

Interpreting and Visualizing Regression Models Using Stata

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Contents

	List of tables	xv
	List of figures	xvii
	Preface	xxvii
	Acknowledgments	xxix
1	Introduction	1
1.1	Overview of the book	1
1.2	Getting the most out of this book	3
1.3	Downloading the example datasets and programs	4
1.4	The GSS dataset	4
1.4.1	Income	5
1.4.2	Age	6
1.4.3	Education	10
1.4.4	Gender	12
1.5	The pain datasets	12
1.6	The optimism datasets	12
1.7	The school datasets	13
1.8	The sleep datasets	13
I	Continuous predictors	15
2	Continuous predictors: Linear	17
2.1	Chapter overview	17
2.2	Simple linear regression	17
2.2.1	Computing predicted means using the margins command . .	20
2.2.2	Graphing predicted means using the marginsplot command	22
2.3	Multiple regression	25

2.3.1	Computing adjusted means using the margins command . . .	26
2.3.2	Some technical details about adjusted means	28
2.3.3	Graphing adjusted means using the marginsplot command .	29
2.4	Checking for nonlinearity graphically	30
2.4.1	Using scatterplots to check for nonlinearity	31
2.4.2	Checking for nonlinearity using residuals	31
2.4.3	Checking for nonlinearity using locally weighted smoother .	33
2.4.4	Graphing outcome mean at each level of predictor	34
2.4.5	Summary	37
2.5	Checking for nonlinearity analytically	37
2.5.1	Adding power terms	38
2.5.2	Using factor variables	39
2.6	Summary	43
3	Continuous predictors: Polynomials	45
3.1	Chapter overview	45
3.2	Quadratic (squared) terms	45
3.2.1	Overview	45
3.2.2	Examples	49
3.3	Cubic (third power) terms	55
3.3.1	Overview	55
3.3.2	Examples	56
3.4	Fractional polynomial regression	62
3.4.1	Overview	62
3.4.2	Example using fractional polynomial regression	66
3.5	Main effects with polynomial terms	75
3.6	Summary	77
4	Continuous predictors: Piecewise models	79
4.1	Chapter overview	79
4.2	Introduction to piecewise regression models	80
4.3	Piecewise with one known knot	82

<i>Contents</i>	vii
4.3.1 Overview	82
4.3.2 Examples using the GSS	83
4.4 Piecewise with two known knots	91
4.4.1 Overview	91
4.4.2 Examples using the GSS	91
4.5 Piecewise with one knot and one jump	96
4.5.1 Overview	96
4.5.2 Examples using the GSS	97
4.6 Piecewise with two knots and two jumps	102
4.6.1 Overview	102
4.6.2 Examples using the GSS	102
4.7 Piecewise with an unknown knot	109
4.8 Piecewise model with multiple unknown knots	113
4.9 Piecewise models and the marginsplot command	120
4.10 Automating graphs of piecewise models	123
4.11 Summary	126
5 Continuous by continuous interactions	127
5.1 Chapter overview	127
5.2 Linear by linear interactions	127
5.2.1 Overview	127
5.2.2 Example using GSS data	132
5.2.3 Interpreting the interaction in terms of age	133
5.2.4 Interpreting the interaction in terms of education	135
5.2.5 Interpreting the interaction in terms of age slope	137
5.2.6 Interpreting the interaction in terms of the educ slope	138
5.3 Linear by quadratic interactions	140
5.3.1 Overview	140
5.3.2 Example using GSS data	143
5.4 Summary	148

