

# Contents

|  |               |
|--|---------------|
| <b>List of tables</b>  | <b>xxxv</b>   |
| <b>List of figures</b>   | <b>xxxvii</b> |
| <b>Preface</b>   | <b>xxxix</b>  |
| <b>1 Stata basics</b>  | <b>1</b>      |
| 1.1 Interactive use . . . . .                                  | 1             |
| 1.2 Documentation . . . . .                                    | 2             |
| 1.2.1 Stata manuals . . . . .                                  | 2             |
| 1.2.2 Additional Stata resources . . . . .                     | 3             |
| 1.2.3 The help command . . . . .                               | 3             |
| 1.2.4 The search, findit, and hsearch commands . . . . .       | 4             |
| 1.3 Command syntax and operators . . . . .                     | 5             |
| 1.3.1 Basic command syntax . . . . .                           | 5             |
| 1.3.2 Example: The summarize command . . . . .                 | 6             |
| 1.3.3 Example: The regress command . . . . .                   | 7             |
| 1.3.4 Abbreviations, case sensitivity, and wildcards . . . . . | 9             |
| 1.3.5 Arithmetic, relational, and logical operators . . . . .  | 9             |
| 1.3.6 Error messages . . . . .                                 | 10            |
| 1.4 Do-files and log files . . . . .                           | 10            |
| 1.4.1 Writing a do-file . . . . .                              | 10            |
| 1.4.2 Running do-files . . . . .                               | 11            |
| 1.4.3 Log files . . . . .                                      | 12            |
| 1.4.4 A three-step process . . . . .                           | 13            |
| 1.4.5 Comments and long lines . . . . .                        | 13            |
| 1.4.6 Different implementations of Stata . . . . .             | 14            |

|          |  |           |
|----------|--|-----------|
| 1.5      | Scalars and matrices . . . . .                             | 15        |
| 1.5.1    | Scalars . . . . .  | 15        |
| 1.5.2    | Matrices . . . . .   | 15        |
| 1.6      | Using results from Stata commands . . . . .                | 16        |
| 1.6.1    | Using results from the r-class command summarize . . . . . | 16        |
| 1.6.2    | Using results from the e-class command regress . . . . .   | 17        |
| 1.7      | Global and local macros . . . . .                          | 19        |
| 1.7.1    | Global macros . . . . .                                    | 19        |
| 1.7.2    | Local macros . . . . .                                     | 20        |
| 1.7.3    | Scalar or macro? . . . . .                                 | 21        |
| 1.8      | Looping commands . . . . .                                 | 22        |
| 1.8.1    | The foreach loop . . . . .                                 | 23        |
| 1.8.2    | The forvalues loop . . . . .                               | 23        |
| 1.8.3    | The while loop . . . . .                                   | 24        |
| 1.8.4    | The continue command . . . . .                             | 24        |
| 1.9      | Some useful commands . . . . .                             | 24        |
| 1.10     | Template do-file . . . . .                                 | 25        |
| 1.11     | User-written commands . . . . .                            | 25        |
| 1.12     | Stata resources . . . . .                                  | 26        |
| 1.13     | Exercises . . . . .  | 26        |
| <b>2</b> | <b>Data management and graphics</b>                        | <b>29</b> |
| 2.1      | Introduction . . . . .                                     | 29        |
| 2.2      | Types of data . . . . .                                    | 29        |
| 2.2.1    | Text or ASCII data . . . . .                               | 30        |
| 2.2.2    | Internal numeric data . . . . .                            | 30        |
| 2.2.3    | String data . . . . .                                      | 31        |
| 2.2.4    | Formats for displaying numeric data . . . . .              | 31        |
| 2.3      | Inputting data . . . . .                                   | 32        |
| 2.3.1    | General principles . . . . .                               | 32        |
| 2.3.2    | Inputting data already in Stata format . . . . .           | 33        |

|       |   |    |
|-------|---|----|
| 2.3.3 | Inputting data from the keyboard . . . . .                    | 34 |
| 2.3.4 | Inputting nontext data . . . . .                              | 34 |
| 2.3.5 | Inputting text data from a spreadsheet . . . . .              | 35 |
| 2.3.6 | Inputting text data in free format . . . . .                  | 36 |
| 2.3.7 | Inputting text data in fixed format . . . . .                 | 36 |
| 2.3.8 | Dictionary files . . . . .                                    | 37 |
| 2.3.9 | Common pitfalls . . . . .                                     | 37 |
| 2.4   | Data management . . . . .                                     | 38 |
| 2.4.1 | PSID example . . . . .  | 38 |
| 2.4.2 | Naming and labeling variables . . . . .                       | 41 |
| 2.4.3 | Viewing data . . . . .  | 42 |
| 2.4.4 | Using original documentation . . . . .                        | 43 |
| 2.4.5 | Missing values . . . . .                                      | 43 |
| 2.4.6 | Imputing missing data . . . . .                               | 45 |
| 2.4.7 | Transforming data (generate, replace, egen, recode) . . . . . | 45 |
|       | The generate and replace commands . . . . .                   | 46 |
|       | The egen command . . . . .                                    | 46 |
|       | The recode command . . . . .                                  | 47 |
|       | The by prefix . . . . .                                       | 47 |
|       | Indicator variables . . . . .                                 | 47 |
|       | Set of indicator variables . . . . .                          | 48 |
|       | Interactions . . . . .  | 49 |
|       | Demeaning . . . . .   | 50 |
| 2.4.8 | Saving data . . . . .   | 51 |
| 2.4.9 | Selecting the sample . . . . .                                | 51 |
| 2.5   | Manipulating datasets . . . . .                               | 53 |
| 2.5.1 | Ordering observations and variables . . . . .                 | 53 |
| 2.5.2 | Preserving and restoring a dataset . . . . .                  | 53 |
| 2.5.3 | Wide and long forms for a dataset . . . . .                   | 54 |

|          |   |           |
|----------|---|-----------|
| 2.5.4    | Merging datasets . . . . .  | 54        |
| 2.5.5    | Appending datasets . . . . .  | 56        |
| 2.6      | Graphical display of data . . . . .                                     | 57        |
| 2.6.1    | Stata graph commands . . . . .  | 57        |
|          | Example graph commands . . . . .  | 57        |
|          | Saving and exporting graphs . . . . .                                   | 58        |
|          | Learning how to use graph commands . . . . .                            | 59        |
| 2.6.2    | Box-and-whisker plot . . . . .  | 60        |
| 2.6.3    | Histogram . . . . .   | 61        |
| 2.6.4    | Kernel density plot . . . . .   | 62        |
| 2.6.5    | Two-way scatterplots and fitted lines . . . . .                         | 64        |
| 2.6.6    | Lowess, kernel, local linear, and nearest-neighbor regression . . . . . | 65        |
| 2.6.7    | Multiple scatterplots . . . . .   | 67        |
| 2.7      | Stata resources . . . . .   | 68        |
| 2.8      | Exercises . . . . .   | 68        |
| <b>3</b> | <b>Linear regression basics</b> . . . . .                               | <b>71</b> |
| 3.1      | Introduction . . . . .  | 71        |
| 3.2      | Data and data summary . . . . .   | 71        |
| 3.2.1    | Data description . . . . .  | 71        |
| 3.2.2    | Variable description . . . . .  | 72        |
| 3.2.3    | Summary statistics . . . . .  | 73        |
| 3.2.4    | More-detailed summary statistics . . . . .                              | 74        |
| 3.2.5    | Tables for data . . . . .   | 75        |
| 3.2.6    | Statistical tests . . . . .   | 78        |
| 3.2.7    | Data plots . . . . .  | 78        |
| 3.3      | Regression in levels and logs . . . . .                                 | 79        |
| 3.3.1    | Basic regression theory . . . . .                                       | 79        |
| 3.3.2    | OLS regression and matrix algebra . . . . .                             | 80        |
| 3.3.3    | Properties of the OLS estimator . . . . .                               | 81        |
| 3.3.4    | Heteroskedasticity-robust standard errors . . . . .                     | 82        |

