Python Code for QSS Chapter 7: Uncertainty

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First Printing

```
[]: import pandas as pd
import numpy as np
from scipy import stats
import matplotlib.pyplot as plt
import seaborn as sns
```

Section 7.1: Estimation

Section 7.1.1: Unbiasedness and Consistency

```
[]: # simulation parameters
n = 100 # sample size
mu0 = 0 # mean of Y_i(0)
sd0 = 1 # standard deviation of Y_i(0)
mu1 = 1 # mean of Y_i(1)
sd1 = 1 # standard deviation of Y_i(1)

# generate a sample
Y0 = stats.norm.rvs(size=n, loc=mu0, scale=sd0)
Y1 = stats.norm.rvs(size=n, loc=mu1, scale=sd1)
tau = Y1 - Y0 # individual treatment effect
# true value of the sample average treatment effect
SATE = tau.mean()
SATE
```

[]: 1.093197115922823

```
[]: # repeatedly conduct randomized controlled trials
sims = 5000 # repeat 5,000 times, we could do more
diff_means = np.zeros(sims) # container
sample_vector = np.concatenate((np.ones(int(n/2)), np.zeros(int(n/2))))

for i in range(sims):
    # randomize the treatment by sampling of a vector of 0's and 1's
    treat = np.random.choice(sample_vector, size=n, replace=False)
    # difference-in-means
    diff_means[i] = Y1[treat==1].mean() - Y0[treat==0].mean()
```

```
# estimation of error for SATE
     est_error = diff_means - SATE
     est_error.mean()
[]: 0.0006563819230377741
[]: pd.Series(est_error).describe().round(5)
[]: count
              5000.00000
    mean
                 0.00066
                 0.14551
     std
    min
                -0.47547
    25%
                -0.10010
    50%
                 0.00137
    75%
                 0.10101
                 0.53739
    max
     dtype: float64
[]: # PATE simulation
     PATE = mu1 - mu0
     diff_means = np.zeros(sims)
     for i in range(sims):
         # generate a sample for each simulation
         Y0 = stats.norm.rvs(size=n, loc=mu0, scale=sd0)
         Y1 = stats.norm.rvs(size=n, loc=mu1, scale=sd1)
         treat = np.random.choice(sample_vector, size=n, replace=False)
         diff_means[i] = Y1[treat==1].mean() - Y0[treat==0].mean()
     # estimation error for PATE
     est_error = diff_means - PATE
     # unbiased
     est_error.mean()
[]: -0.0030907547870285667
[]: pd.Series(est_error).describe().round(5)
[]: count
              5000.00000
                -0.00309
    mean
    std
                 0.19839
    min
                -0.65824
    25%
               -0.14043
    50%
               -0.00312
    75%
                0.13004
                 0.71270
    max
```

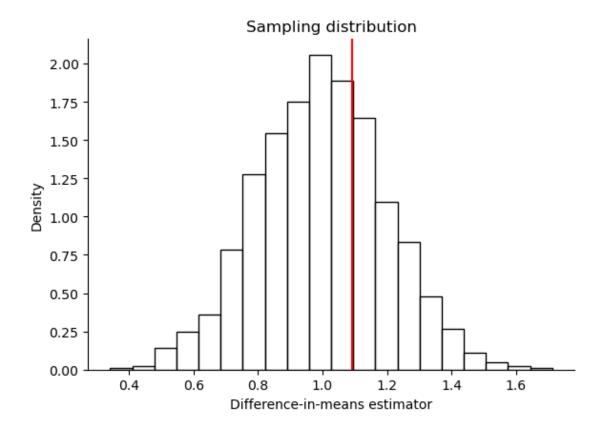
dtype: float64

Section 7.1.2: Standard Error

```
[]: sns.displot(
    diff_means, stat='density', color='white', edgecolor='black',
    height=4, aspect=1.5, bins=20
).set(title='Sampling distribution', xlabel='Difference-in-means estimator')

plt.axvline(SATE, color='red') # true value of SATE
```

