Estimating treatment effects from observational data using teffects, stteffects, and eteffects

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A question

- Will a mother hurt her child by smoking while she is pregnant?
  - Too vague

- Will a mother reduce the birthweight of her child by smoking while she is pregnant?
  - Less interesting, but more specific
  - There might even be data to help us answer this question
  - The data will be observational, not experimental
What do we want to estimate?

Potential outcomes

- For each treatment level, there is a potential outcome that we would observe if a subject received that treatment level.
- Potential outcomes are the data that we wish we had to estimate causal treatment effects.
- In the example at hand, the two treatment levels are the mother smokes and the mother does not smoke.
  - For each treatment level, there is an outcome (a baby’s birthweight) that would be observed if the mother got that treatment level.
What do we want to estimate?

Potential outcomes

Suppose that we could see

1. the birthweight of a child born to each mother when she smoked while pregnant, and
2. the birthweight of a child born to each mother when she did not smoke while pregnant

For example, we wish we had data like

```
. list mother_id bw_smoke bw_nosmoke in 1/5, abbreviate(10)

  +-----------------+---------+---------+
<table>
<thead>
<tr>
<th>mother_id</th>
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<th>bw_nosmoke</th>
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<td>3509</td>
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<td>3495</td>
</tr>
<tr>
<td>5</td>
<td>3241</td>
<td>3413</td>
</tr>
</tbody>
</table>
  +-----------------+---------+---------+
```
What do we want to estimate?

Average treatment effect

- If we had data on each potential outcome, the sample-average treatment effect would be the sample average of \( bw_{\text{smoke}} \) minus \( bw_{\text{nosmoke}} \)

\[
\text{Mean estimation} \quad \text{Number of obs} = 4,642
\]

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Err.</th>
<th>[95% Conf. Interval]</th>
</tr>
</thead>
<tbody>
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<td>( bw_{\text{smoke}} )</td>
<td>3171.72</td>
<td>.9088219</td>
<td>3169.938 3173.501</td>
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<tr>
<td>( bw_{\text{nosmoke}} )</td>
<td>3402.599</td>
<td>1.529189</td>
<td>3399.601 3405.597</td>
</tr>
</tbody>
</table>

\[
\text{lincom } _b[bw_{\text{smoke}}] - _b[bw_{\text{nosmoke}}]
\]

( 1) \( bw_{\text{smoke}} - bw_{\text{nosmoke}} = 0 \)

|            | Mean  | Coef.    | Std. Err. | t     | P>|t|  | [95% Conf. Interval] |
|------------|-------|----------|-----------|-------|------|---------------------|
| (1)        | -230.8791| 1.222589 | -188.84 | 0.000 | -233.276 | -228.4823           |

- In population terms, the average treatment effect is

\[
ATE = \mathbb{E}[bw_{\text{smoke}} - bw_{\text{nosmoke}}] = \mathbb{E}[bw_{\text{smoke}}] - \mathbb{E}[bw_{\text{nosmoke}}]
\]
What do we want to estimate?

The “fundamental problem of causal inference” (Holland (1986)) is that we only observe one of the potential outcomes. The other potential outcome is missing.

1. We only see $bw_{\text{smoke}}$ for mothers who smoked.
2. We only see $bw_{\text{nosmoke}}$ for mothers who did not smoke.

We can use the tricks of missing-data analysis to estimate treatment effects.

What do we want to estimate?

Random-assignment case

- Many questions require using observational data, because experimental data would be unethical
  - We could not ask a random selection of pregnant women to smoke while pregnant
- The random-assignment methods used with experimental data are useful, because observational-data methods build on them
- When the treatment is randomly assigned, the potential outcomes are independent of the treatment
- If smoking were randomly assigned to mothers, the missing potential outcome would be missing completely at random
  1. The average birthweight of babies born to mothers who smoked would be a good estimator for mean of the smoking potential outcome of all mothers in the population
  2. The average birthweight of babies born to mothers who did not smoke would be a good estimator for mean of the not-smoking potential outcome of all mothers in the population
What do we want to estimate?

As good as random

Instead of assuming that the treatment is randomly assigned, we assume that the treatment is as good as randomly assigned after conditioning on covariates.

Formally, this assumption is known as conditional independence.

Even more formally, we only need conditional mean independence which says that after conditioning on covariates, the treatment does not affect the means of the potential outcomes.
Assumptions used with observational data

- The assumptions we need vary over estimator and effect parameter, but some version of the following assumptions are required for the exogenous treatment estimators discussed here:

  CMI The conditional mean-independence CMI assumption restricts the dependence between the treatment model and the potential outcomes.

