

Tools for Estimation of Grouped Conditional Logit Models

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McFadden's Discrete Choice Model

- There are N decisionmakers (i indexes decisionmakers).
- Each individual faces J_i choices (J_i is the choice set).
- Alternatives are finite, exhaustive, and mutually exclusive.
- Decisionmakers select option with highest value (utility, profit, etc).
- Examples:
 - Firm choice of location;
 - Immigrants residential choice;
 - Voter choice of candidate;
 - Patient choice of hospital.

McFadden's Discrete Choice Model

- p_{ij} - probability that individual i selects option j .

$$p_{ij} = \frac{\exp(\beta' \mathbf{x}_{ij})}{\sum_{j=1}^{J_i} \exp(\beta' \mathbf{x}_{ij})}$$

- The likelihood function is:

$$L_{DCM} = \prod_{i=1}^N \prod_{j=1}^{J_i} p_{ij}^{d_{ij}}$$

$$L_{DCM} = \underbrace{p_{11}^{d_{11}} p_{12}^{d_{12}} \cdots p_{1J_1}^{d_{1J_1}}}_{\text{individual 1}} \underbrace{p_{21}^{d_{21}} p_{22}^{d_{22}} \cdots p_{2J_2}^{d_{2J_2}}}_{\text{individual 2}} \cdots \underbrace{p_{N1}^{d_{N1}} p_{N2}^{d_{N2}} \cdots p_{NJ_N}^{d_{NJ_N}}}_{\text{individual } N}$$

d_{ij} is 1 if individual i picks choice j and 0 otherwise

Data Layout for `clogit`

			Y	X				
$i = 1$	{	Choice 1	p_{11}		0	\mathbf{x}_{11}	Y ₁	X ₁
		Choice 2	p_{12}		1	\mathbf{x}_{21}		
			
		Choice J_1	p_{1J_1}		0	\mathbf{x}_{J_11}		
$i = 2$	{	Choice 1	p_{21}		1	\mathbf{x}_{12}	Y ₂	X ₂
		Choice 2	p_{22}		0	\mathbf{x}_{22}		
			
		Choice J_2	p_{2J_2}		0	\mathbf{x}_{J_22}		

The Grouped CLM

- Consider our examples again:
 - Patient choice of hospital;
 - Firm choice of location;
 - Immigrants residential choice;
 - Voter choice of candidate.
- Data may not change at the "individual" level.
- **Groups** of individuals face the same choices and attribute identical utility to each choice.
- The choice set may be very large.
- Data on choices may be summarized by vectors of counts.

The Likelihood of Grouped CLM

- If there are "groups" of individuals:

$$L_{DCM} = \underbrace{p_{11}^{d_{11}+d_{21}} p_{12}^{d_{12}+d_{22}} \cdots p_{1J_1}^{d_{1J_1}+d_{2J_2}}}_{\text{Group 1}} \cdots \underbrace{p_{N1}^{d_{N1}} p_{N2}^{d_{N2}} \cdots p_{NJ_N}^{d_{NJ_N}}}_{\text{Group N}}$$

$$L_{GL} = \prod_{g=1}^G \prod_{j=1}^{J_i} p_{gj}^{n_{gj}}$$

- n_{gj} is the number of individuals from group g that select choice j .
- The likelihood function is the product of multinomial distributions for the groups.

Data Layout for the Grouped CLM

			Y	X	
$g = 1$	{	Choice 1	p_{11}	n_{11}	\mathbf{x}_{11}
		Choice 2	p_{12}	n_{12}	\mathbf{x}_{21}
	
		Choice J_1	p_{1J_1}	n_{1J_1}	\mathbf{x}_{J_11}
$g = 2$	{	Choice 1	p_{21}	n_{21}	\mathbf{x}_{12}
		Choice 2	p_{22}	n_{22}	\mathbf{x}_{22}
	
		Choice J_2	p_{2J_2}	n_{2J_2}	\mathbf{x}_{J_22}

The `groupdata` command

- Description: converts the data set in memory to a new data set that can be used with commands that deal with multinomial type data. The dataset in memory must be in the format required by the command `clogit`.
- Syntax:
`groupdata varlist, dep(depvar)`
`groupid(groupid) choiceid(choiceid)`
- This command is useful only if you need to convert existing `clogit` type data to multinomial data.

