Matching for Pseudo-Panel Inference

Jason Seawright
Department of Political Science,
Northwestern University
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Abstract

Panel data, though highly valuable for answering questions about change over time, remain comparatively scarce. Nonetheless, inferences about change over time remain important in a variety of social-scientific endeavors. This paper argues that an approach to pseudo-panel inference based on matching can help answer questions about individual-level change over time when the necessary panel data are absent. In comparison with a purely cross-sectional model and two major pseudo-panel alternatives, matching performs best or nearly best when the critical assumptions are met and is the least bad option when assumptions fail. This argument is developed through Monte Carlo simulations based on two panel data sets. The empirical value of pseudo-panel techniques in comparison with purely cross-sectional analysis for evaluating hypotheses regarding change over time is illustrated with an example regarding the party-system change in Venezuela during the 1990s that led to the election of Hugo Chávez.
1 Introduction

Panel data, though highly valuable for answering questions about change over time, remain comparatively scarce. In many countries, few if any panel studies have ever been conducted; for students of these areas, alternative means of learning about change over time must be sought. Even in developed and widely-studied countries, there are inevitably a variety of important politically-relevant events which occur during periods when no panel surveys with relevant questions are in process. This is certainly a problem for hypotheses regarding the effects of rare and unpredictable categories of events: is it plausible to expect analysts to anticipate the occurrence of important yet unannounced events such as the 2001 terrorist attacks on New York and Washington, D.C., and to field the first wave of appropriate panel surveys in advance? Slower-moving events such as party-system change often pose similar challenges, since their character and significance often only become apparent partway through the process or even at its conclusion.

The relative scarcity of appropriate panel data with respect to certain categories of events poses important problems for the development of theory. For example, Green, Palmquist, and Schickler (2002: 194) note that no panel data appear to exist that span a major episode of party-system deterioration, a problem for analysts interested in explaining the effects of a specific party-system change on mass beliefs and behavior, as well as for researchers engaged in testing theoretical propositions regarding the causes and process of party-system decline and collapse. There likewise appear to be few if any panel surveys spanning a major regime change — either from authoritarianism toward democracy or vice versa.

In spite of these difficulties, inferences about change over time remain important in a variety of social-scientific endeavors. Often, scholars approach this difficult mismatch between theory and data resources by restricting questions to the elite level — for which quantitative or qualitative post hoc panel data are easier to construct. In the context of explaining dramatic episodes of party-system change in South America in recent decade, for example, Dietz and Myers (2007) and Tanaka (1998, 2006) both focus substantially on elite politics, even though
voters are almost by definition central actors in most processes of party-system change. A common alternative deals with the lack of panel data while retaining a focus on mass politics by treating purely cross-sectional analysis as if it justified inferences regarding change over time. With respect to Venezuela’s party-system crisis, one example of this approach, considered in greater depth below, is Morgan (2007).

Is it possible to statistically improve on the alternative of treating purely cross-sectional results as informative regarding some (often implicit) underlying panel model? Under the right circumstances, it is possible to do better, although analyzing true panel data is always the best alternative. This paper argues that an approach to pseudo-panel inference based on matching, discussed at greater length below, is the best approach to answering questions about individual-level change over time when the necessary panel data are absent. In comparison with a purely cross-sectional model and two major pseudo-panel alternatives, matching performs best or nearly best when the critical assumptions are met and is the least bad option when assumptions fail. This argument is developed below in five steps. First, the general framework shared by all pseudo-panel techniques is characterized, and the central assumptions are defined. Second, a historically common but typically suboptimal approach, cohort averaging, is briefly considered. Third, the estimators evaluated in this paper (two-stage auxiliary instrumental variables analysis, multiple imputation, and matching) are introduced.

In the fourth section, Monte Carlo results regarding the estimation of three effect parameters are presented. For each of the three effects, which involve two different panel data sources, the true panel estimate is calculated for each simulated sample and then each pseudo-panel estimate of that effect is compared with the panel gold standard. These simulations provide evidence in favor of the argument that matching is the preferred pseudo-panel technique. The empirical value of these techniques in comparison with purely cross-sectional analysis for evaluating hypotheses regarding change over time is illustrated with an example regarding the party-system change in Venezuela during the 1990s that led to the election of Hugo Chávez.
2 The Pseudo-Panel Setup

Suppose that two cross-sectional surveys exist for a given population, with survey 1 happening earlier than survey 2. The surveys may have different numbers of respondents, recorded as $N_1$ and $N_2$. The model of interest involves a dependent variable, $Y$, measured in survey 2, a set of contemporary independent variables, $W$, also included in survey 2, and one or more pseudopanel variables, $P$, which are measured only in survey 1. Chronologically later analogues of the $P$ variables may be available in survey 2; often, some of these are used as the dependent variable or as contemporary independent variables in the model. However, because surveys 1 and 2 do not form a panel, the $P$ variables themselves are not available for inclusion in the model.

In general, there is no way to adequately estimate the model of interest in such a setup. However, under the right special circumstances, a range of second-best approximations to the true panel model may be available. Specifically, suppose that a collection of one or more auxiliary variables, $Z$, is included in both survey 1 and survey 2. Pseudo-panel approximation to the true panel model is a possibility if the $Z$ variables: (1) do not all belong in the model of interest; (2) are at least moderately predictive of the $P$ variables, conditional on the $W$ variables; (3) are roughly time-invariant; and (4) meet an orthogonality condition to be characterized below. When these conditions are met, then a range of techniques may be used to construct approximations of $P$ using the measures of the $Z$ variables found in survey 2.

If all of the $Z$ variables in fact belong in the model, then no progress can be made. In such a situation, the proposed $Z$ variables are part of $W$ and therefore provide no unused materials from which a pseudo-panel inference might be constructed. This exclusion restriction parallels that for instrumental variables techniques and raises similar concerns for directly causal interpretations of the resulting parameter estimates.

