

allsynth: Synthetic Control Bias-Correction Utilities for Stata

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I introduce a new community-contributed stata package: `allsynth`

`allsynth` is built on the `synth` package and adds functionality

In this presentation:

- Review of synthetic control methodology, including proposed bias-correction for inexact matching (Abadie and L'hour, 2020)
- Describe the functionality added by the `allsynth` package (with examples!):
 - Synthetic control bias-correction for inexact matching on predictor values
 - Calculation of RMPSE-ranked p -values from in-space treatment permutations
 - Expanded graphing functionality
 - Diagnostics for whether $\hat{\mathbf{W}}$ -weighting matrix is likely unique
- Examples rely on `synth_smoking` data from `synth` package (Abadie et al., 2010)

Canonical:

- Abadie & Gardeazabal, 2003; Abadie et al., 2010, 2015

Many treated units:

- Cavallo et al., 2013; Dube & Zipperer, 2015; Acemoglu et al., 2016; Abadie & L'Hour, 2020; Abadie, 2021; Ben-Michael et al., 2021b; Wiltshire, 2021a

Inference:

- Abadie et al., 2010, 2015; Doudchenko & Imbens, 2016; Hahn & Shi, 2017; Ferman & Pinto, 2017; Firpo & Possebom, 2018; Chernozhukov et al., 2019

Bias-correction for inexact matching on predictor values:

- Abadie & L'Hour, 2020; Abadie, 2021; Ben-Michael et al., 2021a; Wiltshire, 2021a

Abadie (2021) provides an excellent, current review

Potential outcomes framework

For any unit j at time t :

- Let $Y_{j,t}^I$ be the potential outcome under *Intervention/treatment*
- Let $Y_{j,t}^N$ be the potential outcome under *Non-intervention/non-treatment*
- The observed outcome is: $Y_{j,t} = Y_{j,t}^N + \tau_{j,t}D_{j,t}$
→ $D_{j,t}$ is a dummy indicating if j is treated at t
- Define the treatment effect in $\{j, t\}$ as: $\tau_{j,t} = Y_{j,t}^I - Y_{j,t}^N$
- Let a single unit, $j = 1$, become treated at $T_0 + 1$
- We want to estimate path of treatment effects: $(\tau_{1,T_0+1}, \dots, \tau_{1,T})$
- We can never observe both $Y_{1,t}^I$ and $Y_{1,t}^N$
- For $t > T_0$, $Y_{1,t} = Y_{1,t}^I$ is observable so we only need to estimate $Y_{1,t}^N$

Suppose we have data on J units over T periods

- $j = 1$ is a treated unit. $j = 2, \dots, J + 1$ are untreated “donor pool” units
- T_0 pre-treatment periods, $T - T_0 > 0$ treated periods
- We specify r covariates plus M linear combinations of $Y_{j,t}$ (for $t \leq T_0$)
→ $r + M = K$ total predictor variables
- \mathbf{X}_1 is a $K \times 1$ vector of predictors of $Y_{1,t}$ in treated unit $j = 1$
- \mathbf{X}_0 is a $K \times J$ matrix of predictors of $Y_{j,t}$ in donor pool units $j > 1$

Synthetic control estimator with a single treated unit

Synthetic control estimator identifies a weighted average of donor pool units:

$$\hat{Y}_{1,t}^N = \sum_{j=2}^{J+1} \hat{w}_j Y_{j,t} \quad \forall t$$

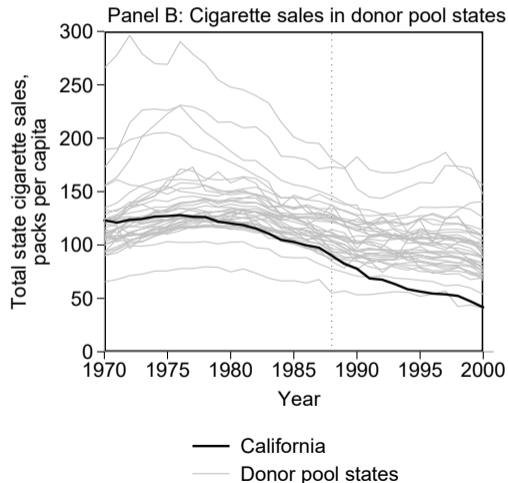
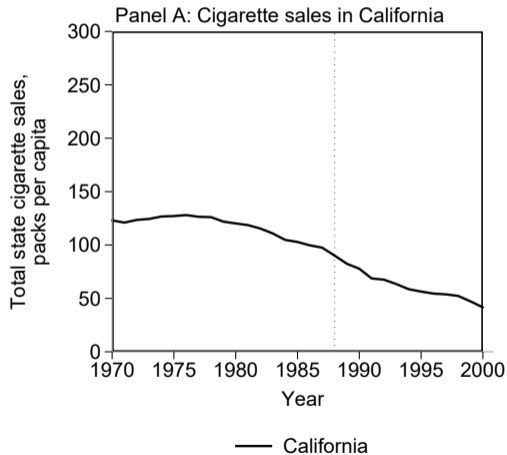
→ Once we have $\hat{Y}_{1,t}^N$, we can calculate: $\hat{\tau}_{j,t} = Y_{j,t} - \hat{Y}_{j,t}^N$

- $\mathbf{V} = (v_1, \dots, v_K)$ is a matrix of weights on the predictor variables
- $\mathbf{W}(\mathbf{V}) = (w_2(\mathbf{V}), \dots, w_{J+1}(\mathbf{V}))'$ is a vector of weights on donor pool units $j > 1$
- Classic synthetic control selects $\hat{\mathbf{V}}$ and $\hat{\mathbf{W}} = \mathbf{W}(\hat{\mathbf{V}})$ to minimize:

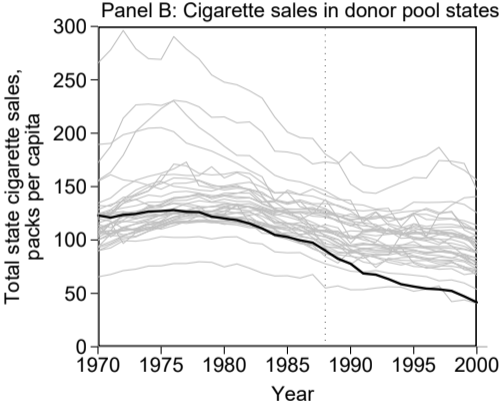
$$\left(\sum_{k=1}^K \hat{v}_k (X_{k,1} - w_2 X_{k,2} - \dots - w_{J+1} X_{k,J+1})^2 \right)^{1/2}$$

$$\text{s.t.} \quad \sum_{j=2}^{J+1} w_j = 1, \quad w_j \geq 0 \quad \forall j \in \{2, \dots, J+1\}$$

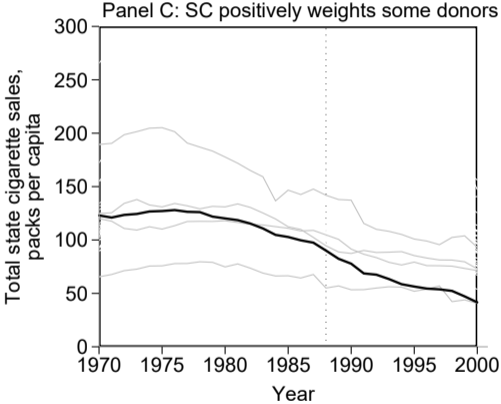
Example: We observe cigarette sales in California and untreated states (donor pool). In 1989, California increased its cigarette excise tax



Synthetic control weights predictor variables, then positively weights some untreated states to best match pre-treatment California on those predictors