6	Continuous by continuous by continuous interactions	149
6.1	Chapter overview	149
6.2	Overview	149
6.3	Examples using the GSS data	154
6.3.1	A model without a three-way interaction	154
6.3.2	A three-way interaction model	158
6.4	Summary	164
II	Categorical predictors	165
7	Categorical predictors	167
7.1	Chapter overview	167
7.2	Comparing two groups using a t test	168
7.3	More groups and more predictors	169
7.4	Overview of contrast operators	175
7.5	Compare each group against a reference group	176
7.5.1	Selecting a specific contrast	177
7.5.2	Selecting a different reference group	178
7.5.3	Selecting a contrast and reference group	179
7.6	Compare each group against the grand mean	179
7.6.1	Selecting a specific contrast	181
7.7	Compare adjacent means	182
7.7.1	Reverse adjacent contrasts	185
7.7.2	Selecting a specific contrast	186
7.8	Comparing the mean of subsequent or previous levels	187
7.8.1	Comparing the mean of previous levels	191
7.8.2	Selecting a specific contrast	192
7.9	Polynomial contrasts	193
7.10	Custom contrasts	195
7.11	Weighted contrasts	198
7.12	Pairwise comparisons	200

7.13	Interpreting confidence intervals	202
7.14	Testing categorical variables using regression	205
7.15	Summary	208
8	Categorical by categorical interactions	209
8.1	Chapter overview	209
8.2	Two by two models: Example 1	211
8.2.1	Simple effects	215
8.2.2	Estimating the size of the interaction	216
8.2.3	More about interaction	217
8.2.4	Summary	218
8.3	Two by three models	218
8.3.1	Example 2	218
8.3.2	Example 3	223
8.3.3	Summary	228
8.4	Three by three models: Example 4	228
8.4.1	Simple effects	230
8.4.2	Simple contrasts	231
8.4.3	Partial interaction	233
8.4.4	Interaction contrasts	234
8.4.5	Summary	236
8.5	Unbalanced designs	236
8.6	Main effects with interactions: anova versus regress	241
8.7	Interpreting confidence intervals	244
8.8	Summary	246
9	Categorical by categorical by categorical interactions	249
9.1	Chapter overview	249
9.2	Two by two by two models	250
9.2.1	Simple interactions by season	252
9.2.2	Simple interactions by depression status	253
9.2.3	Simple effects	255

9.3	Two by two by three models	255
9.3.1	Simple interactions by depression status	258
9.3.2	Simple partial interaction by depression status	258
9.3.3	Simple contrasts	260
9.3.4	Partial interactions	260
9.4	Three by three by three models and beyond	262
9.4.1	Partial interactions and interaction contrasts	264
9.4.2	Simple interactions	268
9.4.3	Simple effects and simple comparisons	271
9.5	Summary	272
III	Continuous and categorical predictors	273
10	Linear by categorical interactions	275
10.1	Chapter overview	275
10.2	Linear and two-level categorical: No interaction	275
10.2.1	Overview	275
10.2.2	Examples using the GSS	278
10.3	Linear by two-level categorical interactions	283
10.3.1	Overview	283
10.3.2	Examples using the GSS	285
10.4	Linear by three-level categorical interactions	290
10.4.1	Overview	290
10.4.2	Examples using the GSS	293
10.5	Summary	299
11	Polynomial by categorical interactions	301
11.1	Chapter overview	301
11.2	Quadratic by categorical interactions	301
11.2.1	Overview	302
11.2.2	Quadratic by two-level categorical	305
11.2.3	Quadratic by three-level categorical	312

11.3	Cubic by categorical interactions	318
11.4	Summary	323
12	Piecewise by categorical interactions	325
12.1	Chapter overview	325
12.2	One knot and one jump	328
12.2.1	Comparing slopes across gender	332
12.2.2	Comparing slopes across education	333
12.2.3	Difference in differences of slopes	333
12.2.4	Comparing changes in intercepts	334
12.2.5	Computing and comparing adjusted means	334
12.2.6	Graphing adjusted means	337
12.3	Two knots and two jumps	341
12.3.1	Comparing slopes across gender	346
12.3.2	Comparing slopes across education	347
12.3.3	Difference in differences of slopes	348
12.3.4	Comparing changes in intercepts by gender	349
12.3.5	Comparing changes in intercepts by education	350
12.3.6	Computing and comparing adjusted means	351
12.3.7	Graphing adjusted means	354
12.4	Comparing coding schemes	356
12.4.1	Coding scheme #1	356
12.4.2	Coding scheme #2	358
12.4.3	Coding scheme #3	360
12.4.4	Coding scheme #4	361
12.4.5	Choosing coding schemes	363
12.5	Summary	364
13	Continuous by continuous by categorical interactions	365
13.1	Chapter overview	365
13.2	Linear by linear by categorical interactions	366
13.2.1	Fitting separate models for males and females	366