The second condition is perhaps self-evident. If the auxiliary variables are to be used to

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1 In pseudo-panel situations, estimation of a model with panel refinements such as fixed or random effects, covariance structures in the error term, and so forth (e.g., Wooldridge 2000) can rarely succeed. The discussion below sets such refinements aside. Less sophisticated analysis may nonetheless help answer some important questions when the pseudo-panel assumptions discussed below are met.
construct approximations of the pseudo-panel variables, it must be the case that the auxiliary variables contain some predictive information about \( P \) beyond what is present in \( W \). Otherwise, any approximation constructed from \( Z \) either will fall within the column space of \( W \) and therefore create problems when the model of interest is estimated, or will be independent of \( P \) and therefore uninformative about the relationships of interest. Note that this condition does not require a causal relationship between the auxiliary variables and the pseudo-panel variables; a purely statistical relationship suffices, and indeed there is no special advantage to be had if the relationship is in fact causal. This highlights an important difference between the necessary properties of auxiliary variables for pseudo-panel inference and many common interpretations of the conditions for successful causal inference using instrumental variables.

Useful auxiliary variables must be reasonably time-invariant, as condition three suggests, because otherwise the approximation constructed from them may represent an estimate of an analogue to \( P \) measured at time 2, rather than an estimate of the genuine \( P \) variables from time 1. Because the auxiliary variables are assumed not to change over time, then the relationship between \( P \) and \( Z \) measured in the first survey must be identical to the relationship between \( P \) (which are still at time 1) and \( Z \) measured in the second survey. This identity justifies the various kinds of imputation into survey 2 that characterize the pseudo-panel techniques discussed below.

Finally, an orthogonality condition must be met. Let \( \text{Proj}(A, B) \) represent the projection of \( A \) onto the column space of \( B \). Successful pseudo-panel inference requires:

\[
P - \text{Proj}(P, Z) \perp W
\] (1)

If this condition is met, then the (inevitably) omitted variance of the pseudo-panel variables will cause the fewest possible distortions in the coefficient estimates for the contemporary independent variables. Indeed, because the omitted portion of the pseudo-panel variables will generally be orthogonal to the included portion (by construction) and also to the contemporary independent variables (by condition \[\text{[1]}\]), for OLS regression models this condition in conjunc-
tion with the others mentioned allows for unbiased and consistent estimation of the model (see, e.g., Franklin 1990). For less linear models, no unbiasedness or consistency results can generally be obtained when any relevant variable is omitted. However, even for these models, condition often serves to minimize trouble regarding omitted variable bias.

For example, coefficients in discrete-choice models are implicitly normalized by the unexplained variation in order to identify the model (see Yatchew and Griliches 1985, Wooldridge 2002: 470-72 regarding probit models, as well as Cramer 2005 for the parallel argument regarding logit models). Thus, there is bias in pseudo-panel applications for which the model of interest is one of the standard discrete-choice families because the omitted variance in the pseudo-panel variables inflates the normalization factor of the models. Yet the bias will involve a constant proportional attenuation of each coefficient and will not change the relative magnitude of each variable’s estimated effect on the probability of the outcome. While the coefficient estimates will not be consistent, ratios of coefficient estimates are consistent and hence comparisons of coefficient magnitudes within a single model are viable. However, coefficients from models estimated using different samples are not directly comparable. In general, pseudo-panel inference cannot always eliminate bias, but it can often reduce the magnitude and substantive importance of the bias.

When auxiliary variables exist that meet the four criteria discussed above, then pseudo-panel inference is possible. A variety of competing implementations build from these basic principles in somewhat divergent ways, as will be described below. First, however, a brief comment is in order on a set of quite different econometric techniques for pseudo-panel inference.

\[2\text{Correcting for the attenuation induced by pseudo-panel is possible. The coefficient for the omitted component of variation is, by assumption, equal to the coefficient for the included estimate of the lagged variable, and the variance of the omitted portion can be estimated from the first-stage equation at the earlier point in time. No other unknowns are included in the formula for the attenuation. However, since the attenuation is uniform across variables, the correction will simply increase the size of all coefficients by the same amount. Furthermore, the correction would introduce another source of uncertainty into the resulting coefficients. Hence, correction is probably not worthwhile for most applications.}\]
3 Cohort Averaging

For some models, pseudo-panel inference can be achieved by averaging data on individuals to generate estimated data on what are referred to as “cohort” means (Deaton 1985), i.e., means among individuals who share the same scores on the auxiliary variables. For example, suppose the model of interest is of the family:

$$Y_{t,i} = \beta P_{t-1,i} + \gamma W_{t,i} + \epsilon_{t,i}$$  \hspace{1cm} (2)

Here, as before, problems arise because the model requires measures of $P_{t-1,i}$ which are not available in the data, although the data do include measures of $P_{t,i}$ and of the matrix of covariates $W_{t,i}$. Suppose that there are $K$ different observed combinations of values on the auxiliary variables, $Z$, and that at least one respondent is observed with each of these combinations in each cross-sectional survey. Form $\bar{P}_{t,k}$ by averaging across all observations of $P_{t,i}$ for individuals with the $k$th combination of values on the $Z$ variables. $\bar{Y}_{t,k}$ and $\bar{W}_{t,k}$ can be formed analogously. Because groups formed by equivalent combinations of values on the auxiliary variables are present in each cross-section, then for $t \geq 2$ an estimate of $\bar{P}_{t-1,k}$ is now available: it can simply be copied over from the previous survey wave.

How can these cohort averages be related to the model in Equation [2]? If we take expectations, within cohort groups, of both sides of the equation, we get:

$$E_{cohort}(Y_{t,i}) = E_{cohort}(\beta P_{t-1,i} + \gamma W_{t,i} + \epsilon_{t,i})$$

$$= \beta E_{cohort}(P_{t-1,i}) + \gamma E_{cohort}(W_{t,i}) + E_{cohort}(\epsilon_{t,i})$$  \hspace{1cm} (3)

The sample cohort means $\bar{Y}_{t,k}$, $\bar{P}_{t-1,k}$, and $\bar{W}_{t,k}$ are estimates of the population group expectations in Equation [3]. Hence, it seems reasonable to substitute the sample cohort means in for the cohort expectations as a way of estimating the parameters in Equation [2] using sample data. Because the original model, in Equation [2] is linear in parameters, the parameters in the
cohort-averaged model given in Equation 3 are the same as the parameters in the individual model. Thus, something may potentially be learned about the individual-level relationships using a panel of cohort-averaged data.

