rendered HTML copy of the contents of the editor. Consequently, unlike *Knit*, *Preview* does not run any R code chunks. Instead, the output of the chunk when it was last run in the editor is displayed.

Package Management Tool

Here I am uploading my packages (code omitted).

Prepare the data

Here I am reading a Stata data file (code omitted).

Statistics

```
names(nlswork)
```

```
## [1] "idcode" "year" "birth_yr" "age" "race" "msp"
## [7] "nev_mar" "grade" "collgrad" "not_smsa" "c_city" "south"
## [13] "ind_code" "occ_code" "union" "wks_ue" "ttl_exp" "tenure"
## [19] "hours" "wks_work" "ln_wage"
```

```
head(nlswork)
```

```
## # A tibble: 6 x 21
##   idcode year birth_yr age race msp nev_mar grade collgrad not_smsa c_city
##   <dbl> <dbl>   <dbl> <dbl> <dbl> <dbl> <dbl> <dbl>   <dbl>   <dbl>   <dbl>
## 1     1    70     51    18    2     0     1    12       0       0       1
## 2     1    71     51    19    2     1     0    12       0       0       1
## 3     1    72     51    20    2     1     0    12       0       0       1
```

```
## 4      1      73      51      21      2      1      0      12      0      0      1
## 5      1      75      51      23      2      1      0      12      0      0      1
## 6      1      77      51      25      2      0      0      12      0      0      1
## # ... with 10 more variables: south <dbl>, ind_code <dbl>, occ_code <dbl>,
## #   union <dbl>, wks_ue <dbl>, ttl_exp <dbl>, tenure <dbl>, hours <dbl>,
## #   wks_work <dbl>, ln_wage <dbl>
```

```
# str(nlswork)
# dplyr::glimpse(nlswork)

dplyr::glimpse(nlswork$ln_wage)
```

```
## num [1:28534] 1.45 1.03 1.59 1.78 1.78 ...
## - attr(*, "label")= chr "ln(wage/GNP deflator)"
## - attr(*, "format.stata")= chr "%9.0g"
```

```
ExpData(nlswork,type=1)
```

##		Descriptions	Value
## 1		Sample size (nrow)	28534
## 2		No. of variables (ncol)	21
## 3		No. of numeric/interger variables	21
## 4		No. of factor variables	0
## 5		No. of text variables	0
## 6		No. of logical variables	0
## 7		No. of identifier variables	0
## 8		No. of date variables	0
## 9		No. of zero variance variables (uniform)	0
## 10		%. of variables having complete cases	33.33% (7)
## 11		%. of variables having >0% and <50% missing cases	66.67% (14)
## 12		%. of variables having >=50% and <90% missing cases	0% (0)
## 13		%. of variables having >=90% missing cases	0% (0)

```
ExpData(nlswork,type=2)
```

##	Index	Variable_Name	Variable_Type	Sample_n	Missing_Count	Per_of_Missing
## 1	1	idcode	numeric	28534	0	0.000
## 2	2	year	numeric	28534	0	0.000
## 3	3	birth_yr	numeric	28534	0	0.000
## 4	4	age	numeric	28510	24	0.001
## 5	5	race	numeric	28534	0	0.000
## 6	6	msp	numeric	28518	16	0.001
## 7	7	nev_mar	numeric	28518	16	0.001
## 8	8	grade	numeric	28532	2	0.000
## 9	9	collgrad	numeric	28534	0	0.000
## 10	10	not_smsa	numeric	28526	8	0.000
## 11	11	c_city	numeric	28526	8	0.000
## 12	12	south	numeric	28526	8	0.000
## 13	13	ind_code	numeric	28193	341	0.012
## 14	14	occ_code	numeric	28413	121	0.004
## 15	15	union	numeric	19238	9296	0.326
## 16	16	wks_ue	numeric	22830	5704	0.200

```
## 17      17      ttl_exp      numeric      28534          0          0.000
## 18      18      tenure      numeric      28101         433          0.015
## 19      19      hours      numeric      28467          67          0.002
## 20      20      wks_work      numeric      27831         703          0.025
## 21      21      ln_wage      numeric      28534          0          0.000
##      No_of_distinct_values
## 1              4711
## 2              15
## 3              14
## 4              33
## 5              3
## 6              2
## 7              2
## 8             19
## 9              2
## 10             2
## 11             2
## 12             2
## 13             12
## 14             13
## 15             2
## 16             61
## 17            4744
## 18             270
## 19             85
## 20            105
## 21            8173
```

Exploratory data analysis

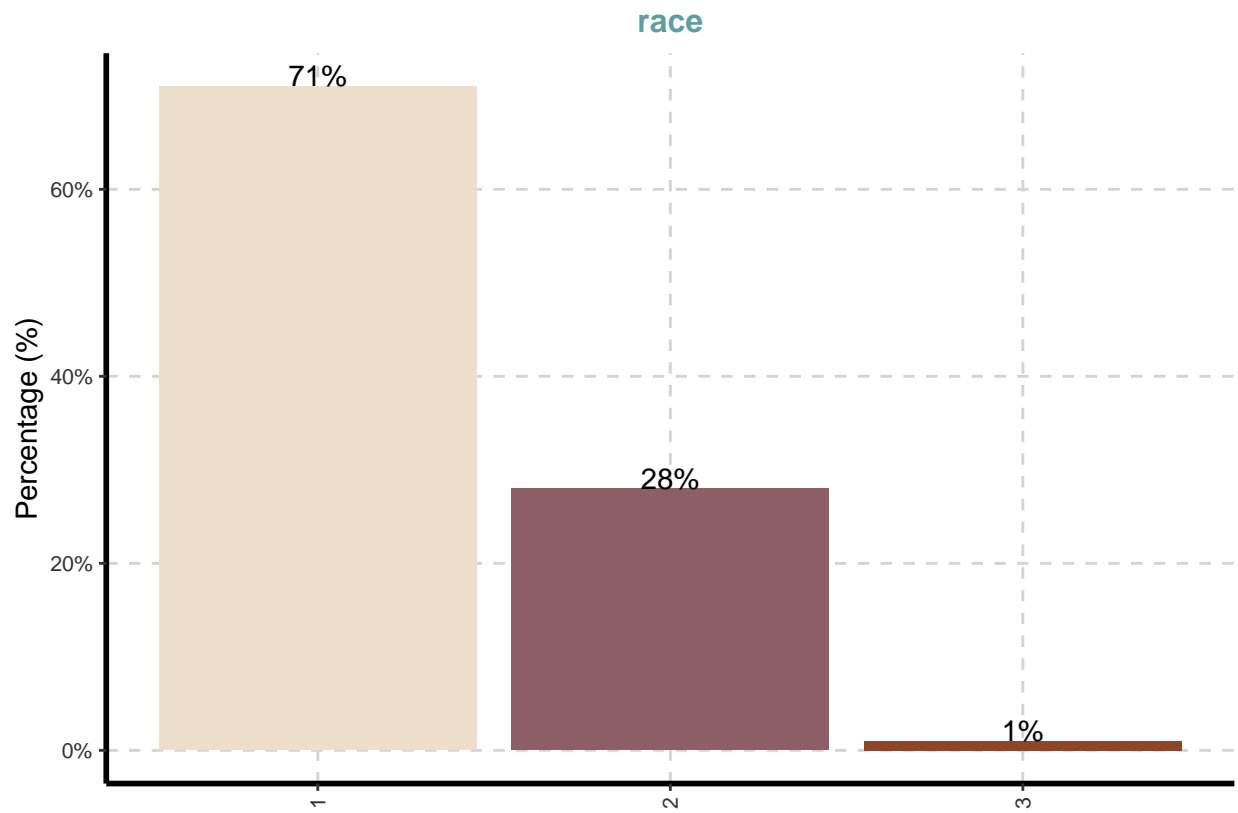
Start discussing the statistics and graphs.

```
##      grade
## Min.    : 0.00
## 1st Qu.:12.00
## Median :12.00
## Mean   :12.53
## 3rd Qu.:14.00
## Max.    :18.00
## NA's    :2
```

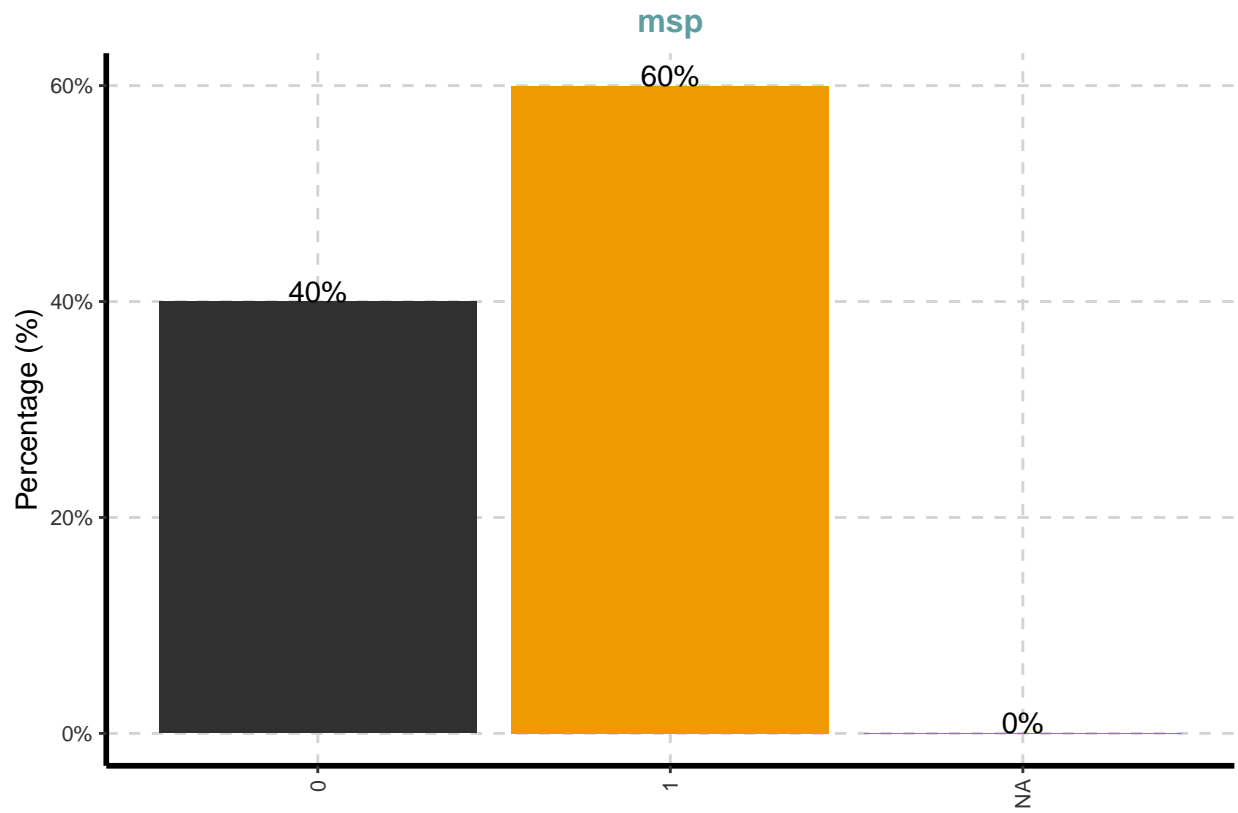
```
##      Vname Group   TN nNeg nZero  nPos NegInf PosInf NA_Value Per_of_Missing
## 4      age    All 28534    0    0 28510    0    0      24          0.08
## 3 birth_yr    All 28534    0    0 28534    0    0       0          0.00
## 5      grade  All 28534    0   21 28511    0    0       2          0.01
## 11     hours  All 28534    0    0 28467    0    0      67          0.23
## 1      idcode  All 28534    0    0 28534    0    0       0          0.00
## 6 ind_code    All 28534    0    0 28193    0    0     341          1.20
## 13 ln_wage    All 28534    0    2 28532    0    0       0          0.00
## 7  occ_code    All 28534    0    0 28413    0    0     121          0.42
## 10  tenure    All 28534    0 1248 26853    0    0     433          1.52
## 9   ttl_exp    All 28534    0   21 28513    0    0       0          0.00
## 8    wks_ue    All 28534    0 17394  5436    0    0    5704         19.99
```

## 12	wks_work	All	28534	0	478	27353	0	0	703	2.46
## 2	year	All	28534	0	0	28534	0	0	0	0.00
##		sum	min	max	mean	median	SD	CV	IQR	Skewness
## 4		828076.00	14	46.00	29.05	28.00	6.70	0.23	11.00	0.26
## 3		1372060.00	41	54.00	48.09	48.00	3.01	0.06	5.00	-0.12
## 5		357580.00	0	18.00	12.53	12.00	2.32	0.19	2.00	0.10
## 11		1040741.00	1	168.00	36.56	40.00	9.87	0.27	5.00	-0.90
## 1		74225046.00	1	5159.00	2601.28	2606.00	1487.36	0.57	2554.00	-0.02
## 6		216888.00	1	12.00	7.69	7.00	2.99	0.39	6.00	0.00
## 13		47791.80	0	5.26	1.67	1.64	0.48	0.29	0.60	0.33
## 7		135748.00	1	13.00	4.78	3.00	3.07	0.64	3.00	1.08
## 10		87782.92	0	25.92	3.12	1.67	3.75	1.20	3.67	1.94
## 9		177347.83	0	28.88	6.22	5.06	4.65	0.75	6.67	0.86
## 8		58173.00	0	76.00	2.55	0.00	7.29	2.86	0.00	4.02
## 12		1502577.00	0	104.00	53.99	52.00	29.03	0.54	36.00	0.19
## 2		2224472.00	68	88.00	77.96	78.00	6.38	0.08	11.00	0.09
##	Kurtosis	10%	20%	50%	LB.25%	UB.75%	nOutliers			
## 4		-0.91	21.00	23.00	28.00	6.50	50.50	0		
## 3		-0.99	44.00	45.00	48.00	38.50	58.50	0		
## 5		1.37	10.00	12.00	12.00	9.00	17.00	2125		
## 11		4.26	20.00	32.00	40.00	27.50	47.50	6100		
## 1		-1.19	518.00	1051.00	2606.00	-2504.00	7712.00	0		
## 6		-1.46	4.00	4.00	7.00	-4.00	20.00	0		
## 13		1.67	1.17	1.30	1.64	0.46	2.87	660		
## 7		0.68	1.00	3.00	3.00	-1.50	10.50	1846		
## 10		3.90	0.17	0.42	1.67	-5.00	9.67	2138		
## 9		0.06	1.04	2.00	5.06	-7.54	19.13	191		
## 8		18.25	0.00	0.00	0.00	0.00	0.00	5436		
## 12		-0.68	14.00	28.00	52.00	-18.00	126.00	0		
## 2		-1.30	70.00	71.00	78.00	55.50	99.50	0		

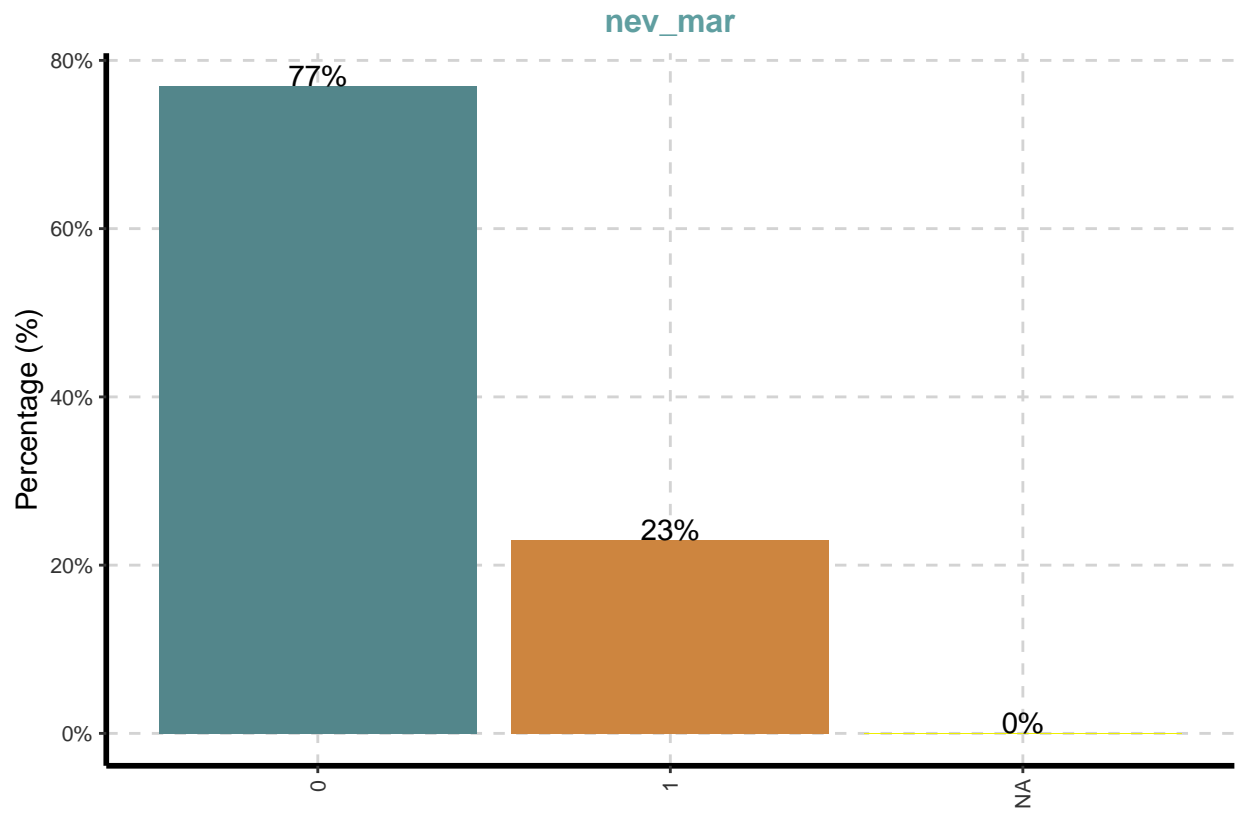
[[1]]