[]: <matplotlib.lines.Line2D at 0x211a3cf3820>



```
[]: diff_means.std(ddof=1)

[]: 0.19838536417616665

[]: np.sqrt(((diff_means - SATE)**2).mean())

[]: 0.2204999669265361
```

```
[]: # PATE simulation with standard error
     sims = 5000
     diff_means = np.zeros(sims)
     se = np.zeros(sims)
     for i in range(sims):
         # generate a sample for each simulation
         Y0 = stats.norm.rvs(size=n, loc=mu0, scale=sd0)
         Y1 = stats.norm.rvs(size=n, loc=mu1, scale=sd1)
         # randomize treatment by sampling the vector of 0's and 1's created above
         treat = np.random.choice(sample vector, size=n, replace=False)
         diff_means[i] = Y1[treat==1].mean() - Y0[treat==0].mean()
         se[i] = (np.sqrt(Y1[treat==1].var(ddof=1) / (n/2) +
                          Y0[treat==0].var(ddof=1) / (n/2))
     diff_means.std(ddof=1)
[ ]: 0.19826469189011459
[]: se.mean()
[ ]: 0.19941849887634452
    Section 7.1.3: Confidence Intervals
[]: n = 1000 \# sample size
     x_bar = 0.6 # point estimate
     s_e = np.sqrt(x_bar * (1-x_bar) / n) # standard error
     # 99% confidence intervals; display as a tuple
     ((x_bar - stats.norm.ppf(0.995) * s_e).round(5),
      (x_bar + stats.norm.ppf(0.995) * s_e).round(5))
[]: (0.5601, 0.6399)
[]: # 95% confidence intervals
     ((x_bar - stats.norm.ppf(0.975) * s_e).round(5),
      (x_bar + stats.norm.ppf(0.975) * s_e).round(5))
[]: (0.56964, 0.63036)
[]: # 90% confidence intervals
     ((x_bar - stats.norm.ppf(0.95) * s_e).round(5),
      (x_bar + stats.norm.ppf(0.95) * s_e).round(5))
[]: (0.57452, 0.62548)
```

```
[]: # empty container matrices for 2 sets of confidence intervals
     ci95 = np.zeros(sims*2).reshape(sims, 2)
     ci90 = np.zeros(sims*2).reshape(sims, 2)
     # 95 percent confidence intervals
     ci95[:,0] = diff_means - stats.norm.ppf(0.975) * se # lower limit
     ci95[:,1] = diff means + stats.norm.ppf(0.975) * se # upper limit
     # 90 percent confidence intervals
     ci90[:,0] = diff_means - stats.norm.ppf(0.95) * se # lower limit
     ci90[:,1] = diff_means + stats.norm.ppf(0.95) * se # upper limit
     # coverage rate for 95% confidence interval
     ((ci95[:,0] \le 1) & (ci95[:,1] >= 1)).mean()
[]: 0.9496
```

```
[]: # coverage rate for 90% confidence interval
     ((ci90[:,0] \le 1) & (ci90[:,1] >= 1)).mean()
```

```
[]: p = 0.6 \# true parameter value
     n = np.array([50, 100, 1000]) # 3 sample sizes to be examined
     alpha = 0.05
     sims = 5000 # number of simulations
     results = np.zeros(len(n)) # a container for results
     for i in range(len(n)):
         ci results = np.zeros(sims) # a container for whether CI contains truth
         # loop for repeated hypothetical survey sampling
         for j in range(sims):
             data = stats.binom.rvs(n=1, p=p, size=n[i]) # simple random sampling
             x_bar = data.mean() # sample proportion as an estimate
             s_e = np.sqrt(x_bar * (1-x_bar) / n[i]) # standard errors
             ci_lower = x_bar - stats.norm.ppf(1-alpha/2) * s_e
             ci_upper = x_bar + stats.norm.ppf(1-alpha/2) * s_e
             ci_results[j] = (p >= ci_lower) & (p <= ci_upper)</pre>
         # proportion of CIs that contain the true value
         results[i] = ci_results.mean()
     results
```