Aside from the restriction to models which are linear in the parameters, two additional challenges may potentially limit the range of applicability of the cohort-averaging approach. First, sample cohort averages diverge from population cohort averages due to sampling error. Hence, an errors-in-variables model is needed to produce credible parameter estimates. This problem is somewhat less intimidating than it may be in other errors-in-variables situations, since the distinctive errors in question are due to sampling rather than poorly understood measurement effects. Sample standard deviations and a normality assumption provide raw materials for one possible set of estimates of the desired parameters net the results of error in estimated cohort averages. Deaton (1985) works through the details of theory and estimation, while Angrist (1991) develops a two-stage least squares interpretation of Wald estimators for grouped data that include Deaton’s model as a special case. Verbeek and Nijman (1992) argue that, for at least some model specifications, the errors-in-variables aspect of the cohort-averaged model can be fairly safely disregarded if each cohort has at least 100 to 200 members in each cross section. By contrast, Devereaux (2007) uses Monte Carlo experiments to suggest that the bias due to sampling error in the cohort means can be substantial even for samples of tens of thousands and an errors-in-variables model is indeed needed.

A second challenge to the applicability of the cohort-averaging approach to the pseudo-panel problem is less easy to address. After replacing individuals with cohorts as the cases of interest, analysts will typically have relatively few effective data points in a given survey; \( K \) is necessarily much smaller than \( N \). Hence, parameter estimates resulting from this approach will only be useful if there are many sequential cross-section surveys available, resulting in a cohort panel that is substantially time-dominated. In situations for which only a handful of cross-sections are available, the cohort-averaged model may in fact be unidentified, but even if identified will certainly suffer from low statistical power.
4 Individual-Level Solutions

In addition to the sometimes useful but often limited cohort-averaging approach to pseudo-panel inference, a variety of solutions are available which make use of data at the individual, rather than the cohort, level. Of these approaches, three will be considered here: two-stage auxiliary instrumental variables, multiple imputation, and pseudo-panel matching. Most other existing individual-level pseudo-panel techniques are essentially variants of the first two approaches considered here. Pseudo-panel matching is an idea that has occasionally been mentioned, and is related to matching approaches to the more general problem of missing data (Little and Rubin 2002), but matching in a pseudo-panel context has not previously been discussed at length or compared with alternative estimators.

These techniques share important features. Each uses some transformation $f()$ on the auxiliary variables $Z$ to calculate $f(Z)$, which then serves as a stand-in for $P$ in estimating the final model. Hence, the omitted variables $P$ are replaced by the (hopefully smaller in magnitude and less statistically problematic) omitted variables $P - f(Z)$. This process of approximation might seem to raise errors-in-variables issues for estimation of coefficients associated with $f(Z)$. Such is the case if one or more of the pseudo-panel conditions does not apply to the research situation in question. However, when the conditions are met, the framework becomes more similar to that of instrumental variables; if the same coefficient applies for different components of the variance in $P$, then no special problems arise.

Often, discussion of these methods has assumed that pseudo-panel variables enter linearly into OLS regression models. However, analysts may face circumstances in which pseudo-panel inference may be necessary for less linear models, including GLMs or models with interaction terms involving the pseudo-panel variables. Interaction terms involving the pseudo-panel variables in principle raise no new issues; if the correct conditions are met, then inference can succeed. In practice, as will be seen below, pseudo-panel inference for such models may be quite inefficient and suffer from substantial small-sample bias, even for estimators that work well in the linear context. Even with more challenging models involving interactions,
however, some techniques still offer improvements over purely cross-sectional models when assumptions are met. For GLMs and other nonlinear models, as discussed earlier, pseudo-panel inference will result in estimates that are inconsistent, but typically in less problematic ways than when the pseudo-panel variables are simply disregarded.

4.1 Two-Stage Auxiliary Instrumental Variables

An ingenious and frequently-discussed individual-level approach to the pseudo-panel problem is two-stage auxiliary instrumental variables, or 2SAIV (Franklin 1989). The analyst uses the survey data from the first time period to develop and estimate a statistical model of each of the pseudo-panel variables as a function of the time-invariant variables. For example, assuming for simplicity’s sake that there is a single pseudo-panel variable, then the first-stage model will typically be of the form:

$$E(P_i) = f(Z_{1,i})$$

This model need not be causal, nor indeed need it be fully-specified in the usual sense. This is so because estimates of $f(\cdot)$ will be used to classify cases in future cross-sections on the basis of their most likely score of $P_i$ given the time-invariant variables; counterfactual causal interpretations or statistical claims about consistent estimation of parameters that exist outside the context of the immediate estimation problem are irrelevant. The interpretation is clearest when $Z$ consists of a collection of dichotomous variables, and $f(\cdot)$ is a linear regression-type expression which includes all orders of interactions among the $Z$ variables. In this instance, $E(P_i)$ is just the population average score of the pseudo-panel variable among all individuals with a given collection of scores on the auxiliary variables — i.e., using the language introduced above, $E(P_i)$ is just the cohort mean for the cohort to which individual $i$ belongs. Estimation then consists of computing the sample average of $P$ for members of that cohort.

More generally, in some appropriate parametric or nonparametric way, the scholar estimates $f(\cdot)$. Very often, for the sake of simplicity and efficiency, OLS regression is used in
this first stage of analysis. Using the results from the estimation, regardless of the specifics of implementation, fitted values $\hat{P}$ are formed as follows:

$$\hat{P}_i = \hat{f}(Z_{2,i})$$  \hfill (5)

These fitted values are then treated as if they were a measure of the relevant variable from the time of the first cross-section. For the relatively simple case of dichotomous $Z$ variables and full interactions, this amounts to imputing the estimated cohort mean to each member of the cohort; for more complex models, the interpretation involves some generalization or specialization of this pattern. Note that the function $f(\cdot)$ is assumed to apply in the same way to respondents in the cross sections at time 2 and at time 1. Substantively, this assumption requires that respondents to the second survey answer the survey questions that produce the $Z$ variables in the same way that they would have answered those questions at the time the earlier data set was constructed. That is, this is a restatement of the condition of temporal stability discussed as a prerequisite for pseudo-panel inference above.

The resulting values for $\hat{P}_i$ are functions of $Z_{2,i}$, which is fixed, and $\hat{f}(\cdot)$, which is a consistent estimate of an underlying descriptive relationship that we assume to be stable. Hence, we may conclude that the $\hat{P}_i$’s are consistent estimates of the most likely values for $P_i$ given the underlying stable cohort relationships that exist in the data. As a consequence, standard results regarding bias due to random measurement error do not apply; the randomness in the $\hat{P}_i$’s gradually disappears as the sample size increases.

