

Lecture 13

Matching methods



Outline

- Outcome regression V.S. Matching
- Find matched sets
 - Matching metrics and algorithms
 - Check covariate balancing
- Estimate ATT after matching
 - Bias adjustment
- Suggested reading: Imbens and Rubin book Chapter 15 & 18, Peng's book Chapter 15

Causal estimand

- If we treat the units as sampled from a population
 - Population average treatment effect: $\text{PATE} = \text{ATE} = \mathbb{E}(Y_i(1) - Y_i(0))$
 - Average treatment effect for the treated: $\text{PATT} = \text{ATT} = \mathbb{E}(Y_i(1) - Y_i(0) | W_i = 1)$
 - Average treatment effect for the control: $\text{ATC} = \mathbb{E}(Y_i(1) - Y_i(0) | W_i = 0)$

$$\text{ATE} = P(W_i=1) \times \text{ATT} + P(W_i=0) \times \text{ATC}$$

- In randomized experiments, ATE is equivalent to ATT, because treatment and control groups are comparable in expectation
- In observational studies, we can be interested in ATT
 - Many dataset can have a modest number of treated units, but a relatively large pool of possible controls
 - Treated units are more well defined
 - Control units may include units that never have a chance to receive treatment

Outcome regression estimator

- The outcome regression estimator is the same as in conditional randomized experiment
- Under unconfoundedness assumption

$$\tau = \mathbb{E}(\mathbb{E}(Y_i^{\text{obs}} | X_i, W_i = 1) - \mathbb{E}(Y_i^{\text{obs}} | X_i, W_i = 0))$$

- Define the conditional expectations

$$\mu_w(x) = \mathbb{E}(Y_i^{\text{obs}} | X_i = x, W_i = w) = \mathbb{E}(Y_i(w) | X_i = x)$$

- We can estimate the conditional expectations via a regression model and obtain $\hat{\mu}_w(x)$
 - Regress Y_i^{obs} on X_i on the treated units and control units separately
- Estimator for the ATE: implement unobserved potential outcome by regression estimates

$$\hat{\tau}_{\text{reg}} = \frac{1}{N} \left\{ \sum_{i=1}^N W_i (Y_i^{\text{obs}} - \hat{\mu}_0(X_i)) + (1 - W_i)(\hat{\mu}_1(X_i) - Y_i^{\text{obs}}) \right\}$$

model assumptions
on the potential
outcomes

Regression estimator V.S. Matching

- Estimator for the ATT from regression

$$\hat{\tau}_{\text{reg}} = \frac{1}{N_t} \sum_{i=1}^N W_i (Y_i^{\text{obs}} - \hat{\mu}_0(\mathbf{X}_i))$$

- Model-based imputation of unobserved potential outcomes
- Drawbacks:
 - biased imputation if model is wrong
 - If the imbalance of the covariates between the two groups is large, the model-based results heavily relies on extrapolation in the region with little overlap, which is sensitive to the model specification assumption

