

Python Programming and Machine Learning for Economists (Jan/Feb 2022)

Michael E. Rose, PhD

Introduction

Who am I?

- Senior Research Fellow, Max Planck Institute for Innovation and Competition, PhD in Econ (University of Cape Town)
- Writing code since 8th grade
- Author of 3 open-source projects: `pybliometrics`, `sosia`, `scholarmetrics`
- Teaching experience:
 - *This course* @ Kiel Institute for the World Economy (ASP), University of Zurich, ifo Institute Munich, LMU Munich, Scheller College of Business at Georgia Tech, TU Munich
 - Risk Management Computing Skills [Matlab, SQL, Excel, VBA] @ University of Cape Town
- Michael.Ernst.Rose@gmail.com



Who are you?

- Name, Status
- Which languages, how long?
- Which operating system?
- Who is more in control, your computer or you?

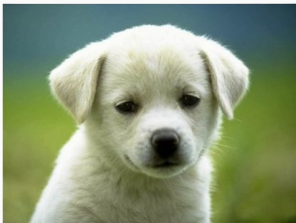
1. Empirical research using Python
2. Project management
3. Supervised Machine Learning
4. Unsupervised Machine Learning
5. Natural Language Processing

- Lecture in the morning, exercises in the afternoon
- Each exercise session starts with a Monty Python sketch
- 10 Minutes breaks after 50 Minutes of Teaching

Exercises (= mini projects)

👍 Difficulty increases as the course progresses

Data sets
in tutorials



Data sets in
the wild



👍 Your grades depend on the final exercises

Learning outcomes

- Programming part
 1. List some of the right basic tools for empirical research
 2. Use python independently
 3. Apply pandas, seaborn, sklearn
 4. Understand coding principles
 5. Use PyCharm
 6. Understand version control and use git
- Machine Learning
 1. Apply simple Neural Networks, clustering algorithms and Principal Component Analysis
 2. Interpret and evaluate any machine learning application
 3. Teach yourself how to apply machine learning algorithms we don't speak about

Required Readings

- 📖 Shapiro, J. and M. Gentzkow: “Code and Data for the Social Sciences: A Practitioners Guide” - *Short paper on project management by Economists, read it all today*
- 📖 Athey, S. and G. Imbens (ARE 2019): “Machine Learning Methods That Economists Should Know About” - *Well-written overview that introduces all the technical terms for machine learning, read it until 3rd day*
- 📖 Gentzkow, M., B. Kelly and M. Taddy (JEL 2019): “Text as Data” - *Well-written introduction to language processing, read it until last day*

How to use Python



Why Python?

- Interpreted, high-level, general-purpose programming language
- Can be object-oriented, imperative, functional and procedural
- Free (= no licenses)
- Large (= support and many packages)
- Centralized development
- Very good first language

Why Python?

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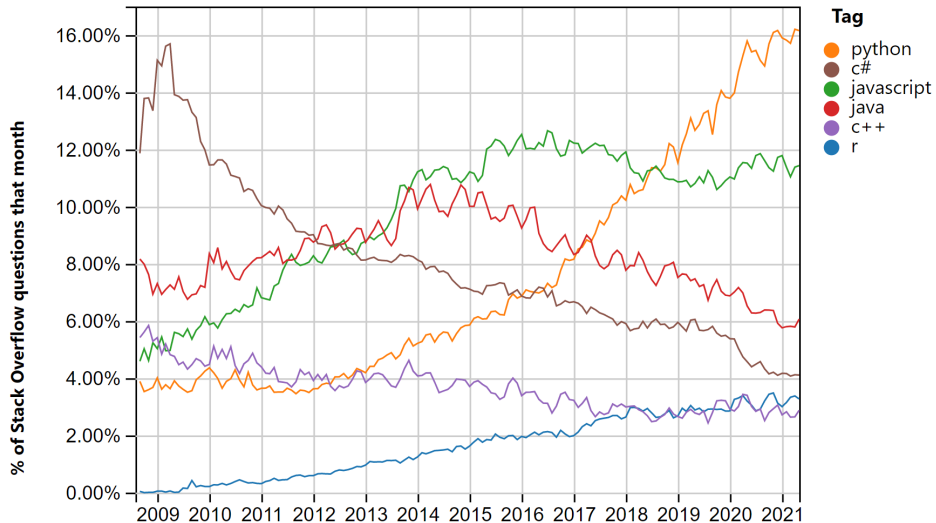
*There should be one— and preferably only one —obvious way to do it.
Although that way may not be obvious at first unless you're
Dutch.* (Tim Peters - The Zen of Python)

Credit where Credit is due

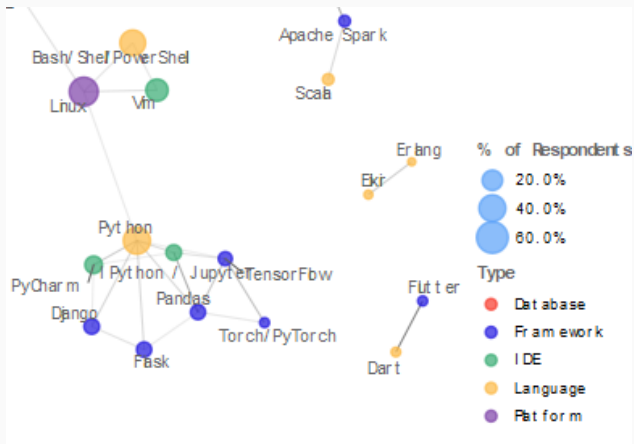
- Guido van Rossum
created Python in his Christmas holidays 1989 as
*"a descendant of ABC that would
appeal to Unix/C hackers. I chose
Python as a working title for the
project, being in a slightly irreverent
mood (and a big fan of Monty
Python's Flying Circus)."*
- Since 2019 5-member steering committee at
the Python Foundation heads the development
of Python



Python is popular and increasing in popularity



Python's local technology cluster



StackOverflow.com: ["Developer Survey Results 2019"](#)

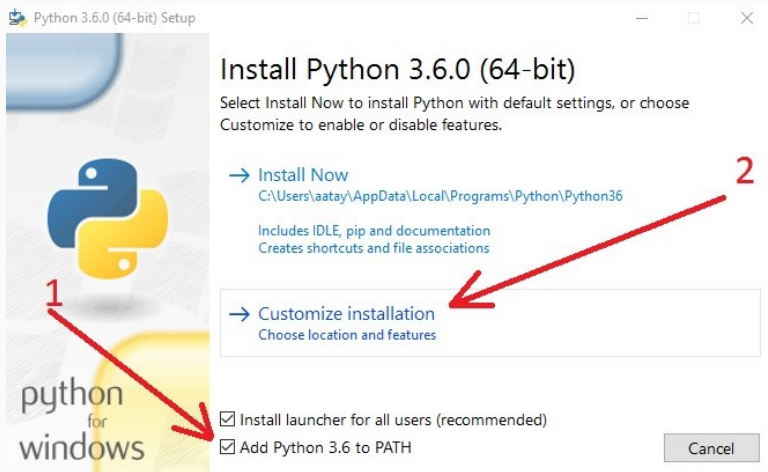
Why I discourage anaconda

- packages provided by anaconda need to be installed with `conda install` (they will ONLY be in the conda environment)
- packages tend to be outdated
- Overkill/Unnecessary software
- Jupyter and spyder run without anaconda as well
- Actually not *that* popular: 19% of Python installations via Anaconda¹

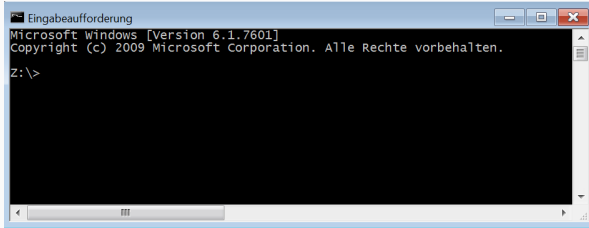
¹[Python Developers Survey 2020 Results](#)