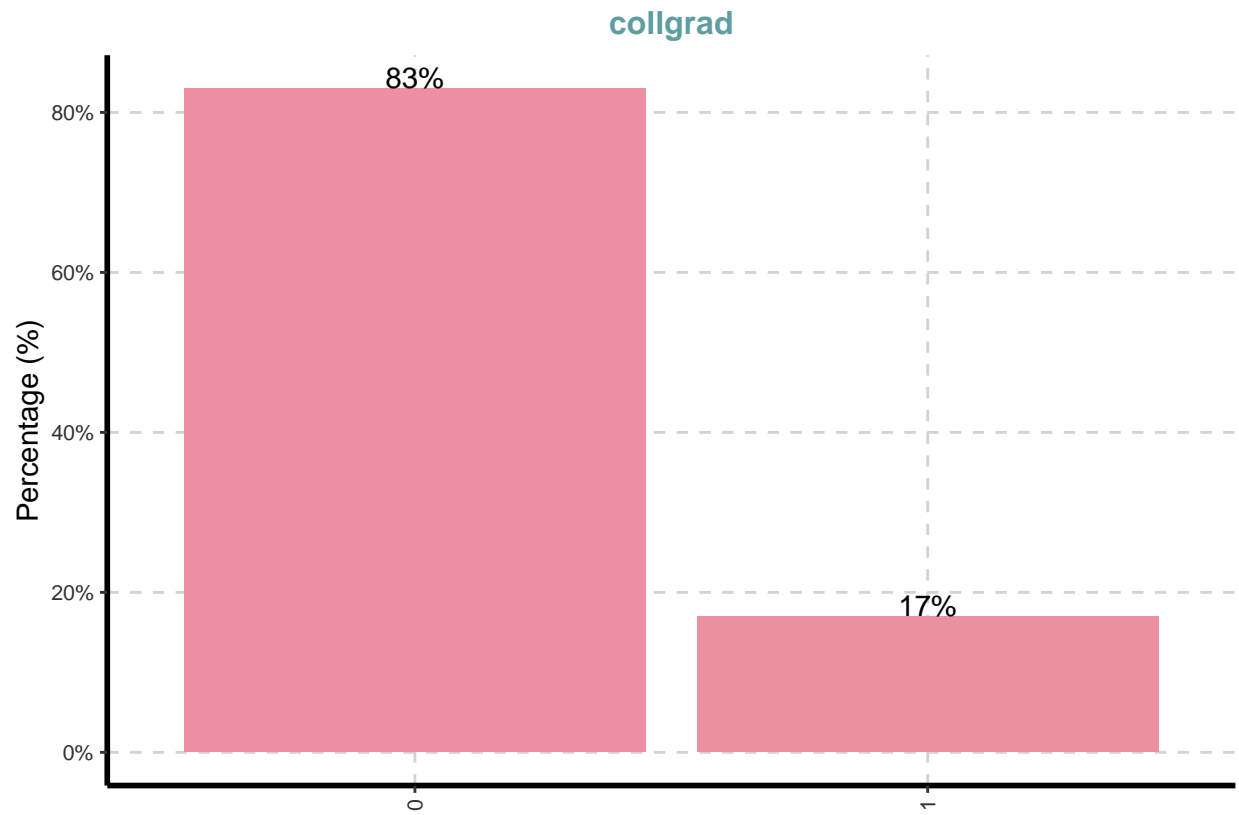
```
##  
## [[2]]
```



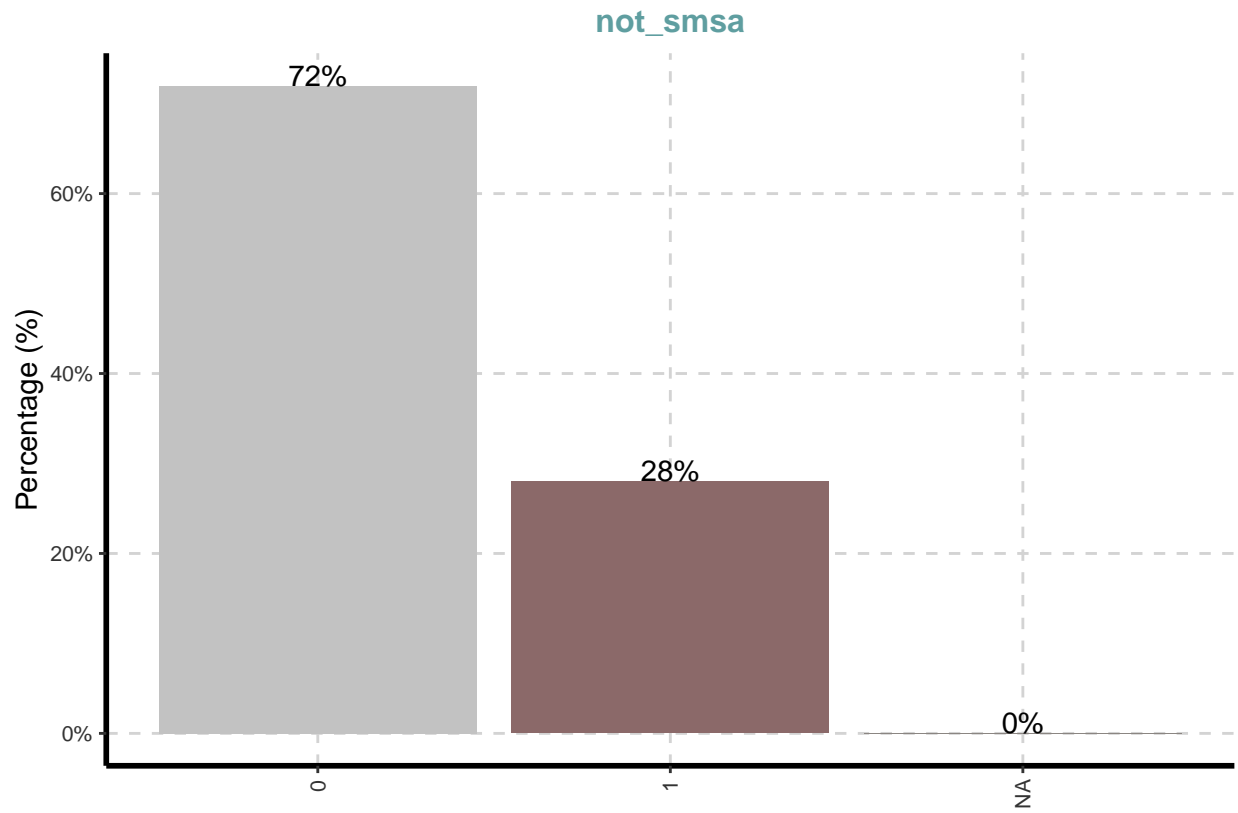
```
##  
## [[3]]
```



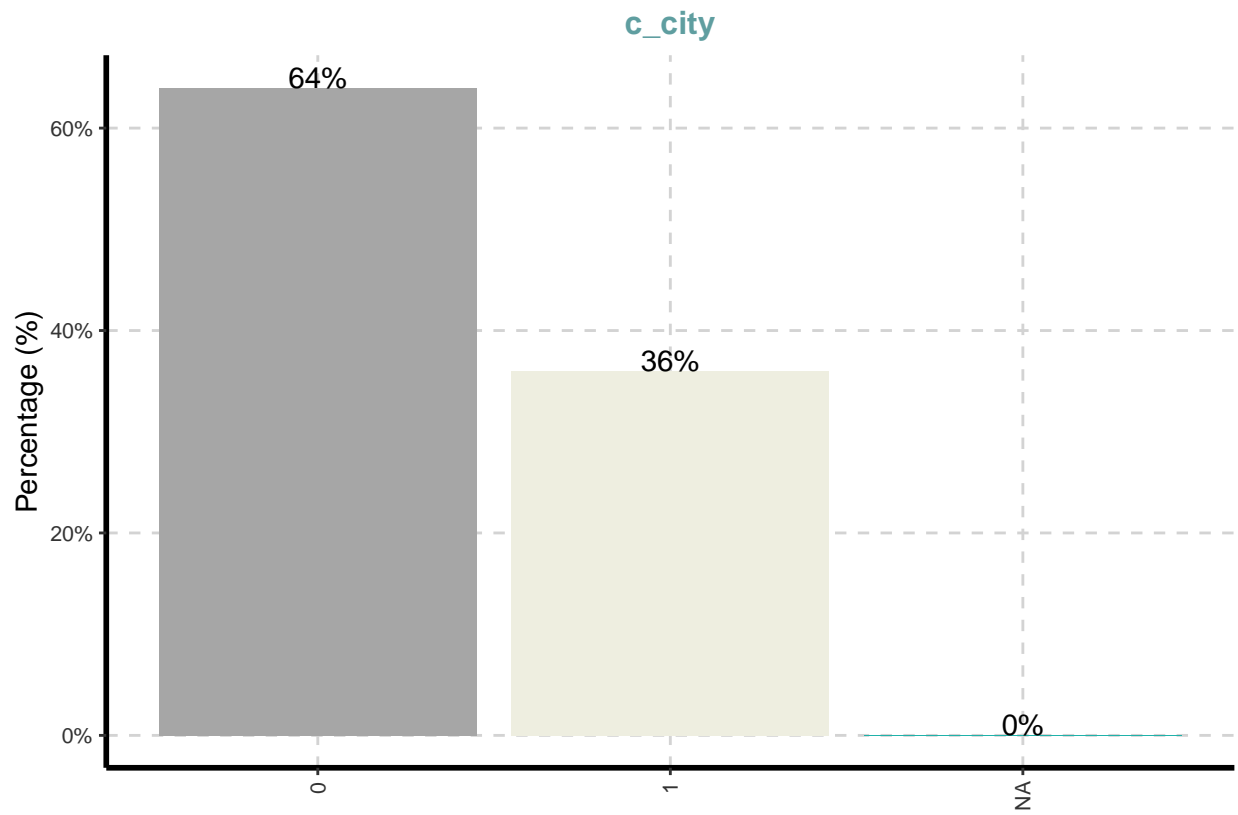
```
##  
## [[4]]
```



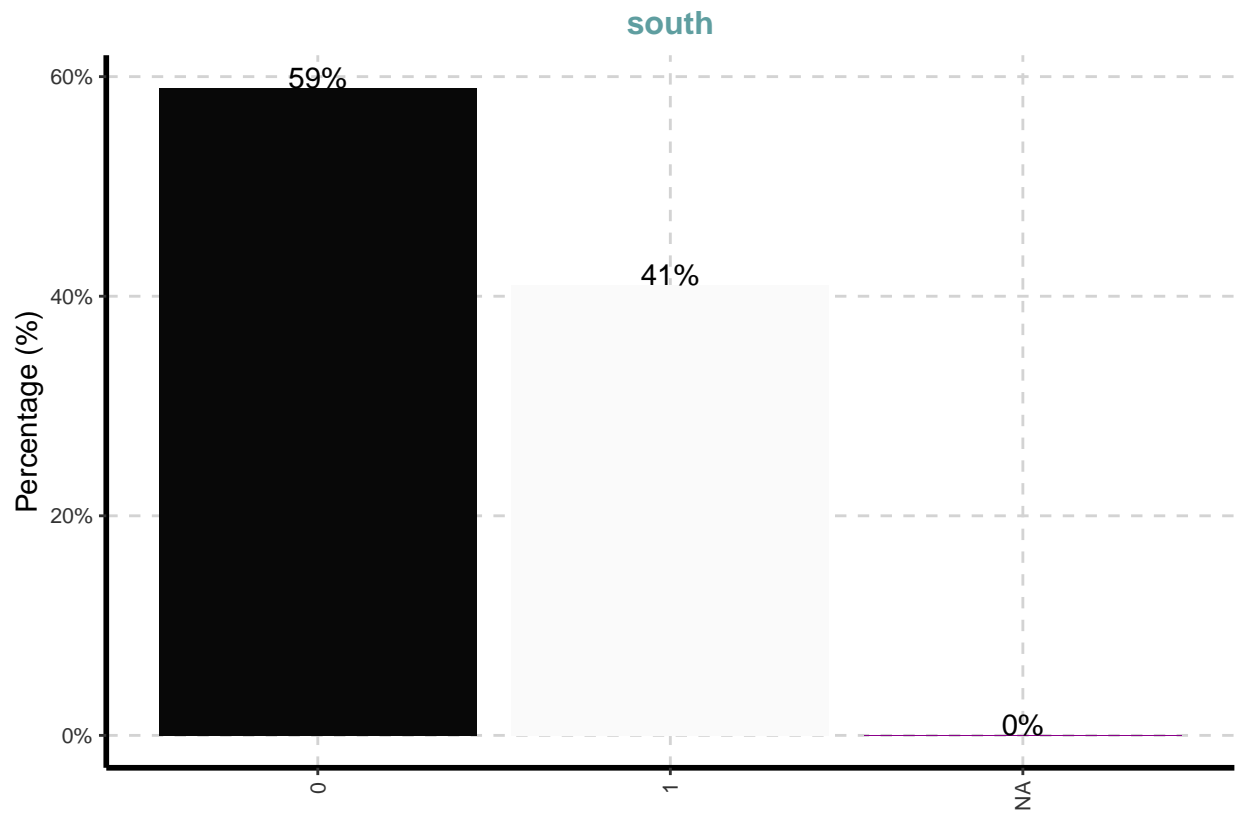
```
##  
## [[5]]
```

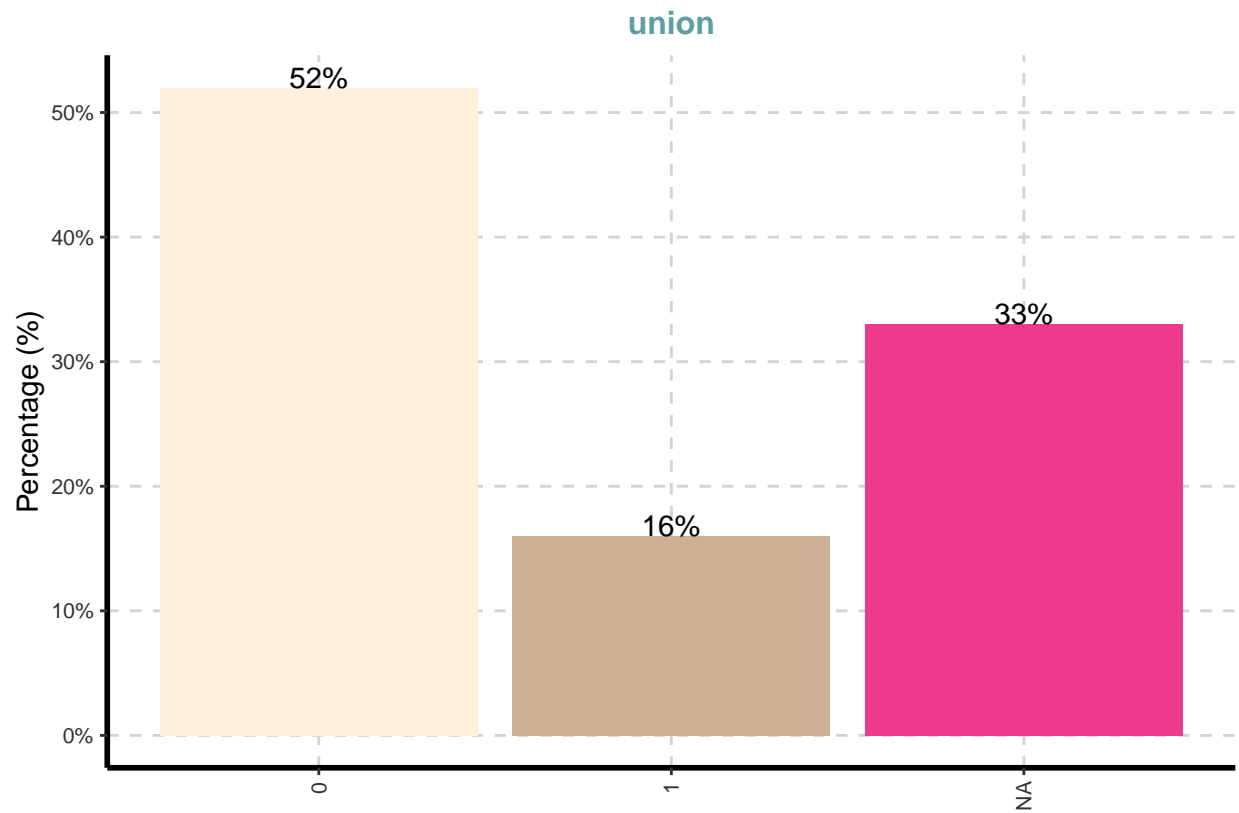
```
##  
## [[6]]
```



```
##  
## [[7]]
```

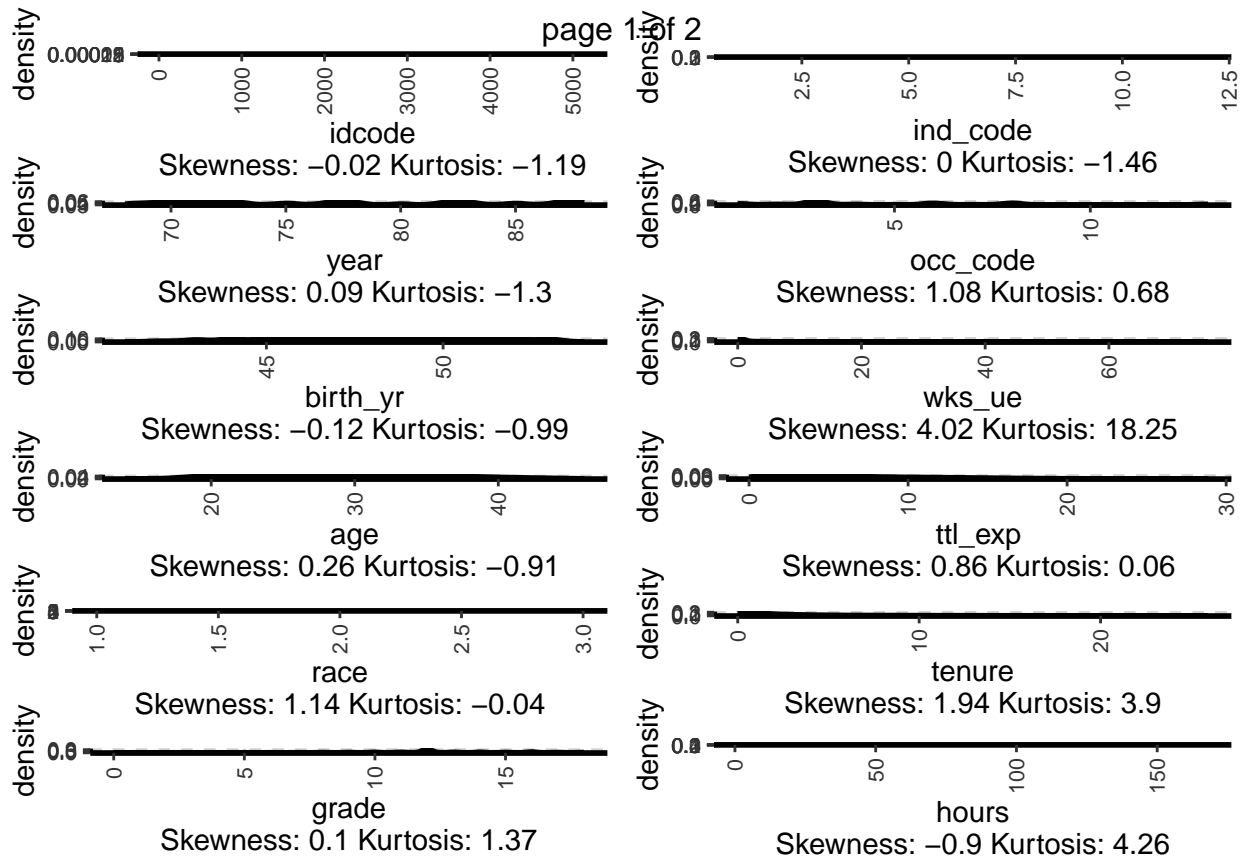


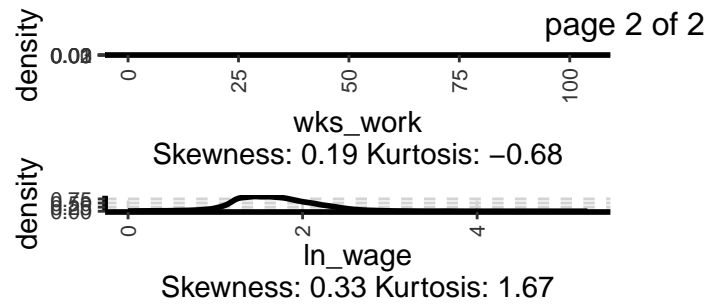
```
##  
## [[8]]
```



```
## Warning in matrix(data = seq(1, pn), nrow = nr, ncol = nc): data length [14] is  
## not a sub-multiple or multiple of the number of rows [6]
```

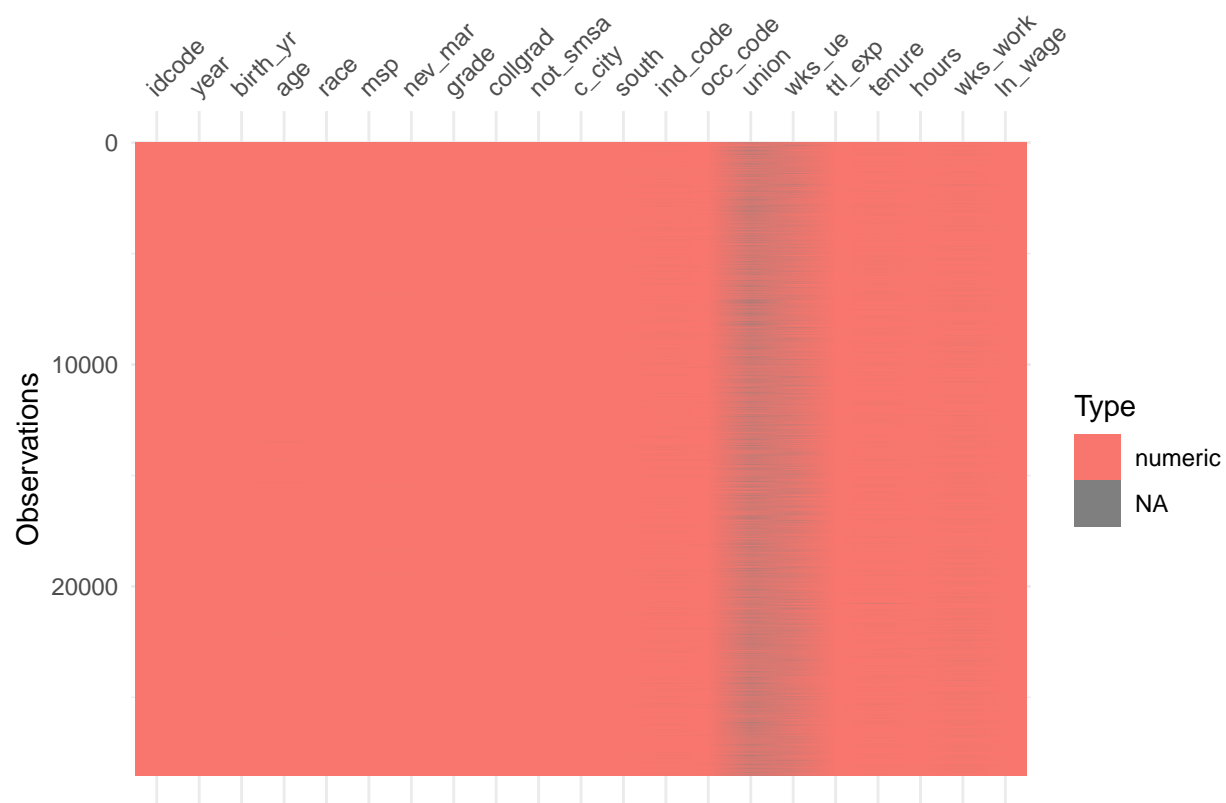
```
## $'0'
```



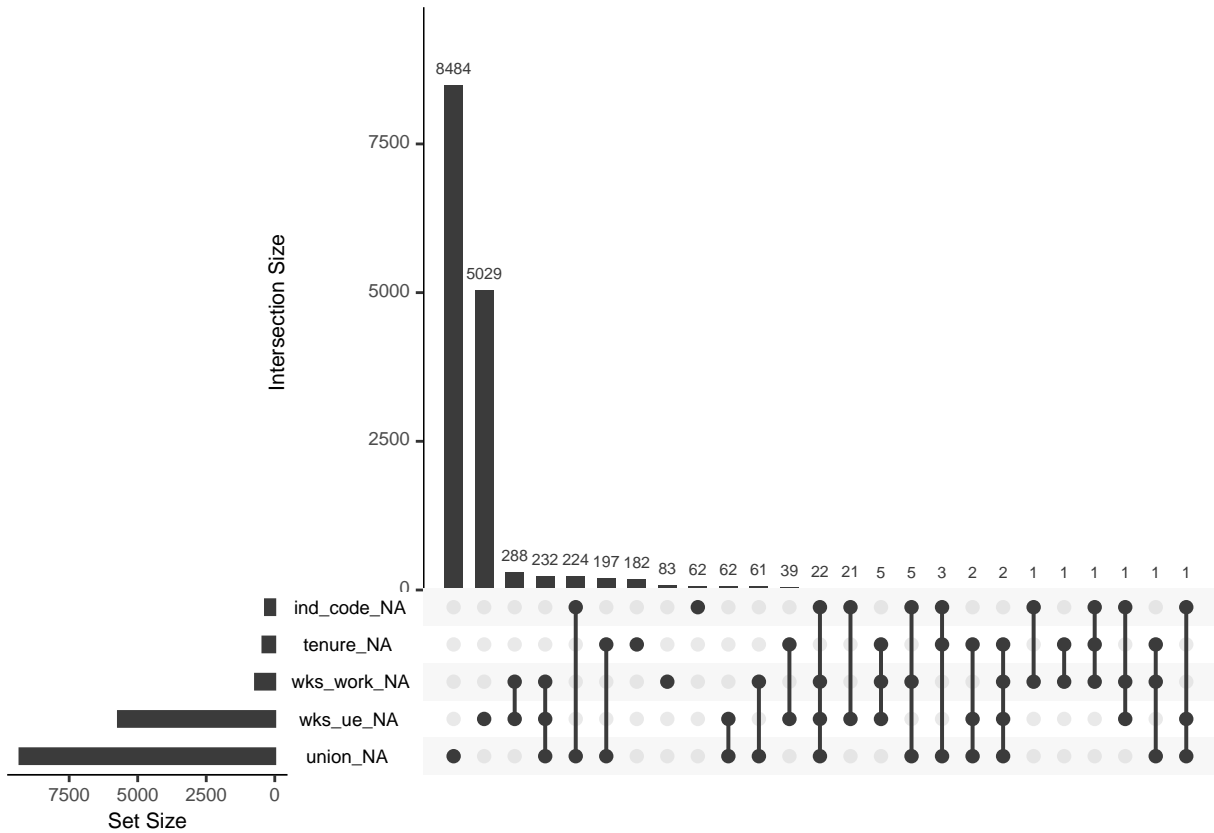


MISSING VALUES

```
vis_dat(nlswork)
```



```
# vis_miss(nlswork) # ALTERNATIVE
gg_miss_upset(nlswork)
```