The `multin` command

- Description: fits the grouped conditional logit regression model. It gives the same results as conditional logit regression but requires a smaller data set. The dependent variable is a count with the number of times each choice is selected.
- Syntax:
`multin depvar [indepvars] [if] [in],
group(varname) [options]`
- Estimates multinomial-likelihood regression models with a logit link function. With only two choices this is equivalent to a binomial regression model.

```

.
. * This example is taken from the Stata Manual
. *
. use http://www.stata-press.com/data/r9/choice, clear
. gen japan=(car==2)
. gen europe=(car==3)
. gen sexJap=sex*japan
. gen sexEur=sex*europe
. gen incJap=income*japan
. gen incEur=income*europe
. *
. * There are 295 individuals x 3 choices = 885 observations
. *
. sum

```

Variable	Obs	Mean	Std. Dev.	Min	Max
id	885	148	85.20683	1	295
sex	885	.7322034	.4430614	0	1
income	885	42.09661	12.42401	20.3	69.8
car	885	2	.8169583	1	3
size	885	2.623729	1.07612	1	4
choice	885	.3333333	.4716711	0	1
dealer	885	9.99322	7.145384	1	24
japan	885	.3333333	.4716711	0	1
europe	885	.3333333	.4716711	0	1
sexJap	885	.2440678	.429776	0	1
sexEur	885	.2440678	.429776	0	1
incJap	885	14.0322	21.11168	0	69.8
incEur	885	14.0322	21.11168	0	69.8

```

.
. * Estimation with clogit
. *
. clogit choice japan europe sexJap sexEur incJap incEur dealer, ///
> group(id) nolog
Conditional (fixed-effects) logistic regression   Number of obs   =       885
                                                    LR chi2(7)       =      146.62
                                                    Prob > chi2      =       0.0000
Log likelihood = -250.7794                       Pseudo R2       =       0.2262

```

choice	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
japan	-1.352189	.6911829	-1.96	0.050	-2.706882	.0025049
europe	-2.355249	.8526681	-2.76	0.006	-4.026448	-.6840501
sexJap	-.5346039	.3141564	-1.70	0.089	-1.150339	.0811314
sexEur	.5704109	.4540247	1.26	0.209	-.3194612	1.460283
incJap	.0325318	.012824	2.54	0.011	.0073973	.0576663
incEur	.032042	.0138676	2.31	0.021	.004862	.0592219
dealer	.0680938	.0344465	1.98	0.048	.00058	.1356076

```

.
. * The command multin produces exactly the same results as clogit
. *
. multin choice japan europe sexJap sexEur incJap incEur dealer, ///
> group(id) nolog
Group is id

Grouped Conditional Logit Regression          Number of obs      =      885
Group variable: id                          Number of groups    =      295
                                             Obs per group: min =        3
                                             avg =                3.0
                                             max =                3
                                             Wald chi2(7)       =     120.19
                                             Prob > chi2        =      0.0000

Log likelihood = -250.7794

```

choice	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
japan	-1.352189	.6911829	-1.96	0.050	-2.706882	.0025049
europe	-2.355249	.8526681	-2.76	0.006	-4.026448	-.6840502
sexJap	-.5346039	.3141564	-1.70	0.089	-1.150339	.0811314
sexEur	.5704111	.4540247	1.26	0.209	-.3194611	1.460283
incJap	.0325318	.012824	2.54	0.011	.0073973	.0576663
incEur	.032042	.0138676	2.31	0.021	.004862	.0592219
dealer	.0680938	.0344465	1.98	0.048	.00058	.1356076

```

. *
. * Now we group the data with the groupdata command
. *
. groupdata japan europe sexJap sexEur incJap incEur dealer, ///
> dep(choice) groupid(id) choiceid(car)
Varlist --> japan europe sexJap sexEur incJap incEur dealer
Dep Var --> choice
Groupid --> id
Choiceid --> car
Getting there...
(735 observations deleted)

. *
. * We have 50 groups x 3 choices = 150 observations
. *
. sum

```

Variable	Obs	Mean	Std. Dev.	Min	Max
id	150	57.14	66.50933	1	242
car	150	2	.8192319	1	3
dealer	150	9.973333	7.057717	1	24
japan	150	.3333333	.4729838	0	1
europe	150	.3333333	.4729838	0	1
sexJap	150	.2466667	.4325151	0	1
sexEur	150	.2466667	.4325151	0	1
incJap	150	13.94733	20.90216	0	69.8
incEur	150	13.94733	20.90216	0	69.8
choice	150	1.966667	3.04423	0	8

```

.
. * The multin command still produces the same results
. *
. multin choice japan europe sexJap sexEur incJap incEur dealer, ///
> group(id) nolog
Group is id

Grouped Conditional Logit Regression          Number of obs      =       150
Group variable: id                          Number of groups   =        50
                                             Obs per group: min =         3
                                             avg               =        3.0
                                             max               =         3
                                             Wald chi2(7)     =       120.19
                                             Prob > chi2      =        0.0000

Log likelihood = -250.7794