If estimates of $f(\cdot)$ converge to a fixed function as the number of first-cross-section cases goes to infinity, then the asymptotic consequence of approximating the unavailable $P_i$ with the estimated $\hat{f}(Z_{2,i})$ as an independent variable in some statistical analysis is the introduction of an omitted variable that is orthogonal by construction to the included variable $\hat{f}(Z_{2,i})$. That is, the desired statistical analysis can be conducted if $P_i - \hat{f}(Z_{2,i})$ is treated as an omitted variable. As such, as discussed in the section on general prerequisites for pseudo-panel inference, it will be extremely important that this omitted variable be orthogonal to any independent variables.
included in the statistical analysis. This assumption cannot be directly verified, although it can be checked whether the equivalent of this omitted variable for time 1 is orthogonal to period equivalents of the contemporary independent variables.

In finite samples, of course, sampling error is also a concern, and the extra resulting uncertainty in the final analysis due to using model estimates to generate the missing variable in the second cross-section may be incorporated through bootstrapping.

A first major concern regarding 2SAIV is that, since it deterministically imputes estimates of the pseudo-panel variables, it is highly likely to produce versions of those variables that have too little variance. In effect, the harder-to-predict components of the variables will simply be dropped, shrinking the imputed estimates to the estimated mean for cases with similar scores on the auxiliary variables. By thus shrinking the variance of the pseudo-panel variables, 2SAIV may produce distortions in coefficient estimates in the model of interest — especially when that model is nonlinear and estimated via maximum-likelihood methods. A second potential source of trouble is that, in practice, 2SAIV most often relies on a parametric analysis of the relationships between the auxiliary and the pseudo-panel variables. If these relationships involve important unmodeled interactions or other forms of nonlinearities, then 2SAIV may lose important information. Third and last is the concern that 2SAIV may create problems of multicollinearity when more than one pseudo-panel variable is of interest. Each variable will generally be estimated by a weighted sum of the same auxiliary variables; unless each pseudo-panel variable turns out to have an associated auxiliary variable that is a useful predictor of it but not of the other pseudo-panel variables, serious problems of multicollinearity become likely.

4.2 Multiple Imputation for Pseudo-Panel Inference

Gelman, King, and Liu (1998) offer a related approach to solving the pseudo-panel problem, developing a Bayesian hierarchical multiple imputation model that uses information about individuals and surveys in order to generate several plausible sets of values for desired variables
omitted from a given survey, at the same time generating sets of plausible values for individual missing responses on questions that were indeed asked in each of the surveys under consideration. Three aspects of this technique are novel in comparison with 2SAIV: the use of multiple imputation to capture uncertainty and produce estimated versions of the pseudo-panel variables with more appropriate variances, the ability to simultaneously address partial or complete missingness in multiple variables, and the use of a hierarchical model for imputation.

For a hierarchical model, each response to each analyzed question in each survey cross-section is modeled as having a probability distribution whose form is a function of the $Z$ variables, as well as any relevant variables measured at the level of the survey (such as time of fieldwork, survey firm, and so forth). After the parameters linking the $Z$ variables and any variables at the survey level to the shape of each response’s probability distribution are estimated, a fitted distribution can be associated with each missing survey response. Multiple imputation then involves taking several draws from that fitted distribution and conducting the desired analysis for each draw.

When working with hierarchical models, researchers need to pay attention to degrees of freedom at multiple levels of analysis. In this context, the number of respondents per survey matters, but the number of surveys matters as well for reasoning about the amount of leverage available for estimating parameters connected with variables at the survey level. If, for example, there are only two relevant surveys available and one omits a question entirely (the prototypical situation for pseudo-panel inference), there are effectively no degrees of freedom for components of the model at the level of the survey, and the hierarchical analysis derives all of its information from the individuals in the single survey that includes the question of interest. Hence, for a small number of surveys, and especially for only two cross-sections, the Bayesian hierarchical multiple imputation model is more or less similar to 2SAIV’s first-stage model. The details of the model and of estimation can obviously differ, and the hierarchical approach becomes substantially different as the number of surveys increases, but for many pseudo-panel applications the two methods involve a fundamentally similar analytic approach to information from the first survey wave and a similar use of the auxiliary variables. Given
the problems of hierarchical modeling in contexts with only two surveys, and in order to focus as directly as possible on the aspects of this approach that are distinctively about pseudo-panel inference, the discussion below will replace Gelman et al.’s Bayesian hierarchical approach to generating probability distributions for the missing pseudo-panel variables with the simpler one-level linear modeling of 2SAIV. This decision is intended to take no sides in debates regarding Bayesian vis-a-vis frequentist statistics, or regarding the relative desirability of hierarchical modeling in general; instead, the point is simply that these are broader debates that provide relatively little insight into the specific problem of optimizing pseudo-panel inference.

Gelman et al.’s model also differs from 2SAIV in its simultaneous attention to missing data in variables that are present in every wave of the survey and to the missing data represented by the pseudo-panel variables. There is certainly much to be said in favor of principled approaches to missing data, both in panel contexts and more generally. However, the selection of one or another approach to missing data in the contemporary independent variables for a pseudo-panel inference is a problem that, once again, is logically separate from the question of how to optimize the specifically pseudo-panel aspects of inference. Hence, once more, for the sake of comparability all techniques considered below will simply omit cases with missing data on relevant variables.

These simplifications for the sake of comparability highlight one major difference between Gelman et al.’s approach to pseudo-panel inference and that of Franklin: this second technique multiply imputes the pseudo-panel variables rather than deterministically imputing the mean of the distribution for each case to each variable. Because multiple imputation generates a variable with a more appropriate variance, one of the three concerns regarding 2SAIV discussed in the previous section is resolved. However, pseudo-panel multiple imputation retains the other two potentially problematic features: it is parametric in its analysis of the relation between the auxiliary and pseudo-panel variables, and it is prone to generating multicollinearity when more than one pseudo-panel variable is employed.
4.3 Matching for Pseudo-Panel Inference

The two individual-level approaches to the pseudo-panel problem just discussed share an odd feature: none of them ever involves any direct connection between responses in the first and second surveys. Conceptually, forming such a connection is obviously a goal of pseudo-panel inference. Yet the 2SAIV and multiple imputation approaches produce a final model that involves only comparisons among responses given by different respondents in the second survey, rather than connections between responses given during the first and second surveys. In these approaches, all comparisons over time are mediated through the parametric model of the whole-sample relationship between the auxiliary and pseudo-panel variables. There would be intuitive appeal to a technique that permitted somewhat more direct over-time connections between individual responses.