Add a dataframe

Export output

```
stargazer(nls,
  title = "Summary statistics",
  label = "tb:statisticis",
  table.placement = "ht",
  header=FALSE,type="text")
```

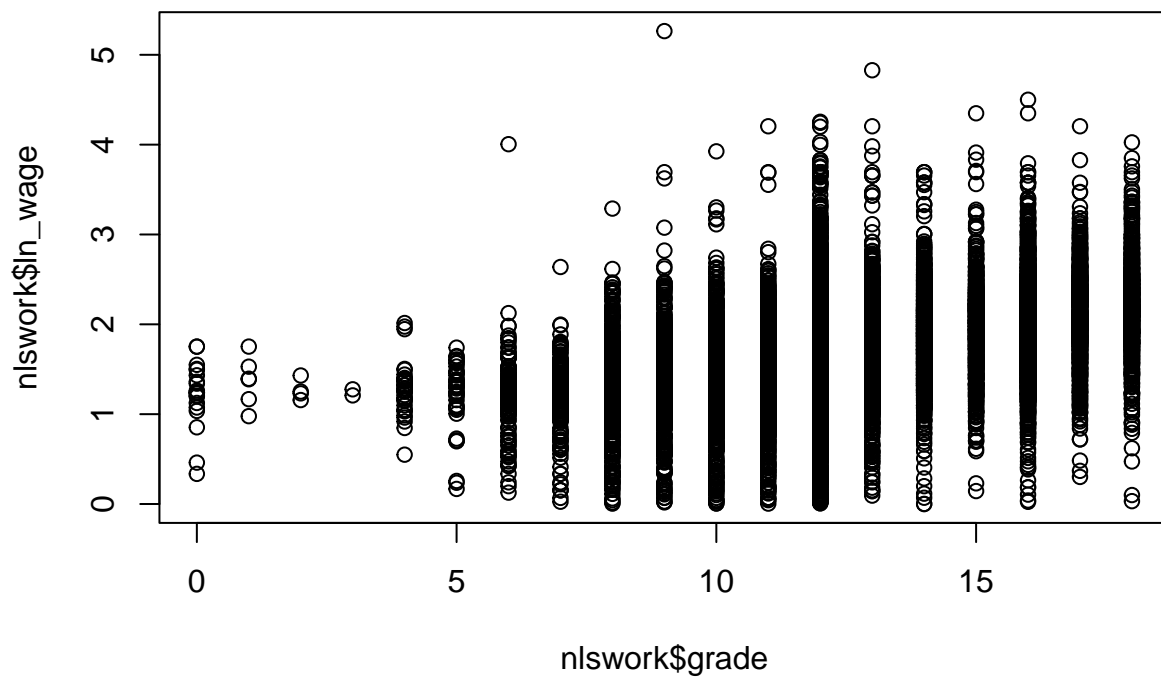
```
##
## Summary statistics
## =====
## Statistic    N      Mean    St. Dev.    Min    Pctl(25) Pctl(75)    Max
## -----
## idcode      28,534 2,601.284 1,487.359    1      1,327    3,881    5,159
## year        28,534  77.959    6.384     68      72      83      88
## birth_yr    28,534  48.085    3.013     41      46      51      54
## age         28,510  29.045    6.701    14.000   23.000   34.000   46.000
## race        28,534   1.303    0.482      1        1        2        3
## msp         28,518   0.603    0.489     0.000    0.000    1.000    1.000
## nev_mar     28,518   0.230    0.421     0.000    0.000    0.000    1.000
## grade       28,532  12.533    2.324     0.000    12.000   14.000   18.000
```



```
## collgrad 28,534 0.168 0.374 0 0 0 1
## not_smsa 28,526 0.282 0.450 0.000 0.000 1.000 1.000
## c_city 28,526 0.357 0.479 0.000 0.000 1.000 1.000
## south 28,526 0.410 0.492 0.000 0.000 1.000 1.000
## ind_code 28,193 7.693 2.994 1.000 5.000 11.000 12.000
## occ_code 28,413 4.778 3.065 1.000 3.000 6.000 13.000
## union 19,238 0.234 0.424 0.000 0.000 0.000 1.000
## wks_ue 22,830 2.548 7.294 0.000 0.000 0.000 76.000
## ttl_exp 28,534 6.215 4.652 0.000 2.462 9.128 28.885
## tenure 28,101 3.124 3.751 0.000 0.500 4.167 25.917
## hours 28,467 36.560 9.870 1.000 35.000 40.000 168.000
## wks_work 27,831 53.989 29.032 0.000 36.000 72.000 104.000
## ln_wage 28,534 1.675 0.478 0.000 1.361 1.964 5.264
## -----
```

Produce a graph

```
plot(nlswork$grade,nlswork$ln_wage)
```



Save the graph

Tabulations and further statistics

```
## nlswork$race      n      percent
##           1 20180 0.70722647
##           2  8051 0.28215462
##           3   303 0.01061891
```

```
## Frequencies
## nlswork$year
## Label: interview year
## Type: Numeric
```

```
##
##           Freq  % Valid  % Valid Cum.  % Total  % Total Cum.
## -----
##           88  2272    7.96      7.96    7.96    7.96
##           77  2171    7.61     15.57    7.61    15.57
##           87  2164    7.58     23.15    7.58    23.15
##           75  2141    7.50     30.66    7.50    30.66
##           82  2085    7.31     37.97    7.31    37.97
##           85  2085    7.31     45.27    7.31    45.27
##           83  1987    6.96     52.24    6.96    52.24
##           73  1981    6.94     59.18    6.94    59.18
##           78  1964    6.88     66.06    6.88    66.06
##           71  1851    6.49     72.55    6.49    72.55
##           80  1847    6.47     79.02    6.47    79.02
##           72  1693    5.93     84.95    5.93    84.95
##           70  1686    5.91     90.86    5.91    90.86
##           68  1375    4.82     95.68    4.82    95.68
##           69  1232    4.32    100.00    4.32   100.00
##          <NA>     0      100.00    100.00    100.00
##          Total 28534   100.00   100.00   100.00   100.00
```

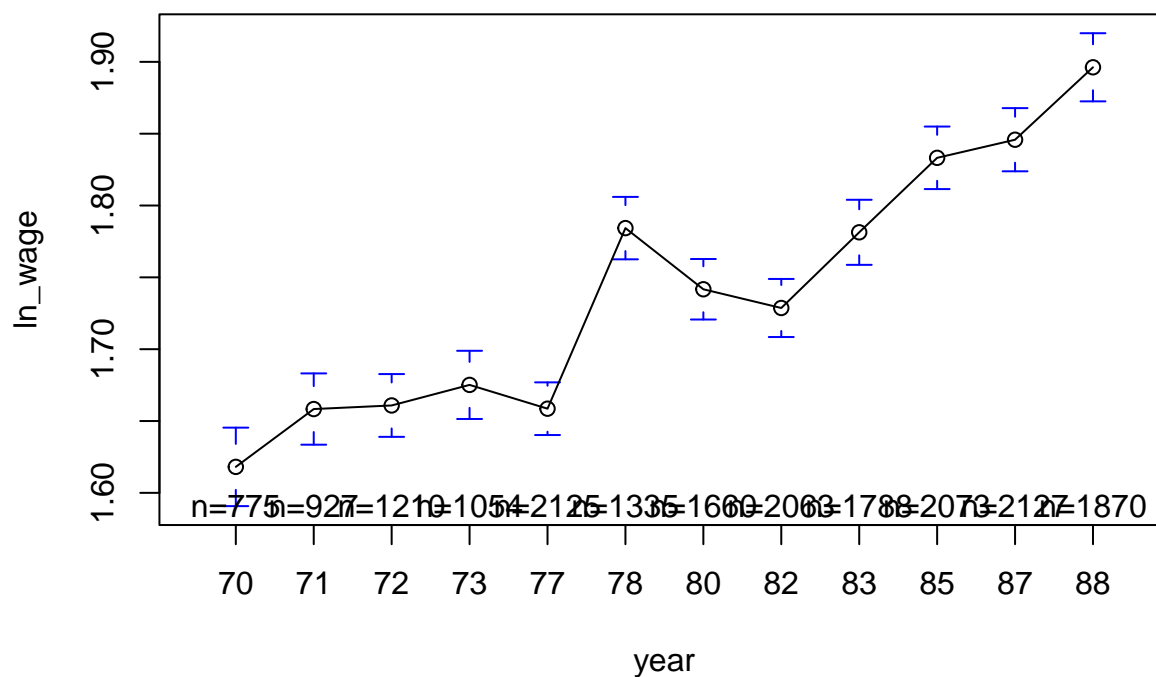
```
## Frequencies
## nlswork$race
## Label: 1=white, 2=black, 3=other
## Type: Numeric
```

```
##
##           Freq  % Valid  % Valid Cum.  % Total  % Total Cum.
## -----
##           1  20180    70.72     70.72   70.72   70.72
##           2   8051    28.22     98.94   28.22   98.94
##           3    303     1.06    100.00    1.06  100.00
##          <NA>     0      100.00    100.00    100.00
##          Total 28534   100.00   100.00   100.00   100.00
```

A new dataset: exclude observations with missing information in a subset of variables

Add variable

Plot variables means



Regression analysis

- *Estimating a Mincerian Wage Equation*
- *POLS estimator with cluster-robust standard errors*

Q1

Pooled OLS model

Export regression output

```
##
## Regression analysis
## =====
```

```
##              OLS              panel
##              linear
##              OLS              Pooled
## -----
## Union          0.113***          0.113***
##              (0.007)          (0.007)
## Collage Graduate 0.351***          0.351***
##              (0.007)          (0.007)
## Age            0.022***          0.022***
##              (0.004)          (0.004)
## Age sqrd.      -0.0003***        -0.0003***
##              (0.0001)         (0.0001)
## Tenure         0.055***          0.055***
##              (0.002)          (0.002)
## Tenure sqrd.   -0.002***        -0.002***
##              (0.0001)         (0.0001)
## Not SMSA       -0.205***        -0.205***
##              (0.007)          (0.007)
## South          -0.141***        -0.141***
##              (0.006)          (0.006)
## City           -0.032***        -0.032***
##              (0.007)          (0.007)
## N              19,007           19,007
## R2             0.319            0.319
## =====
## Notes:          Standard errors in parentheses.
```

- SMSA: Standard Metropolitan Statistical Area

```
# ftable(c_city) # 1 if central city
```

CLUSTERED Standard-errors

```
pols_robust <- coeftest(pols, function(x) vcovHC(x, type = 'sss'))

stargazer(pols,pols_robust,title = "Regression analysis",
  model.numbers = FALSE,
  column.labels = c("Pooled","Pooled (cluster)"),
  label = "regressions",
  table.placement = "!ht",
  notes.append = FALSE,
  notes.align="l",
  notes="Standard errors in parentheses.",
  header = FALSE,
  no.space = TRUE,
  covariate.labels = c("Union","Collage graduate","Age","Age sqrd.",
    "Tenure","Tenure sqrd.","Not SMSA","South","City"),
  omit = c("Constant"),
  omit.stat = c("adj.rsq","f","ser"),
  digits = 6,
  digits.extra = 7,
```

```
omit.yes.no = c("Constant",""),
dep.var.caption="",
dep.var.labels.include = FALSE,
style = "qje",
type="text")
```

```
##
## Regression analysis
## =====
##               panel      coefficient
##               linear      test
##               Pooled      Pooled (cluster)
## -----
## Union          0.112774***    0.112774***
##                (0.006774)      (0.011731)
## Collage graduate 0.350946***    0.350946***
##                (0.007149)      (0.014112)
## Age            0.022481***    0.022481***
##                (0.004249)      (0.005373)
## Age sqrd.      -0.000306***    -0.000306***
##                (0.000068)      (0.000088)
## Tenure         0.054787***    0.054787***
##                (0.001944)      (0.002743)
## Tenure sqrd.   -0.001540***    -0.001540***
##                (0.000125)      (0.000180)
## Not SMSA       -0.205457***    -0.205457***
##                (0.007120)      (0.013137)
## South          -0.140589***    -0.140589***
##                (0.005850)      (0.010964)
## City           -0.031543***    -0.031543***
##                (0.006683)      (0.011691)
## N              19,007
## R2             0.319459
## =====
## Notes:          Standard errors in parentheses.
```

Q2

Random effects estimator (RE)

- SEE THE DISCUSSION HERE for the comparison between R and Stata

<https://stats.stackexchange.com/questions/421374/different-results-from-random-effects-plm-r-and-xtreg-stata>

- R and Stata treat differently unbalanced panels

for a balanced panel we have

```

nlswork_balanced <- read_dta("data/nlswork_balanced.dta")

re_balanced <- plm(data = nlswork_balanced, ln_wage ~ union +
  collgrad +age +agesq +tenure +tensq +
  not_smsa +south +c_city, model="random",
  index=c("idcode", "year"))
summary(re_balanced)

## Oneway (individual) effect Random Effect Model
## (Swamy-Arora's transformation)
##
## Call:
## plm(formula = ln_wage ~ union + collgrad + age + agesq + tenure +
## tensq + not_smsa + south + c_city, data = nlswork_balanced,
## model = "random", index = c("idcode", "year"))
##
## Balanced Panel: n = 53, T = 12, N = 636
##
## Effects:
##               var std.dev share
## idiosyncratic 0.03698 0.19230 0.319
## individual    0.07902 0.28110 0.681
## theta: 0.8063
##
## Residuals:
##      Min.   1st Qu.   Median   3rd Qu.   Max.
## -0.904519 -0.104813  0.015673  0.114854  0.658580
##
## Coefficients:
##              Estimate Std. Error z-value Pr(>|z|)
## (Intercept)  1.05650211  0.20514289  5.1501 2.604e-07 ***
## union        0.06087668  0.02949229  2.0642 0.0390030 *
## collgrad     0.20128253  0.17651938  1.1403 0.2541673
## age          0.04592525  0.01334703  3.4409 0.0005799 ***
## agesq       -0.00051693  0.00020986 -2.4632 0.0137701 *
## tenure       0.00332254  0.00616575  0.5389 0.5899766
## tensq        0.00011290  0.00028483  0.3964 0.6918193
## not_smsa     -0.29590935  0.07567198 -3.9104 9.214e-05 ***
## south        -0.06346941  0.06258349 -1.0142 0.3105084
## c_city        0.00068168  0.03609511  0.0189 0.9849322
## ---
## Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
##
## Total Sum of Squares:    32.65
## Residual Sum of Squares: 23.689
## R-Squared:    0.27447
## Adj. R-Squared: 0.26404
## Chisq: 236.819 on 9 DF, p-value: < 2.22e-16

re <- plm(data = nlswork_clean, ln_wage ~ union +
  collgrad +age +agesq +tenure +tensq +
  not_smsa +south +c_city, model="random",
  index=c("idcode", "year"))

```

```
summary(re)
```

```
## Oneway (individual) effect Random Effect Model
## (Swamy-Arora's transformation)
##
## Call:
## plm(formula = ln_wage ~ union + collgrad + age + agesq + tenure +
##      tensq + not_smsa + south + c_city, data = nlswork_clean,
##      model = "random", index = c("idcode", "year"))
##
## Unbalanced Panel: n = 4134, T = 1-12, N = 19007
##
## Effects:
##              var std.dev share
## idiosyncratic 0.06476 0.25448 0.444
## individual    0.08108 0.28475 0.556
## theta:
##      Min. 1st Qu.  Median    Mean 3rd Qu.    Max.
## 0.3336  0.5920  0.6572  0.6406  0.6987  0.7502
##
## Residuals:
##      Min. 1st Qu.  Median    Mean 3rd Qu.    Max.
## -1.77886 -0.13081  0.00854  0.00428  0.14314  3.03289
##
## Coefficients:
##              Estimate Std. Error z-value Pr(>|z|)
## (Intercept)  1.1369e+00 5.0729e-02 22.4103 < 2.2e-16 ***
## union        1.0368e-01 6.4468e-03 16.0819 < 2.2e-16 ***
## collgrad     3.6931e-01 1.2344e-02 29.9171 < 2.2e-16 ***
## age          2.3031e-02 3.3174e-03  6.9424 3.856e-12 ***
## agesq       -2.4910e-04 5.3181e-05 -4.6839 2.814e-06 ***
## tenure       4.0771e-02 1.5826e-03 25.7618 < 2.2e-16 ***
## tensq       -1.2466e-03 1.0022e-04 -12.4393 < 2.2e-16 ***
## not_smsa     -1.5114e-01 9.3804e-03 -16.1119 < 2.2e-16 ***
## south       -1.1157e-01 8.4671e-03 -13.1766 < 2.2e-16 ***
## c_city       3.9713e-04 7.4923e-03  0.0530  0.9577
## ---
## Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
##
## Total Sum of Squares:    1942.3
## Residual Sum of Squares: 1268
## R-Squared:    0.34903
## Adj. R-Squared: 0.34872
## Chisq: 4820.91 on 9 DF, p-value: < 2.22e-16
```

```
re_robust <- coeftest(re, function(x) vcovHC(x, type = 'sss'))
```

```
stargazer(pols,pols_robust,re,re_robust,title = "Regression analysis",
  model.numbers = FALSE,
  column.labels = c("Pooled","Pooled (cluster)","RE","RE (cluster)",
  label = "regressions",
  table.placement = "!ht",
```

```

notes.append = FALSE,
notes.align="l",
notes="Standard errors in parentheses.",
header = FALSE,
no.space = TRUE,
covariate.labels = c("Union","College Graduate","Age","Age sqrd.",
                     "Tenure","Tenure sqrd.","Not SMSA","South","City"),
omit = c("Constant"),
omit.stat = c("adj.rsq","f","ser"),
digits = 3,
digits.extra = 5,
omit.yes.no = c("Constant",""),
dep.var.caption="",
dep.var.labels.include = FALSE,
style = "qje",
type="text")

```

```

##
## Regression analysis
## =====
##               panel      coefficient      panel      coefficient
##               linear      test          linear      test
##               Pooled   Pooled (cluster)   RE      RE (cluster)
## -----
## Union          0.113***    0.113***    0.104***    0.104***
##                (0.007)    (0.012)    (0.006)    (0.009)
## College Graduate 0.351***    0.351***    0.369***    0.369***
##                (0.007)    (0.014)    (0.012)    (0.013)
## Age            0.022***    0.022***    0.023***    0.023***
##                (0.004)    (0.005)    (0.003)    (0.005)
## Age sqrd.      -0.0003***   -0.0003***   -0.0002***   -0.0002***
##                (0.0001)   (0.0001)   (0.0001)   (0.0001)
## Tenure         0.055***    0.055***    0.041***    0.041***
##                (0.002)    (0.003)    (0.002)    (0.002)
## Tenure sqrd.   -0.002***   -0.002***   -0.001***   -0.001***
##                (0.0001)   (0.0002)   (0.0001)   (0.0001)
## Not SMSA       -0.205***   -0.205***   -0.151***   -0.151***
##                (0.007)    (0.013)    (0.009)    (0.012)
## South          -0.141***   -0.141***   -0.112***   -0.112***
##                (0.006)    (0.011)    (0.008)    (0.011)
## City           -0.032***   -0.032***    0.0004     0.0004
##                (0.007)    (0.012)    (0.007)    (0.010)
## N              19,007
## R2              0.319
## =====
## Notes:          Standard errors in parentheses.