Installing Python and pip

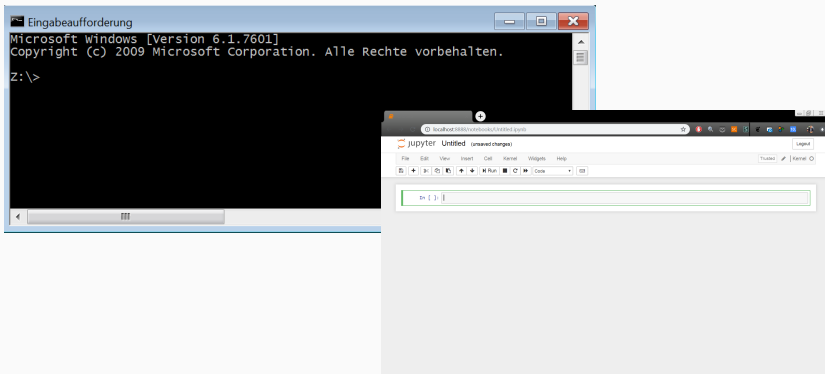
<https://www.python.org/downloads/>



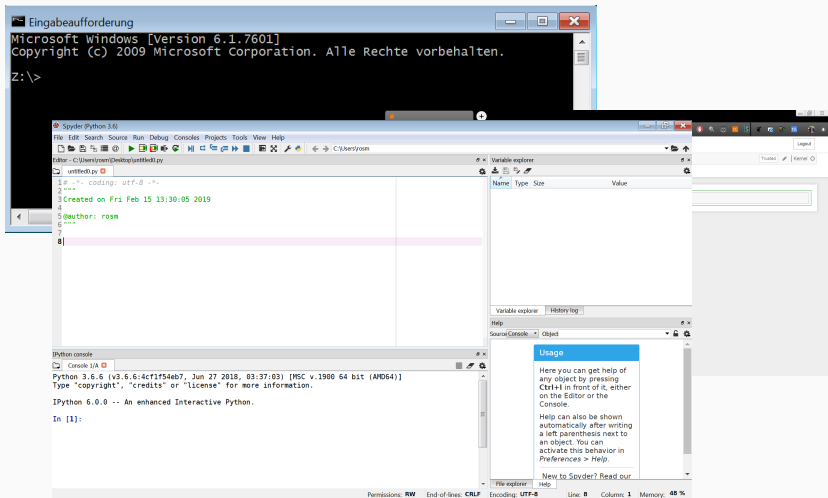
Different ways to use Python



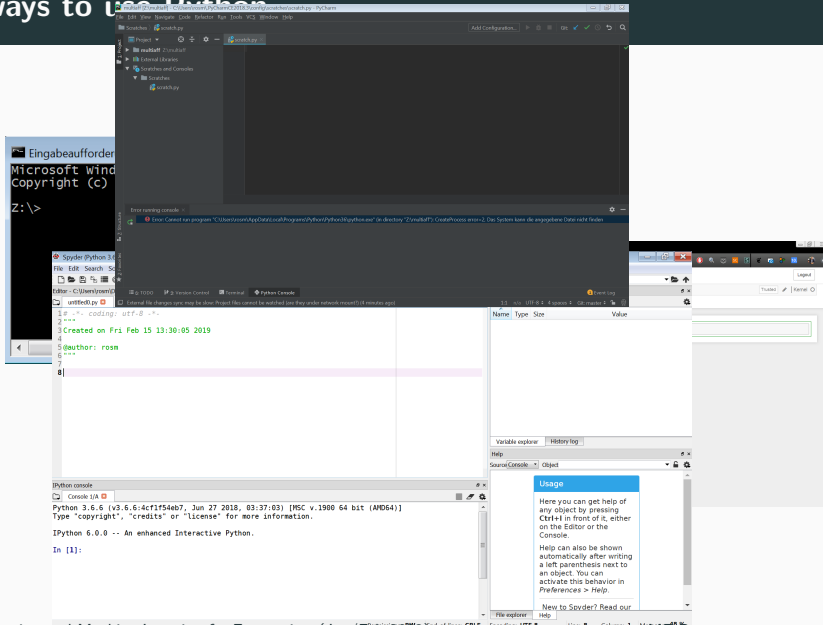
Different ways to use Python






Different ways to use Python



Different ways to use Python






Terminal/Console

- >_ Console uses DOS language () or shell and bash ( and )
- >_ Starts python environment, Jupyter, and executes scripts




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>_ Starts python environment, Jupyter, and executes scripts


>_ Install packages here:

 `python -m pip install pandas seaborn`
  `python3 -m pip install pandas seaborn`


>_ Shortcut (which is not platform-independent)

 `pip install pandas seaborn`
  `pip3 install pandas seaborn`

Jupyter Notebook on your computer


- Create a folder for this course and navigate there in your terminal (alternatively, open the "PowerShell" via context menu after +rightclick)

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- Install the jupyter notebook if necessary

```
python3 -m pip install notebook
jupyter notebook
```
- Your browser will fire up (i.e., you started your own server)

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```
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jupyter notebook
```
- Your browser will fire up (i.e., you started your own server)
- Click on New in the upper right corner to start a new notebook

Notebooks will be saved in the folder where you invoked the jupyter server

- colab.research.google.com: requires Google account; stores notebooks in your Drive; integrates with GitHub; potentially older packages
- kaggle.com/code: requires Kaggle account; allows for R as well
- mybinder.org: requires GitHub account; builds from a GitHub repository

Recap some Python basics

What matters in Python?

- Indentation is key (convention: four spaces)
- Case-sensitive
- Variables must not start with numbers
- It's a language, *not* a program

Pandas



pandas: the library for data manipulation

- Documentation: <http://pandas.pydata.org/pandas-docs/stable/>

The screenshot shows the pandas documentation website. At the top, there's a navigation bar with the pandas logo and links: Home, What's New in 1.0.0, Getting started, User Guide, API reference, Development, and Release Notes. On the right of the navigation bar are social media icons for GitHub and Twitter. Below the navigation bar is a search bar labeled "Search the docs ...". The main content area has the heading "pandas documentation" followed by "Date: Feb 05, 2020 Version: 1.0.1". Below this are links for "Download documentation: PDF Version | Zipped HTML" and "Useful links: Binary Installers | Source Repository | Issues & Ideas | Q&A Support | Mailing List". A paragraph describes pandas as an open source, BSD-licensed library providing high-performance, easy-to-use data structures and data analysis tools for the Python programming language. There are four main content boxes: 1. "Getting started" with a person icon, text about getting started guides, and a button "To the getting started guides". 2. "User guide" with an open book icon, text about in-depth information, and a button "To the user guide". 3. "API reference" with a code icon [...], text about the reference guide, and a button "To the API reference". 4. "Developer guide" with a greater-than sign icon >, text about developer guides, and a button "To the developer guide". At the bottom, there's a footer with the text "Python Programming and Machine Learning for Economists (Jan/Feb 2022)" on the left and "ME Rose" on the right.

Home What's New in 1.0.0 Getting started User Guide API reference Development Release Notes

Search the docs ...


pandas documentation

Date: Feb 05, 2020 Version: 1.0.1

Download documentation: [PDF Version](#) | [Zipped HTML](#)

Useful links: [Binary Installers](#) | [Source Repository](#) | [Issues & Ideas](#) | [Q&A Support](#) | [Mailing List](#)


pandas is an open source, BSD-licensed library providing high-performance, easy-to-use data structures and data analysis tools for the Python programming language.



Getting started

New to pandas? Check out the getting started guides. They contain an introduction to pandas' main concepts and links to additional tutorials.


[To the getting started guides](#)



User guide

The user guide provides in-depth information on the key concepts of pandas with useful background information and explanation.


[To the user guide](#)



API reference

The reference guide contains a detailed description of the pandas

[To the API reference](#)



Developer guide

Saw a typo in the documentation? Want to improve existing

[To the developer guide](#)

Python Programming and Machine Learning for Economists (Jan/Feb 2022) ME Rose

Let's start with a dataset on twins...