|       |   |     |
|-------|---|-----|
| 3.3.5 | Cluster-robust standard errors . . . . .                      | 82  |
| 3.3.6 | Regression in logs . . . . .                                  | 83  |
| 3.4   | Basic regression analysis . . . . .                           | 84  |
| 3.4.1 | Correlations . . . . .  | 84  |
| 3.4.2 | The regress command . . . . .                                 | 85  |
| 3.4.3 | Hypothesis tests . . . . .                                    | 86  |
| 3.4.4 | Tables of output from several regressions . . . . .           | 87  |
| 3.4.5 | Even better tables of regression output . . . . .             | 88  |
| 3.5   | Specification analysis . . . . .                              | 90  |
| 3.5.1 | Specification tests and model diagnostics . . . . .           | 90  |
| 3.5.2 | Residual diagnostic plots . . . . .                           | 91  |
| 3.5.3 | Influential observations . . . . .                            | 92  |
| 3.5.4 | Specification tests . . . . .                                 | 93  |
|       | Test of omitted variables . . . . .                           | 93  |
|       | Test of the Box–Cox model . . . . .                           | 94  |
|       | Test of the functional form of the conditional mean . . . . . | 95  |
|       | Heteroskedasticity test . . . . .                             | 96  |
|       | Omnibus test . . . . .  | 97  |
| 3.5.5 | Tests have power in more than one direction . . . . .         | 98  |
| 3.6   | Prediction . . . . .  | 100 |
| 3.6.1 | In-sample prediction . . . . .                                | 100 |
| 3.6.2 | Marginal effects . . . . .                                    | 102 |
| 3.6.3 | Prediction in logs: The retransformation problem . . . . .    | 103 |
| 3.6.4 | Prediction exercise . . . . .                                 | 104 |
| 3.7   | Sampling weights . . . . .                                    | 105 |
| 3.7.1 | Weights . . . . .   | 106 |
| 3.7.2 | Weighted mean . . . . .                                       | 106 |
| 3.7.3 | Weighted regression . . . . .                                 | 107 |
| 3.7.4 | Weighted prediction and MEs . . . . .                         | 109 |
| 3.8   | OLS using Mata . . . . .                                      | 109 |

|          |   |            |
|----------|---|------------|
| 3.9      | Stata resources . . . . .   | 111        |
| 3.10     | Exercises . . . . .   | 111        |
| <b>4</b> | <b>Simulation</b>   | <b>113</b> |
| 4.1      | Introduction . . . . .  | 113        |
| 4.2      | Pseudorandom-number generators: Introduction . . . . .                      | 114        |
| 4.2.1    | Uniform random-number generation . . . . .                                  | 114        |
| 4.2.2    | Draws from normal . . . . .   | 116        |
| 4.2.3    | Draws from t, chi-squared, F, gamma, and beta . . . . .                     | 117        |
| 4.2.4    | Draws from binomial, Poisson, and negative binomial . . . . .               | 118        |
|          | Independent (but not identically distributed) draws from binomial . . . . . | 118        |
|          | Independent (but not identically distributed) draws from Poisson . . . . .  | 119        |
|          | Histograms and density plots . . . . .                                      | 120        |
| 4.3      | Distribution of the sample mean . . . . .                                   | 121        |
| 4.3.1    | Stata program . . . . .   | 122        |
| 4.3.2    | The simulate command . . . . .  | 123        |
| 4.3.3    | Central limit theorem simulation . . . . .                                  | 123        |
| 4.3.4    | The postfile command . . . . .  | 124        |
| 4.3.5    | Alternative central limit theorem simulation . . . . .                      | 125        |
| 4.4      | Pseudorandom-number generators: Further details . . . . .                   | 125        |
| 4.4.1    | Inverse-probability transformation . . . . .                                | 126        |
| 4.4.2    | Direct transformation . . . . .   | 127        |
| 4.4.3    | Other methods . . . . .   | 127        |
| 4.4.4    | Draws from truncated normal . . . . .                                       | 128        |
| 4.4.5    | Draws from multivariate normal . . . . .                                    | 129        |
|          | Direct draws from multivariate normal . . . . .                             | 129        |
|          | Transformation using Cholesky decomposition . . . . .                       | 130        |
| 4.4.6    | Draws using Markov chain Monte Carlo method . . . . .                       | 130        |
| 4.5      | Computing integrals . . . . .   | 132        |
| 4.5.1    | Quadrature . . . . .  | 133        |

|          |   |            |
|----------|---|------------|
| 4.5.2    | Monte Carlo integration . . . . .                           | 133        |
| 4.5.3    | Monte Carlo integration using different S . . . . .         | 134        |
| 4.6      | Simulation for regression: Introduction . . . . .           | 135        |
| 4.6.1    | Simulation example: OLS with $\chi^2$ errors . . . . .      | 135        |
| 4.6.2    | Interpreting simulation output . . . . .                    | 138        |
|          | Unbiasedness of estimator . . . . .                         | 138        |
|          | Standard errors . . . . .                                   | 138        |
|          | t statistic . . . . .                                       | 138        |
|          | Test size . . . . .   | 139        |
|          | Number of simulations . . . . .                             | 140        |
| 4.6.3    | Variations . . . . .  | 140        |
|          | Different sample size and number of simulations . . . . .   | 140        |
|          | Test power . . . . .  | 140        |
|          | Different error distributions . . . . .                     | 141        |
| 4.6.4    | Estimator inconsistency . . . . .                           | 141        |
| 4.6.5    | Simulation with endogenous regressors . . . . .             | 142        |
| 4.7      | Stata resources . . . . .                                   | 144        |
| 4.8      | Exercises . . . . .   | 144        |
| <b>5</b> | <b>GLS regression</b>                                       | <b>147</b> |
| 5.1      | Introduction . . . . .                                      | 147        |
| 5.2      | GLS and FGLS regression . . . . .                           | 147        |
| 5.2.1    | GLS for heteroskedastic errors . . . . .                    | 147        |
| 5.2.2    | GLS and FGLS . . . . .                                      | 148        |
| 5.2.3    | Weighted least squares and robust standard errors . . . . . | 149        |
| 5.2.4    | Leading examples . . . . .                                  | 149        |
| 5.3      | Modeling heteroskedastic data . . . . .                     | 150        |
| 5.3.1    | Simulated dataset . . . . .                                 | 150        |
| 5.3.2    | OLS estimation . . . . .                                    | 151        |
| 5.3.3    | Detecting heteroskedasticity . . . . .                      | 152        |
| 5.3.4    | FGLS estimation . . . . .                                   | 154        |

|          |  |            |
|----------|--|------------|
| 5.3.5    | WLS estimation . . . . .   | 156        |
| 5.4      | System of linear regressions . . . . .                           | 156        |
| 5.4.1    | SUR model . . . . .  | 156        |
| 5.4.2    | The sureg command . . . . .                                      | 157        |
| 5.4.3    | Application to two categories of expenditures . . . . .          | 158        |
| 5.4.4    | Robust standard errors . . . . .                                 | 160        |
| 5.4.5    | Testing cross-equation constraints . . . . .                     | 161        |
| 5.4.6    | Imposing cross-equation constraints . . . . .                    | 162        |
| 5.5      | Survey data: Weighting, clustering, and stratification . . . . . | 163        |
| 5.5.1    | Survey design . . . . .  | 164        |
| 5.5.2    | Survey mean estimation . . . . .                                 | 167        |
| 5.5.3    | Survey linear regression . . . . .                               | 167        |
| 5.6      | Stata resources . . . . .  | 169        |
| 5.7      | Exercises . . . . .  | 169        |
| <b>6</b> | <b>Linear instrumental-variables regression</b>                  | <b>171</b> |
| 6.1      | Introduction . . . . .   | 171        |
| 6.2      | IV estimation . . . . .  | 171        |
| 6.2.1    | Basic IV theory . . . . .  | 171        |
| 6.2.2    | Model setup . . . . .  | 173        |
| 6.2.3    | IV estimators: IV, 2SLS, and GMM . . . . .                       | 174        |
| 6.2.4    | Instrument validity and relevance . . . . .                      | 175        |
| 6.2.5    | Robust standard-error estimates . . . . .                        | 176        |
| 6.3      | IV example . . . . .   | 177        |
| 6.3.1    | The ivregress command . . . . .                                  | 177        |
| 6.3.2    | Medical expenditures with one endogenous regressor . . . . .     | 178        |
| 6.3.3    | Available instruments . . . . .                                  | 179        |
| 6.3.4    | IV estimation of an exactly identified model . . . . .           | 180        |
| 6.3.5    | IV estimation of an overidentified model . . . . .               | 181        |
| 6.3.6    | Testing for regressor endogeneity . . . . .                      | 182        |
| 6.3.7    | Tests of overidentifying restrictions . . . . .                  | 185        |