- Matching: nonparametric imputation

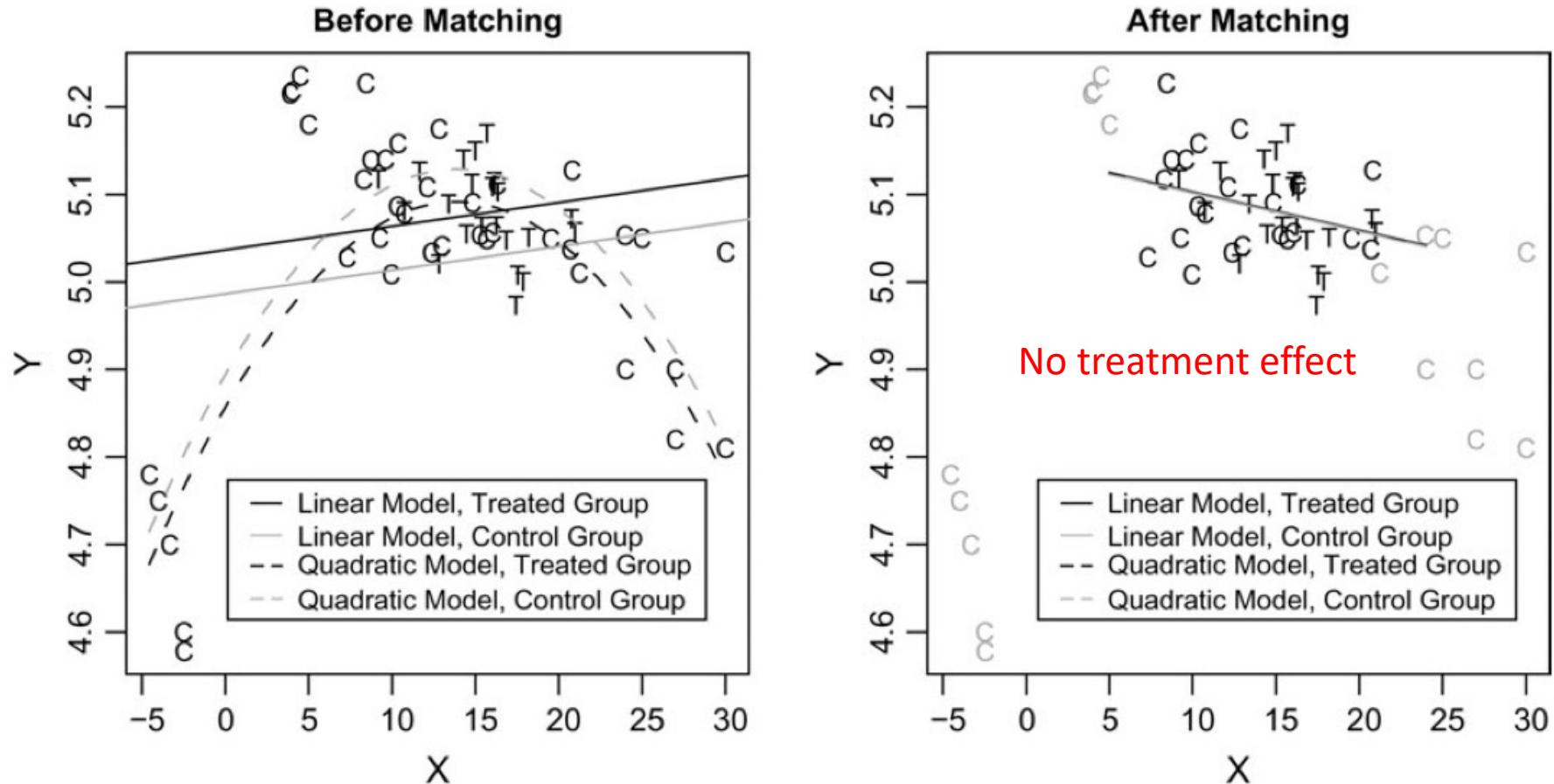
$$\hat{\tau}_{\text{match}} = \frac{1}{N_t} \sum_{i=1}^N W_i \left(Y_i^{\text{obs}} - \frac{1}{|\mathcal{M}_i^c|} \sum_{i' \in \mathcal{M}_i^c} Y_{i'}^{\text{obs}} \right)$$

- \mathcal{M}_i^c : matched set of controls for treated unit i

A simulation data example

[Matching as nonparametric preprocessing for reducing model dependence in parametric causal inference.
Political analysis, 2007]

- Linear regression:
positive treatment
effect
- Quadratic regression:
negative treatment
effect
- Both are wrong!!



- At the two extreme tails of X , there are no treatment units at all

How to find matched sets?

- Matching with replacement v.s. matching without replacement
 - Whether we restrict each control to match with at most one treated unit or not
 - Matching without replacement: harder matching algorithm but easier statistical inference
- **Exact match:** perfect covariate balance X_i for the matched control(s) are the same as the treated unit
 - Infeasible when covariate is continuous / many covariates
- **Coarsened exact matching** (Lacus et al. 2011 Political Anal.)
 - discretize covariates so that you can perform exact match
- **Matching based on a distance**
 - Define a distance measure for any two units: $D(X_i, X_j)$
 - Aim to make units within matched sets as close as possible

Matching based on a distance

- Mahalanobis metric matching

$$D(\mathbf{X}_i, \mathbf{X}_j) = \sqrt{(\mathbf{X}_i - \mathbf{X}_j)^\top \widehat{\mathbb{V}(\mathbf{X})}^{-1} (\mathbf{X}_i - \mathbf{X}_j)}$$

$\widehat{\mathbb{V}(\mathbf{X})} = \frac{N_t \widehat{\Sigma}_t + N_c \widehat{\Sigma}_c}{N_t + N_c}$, $\widehat{\Sigma}_t$ and $\widehat{\Sigma}_c$ are sample covariance matrices for the treated and control