```
1 import pandas as pd
2
3 FNAME = "http://www.stat.ucla.edu/~rgould/datasets/twins.dat"
4
5 df = pd.read_csv(FNAME, sep='\t')
```

- Documentation at

<http://www.stat.ucla.edu/~rgould/datasets/twinsexplain.txt>

pandas functionality relevant for the course

- 10 minutes to pandas
- IO tools (text, CSV, HDF5, ...)
- Indexing and selecting data
- Reshaping and pivot tables
- Working with missing data
- Computational tools

Let's inspect our data

```
1 df.shape    # Dimensions
2 df.head()   # First 5 lines (by default)
3 df.tail(7)  # Last 7 lines
4 df.columns  # List of variables
5 df.describe() # Summary statistics
```

1. How many observations do you have?
2. How many variables do you have?
3. Which variables are numeric?
4. What is the mean of variable "DEDUC1"?

Slicing the DataFrame

```
1  # Selecting columns
2  df["DEDUC1"]  # Column by column name
3  df[["AGE", "LHRWAGEH"]]  # Columns by list of column names
4  df.iloc[:, 5:7]  # Column range by column indices
5
6  # Selecting rows
7  df.loc[0]  # Row by index name (also accepts lists)
8  df.iloc[0]  # Row by row number (also accepts lists)
9
10 # Selecting values
11 df.loc[18, "AGE"]  # Name of row and column
12 df.iloc[18, 2]  # Index of row and column
```

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```

1. What is the 6th entry of the 5th column?
2. What is the 5th entry of column "DTEN"?
3. What is the last entry of column "LHRWAGEH"?

Understanding dtypes

```
1 df.info()
```

Understanding dtypes

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```

Pandas	Python	Purpose
object	unicode	Text
int64	int	Integers
float64	float	Floating numbers
bool	bool	True & False values
datetime64		Date and time values
timedelta[ns]		Differences between two datetimes
category		Finite list of text values

Changing dtypes

```
1 df["WHITEH"] = df["WHITEH"].astype(bool)
2 df["DMARRIED"] = df["DMARRIED"].astype("category")
3 df["LHRWAGEH"] = pd.to_numeric(df["LHRWAGEH"], errors="coerce")
```

Optimising dtypes

```
1 df.info(memory_usage=True)
```

Optimising dtypes

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```

```
1 bools = ['WHITEH', 'MALEH', 'WHITEL', 'MALEL']  
2 df[bools] = df[bools].astype(bool)  
3 df['DMARRIED'] = df['DMARRIED'].astype('int8')  
4 df.info(memory_usage=True)
```

Boolean indexing

```
1 df[df["AGE"] > 20]    # One condition
2 df[(df["AGE"] > 20) & (df["WHITE"] == 1)]  # Multiple conditions
3 df[~(df["AGE"] > 20)]  # Tilde inverses boolean
4 values = (20, 21, 22, 23)
5 df[df["AGE"].isin(values)]  # Select specific values
```

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```

1. How many observations have "WHITE" equal to 0?
2. How many observations have "WHITE" equal to 1 and "DEDUC1" unequal to 0?
3. In how many rows do the values for "WHITE" and "WHITE" differ?
4. What is the mean age of twins whose L-sibling is a non-white male with either 12 or 14 years of education? (Use "WHITE", "MALE" and "EDUC",)

Aggregate data

```
1 df["WHITEH"].value_counts()  
2 pd.crosstab(df["WHITEH"], df["WHITEH"])
```

Aggregate data

```
1 df["WHITEH"].value_counts()
2 pd.crosstab(df["WHITEH"], df["WHITEL"])
```

1. What is the most common value in "EDUCL"?
2. What is the most common combination of "MALEH" and "MALEL"?

Manipulation

```
1  # Representation
2  df = df.sort_values(by='HRWAGEH')  # Sorting by column
3  df = df[sorted(df.columns)]  # Re-order columns alphabetically
4  # Work on columns
5  df = df.drop('AGESQ', axis=1)  # Drop a column
6  df['new'] = 9  # Add new column
7  df['AGETR'] = df['AGE']**3
8  df['combined'] = df['MALEH'] + df['EDUCH']
9  # Missing data
10 df["HRWAGEH_new"] = df["HRWAGEH"].fillna(0)  # Fill missings with 0
11 df = df.dropna(subset=["HRWAGEH"])  # Drop rows missing in "HRWAGEH"
```

Grouping

```
1 grouped = df.groupby(['MALEH'])
2 print(grouped['AGE'].mean())
3 print(grouped['EDUCH'].agg(['mean', 'sum']))
4 print(grouped[['EDUCH', 'AGE']].agg(['mean', 'std']))
```

Grouping

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4 print(grouped[['EDUCH', 'AGE']].agg(['mean', 'std']))
```

- Full list at https://pandas.pydata.org/pandas-docs/stable/user_guide/groupby.html#aggregation
- What is the "AGE" variance for "MALEL" == 0 individuals?
 - What are the second and the third quartile of years of schooling for female L-siblings? (Use "EUDCL" and "MALEL" == 0)
 - What is the average "AGE" for twins where both siblings are female?

Creating DataFrames from other objects

Creating Pandas DataFrames from Python Lists and Dictionaries

	Dictionary		List																				
Row Oriented	<pre>sales = [{'account': 'Jones LLC', 'Jan': 150, 'Feb': 200, 'Mar': 140}, {'account': 'Alpha Co', 'Jan': 200, 'Feb': 210, 'Mar': 215}, {'account': 'Blue Inc', 'Jan': 50, 'Feb': 90, 'Mar': 95}] df = pd.DataFrame(sales)</pre>		<pre>sales = [('Jones LLC', 150, 200, 50), ('Alpha Co', 200, 210, 90), ('Blue Inc', 140, 215, 95)] labels = ['account', 'Jan', 'Feb', 'Mar'] df = pd.DataFrame.from_records(sales, columns=labels)</pre>																				
	default	<table border="1"><thead><tr><th></th><th>account</th><th>Jan</th><th>Feb</th><th>Mar</th></tr></thead><tbody><tr><td>0</td><td>Jones LLC</td><td>150</td><td>200</td><td>140</td></tr><tr><td>1</td><td>Alpha Co</td><td>200</td><td>210</td><td>215</td></tr><tr><td>2</td><td>Blue Inc</td><td>50</td><td>90</td><td>95</td></tr></tbody></table>		account	Jan	Feb	Mar	0	Jones LLC	150	200	140	1	Alpha Co	200	210	215	2	Blue Inc	50	90	95	from_records
	account	Jan	Feb	Mar																			
0	Jones LLC	150	200	140																			
1	Alpha Co	200	210	215																			
2	Blue Inc	50	90	95																			
Column Oriented	<pre>sales = {'account': ['Jones LLC', 'Alpha Co', 'Blue Inc'], 'Jan': [150, 200, 50], 'Feb': [200, 210, 90], 'Mar': [140, 215, 95]} df = pd.DataFrame.from_dict(sales)</pre>		<pre>sales = [['account', ['Jones LLC', 'Alpha Co', 'Blue Inc']], ['Jan', [150, 200, 50]], ['Feb', [200, 210, 90]], ['Mar', [140, 215, 95]]] df = pd.DataFrame.from_items(sales)</pre>																				
	from_dict		from_items																				

When using a dictionary, column order is not preserved.
Explicitly order them:
`df = df[['account', 'Jan', 'Feb', 'Mar']]`

Practical Business Python - pbpython.com

To become a Master...

🔖 10 minutes to pandas

📖 Wes McKinney: "Python for Data Analysis. Data Wrangling with Pandas, NumPy, and IPython", O'Reilly (2017)

📖 Fabio Nelli: "Python Data Analytics. Data Analysis and Science Using Pandas, matplotlib, and the Python Programming Language", Apress (2015)

Plotting w/ pandas (matplotlib), and w/ seaborn



Visualization with pandas

- Straightforward plotting as DataFrame methods for all kinds: barplots, areas, histograms, violin plots, timeseries, etc.:

<https://pandas.pydata.org/pandas-docs/stable/visualization.html>

- Has matplotlib under the hood - for aesthetics

```
import matplotlib.pyplot as plt
```

- Set global styles with `plt.style.use('<style>')` (list all styles with `plt.style.available`)

! Beware: Have DataFrame in correct format (long vs. wide)

Statistical plotting with seaborn

- [seaborn](#): wrapper for `matplotlib`, optimized for quick statistical plotting: Error bars, distributions, regressions, etc.
- Use seaborn's toy datasets using `.load_dataset()`
- 👉 If downloading example datasets via `.load_dataset()` doesn't work, get them from github.com/mwaskom/seaborn-data and store them in `~./seaborn-data/`

Seaborn's plotting philosophy

- Statistical relation between numeric values?
 - ➔ `relplot()` for Scatter and Line (→ [Documentation](#))
- Categorical data?
 - ➔ `catplot()` for Scatter-like (Swarm and Strip), Distributions (Box, Violin, Boxen) and Estimations (Point, Bar, Count) (→ [Documentation](#))
- Linear relationships?
 - ➔ `regplot()` (→ [Documentation](#))

Pandas plotting vs. seaborn

- In Jupyter, remember to write and execute `%matplotlib inline` in first cell to show figures
- Use pandas when you do the aggregations yourself
- Use seaborn when you use raw data – seaborn will aggregate itself

List of named colors in matplotlib

Color maps in matplotlib

Color maps in seaborn

To become a Master...