```

```

stargazer(pols,pols_robust,re,re_robust,title = "Regression analysis",
model.numbers = FALSE,
column.labels = c("Pooled","Pooled (cluster)","RE","RE (cluster)",
label = "regressions",
table.placement = "!ht",
notes.append = FALSE,

```



```

notes.align="l",
notes="Standard errors in parentheses.",
header = FALSE,
no.space = TRUE,
covariate.labels = c("Union","College Graduate","Age","Age sqrd.",
                     "Tenure","Tenure sqrd.,"Not SMSA","South","City"),
omit = c("Constant"),
omit.stat = c("adj.rsq","f","ser"),
digits = 3,
digits.extra = 5,
omit.yes.no = c("Constant",""),
dep.var.caption="",
dep.var.labels.include = FALSE,
style = "qje",
type="text")

```

```

##
## Regression analysis
## =====
##               panel      coefficient      panel      coefficient
##               linear      test      linear      test
##               Pooled   Pooled (cluster)   RE      RE (cluster)
## -----
## Union          0.113***    0.113***    0.104***    0.104***
##                (0.007)    (0.012)    (0.006)    (0.009)
## College Graduate 0.351***    0.351***    0.369***    0.369***
##                (0.007)    (0.014)    (0.012)    (0.013)
## Age            0.022***    0.022***    0.023***    0.023***
##                (0.004)    (0.005)    (0.003)    (0.005)
## Age sqrd.      -0.0003***   -0.0003***   -0.0002***   -0.0002***
##                (0.0001)   (0.0001)   (0.0001)   (0.0001)
## Tenure         0.055***    0.055***    0.041***    0.041***
##                (0.002)    (0.003)    (0.002)    (0.002)
## Tenure sqrd.   -0.002***   -0.002***   -0.001***   -0.001***
##                (0.0001)   (0.0002)   (0.0001)   (0.0001)
## Not SMSA       -0.205***   -0.205***   -0.151***   -0.151***
##                (0.007)    (0.013)    (0.009)    (0.012)
## South          -0.141***   -0.141***   -0.112***   -0.112***
##                (0.006)    (0.011)    (0.008)    (0.011)
## City           -0.032***   -0.032***    0.0004     0.0004
##                (0.007)    (0.012)    (0.007)    (0.010)
## N              19,007
## R2              0.319
## =====
## Notes:          Standard errors in parentheses.

```

LM test for the presence of unobserved effects

```
plmtest(pols, type=c("bp"))
```

```
##
```

```
## Lagrange Multiplier Test - (Breusch-Pagan) for unbalanced panels
##
## data: ln_wage ~ union + collgrad + age + agesq + tenure + tensq + not_smsa + ...
## chisq = 14041, df = 1, p-value < 2.2e-16
## alternative hypothesis: significant effects
```

```
kable(tidy(plmtest(pols, type=c("bp"))), format = "simple",caption=
      "LM test for the presence of unobserved effects")
```

Table 1: LM test for the presence of unobserved effects

statistic	p.value	parameter	method	alternative
14041.19	0	1	Lagrange Multiplier Test - (Breusch-Pagan) for unbalanced panels	significant effects

Fixed effects estimator (FE)

```
# //Final slide 32
#
# *Q3*
#

fe <- plm(data = nlswork_clean, ln_wage ~ union +
          collgrad + age + agesq + tenure + tensq +
          not_smsa + south + c_city, model="within", index=c("idcode", "year"))

summary(fe)
```

```
## Oneway (individual) effect Within Model
##
## Call:
## plm(formula = ln_wage ~ union + collgrad + age + agesq + tenure +
##      tensq + not_smsa + south + c_city, data = nlswork_clean,
##      model = "within", index = c("idcode", "year"))
##
## Unbalanced Panel: n = 4134, T = 1-12, N = 19007
##
## Residuals:
##      Min.   1st Qu.   Median   3rd Qu.    Max.
## -1.88027 -0.10216  0.00000  0.10774  2.80710
##
## Coefficients:
##              Estimate Std. Error t-value Pr(>|t|)
## union          9.3877e-02  6.9662e-03  13.4761 < 2.2e-16 ***
## age            2.4259e-02  3.4467e-03   7.0383 2.031e-12 ***
## agesq        -2.2618e-04  5.5316e-05  -4.0890 4.356e-05 ***
## tenure        3.2966e-02  1.6465e-03  20.0218 < 2.2e-16 ***
## tensq        -1.1002e-03  1.0291e-04 -10.6916 < 2.2e-16 ***
## not_smsa     -9.3105e-02  1.2970e-02  -7.1787 7.372e-13 ***
## south        -6.3222e-02  1.3279e-02  -4.7611 1.944e-06 ***
## c_city        1.1409e-02  8.8964e-03   1.2824  0.1997
```

```
## ---
## Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
##
## Total Sum of Squares:    1119.5
## Residual Sum of Squares: 962.69
## R-Squared:              0.14005
## Adj. R-Squared: -0.099505
## F-statistic: 302.62 on 8 and 14865 DF, p-value: < 2.22e-16
```

```
stargazer(pols,re,fe,title = "Regression analysis",
  model.numbers = FALSE,
  column.labels = c("Pooled","RE","FE"),
  label = "regressions",
  table.placement = "!ht",
  notes.append = FALSE,
  notes.align="l",
  notes="Standard errors in parentheses.",
  header = FALSE,
  no.space = TRUE,
  covariate.labels = c("Union","College","Age","Age sqrd.","Tenure",
    "Tenure sqrd.","Not SMSA","South","City"),
  omit = c("Constant"),
  omit.stat = c("adj.rsq","f","ser"),
  digits = 6,
  digits.extra = 7,
  omit.yes.no = c("Constant",""),
  dep.var.caption="",
  dep.var.labels.include = FALSE,
  style = "qje",
  type="text")
```

```
##
## Regression analysis
## =====
##              Pooled          RE          FE
## Union        0.112774***    0.103677***    0.093877***
##              (0.006774)    (0.006447)    (0.006966)
## College      0.350946***    0.369309***
##              (0.007149)    (0.012344)
## Age          0.022481***    0.023031***    0.024259***
##              (0.004249)    (0.003317)    (0.003447)
## Age sqrd.    -0.000306***    -0.000249***    -0.000226***
##              (0.000068)    (0.000053)    (0.000055)
## Tenure       0.054787***    0.040771***    0.032966***
##              (0.001944)    (0.001583)    (0.001646)
## Tenure sqrd. -0.001540***    -0.001247***    -0.001100***
##              (0.000125)    (0.000100)    (0.000103)
## Not SMSA     -0.205457***    -0.151136***    -0.093105***
##              (0.007120)    (0.009380)    (0.012970)
## South       -0.140589***    -0.111567***    -0.063222***
##              (0.005850)    (0.008467)    (0.013279)
## City        -0.031543***     0.000397     0.011409
##              (0.006683)    (0.007492)    (0.008896)
## N            19,007          19,007          19,007
```

```
## R2                0.319459      0.349029      0.140054
## =====
## Notes:           Standard errors in parentheses.
```

```
# Testing for fixed effects, null: OLS better than fixed
# 'F test for individual effects' <=> 'F test that all u_i=0'
```

```
ols_0 <- lm(data = nlswork_clean, ln_wage ~ union +
            age + agesq + tenure + tensq +
            not_smsa + south + c_city)
summary(ols_0)
```

```
##
## Call:
## lm(formula = ln_wage ~ union + age + agesq + tenure + tensq +
##     not_smsa + south + c_city, data = nlswork_clean)
##
## Residuals:
##      Min       1Q   Median       3Q      Max
## -1.7497 -0.2508 -0.0182  0.2379  3.4100
##
## Coefficients:
##              Estimate Std. Error t value Pr(>|t|)
## (Intercept)  1.008e+00  6.821e-02  14.776 < 2e-16 ***
## union        1.294e-01  7.181e-03  18.026 < 2e-16 ***
## age          3.929e-02  4.495e-03   8.740 < 2e-16 ***
## agesq       -5.387e-04  7.175e-05  -7.509 6.24e-14 ***
## tenure       5.806e-02  2.062e-03  28.158 < 2e-16 ***
## tensq       -1.699e-03  1.331e-04 -12.765 < 2e-16 ***
## not_smsa     -2.311e-01  7.538e-03 -30.657 < 2e-16 ***
## south       -1.475e-01  6.208e-03 -23.762 < 2e-16 ***
## c_city       -3.451e-02  7.094e-03  -4.864 1.16e-06 ***
## ---
## Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
##
## Residual standard error: 0.4091 on 18998 degrees of freedom
## Multiple R-squared:  0.2331, Adjusted R-squared:  0.2328
## F-statistic: 721.9 on 8 and 18998 DF,  p-value: < 2.2e-16
```

```
pFtest(fe, ols_0)
```

```
##
## F test for individual effects
##
## data:  ln_wage ~ union + collgrad + age + agesq + tenure + tensq + not_smsa + ...
## F = 8.2833, df1 = 4133, df2 = 14865, p-value < 2.2e-16
## alternative hypothesis: significant effects
```

```
# generate fixed-effects
```

```
# nlswork_clean$specific_effects <- fixef(fe)
```

```
# *Q3.1*

fe_robust <- coeftest(fe, function(x) vcovHC(x, type = 'sss'))

stargazer(ols_0, fe, fe_robust, title = "Regression analysis",
  model.numbers = FALSE,
  column.labels = c("OLS", "FE", "FE (cluster)"),
  label = "regressions",
  table.placement = "!ht",
  notes.append = FALSE,
  notes.align = "l",
  notes = "Standard errors in parentheses.",
  header = FALSE,
  no.space = TRUE,
  covariate.labels = c("Union", "Age", "Age sqrd.", "Tenure",
    "Tenure sqrd.", "Not SMSA", "South", "City"),
  omit = c("Constant"),
  omit.stat = c("adj.rsq", "f", "ser"),
  digits = 6,
  digits.extra = 7,
  omit.yes.no = c("Constant", ""),
  dep.var.caption = "",
  dep.var.labels.include = FALSE,
  style = "qje",
  type = "text")
```

```
##
## Regression analysis
## =====
##               OLS          panel      coefficient
##               OLS          linear      test
##               OLS          FE          FE (cluster)
## -----
## Union          0.129446***   0.093877***   0.093877***
##                (0.007181)   (0.006966)   (0.009565)
## Age            0.039289***   0.024259***   0.024259***
##                (0.004495)   (0.003447)   (0.005008)
## Age sqrd.      -0.000539***  -0.000226***  -0.000226***
##                (0.000072)   (0.000055)   (0.000081)
## Tenure         0.058063***   0.032966***   0.032966***
##                (0.002062)   (0.001646)   (0.002085)
## Tenure sqrd.   -0.001699***  -0.001100***  -0.001100***
##                (0.000133)   (0.000103)   (0.000126)
## Not SMSA       -0.231095***  -0.093105***  -0.093105***
##                (0.007538)   (0.012970)   (0.019790)
## South          -0.147518***  -0.063222***  -0.063222***
##                (0.006208)   (0.013279)   (0.021653)
## City           -0.034506***   0.011409      0.011409
##                (0.007094)   (0.008896)   (0.012605)
## N              19,007        19,007
## R2              0.233124      0.140054
## =====
## Notes:         Standard errors in parentheses.
```

```
# *Q3.2*
```

```
linearHypothesis(ols,c("age=0","agesq=0"))
```

```
## Linear hypothesis test
##
## Hypothesis:
## age = 0
## agesq = 0
##
## Model 1: restricted model
## Model 2: ln_wage ~ union + collgrad + age + agesq + tenure + tensq + not_smsa +
##          south + c_city
##
##      Res.Df    RSS Df Sum of Sq      F    Pr(>F)
## 1   18999 2832.2
## 2   18997 2821.8  2    10.418 35.066 6.294e-16 ***
## ---
## Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
```

```
linearHypothesis(ols,c("age=0","agesq=0"), white.adjust = "hc1")
```

```
## Linear hypothesis test
##
## Hypothesis:
## age = 0
## agesq = 0
##
## Model 1: restricted model
## Model 2: ln_wage ~ union + collgrad + age + agesq + tenure + tensq + not_smsa +
##          south + c_city
##
## Note: Coefficient covariance matrix supplied.
##
##      Res.Df Df      F    Pr(>F)
## 1   18999
## 2   18997  2 40.554 < 2.2e-16 ***
## ---
## Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
```

```
Wald_test(fe, vcov = "CR1", cluster = nlswork_clean$idcode,
          constraints = constrain_zero(c("age","agesq")), test = "Naive-F")
```

```
##      test Fstat df_num df_denom p_val sig
## Naive-F  80.4      2      4133 <0.001 ***
```

LSDV estimator

```
# *LSDV Estimator=FE estimator* <==> takes too long
# *using a smaller sample*
```

```
nlswork_balanced <- read_dta("data/nlswork_balanced_small.dta")
```

```
LSDV <- lm(data = nlswork_balanced, ln_wage ~ union +
          age +agesq +tenure +tensq +
          not_smsa +south +c_city + factor(idcode))
summary(LSDV)
```

```
##
## Call:
## lm(formula = ln_wage ~ union + age + agesq + tenure + tensq +
##     not_smsa + south + c_city + factor(idcode), data = nlswork_balanced)
##
## Residuals:
##      Min       1Q   Median       3Q      Max
## -0.254362 -0.069457  0.004535  0.078344  0.239917
##
## Coefficients: (2 not defined because of singularities)
##              Estimate Std. Error t value Pr(>|t|)
## (Intercept)    0.5332323   0.4915522    1.085   0.2833
## union          0.0895838   0.0548743    1.633   0.1090
## age           0.0758967   0.0334355    2.270   0.0276 *
## agesq        -0.0011959   0.0005405   -2.212   0.0316 *
## tenure        0.0125105   0.0162130    0.772   0.4440
## tensq         0.0006329   0.0007176    0.882   0.3821
## not_smsa             NA         NA      NA      NA
## south              NA         NA      NA      NA
## c_city             0.1164782   0.0875330    1.331   0.1895
## factor(idcode)20    0.3287869   0.1289784    2.549   0.0140 *
## factor(idcode)126 -0.0167263   0.0546551   -0.306   0.7609
## factor(idcode)128  0.0375653   0.0882907    0.425   0.6724
## factor(idcode)379 -0.1504303   0.1188913   -1.265   0.2118
## ---
## Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
##
## Residual standard error: 0.1149 on 49 degrees of freedom
## Multiple R-squared:  0.8021, Adjusted R-squared:  0.7617
## F-statistic: 19.86 on 10 and 49 DF, p-value: 5.49e-14
```

```
fe_LSDV <- plm(data = nlswork_balanced, ln_wage ~ union +
              age +agesq +tenure +tensq +
              not_smsa +south +c_city, model="within", index=c("idcode", "year"))
summary(fe_LSDV)
```

```
## Oneway (individual) effect Within Model
##
## Call:
## plm(formula = ln_wage ~ union + age + agesq + tenure + tensq +
##     not_smsa + south + c_city, data = nlswork_balanced, model = "within",
##     index = c("idcode", "year"))
```

```
##
## Balanced Panel: n = 5, T = 12, N = 60
##
## Residuals:
##      Min.      1st Qu.      Median      3rd Qu.      Max.
## -0.2543619 -0.0694565  0.0045351  0.0783435  0.2399171
##
## Coefficients:
##              Estimate Std. Error t-value Pr(>|t|)
## union    0.08958377  0.05487432  1.6325  0.10898
## age      0.07589667  0.03343547  2.2699  0.02765 *
## agesq   -0.00119586  0.00054052 -2.2124  0.03163 *
## tenure  0.01251051  0.01621304  0.7716  0.44404
## tensq    0.00063295  0.00071759  0.8821  0.38206
## c_city   0.11647818  0.08753305  1.3307  0.18945
## ---
## Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
##
## Total Sum of Squares:    2.3839
## Residual Sum of Squares: 0.64685
## R-Squared:    0.72866
## Adj. R-Squared: 0.67329
## F-statistic: 21.9312 on 6 and 49 DF, p-value: 2.4403e-12
```

```
stargazer(LSDV,fe_LSDV,title = "Regression analysis",
  model.numbers = FALSE,
  column.labels = c("LSDV","FE"),
  label = "regressions",
  table.placement = "!ht",
  notes.append = FALSE,
  notes.align="l",
  notes="Standard errors in parentheses.",
  header = FALSE,
  no.space = TRUE,
  covariate.labels = c("Union","Age","Age sqrd.","Tenure",
    "Tenure sqrd.","Not SMSA","South","City"),
  omit = c("Constant"),
  omit.stat = c("adj.rsq","f","ser"),
  digits = 6,
  digits.extra = 7,
  omit.yes.no = c("Constant",""),
  dep.var.caption="",
  dep.var.labels.include = FALSE,
  style = "qje",
  type="text")
```

```
##
## Regression analysis
## =====
##              OLS              panel
##              LSDV             linear
##              FE
## -----
## Union              0.089584      0.089584
```



```
##          (0.054874)      (0.054874)
## Age      0.075897**      0.075897**
##          (0.033435)      (0.033435)
## Age sqrd. -0.001196**      -0.001196**
##          (0.000541)      (0.000541)
## Tenure    0.012511        0.012511
##          (0.016213)      (0.016213)
## Tenure sqrd. 0.000633      0.000633
##          (0.000718)      (0.000718)
## Not SMSA
##
## South
##
## City      0.116478        0.116478
##          (0.087533)      (0.087533)
## factor(idcode)20 0.328787**
##          (0.128978)
## factor(idcode)126 -0.016726
##          (0.054655)
## factor(idcode)128 0.037565
##          (0.088291)
## factor(idcode)379 -0.150430
##          (0.118891)
## N          60            60
## R2          0.802119      0.728663
## =====
## Notes:          Standard errors in parentheses.
```

Hausman test

```
# //Final slide 35
#
# *Q4*
fe_0 <- plm(data = nlswork_clean, ln_wage ~ union +
             age + agesq + tenure + tensq +
             not_smsa + south + c_city, model="within", index=c("idcode", "year"))
re_0 <- plm(data = nlswork_clean, ln_wage ~ union +
             age + agesq + tenure + tensq +
             not_smsa + south + c_city, model="random", index=c("idcode", "year"))

phtest(fe_0, re_0)

##
## Hausman Test
##
## data: ln_wage ~ union + age + agesq + tenure + tensq + not_smsa + south + ...
## chisq = 607.1, df = 8, p-value < 2.2e-16
## alternative hypothesis: one model is inconsistent
```

BE estimator

```
# //Final slide 46
#
# *Q5*

be <- plm(data = nlswork_clean, ln_wage ~ union +
          collgrad +age +agesq +tenure +tensq +
          not_smsa +south +c_city, model="between",
          index=c("idcode", "year"))

summary(be)

## Oneway (individual) effect Between Model
##
## Call:
## plm(formula = ln_wage ~ union + collgrad + age + agesq + tenure +
##      tensq + not_smsa + south + c_city, data = nlswork_clean,
##      model = "between", index = c("idcode", "year"))
##
## Unbalanced Panel: n = 4134, T = 1-12, N = 19007
## Observations used in estimation: 4134
##
## Residuals:
##      Min.      1st Qu.      Median      3rd Qu.      Max.
## -1.5946586 -0.2004452 -0.0067495  0.1909616  1.8487578
##
## Coefficients:
##              Estimate Std. Error t-value Pr(>|t|)
## (Intercept)  1.19446539  0.15356828   7.7781 9.240e-15 ***
## union        0.11135322  0.01636297   6.8052 1.154e-11 ***
## collgrad     0.34850931  0.01308193  26.6405 < 2.2e-16 ***
## age          0.02113165  0.01022918   2.0658  0.03891 *
## agesq       -0.00034316  0.00016368  -2.0965  0.03610 *
## tenure       0.09570307  0.00539210  17.7488 < 2.2e-16 ***
## tensq       -0.00343998  0.00036430  -9.4426 < 2.2e-16 ***
## not_smsa    -0.20536231  0.01440760 -14.2537 < 2.2e-16 ***
## south       -0.13058886  0.01145804 -11.3971 < 2.2e-16 ***
## c_city      -0.02215011  0.01385878  -1.5983  0.11006
## ---
## Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
##
## Total Sum of Squares:    773.5
## Residual Sum of Squares: 464.95
## R-Squared:    0.3989
## Adj. R-Squared: 0.39759
## F-statistic: 304.083 on 9 and 4124 DF, p-value: < 2.22e-16
```

FD estimator

```

# //Final slide 53
#
# *Q6*
fd <- plm(data = nlswork_clean, ln_wage ~ 0 + union +
          collgrad +age +agesq +tenure +tensq +
          not_smsa +south +c_city, model="fd",
          index=c("idcode", "year"))

summary(fd)

## Oneway (individual) effect First-Difference Model
##
## Call:
## plm(formula = ln_wage ~ 0 + union + collgrad + age + agesq +
##      tenure + tensq + not_smsa + south + c_city, data = nlswork_clean,
##      model = "fd", index = c("idcode", "year"))
##
## Unbalanced Panel: n = 4134, T = 1-12, N = 19007
## Observations used in estimation: 14873
##
## Residuals:
##      Min. 1st Qu.  Median    Mean 3rd Qu.    Max.
## -2.9266 -0.0925  0.0073  0.0156  0.1279  3.3217
##
## Coefficients:
##              Estimate Std. Error t-value Pr(>|t|)
## union          6.9160e-02  6.6336e-03  10.4257 < 2.2e-16 ***
## age            2.2744e-02  5.5436e-03   4.1027 4.104e-05 ***
## agesq        -2.5853e-04  9.0084e-05  -2.8698  0.004113 **
## tenure         3.2078e-02  2.1241e-03  15.1024 < 2.2e-16 ***
## tensq        -1.2023e-03  1.7526e-04  -6.8600 7.160e-12 ***
## not_smsa     -7.7277e-02  1.4369e-02  -5.3780 7.645e-08 ***
## south        -4.6889e-02  1.5675e-02  -2.9913  0.002782 **
## c_city         2.2987e-02  9.9149e-03   2.3185  0.020437 *
## ---
## Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
##
## Total Sum of Squares:    1441.5
## Residual Sum of Squares: 1404.4
## R-Squared:    0.02879
## Adj. R-Squared: 0.028332
## F-statistic: 85.5285 on 8 and 14865 DF, p-value: < 2.22e-16

```

Output Table

```

stargazer(pols,re,fe,be,title = "Regression analysis",
          model.numbers = FALSE,
          column.labels = c("OLS", "RE", "FE", "BE"),
          label = "regressions",
          table.placement = "!ht",
          notes.append = FALSE,

```

```

notes.align="l",
notes="Standard errors in parentheses.",
header = FALSE,
no.space = TRUE,
omit = c("Constant"),
omit.stat = c("adj.rsq", "f", "ser"),
digits = 6,
digits.extra = 7,
omit.yes.no = c("Constant", ""),
dep.var.caption="",
dep.var.labels.include = FALSE,
style = "qje",
type="text")

```

```

##
## Regression analysis
## =====
##              OLS              RE              FE              BE
## union      0.112774***    0.103677***    0.093877***    0.111353***
##              (0.006774)    (0.006447)    (0.006966)    (0.016363)
## collgrad  0.350946***    0.369309***                    0.348509***
##              (0.007149)    (0.012344)                    (0.013082)
## age        0.022481***    0.023031***    0.024259***    0.021132**
##              (0.004249)    (0.003317)    (0.003447)    (0.010229)
## agesq      -0.000306***   -0.000249***   -0.000226***   -0.000343**
##              (0.000068)    (0.000053)    (0.000055)    (0.000164)
## tenure     0.054787***    0.040771***    0.032966***    0.095703***
##              (0.001944)    (0.001583)    (0.001646)    (0.005392)
## tensq      -0.001540***   -0.001247***   -0.001100***   -0.003440***
##              (0.000125)    (0.000100)    (0.000103)    (0.000364)
## not_smsa   -0.205457***   -0.151136***   -0.093105***   -0.205362***
##              (0.007120)    (0.009380)    (0.012970)    (0.014408)
## south      -0.140589***   -0.111567***   -0.063222***   -0.130589***
##              (0.005850)    (0.008467)    (0.013279)    (0.011458)
## c_city     -0.031543***    0.000397      0.011409      -0.022150
##              (0.006683)    (0.007492)    (0.008896)    (0.013859)
## N           19,007         19,007         19,007         4,134
## R2          0.319459        0.349029        0.140054        0.398899
## =====
## Notes:   Standard errors in parentheses.

