panel simulation notes

James E. Pustejovsky

November 20, 2015

Designs

The simulation is set up to generate data from the following process. A set of K outcomes is observed at each of n time points, for each of m units. These units and/or time points are observed under H different treatment conditions, where the units may be completely nested within condition (i.e., a cluster-randomized design), completely crossed with condition (i.e., a randomized block design), or crossed with condition for some units but not for others (i.e., a difference-in-differences design). Suppose that there are G groups of units that share an identical pattern of treatment assignments, each of size m_g. Let n_{ghi} denote the number of time points at which unit i in group g is observed under condition h. All models used $H = 3$ treatment conditions. Eight different designs were simulated:

1. Balanced randomized block design, where all treatment conditions were observed for every unit ($G = 1, m_1 = m$), with $n_{1hi} = n/3$.
2. Unbalanced randomized block design (well, sort of), where all treatment conditions were observed for every unit ($G = 1, m_1 = m$), but with $n_{11i} = n/2, n_{12i} = n/3, n_{13i} = n/6$.
3. Balanced cluster-randomized design, where units were nested within treatment conditions, so that $G = 3$; $m_g = m/3$; and $n_{ghi} = n$ for $g = h$ and zero otherwise.
4. Unbalanced cluster-randomized design, where units were nested within treatment conditions, so that $G = 3$; $m_1 = 0.5m, m_2 = 0.3m, m_3 = 0.2m$; and $n_{ghi} = n$ for $g = h$ and zero otherwise.
5. Difference-in-differences design with $G = 2$; where half of the observations remain in baseline throughout ($m_1 = m/2$ and $n_{11i} = n$) and the remaining half are observed for an **equal** number of time points under each treatment condition ($m_2 = m/2$ and $n_{2hi} = n/3$).
6. Difference-in-differences design with $G = 2$; where 2/3 of the observations remain in baseline throughout ($m_1 = 2m/3$ and $n_{11i} = n$) and the remaining 1/3 are observed for an **equal** number of time points under each treatment condition ($m_2 = m/3$ and $n_{2hi} = n/3$).
7. Difference-in-differences design with $G = 2$; where half of the observations remain in baseline throughout ($m_1 = m/2$ and $n_{11i} = n$) and the remaining half are observed for an **unequal** number of time points under each treatment condition ($m_2 = m/2$ and $n_{21i} = n/2, n_{22i} = n/3, n_{23i} = n/6$).
8. Difference-in-differences design with $G = 2$; where 2/3 of the observations remain in baseline throughout ($m_1 = 2m/3$ and $n_{11i} = n$) and the remaining 1/3 are observed for an **unequal** number of time points under each treatment condition ($m_2 = m/3$ and $n_{21i} = n/2, n_{22i} = n/3, n_{23i} = n/6$).

Data-generating model

Let y_{hijk} denote a measurement of outcome k at time point j for unit i under condition h, for $h = 1, ..., H$, $i = 1, ..., m$, $j = 1, ..., n$, and $k = 1, ..., K$. The outcomes follow the model

$$y_{hijk} = \mu_h + \nu_{hi} + \epsilon_{ijk},$$

where μ_h is the mean outcome under condition h, ν_{hi} is a random effect for unit i under condition h, and ϵ_{ijk} is the idiosyncratic error for unit i at time point j on outcome k. The errors at a given time point are assumed to be correlated, with

$$\text{Var}\left(\epsilon_{ijk}\right) = 1, \qquad \text{corr}\left(\epsilon_{ijk}, \epsilon_{ijl}\right) = \rho$$

for $k \neq l, k, l = 1, ..., K$. The random effects for unit i have variance

$$\text{Var}\left(\nu_{hi}\right) = \tau^2 = ICC/(1 - ICC)$$

for some specified intra-class correlation. The random effects for a given individual are also assumed to be equi-correlated in order to induce a degree of mis-specification into the analytic models described below. Specifically,

$$\text{corr}\left(\nu_{gi}, \nu_{hi}\right) = 1 - \frac{\sigma_\delta^2\left(1 + \tau^2\right)}{2\tau^2},$$

where $\sigma_\delta^2 = \text{Var}\left(\nu_{gi} - \nu_{hi}\right)/\text{Var}\left(y_{hijk}\right)$ is the variance of the differences between treatment conditions for each unit (i.e., the variance of the treatment effects), scaled in terms of the variance of the outcome at a given point in time.

The simulation examined the following combinations of sample size and parameters of the data-generating process:

Parameter	Meaning	Levels
m	number of units	30, 50
n	number of time-points	18, 30
k	number of outcomes	3
ρ	correlation between outcome measures	0.8
ICC	intra-class correlation	0.0, 0.2, 0.4
σ_δ^2	treatment effect variability	0.0, 0.01, 0.04

The mean outcomes were set to $\mu_h = 0$ across all H conditions, so that the null hypotheses to be tested are true. Each combination of parameters was tested for all eight designs.

Analytic models

Given a set of simulated data, treatment effects on each outcome are estimated using the SUR framework. The general analytic model for the difference-in-differences design is

$$y_{hijk} = \mu_{hk} + \alpha_i + \gamma_j + \epsilon_{ijk},$$

where μ_{hk} is the mean of outcome k under condition h, α_i is a fixed effect for each unit (cluster), γ_j is a fixed effect for each time-point, and ϵ_{ijk} is residual error. The model is fit by OLS after absorbing the fixed effects for units and time-points, and so the "working" model amounts to assuming that the residuals are all independent and identically distributed (which isn't true if $\rho > 0$ or both $ICC > 0$ and $\sigma_\delta^2 > 0$). For cluster-randomized designs, the fixed effects for units are omitted (because units are nested within treatment conditions). For randomized block designs, the fixed effects for time-points are omitted for simplicity.

Hypotheses

For each fitted model, six different hypotheses are tested, ranging in dimension from $q = 1$ to $q = 6$:

Label	Dimension	Hypothesis
t_B	1	$\mu_{11} = \mu_{12}$
t_C	1	$\mu_{11} = \mu_{13}$
F_1	2	$\mu_{11} = \mu_{12} = \mu_{13}$
F_B	3	$\mu_{11} = \mu_{12}, \mu_{21} = \mu_{22}, \mu_{31} = \mu_{32}$
F_C	3	$\mu_{11} = \mu_{13}, \mu_{21} = \mu_{23}, \mu_{31} = \mu_{33}$
F_{all}	6	$\mu_{11} = \mu_{12} = \mu_{13}, \mu_{21} = \mu_{22} = \mu_{23}, \mu_{31} = \mu_{32} = \mu_{33}$

In words:

- t_B is the hypothesis that there is no difference between treatment conditions 1 and 2 on the first outcome;
- t_C is the hypothesis that there is no difference between treatment conditions 1 and 3 on the first outcome;
- F_1 is the hypothesis that there is no difference among the treatment conditions on the first outcome;
- F_B is the hypothesis that there is no difference between treatment conditions 1 and 2 on any of the outcomes;
- F_B is the hypothesis that there is no difference between treatment conditions 1 and 3 on any of the outcomes;
- F_{all} is the hypothesis that there is no difference among the treatment conditions on any of the outcomes.