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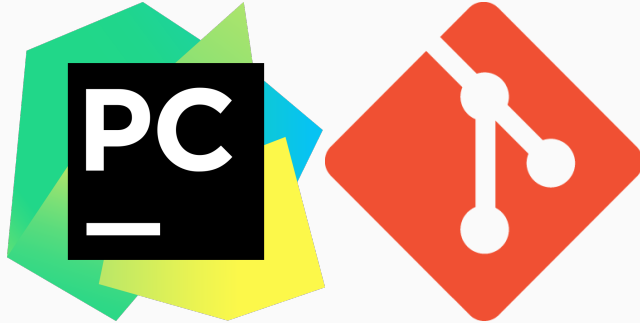
 matplotlib Tutorials

 seaborn User guide and tutorial

Recap Day 1

- 🌀 Use the Terminal/Console to install new packages, upgrade with the `--upgrade` flag
- 🌀 Consult the package's documentation for parameter names, defaults and examples
- 🌀 Python is object-orientated: don't forget to reassign after working with an object

Project Management with PyCharm and git



Proper Data Management

- ... increasingly required by funders (as of last year, ERC grant holders have to have a RDMP in place)
- ... usually entails a backup system, maybe with versioning
- ... enables you to keep track of your progress
- ... facilitates working with others

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- ... usually entails a backup system, maybe with versioning
- ... enables you to keep track of your progress
- ... facilitates working with others
- ! Remember: You are your first re-user of your data
 - Documentation
 - Accuracy
 - Replicability

Ten Simple Rules for Reproducible Computational Research

1. For Every Result, **Keep Track** of How It Was Produced
2. Avoid **Manual Data Manipulation** Steps
3. **Archive** the Exact Versions of All External Programs Used
4. **Version Control** All Custom Scripts
5. Record All **Intermediate Results**, When Possible in Standardized Formats
6. For Analyses That Include Randomness, Note Underlying **Random Seeds**
7. Always Store **Raw Data** behind Plots
8. Generate **Hierarchical Analysis Output**, Allowing Layers of Increasing Detail to Be Inspected
9. Connect Textual Statements to **Underlying Results**
10. Provide **Public Access** to Scripts, Runs, and Results

Geir K. Sandve et al. (2013): "[Ten Simple Rules for Reproducible Computational Research](#)", Plos ONE.

- Show file endings - [How?](#)
- Show hidden files - [How?](#)

Simple rules for an Economist's project directory

- "Automate everything that can be automated."
- "Store code and data under version control."
- "Separate directories by function."
- "Separate files into inputs and outputs."
- "Manage tasks with a task management system."

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❓ From which of your required readings are these quotes?

Why PyCharm?

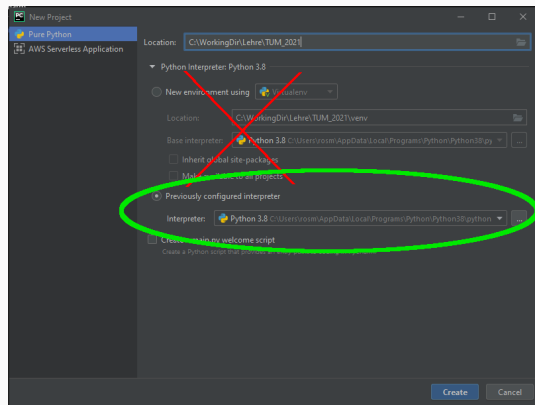
- Integrated Developer Environment (IDE), i.e. terminal, editor, object explorer, etc. in a single window
- Project-aware: Knows of usage of say imported functions elsewhere
- Integrates with version control systems and also Amazon Web Services (AWS)
- Community edition is free (→ [Download](#))

🏆 Most used editor or IDE in 2020, with 33% of developers²

²[Python Developers Survey 2020 Results](#)

Starting a project in PyCharm

1. (Install and)Open PyCharm
2. In the Welcome screen, click on "Open" and open the folder where you saved your notebook yesterday
3. Do **NOT** create a new/virtual environment (`venv`), rather (set and)use the system interpreter(to your python installation)
4. `main.py` Welcome Script not necessary



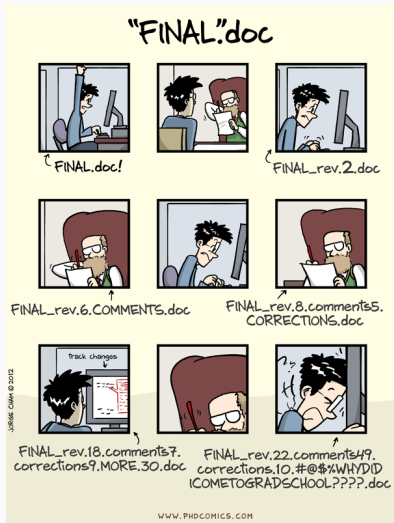
jetbrains.com/help/pycharm/creating-and-running-your-first-python-project.html

Why does git exist?

- Git protects yourself and others from yourself and others
- You can modify/change/break/improve your code and data, secure in the knowledge that you can not ruin your work too badly
- **No** commercial software is written without Version Control!
- Lots of open-source projects as well:
 - [pandas](#), [scikit-learn](#), [seaborn](#), [ggplot2](#), ...
- Very handy to compare recent changes against history
- Almost all Python developers use version control at least sometimes³

³[Python Developers Survey 2020 Results](#)

With git you *never* change the file name



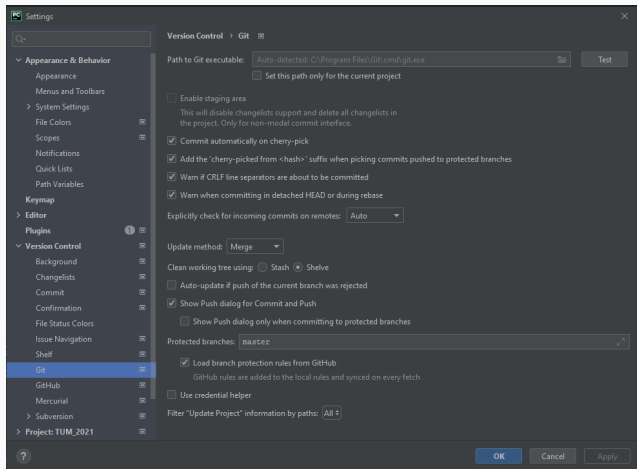
How does git work?

1. You tell git which files to keep track of ("checking-in")
2. ... eventually to store snapshots of changes of tracked files ("committing")
3. ... on top of previous commits ("repository")

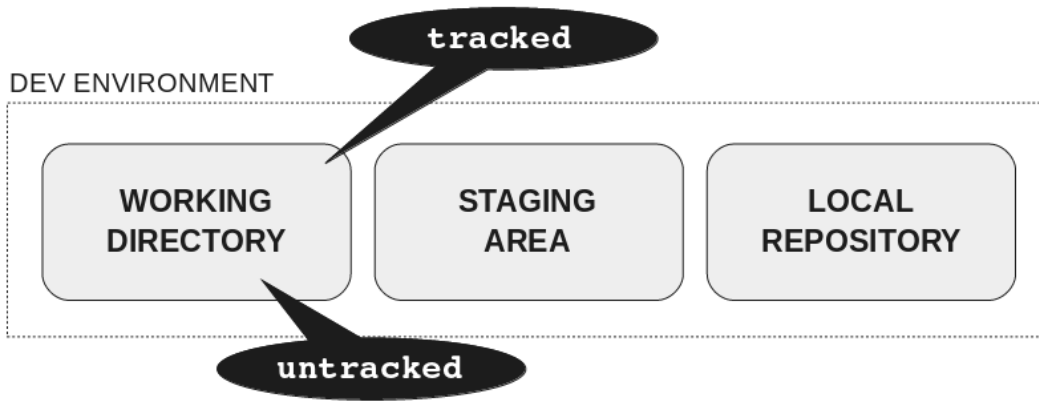
→ git manages changes to a project without overwriting any part of it