|       |   |     |
|-------|---|-----|
| 6.3.8 | IV estimation with a binary endogenous regressor . . . . .    | 186 |
| 6.4   | Weak instruments . . . . .                                    | 188 |
| 6.4.1 | Finite-sample properties of IV estimators . . . . .           | 188 |
| 6.4.2 | Weak instruments . . . . .                                    | 189 |
|       | Diagnostics for weak instruments . . . . .                    | 189 |
|       | Formal tests for weak instruments . . . . .                   | 190 |
| 6.4.3 | The estat firststage command . . . . .                        | 191 |
| 6.4.4 | Just-identified model . . . . .                               | 191 |
| 6.4.5 | Overidentified model . . . . .                                | 193 |
| 6.4.6 | More than one endogenous regressor . . . . .                  | 195 |
| 6.4.7 | Sensitivity to choice of instruments . . . . .                | 195 |
| 6.5   | Better inference with weak instruments . . . . .              | 197 |
| 6.5.1 | Conditional tests and confidence intervals . . . . .          | 197 |
| 6.5.2 | LIML estimator . . . . .                                      | 199 |
| 6.5.3 | Jackknife IV estimator . . . . .                              | 199 |
| 6.5.4 | Comparison of 2SLS, LIML, JIVE, and GMM . . . . .             | 200 |
| 6.6   | 3SLS systems estimation . . . . .                             | 201 |
| 6.7   | Stata resources . . . . .                                     | 203 |
| 6.8   | Exercises . . . . .   | 203 |
| 7     | <b>Quantile regression</b>                                    | 205 |
| 7.1   | Introduction . . . . .  | 205 |
| 7.2   | QR . . . . .  | 205 |
| 7.2.1 | Conditional quantiles . . . . .                               | 206 |
| 7.2.2 | Computation of QR estimates and standard errors . . . . .     | 207 |
| 7.2.3 | The qreg, bsqreg, and sqreg commands . . . . .                | 207 |
| 7.3   | QR for medical expenditures data . . . . .                    | 208 |
| 7.3.1 | Data summary . . . . .  | 208 |
| 7.3.2 | QR estimates . . . . .  | 209 |
| 7.3.3 | Interpretation of conditional quantile coefficients . . . . . | 210 |
| 7.3.4 | Retransformation . . . . .                                    | 211 |

|   |  |            |
|---|--|------------|
| 7.3.5   | Comparison of estimates at different quantiles . . . . .   | 212        |
| 7.3.6   | Heteroskedasticity test . . . . .                          | 213        |
| 7.3.7   | Hypothesis tests . . . . .                                 | 214        |
| 7.3.8   | Graphical display of coefficients over quantiles . . . . . | 215        |
| 7.4   | QR for generated heteroskedastic data . . . . .            | 216        |
| 7.4.1   | Simulated dataset . . . . .                                | 216        |
| 7.4.2   | QR estimates . . . . .                                     | 219        |
| 7.5   | QR for count data . . . . .                                | 220        |
| 7.5.1   | Quantile count regression . . . . .                        | 221        |
| 7.5.2   | The qcount command . . . . .                               | 222        |
| 7.5.3   | Summary of doctor visits data . . . . .                    | 222        |
| 7.5.4   | Results from QCR . . . . .                                 | 224        |
| 7.6   | Stata resources . . . . .                                  | 226        |
| 7.7   | Exercises . . . . .  | 226        |
| <b>8</b>  | <b>Linear panel-data models: Basics</b>                    | <b>229</b> |
| 8.1   | Introduction . . . . .                                     | 229        |
| 8.2   | Panel-data methods overview . . . . .                      | 229        |
| 8.2.1   | Some basic considerations . . . . .                        | 230        |
| 8.2.2   | Some basic panel models . . . . .                          | 231        |
| Individual-effects model . . . . .                  | 231  |            |
| Fixed-effects model . . . . .                       | 231  |            |
| Random-effects model . . . . .                      | 232  |            |
| Pooled model or population-averaged model . . . . . | 232  |            |
| Two-way-effects model . . . . .                     | 232  |            |
| Mixed linear models . . . . .                       | 233  |            |
| 8.2.3   | Cluster-robust inference . . . . .                         | 233        |
| 8.2.4   | The xtreg command . . . . .                                | 233        |
| 8.2.5   | Stata linear panel-data commands . . . . .                 | 234        |
| 8.3   | Panel-data summary . . . . .                               | 234        |
| 8.3.1   | Data description and summary statistics . . . . .          | 234        |

|        |   |     |
|--------|---|-----|
| 8.3.2  | Panel-data organization . . . . .                           | 236 |
| 8.3.3  | Panel-data description . . . . .                            | 237 |
| 8.3.4  | Within and between variation . . . . .                      | 238 |
| 8.3.5  | Time-series plots for each individual . . . . .             | 241 |
| 8.3.6  | Overall scatterplot . . . . .                               | 242 |
| 8.3.7  | Within scatterplot . . . . .                                | 243 |
| 8.3.8  | Pooled OLS regression with cluster-robust standard errors . | 244 |
| 8.3.9  | Time-series autocorrelations for panel data . . . . .       | 245 |
| 8.3.10 | Error correlation in the RE model . . . . .                 | 247 |
| 8.4    | Pooled or population-averaged estimators . . . . .          | 248 |
| 8.4.1  | Pooled OLS estimator . . . . .                              | 248 |
| 8.4.2  | Pooled FGLS estimator or population-averaged estimator .    | 248 |
| 8.4.3  | The xtreg, pa command . . . . .                             | 249 |
| 8.4.4  | Application of the xtreg, pa command . . . . .              | 250 |
| 8.5    | Within estimator . . . . .                                  | 251 |
| 8.5.1  | Within estimator . . . . .                                  | 251 |
| 8.5.2  | The xtreg, fe command . . . . .                             | 251 |
| 8.5.3  | Application of the xtreg, fe command . . . . .              | 252 |
| 8.5.4  | Least-squares dummy-variables regression . . . . .          | 253 |
| 8.6    | Between estimator . . . . .                                 | 254 |
| 8.6.1  | Between estimator . . . . .                                 | 254 |
| 8.6.2  | Application of the xtreg, be command . . . . .              | 255 |
| 8.7    | RE estimator . . . . .                                      | 255 |
| 8.7.1  | RE estimator . . . . .                                      | 255 |
| 8.7.2  | The xtreg, re command . . . . .                             | 256 |
| 8.7.3  | Application of the xtreg, re command . . . . .              | 256 |
| 8.8    | Comparison of estimators . . . . .                          | 257 |
| 8.8.1  | Estimates of variance components . . . . .                  | 257 |
| 8.8.2  | Within and between R-squared . . . . .                      | 258 |
| 8.8.3  | Estimator comparison . . . . .                              | 258 |