13.2.2	Fitting a combined model for males and females	368
13.2.3	Interpreting the interaction focusing in the age slope	370
13.2.4	Interpreting the interaction focusing on the educ slope	372
13.2.5	Estimating and comparing adjusted means by gender	374
13.3	Linear by quadratic by categorical interactions	376
13.3.1	Fitting separate models for males and females	376
13.3.2	Fitting a common model for males and females	378
13.3.3	Interpreting the interaction	379
13.3.4	Estimating and comparing adjusted means by gender	380
13.4	Summary	382
14	Continuous by categorical by categorical interactions	383
14.1	Chapter overview	383
14.2	Simple effects of gender on the age slope	387
14.3	Simple effects of education on the age slope	388
14.4	Simple contrasts on education for the age slope	389
14.5	Partial interaction on education for the age slope	389
14.6	Summary	390
IV	Beyond ordinary linear regression	391
15	Multilevel models	393
15.1	Chapter overview	393
15.2	Example 1: Continuous by continuous interaction	394
15.3	Example 2: Continuous by categorical interaction	397
15.4	Example 3: Categorical by continuous interaction	401
15.5	Example 4: Categorical by categorical interaction	404
15.6	Summary	408
16	Time as a continuous predictor	411
16.1	Chapter overview	411
16.2	Example 1: Linear effect of time	412
16.3	Example 2: Linear effect of time by a categorical predictor	416

16.4	Example 3: Piecewise modeling of time	421
16.5	Example 4: Piecewise effects of time by a categorical predictor	426
16.5.1	Baseline slopes	430
16.5.2	Change in slopes: Treatment versus baseline	431
16.5.3	Jump at treatment	432
16.5.4	Comparisons among groups	433
16.6	Summary	434
17	Time as a categorical predictor	437
17.1	Chapter overview	437
17.2	Example 1: Time treated as a categorical variable	438
17.3	Example 2: Time (categorical) by two groups	443
17.4	Example 3: Time (categorical) by three groups	447
17.5	Comparing models with different residual covariance structures	452
17.6	Summary	454
18	Nonlinear models	455
18.1	Chapter overview	455
18.2	Binary logistic regression	456
18.2.1	A logistic model with one categorical predictor	456
18.2.2	A logistic model with one continuous predictor	463
18.2.3	A logistic model with covariates	465
18.3	Multinomial logistic regression	470
18.4	Ordinal logistic regression	475
18.5	Poisson regression	478
18.6	More applications of nonlinear models	481
18.6.1	Categorical by categorical interaction	481
18.6.2	Categorical by continuous interaction	487
18.6.3	Piecewise modeling	492
18.7	Summary	498
19	Complex survey data	499

V	Appendices	505
A	The margins command	507
A.1	The predict() and expression() options	507
A.2	The at() option	510
A.3	Margins with factor variables	513
A.4	Margins with factor variables and the at() option	517
A.5	The dydx() and related options	519
B	The marginsplot command	523
C	The contrast command	535
D	The pwcompare command	539
	References	545
	Author index	549
	Subject index	551

(Pages omitted)

Preface

Think back to the first time you learned about simple linear regression. You probably learned about the underlying theory of linear regression, the meaning of the regression coefficients, and how to create a graph of the regression line. The graph of the regression line provided a visual representation of the intercept and slope coefficients. Using such a graph, you could see that as the intercept increased, so did the overall height of the regression line, and as the slope increased, so did the tilt of the regression line. Within Stata, the `graph twoway lfit` command can be used to easily visualize the results of a simple linear regression.

