Supplemental appendix to A Quantile Correlated Random Coefficients Panel Data Model

Bryan S. Graham♦, Jinyong Hahn♭, Alexandre Poirier† and James L. Powell♦∗

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♦Department of Economics, University of California - Berkeley, 508-1 Evans Hall #3880, Berkeley, CA 94720. E-MAIL: bgraham@econ.berkeley.edu, powell@econ.berkeley.edu.

♭Department of Economics, University of California - Los Angeles, Box 951477, Los Angeles, CA 90095-1477. E-MAIL: hahn@econ.ucla.edu.

†Department of Economics, University of Iowa, W210 John Pappajohn Business Building, Iowa City, IA 52242. E-MAIL: alexandre-poirier@uiowa.edu.
Proof of Theorem 8. \( \hat{\delta}(\tau) - \delta(\tau) \) has the following linear representation

\[
\sqrt{N} \left( \hat{\delta}(\tau) - \delta(\tau) \right) = \left( \frac{1}{N} \sum_{i=1}^{N} W_i^* W_i^* 1(D_i = 0) \right)^{-1} \\
\times \frac{1}{N} \sum_{i=1}^{N} W_i^* X_i^* \sqrt{N} \left( \hat{Q}_{Y|X}(\tau|X_i) - Q_{Y|X}(\tau|X_i) \right) \\
= \left( \sum_{l=L+1}^{M} w_i^* \hat{p}_l \right) \sum_{l=L+1}^{M} w_i^* \hat{p}_l \sqrt{N} \left( \hat{Q}_{Y|X}(\tau|X_i) - Q_{Y|X}(\tau|X_i) \right)
\]

with

\[
\sum_{l=L+1}^{M} w_i^* \hat{p}_l \to \sum_{l=L+1}^{M} w_i^* p_l = \mathbb{E} [W^* W^* | D = 0] \pi_0
\]

and

\[
\sum_{l=L+1}^{M} w_i^* \hat{p}_l \sqrt{N} \left( \hat{Q}_{Y|X}(\tau|X_i) - Q_{Y|X}(\tau|X_i) \right) \to \sum_{l=L+1}^{M} w_i^* \sqrt{N} Z_Q(\tau, x_l)
\]

which has asymptotic covariance equal to

\[
\mathbb{E} \left[ \sum_{l=L+1}^{M} w_i^* \hat{p}_l \sqrt{N} Z_Q(\tau, x_l) \left( \sum_{l'=L+1}^{M} w_{i'}^* \sqrt{N} Z_Q(\tau', x_{i'}) \right) \right] \\
= \sum_{l=L+1}^{M} \sum_{l'=L+1}^{M} w_i^* \hat{p}_l \min (\tau, \tau') - \tau \tau' \Lambda (\tau, \tau'; x_i) \cdot 1 (l = l') x_i^* w_{i'}^* p_l p_{l'} \\
= (\min (\tau, \tau') - \tau \tau') \mathbb{E} [W^* X^* \Lambda(\tau, \tau'; X) X^* W^* | D = 0] \pi_0.
\]

To derive the asymptotic distribution of \( \sqrt{N} \left( \hat{\beta}(\cdot; \cdot) - \beta(\cdot; \cdot) \right) \) we note that

\[
\sqrt{N} \left( \hat{\beta}(\cdot; x_l) - \beta(\cdot; x_l) \right) = x_l^{-1} \sqrt{N} \left( \hat{Q}_{Y|X}(\tau|X_l) - Q_{Y|X}(\tau|X_l) \right) + x_l^{-1} w_l \sqrt{N} \left( \delta(\tau) - \delta(\tau) \right) \\
\to x_l^{-1} Z_Q(\tau, x_l) + x_l^{-1} w_l Z_\delta(\tau).
\]

\( Z_Q(\tau, x_l) \) and \( Z_\delta(\tau) \) are independent processes since they are computed using disjoint subpopulations: \( x_l \) for \( l = 1, \ldots, L \) are not used in the computation of \( \delta(\tau) \). Therefore, the asymptotic variance of (2) is the sum of the variance of its terms.
Proof of Theorem 9. We see that

\[ \sqrt{N} \left( \hat{\beta}^M (\tau) - \bar{\beta}^M (\tau) \right) = \sum_{l=1}^{L} \beta(\tau; x_l) \sqrt{N} \left( \hat{q}_l - q_l^M \right) \]

\[ + \sum_{l=1}^{L} \sqrt{N} \left( \hat{\beta}(\tau; x_l) - \beta(\tau; x_l) \right) \hat{q}_l^M. \tag{4} \]