- Propensity score matching

$$D(\mathbf{X}_i, \mathbf{X}_j) = \left| \ln\left(\frac{\hat{e}(\mathbf{X}_i)}{1 - \hat{e}(\mathbf{X}_i)}\right) - \ln\left(\frac{\hat{e}(\mathbf{X}_j)}{1 - \hat{e}(\mathbf{X}_j)}\right) \right|$$

- Hybrid matching methods

- Ensure exact matching in some key covariates: sex
- First stratify units by key covariates, match within each strata using distance-based matching

Matching based on a distance

Nearest-neighbor (NN) matching:

- Define \mathcal{M}_i^c as the set of indices of M closest control units

$$\mathcal{M}_i^c = \left\{ j : W_j = 0, \sum_{l|W_l=0} 1_{\{D(X_i, X_j) \leq D(X_i, X_l)\}} \leq M \right\}$$

- Matching with replacement

Greedy algorithm

- Define an order of the treated units
- Match M control units with the shortest distance, set them aside, and repeat
- match most difficult units first: order treated units in a descending order of $\hat{e}(X_i)$

Optimal matching

- $D: N_t \times N_c$ bipartite matrix of pairwise distance or a cost matrix
- Select $N_t M$ elements of D such that there is only M elements in each row and at most one element in each column and the sum of pairwise distances is minimized
- Hungarian algorithm

Optimal matching

- $D: N_t \times N_c$ matrix of pairwise distance or a cost matrix
- Select $N_t M$ elements of D such that there is only M element in each row and at most one element in each column and the sum of pairwise distances is minimized
- Linear Sum Assignment Problem (LSAP)
 - Binary $N_t \times N_c$ matching matrix: S with $S_{ij} \in \{0,1\}$
 - Optimization problem

$$\min_S \sum_{i=1}^{N_t} \sum_{j=1}^{N_c} S_{ij} D_{ij} \quad \text{subject to } \sum_{i=1}^{N_t} S_{ij} \leq 1, \quad \sum_{j=1}^{N_c} S_{ij} = M$$

- can apply the Hungarian algorithm

A simple illustrative example

- Consider 7 units
- Matching based on the linearized estimated propensity score

$$\hat{l}(X_i) = \ln \left(\frac{\hat{e}(X_i)}{1 - \hat{e}(X_i)} \right)$$

- Treated unit 1 matched with control unit 5
- Treated unit 2 matched with control unit 3
- NN, greedy algorithm and optimal matching result in the same matched sets here

Unit	W_i	$\hat{e}(X_i)$	$\hat{l}(X_i)$
1	1	0.577	0.310
2	1	0.032	-3.398
3	0	0.136	-1.846
4	0	0.003	-5.913
5	0	0.310	-0.798
6	0	0.000	-9.424
7	0	0.262	-1.033

Further restrictions on the matched sets

- Rejecting matches of poor quality
 - For some units, even the closest match may not be close enough
 - Drop treated units if it's hard to find a good match. E.x., drop i if
$$D(X_i, X_j) > d_{\max} = 0.1$$
 - Often eliminate only treated units with propensity score very close to 1
- How to determine M ?
 - $M = 1$
 - Matching with Caliper: controls that are outside of some distance (caliper) of a treated unit are not allowed to be matched with the treated units.
 - Keep all controls j satisfying $D(X_i, X_j) \leq d_{\text{cal}}$
 - Can use greedy algorithm
 - Optimal matching: define $D_{ij} = \infty$ if $D_{ij} > d_{\text{cal}}$
 - M increases with sample size
 - Smaller M , smaller bias but larger variance; larger M , larger bias but smaller variance

Check covariate balancing after matching

- Statistics we can use to assess the balancing of a particular covariate
 - **Standardized mean difference** (also called the normalized difference, not the t-statistics)

$$\Delta_{ct} = \frac{\frac{1}{N_t} \sum_{i=1}^N W_i \left(X_{ik} - \frac{1}{|\mathcal{M}_i^c|} \sum_{i' \in \mathcal{M}_i^c} X_{i'k} \right)}{\sqrt{s_t^2}}$$