Over time we learn about and use fancier and more abstract regression models—models that include covariates, polynomial terms, piecewise terms, categorical predictors, interactions, and nonlinear models such as logistic. Compared with a simple linear regression model, it can be challenging to visualize the results of such models. The utility of these fancier models diminishes if we have greater difficulty interpreting and visualizing the results.

With the introduction of the `marginsplot` command in Stata 12, visualizing the results of a regression model, even complex models, is a snap. As implied by the name, the `marginsplot` command works in tandem with the `margins` command by plotting (graphing) the results computed by the `margins` command. For example, after fitting a linear model, the `margins` command can be used to compute adjusted means as a function of one or more predictors. The `marginsplot` command graphs the adjusted means, allowing you to visually interpret the results.

The `margins` and `marginsplot` commands can be used following nearly all Stata estimation commands (including `regress`, `anova`, `logit`, `ologit`, and `mlogit`). Furthermore, these commands work with continuous linear predictors, categorical predictors, polynomial (power) terms, as well as interactions (for example, two-way interactions, three-way interactions). This book uses the `marginsplot` command not only as an interpretive tool, but also as an instructive tool to help you understand the results of regression models by visualizing them.

Categorical predictors pose special difficulties with respect to interpreting regression models, especially models that involve interactions of categorical predictors. Categorical predictors are traditionally coded using dummy (indicator) coding. Many research questions cannot be answered directly in terms of dummy variables. Furthermore, interactions involving dummy categorical variables can be confusing and even misleading. Stata 12 introduces the `contrast` command, a general-purpose command that can be

used to precisely test the effects of categorical variables by forming contrasts among the levels of the categorical predictors. For example, you can compare adjacent groups, compare each group with the overall mean, or compare each group with the mean of the previous groups. The `contrast` command allows you to easily focus on the comparisons that are of interest to you.

The `contrast` command works with interactions as well. You can test the simple effect of one predictor at specific levels of another predictor or form interactions that involve comparisons of your choosing. In the parlance of analysis of variance, you can test simple effects, simple contrasts, partial interactions, and interaction contrasts. These kinds of tests allow you to precisely understand and dissect interactions with surgical precision. The `contrast` command works not only with the `regress` command, but also with commands such as `logit`, `ologit`, `mlogit`, as well as random-effects models like `xtmixed`.

As you can see, the scope of the application of the `margins`, `marginsplot`, and `contrast` commands is broad. Likewise, so is the scope of this book. It covers continuous variables (modeled linearly, using polynomials, and piecewise), interactions of continuous variables, categorical predictors, interactions of categorical predictors, as well as interactions of continuous and categorical predictors. The book also illustrates how the `margins`, `marginsplot`, and `contrast` commands can be used to interpret results from multilevel models, models where time is a continuous predictor, models with time as a categorical predictor, nonlinear models (such as logistic regression or ordinal logistic regression), and analyses that involve complex survey data. However, this book does not contain information about the theory of these statistical models, how to perform diagnostics for the models, the formulas for the models, and so forth. The summary section concluding each chapter includes references to books and articles that provide background for the techniques illustrated in the chapter.

My goal for this book is to provide simple and clear examples that illustrate how to interpret and visualize the results of regression models. To that end, I have selected examples that illustrate large effects generally combined with large sample sizes to create patterns of effects that are easy to visualize. Most of the examples are based on real data, but some are based on hypothetical data. In either case, I hope the examples help you understand the results of your regression models so you can interpret and present them with clarity and confidence.