[]: array([0.9466, 0.951, 0.9466])

Section 7.1.4: Margin of Error and Sample Size Calculation in Polls

```
[]: MoE = np.array([0.01, 0.03, 0.05]) # the desired margin of error
    p = np.arange(0.01, 1, 0.01)
    n = 1.96**2 * p * (1-p) / MoE[0]**2
    n2 = 1.96**2 * p * (1-p) / MoE[1]**2
    n3 = 1.96**2 * p * (1-p) / MoE[2]**2

fig, ax = plt.subplots(figsize=(6,4))

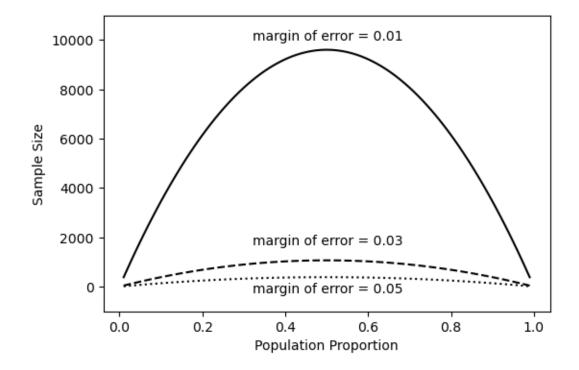
sns.lineplot(x=p, y=n, ax=ax, color='black').set(
    ylim=(-1000, 11000), xlabel='Population Proportion', ylabel='Sample Size')

sns.lineplot(x=p, y=n2, ax=ax, color='black', linestyle='--')

sns.lineplot(x=p, y=n3, ax=ax, color='black', linestyle='--')

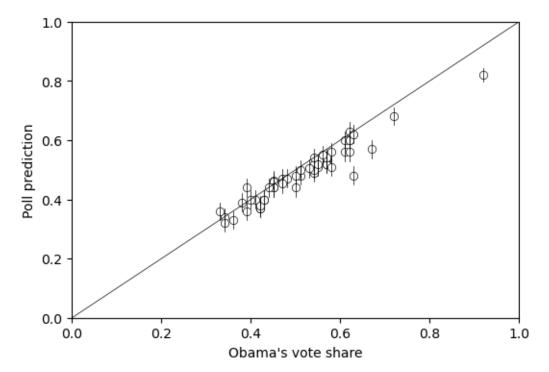
# Add text labels
    ax.text(0.32, 10000, 'margin of error = 0.01', fontsize=10)
    ax.text(0.32, 1700, 'margin of error = 0.03', fontsize=10)
    ax.text(0.32, -250, 'margin of error = 0.05', fontsize=10)
```