May compare Δ_{ct} with 0.1

- Before matching, we may calculate the denominator of Standardized mean difference as $\sqrt{(s_t^2 + s_c^2)/2}$
- **Log ratio of the sample variances** $\Gamma_{ct} = \ln(s_t) - \ln(s_c)$
- Comparing the distribution function in the treated group and control group
 - Empirical cdf: $\hat{F}_c(x) = \frac{1}{N_c} \sum_{i:W_i=0} \mathbf{1}_{X_i \leq x}$, and $\hat{F}_t(x) = \frac{1}{N_t} \sum_{i:W_i=1} \mathbf{1}_{X_i \leq x}$
 - Proportion of treated units outside of the 2.5% and 97.5% quantiles of the control distribution

$$\hat{\pi}_t^{0.05} = \left(1 - \left(\hat{F}_t \left(\hat{F}_c^{-1}(0.975) \right) \right) + \hat{F}_t \left(\hat{F}_c^{-1}(0.025) \right) \right)$$

Love plot

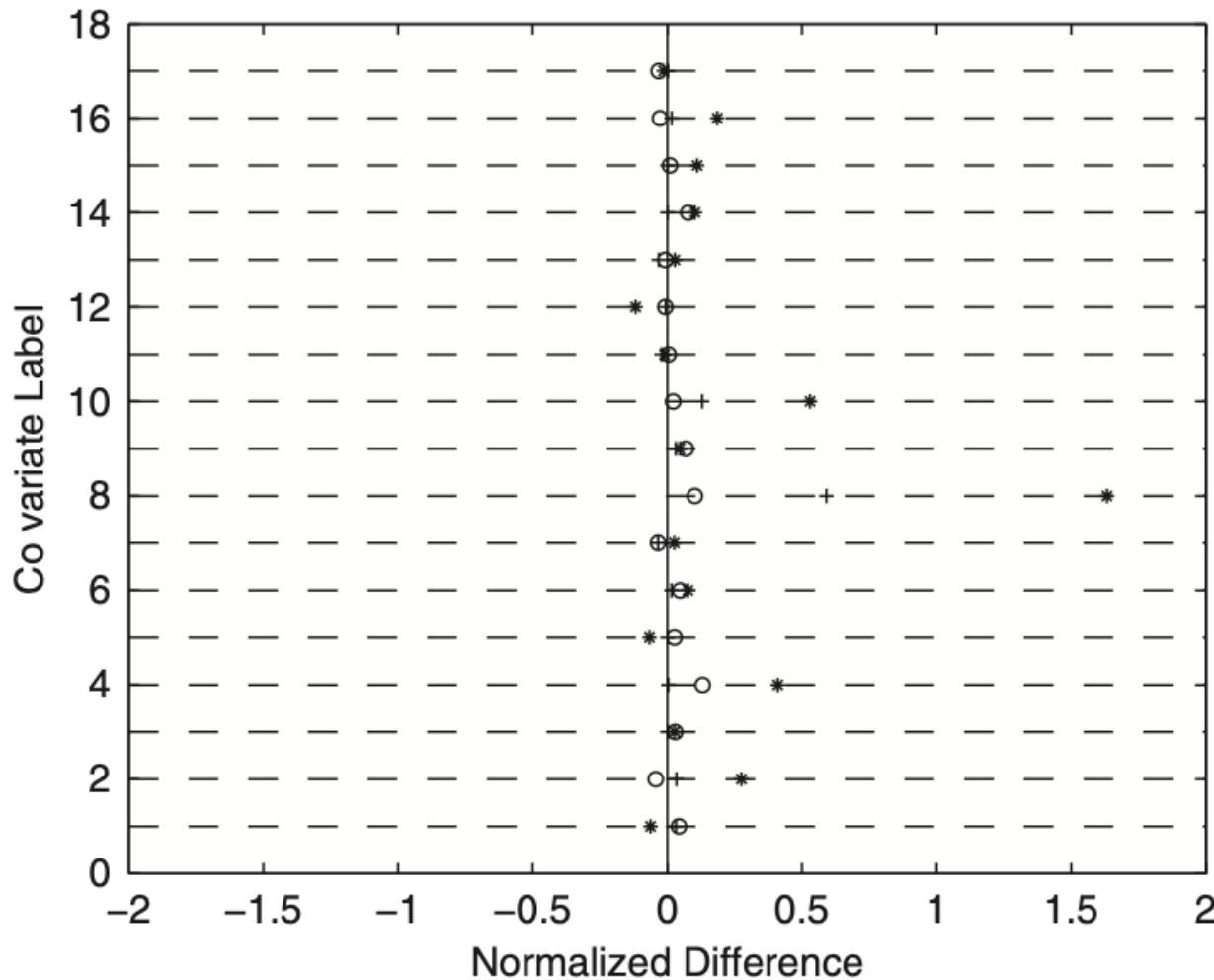


Figure 15.2. Covariate balance before (*) and after (+) lps and after Mahalanobis (o) matching, for the Reinisch barbiturate data