```

FURTHER SPECIFICATION TESTS FOR PANEL DATA

Test for heteroskedasticity within panel data

```

# H0) The null hypothesis for the Breusch-Pagan test is homoskedasticity

# takes too long to compute

# bptest(data = nlswork_clean, ln_wage ~ union +

```

```
#      collgrad +age +agesq +tenure +tensq +
#      not_smsa +south +c_city + factor(idcode), studentize=F)
```

```
bptest(data = nlswork_balanced, ln_wage ~ union +
      collgrad +age +agesq +tenure +tensq +
      not_smsa +south +c_city + factor(idcode), studentize=F)
```

```
##
```

```
## Breusch-Pagan test
```

```
##
```

```
## data: ln_wage ~ union + collgrad + age + agesq + tenure + tensq + not_smsa +      south + c_city + f
```

```
## BP = 5.2368, df = 10, p-value = 0.8748
```

Test of serial correlation within panel data

- Unobserved effects test «» Wooldridge's test for unobserved individual effects «»

```
pwtest(data = nlswork_clean, ln_wage ~ union +
      collgrad +age +agesq +tenure +tensq +
      not_smsa +south +c_city)
```

Locally robust tests for serial correlation or random effects

- Baltagi and Li AR-RE joint test - balanced panel

```
pbsytest(data = nlswork_balanced, ln_wage ~ union +
      collgrad +age +agesq +tenure +tensq +
      not_smsa +south +c_city, test="j")
```

```
##
```

```
## Baltagi and Li AR-RE joint test - balanced panel
```

```
##
```

```
## data: formula
```

```
## chisq = 50.736, df = 2, p-value = 9.612e-12
```

```
## alternative hypothesis: AR(1) errors or random effects
```

General serial correlation tests

- Breusch-Godfrey/Wooldridge test for serial correlation in panel models «»

```
pbgttest(fe, order = 2)
```

```
##
```

```
## Breusch-Godfrey/Wooldridge test for serial correlation in panel models
```

```
##
```

```
## data: ln_wage ~ union + collgrad + age + agesq + tenure + tensq + not_smsa +      south + c_city
```

```
## chisq = 181.23, df = 2, p-value < 2.2e-16
```

```
## alternative hypothesis: serial correlation in idiosyncratic errors
```

Wooldridge's test for serial correlation in FE panels

```
pwartest(data = nlswork_balanced, ln_wage ~ union +
          collgrad +age +agesq +tenure +tensq +
          not_smsa +south +c_city)

##
## Wooldridge's test for serial correlation in FE panels
##
## data: plm.model
## F = 12.205, df1 = 1, df2 = 53, p-value = 0.0009707
## alternative hypothesis: serial correlation
```

Wooldridge first-difference-based test

```
pwfdtest(data = nlswork_balanced, ln_wage ~ union +
          collgrad +age +agesq +tenure +tensq +
          not_smsa +south +c_city)

##
## Wooldridge's first-difference test for serial correlation in panels
##
## data: plm.model
## F = 8.5778, df1 = 1, df2 = 48, p-value = 0.005192
## alternative hypothesis: serial correlation in differenced errors
```

```
pwfdtest(data = nlswork_balanced, ln_wage ~ union +
          collgrad +age +agesq +tenure +tensq +
          not_smsa +south +c_city, h0="fe")

##
## Wooldridge's first-difference test for serial correlation in panels
##
## data: plm.model
## F = 2.9964, df1 = 1, df2 = 48, p-value = 0.08988
## alternative hypothesis: serial correlation in original errors
```

Tests for cross-sectional dependence

```
pcdtest(data = nlswork_balanced, ln_wage ~ union +
          collgrad +age +agesq +tenure +tensq +
          not_smsa +south +c_city)

##
## Pesaran CD test for cross-sectional dependence in panels
##
## data: ln_wage ~ union + collgrad + age + agesq + tenure + tensq + not_smsa +      south + c_city
## z = 1.8975, p-value = 0.05776
## alternative hypothesis: cross-sectional dependence
```

HIGH DIMENSIONAL FIXED-EFFECTS

```
## CHECK: 'lfe' and 'fixest'
### https://github.com/sgaure/lfe
### https://github.com/lrberge/fixest

# *including 1 fixed effect*

HDFE1a <- feols(data = nlswork_clean, ln_wage ~ union +
               age + agesq + tenure + tensq +
               not_smsa + south + c_city | idcode)

summary(HDFE1a)
```

```
## OLS estimation, Dep. Var.: ln_wage
## Observations: 19,007
## Fixed-effects: idcode: 4,134
## Standard-errors: Clustered (idcode)
##           Estimate Std. Error   t value  Pr(>|t|)
## union      0.093877   0.009566  9.814100 < 2.2e-16 ***
## age        0.024259   0.005008  4.843600 1.32e-06 ***
## agesq     -0.000226   0.000081 -2.778400 0.005488 **
## tenure     0.032966   0.002085 15.807000 < 2.2e-16 ***
## tensq     -0.001100   0.000126 -8.719200 < 2.2e-16 ***
## not_smsa  -0.093105   0.019791 -4.704500 2.63e-06 ***
## south     -0.063222   0.021654 -2.919600 0.003524 **
## c_city     0.011409   0.012606  0.905058 0.365487
## ---
## Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
## RMSE: 0.225053      Adj. R2: 0.703151
##                   Within R2: 0.140054
```

```
HDFE1b <- felm(data = nlswork_clean, ln_wage ~ union +
               age + agesq + tenure + tensq +
               not_smsa + south + c_city | idcode, clustervar=c("idcode"))
```

```
## Warning: Argument(s) clustervar are deprecated and will be removed, use
## multipart formula instead
```

```
summary(HDFE1b)
```

```
##
## Call:
##   felm(formula = ln_wage ~ union + age + agesq + tenure + tensq +
##         not_smsa + south + c_city |
##
## Residuals:
##      Min       1Q   Median       3Q      Max
## -1.8803 -0.1022  0.0000  0.1077  2.8071
##
## Coefficients:
##           Estimate Cluster s.e. t value Pr(>|t|)
```

```
## union      9.388e-02    9.565e-03    9.814 < 2e-16 ***
## age        2.426e-02    5.008e-03    4.844 1.32e-06 ***
## agesq     -2.262e-04    8.141e-05   -2.778 0.00549 **
## tenure     3.297e-02    2.086e-03   15.807 < 2e-16 ***
## tensq     -1.100e-03    1.262e-04   -8.719 < 2e-16 ***
## not_smsa  -9.310e-02    1.979e-02   -4.705 2.63e-06 ***
## south     -6.322e-02    2.165e-02   -2.920 0.00352 **
## c_city     1.141e-02    1.261e-02    0.905 0.36549
## ---
## Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
##
## Residual standard error: 0.2545 on 14865 degrees of freedom
## Multiple R-squared(full model): 0.7678    Adjusted R-squared: 0.7032
## Multiple R-squared(proj model): 0.1401    Adjusted R-squared: -0.0995
## F-statistic(full model, *iid*):11.87 on 4141 and 14865 DF, p-value: < 2.2e-16
## F-statistic(proj model):    168 on 8 and 4133 DF, p-value: < 2.2e-16
```

```
# *including a 2nd fixed effect*
```

```
HDFE2a <- feols(data = nlswork_clean, ln_wage ~ union +
               age +agesq +tenure +tensq +
               not_smsa +south +c_city | idcode + year)

summary(HDFE2a)
```

```
## OLS estimation, Dep. Var.: ln_wage
## Observations: 19,007
## Fixed-effects: idcode: 4,134,  year: 12
## Standard-errors: Clustered (idcode)
##      Estimate Std. Error   t value  Pr(>|t|)
## union      0.095700   0.009523 10.049000 < 2.2e-16 ***
## age        0.073440   0.013588  5.404700 6.86e-08 ***
## agesq     -0.000720   0.000116 -6.218800 5.51e-10 ***
## tenure     0.032423   0.002104 15.408000 < 2.2e-16 ***
## tensq     -0.001090   0.000129 -8.443500 < 2.2e-16 ***
## not_smsa  -0.090537   0.019619 -4.614600 4.06e-06 ***
## south     -0.064281   0.021622 -2.972900 0.002967 **
## c_city     0.010432   0.012668  0.823497 0.410273
## ---
## Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
## RMSE: 0.223942      Adj. R2: 0.705857
##                               Within R2: 0.066421
```

```
HDFE2b <- felm(data = nlswork_clean, ln_wage ~ union +
               age +agesq +tenure +tensq +
               not_smsa +south +c_city | idcode + year, clustervar=c("idcode"))
```

```
## Warning: Argument(s) clustervar are deprecated and will be removed, use
## multipart formula instead
```

```
summary(HDFE2b)
```



```
##
## Call:
##      felm(formula = ln_wage ~ union + age + agesq + tenure + tensq +      not_smsa + south + c_city |
##
## Residuals:
##      Min        1Q    Median        3Q        Max
## -1.90155 -0.09933  0.00000  0.10738  2.78536
##
## Coefficients:
##              Estimate Cluster s.e. t value Pr(>|t|)
## union      0.0956999      0.0095207  10.052 < 2e-16 ***
## age        0.0734400      0.0135842   5.406 6.80e-08 ***
## agesq     -0.0007205      0.0001158  -6.221 5.44e-10 ***
## tenure     0.0324225      0.0021036  15.413 < 2e-16 ***
## tensq     -0.0010902      0.0001291  -8.446 < 2e-16 ***
## not_smsa  -0.0905368      0.0196138  -4.616 4.03e-06 ***
## south     -0.0642811      0.0216158  -2.974 0.00296 **
## c_city     0.0104319      0.0126641   0.824 0.41014
## ---
## Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
##
## Residual standard error: 0.2533 on 14854 degrees of freedom
## Multiple R-squared(full model): 0.7701   Adjusted R-squared: 0.7059
## Multiple R-squared(proj model): 0.06642   Adjusted R-squared: -0.1945
## F-statistic(full model, *iid*):11.98 on 4152 and 14854 DF, p-value: < 2.2e-16
## F-statistic(proj model): 62.59 on 8 and 4133 DF, p-value: < 2.2e-16
```

Exercise with simulated data

See the Stata file 'stata_do_example.do' that produces the data in folder tmp_files.

```
simulated <- read_dta("data/data_simulation.dta")

# names(nlswork)
# head(nlswork)
# str(nlswork)
```

EDA: Exploratory Data Analysis

```
# eda_report(simulated,output_dir = "EDA/",output_file = "eda_simulated.pdf")

ExpData(simulated,type=1)
```

##	Descriptions	Value
## 1	Sample size (nrow)	4950
## 2	No. of variables (ncol)	22
## 3	No. of numeric/interger variables	22
## 4	No. of factor variables	0
## 5	No. of text variables	0
## 6	No. of logical variables	0

```
## 7          No. of identifier variables          2
## 8          No. of date variables              0
## 9          No. of zero variance variables (uniform) 0
## 10         %. of variables having complete cases 95.45% (21)
## 11         %. of variables having >0% and <50% missing cases 4.55% (1)
## 12         %. of variables having >=50% and <90% missing cases 0% (0)
## 13         %. of variables having >=90% missing cases 0% (0)
```

```
ExpData(simulated,type=2)
```

##	Index	Variable_Name	Variable_Type	Sample_n	Missing_Count	Per_of_Missing
## 1	1	workerid	numeric	4950	0	0.0
## 2	2	year	numeric	4950	0	0.0
## 3	3	ui	numeric	4950	0	0.0
## 4	4	quarter	numeric	4950	0	0.0
## 5	5	q1	numeric	4950	0	0.0
## 6	6	wage	numeric	4950	0	0.0
## 7	7	educ	numeric	4950	0	0.0
## 8	8	exper	numeric	4950	0	0.0
## 9	9	union	numeric	4950	0	0.0
## 10	10	exper2	numeric	4950	0	0.0
## 11	11	lnwage	numeric	4950	0	0.0
## 12	12	yy1	numeric	4950	0	0.0
## 13	13	yy2	numeric	4950	0	0.0
## 14	14	yy3	numeric	4950	0	0.0
## 15	15	yy4	numeric	4950	0	0.0
## 16	16	yy5	numeric	4950	0	0.0
## 17	17	yy6	numeric	4950	0	0.0
## 18	18	yy7	numeric	4950	0	0.0
## 19	19	yy8	numeric	4950	0	0.0
## 20	20	yy9	numeric	4950	0	0.0
## 21	21	yy10	numeric	4950	0	0.0
## 22	22	lag_lnwage	numeric	4455	495	0.1
##	No_of_distinct_values					
## 1		495				
## 2		10				
## 3		495				
## 4		4				
## 5		2				
## 6		4950				
## 7		2469				
## 8		29				
## 9		2				
## 10		29				
## 11		4950				
## 12		2				
## 13		2				
## 14		2				
## 15		2				
## 16		2				
## 17		2				
## 18		2				
## 19		2				
## 20		2				

```
## 21          2
## 22        4454
```

```
summary(simulated)
```

```
##      workerid      year      ui      quarter
## Min.   : 1      Min.   : 1.0      Min.   :0.0004503      Min.   :1.000
## 1st Qu.:124      1st Qu.: 3.0      1st Qu.:0.2438383      1st Qu.:2.000
## Median :248      Median : 5.5      Median :0.4766747      Median :2.000
## Mean   :248      Mean   : 5.5      Mean   :0.4879205      Mean   :2.517
## 3rd Qu.:372      3rd Qu.: 8.0      3rd Qu.:0.7447072      3rd Qu.:4.000
## Max.   :495      Max.   :10.0      Max.   :0.9957856      Max.   :4.000
##
##      q1      wage      educ      exper
## Min.   :0.0000      Min.   : 662.1      Min.   : 0.000      Min.   : 0.00
## 1st Qu.:0.0000      1st Qu.:1226.8      1st Qu.: 2.322      1st Qu.: 9.00
## Median :0.0000      Median :1718.1      Median : 4.646      Median :15.00
## Mean   :0.2404      Mean   :1998.8      Mean   : 5.226      Mean   :14.34
## 3rd Qu.:0.0000      3rd Qu.:2482.9      3rd Qu.: 7.635      3rd Qu.:19.00
## Max.   :1.0000      Max.   :7170.2      Max.   :19.446      Max.   :28.00
##
##      union      exper2      lnwage      yy1      yy2
## Min.   :0.0000      Min.   : 0.0      Min.   :6.495      Min.   :0.0      Min.   :0.0
## 1st Qu.:0.0000      1st Qu.: 81.0      1st Qu.:7.112      1st Qu.:0.0      1st Qu.:0.0
## Median :0.0000      Median :225.0      Median :7.449      Median :0.0      Median :0.0
## Mean   :0.4863      Mean   :247.3      Mean   :7.483      Mean   :0.1      Mean   :0.1
## 3rd Qu.:1.0000      3rd Qu.:361.0      3rd Qu.:7.817      3rd Qu.:0.0      3rd Qu.:0.0
## Max.   :1.0000      Max.   :784.0      Max.   :8.878      Max.   :1.0      Max.   :1.0
##
##      yy3      yy4      yy5      yy6      yy7
## Min.   :0.0      Min.   :0.0      Min.   :0.0      Min.   :0.0      Min.   :0.0
## 1st Qu.:0.0      1st Qu.:0.0      1st Qu.:0.0      1st Qu.:0.0      1st Qu.:0.0
## Median :0.0      Median :0.0      Median :0.0      Median :0.0      Median :0.0
## Mean   :0.1      Mean   :0.1      Mean   :0.1      Mean   :0.1      Mean   :0.1
## 3rd Qu.:0.0      3rd Qu.:0.0      3rd Qu.:0.0      3rd Qu.:0.0      3rd Qu.:0.0
## Max.   :1.0      Max.   :1.0      Max.   :1.0      Max.   :1.0      Max.   :1.0
##
##      yy8      yy9      yy10      lag_lnwage
## Min.   :0.0      Min.   :0.0      Min.   :0.0      Min.   :6.495
## 1st Qu.:0.0      1st Qu.:0.0      1st Qu.:0.0      1st Qu.:7.085
## Median :0.0      Median :0.0      Median :0.0      Median :7.425
## Mean   :0.1      Mean   :0.1      Mean   :0.1      Mean   :7.455
## 3rd Qu.:0.0      3rd Qu.:0.0      3rd Qu.:0.0      3rd Qu.:7.784
## Max.   :1.0      Max.   :1.0      Max.   :1.0      Max.   :8.724
##
##                                     NA's      :495
```

```
ftable(simulated$year)
```

```
##      1      2      3      4      5      6      7      8      9     10
##
## 495 495 495 495 495 495 495 495 495 495
```

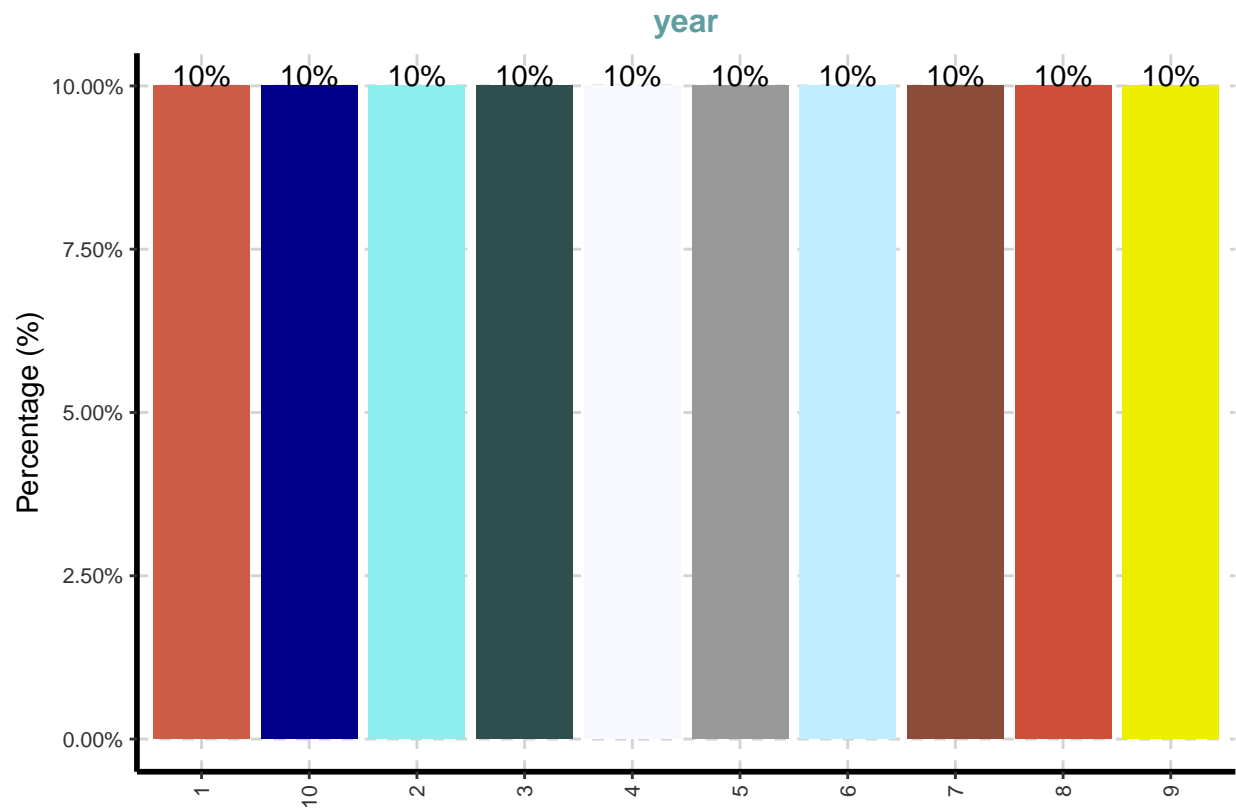
ExpCTable(simulated)