Matching techniques (Rubin 2006; Rosenbaum 2002) provide a useful approach to connecting individual responses across survey waves in pseudo-panel scenarios. Generally discussed in the context of causal inference, matching methods solve the problem of devising case-by-case connections between two samples in such a way that the matched cases are as close to each other as possible on a set of matching variables. For causal inference purposes, these matching variables are typically hypothesized confounders, and the purpose of matching is to eliminate their influence from a final estimate of the causal effect of interest. Turning to pseudo-panel inference, a fairly straightforward application of matching may be used to connect cases in the two surveys. The auxiliary variables should be used as the matching variables. After matches are established, the mean value of the pseudo-panel variables among the relevant matched cases in the first survey should be imputed to each case in the second survey.

Under ideal, and quite unrealistic, circumstances, some analytic results can be provided regarding this approach; these results are provided only in informal sketch, as they fundamentally do not apply to most actual pseudo-panel analysis.\footnote{Alternative proofs can also be developed, generally requiring either unrealistic conditions regarding the data or point-blank assertions that, for a given situation, matching suffices to produce consistent estimates of the pseudo-panel variables. The proof sketched in the text is thus provided not as the only possibility, but rather as illustrative of the problems with relying on analytic, as opposed to Monte Carlo, results for reasoning about the real-world properties of}
cohort averaging above, that the data form only some finite number \( K \) of different possible combinations of values on the auxiliary variables \( Z \). Let \( N_1 \) represent the number of cases in the first sample, and \( N_2 \) the number of cases in the second sample. Assume that cases in the first sample are randomly sampled from a population such that each new case has a fixed positive probability of belonging to each of the \( K \) combinations of values on the auxiliary variables. Now, let the ratio of \( N_1 \) to \( N_2 \) go to infinity. Given these conditions, there will be infinitely many perfect matches from the first survey for each case in the second survey. Furthermore, the mean of those matched cases on the \( P \) variables will be identically equal to the mean of \( P \) at the time of the first survey for the subpopulation of cases with that combination of scores on \( Z \). Because the relevant case from the second survey also belongs to that subpopulation, it is clear that the sample mean of \( P \) for the matched first-wave cases is equal to the subpopulation mean of \( P \) at the time of the first survey for the second-survey case in question. If we further assume that the difference between any case’s specific value of \( P \) and that case’s subpopulation mean is statistically unrelated to the contemporary independent variables and to the error term in the statistical model of interest, then substituting the subpopulation mean for the case’s specific value of \( P \) will result in reasonable estimation of the model (i.e., consistency for OLS regression as \( N_2 \) goes to infinity, manageable patterns of inconsistency for logit and probit models, and so forth).

These results are unhelpful in practice primarily because, in most pseudo-panel applications, the ratio of \( N_1 \) to \( N_2 \) is approximately 1. As a consequence of this, it is difficult to discuss the theoretical properties of applied matching approaches to pseudo-panel inference; they may or may not be favorable relative to the available alternatives. However, compared with 2SAIV and multiple imputation, matching would seem to have two important advantages. First, matching need not result in multicollinearity when multiple pseudo-panel variables are of interest. The matching estimate of the \( P \) variables is not a linear function of the \( Z \) variables, but rather an average of first-wave measures of \( P \) as grouped by \( Z \). To the extent that the \( P \) variables themselves are not highly collinear, their grouped averages are not no-

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*pseudo-panel matching.*
tably likely to suffer from multicollinearity. Second, matching in effect uses a semiparametric approach to the relationship between the auxiliary variables and the pseudo-panel variables (Heckman, Ichimura, and Todd 1998), so the potential drawbacks of parametric approaches do not fully apply. Furthermore, when pairwise matching is used — such that each case at time 2 is matched to only one case at time 1 — the variance of the imputed pseudo-panel variable will be basically correct without resorting to multiple imputation.

Bootstrapping (Efron and Tibshirani 1994; Davison and Hinkley 1997) can generate useful estimates of the standard errors for 2SAIV and multiple imputation, but not for matching approaches to pseudo-panel inference. The problem is that matching is such a non-smooth transformation of the data that bootstrap methods are inconsistent, and hence estimated standard errors may be too small or too large (Abadie and Imbens 2006). Fortunately, an alternative, consistent simulation method is available for estimating standard errors and confidence intervals and for conducting hypothesis tests: subsampling (Politis, Romano, and Wolf 1999). Subsampling is similar to bootstrapping, with a few key differences. In bootstrapping, simulated samples are drawn at random from the data with replacement to generate a new random sample of the same size as the original sample. By contrast, in subsampling, simulated samples are drawn at random from the data without replacement to generate a new random sample which is substantially smaller than the original sample. Subsampling thus involves the generation of repeated samples from the original population distribution, whereas bootstrapping generates repeated samples from the sample distribution. This difference substantially weakens the consistency requirements for subsampling, making this approach a useful way to estimate uncertainty for matching estimators. The discrepancy between standard errors for the original sample size and the smaller sample size for the simulated data sets vanishes asymptotically, of course. However, in finite samples, a correction can be applied by dividing estimated variances by a finite-sample correction factor: the ratio of the convergence rate term for the true sample size to the same term for the subsample size. With these technical details in hand, matching methods for pseudo-panel inference become entirely plausible in application.
5  Relative Strengths and Weaknesses of Pseudo-Panel Techniques

While the preceding discussion has raised some potential strengths and weaknesses of various pseudo-panel techniques, their relative finite-sample merits remain a broadly open question. This section develops guidance regarding the relative usefulness of each approach based on a series of Monte Carlo studies constructed around two real-world panel data sources. The analysis suggests that the matching and multiple imputation approaches to pseudo-panel inference both represent improvements over the baseline alternative of ignoring the pseudo-panel structure of the data. Indeed, matching and multiple imputation have generally similar properties in these studies, with the exception that multiple imputation can break down somewhat less gracefully than matching when the orthogonality assumption is violated.