  Overlap The overlap assumption ensures that each individual could get any treatment level.

  IID The independent-and-identically-distributed (IID) sampling assumption ensures that the potential outcomes and treatment status of each individual are unrelated to the potential outcomes and treatment statuses of all the other individuals in the population.

- Endogenous treatment effect models replace CMI with a weaker assumption.

- In practice, we assume independent observations, not IID.
What do we want to estimate?

Some references for assumptions

For Reference Only

- Versions of the CMI assumption are also known as unconfoundedness and selection-on-observables in the literature; see Rosenbaum and Rubin (1983), Heckman (1997), Heckman and Navarro-Lozano (2004), (Cameron and Trivedi, 2005, section 25.2.1), (Tsiatis, 2006, section 13.3), (Angrist and Pischke, 2009, chapter 3), Imbens and Wooldridge (2009), and (Wooldridge, 2010, section 21.3)

- Rosenbaum and Rubin (1983) call the combination of conditional independence and overlap assumptions strong ignorability; see also (Abadie and Imbens, 2006, pp 237-238) and Imbens and Wooldridge (2009).

- The IID assumption is a part of what is known as the stable unit treatment value assumption (SUTVA); see (Wooldridge, 2010, p.905) and Imbens and Wooldridge (2009)
Recall that the potential-outcomes framework formulates the estimation of the ATE as a missing-data problem.

We use the parameters of an auxiliary model to solve the missing-data problem.

The auxiliary model is how we condition on covariates so that the treatment is as good as randomly assigned.

<table>
<thead>
<tr>
<th>Model</th>
<th>Estimator</th>
</tr>
</thead>
<tbody>
<tr>
<td>outcome</td>
<td>Regression adjustment (RA)</td>
</tr>
<tr>
<td>treatment</td>
<td>Inverse-probability weighted (IPW)</td>
</tr>
<tr>
<td>outcome and treatment</td>
<td>Augmented IPW (AIPW)</td>
</tr>
<tr>
<td>outcome and treatment</td>
<td>IPW RA (IPWRA)</td>
</tr>
<tr>
<td>outcome (nonparametrically)</td>
<td>Nearest-neighbor matching (NNMATCH)</td>
</tr>
<tr>
<td>treatment</td>
<td>Propensity-score matching (PSMATCH)</td>
</tr>
</tbody>
</table>
Regression adjustment (RA) estimators:

RA estimators run separate regressions for each treatment level, then
- means of predicted outcomes using all the data and the estimated coefficients for treatment level \( i \) all the data estimate \( \text{POM}_i \)
- use differences of POMs, or conditional on the treated POMs, to estimate ATEs or ATETs

Formally, the CMI assumption implies that our regressions of observed \( y \) for a given treatment level directly estimate \( \mathbb{E}[y_t | x_i] \)
- \( y_t \) is the potential outcome for treatment level \( t \)
- \( x_i \) are the covariates on which we condition
- Averages of predicted \( \mathbb{E}[y_t | x_i] \) yield estimates of the POM \( \mathbb{E}[y_t] \) because
\[
\frac{1}{N} \sum_{i=1}^{N} \hat{\mathbb{E}}[y_t | x_i] \xrightarrow{p} \mathbb{E}_x[\hat{\mathbb{E}}[y_t | x_i]] = \mathbb{E}[y_t]
\]

See (Cameron and Trivedi, 2005, chapter 25), (Wooldridge, 2010, chapter 21), and (Vittinghoff et al., 2012, chapter 9)
RA example

. use cattaneo2
. teffects ra (bweight mmarried prenatal1 fbaby medu) (mbsmoke)
Iteration 0: EE criterion = 2.336e-23
Iteration 1: EE criterion = 5.702e-26
Treatment-effects estimation
Number of obs = 4,642
Estimator : regression adjustment
Outcome model : linear
Treatment model: none

| bweight | Coef. | Std. Err. | z    | P>|z| | [95% Conf. Interval] |
|---------|-------|-----------|------|------|----------------------|
| ATE     |       |           |      |      |                      |
| mbsmoke (smoker vs nonsmoker) | -230.9541 | 24.34012 | -9.49 | 0.000 | -278.6599 -183.2484 |
| POmean  |       |           |      |      |                      |
| mbsmoke nonsmoker          | 3402.548  | 9.546721 | 356.41 | 0.000 | 3383.836 3421.259   |

- RA with linear regression to model outcome
- `teffects ra` can also model the outcome using probit, logit, heteroskedastic probit, exponential conditional mean, or poisson
Why are the standard errors always robust?