How to estimate ATT after matching

- Unless exact matching, under unconfoundedness, the probability of assignment to the treatment is only approximated the same within each matched set
- In practice, one may **ignore** the potential bias, and analyze the datasets as from a pairwise randomized experiment

$$\hat{\tau}_i^{\text{match}} = Y_i^{\text{obs}} - Y_{m_i^c}^{\text{obs}}, \quad \hat{\tau}_{\text{t}}^{\text{match}} = \frac{1}{N_{\text{t}}} \sum_{i:W_i=1} \hat{\tau}_i^{\text{match}}$$

$$\hat{\mathbb{V}}(\hat{\tau}_{\text{t}}^{\text{match}}) = \frac{1}{N_t(N_t - 1)} \sum_{i:W_i=1} \left(Y_i^{\text{obs}} - Y_{m_i^c}^{\text{obs}} - \hat{\tau}_{\text{t}}^{\text{match}} \right)^2$$

- Another approach is to apply outcome regression on the matched dataset
 - Treat matching as a pre-processing step to improve covariate balancing in the dataset
 - Reduce bias in matching
 - Or we can use regression to only adjust for the potential biases (see later)

The minimum wage data

- An influential study by Card and Krueger (1995)
- The goal is to evaluate the effect of raising the state minimum wage in New Jersey in 1993
- They collected data on employment at fast-food restaurants in New Jersey (treated group) and in neighboring state of Pennsylvania (control group)
- Each unit is a restaurant
- Pre-treatment covariates: initial number of employees, starting wage, average time until first raise, identity of the chain
- Outcome: number of employees after the raise in the minimum wage

The minimum wage data

Table 18.1. The Card-Krueger New Jersey and Pennsylvania Minimum Wage Data

	(N = 347)		(N _c = 68) (controls)		(N _t = 279) (treated)		Nor Dif	Log Ratio of STD
	Mean	(S.D.)	Mean	(S.D.)	Mean	(S.D.)		
initial empl	17.84	(9.62)	20.17	(11.96)	17.27	(8.89)	-0.28	-0.30
burger king	0.42	(0.49)	0.43	(0.50)	0.42	(0.49)	-0.02	-0.01
kfc	0.19	(0.40)	0.13	(0.34)	0.21	(0.41)	0.20	0.17
roys	0.25	(0.43)	0.25	(0.44)	0.25	(0.43)	0.00	-0.00
wendys	0.14	(0.35)	0.19	(0.40)	0.13	(0.33)	-0.18	-0.18
initial wage	4.61	(0.34)	4.62	(0.35)	4.60	(0.34)	-0.05	-0.02
time until raise	17.96	(11.01)	19.05	(13.46)	17.69	(10.34)	-0.11	-0.26
pscore	0.80	(0.05)	0.79	(0.06)	0.81	(0.04)	0.28	-0.35
final empl	17.37	(8.39)	17.54	(7.73)	17.32	(8.55)		

The minimum wage data

Estimated propensity score model:

Higher initial employment, lower propensity score

$$\hat{l}(X_i) = 1.93 - 0.03 \times \text{initial empl}$$

Table 18.2. Estimated Parameters of Propensity Score for the Card-Krueger New Jersey and Pennsylvania Minimum Wage Data

Variable	Est	(s.e.)	t-Stat
Intercept	1.93	(0.14)	14.05
Linear terms			
initial empl	-0.03	(0.01)	-2.17

The minimum wage data on 20 units

Unit <i>i</i>	State	chain	initial empl <i>X_{i1}</i>	final empl <i>X_{i2}</i>	Y_i^{obs}
	W_i				
1	NJ	BK	22.5	40.0	
2	NJ	KFC	14.0	12.5	
3	NJ	BK	37.5	20.0	
4	NJ	KFC	9.0	3.5	
5	NJ	KFC	8.0	5.5	
6	PA	BK	10.5	15.0	
7	PA	KFC	13.8	17.0	
8	PA	KFC	8.5	10.5	
9	PA	BK	25.5	18.5	
10	PA	BK	17.0	12.5	
11	PA	BK	20.0	19.5	
12	PA	BK	13.5	21.0	
13	PA	BK	19.0	11.0	
14	PA	BK	12.0	17.0	
15	PA	BK	32.5	22.5	
16	PA	BK	16.0	20.0	
17	PA	KFC	11.0	14.0	
18	PA	KFC	4.5	6.5	
19	PA	BK	12.5	31.5	
20	PA	BK	8.0	8.0	