By a result similar to that in (76) in the main text, term (3) converges to a mean zero Gaussian process with covariance equal to \( \mathbb{C}(\beta(\tau, x), \beta(\tau', x); |X \in X^M|) \). Term (4) converges to

\[ \sum_{l=1}^{L} \sqrt{N} \left( \hat{\beta}(\tau; x_l) - \beta(\tau; x_l) \right) \hat{q}_l^M \]

which has a covariance kernel equal to

\[
\mathbb{E} \left[ \sum_{l=1}^{L} \sum_{l'=1}^{L} Z(\tau, x_l)Z(\tau, x_{l'}) q_l^M q_{l'}^M \right] \\
= \mathbb{E} \left[ Z(\tau, x_l)Z(\tau, x_{l'}) \right] q_l^M q_{l'}^M \\
= (\min(\tau, \tau') - \tau\tau') \sum_{l=1}^{L} \sum_{l'=1}^{L} \frac{x_l^{-1} \Lambda(\tau, \tau'; x_l) x_{l'}^{-1}}{p_l} \cdot 1 \left( l = l' \right) q_l^M q_{l'}^M \\
+ \sum_{l=1}^{L} \sum_{l'=1}^{L} x_l^{-1} w_l \Sigma(\tau, \tau') w_{l'} x_{l'}^{-1} q_l^M q_{l'}^M \\
= \min(\tau, \tau') - \tau\tau' \mathbb{E} \left[ X^{-1} \Lambda(\tau, \tau', X) X^{-1}; X \in X^M \right] + \sum_{l=1}^{L} x_l^{-1} w_l q_l^M \Sigma(\tau, \tau') \sum_{l'=1}^{L} w_{l'} x_{l'}^{-1} q_{l'}^M \\
= \Upsilon(\tau, \tau') + \Xi_0 \Sigma(\tau, \tau') \Xi_0'.
\]

Since terms (3) and (4) are uncorrelated, the asymptotic covariance of \( \sqrt{N} \left( \hat{\beta}^M (\tau) - \bar{\beta}^M (\tau) \right) \) is equal to the sum of the covariance of its two terms.

\[
\mathbb{E} \left[ \sum_{l=1}^{L} \sum_{l'=1}^{L} Z(\tau, x_l)Z(\tau, x_{l'}) q_l^M q_{l'}^M \right] \\
= \mathbb{E} \left[ Z(\tau, x_l)Z(\tau, x_{l'}) \right] q_l^M q_{l'}^M \\
= (\min(\tau, \tau') - \tau\tau') \sum_{l=1}^{L} \sum_{l'=1}^{L} \frac{x_l^{-1} \Lambda(\tau, \tau'; x_l) x_{l'}^{-1}}{p_l} \cdot 1 \left( l = l' \right) q_l^M q_{l'}^M \\
+ \sum_{l=1}^{L} \sum_{l'=1}^{L} x_l^{-1} w_l \Sigma(\tau, \tau') w_{l'} x_{l'}^{-1} q_l^M q_{l'}^M \\
= \min(\tau, \tau') - \tau\tau' \mathbb{E} \left[ X^{-1} \Lambda(\tau, \tau', X) X^{-1}; X \in X^M \right] + \sum_{l=1}^{L} x_l^{-1} w_l q_l^M \Sigma(\tau, \tau') \sum_{l'=1}^{L} w_{l'} x_{l'}^{-1} q_{l'}^M \\
= \Upsilon(\tau, \tau') + \Xi_0 \Sigma(\tau, \tau') \Xi_0'.
\]

Proof of Theorem 10. We start by deriving the asymptotic distribution of the sample cumulative distribution function of \( \hat{\beta}_p(U; X) \) with \( U \) distributed uniformly on \([0, 1]\) independently from \( X \), while conditioning on \( X \in X^M \). The CDF estimand at \( c \in \mathbb{R} \) is denoted as
\[ F_{B_p|X \in X^M}(c) \] and the estimator is
\[ \hat{F}_{\hat{\beta}_p(U;X)|X \in X^M}(c) = \frac{1}{N} \sum_{i=1}^{N} \int_{0}^{1} 1(\hat{\beta}_p(u;X_i) \leq c)du 1(X_i \in X^M) \]
\[ = \sum_{l=1}^{L} \left( \int_{0}^{1} 1(\hat{\beta}_p(u;X_l) \leq c)du \right) \hat{q}_l^M. \quad (6) \]