```

choice	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
japan	-1.352189	.6911829	-1.96	0.050	-2.706882	.0025049
europe	-2.355249	.8526681	-2.76	0.006	-4.026448	-.6840502
sexJap	-.5346039	.3141564	-1.70	0.089	-1.150339	.0811314
sexEur	.5704111	.4540247	1.26	0.209	-.3194611	1.460283
incJap	.0325318	.012824	2.54	0.011	.0073973	.0576663
incEur	.032042	.0138676	2.31	0.021	.004862	.0592219
dealer	.0680938	.0344465	1.98	0.048	.00058	.1356076

```

. * With two choices per groups multin performs binomial regression
. *
. drop if car==3
(50 observations deleted)
. sort id car
. bys id: egen n=sum(choice)
. drop if n==0
(14 observations deleted)
. *
. multin choice incJap sexJap japan, group(id) nolog
Group is id
Grouped Conditional Logit Regression          Number of obs      =          86
Group variable: id                          Number of groups   =          43
                                             Obs per group: min =           2
                                             avg =              2.0
                                             max =              2
                                             Wald chi2(3)      =          59.53
Log likelihood = -140.13099                  Prob > chi2        =          0.0000

```

choice	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
incJap	.0229655	.0113595	2.02	0.043	.0007014	.0452296
sexJap	-.4718934	.3119037	-1.51	0.130	-1.083214	.1394267
japan	-1.758435	.5847123	-3.01	0.003	-2.90445	-.6124198

. * The results are the same as for binomial regression

. *

. glm choice incJap sexJap japan if car==2, family(bin n) nolog

note: japan dropped due to collinearity

Generalized linear models		No. of obs	=	43
Optimization	: ML	Residual df	=	40
		Scale parameter	=	1
Deviance	= 280.2619836	(1/df) Deviance	=	7.00655
Pearson	= 252.6354721	(1/df) Pearson	=	6.315887
Variance function:	$V(u) = u*(1-u/n)$	[Binomial]		
Link function	: $g(u) = \ln(u/(n-u))$	[Logit]		
Log likelihood	= -140.1309918	AIC	=	6.657255
		BIC	=	30.729

choice	OIM					[95% Conf. Interval]	
	Coef.	Std. Err.	z	P> z			
incJap	.0229655	.0113595	2.02	0.043	.0007014	.0452296	
sexJap	-.4718934	.3119037	-1.51	0.130	-1.083214	.1394267	
_cons	-1.758435	.5847123	-3.01	0.003	-2.90445	-.6124198	

.

The Problem of Overdispersion

- What if there are unobserved group effects?
- For the examples considered groups could be:
 - SICs for firm choice of location;
 - Nationalities for immigrants' choices;
 - Precincts for voter choice;
 - DRGs for patient choice of hospital.
- The z-statistics are likely to be inflated.
- Similar to the effect of overdispersion in Poisson regression.

Dirichlet-Multinomial Regression

- A parametric alternative to deal with overdispersion in the grouped conditional logit model (or, more generally, multinomial-likelihood regression models).
- Assumes the existence of (gamma distributed) group random-effects and thus choices of individuals belonging to the same group are correlated.
- The likelihood has a closed form and thus estimation is fast and able to accommodate a large number of choices.
- Dirichlet-multinomial collapses to conditional logit if the random-effects have zero variance or if groups have just one individual.
- Dirichlet-multinomial regression is to grouped conditional logit what negative binomial is to poisson regression.

The `dirmul` command

- Description: fits the dirichlet-multinomial regression model. It is a parametric alternative to deal with overdispersed multinomial data. The data must be in the same format as for estimation with `multin`.
- Syntax:

```
dirmul depvar [indepvars] [if] [in],  
group(varname) [options]
```
- The command accepts two different parameterizations for the dirichlet-multinomial distribution.
- Unlike `multin` it allows for the introduction of group level variables.
- With only two alternatives this command estimates the beta-binomial regression model.