- Matching order:
if we rank based on $\hat{e}(X_i)$: 5, 4, 2, 1, 3
- Matching metric:
 - Only based on $\hat{l}(X_i)$: 20, 8, 7, 11, 15
 - If we want exact match on the chain brand
5 <-> 8, 4 <-> 17, 2 <-> 7, 1 <-> 11, 3 <-> 15
 - If we want to match on Mahalanobis distance, can code the restaurant brand by 0/1 indicators, then 5 <-> 20, 4 <-> 8

The minimum wage data on 20 units

i	m_i^c	Y_i^{obs}	$Y_{m_i^c}^{\text{obs}}$	$\hat{\tau}_i^{\text{match}}$
1	11	40.0	19.5	20.5
2	7	12.5	17	-4.5
3	15	20.0	22.5	-2.5
4	8	3.5	10.5	-7
5	20	5.5	8.0	-2.5

$$\hat{\tau}_t^{\text{match}}$$

$$+0.8$$

$$\hat{\mathbb{V}} \left(\hat{\tau}_t^{\text{match}} \right)$$

$$5.0^2$$

i	m_i^c	Y_i^{obs}	$Y_{m_i^c}^{\text{obs}}$	$\hat{\tau}_i^{\text{match}}$
1	11	40.0	19.5	20.5
2	7	12.5	17.0	-4.5
3	15	20.0	22.5	-2.5
4	17	3.5	14	-10.5
5	8	5.5	10.5	-5

$$\hat{\tau}_t^{\text{match}}$$

$$-0.4$$

$$5.4^2$$

The bias of matching estimators (1-1 matching)

- Individual treatment effect is estimated with a bias due to matching discrepancy

$$\begin{aligned}\mathbb{E}_{\text{sp}} \left[\hat{\tau}_i^{\text{match}} \middle| W_i = 1, X_i, X_{m_i^c} \right] &= \mathbb{E}_{\text{sp}} \left[Y_i(1) - Y_{m_i^c}(0) \middle| X_i, X_{m_i^c} \right] = \mu_t(X_i) - \mu_c(X_{m_i^c}) \\ &= \tau(X_i) + (\mu_c(X_i) - \mu_c(X_{m_i^c})).\end{aligned}$$

We refer to the last term of this expression,

$$B_i = \mu_c(X_i) - \mu_c(X_{m_i^c}),$$

as the *unit-level bias* of the matching estimator.

- If we can have estimates of B_i , then we can potentially correct for the biases
- We can obtain the estimates of B_i by outcome regression: only need an estimate $\hat{\mu}_0(X_i)$

$$\hat{\tau}_i^{\text{match}} = Y_i^{\text{obs}} - Y_{m_i^c}^{\text{obs}} + \hat{B}_i$$

Three types of regression

- Regression on the differences

$$Y_i^{\text{obs}} - Y_{m_i^c}^{\text{obs}} = \tau + \left(X_i - X_{m_i^c} \right) \beta_d + \nu_i = \tau + D_i \beta_d + \nu_i$$
$$\hat{B}_i = \left(X_i - X_{m_i^c} \right) \hat{\beta}_d$$

- Regression only on the matched control

$$Y_{m_i^c} = \alpha_c + X_{m_i^c} \beta_c + \nu_{ci}$$
$$\hat{B}_i = (X_i - X_{m_i^c}) \hat{\beta}_c$$

- Regression on both the treated and the matched controls (pooled sample)

$$\tilde{Y}_i = \alpha_p + \tau_p \cdot \tilde{W}_i + \tilde{X}_i \beta_p + \nu_i$$
$$\hat{B}_i = (X_i - X_{m_i^c}) \hat{\beta}_p$$

- These methods differ in their robustness to model assumptions and efficiency

Results on the 20 units

	Difference Regression (Approach #1)	Control Regression (Approach #2)	Pooled Regression (Approach #3)
Regression coefficients			
Intercept	-1.30	4.21	12.01
Treatment indicator	-	-	1.63
Restaurant chain	-1.20	2.65	-7.32
Initial employment	1.43	0.62	0.39

- Different regression methods differ a lot because small sample size
- In real data, they are typically similar