|          |  |            |
|----------|--|------------|
| 8.8.4    | Fixed effects versus random effects . . . . .                | 259        |
| 8.8.5    | Hausman test for fixed effects . . . . .                     | 260        |
|          | The hausman command . . . . .                                | 260        |
|          | Robust Hausman test . . . . .                                | 261        |
| 8.8.6    | Prediction . . . . .   | 262        |
| 8.9      | First-difference estimator . . . . .                         | 263        |
| 8.9.1    | First-difference estimator . . . . .                         | 263        |
| 8.9.2    | Strict and weak exogeneity . . . . .                         | 264        |
| 8.10     | Long panels . . . . .  | 265        |
| 8.10.1   | Long-panel dataset . . . . .                                 | 265        |
| 8.10.2   | Pooled OLS and PFGLS . . . . .                               | 266        |
| 8.10.3   | The xtpcse and xtgls commands . . . . .                      | 267        |
| 8.10.4   | Application of the xtgl, xtpcse, and xtsc commands . . . . . | 268        |
| 8.10.5   | Separate regressions . . . . .                               | 270        |
| 8.10.6   | FE and RE models . . . . .                                   | 271        |
| 8.10.7   | Unit roots and cointegration . . . . .                       | 272        |
| 8.11     | Panel-data management . . . . .                              | 274        |
| 8.11.1   | Wide-form data . . . . .                                     | 274        |
| 8.11.2   | Convert wide form to long form . . . . .                     | 274        |
| 8.11.3   | Convert long form to wide form . . . . .                     | 275        |
| 8.11.4   | An alternative wide-form data . . . . .                      | 276        |
| 8.12     | Stata resources . . . . .                                    | 278        |
| 8.13     | Exercises . . . . .  | 278        |
| <b>9</b> | <b>Linear panel-data models: Extensions</b>                  | <b>281</b> |
| 9.1      | Introduction . . . . .                                       | 281        |
| 9.2      | Panel IV estimation . . . . .                                | 281        |
| 9.2.1    | Panel IV . . . . .   | 281        |
| 9.2.2    | The xtivreg command . . . . .                                | 282        |
| 9.2.3    | Application of the xtivreg command . . . . .                 | 282        |
| 9.2.4    | Panel IV extensions . . . . .                                | 284        |

|            |  |            |
|------------|--|------------|
| <b>9.3</b> | Hausman–Taylor estimator . . . . .                       | 284        |
| 9.3.1      | Hausman–Taylor estimator . . . . .                       | 284        |
| 9.3.2      | The xtaylor command . . . . .                            | 285        |
| 9.3.3      | Application of the xtaylor command . . . . .             | 285        |
| <b>9.4</b> | Arellano–Bond estimator . . . . .                        | 287        |
| 9.4.1      | Dynamic model . . . . .                                  | 287        |
| 9.4.2      | IV estimation in the FD model . . . . .                  | 288        |
| 9.4.3      | The xtabond command . . . . .                            | 289        |
| 9.4.4      | Arellano–Bond estimator: Pure time series . . . . .      | 290        |
| 9.4.5      | Arellano–Bond estimator: Additional regressors . . . . . | 292        |
| 9.4.6      | Specification tests . . . . .                            | 294        |
| 9.4.7      | The xtdpdsys command . . . . .                           | 295        |
| 9.4.8      | The xtdpd command . . . . .                              | 297        |
| <b>9.5</b> | Mixed linear models . . . . .                            | 298        |
| 9.5.1      | Mixed linear model . . . . .                             | 298        |
| 9.5.2      | The xtmixed command . . . . .                            | 299        |
| 9.5.3      | Random-intercept model . . . . .                         | 300        |
| 9.5.4      | Cluster-robust standard errors . . . . .                 | 301        |
| 9.5.5      | Random-slopes model . . . . .                            | 302        |
| 9.5.6      | Random-coefficients model . . . . .                      | 303        |
| 9.5.7      | Two-way random-effects model . . . . .                   | 304        |
| <b>9.6</b> | Clustered data . . . . .                                 | 306        |
| 9.6.1      | Clustered dataset . . . . .                              | 306        |
| 9.6.2      | Clustered data using nonpanel commands . . . . .         | 306        |
| 9.6.3      | Clustered data using panel commands . . . . .            | 307        |
| 9.6.4      | Hierarchical linear models . . . . .                     | 310        |
| <b>9.7</b> | Stata resources . . . . .                                | 311        |
| <b>9.8</b> | Exercises . . . . .                                      | 311        |
| <b>10</b>  | <b>Nonlinear regression methods</b>                      | <b>313</b> |
| 10.1       | Introduction . . . . .                                   | 313        |

|        |  |     |
|--------|--|-----|
| 10.2   | Nonlinear example: Doctor visits . . . . .                                       | 314 |
| 10.2.1 | Data description . . . . .   | 314 |
| 10.2.2 | Poisson model description . . . . .  | 315 |
| 10.3   | Nonlinear regression methods . . . . .   | 316 |
| 10.3.1 | MLE . . . . .  | 316 |
| 10.3.2 | The poisson command . . . . .  | 317 |
| 10.3.3 | Postestimation commands . . . . .  | 318 |
| 10.3.4 | NLS . . . . .  | 319 |
| 10.3.5 | The nl command . . . . .   | 319 |
| 10.3.6 | GLM . . . . .  | 321 |
| 10.3.7 | The glm command . . . . .  | 321 |
| 10.3.8 | Other estimators . . . . .   | 322 |
| 10.4   | Different estimates of the VCE . . . . .   | 323 |
| 10.4.1 | General framework . . . . .  | 323 |
| 10.4.2 | The vce() option . . . . .   | 324 |
| 10.4.3 | Application of the vce() option . . . . .  | 324 |
| 10.4.4 | Default estimate of the VCE . . . . .  | 326 |
| 10.4.5 | Robust estimate of the VCE . . . . .   | 326 |
| 10.4.6 | Cluster-robust estimate of the VCE . . . . .                                     | 327 |
| 10.4.7 | Heteroskedasticity- and autocorrelation-consistent estimate of the VCE . . . . . | 328 |
| 10.4.8 | Bootstrap standard errors . . . . .  | 328 |
| 10.4.9 | Statistical inference . . . . .  | 329 |
| 10.5   | Prediction . . . . .   | 329 |
| 10.5.1 | The predict and predictnl commands . . . . .                                     | 329 |
| 10.5.2 | Application of predict and predictnl . . . . .                                   | 330 |
| 10.5.3 | Out-of-sample prediction . . . . .   | 331 |
| 10.5.4 | Prediction at a specified value of one of the regressors . . . . .               | 332 |
| 10.5.5 | Prediction at a specified value of all the regressors . . . . .                  | 332 |
| 10.5.6 | Prediction of other quantities . . . . .   | 333 |

|           |  |            |
|-----------|--|------------|
| 10.6      | Marginal effects . . . . .                                     | 333        |
| 10.6.1    | Calculus and finite-difference methods . . . . .               | 334        |
| 10.6.2    | MEs estimates AME, MEM, and MER . . . . .                      | 334        |
| 10.6.3    | Elasticities and semielasticities . . . . .                    | 335        |
| 10.6.4    | Simple interpretations of coefficients in single-index models  | 336        |
| 10.6.5    | The mfx command . . . . .                                      | 337        |
| 10.6.6    | MEM: Marginal effect at mean . . . . .                         | 337        |
|           | Comparison of calculus and finite-difference methods . . . . . | 338        |
| 10.6.7    | MER: Marginal effect at representative value . . . . .         | 338        |
| 10.6.8    | AME: Average marginal effect . . . . .                         | 339        |
| 10.6.9    | Elasticities and semielasticities . . . . .                    | 340        |
| 10.6.10   | AME computed manually . . . . .                                | 342        |
| 10.6.11   | Polynomial regressors . . . . .                                | 343        |
| 10.6.12   | Interacted regressors . . . . .                                | 344        |
| 10.6.13   | Complex interactions and nonlinearities . . . . .              | 344        |
| 10.7      | Model diagnostics . . . . .                                    | 345        |
| 10.7.1    | Goodness-of-fit measures . . . . .                             | 345        |
| 10.7.2    | Information criteria for model comparison . . . . .            | 346        |
| 10.7.3    | Residuals . . . . .  | 347        |
| 10.7.4    | Model-specification tests . . . . .                            | 348        |
| 10.8      | Stata resources . . . . .                                      | 349        |
| 10.9      | Exercises . . . . .  | 349        |
| <b>11</b> | <b>Nonlinear optimization methods</b>                          | <b>351</b> |
| 11.1      | Introduction . . . . .   | 351        |
| 11.2      | Newton–Raphson method . . . . .                                | 351        |
| 11.2.1    | NR method . . . . .  | 351        |
| 11.2.2    | NR method for Poisson . . . . .                                | 352        |
| 11.2.3    | Poisson NR example using Mata . . . . .                        | 353        |
|           | Core Mata code for Poisson NR iterations . . . . .             | 353        |
|           | Complete Stata and Mata code for Poisson NR iterations . .     | 353        |