(Pages omitted)

14 Continuous by categorical by categorical interactions

14.1	Chapter overview	383
14.2	Simple effects of gender on the age slope	387
14.3	Simple effects of education on the age slope	388
14.4	Simple contrasts on education for the age slope	389
14.5	Partial interaction on education for the age slope	389
14.6	Summary	390

14.1 Chapter overview

This chapter considers models that involve the interaction of two categorical predictors with a linear continuous predictor. Such models blend ideas from chapter 10 on categorical by continuous interactions and ideas from chapter 8 on categorical by categorical interactions. As we saw in chapter 10, interactions of categorical and continuous predictors describe how the slope of the continuous variable differs as a function of the categorical variable. In chapter 8, we saw models that involve the interaction of two categorical variables. This chapter blends these two modeling techniques by exploring how the slope of the continuous variable varies as a function of the interaction of the two categorical variables.

Let's consider a hypothetical example of a model with income as the outcome variable. The predictors include gender (a two-level categorical variable), education (treated as a three-level categorical variable), and age (a continuous variable). Income can be modeled as a function of each of the predictors, as well as the interactions of all the predictors. A three-way interaction of age by gender by education would imply that the effect of age interacts with gender by education. One way to visualize such an interaction would be to graph age on the x axis, with separate lines for the levels of education and separate graphs for gender. Figure 14.1 shows such an example, illustrating how the slope of the relationship between income and age varies as a function of education and gender.

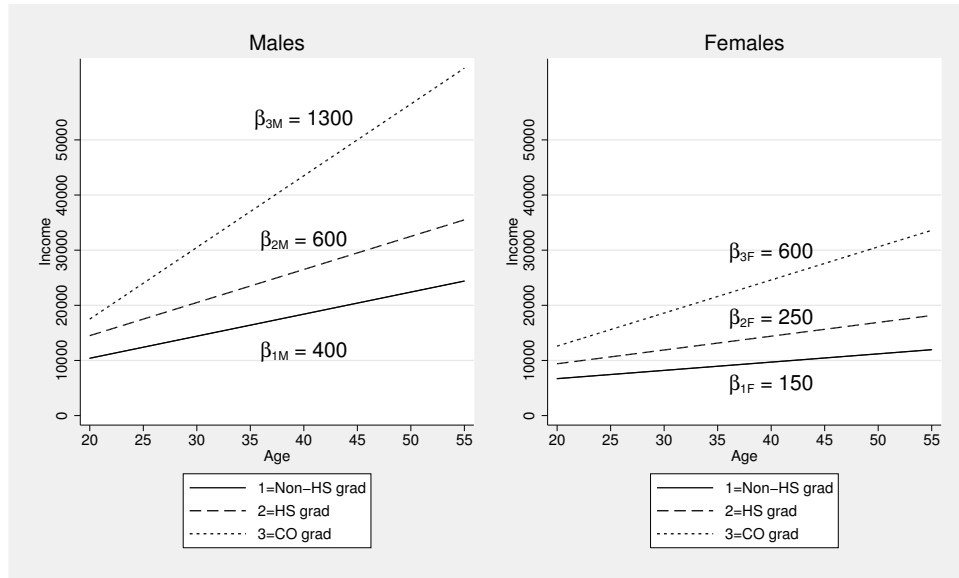


Figure 14.1. Fitted values of income as a function of age, education, and gender

The graph can be augmented by a table that shows the **age** slope broken down by education and gender. Such a table is shown in 14.1. The **age** slope shown in each cell of table 14.1 reflects the slope of the relationship between income and age for each of the lines illustrated in figure 14.1. For example, β_{3M} represents the **age** slope for male college graduates, and this slope is 1,300.

