1. Package overview

1.1. R code from the book

The full R code from the book is provided in the demos for the package AER. The source scripts can be found in the demo directory of the package and executed interactively by calling demo(), as in

R> demo("Ch-Intro", package = "AER")

One demo per chapter is provided:

- Ch-Intro (Chapter 1: Introduction),
- Ch-Basics (Chapter 2: Basics),
- Ch-LinearRegression (Chapter 3: Linear Regression),
• Ch-Validation (Chapter 4: Diagnostics and Alternative Methods of Regression),
• Ch-Microeconometrics (Chapter 5: Models of Microeconometrics),
• Ch-TimeSeries (Chapter 6: Time Series),
• Ch-Programming (Chapter 7: Programming Your Own Analysis).

This list of demos is also shown by `demo(package = "AER")`.

The same scripts are contained in the `tests` directory of the package so that they are automatically checked and compared with the desired output provided in `.Rout.save` files.

To make the code fully reproducible and to avoid some lengthy computations in the daily checks, a few selected code chunks are commented out in the scripts. Also, for technical reasons, some graphics code chunks are repeated, once commented out and once without comments.

### 1.2. Data sets

The **AER** package includes some 100 data sets from leading applied econometrics journals and popular econometrics textbooks. Many data sets have been obtained from the data archives of the *Journal of Applied Econometrics* and the *Journal of Business & Economic Statistics*. Some of these are used in recent textbooks, among them Baltagi (2002), Davidson and MacKinnon (2004), Greene (2003), Stock and Watson (2007), and Verbeek (2004). In addition, we provide all further data sets from Baltagi (2002), Franses (1998), Greene (2003), Stock and Watson (2007), and Winkelmann and Boes (2009).

Detailed information about the source of each data set, descriptions of the variables included, and usually also examples for typical analyses are provided on the respective manual pages. A full list of all data sets in **AER** can be obtained via

```
R> data(package = "AER")
```

In addition, manual pages corresponding to selected textbooks are available. They list all data sets from the respective book and provide extensive code for replicating many of the empirical examples. See, for example,

```
R> help("Greene2003", package = "AER")
```

for data sets and code for Greene (2003). Currently available manual pages are:

- Baltagi2002 for Baltagi (2002),
- CameronTrivedi1998 for Cameron and Trivedi (1998),
- Franses1998 for Franses (1998),
- Greene2003 for Greene (2003),
- WinkelmannBoes2009 for Winkelmann and Boes (2009).
1.3. New R functions

**AER** provides a few new R functions extending or complementing methods previously available in R:

- `tobit()` is a convenience interface to `survreg()` from package `survival` for fitting tobit regressions to censored data. In addition to the fitting function itself, the usual set of accessor and extractor functions is provided, e.g., `print()`, `summary()`, `logLik()`, etc. For more details see `?tobit`.

- `ivreg()` fits instrumental-variable regressions via two-stage least squares. It provides a formula interface and calls the workhorse function `ivreg.fit()` which in turn calls `lm.fit()` twice. In addition to the fitting functions, the usual set of accessor and extractor functions is provided, e.g., `print()`, `summary()`, `anova()`, etc. For more details see `?ivreg`, `?ivreg.fit`, and `?summary.ivreg`, respectively.

- `dispersiontest()` tests the null hypothesis of equidispersion in Poisson regressions against the alternative of overdispersion and/or underdispersion. For more details see `?dispersiontest`.

2. Errata

The following errors have been found in the book so far.

Please report any further errors you find to us.

- p. 5–9, 46–53: There are now very minor differences in the plots pertaining to Example 2 (Determinants of wages) in Chapter 1.1 and Chapter 2.8 (Exploratory Data Analysis with R) due to a missing observation. Specifically, the version of the CPS1985 data used for the book contained only 533 observations, the original observation 1 had been omitted inadvertently.

- p. 63–65, 130, 143: The function `linear.hypothesis()` from the `car` package has been renamed to `linearHypothesis()` starting from `car` 2.0-0. The old interface is currently still supported but results in a warning.

- p. 85–86: Due to a bug in the `summary()` method for “plm” objects, the degrees of freedom reported for the $F$ statistics were interchanged and thus the $p$ values were not correct. Therefore, the $p$ values printed in the book at the end of `summary(gr_fe)` and `summary(gr_re)` are not correct, they should both be $< 2.22e-16$. Using `plm` 1.1-1 or higher, the code produces the correct output.

- pp. 88–89: As of version 1.3-1 of the `plm` package, summaries of “pgmm” objects provide robust standard errors by default. The output presented on pp. 88–89 is still available, but now requires `summary(empl_ab, robust = FALSE)`.

- p. 92: Exercise 6 cannot be solved using PSID1982 since that data set only contains a cross-section while Hausman-Taylor requires panel data. A panel version has been available in the `plm` package under the name `Wages`; we have now added PSID7682
to AER for completeness (and consistent naming conventions). Use PSID7682 for the exercise.

• p. 141: The log-likelihood for the tobit model lacked a minus sign. The correct version is
\[ \ell(\beta, \sigma^2) = \sum_{y_i > 0} \left( \log \phi \left( \frac{y_i - x_i^T \beta}{\sigma} \right) - \log \sigma \right) + \sum_{y_i = 0} \log \Phi \left( -\frac{x_i^T \beta}{\sigma} \right). \]

• p. 149: The standard error (and hence the corresponding z test) of admin|manage in the output of coef test(bank_polr) is wrong, it should be 1.4744. This was caused by an inconsistency between polr() and its vcov() method which has now been improved in the MASS package (≥ 7.3-6).

• p. 169: The comment regarding the output from the Johansen test is in error. The null hypothesis of no cointegration is not rejected at the 10% level. Nonetheless, the table corresponding to Case 2 in Juselius (2006, p. 420) reveals that the trace statistic is significant at the 15% level, thus the Johansen test weakly confirms the initial two-step approach.

• p. 179: For consistency, the GARCH code should be preceded by data("MarkPound").

• p. 192: The likelihood for the generalized production function was in error (code and computations were correct though).

The correct likelihood for the model is
\[ L = \prod_{i=1}^{n} \left\{ \frac{1}{\sigma} \phi \left( \frac{\varepsilon_i}{\sigma} \right) \cdot \frac{1 + \theta Y_i}{Y_i} \right\}. \]
giving the log-likelihood
\[ \ell = \sum_{i=1}^{n} \{ \log(1 + \theta Y_i) - \log Y_i \} - n \log \sigma + \sum_{i=1}^{n} \log \phi(\varepsilon_i / \sigma). \]

• p. 205: The reference for Henningsen (2008) should be:


Note: Currently, all links on manual pages corresponding to data sets taken from the Journal of Business & Economic Statistics (JBES) archive are broken (data sets MarkPound, and RecreationDemand). The reason is the redesign of the American Statistical Association (ASA) website, rendering the old ASA data archive nonfunctional. The ASA journals manager currently appears to supply data on a case-by-case basis. The problem awaits a more permanent solution.

References


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