

# Contents

Preface .....	vii
A Brief Review of Each Chapter .....	viii
References .....	xi
Acknowledgments .....	xiii
<b>1 Econometric Computing with “R” .....</b>	1
B. D. McCullough	
1.1 Introduction .....	1
1.2 The Economics Profession Needs Econometric Computing ..	3
1.2.1 Most Users Do Not Know Econometric Computing .	3
1.2.2 Some Developers Do Not Know Econometric	
Computing .....	4
1.2.3 Some Textbook Authors Do Not Know	
Econometric Computing .....	4
1.3 Econometric Computing Is Important .....	6
1.4 “R” Is the Best Language for Teaching Econometric	
Computing .....	8
1.5 The Longley Data and Econometric Computing .....	10
1.6 Beaton, Rubin and Barone Revisit Longley .....	12
1.7 An Example: Donohue/Levitt’s Abortion Paper .....	14
1.8 Conclusions .....	19
References .....	19
<b>2 Additive Models for Quantile Regression: An Analysis of Risk Factors for Malnutrition in India .....</b>	163
Roger Koenker	
2.1 Additive Models for Quantile Regression .....	24
2.2 A Model of Childhood Malnutrition in India .....	25
2.2.1 $\lambda$ -Selection .....	26
2.2.2 Confidence Bands and Post-Selection Inference .....	28
References .....	32

<b>3 Toward Better R Defaults for Graphics: Example of Voter Turnouts in U.S. Elections .....</b>	35
Andrew Gelman	
References .....	38
<b>4 Superior Estimation and Inference Avoiding Heteroscedasticity and Flawed Pivots: R-example of Inflation Unemployment Trade-Off .....</b>	39
H. D. Vinod	
4.1 Introduction .....	40
4.2 Heteroscedasticity Efficient (HE) Estimation .....	42
4.3 A Limited Monte Carlo Simulation of Efficiency of HE .....	49
4.4 An Example of Heteroscedasticity Correction .....	51
4.5 Superior Inference of Deep Parameters Beyond Efficient Estimation .....	57
4.6 Summary and Final Remarks .....	58
Appendix .....	59
References .....	62
<b>5 Bubble Plots as a Model-Free Graphical Tool for Continuous Variables .....</b>	65
Keith A. Markus and Wen Gu	
5.1 Introduction .....	65
5.2 General Principles Bearing on Three-Way Graphs .....	66
5.3 Graphical Options Ruled Out a Priori .....	68
5.4 Plausible Graphical Alternatives .....	71
5.5 The <i>bp3way()</i> Function .....	74
5.5.1 Use and Options of <i>bp3way()</i> Function .....	75
5.5.2 Six Key Parameters for Controlling the Graph .....	75
5.5.3 Additional Parameters Controlling the Data Plotted .....	76
5.5.4 Parameters Controlling the Plotted Bubbles .....	76
5.5.5 Parameters Controlling the Grid .....	77
5.5.6 The tacit Parameter .....	77
5.5.7 The <i>bp.data()</i> Function .....	77
5.6 An Empirical Study of Three Graphical Methods .....	78
5.6.1 Method .....	78
5.6.2 Results .....	80
5.7 Discussion .....	89
Appendixes .....	91
References .....	93
<b>6 Combinatorial Fusion for Improving Portfolio Performance .....</b>	95
H. D. Vinod, D. F. Hsu and Y. Tian	
6.1 Introduction .....	96

