

Package: civ (via r-universe)

August 31, 2024

Title Categorical Instrumental Variables

Version 0.1.0.9000

Date 2023-12-07

Description Implementation of the categorical instrumental variable (CIV) estimator proposed by Wiemann (2023) <[arXiv:2311.17021](https://arxiv.org/abs/2311.17021)>. CIV allows for optimal instrumental variable estimation in settings with relatively few observations per category. To obtain valid inference in these challenging settings, CIV leverages a regularization assumption that implies existence of a latent categorical variable with fixed finite support achieving the same first stage fit as the observed instrument.

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URL <https://github.com/thomaswiemann/civ>

BugReports <https://github.com/thomaswiemann/civ/issues>

Encoding UTF-8

Roxygen list(markdown = TRUE)

RoxygenNote 7.2.3

Depends R (>= 3.6)

Imports stats, AER, kcmeans

Suggests testthat (>= 3.0.0), covr, knitr, rmarkdown

Config/testthat/edition 3

VignetteBuilder knitr

Repository <https://thomaswiemann.r-universe.dev>

RemoteUrl <https://github.com/thomaswiemann/civ>

RemoteRef HEAD

RemoteSha e37be8d1d786d15fc23e833e71ecffd31cb421b2

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civ *Categorical Instrumental Variable Estimator.*

Description

Implementation of the categorical instrumental variable estimator.

Usage

```
civ(y, D, Z, X = NULL, K = 2, regularize_EDZ = FALSE)
```

Arguments

y	The outcome variable, a numerical vector.
D	A matrix of endogenous variables.
Z	A matrix of instruments, where the first column corresponds to the categorical instrument.
X	An optional matrix of control variables.
K	The number of support points of the estimated instrument \hat{m}_K , an integer greater than 2.
regularize_EDZ	A boolean indicating whether $E[D Z]$ should be regularized directly rather than $E[D - X^\top \pi Z]$.

Value

civ returns an object of S3 class civ. An object of class civ is a list containing the following components:

coef A vector of second-stage coefficient estimates.

iv_fit Object of class ivreg from the IV regression of y on D and X using the the estimated \hat{F}_K as an instrument for D. See also [AER::ivreg\(\)](#) for details.

kcmeans_fit Object of class kcmeans from the K-Conditional-Means regression of D on Z and X. See also [kcmeans::kcmeans\(\)](#) for details.

K Pass-through of selected user-provided arguments. See above.

References

Fox J, Kleiber C, Zeileis A (2023). "ivreg: Instrumental-Variables Regression by '2SLS', '2SM', or '2SMM', with Diagnostics". R package.

Wiemann T (2023). "Optimal Categorical Instruments." <https://arxiv.org/abs/2311.17021>

Examples

```
# Simulate data from a simple IV model with 800 observations
nobs = 800 # sample size
Z <- sample(1:20, nobs, replace = TRUE) # observed instrument
Z0 <- Z %% 2 # underlying latent instrument
U_V <- matrix(rnorm(2 * nobs, 0, 1), nobs, 2) %*%
  chol(matrix(c(1, 0.6, 0.6, 1), 2, 2)) # first and second stage errors
D <- Z0 + U_V[, 2] # endogenous variable
y <- D + U_V[, 1] # outcome variable
# Estimate categorical instrument variable estimator with K = 2
civ_fit <- civ(y, D, Z, K = 3)
summary(civ_fit)
```

summary.civ

Inference Methods for the Categorical Instrumental Variable Estimator.

Description

Inference methods for the categorical instrumental variable estimators. Simple wrapper for [AER::summary.ivreg\(\)](#).

Usage

```
## S3 method for class 'civ'
summary(object, ...)
```

Arguments

`object` An object of class `civ` as fitted by `civ()`.

`...` Additional arguments passed to `summary.ivreg`. See [AER::summary.ivreg\(\)](#) for a complete list of arguments.

Value

An object of class `summary.ivreg` with inference results.

References

Fox J, Kleiber C, Zeileis A (2023). "ivreg: Instrumental-Variables Regression by '2SLS', '2SM', or '2SMM', with Diagnostics". R package.

Wiemann T (2023). "Optimal Categorical Instruments." <https://arxiv.org/abs/2311.17021>

See Also

[AER::summary.ivreg\(\)](#)

Examples

```
# Simulate data from a simple IV model with 800 observations
nobs = 800 # sample size
Z <- sample(1:20, nobs, replace = TRUE) # observed instrument
Z0 <- Z %% 2 # underlying latent instrument
U_V <- matrix(rnorm(2 * nobs, 0, 1), nobs, 2) %*%
  chol(matrix(c(1, 0.6, 0.6, 1), 2, 2)) # first and second stage errors
D <- Z0 + U_V[, 2] # endogenous variable
y <- D + U_V[, 1] # outcome variable
# Estimate categorical instrument variable estimator with K = 2
civ_fit <- civ(y, D, Z, K = 3)
summary(civ_fit)
```

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