##	Variable	Valid	Frequency	Percent	CumPercent
## 1	year	1	495	10.00	10.00
## 2	year	10	495	10.00	20.00
## 3	year	2	495	10.00	30.00
## 4	year	3	495	10.00	40.00
## 5	year	4	495	10.00	50.00
## 6	year	5	495	10.00	60.00
## 7	year	6	495	10.00	70.00
## 8	year	7	495	10.00	80.00
## 9	year	8	495	10.00	90.00
## 10	year	9	495	10.00	100.00
## 11	year	TOTAL	4950	NA	NA
## 12	quarter	1	1190	24.04	24.04
## 13	quarter	2	1350	27.27	51.31
## 14	quarter	3	1070	21.62	72.93
## 15	quarter	4	1340	27.07	100.00
## 16	quarter	TOTAL	4950	NA	NA
## 17	q1	0	3760	75.96	75.96
## 18	q1	1	1190	24.04	100.00
## 19	q1	TOTAL	4950	NA	NA
## 20	union	0	2543	51.37	51.37
## 21	union	1	2407	48.63	100.00
## 22	union	TOTAL	4950	NA	NA
## 23	yy1	0	4455	90.00	90.00
## 24	yy1	1	495	10.00	100.00
## 25	yy1	TOTAL	4950	NA	NA
## 26	yy2	0	4455	90.00	90.00
## 27	yy2	1	495	10.00	100.00
## 28	yy2	TOTAL	4950	NA	NA
## 29	yy3	0	4455	90.00	90.00
## 30	yy3	1	495	10.00	100.00
## 31	yy3	TOTAL	4950	NA	NA
## 32	yy4	0	4455	90.00	90.00
## 33	yy4	1	495	10.00	100.00
## 34	yy4	TOTAL	4950	NA	NA
## 35	yy5	0	4455	90.00	90.00
## 36	yy5	1	495	10.00	100.00
## 37	yy5	TOTAL	4950	NA	NA
## 38	yy6	0	4455	90.00	90.00
## 39	yy6	1	495	10.00	100.00
## 40	yy6	TOTAL	4950	NA	NA
## 41	yy7	0	4455	90.00	90.00
## 42	yy7	1	495	10.00	100.00
## 43	yy7	TOTAL	4950	NA	NA
## 44	yy8	0	4455	90.00	90.00
## 45	yy8	1	495	10.00	100.00
## 46	yy8	TOTAL	4950	NA	NA
## 47	yy9	0	4455	90.00	90.00
## 48	yy9	1	495	10.00	100.00
## 49	yy9	TOTAL	4950	NA	NA
## 50	yy10	0	4455	90.00	90.00

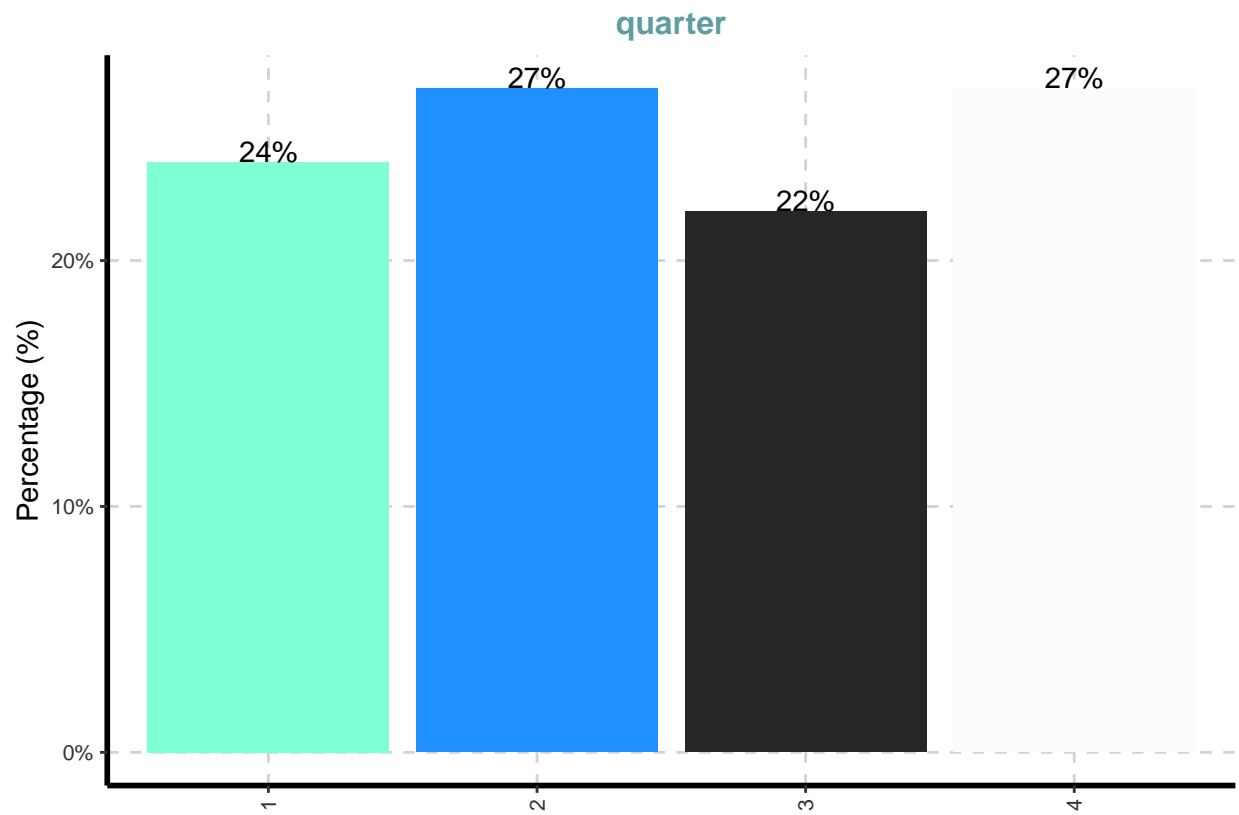
```
## 51      yy10      1      495      10.00      100.00
## 52      yy10 TOTAL    4950       NA       NA
```

ExpCatViz(simulated)