The integration over \( u \in (0,1) \) can be done exactly since \( \hat{\beta}_p(u;X_l) \) is piecewise linear for each \( l \in \{1,\ldots,L\} \) with finitely many pieces. This asymptotic distribution can be written as the sum of two terms:
\[ \hat{F}_{\hat{\beta}_p(U;X)|X \in X^M}(c) - F_{B_p|X \in X^M}(c) = \sum_{l=1}^{L} \left( \int_{0}^{1} 1(\hat{\beta}_p(u;X_l) \leq c)du - \int_{0}^{1} 1(\beta_p(u;X_l) \leq c)du \right) \hat{q}_l^M \]
\[ + \sum_{l=1}^{L} \int_{0}^{1} 1(\beta_p(u;X_l) \leq c)du \left( \hat{q}_l^M - q_l^M \right). \quad (7) \]

We will show that these two terms both converge in uniformly over \( c \in \mathbb{R} \). For term (7), we have that \( \sqrt{N} \left( \hat{\beta}_p(\tau;X_l) - \beta_p(\tau;X_l) \right) \xrightarrow{d} (Z(\tau;X_l))_p = Z_p(\tau;X_l) \) over \( \tau \in (0,1) \) and all \( l = 1,\ldots,L \), and \((\cdot)_p\) denotes the \( p^{th} \) element of the vector. By the same argument as in (79), we have
\[ \sqrt{N} \left( \int_{0}^{1} 1(\beta_p(u;X_l) \leq c)du - \int_{0}^{1} 1(\beta_p(u;X_l) \leq c)du \right) \]
\[ = \sqrt{N} \left( \hat{\beta}_p(F_{B_p|X}(c|X_l);X_l) - \beta_p(F_{B_p|X}(c|X_l);X_l) \right) f_{B_p|X}(c|X_l) + o_p(1) \]
\[ \xrightarrow{d} Z_p(F_{B_p|X}(c|X_l),X_l)f_{B_p|X}(c|X_l). \]

This convergence is uniform in \( c \in \mathbb{R} \) since \( F_{B_p|X}(c|X_l) \) ranges between 0 and 1, and uniform in \( x_l \) since its support is finite. Therefore,
\[ \sum_{l=1}^{L} \sqrt{N} \left( \int_{0}^{1} 1(\beta_p(u;X_l) \leq c)du - \int_{0}^{1} 1(\beta_p(u;X_l) \leq c)du \right) \hat{q}_l^M \xrightarrow{d} \sum_{l=1}^{L} Z_p(F_{B_p|X}(c|X_l),X_l)f_{B_p|X}(c|X_l)q_l^M \]
\[ \quad \text{for } c \in \mathbb{R}. \quad (8) \]

Also, (8) will converge over \( c \in \mathbb{R} \) to a Gaussian process \( Z_{2p}(c) \) with asymptotic
covariance of

$$\mathbb{E}[Z_{2p}(c)Z_{2p}(c')] = \frac{C(F_{B_k}|x(c|x), F_{B_k}|x(c'|x)|x \in X^M)}{Pr(x \in X^M)}.$$ 

Note that $Z_{2p}(c)$ and $\sum_{i=1}^{L} Z_{p}(F_{B_k}|x(c|x_i), x_i)f_{B_k}|x(c|x_i)|q_i^M$ are uncorrelated since the variation in the latter is conditional on $X$ while that in the former depends on $X$ only. Therefore,

$$\hat{F}_{\beta_p}|x(x)x \in X^M(c) - F_{B_k}|x(x) \sum_{i=1}^{L} Z_{p}(F_{B_k}|x(c|x_i), x_i)f_{B_k}|x(c|x_i)|q_i^M + Z_{2p}(c)$$

for $c \in \mathbb{R}$.

Using the same invertibility argument as in $(82)$, we see that

$$\sqrt{N} \left( \hat{\beta}_p^M(\tau) - \beta_p^M(\tau) \right) \rightarrow_{d} \frac{\sum_{i=1}^{L} Z_{p}(F_{B_k}|x(\beta_p^M(\tau)|x_i), x_i)f_{B_k}|x(\beta_p^M(\tau)|x_i)|q_i^M + Z_{2p}(\beta_p^M(\tau))}{f_{B_k}|x(x)|(\beta_p^M(\tau))} = Z_{\beta_p}(\tau)$$

uniformly over $\tau \in (0, 1)$.