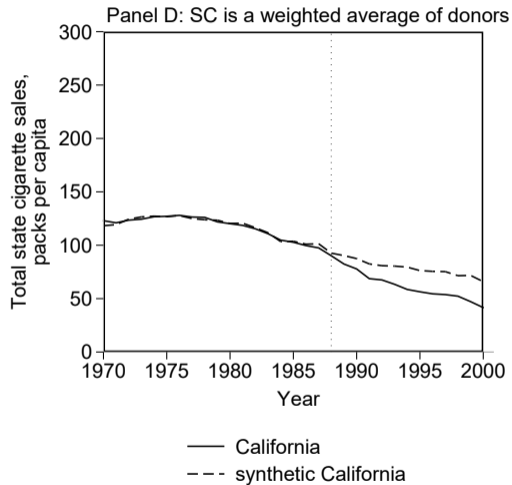
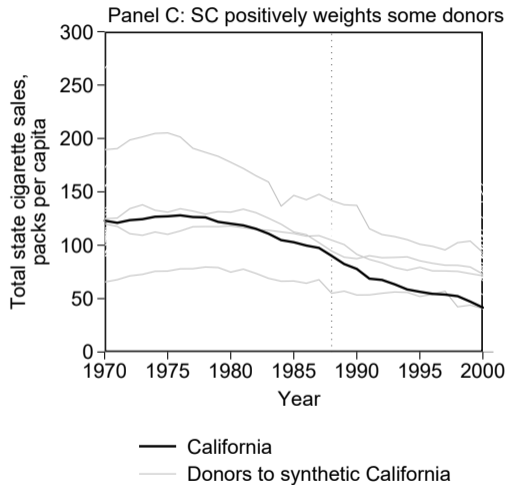


— California
— Donor pool states

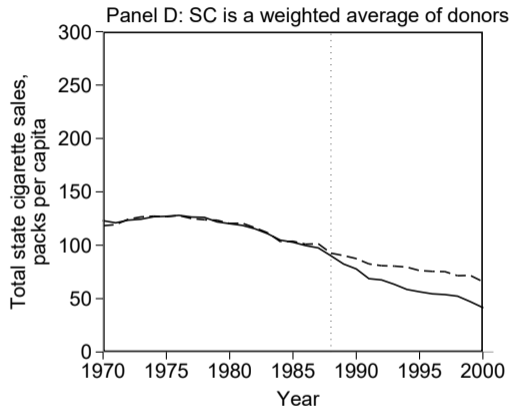


— California
— Donors to synthetic California

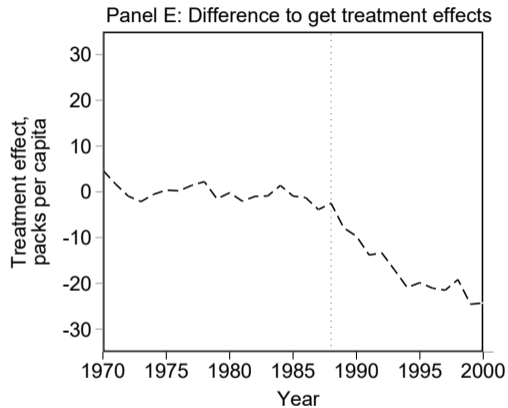
The weighted average of those donors is the synthetic California



California minus synthetic California cig sales is estimated treatment effect



— California
- - - synthetic California



- - - California (Classic SC)

The `allsynth` package: adds functionality to the `synth` package

- Synthetic control bias-correction for inexact matching on predictor values between a treated unit and its synthetic control donors (OLS regression)
- Automated calculation of RMPSE p -values from in-space permutation tests
- Expanded graphing functionality
- Uniqueness diagnostics (e.g. warns if the $\hat{\mathbf{W}}$ matrix is unlikely unique)

Note: In addition to directly utilizing the `synth` package, the code for `allsynth` draws appreciatively on Jens Hainmueller's code for `synth` and slightly on the code for `synth_runner` (Galiani and Quistorff, 2018).