|        |   |     |
|--------|---|-----|
| 11.3   | Gradient methods . . . . .                                  | 355 |
| 11.3.1 | Maximization options . . . . .                              | 355 |
| 11.3.2 | Gradient methods . . . . .                                  | 356 |
| 11.3.3 | Messages during iterations . . . . .                        | 357 |
| 11.3.4 | Stopping criteria . . . . .                                 | 357 |
| 11.3.5 | Multiple maximums . . . . .                                 | 357 |
| 11.3.6 | Numerical derivatives . . . . .                             | 358 |
| 11.4   | The ml command: lf method . . . . .                         | 359 |
| 11.4.1 | The ml command . . . . .                                    | 360 |
| 11.4.2 | The lf method . . . . .                                     | 360 |
| 11.4.3 | Poisson example: Single-index model . . . . .               | 361 |
| 11.4.4 | Negative binomial example: Two-index model . . . . .        | 362 |
| 11.4.5 | NLS example: Nonlikelihood model . . . . .                  | 363 |
| 11.5   | Checking the program . . . . .                              | 364 |
| 11.5.1 | Program debugging using ml check and ml trace . . . . .     | 365 |
| 11.5.2 | Getting the program to run . . . . .                        | 366 |
| 11.5.3 | Checking the data . . . . .                                 | 366 |
| 11.5.4 | Multicollinearity and near collinearity . . . . .           | 367 |
| 11.5.5 | Multiple optimums . . . . .                                 | 368 |
| 11.5.6 | Checking parameter estimation . . . . .                     | 369 |
| 11.5.7 | Checking standard-error estimation . . . . .                | 370 |
| 11.6   | The ml command: d0, d1, and d2 methods . . . . .            | 371 |
| 11.6.1 | Evaluator functions . . . . .                               | 371 |
| 11.6.2 | The d0 method . . . . .                                     | 373 |
| 11.6.3 | The d1 method . . . . .                                     | 374 |
| 11.6.4 | The d1 method with the robust estimate of the VCE . . . . . | 374 |
| 11.6.5 | The d2 method . . . . .                                     | 375 |
| 11.7   | The Mata optimize() function . . . . .                      | 376 |
| 11.7.1 | Type d and v evaluators . . . . .                           | 376 |
| 11.7.2 | Optimize functions . . . . .                                | 377 |

|           |   |            |
|-----------|---|------------|
| 11.7.3    | Poisson example . . . . .                                     | 377        |
|           | Evaluator program for Poisson MLE . . . . .                   | 377        |
|           | The optimize() function for Poisson MLE . . . . .             | 378        |
| 11.8      | Generalized method of moments . . . . .                       | 379        |
| 11.8.1    | Definition . . . . .  | 380        |
| 11.8.2    | Nonlinear IV example . . . . .                                | 380        |
| 11.8.3    | GMM using the Mata optimize() function . . . . .              | 381        |
| 11.9      | Stata resources . . . . .                                     | 383        |
| 11.10     | Exercises . . . . .   | 383        |
| <b>12</b> | <b>Testing methods</b>  | <b>385</b> |
| 12.1      | Introduction . . . . .  | 385        |
| 12.2      | Critical values and p-values . . . . .                        | 385        |
| 12.2.1    | Standard normal compared with Student's t . . . . .           | 386        |
| 12.2.2    | Chi-squared compared with F . . . . .                         | 386        |
| 12.2.3    | Plotting densities . . . . .                                  | 386        |
| 12.2.4    | Computing p-values and critical values . . . . .              | 388        |
| 12.2.5    | Which distributions does Stata use? . . . . .                 | 389        |
| 12.3      | Wald tests and confidence intervals . . . . .                 | 389        |
| 12.3.1    | Wald test of linear hypotheses . . . . .                      | 389        |
| 12.3.2    | The test command . . . . .                                    | 391        |
|           | Test single coefficient . . . . .                             | 392        |
|           | Test several hypotheses . . . . .                             | 392        |
|           | Test of overall significance . . . . .                        | 393        |
|           | Test calculated from retrieved coefficients and VCE . . . . . | 393        |
| 12.3.3    | One-sided Wald tests . . . . .                                | 394        |
| 12.3.4    | Wald test of nonlinear hypotheses (delta method) . . . . .    | 395        |
| 12.3.5    | The testnl command . . . . .                                  | 395        |
| 12.3.6    | Wald confidence intervals . . . . .                           | 396        |
| 12.3.7    | The lincom command . . . . .                                  | 396        |
| 12.3.8    | The nlcom command (delta method) . . . . .                    | 397        |

|           |   |            |
|-----------|---|------------|
| 12.3.9    | Asymmetric confidence intervals . . . . .             | 398        |
| 12.4      | Likelihood-ratio tests . . . . .                      | 399        |
| 12.4.1    | Likelihood-ratio tests . . . . .                      | 399        |
| 12.4.2    | The lrtest command . . . . .                          | 401        |
| 12.4.3    | Direct computation of LR tests . . . . .              | 401        |
| 12.5      | Lagrange multiplier test (or score test) . . . . .    | 402        |
| 12.5.1    | LM tests . . . . .                                    | 402        |
| 12.5.2    | The estat command . . . . .                           | 403        |
| 12.5.3    | LM test by auxiliary regression . . . . .             | 403        |
| 12.6      | Test size and power . . . . .                         | 405        |
| 12.6.1    | Simulation DGP: OLS with chi-squared errors . . . . . | 405        |
| 12.6.2    | Test size . . . . .                                   | 406        |
| 12.6.3    | Test power . . . . .                                  | 407        |
| 12.6.4    | Asymptotic test power . . . . .                       | 410        |
| 12.7      | Specification tests . . . . .                         | 411        |
| 12.7.1    | Moment-based tests . . . . .                          | 411        |
| 12.7.2    | Information matrix test . . . . .                     | 411        |
| 12.7.3    | Chi-squared goodness-of-fit test . . . . .            | 412        |
| 12.7.4    | Overidentifying restrictions test . . . . .           | 412        |
| 12.7.5    | Hausman test . . . . .                                | 412        |
| 12.7.6    | Other tests . . . . .                                 | 413        |
| 12.8      | Stata resources . . . . .                             | 413        |
| 12.9      | Exercises . . . . .                                   | 413        |
| <b>13</b> | <b>Bootstrap methods</b>                              | <b>415</b> |
| 13.1      | Introduction . . . . .                                | 415        |
| 13.2      | Bootstrap methods . . . . .                           | 415        |
| 13.2.1    | Bootstrap estimate of standard error . . . . .        | 415        |
| 13.2.2    | Bootstrap methods . . . . .                           | 416        |
| 13.2.3    | Asymptotic refinement . . . . .                       | 416        |
| 13.2.4    | Use the bootstrap with caution . . . . .              | 416        |