6.2	Combinatorial Fusion Analysis for Portfolios .....	97
6.3	An Illustrative Example as an Experiment..... 6.3.1 Description of the Data Set .....	100
	6.3.2 Description of the Steps in Our R Algorithm .....	102
	References .....	104
<b>7</b>	<b>Reference Growth Charts for Saudi Arabian Children and Adolescents .....</b>	<b>107</b>
	P. J. Foster and T. Kekojević	
7.1	Introduction .....	108
7.2	Outliers .....	108
7.3	LMS.....	113
7.4	Smoothing and Evaluation .....	117
7.5	Averaging .....	118
7.6	Comparisons Using ANCOVA .....	122
	7.6.1 Comparing Geographical Regions .....	122
	7.6.2 Comparing Males and Females.....	125
7.7	Discussion.....	126
	References .....	128
<b>8</b>	<b>Causal Mediation Analysis Using R.....</b>	<b>129</b>
	K. Imai, L. Keele, D. Tingley, and T. Yamamoto	
8.1	Introduction .....	130
	8.1.1 Installation and Updating .....	130
8.2	The Software .....	131
	8.2.1 Overview .....	131
	8.2.2 Estimation of the Causal Mediation Effects.....	132
	8.2.3 Sensitivity Analysis .....	134
	8.2.4 Current Limitations .....	136
8.3	Examples .....	138
	8.3.1 Estimation of Causal Mediation Effects .....	138
	8.3.2 Sensitivity Analysis .....	147
8.4	Concluding Remarks.....	153
8.5	Notes and Acknowledgment .....	153
	References .....	153
<b>9</b>	<b>Statistical Validation of Functional Form in Multiple Regression Using R.....</b>	<b>155</b>
	Harry Haupt, Joachim Schnurbus, and Rolf Tschernig	
9.1	Model Validation .....	155
9.2	Nonparametric Methods for Model Validation.....	157
9.3	Model Visualization and Validation Using relax .....	159
9.4	Beauty and the Labor Market Revisited.....	161
	References .....	166

<b>10 Fitting Multinomial Models in R: A Program Based on Bock's Multinomial Response Relation Model .....</b>	167
David Rindskopf .....	
10.1 Model .....	167
10.2 Program Code .....	169
10.3 How to Use the mqual Function .....	169
10.4 Example 1: Test of Independence .....	170
10.4.1 Input .....	170
10.4.2 Output .....	170
10.5 Example 2: Effect of Aspirin on Myocardial Infarction (MI) .....	171
10.5.1 Input .....	171
10.5.2 Output from Saturated Model .....	171
10.6 Example 3: Race $\times$ Gender $\times$ Party Affiliation .....	172
10.6.1 Input .....	172
10.6.2 Output .....	173
10.7 Nonstandard Loglinear Models .....	174
10.8 Technical Details of Estimation Procedure .....	174
10.9 Troubleshooting and Usage Suggestions .....	176
References .....	177
<b>11 A Bayesian Analysis of Leukemia Incidence Surrounding an Inactive Hazardous Waste Site .....</b>	179
Ronald C. Neath .....	
11.1 Introduction .....	179
11.2 Data Summaries .....	180
11.3 The Model .....	180
11.4 Prior Distributions .....	183
11.5 Analysis .....	184
11.5.1 Estimated Posteriors .....	185
11.5.2 The Location-Risk Function .....	187
11.5.3 A Simplified Model .....	188
11.6 Discussion .....	189
References .....	190
<b>12 Stochastic Volatility Model with Jumps in Returns and Volatility: An R-Package Implementation .....</b>	191
Adjoa Numatsi and Erick W. Rengifo .....	
12.1 Introduction .....	191
12.2 The Stochastic Volatility Model with Jumps in Returns and Volatility .....	193
12.3 Empirical Implementation .....	194
12.3.1 The Data .....	194
12.3.2 The Estimation Method .....	194
12.3.3 The R Program .....	197
12.3.4 The Results .....	197
12.4 Conclusion and Future Venues of Research .....	200

References .....	200
Index .....	203

David L. Barroso, School of Law, University of Manchester, Manchester, M13 9PL, United Kingdom; e-mail: dbarroso@man.ac.uk

John C. Galbraith, Department of Political Science, Columbia University, New York, NY 10027, USA; e-mail: galbraith@columbia.edu

Stephen G. Kellman, John Jay College of Criminal Justice, NY 10019, USA; e-mail: skellman@jjay.cuny.edu

Rainer Kleibergen, Department of Economics and Finance Administration, Bielefeld University, 33501 Bielefeld, Germany  
e-mail: kleibergen@wiwi.uni-bielefeld.de

Robert L. Kosicki, Department of Computer & Information Science, Franklin University, Columbus, OH 43265, USA; e-mail: rkosicki@franklin.edu

Stephen Louria, Princeton University, Princeton, NJ 08544, USA  
e-mail: slouria@princeton.edu

Stephen Noyes, Nottingham Business School, University of Central Lancashire, Preston, UK  
e-mail: s.noyes@nottingham.ac.uk

James D. Rosenblatt, Department of Political Science, Ohio State University, Columbus, OH 43261, USA; e-mail: jrosenbl@polisci.ohio-state.edu