Two panel data sets are used as the basis for the Monte Carlo analysis presented below. The first is the 2000 Mexico National Election Study, a four-wave panel survey covering the year of the first election in Mexican history in which an opposition party won the presidency. The second is the 1990-1991-1992 panel study from the American National Election Studies, which covers the second half of the George Herbert Walker Bush presidency as well as the campaign during which H. Ross Perot was one of the most successful third-party presidential candidates in recent American history. For each data set, a simple panel model of party identification is estimated, as well as pseudo-panel approximations of that model. Monte Carlo analysis proceeds by generating samples of various sizes from the data with replacement. For each iteration, one sample is drawn for time 2 (and also used for the true panel model), and a second separate sample is drawn for time 1.

For each iteration of the simulation, five estimates are produced: one using the true panel model, which is used as the criterion against which all others are compared; another based on the purely cross-sectional model that can be estimated by omitting all over-time components of the specification and generally ignoring the pseudo-panel structure of the data; a third relying
on a 2SAIV model with deterministic imputation; a fourth using a multiply imputed version of a 2SAIV model; and a fifth that uses matching to estimate the pseudo-panel variables and then fits the desired model using the resulting data set. The latter four models are compared with the panel criterion in terms of the accuracy of one or more estimated effects, and deviations are aggregated across Monte Carlo simulations by computing the mean absolute deviation for each effect and estimator from the relevant criterion.

In considering the results of these simulations, one point of clarification is in order. Since these simulations are essentially parallel to bootstrapping the matching estimate, the variance for this approach will be incorrect, as discussed above, and comparison of variance estimates drawn from bootstrapping and the preferred subsampling approaches suggests that the variances of the bootstrapped matching estimator in the following problems are almost always too large, typically by about 25%. That is to say, the matching approach typically performs somewhat better than is shown in the relatively conservative results below.

For the Mexican data from 2000, the model of interest is an ordered logit with a response variable measuring citizens’ degree of identification with the country’s long-standing ruling party, the PRI, at the end of the first presidential campaign that the party had ever lost. Independent variables include respondents’ degree of identification with the PRI at the beginning of the campaign, their degree of concern regarding corruption in the government, their degree of agreement with the proposition that economic growth was the central problem in Mexican society, and a collection of control variables measuring interest in and attention to politics, as well as respondents’ use of various political media sources. For the specification considered in the main analysis, these independent variables all have direct effects as well as interactions with the lagged party identification variable. Two effects are of central interest in the analysis below: the sample average effect of moving from the lowest to the highest category of the corruption variable holding all else constant, and the similar effect with respect to the economic growth variable. These effects are substantively interesting in that they connect with alternative conceptions regarding the decline of the PRI: that the party lost power due to citizen fatigue with its corruption and clientelistic practices, or that the party’s decline was instead due to the
emergence of the PAN as a credible alternative in terms of economic management.

The corruption effect is substantially easier to estimate than the economics effect through pseudo-panel approximation given the set of auxiliary variables in this survey, both because the specification for the economics effect clearly and substantially violates the key orthogonality assumption for pseudo-panel inference and also because of the relative variances of the two variables. The formula given in \[5\] provides a useful measure of the degree to which linear relationships between the pseudopanel variables and a contemporaneous variable of interest violate the orthogonality assumption. For the Mexico data, both correlations are by normal standards quite small: 0.01 for the corruption variable and 0.12 for the economics variable. Yet the effects of interest are themselves reasonably small (-0.03 for corruption and -0.05 for economics), so even relatively small violations of the orthogonality assumption can prove substantively important — and the difference between the corruption and economics correlations will prove to be quite consequential.

\[
cor(P - E(P|Z), W_k - E(W_k|W_{-k}))
\] (6)

A related issue that also makes the economic growth effect more challenging to estimate through pseudo-panel inference is that the variance of the economic growth variable is substantially smaller than that for the corruption variable: 0.14 as compared with 0.25. The smaller variance makes the pseudo-panel estimation challenge comparatively harder, in that an equivalent amount of unexplained variance would wipe out a great deal more of the variance of the growth variable than of the corruption variable. For these reasons, the corruption effect might be regarded as a realistic but relatively easy test case for pseudo-panel inference, while the growth effect can be seen as a substantially more difficult test.

Figure[1] shows the results regarding the estimation of the corruption effect for a collection of Monte Carlo studies for which the sample size of the Mexican data is set to values from 500

\[4\] For more discussion of the election in question, as well as its historical and regime-transformational context, see Dominguez and Lawson (2004)
Figure 1: Relative Performance of Pseudo-Panel Estimators for the Corruption Effect
to 2000. For smaller samples, it appears that pseudo-panel inference is a difficult and perhaps even hopeless endeavor: in these studies, 2SAIV is clearly worse than disregarding the pseudo-panel structure of the data, and matching is at best a small improvement. Multiple imputation provides significant gains over estimating a purely cross-sectional model, although as will be seen below, these gains are highly sensitive to even small violations of the orthogonality assumption or to misspecification of the first-wave model.

Starting with sample sizes of about 1000, matching and multiple imputation become increasingly similar, converging to a roughly 20% improvement over ignoring the pseudo-panel structure. For sample sizes of 2000 or larger, bias largely disappears from the matching estimator (for samples of 2000, the bootstrap estimate of bias is -0.0009), whereas bias remains a more important component of the discrepancies for ignoring the pseudo-panel structure (an estimated bias of -0.0079), multiple imputation (0.0056), and 2SAIV (-0.0122). The rough equivalence of matching and multiple imputation for larger samples, combined with the near-zero bias for matching, makes clear that matching has a substantially larger estimated variance than multiple imputation. This remains true even when the estimated variance is corrected by a roughly 25% shrinkage; however, applying such a correction makes clear that matching is the best performer in this simulation for larger samples, outperforming the purely cross-sectional alternative by roughly 35%.

These results should make clear that, even under favorable circumstances, pseudo-panel inference will not be a full substitute for collecting and analyzing panel data. Fitting the true model obviously remains the first-best alternative. However, when the first-best is unavailable, matching provides a promising second-best pseudo-panel alternative.

As discussed above, the economics effect is more challenging to estimate than the corruption effect, and Figure 2 shows that no pseudo-panel technique improves on fitting a purely cross-sectional model when the orthogonality assumption does not hold. Even though no technique succeeds in this context, there are nonetheless differences worth noting. First, as with the results for the corruption effect, the 2SAIV estimator is always dominated by other pseudo-panel estimators: matching and multiple imputation for smaller sample sizes, and matching
Figure 2: Relative Performance of Pseudo-Panel Estimators for the Economics Effect
alone for larger samples. Second, the multiple imputation estimator is converging, quite quickly in $N$, to the wrong result. This makes multiple imputation an unwise estimator when the orthogonality assumption is violated, and a risky one when the assumption’s validity is in doubt. Finally, matching appears to be only a little bit worse than the cross-sectional estimator in this difficult context — and after correcting for the inflation in the bootstrapped variance for matching, the two estimators are about equivalent. This makes the matching estimator appear to be particularly attractive: when assumptions are met, it performs essentially as well as the pseudo-panel alternatives, and it presents less risk in situations where assumptions fail.