Dirichlet-Multinomial: An Example

- Choice of hospital by patient in the Tampa-St. Petersburg market (1998 data).
- 13079 patients choose one of 25 hospitals.
- Patients are grouped by DRG \times zipcode.
 - Hospital (choice) characteristics:
 - PROFIT - hospital is for profit;
 - TEACH - hospital is teaching;
 - NURSE - Nursing intensity (nursing hours per inpatient day);
 - CIRC - hospital has specialized services in circulatory diseases;
 - DVTIME - Drive time from zipcode area to hospital;
 - Group characteristics:
 - ZIPINC - Average zipcode level household income;
 - Dummies for DRG.

```

.
. * This dataset is already grouped
. *
. multin count profit teach nurseday dv* ii_circ, group(group) nolog
Group is group

```

```

Grouped Conditional Logit Regression
Group variable: group

```

```

Number of obs      =    14950
Number of groups   =     598
Obs per group: min =      25
                  avg  =    25.0
                  max  =      25

Wald chi2(8)       =   17647.23
Prob > chi2        =     0.0000

```

```

Log likelihood = -14559.186

```

count	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
profit	-.6536845	.0389896	-16.77	0.000	-.7301028	-.5772663
teach	-1.874995	.0924765	-20.28	0.000	-2.056245	-1.693744
nurseday	.0684215	.0214293	3.19	0.001	.0264209	.1104222
dvtime	-.1509747	.0037079	-40.72	0.000	-.1582421	-.1437073
dvprofit	-.0094552	.0021184	-4.46	0.000	-.0136072	-.0053032
dvteach	.037509	.003817	9.83	0.000	.0300278	.0449902
dvnurseday	.0023778	.0010908	2.18	0.029	.0002398	.0045157
ii_circ	.8962367	.0397494	22.55	0.000	.8183294	.974144

```

.
. * The variance of group random effects is identical for all groups (Par1)
. *
. dirmul count profit teach nurseday dv* ii_circ, group(group) nolog
Dirichlet-Multinomial - Par1          Number of obs      =    14950
Group variable: group                 Number of groups   =     598
                                       Obs per group: min =     25
                                       avg =          25.0
                                       max =          25
                                       Wald chi2(8)       =   3075.13
Log likelihood = -7465.8792           Prob > chi2        =    0.0000

```

count	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
profit	-.6555403	.0873018	-7.51	0.000	-.8266487	-.4844319
teach	-1.868412	.1802051	-10.37	0.000	-2.221607	-1.515216
nurseday	.1980528	.045711	4.33	0.000	.1084609	.2876448
dvtime	-.0850945	.0066882	-12.72	0.000	-.0982031	-.0719858
dvprofit	.0041665	.0039122	1.07	0.287	-.0035012	.0118342
dvteach	.0589334	.0068375	8.62	0.000	.0455323	.0723346
dvnurseday	-.0076552	.002036	-3.76	0.000	-.0116456	-.0036648
ii_circ	.6434551	.0595928	10.80	0.000	.5266553	.7602549
_cons	.005837	.1542142	0.04	0.970	-.2964173	.3080914

```

.
. * Choices for individuals in the same group are equicorrelated (Par2)
. *
. dirmul count profit teach nurseday dv* ii_circ, group(group) eqcorr nolog
Dirichlet-Multinomial - Par2          Number of obs      =    14950
Group variable: group                  Number of groups    =     598
                                       Obs per group: min =     25
                                       avg =          25.0
                                       max =          25
                                       Wald chi2(8)       =   3454.59
Log likelihood = -7226.58              Prob > chi2         =    0.0000

```

	count	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
eq1							
	profit	-.6600816	.0839166	-7.87	0.000	-.8245551	-.495608
	teach	-1.753955	.1708162	-10.27	0.000	-2.088749	-1.419162
	nurseday	.1907597	.0448168	4.26	0.000	.1029203	.2785991
	dvtime	-.1003966	.0065316	-15.37	0.000	-.1131984	-.0875948
	dvprofit	.0027863	.0036976	0.75	0.451	-.0044608	.0100334
	dvteach	.0501731	.0062628	8.01	0.000	.0378982	.062448
	dvnurseday	-.0064536	.0019445	-3.32	0.001	-.0102646	-.0026425
	ii_circ	1.081281	.0852516	12.68	0.000	.9141911	1.248371
rho							
	_cons	.2320623	.0063269	36.68	0.000	.2196618	.2444627

```

. * The correlation coefficient is a function of other variables (Par2)
. *
. xi: dirmul count profit teach nurseday dv* ii_circ, group(group) eqcorr var2
> (zipinc i.drg) nolog
i.drg          _Idrg_88-373          (naturally coded; _Idrg_88 omitted)
Dirichlet-Multinomial - Par2          Number of obs          =          14950
Group variable: group                 Number of groups         =           598
                                      Obs per group: min      =            25
                                      avg                    =           25.0
                                      max                    =            25
                                      Wald chi2(8)           =          3491.04
Log likelihood = -7167.5924           Prob > chi2              =           0.0000