- have a multistep estimator
  1. Regress $y$ on $x$ for not treated observations
  2. Regress $y$ on $x$ for treated observations
  3. Mean of all observations of predicted $y$ given $x$ from not-treated regression estimates
  4. Mean of all observations of predicted $y$ given $x$ from treated regression estimates

- Each step can be obtained by solving moment conditions yielding a method of moments estimator known as an estimating equation (EE) estimator
  - $m_i(\theta)$ is vector of moment equations and $m(\theta) = 1/N \sum_{i=1}^{N} m_i(\theta)$

- The estimator for the variance-covariance matrix of the estimator has the form $1/N(DMD')$ where $D = \left( \frac{1}{N} \frac{\partial m(\theta)}{\partial \theta} \right)^{-1}$ and $M = \frac{1}{N} \sum_{i=1}^{N} m_i(\theta)m_i(\theta)$

- Stacked moments do not yield a symmetric $D$, so no simplification under correct specification
Inverse-probability-weighted (IPW) estimators:

- IPW estimators weight observations on the outcome variable by the inverse of the probability that it is observed to account for the missingness process.
- Observations that are not likely to contain missing data get a weight close to one; observations that are likely to contain missing data get a weight larger than one, potentially much larger.
- IPW estimators model the probability of treatment without any assumptions about the functional form for the outcome model.
- In contrast, RA estimators model the outcome without any assumptions about the functional form for the probability of treatment model.

. teffects ipw (bweight) (mbsmoke mmmarried prenatal1 fbaby medu)

Iteration 0: EE criterion = 1.701e-23
Iteration 1: EE criterion = 6.339e-27

Treatment-effects estimation
Number of obs = 4,642

Estimator : inverse-probability weights
Outcome model : weighted mean
Treatment model: logit

| bweight  | Coef. | Std. Err. | z     | P>|z| | [95% Conf. Interval] |
|----------|-------|-----------|-------|------|----------------------|
| ATE      |       |           |       |      |                      |
| mbsmoke  |       |           |       |      |                      |
| smoker   |       |           |       |      |                      |
| vs       |       |           |       |      |                      |
| nonsmoker| -231.1516 | 24.03183  | -9.62 | 0.000 | -278.2531 -184.0501 |
| POmean   |       |           |       |      |                      |
| mbsmoke  |       |           |       |      |                      |
| nonsmoker| 3402.219 | 9.589812  | 354.77| 0.000 | 3383.423 3421.015   |

- **IPW** with logit to model treatment
- Could have used probit or heteroskedastic probit to model treatment
- Estimator has stacked moment structure; score equations from first-stage maximum-likelihood estimators are now moment equations
In the unobtainable case of a randomly assigned treatment, the distribution of the covariates among those that get the treatment is the same as the distribution of the covariates among those that do not get the treatment.

- The distribution of the covariates is said to be “balanced” over the treatment/control status.

The estimators implemented in `teffects` use a model or matching method to make the outcome conditionally independent of the treatment by conditioning on covariates.

- If this model or matching method is well specified, it should balance the covariates.

Balance diagnostic techniques and tests check the specification of the conditioning method used by a `teffects`.
Rosenbaum and Rubin (1983) showed that the propensity score is a balancing score

- In particular, the treatment is conditionally independent of the covariates after conditioning on the propensity score
- Among the many applications of this result is the implication that IPW means of covariates will be the same for treated and controls
- The raw means of covariates will differ over treated and control observations, but the IPW means will be similar
tebalance implements diagnostics and a test for balance after teffects

- Diagnostics are statistics and graphical methods for which we do not know the distribution under the null
- A test is a statistic for which we know the distribution under the null

tebalance is new to Stata 14
Let's look for evidence against balancing using the simple model

```
. clear all
. use cattaneo2
. quietly teffects ipw (bweight) (mbsmoke mmarried mage prenatal1 fbaby medu)
> . tebalance summarize
  Covariate balance summary

        Raw  Weighted
 Number of obs =         4,642    4,642.0
 Treated obs =           864      2,280.4
 Control obs =          3,778      2,361.6

 Standardized differences
     Raw  Weighted
 mmarried  -.5953009  -.0258113  1.335944  1.021696
 mage      -.3001793  -.0803657  .8818025 .8127244
 prenatal1 -.3242695  -.0228922  1.496155  1.034023
 fbaby    -.1663271   .0221042  .9430944  1.005032
 medu     -.5474357   -.1373455 .7315846 .4984786

```
Group differences scaled by the average the group variances are known as standardized differences.