Bias correction for inexact matching on predictor values

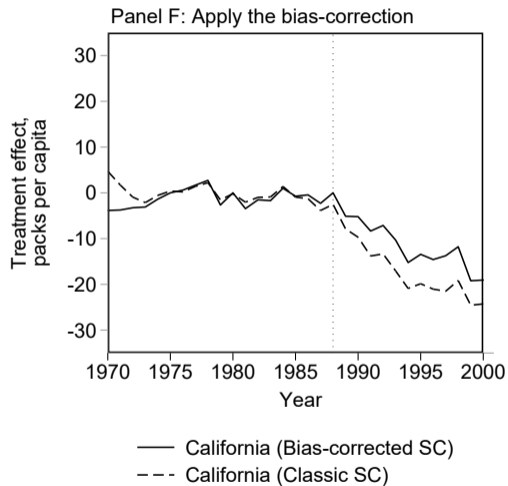
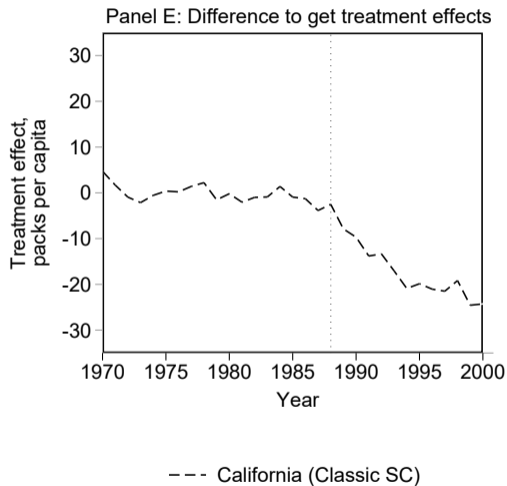
- Abadie and L'Hour (2020) (independently, Ben-Michael et al. (2021a)) propose bias correction analogous to Abadie and Imbens (2011) for matching estimators
→ Wrote package to implement this in R

Bias correction for inexact matching on predictors (single treated unit)

- First get \hat{w}_j from synthetic control estimation on uncorrected values
- Let $\mu_{0,t}(x) = E[Y|X = x, D = 0]$, and let $\hat{\mu}_{0,t}(x)$ be an estimator of $\mu_{0,t}(x)$
- Estimate $\hat{\mu}_{0,t}(x)$ by regressing $Y_{j,t}$ for untreated $j > 1$, in each $t \leq T$, on the predictor values, \mathbf{X}_0 , for untreated $j > 1$
- The bias in $\hat{\tau}_{1,t}$ from inexact matching is $\sum_{j=2}^{J+1} \hat{w}_j \hat{\mu}_{0,t}(\mathbf{X}_j) - \hat{\mu}_{0,t}(\mathbf{X}_1)$
- Then the bias-corrected treatment effect at time t is:

$$\begin{aligned}\tilde{\tau}_{1,t} &= \hat{\tau}_{1,t} - bias_t \\ &= (Y_{1,t} - \hat{\mu}_{0,t}(\mathbf{X}_1)) - \left(\sum_{j=2}^{J+1} \hat{w}_j (Y_{j,t} - \hat{\mu}_{0,t}(\mathbf{X}_j)) \right) \\ &= (Y_{1,t} - \hat{\mu}_{0,t}(\mathbf{X}_1)) - \sum_{j=2}^{J+1} \hat{w}_j (Y_{j,t} - \hat{\mu}_{0,t}(\mathbf{X}_j))\end{aligned}$$

Applying bias-correction to the California cigarette sales $\hat{\tau}_{1,t}$



allsynth can be used like synth but offers additional functionality

allsynth **requires same specifications as synth. In addition, users may specify:**

- `bcorrect(string)`
 - One of `nosave`, `merge`, or `replace` must be specified with `bcorrect()`
 - $\hat{\mu}_{0,t}(x)$ is estimated using OLS regression
 - Requires at least $K + 2$ donor pool units, K is # of predictors
 - `figure` may additionally be specified. e.g. `bcorrect(replace figure)`
- `pvalues` calculates RMPSE-ranked p -values from in-space placebo runs
 - If specified with `bcorrect()`, calculates classic and bias-corrected p -values
- `placeboskeep` saves the results of the placebo runs estimated for `pvalues`
 - May only be specified when both `keep()` and `pvalues` are also specified
- `gapfigure(string)`
 - One of `classic`, `bcorrect`, or `placebos` must be specified with `gapfig()`
 - At most two may be specified together
 - `lineback` may additionally be specified. e.g. `gapfig(bcorrect lineback)`
- `allsynth` will always warn if the \hat{W} matrix unlikely unique