[]: Text(0.32, -250, 'margin of error = 0.05')



```
[]: # election and polling results, by state
     pres08 = pd.read_csv('pres08.csv')
     polls08 = pd.read_csv('polls08.csv')
     # convert to a date object
     polls08['middate'] = pd.to_datetime(polls08['middate'])
     # number of days to the election
     from datetime import datetime
     election_day = datetime.strptime('2008-11-04', '%Y-%m-%d')
     polls08['days_to_election'] = (election_day - polls08['middate']).dt.days
     # extract unique state names which the loop will iterate through
     st_names = polls08['state'].unique()
     # create an empty 51 X 3 placeholder Data Frame
     poll_pred = pd.DataFrame(np.zeros(51*3).reshape(51, 3), index=st_names)
     # loop across the 50 states plus DC
     for i in range(len(st_names)):
         # subset the ith state
         state_data = polls08[polls08['state'] == st_names[i]]
         # further subset the latest polls within the state
         latest = (state_data['days_to_election']==
                   state_data['days_to_election'].min())
         # compute the mean of the latest polls and store it
         poll_pred.iloc[i, 0] = state_data['Obama'][latest].mean() / 100
     # upper and lower confidence limits
     n = 1000 \# sample size
     alpha = 0.05
     se = np.sqrt(poll_pred.iloc[:,0] * (1-poll_pred.iloc[:,0]) / n) # standard error
     poll_pred.iloc[:,1] = poll_pred.iloc[:,0] - stats.norm.ppf(1-alpha/2) * se
     poll_pred.iloc[:,2] = poll_pred.iloc[:,0] + stats.norm.ppf(1-alpha/2) * se
[]: # plot the results
     fig, ax = plt.subplots(figsize=(6,4))
     sns.scatterplot(
         x = pres08['Obama'] / 100, y = poll_pred.iloc[:,0].reset_index(drop=True),
         ax=ax, color='white', edgecolor='black'
     ).set(xlabel="Obama's vote share", ylabel='Poll prediction',
           xlim=(0, 1), ylim=(0, 1))
     ax.axline((0, 0), slope=1, color='black', linewidth=0.5)
     # adding 95% confidence intervals for each state
```

```
for i in range(len(st_names)):
    ax.plot(
        [pres08['Obama'][i] / 100] * 2,
        [poll_pred.iloc[i,1], poll_pred.iloc[i,2]],
        color='black', linewidth=0.5
)
```



```
[]: # proportion of confidence intervals that contain the election day outcome # reset index: can only compare identically-labeled Series objects

((poll_pred.iloc[:,1].reset_index(drop=True) <= pres08['Obama'] / 100) & (poll_pred.iloc[:,2].reset_index(drop=True) >= pres08['Obama'] / 100)).mean()
```

```
[]: # bias bias=(poll_pred.iloc[:,0].reset_index(drop=True) - pres08['Obama']/100).mean() bias
```

[]: -0.026797385620915028

```
[]: # bias corrected estimate
poll_bias = poll_pred.iloc[:,0] - bias
# bias corrected standard error
```

```
se_bias = np.sqrt(poll_bias * (1-poll_bias) / n)

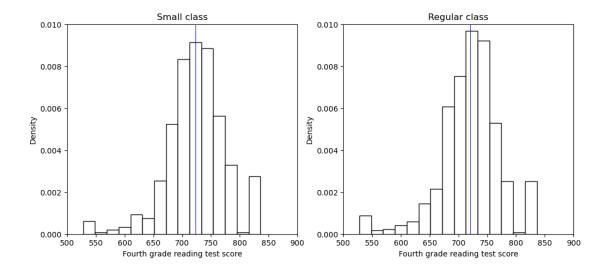
# bias corrected confidence intervals
ci_bias_lower = poll_bias - stats.norm.ppf(1-alpha/2) * se_bias
ci_bias_upper = poll_bias + stats.norm.ppf(1-alpha/2) * se_bias

# proportion of bias corrected CIs that contain election day outcome
((ci_bias_lower.reset_index(drop=True) <= pres08['Obama'] / 100) &
    (ci_bias_upper.reset_index(drop=True) >= pres08['Obama'] / 100)).mean()
```

Section 7.1.5: Analysis of Randomized Controlled Trials

```
[]: STAR = pd.read csv('STAR.csv')
     fig, axs = plt.subplots(1, 2, figsize=(12,5))
     sns.histplot(
         STAR['g4reading'][STAR.classtype==1], stat = 'density', ax=axs[0],
         color='white', edgecolor='black', bins=15
     ).set(ylim=(0, 0.01), xlim=(500, 900), title='Small class',
           xlabel='Fourth grade reading test score')
     axs[0].axvline(STAR['g4reading'][STAR.classtype==1].mean(),
                    color='blue', linewidth=0.75)
     sns.histplot(
         STAR['g4reading'][STAR.classtype==2], stat = 'density', ax=axs[1],
         color='white', edgecolor='black', bins=15
     ).set(ylim=(0, 0.01), xlim=(500, 900), title='Regular class',
           xlabel='Fourth grade reading test score')
     axs[1].axvline(STAR['g4reading'][STAR.classtype==2].mean(),
                     color='blue', linewidth=0.75)
```

