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## Stata tip 116: Where did my p-values go? (Part 3)

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In a previous Stata tip (Buis 2007), I discussed how to recover  $t$  statistics,  $p$ -values, and confidence intervals for regression parameters by using the results that are returned by an estimation command. In a subsequent Stata tip (Buis 2011), I discussed how to recover parameter estimates for parameters that were estimated on a transformed scale. For example, if a likelihood function contains a standard deviation or a correlation, then many Stata commands will maximize the likelihood with respect to  $\ln(\text{standard deviation})$  and the Fisher's  $z$  transformation of the correlation. In this tip, I will discuss how to recover the standard errors for the back-transformed parameters, that is, the standard errors of the standard deviation and the correlation.

Stata often displays the back-transformed parameters and their standard errors, but it leaves behind only the estimates of the transformed parameters and their standard errors. In those cases, the delta method (for example, Feiveson 2005) was used to compute the standard errors of the back-transformed parameters. In its simplest form, the delta method means that if we apply a transformation  $G(\cdot)$  to a parameter  $b$ , then we can approximate the standard error of the transformed parameter as

$$\text{se}\{G(b)\} \approx \text{se}(b) \times G'(\hat{b})$$

where  $G'(\hat{b})$  is the first derivative of  $G(b)$  with respect to  $b$  evaluated at  $\hat{b}$ . If Stata returned  $\ln(\text{standard deviation})$  and we wanted the standard deviation and its standard error, then  $G(b) = \exp(b)$  and  $G'(\hat{b}) = \exp(\hat{b})$ . If Stata returned Fisher's  $z$  transformation of a correlation and we wanted the correlation and its standard error, then  $G(b) = \tanh(b)$  and  $G'(\hat{b}) = \cosh(\hat{b})^{-2}$ . This is illustrated below using a model estimated with `heckman` (see [R] `heckman`). This model was chosen because it returns transformed parameters of both types.

```
. use http://www.stata-press.com/data/r13/womenwk
. heckman wage educ, select(married children educ) nolog
Heckman selection model          Number of obs    =    2000
(regression model with sample selection)  Censored obs    =     657
                                         Uncensored obs  =    1343
                                         Wald chi2(1)    =    403.39
Log likelihood = -5250.348        Prob > chi2      =    0.0000
```

wage	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
wage						
education	1.099506	.0547435	20.08	0.000	.9922102	1.206801
_cons	7.042147	.8423253	8.36	0.000	5.39122	8.693074
select						
married	.5420304	.0657798	8.24	0.000	.4131044	.6709564
children	.4409418	.0276093	15.97	0.000	.3868286	.495055
education	.0722993	.0105096	6.88	0.000	.0517007	.0928978
_cons	-1.473038	.1465476	-10.05	0.000	-1.760266	-1.18581
/athrho	.8081049	.1108545	7.29	0.000	.5908341	1.025376
/lnsigma	1.807547	.0291035	62.11	0.000	1.750506	1.864589
rho	.6685435	.061308			.5304953	.772047
sigma	6.095479	.1773995			5.757513	6.453283
lambda	4.075093	.4690025			3.155865	4.994321

```
LR test of indep. eqns. (rho = 0):   chi2(1) =    47.02   Prob > chi2 = 0.0000
```

```
. tempname gprime
. scalar `gprime' = exp(_b[lnsigma:_cons])
. display "se of sigma = " _se[lnsigma:_cons]*`gprime'
se of sigma = .17739954
. scalar `gprime' = cosh(_b[athrho:_cons])^-2
. display "se of rho = " _se[athrho:_cons]*`gprime'
se of rho = .06130802
```

Alternatively, one can use `nlcom` (see [R] **nlcom**) to compute these standard errors, as follows:

```
. nlcom (rho: tanh(_b[athrho:_cons])) (sigma: exp(_b[lnsigma:_cons]))
      rho:  tanh( _b[athrho:_cons] )
      sigma: exp( _b[lnsigma:_cons] )
```

wage	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
rho	.6685435	.061308	10.90	0.000	.548382	.788705
sigma	6.095479	.1773995	34.36	0.000	5.747782	6.443175

Notice that the confidence intervals do not correspond with those in the output of `heckman`. This is because `heckman` first computes the bounds of the confidence intervals for the transformed parameters and then back-transforms those bounds to the original metric, while `nlcom` uses the standard errors for the back-transformed parameters for computing these bounds. In most cases, computing the bounds on the transformed scale

and then back-transforming those bounds to the original scale results in somewhat better bounds. This is because the sampling distribution of the transformed parameters is likely to be better approximated by a normal distribution than is the sampling distribution of the back-transformed parameters. For more discussion, see Sribney and Wiggins (2009). You can use the techniques discussed in Buis (2007) to recover the confidence intervals reported by `heckman`.

```
. display "confidence interval for rho: ["
> tanh( _b[athrho:_cons] - invnormal(.975)*_se[athrho:_cons] ) ", "
> tanh( _b[athrho:_cons] + invnormal(.975)*_se[athrho:_cons] ) "]"
confidence interval for rho: [.53049526, .77204703]

. display "confidence interval for sigma: ["
> exp( _b[lnsigma:_cons] - invnormal(.975)*_se[lnsigma:_cons] ) ", "
> exp( _b[lnsigma:_cons] + invnormal(.975)*_se[lnsigma:_cons] ) "]"
confidence interval for sigma: [5.7575126, 6.4532831]
```

Also note that `nlcom` returns the  $z$  statistic and  $p$ -value for the test of the null hypothesis that the standard deviation and the correlation are 0, which were not reported by `heckman`. This test is problematic in the case of the standard deviation, because this is a test “on the boundary of the parameter space”. A standard deviation can only take values larger than or equal to 0. Thus the hypothesis that the standard deviation is equal to 0 is on the boundary of the possible values for the standard deviation, and standard tests do not tend to behave well in this extreme area (for example, Gutierrez, Carter, and Drukker [2001]).

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