Same primary specification as in the `synth` help file yields same results:

```
#delimit ;
  allsynth
    cigsale beer(1984(1)1988) lnincome retprice age15to24
    cigsale(1988) cigsale(1980) cigsale(1975),
    trunit(3) trperiod(1989)
#delimit cr
```


allsynth: Can be used like synth

Also lets you know that you haven't properly specified bias-correction:

```
Louisiana      0
Maine          0
Minnesota     0
Mississippi    0
Missouri      0
Montana       0
Nebraska      0
Nevada        .245
New Hampshire  0
New Mexico    0
North Carolina 0
North Dakota  0
Ohio          0
Oklahoma      0
Pennsylvania  0
Rhode Island  0
South Carolina 0
South Dakota  0
Tennessee    0
Texas         0
Utah          .369
Vermont       0
Virginia      0
West Virginia 0
Wisconsin     0
Wyoming       0
```

Predictor Balance:

| | Treated | Synthetic |
|-------------------|----------|-----------|
| beer(1984(1)1988) | 24.28 | 23.22596 |
| lnincome | 10.03176 | 9.867266 |
| retprice | 66.63684 | 65.40743 |
| age15to24 | .1786624 | .1825559 |
| cigsale(1988) | 90.1 | 92.6063 |
| cigsale(1980) | 120.2 | 120.3907 |
| cigsale(1975) | 127.1 | 126.7094 |

Plain vanilla `-synth-` estimates provided. No bias correction or p-value calculations specified or applied
If `bcorrect()` was specified but no option was input inside the parentheses, bias-correction was not applied.
> `bcorrect()` must contain one of `-nosave-`, `-merge-`, or `-replace-` for bias-correction to be applied

allsynth: Cautions the user if the \hat{W} matrix is unlikely unique

e.g. If we specify too few predictor variables, we get a warning message:

```
#delimit ;
  allsynth
    cigsale beer retprice cigsale(1980),
    trunit(3) trperiod(1989)
#delimit cr
```

→ `Warning: the -synth- weighting matrix W for treated unit (state == 3) contains more non-zero weights > than predictor variables and is likely not unique. Consider adding predictor variables`

allsynth: Can calculate, display, and save classic & bias-corrected “gaps”

Add keep(smokingresults) replace figure bcorrect(replace figure):

```
#delimit ;
```

```
    allsynth
```

```
        cigsale beer(1984(1)1988) lnincome retprice age15to24
```

```
        cigsale(1988) cigsale(1980) cigsale(1975),
```

```
        trunit(3) trperiod(1989)
```

```
        keep(smokingresults) replace figure
```

```
        bcor(replace figure)
```

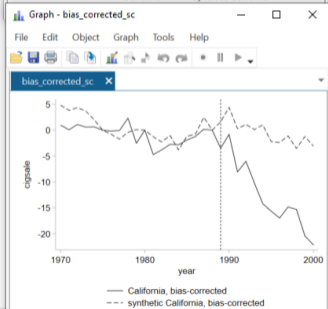
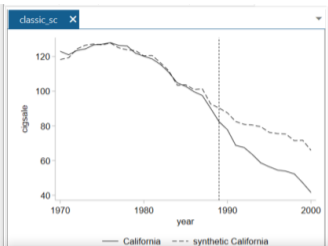
```
#delimit cr
```

The bias-corrected outcome values are only useful to calculate the bias-corrected gaps!

allsynth: Can calculate, display, and save classic & bias-corrected “gaps”