[]: <matplotlib.lines.Line2D at 0x211a46cb520>



```
[]: # estimate and standard error for small class size

n_small = (STAR['classtype']==1 & STAR['g4reading'].notnull()).sum()

est_small = STAR['g4reading'][STAR.classtype==1].mean()

se_small = STAR['g4reading'][STAR.classtype==1].std() / np.sqrt(n_small)

est_small, se_small
```

[]: (723.3911845730028, 1.9130122952458233)

[]: (719.88995215311, 1.8388496908502467)

[]: (719.6417493723386, 727.1406197736669)

```
ci_regular
[]: (716.2858729860609, 723.4940313201591)
[]: # difference in means estimator
     ate_est = est_small - est_regular
     ate_est
[ ]: 3.5012324198927445
[]: # standard error and 95% confidence interval
     ate_se = np.sqrt(se_small**2 + se_regular**2)
     ate_se
[]: 2.653485298112982
[]: ate_ci = (ate_est - stats.norm.ppf(1-alpha/2) * ate_se,
               ate_est + stats.norm.ppf(1-alpha/2) * ate_se)
     ate_ci
[]: (-1.699503197915229, 8.701968037700718)
    Section 7.1.6: Analysis Based on Student's t-Distribution
[]: # 95% CI for small class
     (est_small - stats.t.ppf(0.975, df=n_small-1) * se_small,
      est_small + stats.t.ppf(0.975, df=n_small-1) * se_small)
[]: (719.635479522832, 727.1468896231735)
[]: # 95% CI based on the central limit theorem
     ci small
[]: (719.6417493723386, 727.1406197736669)
[]: # 95% CI for regular class
     (est_regular - stats.t.ppf(0.975, df=n_regular-1) * se_regular,
      est_regular + stats.t.ppf(0.975, df=n_regular-1) * se_regular)
[]: (716.2806412822123, 723.4992630240077)
[]: # 95% CI based on the central limit theorem
     ci_regular
[]: (716.2858729860609, 723.4940313201591)
[]: test_result = stats.ttest_ind(
        STAR['g4reading'][STAR.classtype==1],
```

```
STAR['g4reading'][STAR.classtype==2],
    # override default equal_var=True; False is Welch t-test
    equal_var=False,
    # override default nan_policy='propagate'
    nan_policy='omit')

# we can extract results from the test_result object
test_result.pvalue
```

```
[]: # find the confidence interval
ci = test_result.confidence_interval(confidence_level=0.95)

# print summary of results
print(
    'Welch Two Sample t-test\n'
    f"t-stat: {test_result.statistic:.4f}\n"
    f"p-value: {test_result.pvalue:.4f}\n"
    f"df: {test_result.df:.1f}\n"
    f"95% confidence interval: ({ci[0]:.4f}, {ci[1]:.4f})"
)
```

```
Welch Two Sample t-test
t-stat: 1.3195
p-value: 0.1872
df: 1541.2
95% confidence interval: (-1.7036, 8.7061)
```