Configuring git in PyCharm

1. (Install git from git-scm.com/download)
2. File | Settings > Version Control > Git → Set "Path to Git executable" (often auto-detected)
3. VCS | Enable Version Control Integration → select "Git"
4. Use green marker to open git dialogue



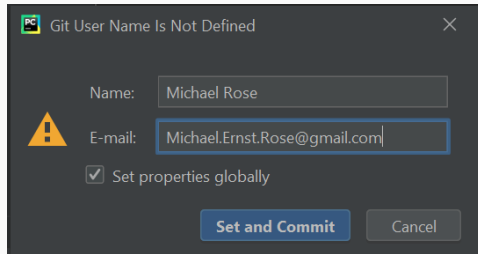
git's architecture



from: Rachel Carmena (2018): ["How to teach Git"](#)

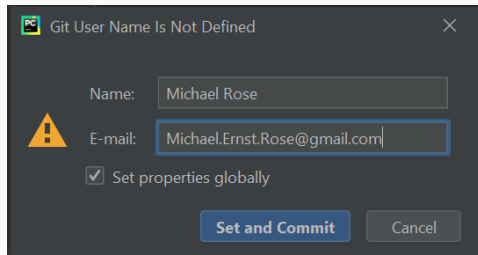
Telling git who you are

On first commit, PyCharm prompts for name and email address



Telling git who you are

On first commit, PyCharm prompts for name and email address



Alternatively, you may your identity via the terminal:

```
$ git config --global user.name "<Your real name>"
```

```
$ git config --global user.email <Your real email address>
```

If you plan to use git outside of PyCharm also [set the editor](#)

The .gitignore file

- Small file to specify files and folders you do not want to track → [Documentation](#)
 - PyCharm's .idea folder
 - temp files from Stata, Python, R, etc.
 - Windows' database files
- Works best with regex → [Templates](#)
- Hidden on *nix systems; show with `ctrl`+`h`

To become a Master...



PyCharm's playlist [Getting Started with PyCharm](#) (13 videos)



PyCharm's [Knowledge Base](#)

Debugging

Bad things that can happen to your code

- Syntax Errors: Prevent your code from running (i.e. pre-runtime)
- Runtime Error: Occur during runtime (Exception)
- Semantic Error: Code runs, but not the way you like (Bugs)

Bad things that can happen to your code

- Syntax Errors: Prevent your code from running (i.e. pre-runtime)
 - Runtime Error: Occur during runtime (Exception)
 - Semantic Error: Code runs, but not the way you like (Bugs)
- ❓ Which one of these is a syntax error, which one is a bug, and which one will throw an exception?
1. Attempting to divide by 0
 2. Not closing a parenthesis
 3. Not dividing by 100 when computing a percentage

Avoid bugs in the first place

- Write easy code
- Experiment to check your hypotheses
 - `print()` objects to see what they contain
 - `print(type())` objects to see what they are
- Scaffolding: Write, check, repeat (Get something working and keep it working)
- Think formally (unlike in natural languages)
 - No ambiguity
 - Less redundancy
 - Always literal

Avoid bugs in the first place

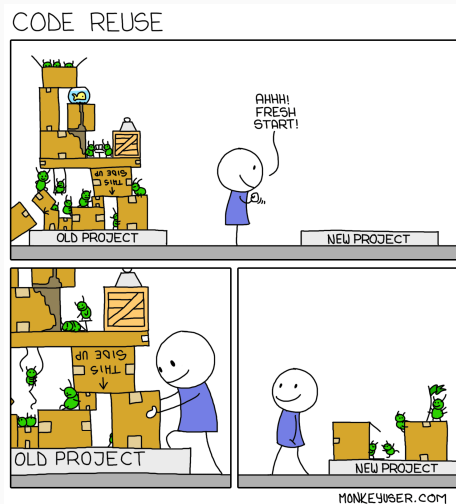
- Write easy code
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 The problem always sits behind the keyboard

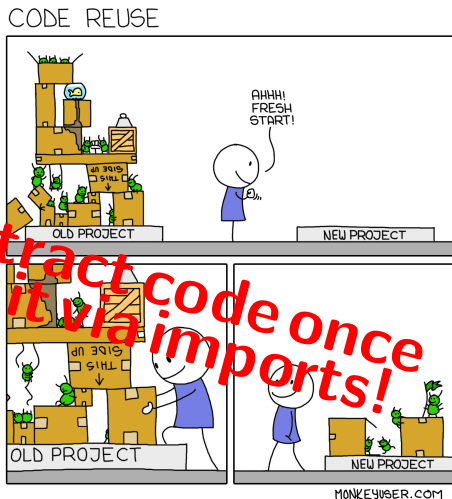
How to hunt down the bug

- You will spend most of the time debugging
- It's detective work: Where does the bug come from, how to fix it w/o breaking other things
- Tracebacks help you: What kind of error & where (approximately)

Avoid reusing bad code



Avoid reusing bad code



Make use of tracebacks!

Traceback (most recent call last):

File `"./test.py"`, line 21, in `<module>`

`main()`

File `"./test.py"`, line 14, in `main`

`data=tips, legend=False)`

File `"/usr/local/lib/python3.6/dist-packages/seaborn/relational.py"`, line 1613, in `relplot`

`**plot_kws)`

File `"/usr/local/lib/python3.6/dist-packages/matplotlib/__init__.py"`, line 1810, in `inner`

`return func(ax, *args, **kwargs)`

File `"/usr/local/lib/python3.6/dist-packages/matplotlib/axes/_axes.py"`, line 4300, in `scatter`

`collection.update(kwargs)`

File `"/usr/local/lib/python3.6/dist-packages/matplotlib/artist.py"`, line 916, in `update`

`ret = [_update_property(self, k, v) for k, v in props.items()]`

File `"/usr/local/lib/python3.6/dist-packages/matplotlib/artist.py"`, line 916, in `<listcomp>`

`ret = [_update_property(self, k, v) for k, v in props.items()]`

File `"/usr/local/lib/python3.6/dist-packages/matplotlib/artist.py"`, line 912, in `_update_property`

`raise AttributeError('Unknown property %s' % k)`

`AttributeError: Unknown property xcol`

Inspecting the object

```
1 my_list = {'syntax': 10, 'runtime': 99}
2 print(type(my_list))
```

- What is the type of object `my_list`?

Checking the version

Every decent package has a magic attribute `__version__`:

```
1 import pandas as pd
2
3 pd.__version__
```

Useful to check whether your version is outdated; assure you're on the latest version before bothering developers

Know your error I

```
1 x = "9"  
2 y = 1  
3 z = x + y
```

Know your error I

```
1 x = "9"  
2 y = 1  
3 z = x + y
```

- **TypeError**: you try to combine two objects that are not compatible

Know your error II

```
1 currencies = ["dollar", "euro"]  
2 print(currency)
```

Know your error II

```
1 currencies = ["dollar", "euro"]  
2 print(currency)
```

- **NameError**: you refer to an object that does not exist

Know your error III

```
1 int("9.0")
```

Know your error III

```
1 int("9.0")
```

- **ValueError**: the value you passed to a parameter does not pass the function's limitations on the value

Know your error IV

```
1 marks = [1, 1, 4]
2 print(marks[4])
```

Know your error IV

```
1 marks = [1, 1, 4]
2 print(marks[4])
```

- **IndexError**: you are referring to an element in a container that does not exist

Know your error V

```
1 capitals = {'ger': 'berlin', 'aut': 'vienna'}  
2 print(capitals['fra'])
```

Know your error V

```
1 capitals = {'ger': 'berlin', 'aut': 'vienna'}  
2 print(capitals['fra'])
```

- **KeyError**: you are referring to a key in a dict (or dict-like object) that does not exist

Know your error VI

```
1 my_list = "dbcea"  
2 my_list.sort()
```

Know your error VI

```
1 my_list = "dbcea"  
2 my_list.sort()
```

- **AttributeError**: what you want to do with an object is not possible (mostly: the object is not what you think it is)

Handling exceptions

- Sometimes there might be anticipated changes to your object causing Exceptions
- It is generally cheaper to use a try-except block than to check whether subsequent code will work
- ... unless your error occurs more than 50% of the time
- General rule: Catch only specific errors!

