

STAT/BIOST 571: Homework 2

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Problem 1: Two-stage least squares (10 points)

Consider a two-stage least squares estimation methodology similar to that described in the lecture notes on slides 1.93 and 1.94. Make the simplifying assumption that the \mathbf{x}_i and \mathbf{z}_i are each comprised of an intercept and one other covariate; that is, consider one between-subject covariate and one within-subject covariate. Thus, in the first stage of the two-stage procedure we obtain $(\hat{\alpha}_{0i}, \hat{\alpha}_{1i})$ by applying OLS to each subject's data, as if the linear model

$$E(Y_{ij}|z_{ij}) = \alpha_{0i} + \alpha_{1i}z_{ij} \quad (1)$$

holds, and in the second stage we obtain $\hat{\beta}_0$ and $\hat{\beta}_1$ by applying OLS to $\hat{\alpha}_{1i}$ as if the linear model

$$E(\hat{\alpha}_{1i}|x_i) = \beta_0 + \beta_1x_i \quad (2)$$

holds. Note that neither equation (1) nor (2) is meant to specify what actually happens in the data-generating mechanism; they are shorthand to describe the two-stage OLS procedure that gives rise to $\hat{\beta}_0$ and $\hat{\beta}_1$.

Rather, assume that

$$Y_{ij} = \gamma_0 + \gamma_1x_i + \gamma_2z_{ij} + \gamma_3x_iz_{ij} + \epsilon_{ij} \quad (3)$$

for fixed but unknown regression coefficients $\gamma_0, \dots, \gamma_3$, where the vectors $\boldsymbol{\epsilon}_i = (\epsilon_{i1}, \dots, \epsilon_{im_i})$ are multivariate normal with mean zero and a common variance for all observations of all subjects, and are independent of each other. The elements of $\boldsymbol{\epsilon}_i$ may be correlated, but we assume that $m_i = m_{i'}$ for all i, i' and that the covariance matrices are the same for all subjects.

(a) Identify which of the regression coefficients in (3) is consistently estimated by $\hat{\beta}_1$ obtained from two-stage least squares. Justify your answer.

Solution: $\hat{\beta}_1$ consistently estimates γ_3 in Equation 3.

To see this, we can rewrite Equation 3 as

$$Y_{ij} = (\gamma_0 + \gamma_1x_i) + (\gamma_2 + \gamma_3x_i)z_{ij} + \epsilon_{ij}.$$

Using the least squares estimator, we have that

$$\hat{\alpha}_i = \begin{pmatrix} \hat{\alpha}_{0i} \\ \hat{\alpha}_{1i} \end{pmatrix} = (Z_i^\top Z_i)^{-1} Z_i^\top Y_i = \alpha_i + (Z_i^\top Z_i)^{-1} Z_i^\top \epsilon_i = \begin{pmatrix} \gamma_0 + \gamma_1 x_i \\ \gamma_2 + \gamma_3 x_i \end{pmatrix} + (Z_i^\top Z_i)^{-1} Z_i^\top \epsilon_i,$$

where Z_i is an $m_i \times 2$ matrix, where $Z_{ij1} = 1$ and $Z_{ij2} = z_{ij}$. Taking the expectation, we obtain

$$\mathbb{E}[\hat{\alpha}_i] = \alpha_i. \quad (4)$$

Let $\hat{A} = \begin{pmatrix} \hat{\alpha}_1 & \cdots & \hat{\alpha}_n \end{pmatrix}^\top$, that is, the i th row is $\begin{pmatrix} \hat{\alpha}_{0i} & \hat{\alpha}_{1i} \end{pmatrix}$. Let \hat{A}_2 be second column of \hat{A} , so $\hat{A}_{2i} = \hat{\alpha}_{1i}$. Let X be an $n \times 2$ matrix, where $X_{i1} = 1$ and $X_{i2} = x_i$. In the next stage, we estimate β with

$$\hat{\beta} = \begin{pmatrix} \hat{\beta}_0 \\ \hat{\beta}_1 \end{pmatrix} = (X^\top X)^{-1} X^\top \hat{A}_2.$$

Thus, we'll have that

$$\begin{aligned} \mathbb{E}[\hat{\beta}] &= \mathbb{E}[\mathbb{E}[\hat{\beta} | \hat{A}]] = (X^\top X)^{-1} X^\top \mathbb{E}[\hat{A}_2] \\ &= (X^\top X)^{-1} X^\top \begin{pmatrix} \gamma_2 + \gamma_3 x_1 \\ \vdots \\ \gamma_2 + \gamma_3 x_n \end{pmatrix} \\ &= (X^\top X)^{-1} X^\top X \begin{pmatrix} \gamma_2 \\ \gamma_3 \end{pmatrix} = \begin{pmatrix} \gamma_2 \\ \gamma_3 \end{pmatrix}. \end{aligned}$$

By law of large numbers $\hat{\beta}_1 \rightarrow \mathbb{E}[\hat{\beta}_1] = \gamma_3$ as desired.

(b) Consider four approaches to deriving Wald type 95% confidence intervals for the parameter identified in part (a)

- i. One-stage OLS based on (3), with maximum likelihood standard errors
- ii. One-stage OLS based on (3), with sandwich standard errors
- iii. Two-stage OLS based on (1) and (2), with maximum likelihood standard errors from fitting (2)
- iv. Two-stage OLS based on (1) and (2), with sandwich standard errors from fitting (2)

Explain which of these approaches will lead to asymptotically valid confidence intervals.