Section 7.2: Hypothesis Testing

Section 7.2.1: Tea-Testing Experiment

```
[]: from math import comb

# truth: enumerate the number of assignment combinations
true = np.array(
        [comb(4,0) * comb(4,4),
        comb(4,1) * comb(4,3),
        comb(4,2) * comb(4,2),
        comb(4,3) * comb(4,1),
        comb(4,4) * comb(4,0)]
)

true
```

```
[]: array([1, 16, 36, 16, 1])
```

```
[]: # compute probability: divide it by the total number of events
     true = pd.Series(true / true.sum(), index=[0,2,4,6,8])
     true
[]: 0
         0.014286
         0.228571
     4
         0.514286
         0.228571
         0.014286
     dtype: float64
[]: # simulations
     sims=1000
     # lady's quess: M stands for 'Milk first', T stands for 'Tea first'
     guess=np.array(['M', 'T', 'T', 'M', 'M', 'T', 'T', 'M'])
     sample_vector=np.array(['T']*4 + ['M']*4)
     correct=pd.Series(np.zeros(sims)) # place holder for number of correct guesses
     for i in range(sims):
         # randomize which cups get Milk/Tea first
         cups=np.random.choice(sample_vector, size=len(sample_vector), replace=False)
         correct[i]=(guess==cups).sum() # number of correct guesses
     # estimated probability for each number of correct quesses
     correct.value_counts(normalize=True).sort_index()
[]: 0.0
           0.005
    2.0
           0.209
    4.0
           0.533
     6.0
           0.238
     8.0
           0.015
     Name: proportion, dtype: float64
[]: # comparison with analytical answers; the differences are small
     correct.value_counts(normalize=True).sort_index() - true
[]: 0.0
          -0.009286
    2.0
         -0.019571
     4.0
           0.018714
     6.0
           0.009429
     8.0
           0.000714
     dtype: float64
```

Section 7.2.2: The General Framework

```
[]: # all correct
    x = pd.DataFrame(\{'M': [4,0], 'T': [0,4]\}, index=['M','T'])
    # six correct
    y = pd.DataFrame(\{'M': [3,1], 'T': [1,3]\}, index=['M','T'])
Г1:
       M T
       4 0
    M
    T 0 4
[ ]: y
Г1:
       Μ
    M 3 1
    T 1 3
[]: # one-sided test for 8 correct guesses
    fisher_one=stats.fisher_exact(x.values, alternative='greater')
    print(
        "Fisher's Exact Test for Count Data: One-Sided\n"
        f"P-value: {fisher one.pvalue:.5f}"
    )
    Fisher's Exact Test for Count Data: One-Sided
    P-value: 0.01429
[]: # two-sided test for 6 correct guesses
    fisher_two=stats.fisher_exact(y.values)
    print(
         "Fisher's Exact Test for Count Data: Two-Sided\n"
        f"P-value: {fisher two.pvalue:.5f}"
    )
    Fisher's Exact Test for Count Data: Two-Sided
    P-value: 0.48571
    Section 7.2.3: One-Sample Tests
[ ]: n = 1018
    x bar = 550 / n
    se = np.sqrt(0.5 * 0.5 / n) # standard deviation of sampling distribution
     # upper red area in the figure
    upper = 1 - stats.norm.cdf(x_bar, loc=0.5, scale=se)
```

```
# lower red area in the figure; identical to the upper area
    lower = stats.norm.cdf(0.5 - (x_bar - 0.5), loc=0.5, scale=se)
     # two-sided p-value
    upper + lower
[]: 0.010168663287718531
[]: 2 * upper
[]: 0.010168663287718482
[]: # one-sided p-value
    upper
[]: 0.005084331643859241
[]: z_score = (x_bar - 0.5) / se
    z score
[]: 2.5700404773096097
[]: # one-sided p-value
    1 - stats.norm.cdf(z_score)
[]: 0.005084331643859241
[]: # two-sided p-value
    2 * (1 - stats.norm.cdf(z_score))
[]: 0.010168663287718482
[]: # 99% confidence interval contains 0.5
     (x_bar - stats.norm.ppf(0.995) * se, x_bar + stats.norm.ppf(0.995) * se)
[]: (0.499909283428347, 0.58064081480348)
[]: # 95% confidence interval does not contain 0.5
     (x_bar - stats.norm.ppf(0.975) * se, x_bar + stats.norm.ppf(0.975) * se)
[]: (0.5095604956138589, 0.5709896026179682)
[]: from statsmodels.stats.proportion import proportions_ztest, proportion_confint
    # no continuity correction to get the same p-value as above
    stat, pval = proportions_ztest(count=550, nobs=n, value=0.5, prop_var=0.5)
    ci = proportion_confint(count=550, nobs=n)
```

```
print(
   f"One-sample z-test without continuity correction\n"
   f"Alternative hypothesis: true p is not equal to 0.5\n"
   f"Sample proportion: {x_bar:.4f}\n"
   f"Test statistic: {stat:.4f}\n"
   f"P-value: {pval:.4f}\n"
   f"95% confidence interval: ({ci[0]:.4f}, {ci[1]:.4f})"
)
```

```
One-sample z-test without continuity correction
Alternative hypothesis: true p is not equal to 0.5
Sample proportion: 0.5403
Test statistic: 2.5700
P-value: 0.0102
95% confidence interval: (0.5097, 0.5709)
```