The raw standardized differences between treatment levels $t_1$ and $t_0$ are

$$
\delta(t_1, t_0) = \frac{\hat{\mu}_x(t_1) - \hat{\mu}_x(t_1)}{\sqrt{\hat{\sigma}^2_x(t_1) + \hat{\sigma}^2_x(t_0)}}
$$

where

$$
\hat{\mu}_x(t) = \frac{1}{N_t} \sum_{i=1}^{N} (t_i == t)x_i
$$

$$
\hat{\sigma}_x(t) = \frac{1}{N_t - 1} \sum_{i=1}^{N} (t_i == t)(x_i - \hat{\mu}_x(t))^2
$$
**Checking for balance**

**IPW standardized differences**

- If the model for the treatment is correctly specified, the IPW standardized differences will be zero.
- The IPW standardized differences between treatment levels \( t_1 \) and \( t_0 \) are

\[
\delta(t_1, t_0) = \frac{\tilde{\mu}_x(t_1) - \tilde{\mu}_x(t_1)}{\sqrt{\tilde{\sigma}^2_x(t_1) + \tilde{\sigma}^2_x(t_0)}}
\]

where

\[
\tilde{\mu}_x(t) = \frac{1}{M_t} \sum_{i=1}^{N} \omega_i(t_i == t)x_i
\]

\[
\tilde{\sigma}_x(t) = \frac{1}{M_t - 1} \sum_{i=1}^{N} (t_i == t) \omega_i (x_i - \tilde{\mu}_x(t))^2
\]

and \( \omega_i \) are the normalized predicted treatment probabilities and

\[
M_t = \sum_{i=1}^{N} (t_1 == t) \omega_i
\]
Imai and Ratkovic (2014) derived a test for balance by viewing the restrictions imposed by balance as overidentifying conditions.

- Scores for ML estimator of propensity score are moment conditions
- Moment conditions for equality of means are over-identifying conditions
- Estimate over-identified parameters by generalized method of moments (GMM)
- Under the null of covariate balance GMM criterion statistic has $\chi^2(J)$ distribution, where $J$ is the number of over-identifying moment conditions imposed by covariate balance
. quietly teffects ipw (bweight) (mbsmoke mmarried mage prenatal1 fbaby medu)
>
. tebalance overid

Iteration 0:  criterion =  .01513068
Iteration 1:  criterion =  .01514951  (backed up)
Iteration 2:  criterion =  .01521006
Iteration 3:  criterion =  .01539644
Iteration 4:  criterion =  .01542377
Iteration 5:  criterion =  .01550797
Iteration 6:  criterion =  .01553409
Iteration 7:  criterion =  .01558562
Iteration 8:  criterion =  .01568553
Iteration 9:  criterion =  .01569183
Iteration 10: criterion =  .01572721
Iteration 11: criterion =  .01573403
Iteration 12: criterion =  .01573406

Overidentification test for covariate balance
  H0: Covariates are balanced:
    chi2(6)     =  62.5564
    Prob > chi2 =  0.0000

Reject null hypothesis that IPW model/weights balance covariates
Model selection

- How to select the model for the outcome or the treatment?
- Use theory to decide the set of covariates
  - Do not condition on variables that are affected by the treatment, Wooldridge (2005)
- What functional form of a set or super set of the correct covariates should I use?
The idea is to fit a bunch of models and select the model with smallest information criterion

- An information criterion is $-LL + \text{penalty term}$
  - The better the estimator fits the data, the smaller is the negative of the log-likelihood ($-LL$)
  - The more parameters are added to the model, the larger is the penalty term

Choosing the model that minimizes an information criteria has a long history in statistics and econometrics

- Claeskens and Hjort (2008), (Cameron and Trivedi, 2005, Section 8.5.1)
Minimizing the Bayesian information criterion (BIC) can be a consistent model selection technique.

- Selecting the model that minimizes the BIC is an estimator of which model to select.
- The model selected by this estimator converges to the true model as the sample size gets larger.
- \( \text{BIC} = -2LL + 2\ln(N)q \), where \( N \) is the sample size and \( q \) is the number of parameters.

Minimizing the Akaike information criterion (AIC) tends to select a model with too many terms.