As a cross-check to ensure that the findings reported above are not due to peculiarities of the Mexican data, a parallel Monte Carlo analysis was conducted using ANES panel data from the early 1990s and a substantially different model specification. The dependent variable in this analysis is a dichotomous variable indicating whether or not respondents were willing or able to place themselves on the liberal-conservative ideological scale in the 1992 wave of the survey. Covariates include a parallel ideological measure from 1990, as well as an indicator for whether the respondent voted for Perot in the 1992 presidential elections — which enters the model both directly and in interaction with the 1990 ideological indicator. Substantively, the question of interest is whether the experience of voting for Perot made it easier or harder for voters to conceptualize themselves in terms of conventional American political categories.\footnote{For more discussion of the election in question, as well as its political aftereffects, see Rapoport and Stone (2005)} The effect of interest is the sample average effect of switching from a vote for one of the traditional party candidates to a vote for Perot, holding constant 1990 ideological self-placement.

The advantage of a nonparametric approach to producing the pseudo-panel estimates will be most evident when the parametric function linking the auxiliary variables $Z$ with the pseudo-panel variables $P$ is misspecified. That is the case for the Perot example; a RESET test of the linear model specification relating $P$ and $Z$, adding quadratic and cubic transformations of the fitted value to the regression, produces a $p$-value of 0.00014, suggesting that unmodeled nonlinearity is almost certainly present.

This specification error shows the advantages of the nonparametric approach adopted by
Figure 3: Relative Performance of Pseudo-Panel Estimators for the Perot Model
the matching estimator, as can be seen in the results presented in Figure 3. For moderate to large sample sizes, matching shows a small but consistent advantage over disregarding the pseudo-panel structure of the data; if anything, for larger sample sizes, the gains to matching are larger than those for the Mexico corruption effect discussed above. Both of the more parametric approaches to pseudo-panel inference, multiple imputation and 2SAIV, perform miserably for small sample size. Indeed, due to issues regarding the incorrect variance of the estimated pseudo-panel variable, 2SAIV produces somewhat worse results for large sample sizes than for smaller samples; the estimator is slowly converging to a dramatically incorrect result. Multiple imputation improves substantially for larger samples, converging to essentially the same result as the purely cross-sectional model. However, the unmodeled nonlinearity in the relationship between the auxiliary and pseudo-panel variables precludes any real gains from this technique. Once again, the matching approach emerges as the preferred pseudo-panel technique. However, it is perhaps reasonable to conclude that the advantages of matching are in part contingent on the nature of the relationships between the $Z$ and $P$ variables: if these relationships are linear or have some other known and modeled functional form, then, as we have seen, matching has much less of an advantage over multiple imputation.

Beyond the degree to which pseudo-panel assumptions are met in a given application, the nature of the final model of interest is relevant to the performance of the various estimators, as well. The models explored to date have all been from the generalized linear model family, and have all featured interactions between the pseudo-panel variable and the contemporaneous control variable of interest. These relatively non-linear specifications favor matching and multiple imputation over 2SAIV because the variance of the estimated pseudo-panel variable plays a critical role in producing parameter estimates. For more linear specifications, the variance of the imputed $\hat{P}$ variables is of decreasing relevance. Hence, as the degree of overall additivity and linearity in the model increases, the three pseudo-panel techniques should show increasingly similar properties.

The results of several Monte Carlo studies, each conducted for samples of 1000 cases confirm this expectation. Table 1 presents the mean absolute deviation from the criterion effect,
<table>
<thead>
<tr>
<th>Model</th>
<th>Ignore Pseudo-Panel</th>
<th>Matching</th>
<th>2SAIV</th>
<th>Multiple Imputation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico Interactive GLM</td>
<td>0.589</td>
<td>0.539</td>
<td>0.659</td>
<td>0.475</td>
</tr>
<tr>
<td>Corruption Effect</td>
<td>0.327</td>
<td>0.295</td>
<td>0.311</td>
<td>0.315</td>
</tr>
<tr>
<td>Mexico Additive GLM</td>
<td>0.323</td>
<td>0.302</td>
<td>0.287</td>
<td>0.301</td>
</tr>
<tr>
<td>Corruption Effect</td>
<td>0.327</td>
<td>0.295</td>
<td>0.311</td>
<td>0.315</td>
</tr>
<tr>
<td>Mexico Additive Linear Model</td>
<td>0.299</td>
<td>0.314</td>
<td>0.362</td>
<td>0.381</td>
</tr>
<tr>
<td>Corruption Effect</td>
<td>0.299</td>
<td>0.314</td>
<td>0.362</td>
<td>0.381</td>
</tr>
<tr>
<td>Economic Effect</td>
<td>0.239</td>
<td>0.242</td>
<td>0.264</td>
<td>0.232</td>
</tr>
<tr>
<td>Mexico Additive GLM</td>
<td>0.239</td>
<td>0.242</td>
<td>0.264</td>
<td>0.232</td>
</tr>
<tr>
<td>Economic Effect</td>
<td>0.239</td>
<td>0.242</td>
<td>0.264</td>
<td>0.232</td>
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<tr>
<td>Mexico Additive Linear Model</td>
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<td></td>
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</tr>
<tr>
<td>Correlation Effect</td>
<td>0.210</td>
<td>0.188</td>
<td>0.676</td>
<td>0.378</td>
</tr>
<tr>
<td>GLM Effect</td>
<td>0.210</td>
<td>0.188</td>
<td>0.676</td>
<td>0.378</td>
</tr>
<tr>
<td>Perot Interactive GLM</td>
<td>0.160</td>
<td>0.111</td>
<td>0.453</td>
<td>0.109</td>
</tr>
<tr>
<td>GLM Effect</td>
<td>0.160</td>
<td>0.111</td>
<td>0.453</td>
<td>0.109</td>
</tr>
<tr>
<td>Perot Additive GLM</td>
<td>0.287</td>
<td>0.182</td>
<td>0.287</td>
<td>0.185</td>
</tr>
<tr>
<td>GLM Effect</td>
<td>0.287</td>
<td>0.182</td>
<td>0.287</td>
<td>0.185</td>
</tr>
</tbody>
</table>