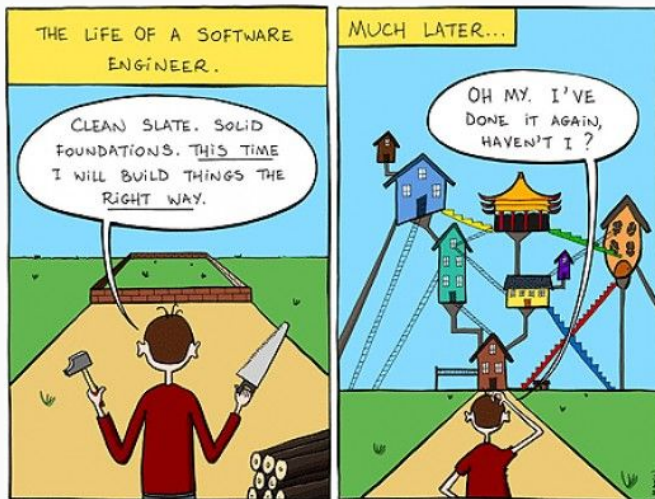
```
1 average = sum(a_list) / len(a_list)
```

What when `a_list` is empty 10% of the time?

Warnings

- Warnings are messages only
- Warnings do not break runtime
- Most of the time you have DeprecationWarnings and pandas' <https://www.dataquest.io/blog/settingwithcopywarning/SettingwithCopyWarning>
- 📢 If you call me for help saying you have an *error* when in fact you have a *warning*, you own me a beer

Refactor as needed




To become a Master...

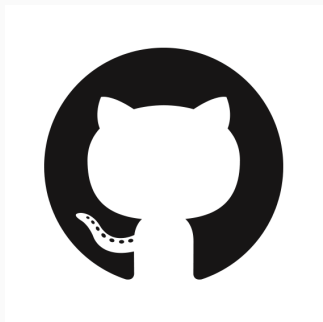
 Allen B. Downey: "Think Python 2e", Green Tea Press (2015)

 Arthur Turrell: "Coding for Economists" (2021)

 "How to Think Like a Computer Scientist: Interactive Edition"

 Garret Christensen, Jeremy Freese and Edward Miguel "Transparent and Reproducible Social Science Research: How to Do Open Science" UC Press (2019)

Collaborating with GitHub and/or GitLab

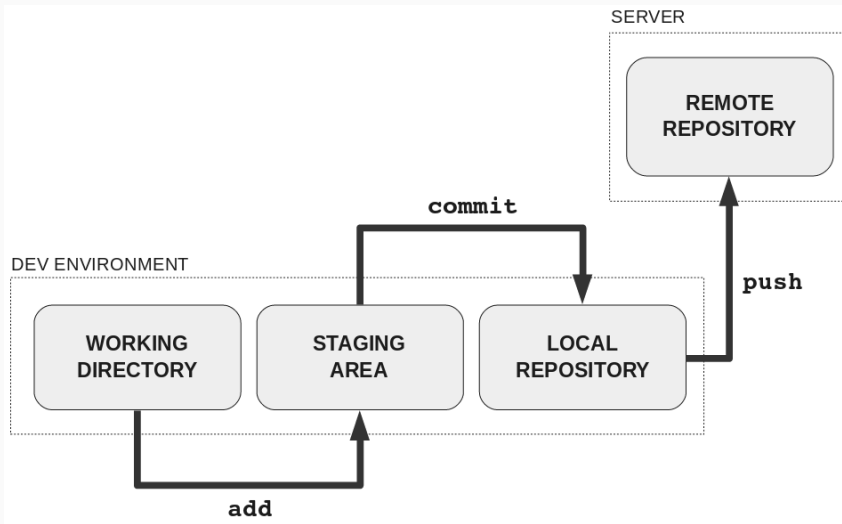


What's the difference?

- git: Version control *on your machine*
- GitHub: Cloud storage accessible from git
- GitLab: GitHub for projects that require continuous integration (CI), i.e. web-apps

Recommendation: Create an account on GitHub! (Also get Pro benefits for free via [GitHub Student Developer Pack](#)) (Added benefit: GitHub hosts a simple private webpage)

How do your changes make it to GitHub/GitLab?



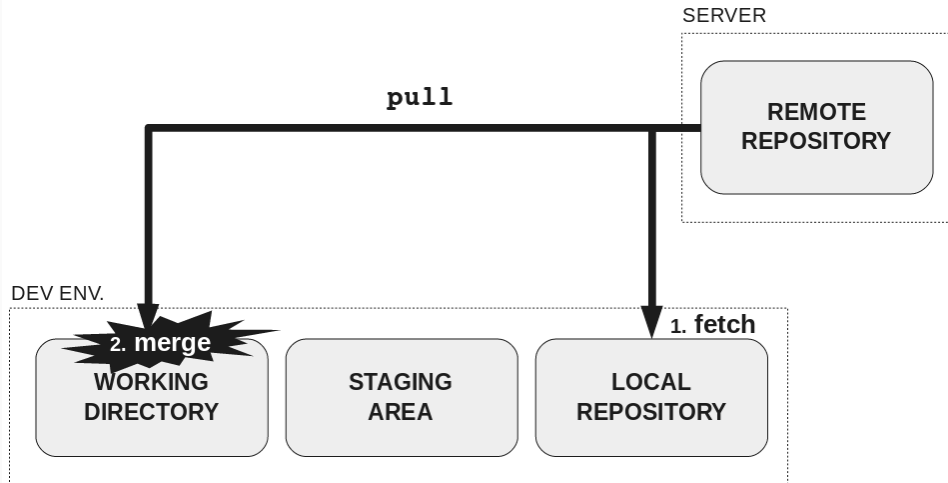
from: Rachel Carmena (2018): ["How to teach Git"](#)

Python Programming and Machine Learning for Economists (Jan/Feb 2022)

ME Rose

105

How do others' changes make it to your system?



from: Rachel Carmena (2018): "[How to teach Git](#)"

Configuring GitHub in PyCharm

1. File | Settings > Version Control > Git → check "Credential Helper"
2. File | Settings > Version Control > GitHub → Click "Add Account"
 - Create an account, or
 - Sign in

⚠ If in future your commits don't make it to GitHub, verify on this page that you're still connected to GitHub

If you plan to use GitHub outside PyCharm:

```
$ git config --global credential.helper cache
```

```
$ git config --global user.password "<Your GitHub password>"
```

Option 1: You have a local repo and want to have it on GitHub

1. Open PyCharm in the folder you want to have on GitHub
2. (Have at least one commit in repo)
3. Git | GitHub > Share Project on GitHub → Type repository name(and check Private)

👉 With GitLab this doesn't work (yet)

Option 2: You have a repo on GitHub/GitLab and want it locally ("cloning")

1. Create a (preferably private) repository on github.com (click "+" top right)
 2. Open PyCharm anywhere
 3. Either click on
 - VCS | Get from Version Control
 - Git | Clone...
 4. In the new window, select "GitHub <your account name>" on the left
 5. From the list of repos, select the new one; then on the bottom set the location
- 👍 PyCharm creates a new folder, turns it into a projects and establishes the connection to GitHub
- 👍 Do not attempt to clone a remote repo into another local one!

To become a Master...

🔖 [GitHub's Learning Lab](#)

Machine Learning for Economists

Why should Economists know Machine Learning?

- To understand its impact on the economy
- To make use of text as data
- To create huge, fat datasets based on prediction
- To understand one's datasets better
- Useful for Econometrics

Why should Econometricians know Machine Learning?

- Prediction is part of 2SLS
- Systematic model selection
- Policy prediction

Further reading: Angrist and Frandsen (2019): "[Machine Labor](#)", NBER Working Paper No. 26584

What problems does ML solve?