- The model selected by this estimator converges to a model that overfits as the sample size gets larger.
- \( \text{AIC} = -2LL + 2q \)
bfit does model selection

- bfit is a user written command documented in Cattaneo et al. (2013)
- bfit will find the model that minimizes either the BIC or the AIC within a subset of all possible models
### Model Selection

**Model**

<table>
<thead>
<tr>
<th>Model</th>
<th>Obs</th>
<th>ll(null)</th>
<th>ll(model)</th>
<th>df</th>
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<th>BIC</th>
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<td>-2200.161</td>
<td>2</td>
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<td>4417.207</td>
</tr>
</tbody>
</table>

Note: N= used in calculating BIC

(results _bfit_32 are active now)

`display "r(bvlist)"`

i.(mmarried prenatal1 fbaby) mage medu c.mage#c.mage c.mage#c.medu c.medu#c.med > u
. teffects ipw (bweight) (mbsmoke i.(mmarried prenatal1 fbaby) mage medu ///
> c.mage#c.mage c.mage#c.medu c.medu#c.medu), nolog

Treatment-effects estimation Number of obs = 4,642
Estimator : inverse-probability weights
Outcome model : weighted mean
Treatment model: logit

| bweight    | Coef.  | Std. Err. | z     | P>|z|  | [95% Conf. Interval] |
|------------|--------|-----------|-------|------|----------------------|
| ATE        |        |           |       |      |                      |
| mbsmoke    |        |           |       |      |                      |
| (smoker vs nonsmoker) |  |       |       |      |                      |
| -220.7592  | 28.47705 | -7.75    | 0.000 | -276.5732 | -164.9452         |
| POmean     |        |           |       |      |                      |
| mbsmoke    |        |           |       |      |                      |
| nonsmoker  | 3403.625 | 9.544666 | 356.60 | 0.000 | 3384.917  | 3422.332         |

. tebalance overid, nolog

Overidentification test for covariate balance

H0: Covariates are balanced:

chi2(9) = 9.38347
Prob > chi2 = 0.4027
Survival-time example

Does smoking decrease the time to a second heart attack in the population of women aged 45–55 who have had one heart attack?

1. For ethical reasons, these data will be observational.

2. This question is about the time to an event, and such data are commonly known as survival-time data or time-to-event data. These data are nonnegative and, frequently, right-censored.

3. Many researchers and practitioners want an effect estimate in easy-to-understand units of time.
Much of the survival-time literature uses a hazard ratio as the effect of interest. The ATE has three advantages over the hazard ratio as an effect measure.

1. The ATE measures the effect in the same time units as the outcome instead of in relative conditional probabilities.
2. The ATE is much easier to explain to nontechnical audiences.
3. The models used to estimate the ATE can be much more flexible.

Hazard ratios are useful for population effects when they are constant, which occurs when the treatment enters linearly and the distribution of the outcome has a proportional-hazards form.

Neither linearity in treatment nor proportional-hazards form is required for the ATE, and neither is imposed on the models fit by the estimators implemented in stteffects.
Estimators in stteffects

- Regression adjustment (RA)
  - Model outcome
  - Treatment assignment is handled by estimating separate models for each treatment level
  - Censoring handled in log-likelihood function for outcome

- Inverse-probability weighting
  - Model treatment assignment
  - Outcome is not modeled; estimated is weighted average of observed outcomes
  - Censoring handled my modeling time to censoring, which must be random

- Inverse-probability weighted regression adjustment (IPWRA)
  - Model outcome and treatment
  - Censoring handled in one of two ways
    - Censoring handled in log-likelihood function for outcome, or
    - Censoring handled my modeling time to censoring, which must be random

- stteffects is new Stata 14
Survival-time data

stset the data

. use sheart
(Time to second heart attack (fictional))
. stset atime, failure(fail)
  failure event: fail != 0 & fail < .
obs. time interval: (0, atime]
  exit on or before: failure

2000  total observations
     0  exclusions

2000  observations remaining, representing
1208  failures in single-record/single-failure data
3795.226  total analysis time at risk and under observation
   at risk from t =       0
  earliest observed entry t =      0
    last observed exit t =  34.17743