Treated unit results:

| | state | year | gap | gap_bc |
|-----|-------|------|-----------|-----------|
| 1. | 3 | 1970 | 4.714999 | -3.847018 |
| 2. | 3 | 1971 | 1.701101 | -3.750713 |
| 3. | 3 | 1972 | -.9330038 | -3.256549 |
| 4. | 3 | 1973 | -2.134596 | -3.091832 |
| 5. | 3 | 1974 | -.5483028 | -1.377421 |
| 6. | 3 | 1975 | .3905984 | 0 |
| 7. | 3 | 1976 | .2115016 | .5977706 |
| 8. | 3 | 1977 | 1.404701 | 1.673252 |
| 9. | 3 | 1978 | 2.2231 | 2.723592 |
| 10. | 3 | 1979 | -1.531299 | -2.652859 |
| 11. | 3 | 1980 | -.1907034 | 0 |
| 12. | 3 | 1981 | -2.0393 | -3.449938 |
| 13. | 3 | 1982 | -.9850991 | -1.524845 |
| 14. | 3 | 1983 | -.8995969 | -1.701223 |
| 15. | 3 | 1984 | 1.391301 | .995675 |
| 16. | 3 | 1985 | -.9249966 | -.7384964 |
| 17. | 3 | 1986 | -1.280606 | -.4435956 |
| 18. | 3 | 1987 | -3.860799 | -2.29259 |
| 19. | 3 | 1988 | -2.5063 | 0 |
| 20. | 3 | 1989 | -7.887098 | -5.108345 |
| 21. | 3 | 1990 | -9.693599 | -5.212851 |
| 22. | 3 | 1991 | -13.8027 | -8.347837 |
| 23. | 3 | 1992 | -13.344 | -7.124086 |
| 24. | 3 | 1993 | -17.0624 | -10.32301 |
| 25. | 3 | 1994 | -20.8943 | -15.22401 |
| 26. | 3 | 1995 | -19.8568 | -13.43382 |
| 27. | 3 | 1996 | -21.0405 | -14.57536 |
| 28. | 3 | 1997 | -21.4914 | -13.74036 |
| 29. | 3 | 1998 | -19.1642 | -11.78082 |
| 30. | 3 | 1999 | -24.554 | -19.20885 |
| 31. | 3 | 2000 | -24.2687 | -19.05358 |

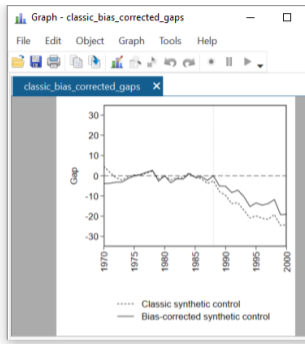


Also add `gapfig(classic bcorrect lineback)`. **Drop** `fig` **and** `bcor(figure)`:

```
#delimit ;
  allsynth
    cigsale beer(1984(1)1988) lnincome retprice age15to24
    cigsale(1988) cigsale(1980) cigsale(1975),
    trunit(3) trperiod(1989)
    keep(smokingresults) replace
    bcorrect(replace) gapfig(classic bcorrect lineback)
#delimit cr
```

allsynth: Can generate nice graphs of the classic and bias-corrected gaps

| | state | year | gap | gap_bc |
|-----|-------|------|-----------|-----------|
| 1. | 3 | 1970 | 4.714999 | -3.847018 |
| 2. | 3 | 1971 | 1.701101 | -3.750713 |
| 3. | 3 | 1972 | -.9330038 | -3.256549 |
| 4. | 3 | 1973 | -2.134596 | -3.091832 |
| 5. | 3 | 1974 | -.5483028 | -1.377421 |
| 6. | 3 | 1975 | .3905984 | 0 |
| 7. | 3 | 1976 | .2115016 | .5977706 |
| 8. | 3 | 1977 | 1.404701 | 1.673252 |
| 9. | 3 | 1978 | 2.2231 | 2.723592 |
| 10. | 3 | 1979 | -1.531299 | -2.652859 |
| 11. | 3 | 1980 | -.1907034 | 0 |
| 12. | 3 | 1981 | -2.0393 | -3.449938 |
| 13. | 3 | 1982 | -.9850991 | -1.524845 |
| 14. | 3 | 1983 | -.8995969 | -1.701223 |
| 15. | 3 | 1984 | 1.391301 | .995675 |
| 16. | 3 | 1985 | -.9249966 | -.7384964 |
| 17. | 3 | 1986 | -1.280606 | -.4435956 |
| 18. | 3 | 1987 | -3.860799 | -2.29259 |
| 19. | 3 | 1988 | -2.5063 | 0 |
| 20. | 3 | 1989 | -7.887098 | -5.108345 |
| 21. | 3 | 1990 | -9.693599 | -5.212851 |
| 22. | 3 | 1991 | -13.8027 | -8.347837 |
| 23. | 3 | 1992 | -13.344 | -7.124086 |
| 24. | 3 | 1993 | -17.0624 | -10.32301 |
| 25. | 3 | 1994 | -20.8943 | -15.22401 |
| 26. | 3 | 1995 | -19.8568 | -13.43382 |
| 27. | 3 | 1996 | -21.0405 | -14.57536 |
| 28. | 3 | 1997 | -21.4914 | -13.74036 |
| 29. | 3 | 1998 | -19.1642 | -11.78082 |
| 30. | 3 | 1999 | -24.554 | -19.20885 |
| 31. | 3 | 2000 | -24.2687 | -19.05358 |