Table 14.1. The **age** slope by level of education and gender

	Non-HS grad	HS grad	CO grad
Male	$\beta_{1M} = 400$	$\beta_{2M} = 600$	$\beta_{3M} = 1,300$
Female	$\beta_{1F} = 150$	$\beta_{2F} = 250$	$\beta_{3F} = 600$

The age by education by gender interaction described in table 14.1 can be understood and dissected like the two by three interactions illustrated in chapter 8. The key difference is that table 14.1 is displaying the slope of the relationship between income and age, and the three-way interaction refers to the way that the slope varies as a function of education and gender.¹

If there were no three-way interaction of age by gender by education, we would expect (for example) that the gender difference in the **age** slope would be approximately the

1. More precisely, how the slope varies as a function of the interaction of age and gender.

same at each level of education. But, consider the differences in the `age` slopes between females and males at each level of education. This difference is -250 ($150 - 400$) for non-high school graduates, whereas this difference is -350 ($250 - 600$) for high school graduates, and the difference is -700 ($600 - 1300$) for college graduates. The difference in the `age` slopes between females and males seems to be much larger for college graduates than for high school graduates and non-high school graduates. This pattern of results appears consistent with a three-way interaction of age by education by gender.

Let's explore this in more detail with an example using the GSS dataset. To focus on the linear effect of `age`, we will keep those who are 22 to 55 years old.

```
. use gss_ivrm
. keep if age>=22 & age<=55
(18936 observations deleted)
```

In this example, let's predict income as a function of gender (`female`), a three-level version of education (`educ3`), and `age`. The `regress` command below predicts `realrinc` from `i.female`, `i.educ3`, and `c.age` (as well as all interactions of the predictors). The variable `i.race` is also included as a covariate.

```
. regress realrinc i.female##i.educ3##c.age i.race, vce(robust) vsquish
Linear regression                                Number of obs = 25718
                                                F( 13, 25704) = 411.30
                                                Prob > F      = 0.0000
                                                R-squared    = 0.1839
                                                Root MSE    = 23556
```

realrinc	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
1.female	1337.125	1693.694	0.79	0.430	-1982.61	4656.861
educ3						
2	550.476	1782.192	0.31	0.757	-2942.721	4043.673
3	-11156.1	2618.976	-4.26	0.000	-16289.44	-6022.756
female#educ3						
1 2	783.0991	2021.654	0.39	0.698	-3179.457	4745.655
1 3	7657.907	3164.299	2.42	0.016	1455.703	13860.11
age	413.8695	45.62015	9.07	0.000	324.4515	503.2876
female#c.age						
1	-264.9842	50.65695	-5.23	0.000	-364.2746	-165.6937
educ3#c.age						
2	175.8497	54.7504	3.21	0.001	68.53584	283.1636
3	897.3326	77.47101	11.58	0.000	745.4851	1049.18
female#educ3#c.age						
1 2	-80.30545	60.94575	-1.32	0.188	-199.7625	39.15165
1 3	-414.6562	93.26714	-4.45	0.000	-597.465	-231.8473
race						
2	-2935.138	273.3294	-10.74	0.000	-3470.879	-2399.397
3	185.3956	956.338	0.19	0.846	-1689.081	2059.872
_cons	2691.23	1495.778	1.80	0.072	-240.5797	5623.039

Let's test the interaction of gender, education, and age using the `contrast` command below. The three-way interaction is significant.

```
. contrast i.female#i.educ3#c.age
Contrasts of marginal linear predictions
Margins      : asbalanced
```

	df	F	P>F
female#educ3#c.age	2	10.17	0.0000
Residual	25704		

To begin the process of interpreting the three-way interaction, let's create a graph of the adjusted means as a function of age, education, and gender. First, the `margins` command below is used to compute the adjusted means by gender and education for ages 22 and 55 (the output is omitted to save space). Then the `marginsplot` command is used to graph the adjusted means, as shown in figure 14.2.

```
. margins female#educ3, at(age=(22 55))
(output omitted)
. marginsplot, bydimension(female) noci
Variables that uniquely identify margins: age female educ3
```