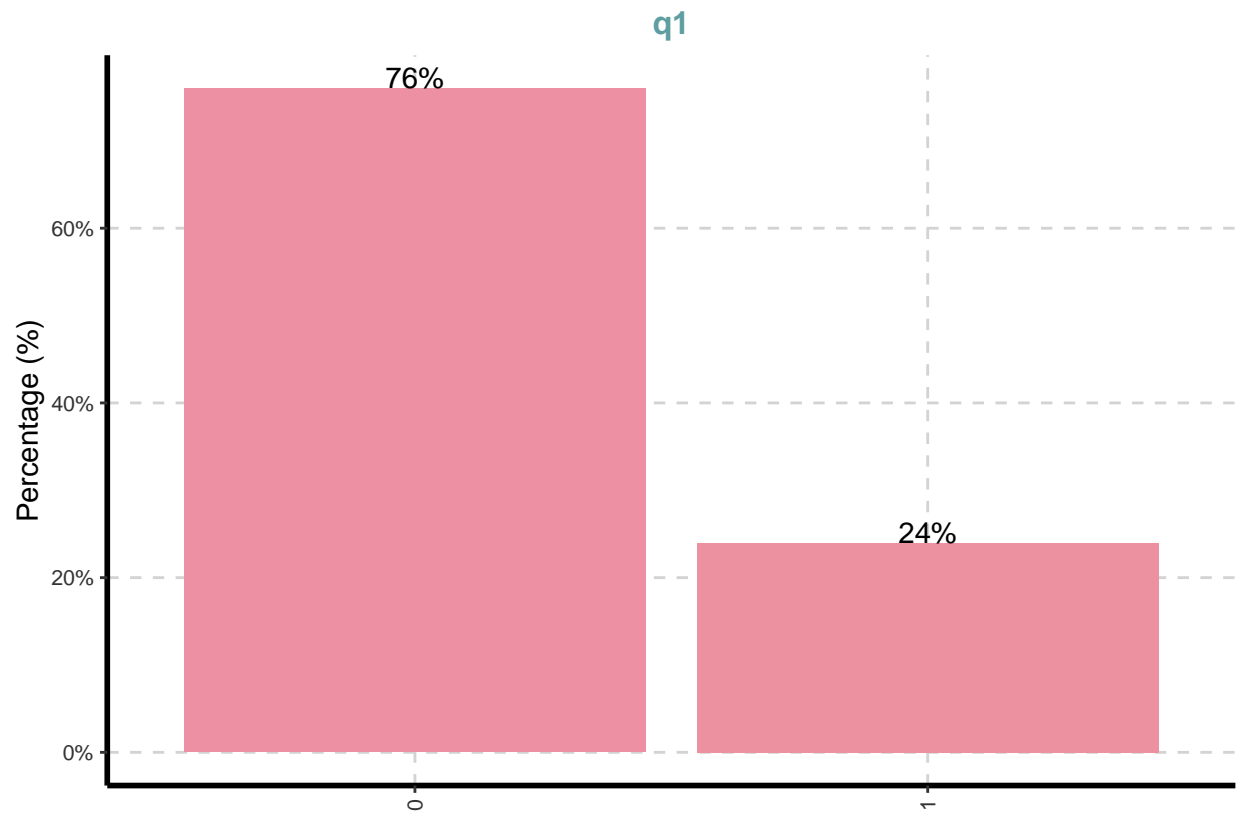
```
## [[1]]
```



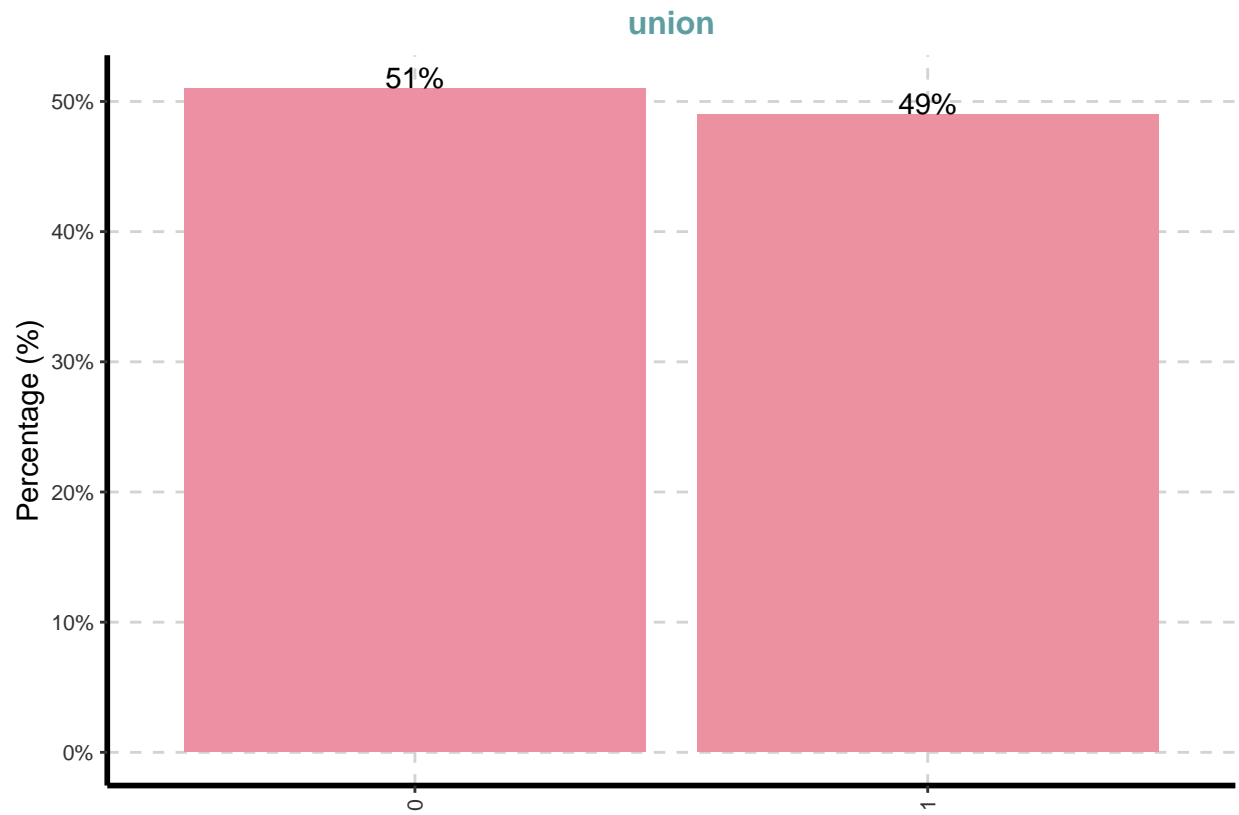
```
##
## [[2]]
```



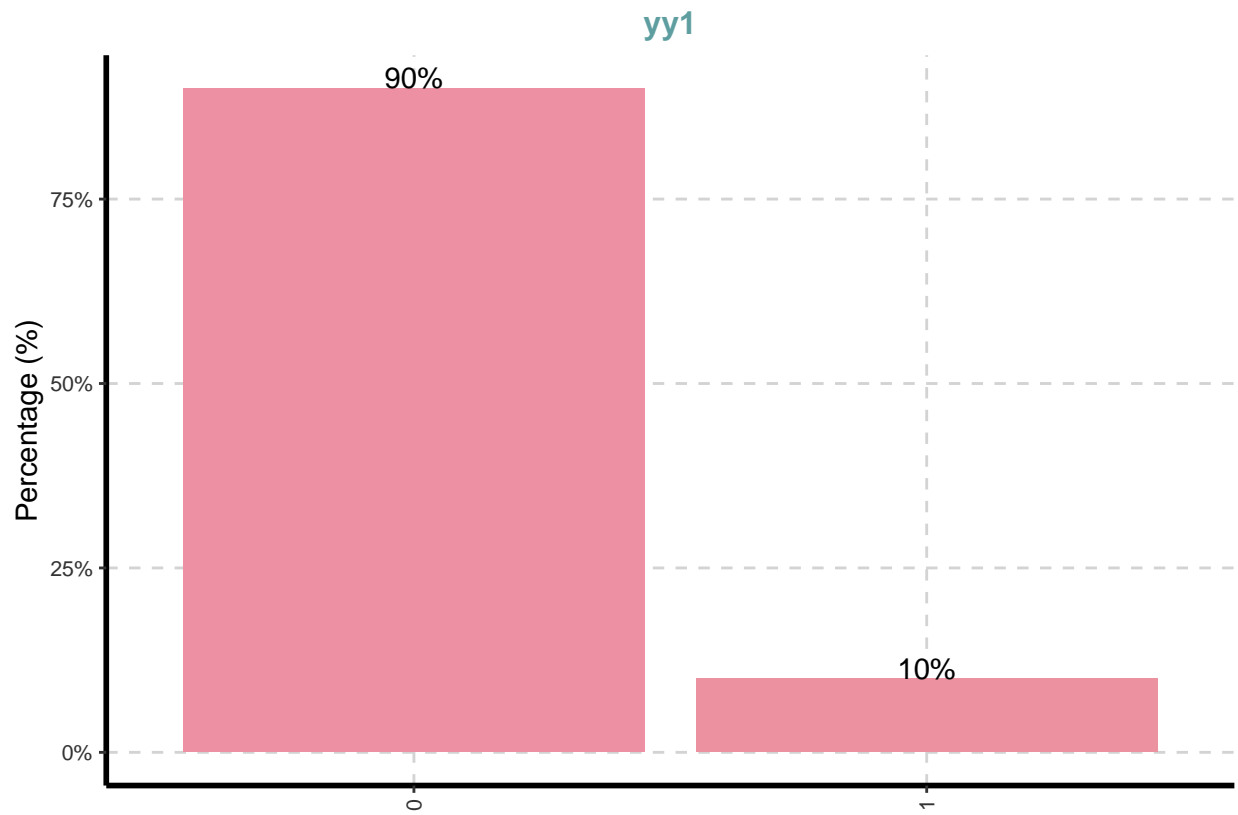
```
##  
## [[3]]
```



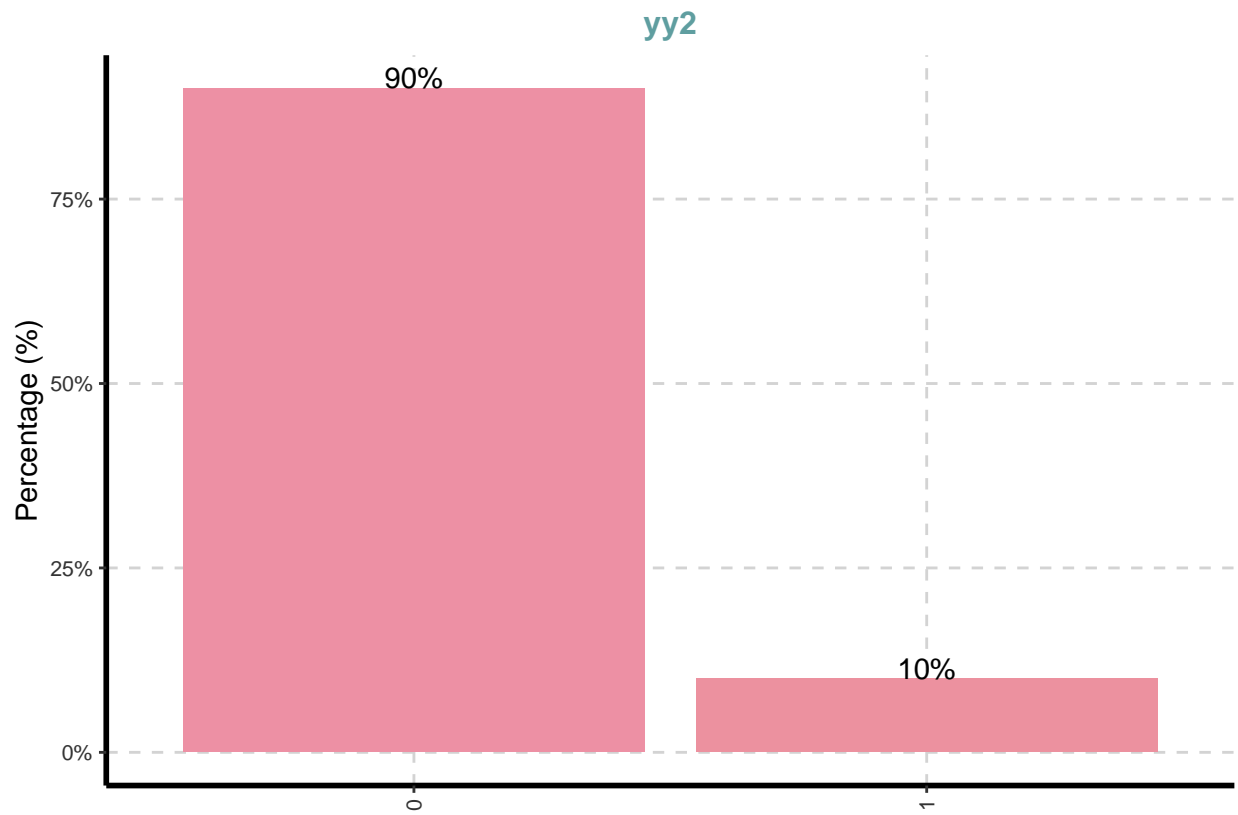
```
##  
## [[4]]
```



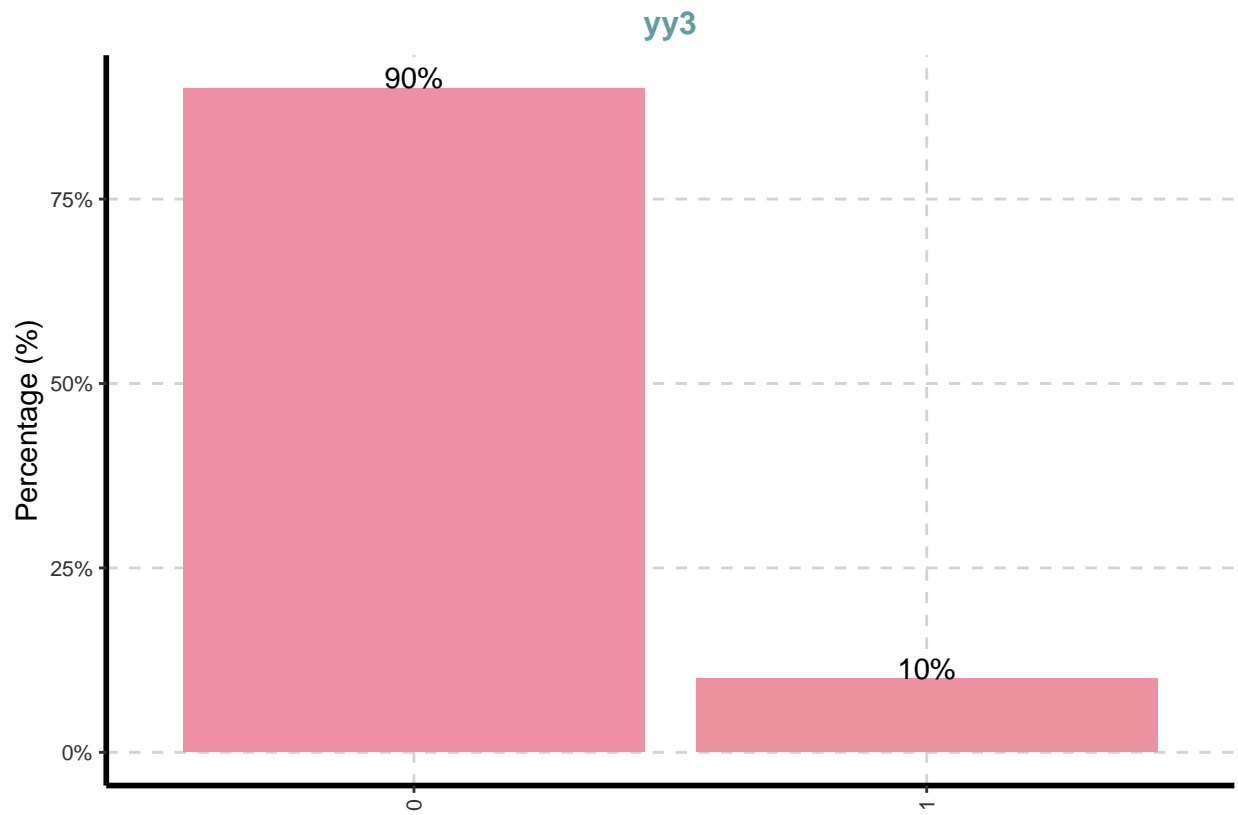
```
##  
## [[5]]
```

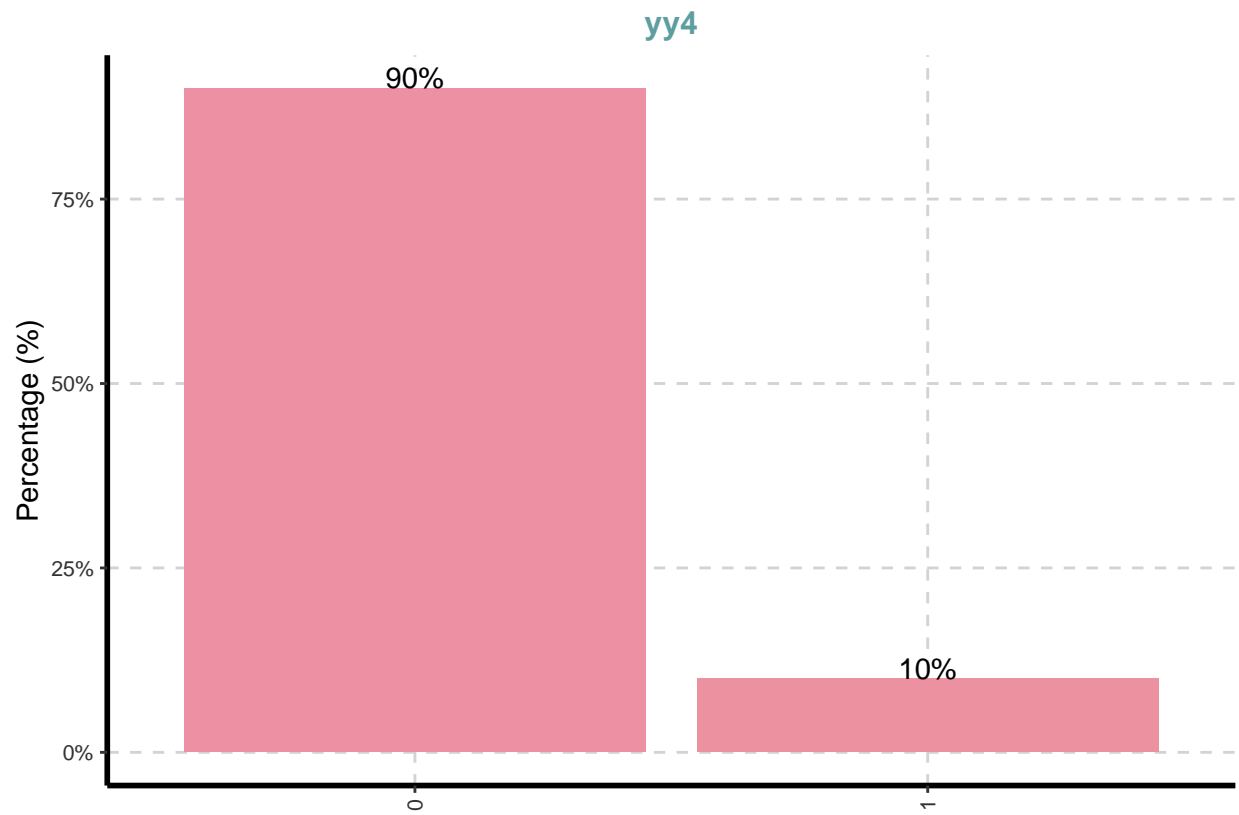
```
##  
## [[6]]
```



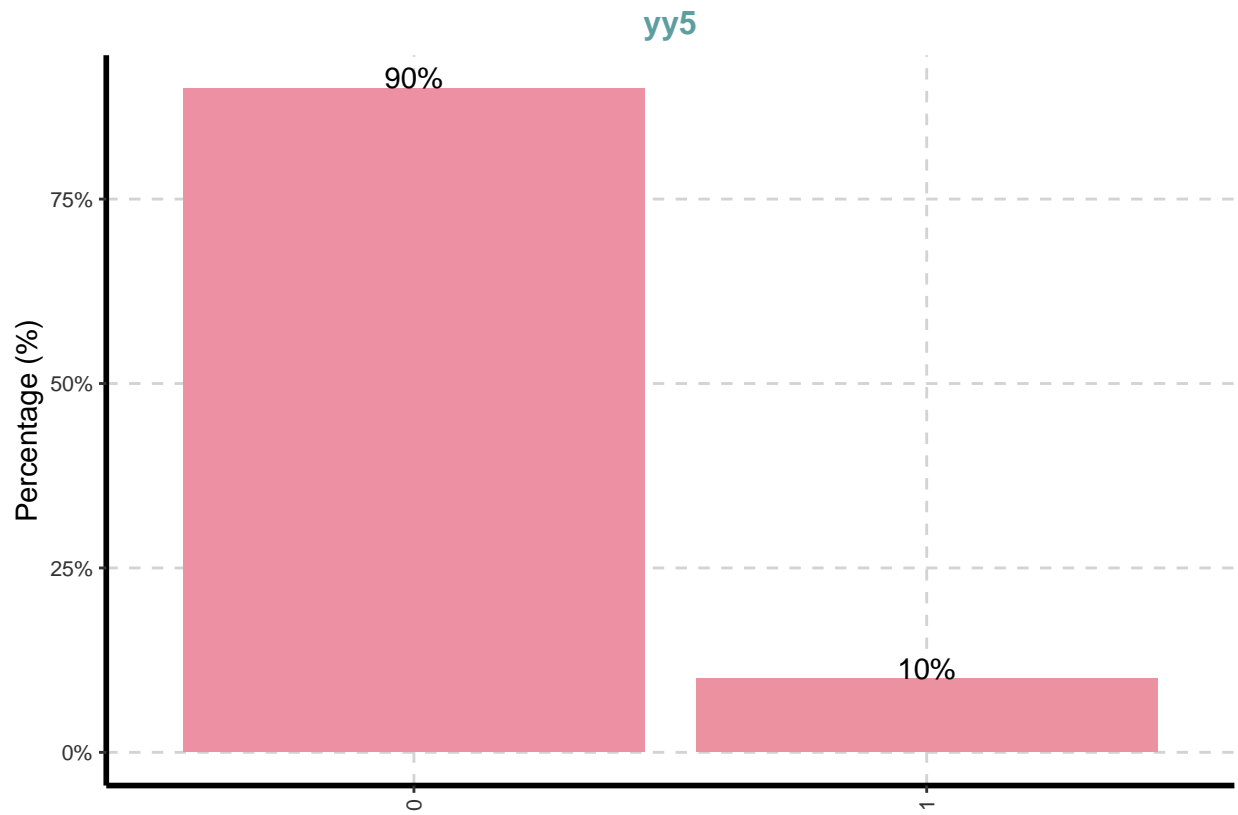
```
##  
## [[7]]
```



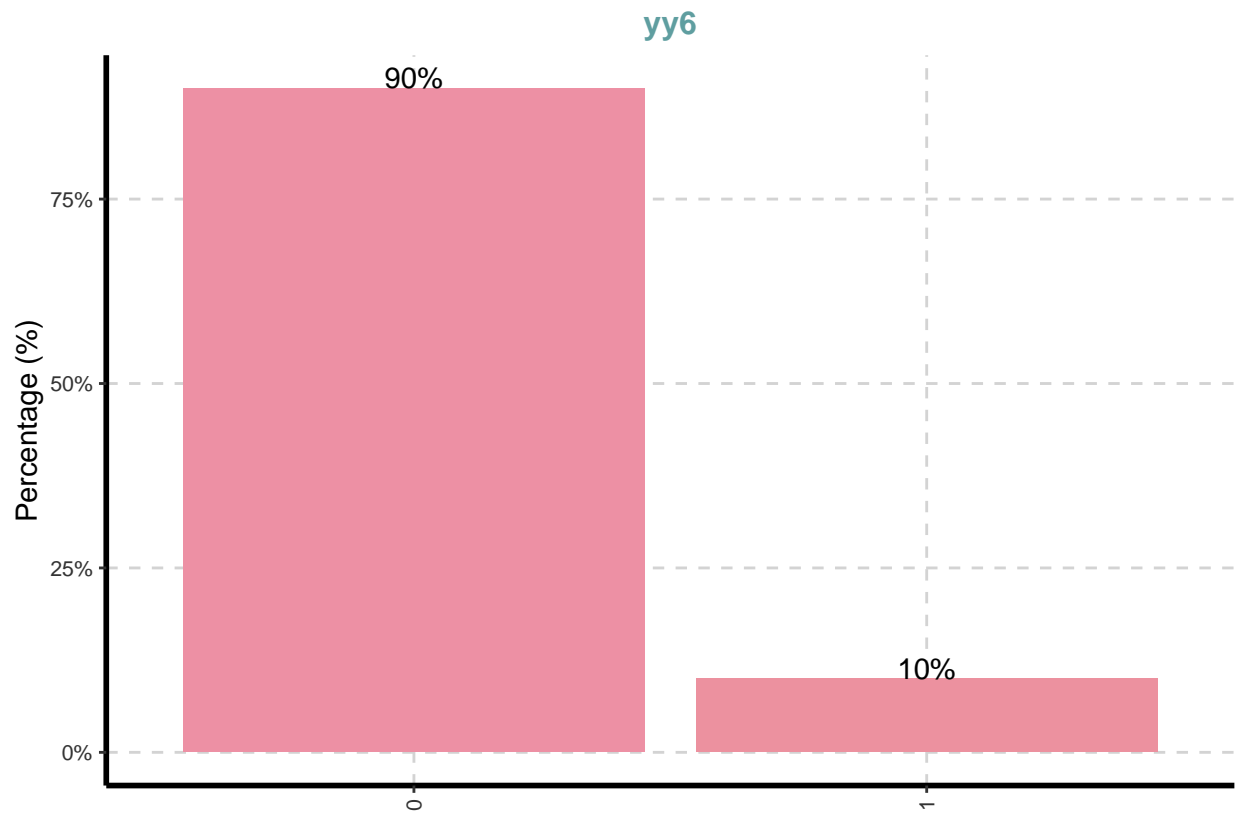
```
##  
## [[8]]
```



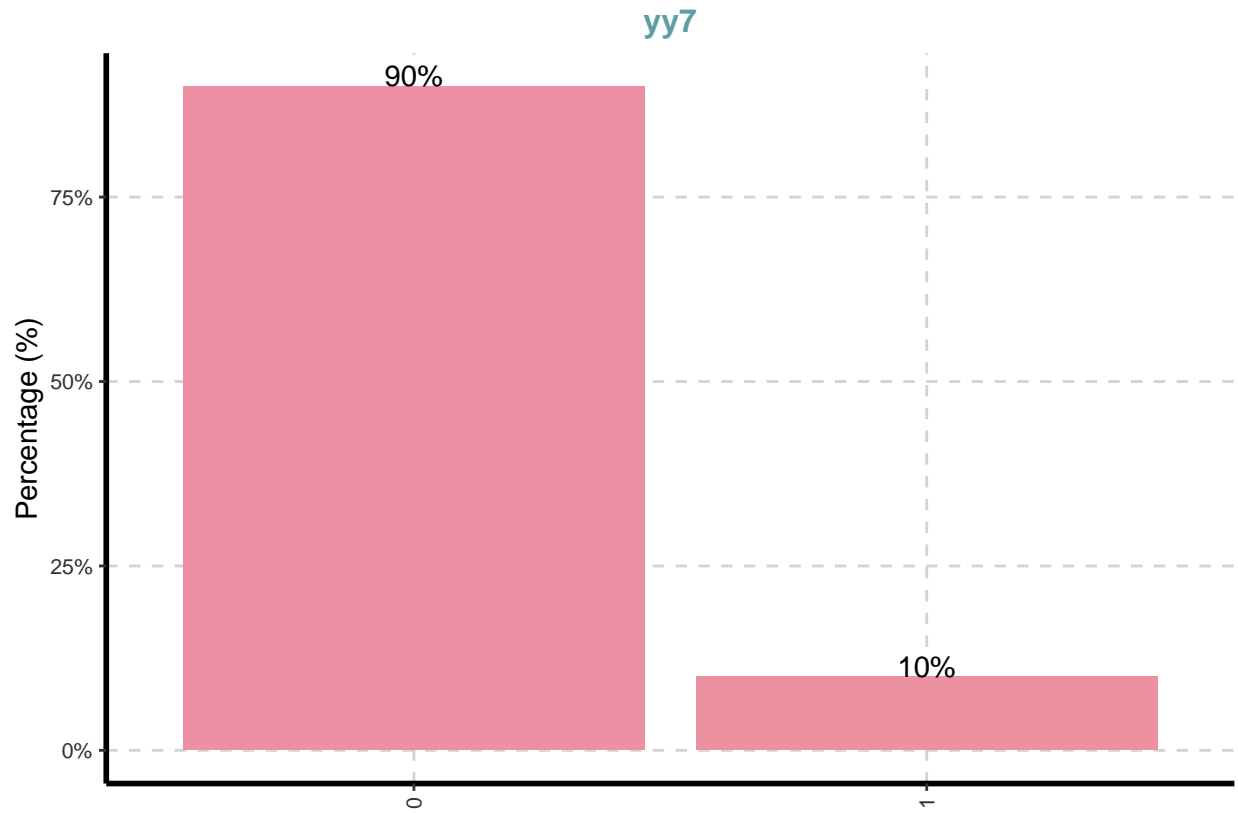
```
##  
## [[9]]
```



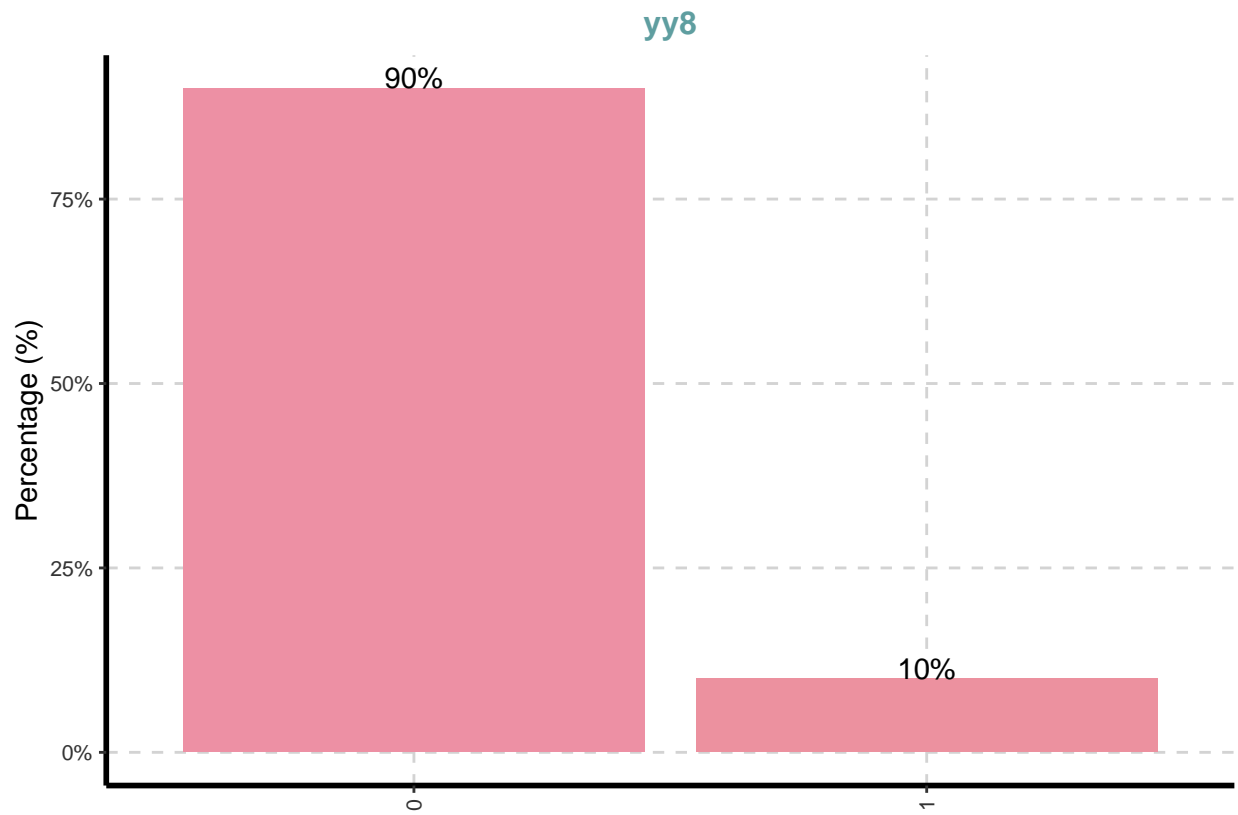
```
##  
## [[10]]
```



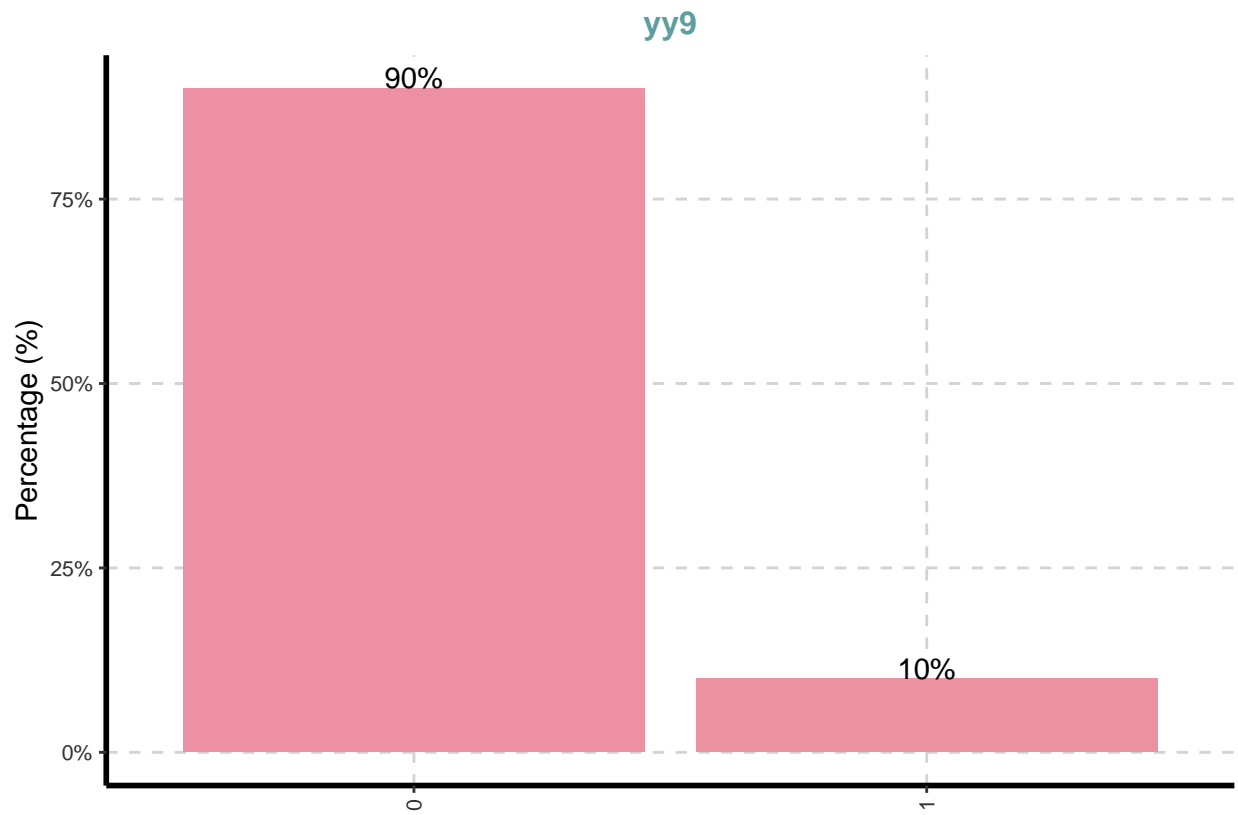
```
##  
## [[11]]
```



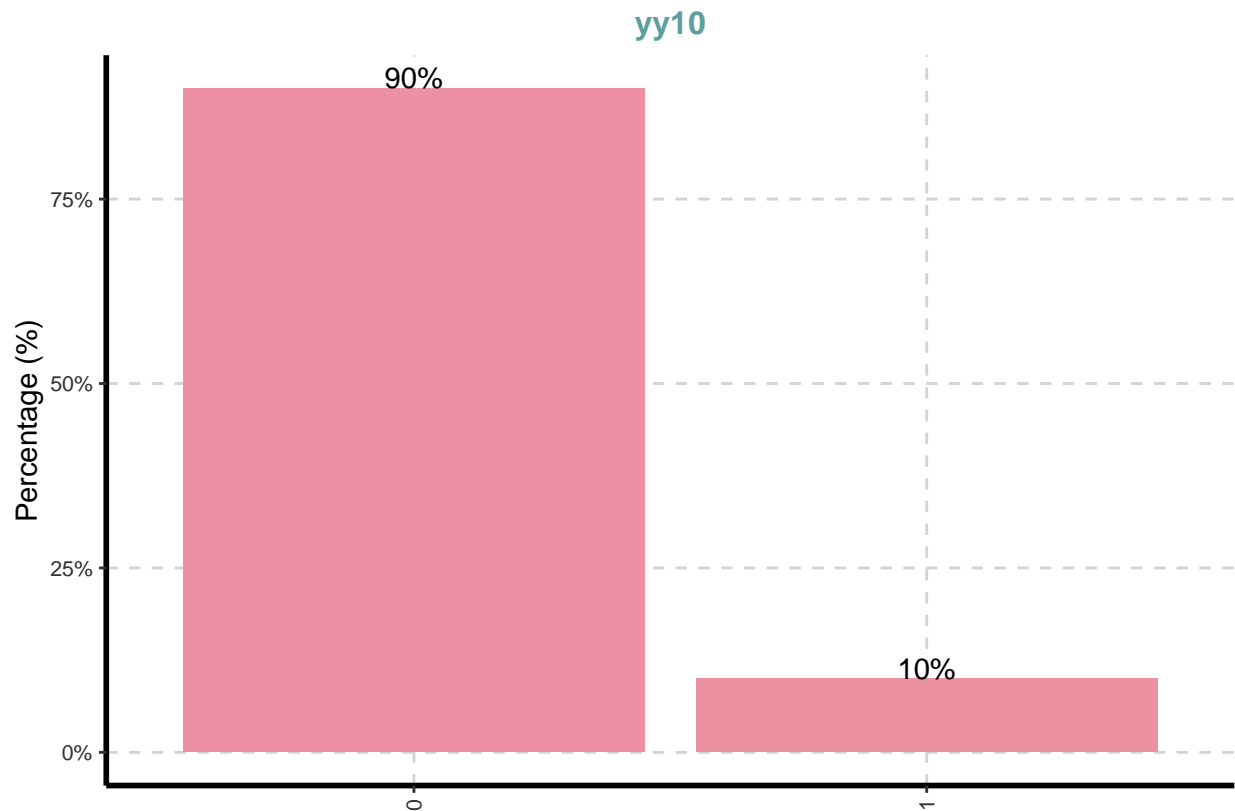
```
##  
## [[12]]
```



```
##  
## [[13]]
```

```
##  
## [[14]]
```