|        |   |     |
|--------|---|-----|
| 13.3   | Bootstrap pairs using the vce(bootstrap) option . . . . .                 | 417 |
| 13.3.1 | Bootstrap-pairs method to estimate VCE . . . . .                          | 417 |
| 13.3.2 | The vce(bootstrap) option . . . . .                                       | 418 |
| 13.3.3 | Bootstrap standard-errors example . . . . .                               | 418 |
| 13.3.4 | How many bootstraps? . . . . .  | 419 |
| 13.3.5 | Clustered bootstraps . . . . .  | 420 |
| 13.3.6 | Bootstrap confidence intervals . . . . .                                  | 421 |
| 13.3.7 | The postestimation estat bootstrap command . . . . .                      | 422 |
| 13.3.8 | Bootstrap confidence-intervals example . . . . .                          | 423 |
| 13.3.9 | Bootstrap estimate of bias . . . . .                                      | 423 |
| 13.4   | Bootstrap pairs using the bootstrap command . . . . .                     | 424 |
| 13.4.1 | The bootstrap command . . . . .   | 424 |
| 13.4.2 | Bootstrap parameter estimate from a Stata estimation command . . . . .    | 425 |
| 13.4.3 | Bootstrap standard error from a Stata estimation command . . . . .        | 426 |
| 13.4.4 | Bootstrap standard error from a user-written estimation command . . . . . | 426 |
| 13.4.5 | Bootstrap two-step estimator . . . . .                                    | 427 |
| 13.4.6 | Bootstrap Hausman test . . . . .  | 429 |
| 13.4.7 | Bootstrap standard error of the coefficient of variation . . . . .        | 430 |
| 13.5   | Bootstraps with asymptotic refinement . . . . .                           | 431 |
| 13.5.1 | Percentile-t method . . . . .   | 431 |
| 13.5.2 | Percentile-t Wald test . . . . .  | 432 |
| 13.5.3 | Percentile-t Wald confidence interval . . . . .                           | 433 |
| 13.6   | Bootstrap pairs using bsample and simulate . . . . .                      | 434 |
| 13.6.1 | The bsample command . . . . .   | 434 |
| 13.6.2 | The bsample command with simulate . . . . .                               | 434 |
| 13.6.3 | Bootstrap Monte Carlo exercise . . . . .                                  | 436 |
| 13.7   | Alternative resampling schemes . . . . .                                  | 436 |
| 13.7.1 | Bootstrap pairs . . . . .   | 437 |
| 13.7.2 | Parametric bootstrap . . . . .  | 437 |

|           |  |            |
|-----------|--|------------|
| 13.7.3    | Residual bootstrap . . . . .                                     | 439        |
| 13.7.4    | Wild bootstrap . . . . .   | 440        |
| 13.7.5    | Subsampling . . . . .  | 441        |
| 13.8      | The jackknife . . . . .  | 441        |
| 13.8.1    | Jackknife method . . . . .                                       | 441        |
| 13.8.2    | The vce(jackknife) option and the jackknife command . . . . .    | 442        |
| 13.9      | Stata resources . . . . .  | 442        |
| 13.10     | Exercises . . . . .  | 442        |
| <b>14</b> | <b>Binary outcome models</b>                                     | <b>445</b> |
| 14.1      | Introduction . . . . .   | 445        |
| 14.2      | Some parametric models . . . . .                                 | 445        |
| 14.2.1    | Basic model . . . . .  | 445        |
| 14.2.2    | Logit, probit, linear probability, and clog-log models . . . . . | 446        |
| 14.3      | Estimation . . . . .   | 446        |
| 14.3.1    | Latent-variable interpretation and identification . . . . .      | 447        |
| 14.3.2    | ML estimation . . . . .  | 447        |
| 14.3.3    | The logit and probit commands . . . . .                          | 448        |
| 14.3.4    | Robust estimate of the VCE . . . . .                             | 448        |
| 14.3.5    | OLS estimation of LPM . . . . .                                  | 448        |
| 14.4      | Example . . . . .  | 449        |
| 14.4.1    | Data description . . . . .                                       | 449        |
| 14.4.2    | Logit regression . . . . .                                       | 450        |
| 14.4.3    | Comparison of binary models and parameter estimates . . . . .    | 451        |
| 14.5      | Hypothesis and specification tests . . . . .                     | 452        |
| 14.5.1    | Wald tests . . . . .   | 453        |
| 14.5.2    | Likelihood-ratio tests . . . . .                                 | 453        |
| 14.5.3    | Additional model-specification tests . . . . .                   | 454        |
|           | Lagrange multiplier test of generalized logit . . . . .          | 454        |
|           | Heteroskedastic probit regression . . . . .                      | 455        |
| 14.5.4    | Model comparison . . . . .                                       | 456        |

|           |   |            |
|-----------|---|------------|
| 14.6      | Goodness of fit and prediction . . . . .                    | 457        |
| 14.6.1    | Pseudo-R <sup>2</sup> measure . . . . .                     | 457        |
| 14.6.2    | Comparing predicted probabilities with sample frequencies . | 457        |
| 14.6.3    | Comparing predicted outcomes with actual outcomes . . .     | 459        |
| 14.6.4    | The predict command for fitted probabilities . . . . .      | 460        |
| 14.6.5    | The prvalue command for fitted probabilities . . . . .      | 461        |
| 14.7      | Marginal effects . . . . .                                  | 462        |
| 14.7.1    | Marginal effect at a representative value (MER) . . . . .   | 462        |
| 14.7.2    | Marginal effect at the mean (MEM) . . . . .                 | 463        |
| 14.7.3    | Average marginal effect (AME) . . . . .                     | 464        |
| 14.7.4    | The prchange command . . . . .                              | 464        |
| 14.8      | Endogenous regressors . . . . .                             | 465        |
| 14.8.1    | Example . . . . .   | 465        |
| 14.8.2    | Model assumptions . . . . .                                 | 466        |
| 14.8.3    | Structural-model approach . . . . .                         | 467        |
|           | The ivprobit command . . . . .                              | 467        |
|           | Maximum likelihood estimates . . . . .                      | 468        |
|           | Two-step sequential estimates . . . . .                     | 469        |
| 14.8.4    | IVs approach . . . . .                                      | 471        |
| 14.9      | Grouped data . . . . .                                      | 472        |
| 14.9.1    | Estimation with aggregate data . . . . .                    | 473        |
| 14.9.2    | Grouped-data application . . . . .                          | 473        |
| 14.10     | Stata resources . . . . .                                   | 475        |
| 14.11     | Exercises . . . . .   | 475        |
| <b>15</b> | <b>Multinomial models</b>                                   | <b>477</b> |
| 15.1      | Introduction . . . . .                                      | 477        |
| 15.2      | Multinomial models overview . . . . .                       | 477        |
| 15.2.1    | Probabilities and MEs . . . . .                             | 477        |
| 15.2.2    | Maximum likelihood estimation . . . . .                     | 478        |
| 15.2.3    | Case-specific and alternative-specific regressors . . . . . | 479        |

|        |   |     |
|--------|---|-----|
| 15.2.4 | Additive random-utility model . . . . .                                   | 479 |
| 15.2.5 | Stata multinomial model commands . . . . .                                | 480 |
| 15.3   | Multinomial example: Choice of fishing mode . . . . .                     | 480 |
| 15.3.1 | Data description . . . . .  | 480 |
| 15.3.2 | Case-specific regressors . . . . .  | 483 |
| 15.3.3 | Alternative-specific regressors . . . . .                                 | 483 |
| 15.4   | Multinomial logit model . . . . .   | 484 |
| 15.4.1 | The mlogit command . . . . .  | 484 |
| 15.4.2 | Application of the mlogit command . . . . .                               | 485 |
| 15.4.3 | Coefficient interpretation . . . . .                                      | 486 |
| 15.4.4 | Predicted probabilities . . . . .   | 487 |
| 15.4.5 | MEs . . . . .   | 488 |
| 15.5   | Conditional logit model . . . . .   | 489 |
| 15.5.1 | Creating long-form data from wide-form data . . . . .                     | 489 |
| 15.5.2 | The asclogit command . . . . .  | 491 |
| 15.5.3 | The clogit command . . . . .  | 491 |
| 15.5.4 | Application of the asclogit command . . . . .                             | 492 |
| 15.5.5 | Relationship to multinomial logit model . . . . .                         | 493 |
| 15.5.6 | Coefficient interpretation . . . . .                                      | 493 |
| 15.5.7 | Predicted probabilities . . . . .   | 494 |
| 15.5.8 | MEs . . . . .   | 494 |
| 15.6   | Nested logit model . . . . .  | 496 |
| 15.6.1 | Relaxing the independence of irrelevant alternatives assumption . . . . . | 497 |
| 15.6.2 | NL model . . . . .  | 497 |
| 15.6.3 | The nlogit command . . . . .  | 498 |
| 15.6.4 | Model estimates . . . . .   | 499 |
| 15.6.5 | Predicted probabilities . . . . .   | 501 |
| 15.6.6 | MEs . . . . .   | 501 |
| 15.6.7 | Comparison of logit models . . . . .                                      | 502 |