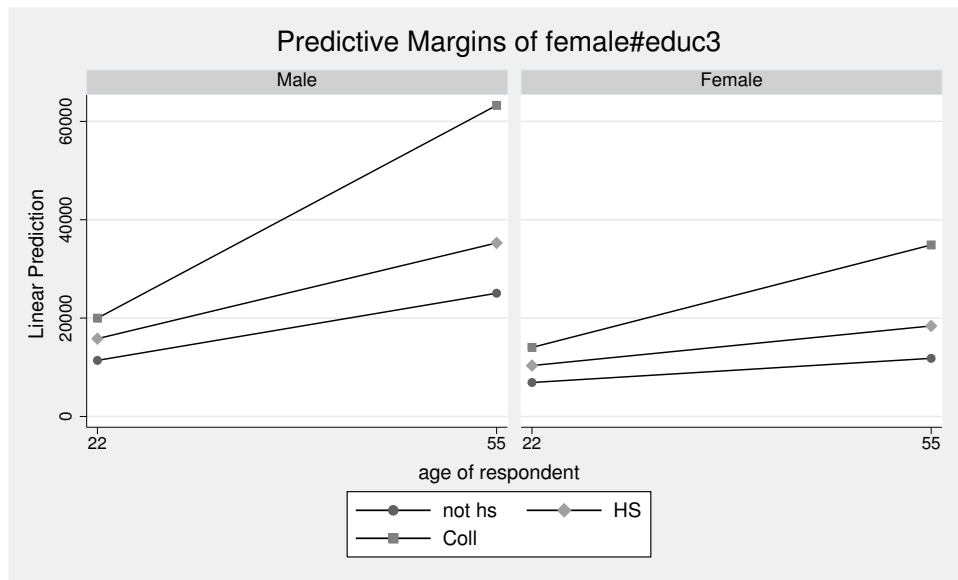


Figure 14.2. Fitted values of income as a function of age, education, and gender

The graph in figure 14.2 illustrates how the `age` slope varies as a function of gender and education. Let's compute the `age` slope for each of the lines shown in this graph. The `margins` command is used with the `dydx(age)` and `over()` options to compute the `age` slopes separately for each combination of gender and education.

```
. margins, dydx(age) over(female educ3)
Average marginal effects           Number of obs   =       25718
Model VCE       : Robust
Expression      : Linear prediction, predict()
dy/dx w.r.t.   : age
over            : female educ3
```

	Delta-method				
	dy/dx	Std. Err.	z	P> z	[95% Conf. Interval]
age					
female#educ3					
0 1	413.8695	45.62015	9.07	0.000	324.4557 503.2834
0 2	589.7192	30.37993	19.41	0.000	530.1757 649.2628
0 3	1311.202	62.88374	20.85	0.000	1187.952 1434.452
1 1	148.8854	22.09037	6.74	0.000	105.589 192.1817
1 2	244.4296	15.25412	16.02	0.000	214.5321 274.3272
1 3	631.5618	46.90854	13.46	0.000	539.6227 723.5008

Let's reformat the output of the `margins` command to emphasize how the `age` slope varies as a function of the interaction of gender and education (see table 14.2). Each cell of table 14.2 shows the `age` slope for the particular combination of gender and education. For example, the `age` slope for males with a college degree is 1,311.20 and is labeled as β_{3M} .

Table 14.2. The `age` slope by level of education and gender

	Non-HS grad	HS grad	CO grad
Male	$\beta_{1M} = 413.87$	$\beta_{2M} = 589.72$	$\beta_{3M} = 1,311.20$
Female	$\beta_{1F} = 148.89$	$\beta_{2F} = 244.43$	$\beta_{3F} = 631.56$

We can dissect the three-way interaction illustrated in table 14.2 using the techniques from section 8.3 on two by three models. Specifically, we can use simple effects analysis, simple contrasts, and partial interactions.