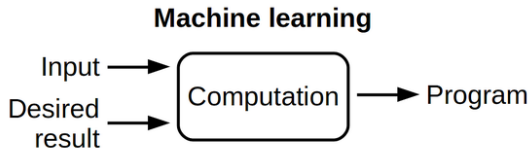
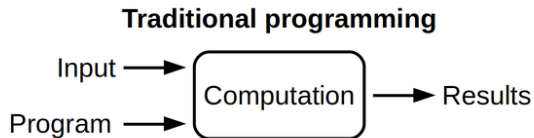
“If a typical person can do a mental task with less than one second of thought, we can probably automate it using AI either now or in the near future.”

Andrew Ng

Goal: Finding patterns in and making statistical inference from *huge and fat* data

! The science and art of giving computers the ability to make decisions *without being explicitly programmed*

Relation ML and traditional programming



from: Antti Ajanki (2018): [“Differences between machine learning and software engineering”](#)

Some definitions and relationships

- Machine Learning: Learning from data
 1. Unsupervised ML: Finding patterns in the unknown
 2. Supervised ML: Predicting from what's known
 - Deep Learning: A multi-layer neural network
 3. Reinforcement Learning: Explore and exploit
- Natural Language Processing: Turning Text to Data
- Artificial Intelligence: ML + decision-making

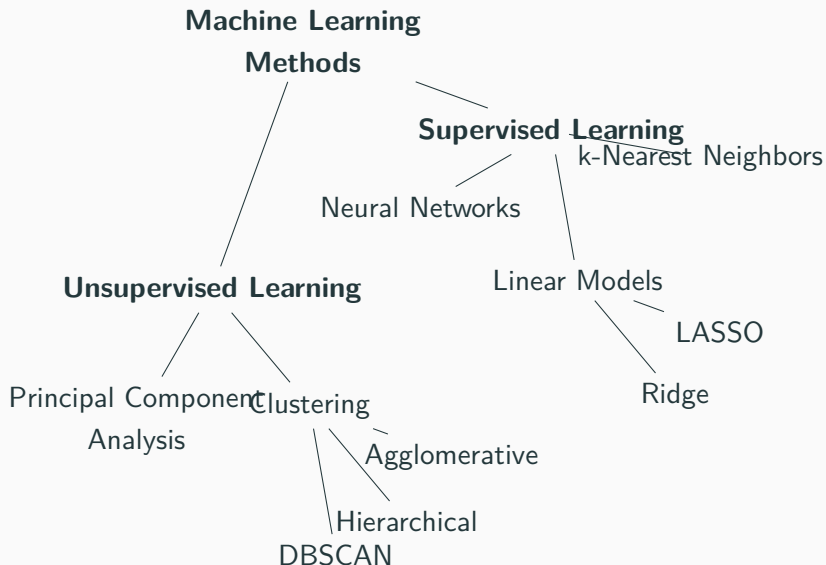
Translation: Econometrics to Machine Learning

Term in Econometrics	Term in ML
Variable	Feature
Variable construction	Feature engineering
fit	learn, fit
coefficient	weight
Non-binary regression	Prediction
Binary regression	Classification
Dummy	One-hot encoding
Bias	Assumptions made to ease learning

General considerations

- Data is the new Oil
- Garbage in, Garbage out
- ML will err – if you want perfection, do it yourself
- Do not interpret anything (coefficients are biased)

ML methods we're going to learn



Unsupervised Machine Learning



Unsupervised Machine Learning

- No pre-learning and testing, it just happens
- Black Box

What for?

1. Dimensionality reduction (many features to fewer features)
 - Preprocessing (for supervised methods to ease computational burden)
 - Feature extraction (Find driving themes in data)
2. Clustering

Dimensionality Reduction

- Nancy Kong, Uwe Dulleck, Shupeng Sun, Sowmya Vajjala and Adam B. Jaffe: "Linguistic Metrics for Patent Disclosure: Evidence from University Versus Corporate Patents," CESifo Working Paper No. 8571.

Clustering

- Marko Terviö (2011): "Divisions within Academia: Evidence from Faculty Hiring and Placement," The Review of Economics and Statistics 93(3), 1053–1062.
- Anil Chaturvedi, J. Douglas Carroll, Paul E. Green and John A. Rotondo (1997): "A Feature-Based Approach to Market Segmentation via Overlapping K-Centroids Clustering," Journal of Marketing Research 34(39), 370–377.

Principal Component Analysis



Principal Component Analysis

- Represent/Re-express a large share of your data's variation using fewer features (= dimension)

- Reduce noise and redundancy
- You do not drop features

Ex. Instead of 100 features, use only 40 principal components to represent 95% of variance of original data

- Mathematically, \forall feature k find linear function $\sum_{j=1}^P \alpha_{kj} x_j$ with maximum variance
- *Combine* features in all possible ways such that the combinations are *orthogonal* to each other which maximizes variance
- Think of principal components as maximum variance directions
- Data is usually scaled

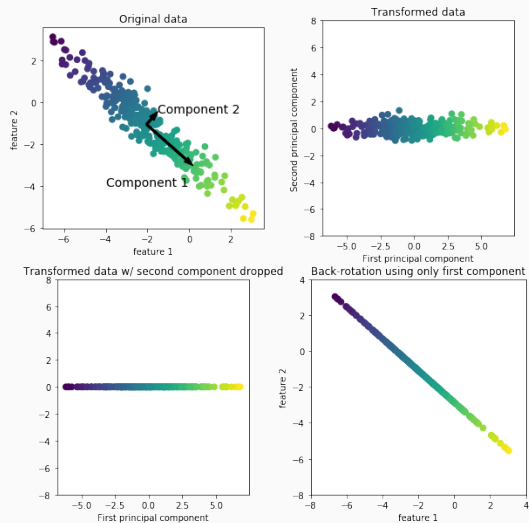
Principal Component Analysis: Mathematical intuition

1. Σ is variance-covariance matrix: $\frac{1}{1-n}\mathbf{X}'\mathbf{X}$
2. Constrained optimization problem: $\operatorname{argmax} \operatorname{var}(\alpha'_k \Sigma \alpha_k)$ s.t. $(\alpha'_k \alpha_k = 1)$
3. Lagrangian: $\alpha'_k \Sigma \alpha_k - \lambda_k (\alpha'_k \alpha_k - 1)$
4. After partial differentiation: $\Sigma \alpha_k = \lambda_k \alpha_k$

Principal Component Analysis: Mathematical intuition

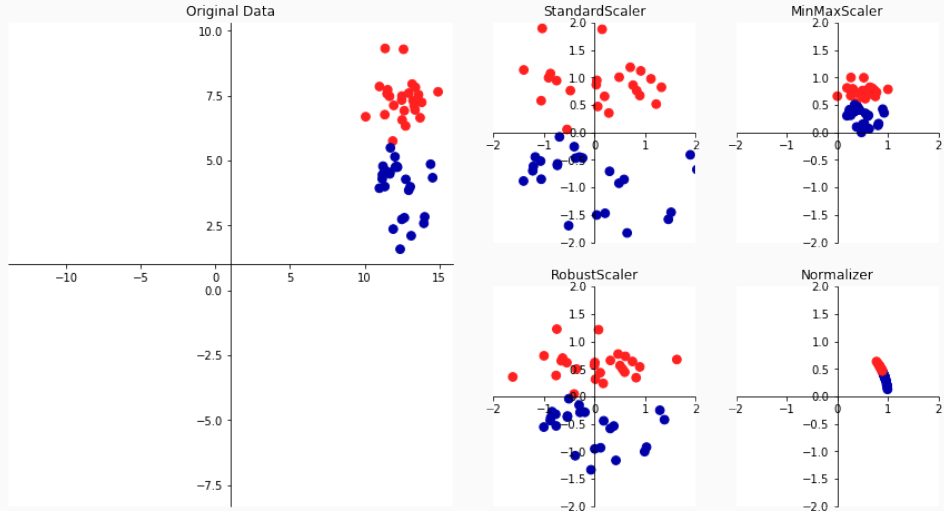
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3. Lagrangian: $\alpha'_k \Sigma \alpha_k - \lambda_k (\alpha'_k \alpha_k - 1)$
4. After partial differentiation: $\Sigma \alpha_k = \lambda_k \alpha_k$
5. Solution: Use eigenvectors of the k largest eigenvalues to form a new matrix \mathbf{W}
6. Transform onto subspace: $y = \mathbf{W}' \times x$

Principal Component Analysis: Graphical intuition




- Four scaling methods
 1. `StandardScaler`: Standardization (mean 0 and variance 1)
 2. `MinMaxScaler`: Features shifted to be between 0 and 1
 3. `RobustScaler`: Normalisation using mean and quartile
 4. `Normalizer`: Projection on unit circle

Scaling, cont.