- 1,208 of the 2,000 observations record actual time to a second heart attack; remainder were censored
. stteffects ra (age exercise diet education) (smoke)
  
  failure _d: fail
  analysis time _t: atime

Iteration 0:  EE criterion = 1.525e-19
Iteration 1:  EE criterion = 2.965e-30

Survival treatment-effects estimation
Number of obs = 2,000
Estimator : regression adjustment
Outcome model : Weibull
Treatment model: none
Censoring model: none

|     _t          | Robust Coef. | Std. Err. | z     | P>|z|     | [95% Conf. Interval] |
|-----------------|--------------|-----------|-------|---------|---------------------|
| ATE smoke       |              |           |       |         |                     |
| (Smoker vs Nonsmoker) | -1.956657 | .3331787 | -5.87 | 0.000   | -2.609676 -1.303639 |
| POmean smoke    |              |           |       |         |                     |
| Nonsmoker       | 4.243974     | .2620538  | 16.20 | 0.000   | 3.730358 4.75759    |
. stteffects ipw (smoke age exercise diet education) ///
  (age exercise diet education)
    failure _d: fail
  analysis time _t: atime
Iteration 0:  EE criterion = 2.042e-18
Iteration 1:  EE criterion = 1.008e-31
Survival treatment-effects estimation  Number of obs =  2,000
Estimator : inverse-probability weights
Outcome model : weighted mean
Treatment model: logit
Censoring model: Weibull

|      _t | Robust Coef. | Robust Std. Err. |      z  |    P>|z|    |  [95% Conf. Interval]       |
|-------|-------------|------------------|--------|---------|--------------------------------|
| ATE   |             |                  |        |         |                                |
|   smoke |     (Smoker vs Nonsmoker) |       |        |         |                                |
|      smoke |          |       |        |         |                                |
|      Nonsmoker |   |       |        |         |                                |
|        -2.187297 | .6319837 |   -3.46 |  0.001 |   -3.425962 |   -3.9486314                |
| POmean smoke |     Nonsmoker |   |        |         |                                |
|             4.225331 | .517501 |     8.16 |  0.000 |    3.211047 |    5.239614                |
. stteffects ipwra (age exercise diet education) ///
>         (smoke age exercise diet education)
>          failure _d:  fail
>         analysis time _t:  atime
Iteration 0:   EE criterion =  2.153e-16
Iteration 1:   EE criterion =  6.312e-30
Survival treatment-effects estimation       Number of obs  =     2,000
Estimator : IPW regression adjustment
Outcome model : Weibull
Treatment model: logit
Censoring model: none

<table>
<thead>
<tr>
<th>_t</th>
<th>Robust</th>
<th></th>
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<td>P&gt;</td>
<td>z</td>
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<tr>
<td>ATE</td>
<td></td>
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<tr>
<td>smoke</td>
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<tr>
<td>(Smoker</td>
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</tr>
<tr>
<td>Nonsmoker)</td>
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<td>.4872777</td>
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<td>0.001</td>
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<tr>
<td>POmean</td>
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</tr>
<tr>
<td>smoke</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Nonsmoker)</td>
<td>4.214523</td>
<td>.2600165</td>
<td>16.21</td>
<td>0.000</td>
</tr>
</tbody>
</table>
stteffects ipwra: Weighted adjustment for censoring

```
. stteffects ipwra (age exercise diet education) ///
   (smoke age exercise diet education) ///
   (age exercise diet)
   failure _d: fail
   analysis time _t: atime
Iteration 0: EE criterion = 1.632e-16
Iteration 1: EE criterion = 4.278e-30
Survival treatment-effects estimation Number of obs = 2,000
Estimator : IPW regression adjustment
Outcome model : Weibull
Treatment model: logit
Censoring model: Weibull

| _t   | Robust Coef. | Std. Err. | z   | P>|z|   | [95% Conf. Interval] |
|------|--------------|-----------|-----|-------|----------------------|
| ATE  | smoke        | -2.037944 | .6032549 | -3.38 | 0.001 | -3.220302 - .855586 |
|      | (Smoker vs   |           |       |       |                     |
|      | Nonsmoker)   |           |       |       |                     |
| POmean | smoke       | 4.14284   | .4811052 | 8.61  | 0.000 | 3.199891  5.085789   |
```

Survival-time data
Endogenous treatment effects

- Allow an unobserved component to affect treatment assignment and each potential outcome
  - Violates CMI even though covariates are unrelated to error terms
- View the estimators implemented in `eteffects` as extensions to RA for a type of endogenous treatment
- `eteffects` is new to Stata 14
Here are the equations, when the outcome is linear

\[ y_0 = x\beta_0 + \epsilon_0 + \gamma_0\nu \]
\[ y_1 = x\beta_1 + \epsilon_1 + \gamma_1\nu \]
\[ t = (z\alpha + \nu > 0) \]
\[ y = ty_1 + (1 - t)y_0 \]