14.2 Simple effects of gender on the age slope

We can use the `contrast` command to test the simple effect of gender on the `age` slope. This is illustrated below.

```
. contrast female#c.age@educ3, nowald pveffects
Contrasts of marginal linear predictions
Margins      : asbalanced
```

	Contrast	Std. Err.	t	P> t
female@educ3#c.age				
(1 vs base) 1	-264.9842	50.65695	-5.23	0.000
(1 vs base) 2	-345.2896	33.98931	-10.16	0.000
(1 vs base) 3	-679.6404	78.4498	-8.66	0.000

Each of these tests represents the comparison of females versus males in terms of the `age` slope. The first test compares the `age` slope for females versus males among non-high school graduates. Referring to table 14.2, this test compares β_{1F} with β_{1M} . The difference in these `age` slopes is -264.98 ($148.89 - 413.87$), and this difference is significant. The `age` slope for females who did not graduate high school is 264.98 units smaller than the `age` slope for males who did not graduate high school. The second test is similar to the first, except the comparison is made among high school graduates, comparing β_{2F} with β_{2M} from table 14.2. This test is also significant. The third test compares the `age` slope between females and males among college graduates (that is, comparing β_{3F} with β_{3M}). This test is also significant. In summary, the comparison of the `age` slope for females versus males is significant at each level of education.

14.3 Simple effects of education on the age slope

We can also look at the simple effects of education on the `age` slope at each level of gender. This test is performed using the `contrast` command below.

```
. contrast educ3#c.age@female
Contrasts of marginal linear predictions
Margins      : asbalanced
```

	df	F	P>F
educ3@female#c.age			
0	2	70.96	0.0000
1	2	43.37	0.0000
Joint	4	57.21	0.0000
Residual	25704		

The first test compares the `age` slope among the three levels of education for males. Referring to table 14.2, this tests the following null hypothesis.

$$H_0: \beta_{1M} = \beta_{2M} = \beta_{3M}$$

This test is significant. The `age` slope significantly differs as a function of education among males.

The second test is like the first test, except that the comparisons are made for females. This tests the following null hypothesis.

$$H_0: \beta_{1F} = \beta_{2F} = \beta_{3F}$$

This test is also significant. Among females, the `age` slope significantly differs among the three levels of education.

14.4 Simple contrasts on education for the age slope

We can further dissect the simple effects tested above by applying contrast coefficients to the education factor. For example, say that we used the `ar.` contrast operator to form reverse adjacent group comparisons. This would yield comparisons of group 2 versus 1 (high school graduates with non-high school graduates) and group 3 versus 2 (college graduates with high school graduates). Applying this contrast operator yields simple contrasts on education at each level of gender, as shown below.

```
. contrast ar.educ3#c.age@female, nowald pveffects
Contrasts of marginal linear predictions
Margins      : asbalanced
```

	Contrast	Std. Err.	t	P> t
educ3@female#c.age				
(2 vs 1) 0	175.8497	54.7504	3.21	0.001
(2 vs 1) 1	95.54426	26.83611	3.56	0.000
(3 vs 2) 0	721.4829	69.74939	10.34	0.000
(3 vs 2) 1	387.1322	49.38976	7.84	0.000

The first test compares the `age` slope for male high school graduates with the `age` slope for males who did not graduate high school. In terms of table 14.2, this is the comparison of β_{2M} with β_{1M} . The difference in these `age` slopes is 175.85 and is significant. The second test is the same as the first test, except the comparison is made for females, comparing β_{2F} with β_{1F} . The difference is 95.54 and is significant. The third and fourth tests compare college graduates with high school graduates. The third test forms this comparison among males and is significant, and the fourth test forms this comparison among females and is also significant.

14.5 Partial interaction on education for the age slope

The three-way interaction can be dissected by forming contrasts on the three-level categorical variable. Say that we use reverse adjacent group comparisons on education, which compares high school graduates with non-high school graduates and college graduates with high school graduates. We can interact that contrast with gender and age, as shown in the `margins` command below.