

xtfrontier postestimation — Postestimation tools for xtfrontier

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Postestimation commands

The following postestimation commands are available after `xtfrontier`:

Command	Description
<code>contrast</code>	contrasts and ANOVA-style joint tests of estimates
<code>estat ic</code>	Akaike's and Schwarz's Bayesian information criteria (AIC and BIC)
<code>estat summarize</code>	summary statistics for the estimation sample
<code>estat vce</code>	variance–covariance matrix of the estimators (VCE)
<code>estimates</code>	cataloging estimation results
<code>forecast</code>	dynamic forecasts and simulations
<code>hausman</code>	Hausman's specification test
<code>lincom</code>	point estimates, standard errors, testing, and inference for linear combinations of coefficients
<code>lrtest</code>	likelihood-ratio test
<code>margins</code>	marginal means, predictive margins, marginal effects, and average marginal effects
<code>marginsplot</code>	graph the results from margins (profile plots, interaction plots, etc.)
<code>nlcom</code>	point estimates, standard errors, testing, and inference for nonlinear combinations of coefficients
<code>predict</code>	predictions, residuals, influence statistics, and other diagnostic measures
<code>predictnl</code>	point estimates, standard errors, testing, and inference for generalized predictions
<code>pwcompare</code>	pairwise comparisons of estimates
<code>test</code>	Wald tests of simple and composite linear hypotheses
<code>testnl</code>	Wald tests of nonlinear hypotheses

predict

Description for predict

`predict` creates a new variable containing predictions such as linear predictions, standard errors, and technical efficiencies.

Menu for predict

Statistics > Postestimation

Syntax for predict

```
predict [type] newvar [if] [in] [, statistic]
```

<i>statistic</i>	Description
Main	
<code>xb</code>	linear prediction; the default
<code>stdp</code>	standard error of the linear prediction
<code>u</code>	minus the natural log of the technical efficiency via $E(u_{it} \epsilon_{it})$
<code>m</code>	minus the natural log of the technical efficiency via $M(u_{it} \epsilon_{it})$
<code>te</code>	the technical efficiency via $E\{\exp(-su_{it}) \epsilon_{it}\}$

where

$$s = \begin{cases} 1, & \text{for production functions} \\ -1, & \text{for cost functions} \end{cases}$$

Options for predict

Main

`xb`, the default, calculates the linear prediction.

`stdp` calculates the standard error of the linear prediction.

`u` produces estimates of minus the natural log of the technical efficiency via $E(u_{it} | \epsilon_{it})$.

`m` produces estimates of minus the natural log of the technical efficiency via the mode, $M(u_{it} | \epsilon_{it})$.

`te` produces estimates of the technical efficiency via $E\{\exp(-su_{it}) | \epsilon_{it}\}$.

margins

Description for margins

`margins` estimates margins of response for linear predictions.

Menu for margins

Statistics > Postestimation

Syntax for margins

```

margins [marginlist] [, options]
margins [marginlist] , predict(statistic ...) [options]

```

<i>statistic</i>	Description
<code>xb</code>	linear prediction; the default
<code>stdp</code>	not allowed with <code>margins</code>
<code>u</code>	not allowed with <code>margins</code>
<code>m</code>	not allowed with <code>margins</code>
<code>te</code>	not allowed with <code>margins</code>

Statistics not allowed with `margins` are functions of stochastic quantities other than $e(b)$.

For the full syntax, see [R] [margins](#).

Remarks and examples

[stata.com](http://www.stata.com)

► Example 1

A production function exhibits *constant returns to scale* if doubling the amount of each input results in a doubling in the quantity produced. When the production function is linear in logs, constant returns to scale implies that the sum of the coefficients on the inputs is one. In [example 2](#) of [XT] `xtfrontier`, we fit a time-varying decay model. Here we test whether the estimated production function exhibits constant returns:

```

. use http://www.stata-press.com/data/r15/xtfrontier1
. xtfrontier lnwidgets lnmachines lnworkers, tvd
  (output omitted)
. test lnmachines + lnworkers = 1
( 1)  [lnwidgets]lnmachines + [lnwidgets]lnworkers = 1
      chi2( 1) = 331.55
      Prob > chi2 = 0.0000

```

The test statistic is highly significant, so we reject the null hypothesis and conclude that this production function does not exhibit constant returns to scale.

The previous Wald χ^2 test indicated that the sum of the coefficients does not equal one. An alternative is to use `lincom` to compute the sum explicitly:

```
. lincom lnmachines + lnworkers
(1) [lnwidgets]lnmachines + [lnwidgets]lnworkers = 0
```

lnwidgets	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
(1)	.5849967	.0227918	25.67	0.000	.5403256	.6296677

The sum of the coefficients is significantly less than one, so this production function exhibits *decreasing returns to scale*. If we doubled the number of machines and workers, we would obtain less than twice as much output.

◀

Methods and formulas

Continuing from the *Methods and formulas* section of [XT] **xtfrontier**, estimates for u_{it} can be obtained from the mean or the mode of the conditional distribution $f(u|\epsilon)$.

$$E(u_{it} | \epsilon_{it}) = \tilde{\mu}_i + \tilde{\sigma}_i \left\{ \frac{\phi(-\tilde{\mu}_i/\tilde{\sigma}_i)}{1 - \Phi(-\tilde{\mu}_i/\tilde{\sigma}_i)} \right\}$$

$$M(u_{it} | \epsilon_{it}) = \begin{cases} -\tilde{\mu}_i, & \text{if } \tilde{\mu}_i \geq 0 \\ 0, & \text{otherwise} \end{cases}$$

where

$$\tilde{\mu}_i = \frac{\mu\sigma_v^2 - s \sum_{t=1}^{T_i} \eta_{it}\epsilon_{it}\sigma_u^2}{\sigma_v^2 + \sum_{t=1}^{T_i} \eta_{it}^2\sigma_u^2}$$

$$\tilde{\sigma}_i^2 = \frac{\sigma_v^2\sigma_u^2}{\sigma_v^2 + \sum_{t=1}^{T_i} \eta_{it}^2\sigma_u^2}$$

These estimates can be obtained from `predict newvar`, `u` and `predict newvar`, `m`, respectively, and are calculated by plugging in the estimated parameters.

`predict newvar`, `te` produces estimates of the technical-efficiency term. These estimates are obtained from

$$E\{\exp(-su_{it}) | \epsilon_{it}\} = \left[\frac{1 - \Phi\{s\eta_{it}\tilde{\sigma}_i - (\tilde{\mu}_i/\tilde{\sigma}_i)\}}{1 - \Phi(-\tilde{\mu}_i/\tilde{\sigma}_i)} \right] \exp\left(-s\eta_{it}\tilde{\mu}_i + \frac{1}{2}\eta_{it}^2\tilde{\sigma}_i^2\right)$$

Replacing $\eta_{it} = 1$ and $\eta = 0$ in these formulas produces the formulas for the time-invariant models.

Also see

[XT] **xtfrontier** — Stochastic frontier models for panel data

[U] **20 Estimation and postestimation commands**