TRY IN A 'JUPYTER NOTEBOOK': `ExpNumViz(nlswork)`

```
ExpNumStat(simulated,by="A",Outlier = TRUE,round=2,Qnt=c(0.1,0.25,0.50,0.99))
```

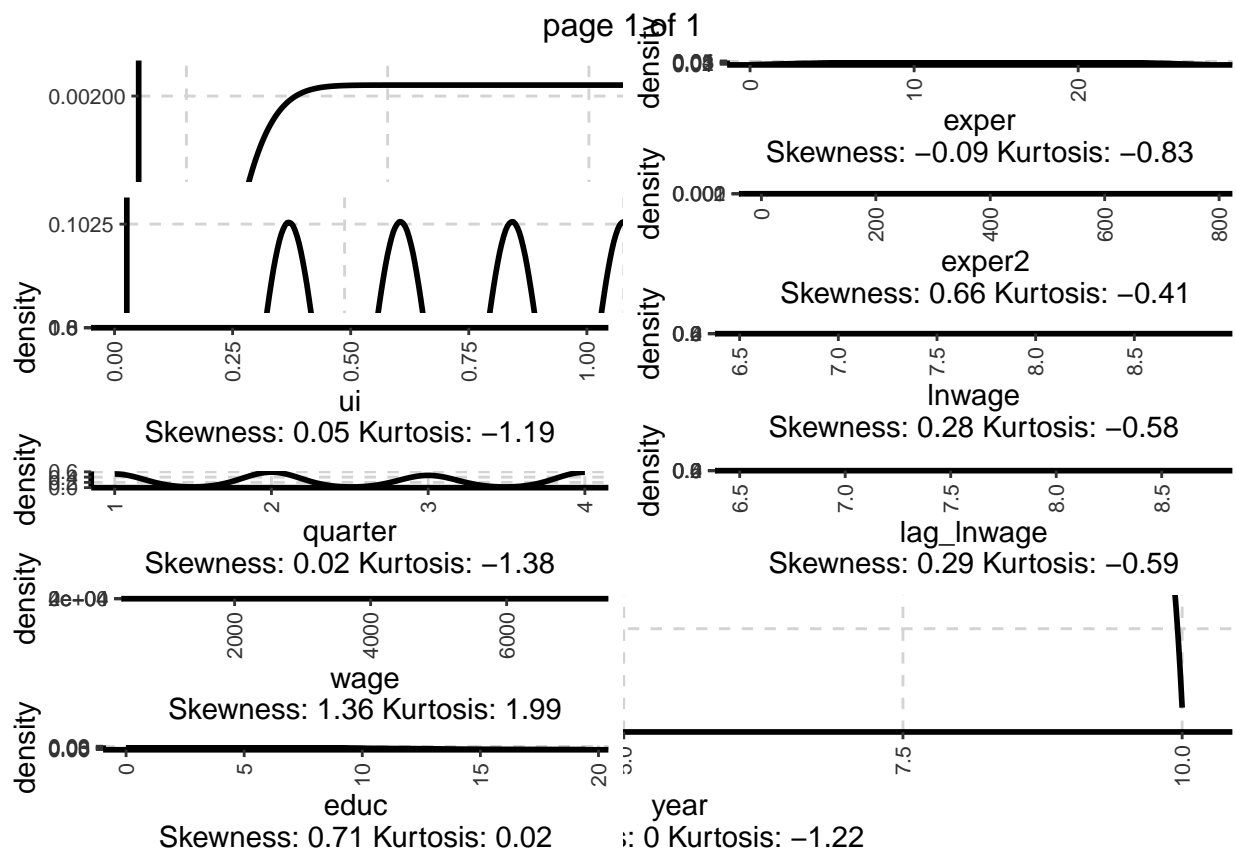
##	Vname	Group	TN	nNeg	nZero	nPos	NegInf	PosInf	NA_Value	Per_of_Missing
## 5	educ	All	4950	0	333	4617	0	0	0	0
## 6	exper	All	4950	0	24	4926	0	0	0	0
## 7	exper2	All	4950	0	24	4926	0	0	0	0
## 9	lag_lnwage	All	4950	0	0	4455	0	0	495	10
## 8	lnwage	All	4950	0	0	4950	0	0	0	0
## 3	ui	All	4950	0	0	4950	0	0	0	0
## 4	wage	All	4950	0	0	4950	0	0	0	0
## 1	workerid	All	4950	0	0	4950	0	0	0	0
## 2	year	All	4950	0	0	4950	0	0	0	0
##	sum	min	max	mean	median		SD	CV	IQR	Skewness
## 5	25870.22	0.00	19.45	5.23	4.65		3.79	0.73	5.31	0.71
## 6	70965.00	0.00	28.00	14.34	15.00		6.46	0.45	10.00	-0.09
## 7	1223895.00	0.00	784.00	247.25	225.00		187.13	0.76	280.00	0.66
## 9	33211.94	6.50	8.72	7.45	7.43		0.47	0.06	0.70	0.29
## 8	37041.95	6.50	8.88	7.48	7.45		0.48	0.06	0.71	0.28
## 3	2415.21	0.00	1.00	0.49	0.48		0.29	0.59	0.50	0.05
## 4	9893953.84	662.08	7170.24	1998.78	1718.12		1032.19	0.52	1256.13	1.36
## 1	1227600.00	1.00	495.00	248.00	248.00		142.91	0.58	248.00	0.00

```
## 2 27225.00 1.00 10.00 5.50 5.50 2.87 0.52 5.00 0.00
## Kurtosis 10% 25% 50% 99% LB.25% UB.75% nOutliers
## 5 0.02 0.52 2.32 4.65 15.46 -5.65 15.61 46
## 6 -0.83 5.00 9.00 15.00 27.00 -6.00 34.00 0
## 7 -0.41 25.00 81.00 225.00 729.00 -339.00 781.00 19
## 9 -0.59 6.86 7.08 7.43 8.55 6.04 8.83 0
## 8 -0.58 6.88 7.11 7.45 8.61 6.05 8.87 1
## 3 -1.19 0.08 0.24 0.48 0.99 -0.51 1.50 0
## 4 1.99 969.90 1226.81 1718.12 5468.17 -657.39 4367.13 186
## 1 -1.20 50.00 124.00 248.00 490.51 -248.00 744.00 0
## 2 -1.22 1.90 3.00 5.50 10.00 -4.50 15.50 0
```

```
ExpNumViz(simulated,Page=c(6,2))
```

```
## Warning in matrix(data = seq(1, pn), nrow = nr, ncol = nc): data length [10] is
## not a sub-multiple or multiple of the number of rows [6]
```

```
## $'0'
```



```
ExpOutliers(simulated,varlist=c("lnwage"))
```

```
## $outlier_summary
## Category lnwage
## 1 Lower cap : 0.05 6.75808242272123
```

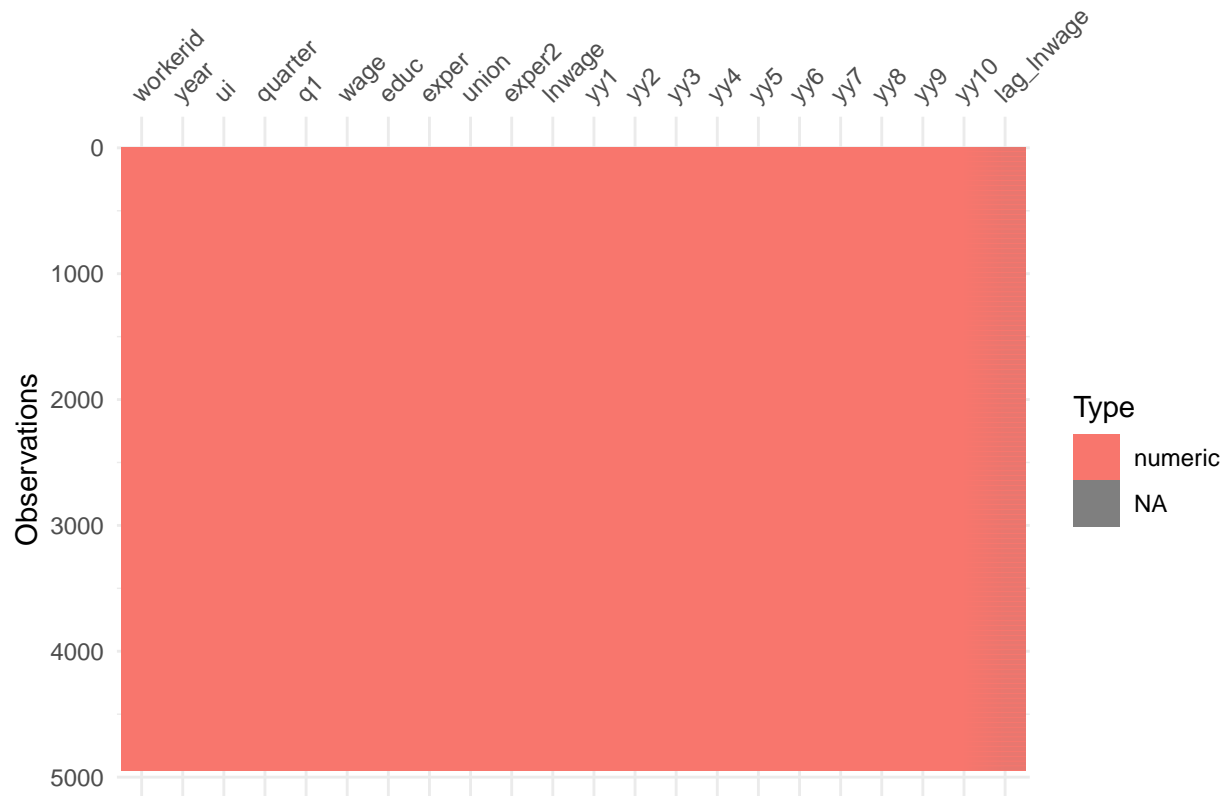
```

## 2    Upper cap : 0.95 8.32169651894011
## 3      Lower bound          6.05
## 4      Upper bound          8.87
## 5      Num of outliers          1
## 6 Lower outlier case
## 7 Upper outlier case          210
## 8      Mean before          7.48
## 9      Mean after           7.48
## 10     Median before 7.44898780138622
## 11     Median after 7.44896911785069
##
## $outlier_data
##      workerid year      ui quarter q1      wage      educ exper union exper2
##      1:      1    1 0.5734584      2 0 1913.481 6.3080420    17      1    289
##      2:      1    2 0.5734584      2 0 2065.687 6.3080420    18      1    324
##      3:      1    3 0.5734584      2 0 2015.642 7.3080420    19      1    361
##      4:      1    4 0.5734584      2 0 2274.630 8.3080425    20      1    400
##      5:      1    5 0.5734584      2 0 2576.639 9.3080425    21      1    441
##      ---
## 4946:      495    6 0.3515452      1 1 1257.155 0.0000000    17      1    289
## 4947:      495    7 0.3515452      1 1 1170.614 0.3515451    18      1    324
## 4948:      495    8 0.3515452      1 1 1211.788 0.3515451    19      1    361
## 4949:      495    9 0.3515452      1 1 1346.442 0.3515451    20      1    400
## 4950:      495   10 0.3515452      1 1 1279.959 0.3515451    21      0    441
##
##      lnwage yy1 yy2 yy3 yy4 yy5 yy6 yy7 yy8 yy9 yy10 lag_lnwage
##      1: 7.556680  1  0  0  0  0  0  0  0  0  0  0      NA
##      2: 7.633218  0  1  0  0  0  0  0  0  0  0  0    7.556680
##      3: 7.608693  0  0  1  0  0  0  0  0  0  0  0    7.633218
##      4: 7.729573  0  0  0  1  0  0  0  0  0  0  0    7.608693
##      5: 7.854241  0  0  0  0  1  0  0  0  0  0  0    7.729573
##      ---
## 4946: 7.136607  0  0  0  0  0  1  0  0  0  0  0    6.973784
## 4947: 7.065284  0  0  0  0  0  0  1  0  0  0  0    7.136607
## 4948: 7.099852  0  0  0  0  0  0  0  1  0  0  0    7.065284
## 4949: 7.205221  0  0  0  0  0  0  0  0  1  0  0    7.099852
## 4950: 7.154584  0  0  0  0  0  0  0  0  0  1  0    7.205221
##
##      out_cap_lnwage
##      1:      7.556680
##      2:      7.633218
##      3:      7.608693
##      4:      7.729573
##      5:      7.854241
##      ---
## 4946:      7.136607
## 4947:      7.065284
## 4948:      7.099852
## 4949:      7.205221
## 4950:      7.154584
##
## $outlier_index
## $outlier_index$upper_out_index
## $outlier_index$upper_out_index[[1]]
## [1] 210
##

```

```
##
## $outlier_index$lower_out_index
## $outlier_index$lower_out_index[[1]]
## numeric(0)
```

```
vis_dat(simulated)
```



```
# gg_miss_upset(simulated)
```

```
stargazer(simulated,
  title = "Summary statistics",
  label = "tb:statisticis",
  table.placement = "ht",
  header=FALSE, type="text")
```

```
##
## Summary statistics
## =====
## Statistic      N      Mean    St. Dev.    Min    Pctl(25)  Pctl(75)    Max
## -----
## workerid      4,950  248.000   142.908      1     124       372       495
## year          4,950   5.500     2.873      1      3         8        10
## ui            4,950   0.488     0.289    0.0005    0.244     0.745     0.996
## quarter       4,950   2.517     1.128      1         2         4         4
## q1            4,950   0.240     0.427      0         0         0         1
```

```
## wage      4,950 1,998.779 1,032.194 662.083 1,226.806 2,482.937 7,170.242
## educ      4,950   5.226    3.795   0.000    2.322    7.635   19.446
## exper     4,950  14.336    6.460    0      9      19      28
## union     4,950   0.486    0.500    0      0      1      1
## exper2    4,950 247.252   187.126    0     81     361     784
## lnwage    4,950   7.483    0.476   6.495   7.112   7.817   8.878
## yy1       4,950   0.100    0.300    0      0      0      1
## yy2       4,950   0.100    0.300    0      0      0      1
## yy3       4,950   0.100    0.300    0      0      0      1
## yy4       4,950   0.100    0.300    0      0      0      1
## yy5       4,950   0.100    0.300    0      0      0      1
## yy6       4,950   0.100    0.300    0      0      0      1
## yy7       4,950   0.100    0.300    0      0      0      1
## yy8       4,950   0.100    0.300    0      0      0      1
## yy9       4,950   0.100    0.300    0      0      0      1
## yy10      4,950   0.100    0.300    0      0      0      1
## lag_lnwage 4,455   7.455    0.470   6.495   7.085   7.784   8.724
## -----
```

```
## DASHBOARD
```

```
##### ExPanD()
```

Regressions

OBSERVE THE MISTAKE FOLLOWING THE INTRODUCTION OF TIME DUMMIES AND EXPERIENCE IN THE FIXED-EFFECTS MODEL

```
pols <- plm(data = simulated, lnwage ~ educ + exper +
  exper2 + factor(year),
  model="pooling", index=c("workerid", "year"))

re <- plm(data = simulated, lnwage ~ educ + exper +
  exper2 + factor(year),
  model="random", index=c("workerid", "year"))

plmtest(pols, type=c("bp"))
```

```
##
## Lagrange Multiplier Test - (Breusch-Pagan) for balanced panels
##
## data: lnwage ~ educ + exper + exper2 + factor(year)
## chisq = 19885, df = 1, p-value < 2.2e-16
## alternative hypothesis: significant effects
```

```
fe <- plm(data = simulated, lnwage ~ educ + exper +
  exper2 + factor(year),
  model="within", index=c("workerid", "year"))

pFtest(fe, pols)
```

```
##
```

```
## F test for individual effects
##
## data: lnwage ~ educ + exper + exper2 + factor(year)
## F = 270.97, df1 = 493, df2 = 4444, p-value < 2.2e-16
## alternative hypothesis: significant effects
```

```
phptest(fe, re)
```

```
##
## Hausman Test
##
## data: lnwage ~ educ + exper + exper2 + factor(year)
## chisq = 309.92, df = 11, p-value < 2.2e-16
## alternative hypothesis: one model is inconsistent
```

```
pols_robust <- coeftest(pols, function(x) vcovHC(x, type = 'sss'))
re_robust <- coeftest(re, function(x) vcovHC(x, type = 'sss'))
fe_robust <- coeftest(fe, function(x) vcovHC(x, type = 'sss'))

stargazer(pols_robust, re_robust, fe_robust, title = "Regression analysis",
  model.numbers = FALSE,
  column.labels = c("Pooled (cluster)", "RE (cluster)", "FE (cluster)"),
  label = "regressions",
  table.placement = "!ht",
  notes.append = FALSE,
  notes.align = "l",
  notes = "Standard errors in parentheses.",
  header = FALSE,
  no.space = TRUE,
  omit = c("Constant"),
  omit.stat = c("adj.rsq", "f", "ser"),
  digits = 3,
  digits.extra = 5,
  omit.yes.no = c("Constant", ""),
  dep.var.caption = "",
  dep.var.labels.include = FALSE,
  style = "qje",
  type = "text")
```

```
##
## Regression analysis
## =====
##           Pooled (cluster) RE (cluster) FE (cluster)
## educ           0.107***      0.067***      0.062***
##                (0.002)       (0.001)       (0.001)
## exper           0.013***      0.005**      0.025***
##                (0.005)       (0.002)       (0.001)
## exper2          -0.0003*      0.000004     0.000004
##                (0.0002)      (0.00002)     (0.00002)
## factor(year)2    -0.001       0.019***      0.0002
##                (0.004)       (0.004)       (0.003)
## factor(year)3    -0.002       0.038***      0.001
##                (0.005)       (0.005)       (0.003)
```

```
## factor(year)4      -0.008      0.052***      -0.004*
##                   (0.007)      (0.007)      (0.003)
## factor(year)5      -0.004      0.075***      -0.0002
##                   (0.009)      (0.009)      (0.002)
## factor(year)6      -0.005      0.095***      0.001
##                   (0.010)      (0.011)      (0.003)
## factor(year)7      -0.009      0.112***      -0.001
##                   (0.012)      (0.013)      (0.003)
## factor(year)8      -0.011      0.131***      0.00004
##                   (0.014)      (0.015)      (0.003)
## factor(year)9      -0.013      0.148***      -0.002
##                   (0.016)      (0.017)      (0.003)
## factor(year)10     -0.011      0.169***
##                   (0.018)      (0.019)
## =====
## Notes:              Standard errors in parentheses.
```

Close the log file

```
end_time <- Sys.time()

end_time - start_time
```

```
## Time difference of 58.05126 secs
```

```
# sprintf(end_time - start_time,fmt = '%#.1f')
```

```
#
```