|           |  |            |
|-----------|--|------------|
| 15.7      | Multinomial probit model . . . . .             | 503        |
| 15.7.1    | MNP . . . . .                                  | 503        |
| 15.7.2    | The mprobit command . . . . .                  | 503        |
| 15.7.3    | Maximum simulated likelihood . . . . .         | 504        |
| 15.7.4    | The asmprobit command . . . . .                | 505        |
| 15.7.5    | Application of the asmprobit command . . . . . | 505        |
| 15.7.6    | Predicted probabilities and MEs . . . . .      | 507        |
| 15.8      | Random-parameters logit . . . . .              | 508        |
| 15.8.1    | Random-parameters logit . . . . .              | 508        |
| 15.8.2    | The mixlogit command . . . . .                 | 508        |
| 15.8.3    | Data preparation for mixlogit . . . . .        | 509        |
| 15.8.4    | Application of the mixlogit command . . . . .  | 509        |
| 15.9      | Ordered outcome models . . . . .               | 510        |
| 15.9.1    | Data summary . . . . .                         | 511        |
| 15.9.2    | Ordered outcomes . . . . .                     | 512        |
| 15.9.3    | Application of the ologit command . . . . .    | 512        |
| 15.9.4    | Predicted probabilities . . . . .              | 513        |
| 15.9.5    | MEs . . . . .                                  | 513        |
| 15.9.6    | Other ordered models . . . . .                 | 514        |
| 15.10     | Multivariate outcomes . . . . .                | 514        |
| 15.10.1   | Bivariate probit . . . . .                     | 515        |
| 15.10.2   | Nonlinear SUR . . . . .                        | 517        |
| 15.11     | Stata resources . . . . .                      | 518        |
| 15.12     | Exercises . . . . .                            | 518        |
| <b>16</b> | <b>Tobit and selection models</b>              | <b>521</b> |
| 16.1      | Introduction . . . . .                         | 521        |
| 16.2      | Tobit model . . . . .                          | 521        |
| 16.2.1    | Regression with censored data . . . . .        | 521        |
| 16.2.2    | Tobit model setup . . . . .                    | 522        |
| 16.2.3    | Unknown censoring point . . . . .              | 523        |

|        |   |     |
|--------|---|-----|
| 16.2.4 | Tobit estimation . . . . .                                  | 523 |
| 16.2.5 | ML estimation in Stata . . . . .                            | 524 |
| 16.3   | Tobit model example . . . . .                               | 524 |
| 16.3.1 | Data summary . . . . .                                      | 524 |
| 16.3.2 | Tobit analysis . . . . .                                    | 525 |
| 16.3.3 | Prediction after tobit . . . . .                            | 526 |
| 16.3.4 | Marginal effects . . . . .                                  | 527 |
|        | Left-truncated, left-censored, and right-truncated examples | 527 |
|        | Left-censored case computed directly . . . . .              | 528 |
|        | Marginal impact on probabilities . . . . .                  | 529 |
| 16.3.5 | The ivtobit command . . . . .                               | 530 |
| 16.3.6 | Additional commands for censored regression . . . . .       | 530 |
| 16.4   | Tobit for lognormal data . . . . .                          | 531 |
| 16.4.1 | Data example . . . . .                                      | 531 |
| 16.4.2 | Setting the censoring point for data in logs . . . . .      | 532 |
| 16.4.3 | Results . . . . .   | 533 |
| 16.4.4 | Two-limit tobit . . . . .                                   | 534 |
| 16.4.5 | Model diagnostics . . . . .                                 | 534 |
| 16.4.6 | Tests of normality and homoskedasticity . . . . .           | 535 |
|        | Generalized residuals and scores . . . . .                  | 535 |
|        | Test of normality . . . . .                                 | 536 |
|        | Test of homoskedasticity . . . . .                          | 537 |
| 16.4.7 | Next step? . . . . .  | 538 |
| 16.5   | Two-part model in logs . . . . .                            | 538 |
| 16.5.1 | Model structure . . . . .                                   | 538 |
| 16.5.2 | Part 1 specification . . . . .                              | 539 |
| 16.5.3 | Part 2 of the two-part model . . . . .                      | 540 |
| 16.6   | Selection model . . . . .                                   | 541 |
| 16.6.1 | Model structure and assumptions . . . . .                   | 541 |
| 16.6.2 | ML estimation of the sample-selection model . . . . .       | 543 |

|           |   |            |
|-----------|---|------------|
| 16.6.3    | Estimation without exclusion restrictions . . . . .       | 543        |
| 16.6.4    | Two-step estimation . . . . .                             | 545        |
| 16.6.5    | Estimation with exclusion restrictions . . . . .          | 546        |
| 16.7      | Prediction from models with outcome in logs . . . . .     | 547        |
| 16.7.1    | Predictions from tobit . . . . .                          | 548        |
| 16.7.2    | Predictions from two-part model . . . . .                 | 548        |
| 16.7.3    | Predictions from selection model . . . . .                | 549        |
| 16.8      | Stata resources . . . . .                                 | 550        |
| 16.9      | Exercises . . . . .                                       | 550        |
| <b>17</b> | <b>Count-data models</b>                                  | <b>553</b> |
| 17.1      | Introduction . . . . .                                    | 553        |
| 17.2      | Features of count data . . . . .                          | 553        |
| 17.2.1    | Generated Poisson data . . . . .                          | 554        |
| 17.2.2    | Overdispersion and negative binomial data . . . . .       | 555        |
| 17.2.3    | Modeling strategies . . . . .                             | 556        |
| 17.2.4    | Estimation methods . . . . .                              | 557        |
| 17.3      | Empirical example 1 . . . . .                             | 557        |
| 17.3.1    | Data summary . . . . .                                    | 557        |
| 17.3.2    | Poisson model . . . . .                                   | 558        |
|           | Poisson model results . . . . .                           | 559        |
|           | Robust estimate of VCE for Poisson MLE . . . . .          | 560        |
|           | Test of overdispersion . . . . .                          | 561        |
|           | Coefficient interpretation and marginal effects . . . . . | 562        |
| 17.3.3    | NB2 model . . . . .                                       | 562        |
|           | NB2 model results . . . . .                               | 563        |
|           | Fitted probabilities for Poisson and NB2 models . . . . . | 565        |
|           | The countfit command . . . . .                            | 565        |
|           | The prvalue command . . . . .                             | 567        |
|           | Discussion . . . . .                                      | 567        |
|           | Generalized NB model . . . . .                            | 567        |

|        |   |     |
|--------|---|-----|
| 17.3.4 | Nonlinear least-squares estimation . . . . .        | 568 |
| 17.3.5 | Hurdle model . . . . .                              | 569 |
|        | Variants of the hurdle model . . . . .              | 571 |
|        | Application of the hurdle model . . . . .           | 571 |
| 17.3.6 | Finite-mixture models . . . . .                     | 575 |
|        | FMM specification . . . . .                         | 575 |
|        | Simulated FMM sample with comparisons . . . . .     | 575 |
|        | ML estimation of the FMM . . . . .                  | 577 |
|        | The fmm command . . . . .                           | 578 |
|        | Application: Poisson finite-mixture model . . . . . | 578 |
|        | Interpretation . . . . .                            | 579 |
|        | Comparing marginal effects . . . . .                | 580 |
|        | Application: NB finite-mixture model . . . . .      | 582 |
|        | Model selection . . . . .                           | 584 |
|        | Cautionary note . . . . .                           | 585 |
| 17.4   | Empirical example 2 . . . . .                       | 585 |
| 17.4.1 | Zero-inflated data . . . . .                        | 585 |
| 17.4.2 | Models for zero-inflated data . . . . .             | 586 |
| 17.4.3 | Results for the NB2 model . . . . .                 | 587 |
|        | The prcounts command . . . . .                      | 588 |
| 17.4.4 | Results for ZINB . . . . .                          | 589 |
| 17.4.5 | Model comparison . . . . .                          | 590 |
|        | The countfit command . . . . .                      | 590 |
|        | Model comparison using countfit . . . . .           | 590 |
| 17.5   | Models with endogenous regressors . . . . .         | 591 |
| 17.5.1 | Structural-model approach . . . . .                 | 592 |
|        | Model and assumptions . . . . .                     | 592 |
|        | Two-step estimation . . . . .                       | 593 |
|        | Application . . . . .                               | 593 |
| 17.5.2 | Nonlinear IV method . . . . .                       | 596 |