allsynth: Can run placebo tests, calculate p -values, and graph permutation distributions

Instead add `gapfig(bcorrect placebos lineback) pvalues placeboskeep:`

```
#delimit ;
```

```
allsynth
```

```
    cigsale beer(1984(1)1988) lnincome retprice age15to24
```

```
    cigsale(1988) cigsale(1980) cigsale(1975),
```

```
    trunit(3) trperiod(1989)
```

```
    bcor(replace figure) gapfig(bcorrect placebos lineback)
```

```
    pval plac keep(smokingresults) rep
```

```
#delimit cr
```

allsynth: Can run placebo tests, calculate p -values, and graph permutation distributions

The screenshot displays the Stata interface with the following components:

- Top Panel:** Stata menu bar (File, Edit, Object, Graph, Tools, Help) and toolbar.
- Left Panel:** A graph titled "bias_corrected_placebo_gaps" showing multiple grey lines for donor pool units and a thick black line for "Bias-corrected SC, California" from 1970 to 2000. The y-axis is labeled "Gap" and ranges from -30 to 30.
- Bottom Panel:** A table of results for three years (1998, 1999, 2000). The 2000 row is highlighted in yellow.
- Right Panel:** A graph titled "bias_corrected_sc" comparing "California, bias-corrected" (solid line) and "synthetic California, bias-corrected" (dashed line) from 1970 to 2000. The y-axis is labeled "cgscale" and ranges from -20 to 5. A vertical dashed line is at year 1998.
- Bottom Right Panel:** A "Properties" window showing "Variables" and "Data" sections.

| Year | state | year | gap | gap_bc | rmspe | r-e_rank | rmspe_bc | r-c_rank | p |
|-------|-------|------|----------|-----------|----------|----------|----------|----------|---------|
| 1207. | 3 | 1998 | -19.1642 | -11.78082 | | | | | |
| | | | p_bc | | | | | | |
| | | | .0769231 | | | | | | |
| 1208. | 3 | 1999 | -24.554 | -19.20885 | | | | | |
| | | | p_bc | | | | | | |
| | | | .0769231 | | | | | | |
| 1209. | 3 | 2000 | -24.2687 | -19.05358 | 90.51327 | 1 | 33.57206 | 3 | .025641 |
| | | | p_bc | | | | | | |
| | | | .0769231 | | | | | | |
| | | | | | | | N | | |
| | | | | | | | 39 | | |

Installing allsynth package for Stata: currently Version 0.0.7 BETA

In Stata, type:

```
net from https://justinwiltshire.com/s
net install allsynth, replace
help allsynth
```

There are nine examples in help file to teach the functionality of allsynth

Version 0.0.5 BETA contained a critical bug. Please update to the latest version

The allsynth package is a free contribution to the research community. Please cite it:

Wiltshire, Justin C. 2021b. allsynth: Synthetic Control Bias-correction Utilities for Stata. Working paper.

Email comments and questions: jcwiltshire@ucdavis.edu

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