The continuity correction factor subtracts 0.5 from the sample proportion before computing the test statistic. The correction factor is not built into the one-sample z-tests available in Python. However, we can build a function to implement the correction using the hypothesis testing logic we have developed.

```
[]: # Define a function to implement the continuity correction factor
     def proportions_ztest_correct(count, nobs, value, conf_level=0.95):
         # compute the p-value
         prop = count / nobs
         correction = 0.5 / nobs # Yates' continuity correction
         adjusted_prop = prop - correction
         se_null = np.sqrt(value * (1-value) / nobs) # SE under the null hypothesis
         z_score = np.abs(adjusted_prop-value) / se_null
         # assume a two-tailed test, but we could generalize this
         pval = 2 * (1 - stats.norm.cdf(z_score))
         # compute the confidence interval
         se_sample = np.sqrt(adjusted_prop * (1-adjusted_prop) / nobs)
         alpha = 1-conf level
         ci_lower = adjusted_prop - stats.norm.ppf(1-alpha/2) * se_sample
         ci_upper = adjusted_prop + stats.norm.ppf(1-alpha/2) * se_sample
         conf_print = int(conf_level * 100)
         print(
             f"One-sample z-test with continuity correction\n"
             f"Alternative hypothesis: true p is not equal to {value}\n"
            f"Sample proportion: {prop:.4f}\n"
             f"Test statistic: {z_score:.4f}\n"
             f"P-value: {pval:.4f}\n"
             f"{conf_print}% confidence interval: ({ci_lower:.4f}, {ci_upper:.4f})"
```

```
[]: proportions_ztest_correct(count=550, nobs=n, value=0.5)
    One-sample z-test with continuity correction
    Alternative hypothesis: true p is not equal to 0.5
    Sample proportion: 0.5403
    Test statistic: 2.5387
    P-value: 0.0111
    95% confidence interval: (0.5092, 0.5704)
[]:|proportions_ztest_correct(count=550, nobs=n, value=0.5, conf_level=0.99)
    One-sample z-test with continuity correction
    Alternative hypothesis: true p is not equal to 0.5
    Sample proportion: 0.5403
    Test statistic: 2.5387
    P-value: 0.0111
    99% confidence interval: (0.4995, 0.5800)
[]: # two-sided one-sample t-test
     star_ttest = stats.ttest_1samp(STAR.g4reading, popmean=710, nan_policy='omit')
     ci lower = star ttest.confidence interval()[0]
     ci_upper = star_ttest.confidence_interval()[1]
     print(
         f"One-sample t-test\n"
         f"Alternative hypothesis: true mean is not equal to 710\n"
         f"Sample mean: {STAR.g4reading.mean():.3f}\n"
         f"t-statistic: {star_ttest.statistic:.3f}\n"
         f"df: {star ttest.df}\n"
         f"P-value: {star_ttest.pvalue:.5f}\n"
         f"95% confidence interval: ({ci_lower:.3f}, {ci_upper:.3f})"
     )
    One-sample t-test
    Alternative hypothesis: true mean is not equal to 710
    Sample mean: 721.248
    t-statistic: 10.407
    df: 2352
    P-value: 0.00000
    95% confidence interval: (719.128, 723.367)
```

Section 7.2.4: Two-Sample Tests

In Progress