```

	count	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
eq1							
	profit	-.6035418	.0837984	-7.20	0.000	-.7677836	-.4393
	teach	-1.654932	.1707307	-9.69	0.000	-1.989558	-1.320306
	nurseday	.1391581	.0450294	3.09	0.002	.0509021	.2274141
	dvertime	-.1046364	.0065669	-15.93	0.000	-.1175073	-.0917654
	dvprofit	.0015502	.003721	0.42	0.677	-.0057429	.0088432
	dvteach	.0497152	.0062924	7.90	0.000	.0373824	.062048
	dvnurseday	-.0055291	.001951	-2.83	0.005	-.009353	-.0017051
	ii_circ	1.038091	.0853201	12.17	0.000	.8708668	1.205316
rho							
	zipinc	.0025323	.0011553	2.19	0.028	.0002679	.0047967
	_Idrg_116	.0433963	.0224043	1.94	0.053	-.0005152	.0873078
	_Idrg_127	-.012599	.0217572	-0.58	0.563	-.0552423	.0300443
	_Idrg_209	-.0832532	.0188009	-4.43	0.000	-.1201023	-.0464041
	_Idrg_373	.0890644	.0222103	4.01	0.000	.045533	.1325958
	_cons	.1856912	.0239115	7.77	0.000	.1388255	.2325569


```

.
. * dirmul can be used to estimate the Beta-Binomial regression model
. *
. * This example is from Stata J. vol5, n.3 pp385-394
. *
. use williams
(Data from Williams (1975) paper)
. gen trt_cov=trt*(class==1)
. *
. * The Beta-Binomial with the Heckman&Willis parameterization (Par1)
. *
. dirmul y class1 trt_cov, group(group) nolog
Dirichlet-Multinomial - Par1
Group variable: group
Number of obs      =      64
Number of groups   =      32
Obs per group: min =        2
                  avg =       2.0
                  max =        2
Wald chi2(2)       =      43.70
Prob > chi2        =      0.0000
Log likelihood     = -54.046101

```

	y	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
	class1	3.345722	.8159031	4.10	0.000	1.746581	4.944862
	trt_cov	-1.161821	.4998502	-2.32	0.020	-2.141509	-.1821328
	_cons	-.2026163	.4152369	-0.49	0.626	-1.016466	.6112331

. * The Beta-Binomial with equicorrelation (Par2)

. *

. dirmul y class1 trt_cov, group(group) eqcorr nolog

Dirichlet-Multinomial - Par2

Number of obs = 64

Group variable: group

Number of groups = 32

Obs per group: min = 2

avg = 2.0

max = 2

Wald chi2(2) = 36.85

Log likelihood = -55.608221

Prob > chi2 = 0.0000

	y	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
eq1							
	class1	2.528208	.7673721	3.29	0.001	1.024186	4.03223
	trt_cov	-.6651523	.4596397	-1.45	0.148	-1.566029	.2357249
rho							
	_cons	.1927195	.0725971	2.65	0.008	.0504317	.3350073

Conclusion

- `multin` estimates multinomial-likelihood models with logit link.
- `multin` produces the same results as `clogit` (for conditional logit or conditional logistic with one case and multiple controls) but may require a much smaller data set.
- `groupdata` converts individual level data (`clogit`) to multinomial grouped data.
- `dirmul` estimates a parametric alternative for overdispersed multinomial-likelihood models. It accepts two alternative parameterizations.
- `dirmul` may be used to estimate the beta-binomial regression model.

Additional Information

- To download these commands:

```
net from
```

```
http://people.musc.edu/~guimaraes/stata
```

- For a reference:

"Dirichlet-Multinomial Regression" by Paulo Guimaraes and Richard Lindrooth, Economics Working Paper Archive at WUSTL, Econometrics, no. 0509001, Available from IDEAS at:

```
http://ideas.repec.org/p/wpa/wuwpem/0509001.html
```