|   |   |            |
|---|---|------------|
| 17.6  | Stata resources . . . . .                         | 598        |
| 17.7  | Exercises . . . . .                               | 598        |
| <b>18</b>   | <b>Nonlinear panel models</b>                     | <b>601</b> |
| 18.1  | Introduction . . . . .                            | 601        |
| 18.2  | Nonlinear panel-data overview . . . . .           | 601        |
| 18.2.1  | Some basic nonlinear panel models . . . . .       | 601        |
| FE models . . . . .                                   | 602   |            |
| RE models . . . . .                                   | 602   |            |
| Pooled models or population-averaged models . . . . . | 602   |            |
| Comparison of models . . . . .                        | 603   |            |
| 18.2.2  | Dynamic models . . . . .                          | 603        |
| 18.2.3  | Stata nonlinear panel commands . . . . .          | 603        |
| 18.3  | Nonlinear panel-data example . . . . .            | 604        |
| 18.3.1  | Data description and summary statistics . . . . . | 604        |
| 18.3.2  | Panel-data organization . . . . .                 | 606        |
| 18.3.3  | Within and between variation . . . . .            | 606        |
| 18.3.4  | FE or RE model for these data? . . . . .          | 607        |
| 18.4  | Binary outcome models . . . . .                   | 607        |
| 18.4.1  | Panel summary of the dependent variable . . . . . | 607        |
| 18.4.2  | Pooled logit estimator . . . . .                  | 608        |
| 18.4.3  | The xtlogit command . . . . .                     | 609        |
| 18.4.4  | The xtgee command . . . . .                       | 610        |
| 18.4.5  | PA logit estimator . . . . .                      | 610        |
| 18.4.6  | RE logit estimator . . . . .                      | 611        |
| 18.4.7  | FE logit estimator . . . . .                      | 613        |
| 18.4.8  | Panel logit estimator comparison . . . . .        | 615        |
| 18.4.9  | Prediction and marginal effects . . . . .         | 616        |
| 18.4.10   | Mixed-effects logit estimator . . . . .           | 616        |
| 18.5  | Tobit model . . . . .                             | 617        |
| 18.5.1  | Panel summary of the dependent variable . . . . . | 617        |

|          |   |            |
|----------|---|------------|
| 18.5.2   | RE tobit model . . . . .                                      | 617        |
| 18.5.3   | Generalized tobit models . . . . .                            | 618        |
| 18.5.4   | Parametric nonlinear panel models . . . . .                   | 619        |
| 18.6     | Count-data models . . . . .                                   | 619        |
| 18.6.1   | The xtpoisson command . . . . .                               | 619        |
| 18.6.2   | Panel summary of the dependent variable . . . . .             | 620        |
| 18.6.3   | Pooled Poisson estimator . . . . .                            | 620        |
| 18.6.4   | PA Poisson estimator . . . . .                                | 621        |
| 18.6.5   | RE Poisson estimators . . . . .                               | 622        |
| 18.6.6   | FE Poisson estimator . . . . .                                | 624        |
| 18.6.7   | Panel Poisson estimators comparison . . . . .                 | 626        |
| 18.6.8   | Negative binomial estimators . . . . .                        | 627        |
| 18.7     | Stata resources . . . . .                                     | 628        |
| 18.8     | Exercises . . . . .   | 629        |
| <b>A</b> | <b>Programming in Stata</b>                                   | <b>631</b> |
| A.1      | Stata matrix commands . . . . .                               | 631        |
| A.1.1    | Stata matrix overview . . . . .                               | 631        |
| A.1.2    | Stata matrix input and output . . . . .                       | 631        |
|          | Matrix input by hand . . . . .                                | 631        |
|          | Matrix input from Stata estimation results . . . . .          | 632        |
| A.1.3    | Stata matrix subscripts and combining matrices . . . . .      | 633        |
| A.1.4    | Matrix operators . . . . .                                    | 634        |
| A.1.5    | Matrix functions . . . . .                                    | 634        |
| A.1.6    | Matrix accumulation commands . . . . .                        | 635        |
| A.1.7    | OLS using Stata matrix commands . . . . .                     | 636        |
| A.2      | Programs . . . . .  | 637        |
| A.2.1    | Simple programs (no arguments or access to results) . . . . . | 637        |
| A.2.2    | Modifying a program . . . . .                                 | 638        |
| A.2.3    | Programs with positional arguments . . . . .                  | 638        |
| A.2.4    | Temporary variables . . . . .                                 | 639        |

|          |  |            |
|----------|--|------------|
| A.2.5    | Programs with named positional arguments . . . . .                   | 639        |
| A.2.6    | Storing and retrieving program results . . . . .                     | 640        |
| A.2.7    | Programs with arguments using standard Stata syntax . . . . .        | 641        |
| A.2.8    | Ado-files . . . . .  | 642        |
| A.3      | Program debugging . . . . .  | 643        |
| A.3.1    | Some simple tips . . . . .   | 644        |
| A.3.2    | Error messages and return code . . . . .                             | 644        |
| A.3.3    | Trace . . . . .  | 645        |
| <b>B</b> | <b>Mata</b>  | <b>647</b> |
| B.1      | How to run Mata . . . . .  | 647        |
| B.1.1    | Mata commands in Mata . . . . .                                      | 647        |
| B.1.2    | Mata commands in Stata . . . . .                                     | 648        |
| B.1.3    | Stata commands in Mata . . . . .                                     | 648        |
| B.1.4    | Interactive versus batch use . . . . .                               | 648        |
| B.1.5    | Mata help . . . . .  | 648        |
| B.2      | Mata matrix commands . . . . .                                       | 649        |
| B.2.1    | Mata matrix input . . . . .  | 649        |
|          | Matrix input by hand . . . . .                                       | 649        |
|          | Identity matrices, unit vectors, and matrices of constants . . . . . | 650        |
|          | Matrix input from Stata data . . . . .                               | 651        |
|          | Matrix input from Stata matrix . . . . .                             | 651        |
|          | Stata interface functions . . . . .                                  | 652        |
| B.2.2    | Mata matrix operators . . . . .                                      | 652        |
|          | Element-by-element operators . . . . .                               | 652        |
| B.2.3    | Mata functions . . . . .   | 653        |
|          | Scalar and matrix functions . . . . .                                | 653        |
|          | Matrix inversion . . . . .   | 654        |
| B.2.4    | Mata cross products . . . . .  | 655        |
| B.2.5    | Mata matrix subscripts and combining matrices . . . . .              | 655        |

|       |  |            |
|-------|--|------------|
| B.2.6 | Transferring Mata data and matrices to Stata . . . . . | 657        |
|       | Creating Stata matrices from Mata matrices . . . . .   | 657        |
|       | Creating Stata data from a Mata vector . . . . .       | 657        |
| B.3   | Programming in Mata . . . . .                          | 658        |
| B.3.1 | Declarations . . . . .                                 | 658        |
| B.3.2 | Mata program . . . . .                                 | 658        |
| B.3.3 | Mata program with results output to Stata . . . . .    | 659        |
| B.3.4 | Stata program that calls a Mata program . . . . .      | 659        |
| B.3.5 | Using Mata in ado-files . . . . .                      | 660        |
|       | <b>Glossary of abbreviations</b>                       | <b>661</b> |
|       | <b>References</b>                                      | <b>665</b> |
|       | <b>Author index</b>                                    | <b>673</b> |
|       | <b>Subject index</b>                                   | <b>677</b> |