- \( x \) and \( z \) are unrelated to \( \nu \) and \( \epsilon \)
- \( \nu \sim N(0,1) \)
- The endogeneity is caused by the presence of \( \nu \) in all the equations
Endogenous treatment effects: Method

- Estimate probit of treatment on \( z \), and get residuals \( \hat{\nu} \)
- Regress \( y \) on \( x \) and \( \hat{\nu} \), when \( t==0 \) to get \( \hat{\mu}_{0i} = \hat{E}[y_0|x_i, \nu_i] \)
- Regress \( y \) on \( x \) and \( \hat{\nu} \), when \( t==1 \) to get \( \hat{\mu}_{1i} = \hat{E}[y_1|x_i, \nu_i] \)
- ATE is average of \( \hat{\mu}_{1i} - \hat{\mu}_{0i} \)
- Correct standard errors by stacking the moment conditions
. use cattaneo2
. teffects ra (bweight i.prenatal1 i.mmarried mage i.fbaby) (mbsmoke )
Iteration 0:   EE criterion = 7.734e-24
Iteration 1:   EE criterion = 1.196e-25
Treatment-effects estimation Number of obs      =      4,642
Estimator      : regression adjustment
Outcome model  : linear
Treatment model: none

<table>
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<td>P&gt;</td>
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<td>POmean mbsmoke</td>
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<td>357.29</td>
<td>0.000</td>
<td>3384.573  3421.911</td>
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</tbody>
</table>
. eteffects (bweight i.prenatal1 i.married mage i.fbaby) ///
>   (mbsmoke i.married mage i.fbaby medu fedu)
Iteration 0:   EE criterion = 2.239e-25
Iteration 1:   EE criterion = 2.239e-25 (backed up)
Endogenous treatment-effects estimation       Number of obs   =    4,642
Outcome model : linear
Treatment model: probit

|                  | Coef.  | Std. Err. |     z  |   P>|z| | 95% Conf. Interval |
|------------------|--------|-----------|--------|--------|-------------------|
| bweight          |        |           |        |        |                   |
| ATE mbsmoke      | -455.9119 | 211.4645 | -2.16  | 0.031  | [-870.3748, -41.44904] |
| (smoker vs nonsmoker) |        |           |        |        |                   |
| P0mean mbsmoke   | 3437.964 | 31.30503 | 109.82 | 0.000  | [3376.608, 3499.321] |
| nonsmoker        |        |           |        |        |                   |
Testing for endogeneity

- There is no endogeneity if the coefficients on the control term, the generalized residuals, are zero.
- A Wald test that these coefficients are jointly zero is a test of the null hypothesis of no endogeneity.
. estat endogenous
    Test of endogeneity
    Ho: treatment and outcome unobservables are uncorrelated
    chi2(  2) =  2.12
    Prob > chi2 =  0.3463
Other functional forms

- Outcome model in eteffects could be fractional, probit, or exponential-mean, in addition to linear
Go to http://www.stata.com/manuals14/te.pdf entry teffects intro advanced for more information and lots of links to literature and examples
Imagine a study that followed middle-aged men for two years after suffering a heart attack.

- Does exercise affect the time to a second heart attack?
- Some observations on the time to second heart attack are censored.
- Observational data implies that treatment allocation depends on covariates.
- We use a model for the outcome to adjust for this dependence.
Exercise could help individuals with relatively strong hearts but not help those with weak hearts.

For each treatment level, a strong-heart individual is in the .75 quantile of the marginal, over the covariates, distribution of time to second heart attack.

- QTE(.75) is difference in .75 marginal quantiles

Weak-heart individual would be in the .25 quantile of the marginal distribution for each treatment level.

- QTE(.25) is difference in .25 marginal quantiles

Our story indicates that the QTE(.75) should be significantly larger that the QTE(.25)
What are QTEs?

