

Package ‘truncreg’

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Title Truncated Gaussian Regression Models

Depends R (>= 1.8.0), maxLik

Suggests survival

Description Estimation of models for truncated Gaussian variables by maximum likelihood.

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URL <http://R-Forge.R-project.org/projects/truncreg/>

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R topics documented:

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truncreg

*Truncated Gaussian Response Models***Description**

Estimation of models for truncated Gaussian variables by maximum likelihood.

Usage

```
truncreg(formula, data, subset, weights, na.action,
  point = 0, direction = "left",
  model = TRUE, y = FALSE, x = FALSE, scaled = FALSE, ...)
```

Arguments

| | |
|-------------|---|
| formula | a symbolic description of the model to be estimated, |
| data | the data, |
| subset | an optional vector specifying a subset of observations, |
| weights | an optional vector of weights, |
| na.action | a function which indicates what should happen when the data contains 'NA's, |
| point | the value of truncation (the default is 0), |
| direction | the direction of the truncation, either "left" (the default) or "right", |
| model, y, x | logicals. If TRUE the corresponding components of the fit (model frame, response, model matrix) are returned, |
| scaled | if TRUE, scaled parameters (beta / sigma) are estimated, |
| ... | further arguments. |

Details

The model is estimated with the [maxLik](#) package and the Newton-Raphson method, using analytic gradient and Hessian.

A set of standard extractor functions for fitted model objects is available for objects of class "truncreg", including methods to the generic functions [print](#), [summary](#), [coef](#), [vcov](#), [logLik](#), [residuals](#), [predict](#), [fitted](#), [model.frame](#), and [model.matrix](#).

Value

An object of class "truncreg", a list with elements:

| | |
|---------------|--|
| coefficients | the named vector of coefficients, |
| vcov | the variance matrix of the coefficients, |
| fitted.values | the fitted values, |
| logLik | the value of the log-likelihood, |

| | |
|-----------|---|
| gradient | the gradient of the log-likelihood at convergence, |
| nobs | the number of observations, |
| call | the matched call, |
| terms | the model terms, |
| model | the model frame used (if model = TRUE), |
| y | the response vector (if y = TRUE), |
| x | the model matrix (if x = TRUE), |
| point | the truncation point used, |
| direction | the truncation direction used, |
| est.stat | some information about the estimation (time used, optimization method), |

References

Cragg JG (1971). Some Statistical Models for Limited Dependent Variables with Application to the Demand for Durable Goods. *Econometrica*, **39**, 829–844.

Hausman JA, Wise DA (1976). The Evaluation of Results from Truncated Samples: The New-Jersey Negative Income Tax Experiment. *Annals of Economic and Social Measurement*, **5**, 421–445.

Hausman JA, Wise DA (1976). Social Experimentation, Truncated Distributions and Efficient Estimation. *Econometrica*, **45**, 421–425.

Tobin J (1958). Estimation of Relationships for Limited Dependent Variables. *Econometrica*, **26**, 24–36.

See Also

[maxLik](#), [mhurdle](#)

Examples

```
#####
## Artificial example ##
#####

## simulate a data.frame
set.seed(1071)
n <- 10000
sigma <- 4
alpha <- 2
beta <- 1
x <- rnorm(n, mean = 0, sd = 2)
eps <- rnorm(n, sd = sigma)
y <- alpha + beta * x + eps
d <- data.frame(y = y, x = x)

## truncated response
d$yt <- ifelse(d$y > 1, d$y, NA)

## binary threshold response
```

```

d$yb <- factor(d$y > 0)

## censored response
d$yc <- pmax(1, d$y)

## compare estimates for full/truncated/censored/threshold response
fm_full <- lm(y ~ x, data = d)
fm_trunc <- truncreg(yt ~ x, data = d, point = 1, direction = "left")
fm_thresh <- glm(yb ~ x, data = d, family = binomial(link = "probit"))
library("survival")
fm_cens <- survreg(Surv(yc, yc > 1, type = "left") ~ x, data = d, dist = "gaussian")

## compare scaled regression coefficients
cbind(
  "True"      = c(alpha, beta) / sigma,
  "Full"      = coef(fm_full) / summary(fm_full)$sigma,
  "Truncated" = coef(fm_trunc)[1:2] / coef(fm_trunc)[3],
  "Censored"  = coef(fm_cens) / fm_cens$scale,
  "Threshold" = coef(fm_thresh)
)

#####
## Tobin's durable goods data ##
#####

## Tobit model (Tobin 1958)
data("tobin", package = "survival")
tobit <- survreg(Surv(durable, durable > 0, type = "left") ~ age + quant,
  data = tobin, dist = "gaussian")

## Two-part model (Cragg 1971)
## (see "mhurdle" package for a combined solution)
cragg_probit <- glm(factor(durable > 0) ~ age + quant,
  data = tobin, family = binomial(link = "logit"))
cragg_trunc <- truncreg(durable ~ age + quant, data = tobin, subset = durable > 0)

## Scaled coefficients
cbind(
  "Tobit"      = coef(tobit) / tobit$scale,
  "Binary"     = coef(cragg_probit),
  "Truncated"  = coef(cragg_trunc)[1:3] / coef(cragg_trunc)[4])

## likelihood ratio test and BIC
ll <- c("Tobit" = tobit$loglik[1],
  "Two-Part" = as.vector(logLik(cragg_probit) + logLik(cragg_trunc)))
df <- c(4, 3 + 4)
pchisq(2 * diff(ll), diff(df), lower.tail = FALSE)
-2 * ll + log(nrow(tobin)) * df

```

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