To conclude this proof, we evaluate $\mathbb{E}[Z_{\beta_p}(\tau)Z_{\beta_p}(\tau')]$, the asymptotic covariance of $(11)$:

$$\mathbb{E}[Z_{\beta_p}(\tau)Z_{\beta_p}(\tau')] = \frac{\sum_{i=1}^{L} \sum_{l=1}^{L} f_{B_k}|x(\beta_p^M(\tau)|x_i)f_{B_k}|x(\beta_p^M(\tau')|x_{l'})q_i^M q_{l'}^M}{f_{B_k}|x(x)|(\beta_p^M(\tau))f_{B_k}|x(x)|(\beta_p^M(\tau'))} 
\times \mathbb{E}[Z_{p}(F_{B_k}|x(\beta_p^M(\tau)|x_i), x_i)Z_{p}(F_{B_k}|x(\beta_p^M(\tau')|x_{l'}), x_{l'})]
\times \mathbb{E}[Z_{2p}(\beta_p^M(\tau))Z_{2p}(\beta_p^M(\tau'))]
\times \mathbb{E}[Z_{2p}(\beta_p^M(\tau))Z_{2p}(\beta_p^M(\tau'))]
\times f_{B_k}|x(x)|(\beta_p^M(\tau))f_{B_k}|x(x)|(\beta_p^M(\tau'))$$

where

$$\mathbb{E}[Z_{p}(F_{B_k}|x(\beta_p^M(\tau)|x_i), x_i)Z_{p}(F_{B_k}|x(\beta_p^M(\tau')|x_{l'}), x_{l'})]
\times e_p x_i^{l} \Lambda(F_{B_k}|x(\beta_p^M(\tau)|x_i), F_{B_k}|x(\beta_p^M(\tau')|x_{l'}); x_i) x_i^{-l'} e_p \cdot 1 (l = l')
\times e_{i'} x_{l'}^{-1} w_i \sum_{l} (F_{B_k}|x(\beta_p^M(\tau)|x_i), F_{B_k}|x(\beta_p^M(\tau')|x_{l'})) w_{l'} x_{l'}^{-1} e_p$$

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and
\[
\sum_{l=1}^{L} \sum_{l'=1}^{L} f_{B_p|x}(\beta_p^M(\tau)|x_l)q_l^M \mathbb{E} \left[ Z_p(f_{B_p|x}(\beta_p^M(\tau)|x_l), x_l) Z_p(f_{B_p|x}(\beta_p^M(\tau')|x_{l'}), x_{l'}) \right] f_{B_p|x}(\beta_p^M(\tau')|x_{l'}) q_{l'}^M
\]
\[
= \mathbb{E} \left[ \left( \min \left( f_{B_p|x}(\beta_p^M(\tau)|X), f_{B_p|x}(\beta_p^M(\tau')|X) \right) - f_{B_p|x}(\beta_p^M(\tau)|X)f_{B_p|x}(\beta_p^M(\tau')|X) \right) \right]
\times e'_p X^{-1} \Lambda \left( f_{B_p|x}(\beta_p^M(\tau)|X), f_{B_p|x}(\beta_p^M(\tau')|X); X \right) X^{-1} e_p f_{B_p|x}(\beta_p^M(\tau)|X)f_{B_p|x}(\beta_p^M(\tau')|X) | X \in \mathbb{X}_M \]
\[
+ e'_p \mathbb{E} \left[ f_{B_p|x}(\beta_p^M(\tau)|X)f_{B_p|x}(\beta_p^M(\tau')|\tilde{X}) X^{-1} W \sum \delta \left( f_{B_p|x}(\beta_p^M(\tau)|X), f_{B_p|x}(\beta_p^M(\tau')|\tilde{X}) \right) \right]
\times \tilde{W}^\top \tilde{X}^{-1} | X \in \mathbb{X}_M, \tilde{X} \in \mathbb{X}_M \]
\[
eq Y_3(\tau, \tau') + Y_4(\tau, \tau'),
\]
where \( \tilde{X} \) is an independent copy of \( X \). Finally,
\[
\mathbb{E} \left[ Z_{2p}(\beta_p^M(\tau)) Z_{2p}(\beta_p^M(\tau')) \right] = \frac{C \left( f_{B_p|x}(\beta_p^M(\tau)|X), f_{B_p|x}(\beta_p^M(\tau')|X) | X \in \mathbb{X}_M \right)}{\Pr(X \in \mathbb{X}_M)}
\]
\[
= Y_2(\tau, \tau').
\]