Quantile treatment effects (QTE)

CDF of $y_{\text{exercise}}$ → CDF of $y_{\text{no exercise}}$

$F_{\text{exercise}}(0.2)$ → $F_{\text{no exercise}}(0.2)$

$F_{\text{exercise}}(0.8)$ → $F_{\text{no exercise}}(0.8)$

$F_{\text{exercise}}$ Time to second attack

CDF of $y_{\text{exercise}}$ → CDF of $y_{\text{no exercise}}$

$q_{\text{exercise}}(0.2)$ → $q_{\text{no exercise}}(0.2)$

$q_{\text{exercise}}(0.8)$ → $q_{\text{no exercise}}(0.8)$

Time to second attack
Quantile Treatment effects

- We can easily estimate the marginal quantiles, but estimating the quantile of the differences is harder.
- We need a rank preservation assumption to ensure that quantile of the differences is the difference in the quantiles.
  - The \( \tau \) (th) quantile of \( y_1 \) minus the \( \tau \) (th) quantile of \( y_0 \) is not the same as the \( \tau \) (th) quantile of \( (y_1 - y_0) \) unless we impose a rank-preservation assumption.
  - Rank preservation means that the random shocks that affect the treated and the not-treated potential outcomes do not change the rank of the individuals in the population.

The rank of an individual in \( y_1 \) is the same as the rank of that individual in \( y_0 \).
- Graphically, the horizontal lines must intersect the CDFs “at the same individual.”
Quantile treatment effects (QTE)

A regression-adjustment estimator for QTEs

- Estimate the $\theta_1$ parameters of $F(y|x, t = 1, \theta_1)$ the CDF conditional on covariates and conditional on treatment level.
  - Conditional independence implies that this conditional on treatment level CDF estimates the CDF of the treated potential outcome.
- Similarly, estimate the $\theta_0$ parameters of $F(y|x, t = 0, \theta_0)$.
- At the point $y$,
  $$\frac{1}{N} \sum_{i=1}^{N} F(y|x_i, \hat{\theta}_1)$$
  estimates the marginal distribution of the treated potential outcome.
- The $\hat{q}_{1,.75}$ that solves
  $$\frac{1}{N} \sum_{i=1}^{N} F(\hat{q}_{1,.75}|x_i, \hat{\theta}_1) = .75$$
  estimates the .75 marginal quantile for the treated potential outcome.
The $\hat{q}_{0,.75}$ that solves

$$\frac{1}{N} \sum_{i=1}^{N} F(\hat{q}_{0,.75}|x_i, \hat{\theta}_0) = .75$$

estimates the .75 marginal quantile for the control potential outcome.

$\hat{q}_1(.75) - \hat{q}_0(.75)$ consistently estimates QTE(.75).

See Drukker (2014) for details.
mqgamma is a user-written command documented in Drukker (2014)

. ssc install mqgamma

. use exercise, clear
. mqgamma t active, treat(exercise) fail(fail) lns(health) quantile(.25 .75)

Iteration 0:   EE criterion =  .7032254
Iteration 1:   EE criterion =  .05262105
Iteration 2:   EE criterion =  .00028553
Iteration 3:   EE criterion =  6.892e-07
Iteration 4:   EE criterion =  4.706e-12
Iteration 5:   EE criterion =  1.604e-22

Gamma marginal quantile estimation  Number of obs = 2000

|       | Coef.  | Std. Err. | z     | P>|z|   | [95% Conf. Interval] |
|-------|--------|-----------|-------|-------|---------------------|
|       | Robust |           |       |       |                     |                     |
|       |        | t         |       |       |                     |                     |
|       |        | _cons     |       |       |                     |                     |
| q25_0 | .2151604 | .0159611 | 13.48 | 0.000 | .1838771             | .2464436             |
| q25_1 | .2612655 | .0249856 | 10.46 | 0.000 | .2122946             | .3102364             |
| q75_0 | 1.591147 | .0725607 | 21.93 | 0.000 | 1.44893              | 1.733363             |
| q75_1 | 2.510068 | .1349917 | 18.59 | 0.000 | 2.245489             | 2.774647             |
Quantile treatment effects (QTE)

mqgamma example

```
.qte (cdf) q25 q75
```

|              | Coef. | Std. Err. | z   | P>|z|  | [95% Conf. Interval] |
|--------------|-------|-----------|-----|------|----------------------|
| _nl_1        | 0.0461051 | 0.0295846 | 1.56 | 0.119 | -0.0118796  0.1040899 |
| _nl_2        | 0.9189214  | 0.1529012 | 6.01 | 0.000 | 0.6192405    1.218602  |
poparms also estimates QTEs

- **poparms** is a user-written command documented in Cattaneo, Drukker, and Holland (2013)
- **poparms** estimates mean and quantiles of the potential-outcome distributions
  - **poparms** implements an IPW and an AIPW derived in Cattaneo (2010)
  - Cattaneo (2010) and Cattaneo, Drukker, and Holland (2013) call the AIPW estimator an efficient-influence function (EIF) estimator because EIF theory is what produces the augmentation term