To become a Master...

 Andreas Müller and Sarah Guido: "Introduction to Machine Learning with Python", O'Reilly (2016)

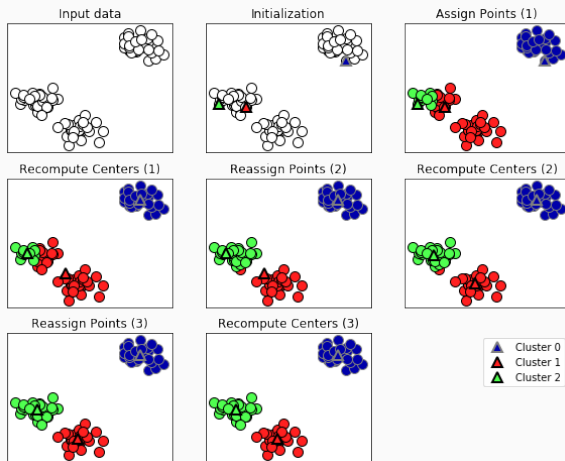
Clustering



k -Means Clustering

- Form of partitional Clustering
 - Aims to minimize variance within a cluster (good for "linear" data)
 - Algorithmic steps
 1. Initialize k points as cluster means randomly
 2. Assign each point to closest cluster center (in Euclidean distance)
 3. Reset cluster center as mean of points assigned to it
 4. Repeat 2 and 3 until convergence
 - 1 main parameter (→ [Documentation](#))
 1. How many clusters?
- + Fast and transparent
- Works best (only) with Euclidean distance
 - Performs badly for non-simple shapes (e.g. where clusters don't have same diameter)

k -Means Clustering, cont.

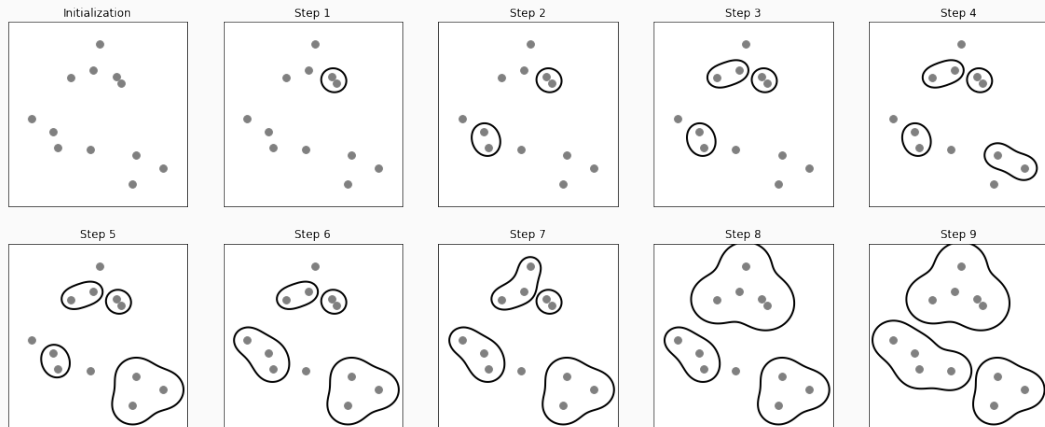


from: Andreas Müller and Sarah Guido (2016): Introduction to Machine Learning with Python, O'Reilly

Agglomerative Clustering

- Form of hierarchical clustering
 - Algorithmic steps
 1. Make each point its own cluster
 2. Iteratively merge two closest clusters
 3. Stop when k clusters are left
 - 3 main parameters (→ [Documentation](#))
 1. Which number of clusters?
 2. Which clustering method?
 3. Which distance measure?
- + Good for hierarchical data
- No prediction, performs badly for non-simple shapes

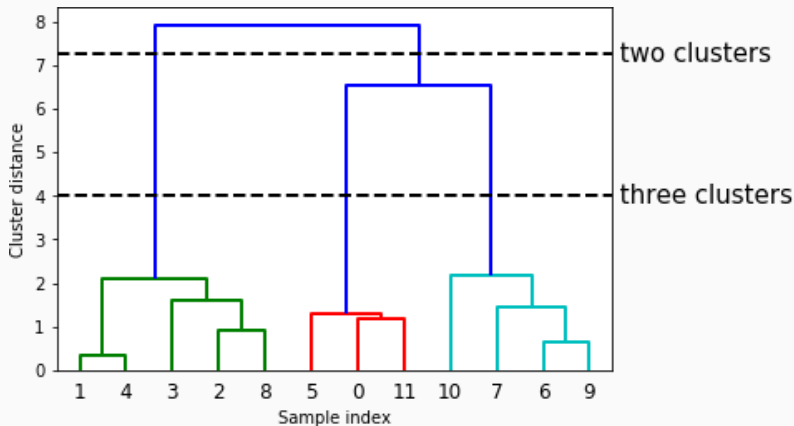
Agglomerative Clustering, cont.



from: Andreas Müller and Sarah Guido (2016): Introduction to Machine Learning with Python, O'Reilly

Use a dendrogram to find the optimal k

- Visualizes a linkage array, depicting distances between clusters

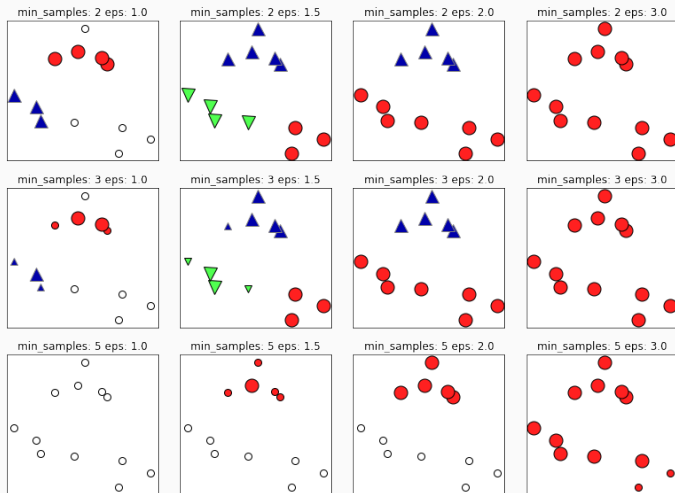


from: Andreas Müller and Sarah Guido (2016): Introduction to Machine Learning with Python, O'Reilly

Density-Based Spatial Clustering of Applications with Noise (DBSCAN)

- Find clusters satisfying specific conditions
- Algorithmic steps
 1. Pick an arbitrary observation
 2. If parametric conditions are met, point and neighbors become core cluster, otherwise noise
 3. Repeat for neighbors
 4. Repeat until all observations have been visited
- 3 main parameters (→ [Documentation](#))
 1. How many observations in a cluster at least?
 2. How close at least?
 3. Which distance measure?
- + No a priori number of clusters needed, captures complex shapes
- + Extensions exist for e.g. geo-clustering
 - Slow

DBSCAN, cont.



from: Andreas Müller and Sarah Guido (2016): Introduction to Machine Learning with Python, O'Reilly

Evaluating clusters (in the absence of labels)

1. Silhouette Score → [Documentation](#)

- Mean intra-cluster distance divided by mean distance to nearest cluster
- Ranges between -1 (bad) and 1 (good)

2. Davies-Bouldin score → [Documentation](#)

- Compare each cluster with its closest neighbor
- Ranges between 0 (good) and ∞ (bad)

3. Calinski-Harabasz score → [Documentation](#)

- Ratio between the within-cluster dispersion and the between-cluster dispersion
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! Remember: Clustering algorithms find clusters because that is what they do - not necessarily because there are clusters


Should I standardize the data before clustering?

Q: Should different features (potentially with different units) have equal weight? E.g., on a feature measured in kilograms and another one in metres, are a 1 unit difference as significant in both instances?

No You should standardize

Yes It doesn't hurt to standardize, eventually it improves convergence

To become a Master...

 Andreas Müller and Sarah Guido: "Introduction to Machine Learning with Python", O'Reilly (2016)