Solution: The answer depends on if the elements of ϵ_i are correlated. Let $\epsilon_i \sim \mathcal{N}(\mathbf{0}, \Sigma_i)$, where $\Sigma_i = \Sigma_j$ for all i and j . Let

$$\Sigma = \begin{pmatrix} \Sigma_1 & & & \\ & \Sigma_2 & & \\ & & \ddots & \\ & & & \Sigma_n \end{pmatrix}. \quad (5)$$

- i. To do one-stage OLS. Let X^* be a $\sum_{i=1}^n m_i \times 4$ matrix where the columns are 1s, the x_i s, the z_{ij} s, and $x_i z_{ij}$, respectively. We would estimate γ with $\hat{\gamma} = (X^{*\top} X^*)^{-1} X^{*\top} Y$, which has distribution $\hat{\gamma} \sim \mathcal{N}\left(\gamma, (X^{*\top} X^*)^{-1} X^{*\top} \Sigma X^* (X^{*\top} X^*)^{-1}\right)$. We would only get valid asymptotic standard errors if $\Sigma_i = \sigma^2 I$ for all i if we were to use the usual OLS estimate for standard errors, $\hat{\sigma}^2 (X^{*\top} X^*)^{-1}$.
- ii. The sandwich estimator produces valid standard errors only if we choose $\hat{\Sigma}$ such that $\hat{\Sigma} \rightarrow \Sigma$. One way to do this is to use the assumption that each cluster has the same variance, and let $\hat{\Sigma}_j = \frac{1}{n} \sum_{i=1}^n (Y_i - X_i^* \hat{\gamma})^\top (Y_i - X_i^* \hat{\gamma})$, where X_i^* and Y_i are the covariates and response corresponding to each cluster.
If we use the usual covariance matrix estimate that assumes independence, we would not get valid standard errors, however, unless the data were actually independent.
- iii. Following the first stage, we have that our estimator for α_i is

$$\hat{\alpha}_i \sim \mathcal{N}\left(\alpha_i, (Z_i^\top Z_i)^{-1} Z_i^\top \Sigma_i Z_i (Z_i^\top Z_i)^{-1}\right). \quad (6)$$

In this way, we can write $\hat{\alpha}_{1i} = \gamma_2 + \gamma_3 x_i + \delta_i$, where

$$\delta_i \sim \mathcal{N}\left(0, \left((Z_i^\top Z_i)^{-1} Z_i^\top \Sigma_i Z_i (Z_i^\top Z_i)^{-1}\right)_{22}\right),$$

and are independent since each cluster is independent.

In the second state, we regress on $\hat{\alpha}_{1i}$. While each response observation is independent, the errors are not identically distributed, so in general, our standard errors would not be valid.

- iv. Sandwich estimation deals with heteroscedasticity by taking the sample covariance. Using $X^\top \text{diag}\left(\left(\hat{A}_2 - X\hat{\beta}\right)^\top \left(\hat{A}_2 - X\hat{\beta}\right)\right) X$ as the meat of the sandwich should give valid standard errors.

(c) Does your answer to part (b) change if you assume $\mathbf{z}_i = \mathbf{z}_{i'}$ for all i, i' ?

Solution: Yes for part (iii). Having $\mathbf{z}_i = \mathbf{z}_{i'}$ for all i, i' along with the fact that $\Sigma_i = \Sigma_{i'}$ for all i, i' ensures that the δ_i are independent and identically distributed. In this case, standard errors are accurately estimated by $\hat{\sigma}^2 (X^\top X)^{-1}$.

Problem 2: Overdispersion and correlation in clustered binary data (10 points)

Download the Indonesian Children's Health Study (ICHS) dataset from the course website. The file contains data for 275 preschool children examined for respiratory infection at up to six quarterly visits. The respiratory infection status, current age, and the baseline age at the first visit were recorded for each child at each visit. Later in the course, we will use this dataset to estimate the association between vitamin A deficiency (assessed through an ocular measurement of xerophthalmia) in preschool children and occurrence of respiratory infections. For now, we will focus on estimating the correlation and/or

overdispersion that result from repeated measurements of the same subjects. The variables you will need to pay attention to are:

`id` = Subject ID
`infect` = Infection status at current visit
`baseage` = Age at baseline (months-36)
`xero` = Xerophthalmia status at current visit

- (a) Fit an overdispersed logistic regression model with only an intercept to the Bernoulli version of these data (i.e., one binary observation for each child, at each visit). What is the estimated dispersion factor? What can you say theoretically about the dispersion factor? If there is a difference between the theoretical and estimated values, how can you explain it?
- (b) Now convert the data into binomial observations, by aggregating over all visits to obtain a single binomial outcome for each child. Again fit an overdispersed logistic regression model with only an intercept, but this time do it using both quasi-likelihood and beta-binomial models. Fit the beta-binomial model two different ways, using the `vglm()` function in the **VGAM** package in **R** and by direct optimization of the log-likelihood. For each of these three model fits, report the estimated overdispersion or correlation parameter (as appropriate) and calculate a corresponding 95% confidence interval if this is possible without much additional work (i.e., if standard error estimates are reported or can be computed from a Hessian matrix). Discuss how the point estimates for overdispersion/correlation from these three model fits relate to each other.
- (c) Repeat all of the steps in part (b), but this time include a linear term for baseline age in the mean component of the logistic regression model.
- (d) Discuss the main differences between your findings in parts (b) and (c).