Table 1: Monte Carlo Results for Models of Varying Linearity
presented as a percentage of the effect of interest. The results show that all approaches tend to become more similar – and often more reliable – as the model of interest becomes more linear. For each of the three effects discussed above, the table presents results from three specifications: a GLM specification with an interaction term, which is identical to that used above; a GLM specification that eliminates the interaction but is otherwise the same; and a purely additive OLS specification. For all three data sources, the pseudo-panel approaches converge dramatically in mean estimated error as the specification becomes more additive and linear. However, even with purely additive OLS models in the second wave of the analysis, matching remains an attractive — and, indeed, sometimes the most attractive – alternative.

In summary, as anticipated due to the dual advantages of a nonparametric approach to creating the estimated pseudo-panel variables and an elegantly empirical mode of imputing pseudo-panel variables with correct variances, matching is the best overall approach to pseudo-panel inference. Under optimal circumstances, matching performs as well as its competitors, and it breaks down more gracefully when assumptions are violated. However, matching may sometimes be less effective with smaller sample sizes. Of course, it is important to bear in mind that this study’s results have clearly shown that no analytic approach will consistently reproduce exact panel results. All are second-best. Of the second-best alternatives when no panel data have been collected, matching is often the preferred approach, and generally promises gains over the alternative of fitting a purely cross-sectional model.

6 Understanding Party Identification Collapse: A South American Application

During the period from 1983 to 1993, identification with the established parties in Venezuela fell from about 60% to roughly 35%. Unfortunately, no politically-relevant long-term panel surveys were administered during this time period, and so this major decline has been difficult to analyze. Nonetheless, a range of hypotheses have been offered. Decline in identification
with the traditional parties may be due to voters’ decision to blame those parties for the persistent economic crisis that Venezuela suffered during the 1980s and 1990s (e.g., Coppedge 2005). Alternatively, identifiers may have abandoned their parties because those parties were responsible for too many (or perhaps too few, or badly-executed) neoliberal economic reforms; the parties may have gotten the size of the state wrong, and so their partisans punished them by defecting (e.g., Levitsky and Burgess 2003). As a third hypothesis, the decline in identification with the traditional parties may result from the ideological positioning of those parties: the parties were both located toward the right of the Venezuelan political spectrum, leaving centrists and leftists in the representational cold. Perhaps these individuals grew tired of waiting for the parties to incorporate their preferences and transferred their loyalties elsewhere (Morgan 2007). Finally, concerns about corruption may have undermined partisans’ loyalties by convincing them that traditional politicians really only looked out for themselves (see, again, Coppedge 2005).

While all of these hypotheses involve motives that some individuals may have held in transferring their loyalties away from the Venezuelan traditional parties, it is clearly impossible to determine how common any of them was in the Venezuelan population without recourse to systematic data. In the primary study which has attempted to bring data to an analysis of this question, Morgan (2007) considers cross-sectional data from 1998 in an effort to understand change in patterns of party identification since the 1980s. These data show a strong relationship between ideology and identification with the traditional parties, leading to the conclusion that, “[I]deology has a significant and substantial impact on partisanship. Respondents who placed themselves on the left were more likely to abandon the traditional parties than those on the right were” (Morgan 2007: 89). Comparatively little role is found for economic evaluations or issues about neoliberalism and the size of the state; the corruption hypothesis is not incorporated in the analysis.

Can pseudo-panel analysis improve our understanding of the collapse of identification with the traditional party system in Venezuela, in comparison with a cross-sectional analysis? One simple initial descriptive comparison enabled by the use of pseudo-panel data is to track levels
Figure 4: Identification with Venezuelan Traditional Parties in 1983 and 1993, by Ideology
of identification with the traditional parties by ideological groupings over time. Figure 4 shows such a comparison, considering patterns of identification in 1983 and 1993.

Even without resorting to modeling, the data presented in the figure raise substantial questions regarding the plausibility of attributing the collapse of identification with traditional parties to ideological discrepancies. To begin with, identification with the traditional parties had a substantial ideological structuring as early as 1983, at the tail end of the period of traditional-party dominance in Venezuelan politics and near the historical peak for traditional-party identification. Even when the party system was strong, rightists identified with the parties more than did others, while leftists and the non-ideological identified at the lowest rates.

A second and at least equally important point is that the decline in identification with the traditional parties between 1983 and 1993 involves a drop of 20% to 25% in traditional partisanship within each of the ideological groupings. Leftists may have abandoned the traditional party system at a somewhat greater rate; the data suggest a 29% drop for this one group. Yet the difference between this decline and that for the other groups is not statistically significant and is clearly dwarfed by the magnitude of the declines across the board. This suggests that the major cause ought to cross-cut ideology, and all but rules out ideology as a central cause of the decline. Here we see the advantage of even very simple informal pseudo-panel analysis in comparison with purely cross-sectional attempts to answer panel-type questions.

Turning to more formal modes of analysis, Table 2 presents the results of applying the three pseudo-panel techniques, as well as a purely cross-sectional approximation, to a logit model that predicts identification with traditional parties in 1993 as a function of identification in 1983, the opinion that corruption is the biggest contemporary problem, the opinion that poor economic performance is the biggest problem, and a variable measuring whether the respondent feels that the Venezuelan state is too small, about the right size, or too big. The auxiliary variables employed in estimating these models include respondents’ age cohort, housing quality, education, income, self-reported parents’ pattern of identifying with traditional parties, and respondents’ ideologies. Ideology is used as an auxiliary variable both because supplementary evidence not reported here suggests that ideology in Venezuela is reasonably stable over time.
<table>
<thead>
<tr>
<th>Variable Name</th>
<th>Cross-Sectional</th>
<th>Matching</th>
<th>Multiple Imp.</th>
<th>2SAIV</th>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intercept</td>
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<td>-1.048**</td>
<td>-0.865**</td>
<td>-3.673**</td>
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<tr>
<td></td>
<td>(0.235)</td>
<td>(0.289)</td>
<td>(0.257)</td>
<td>(0.588)</td>
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<td>Past Party Identification</td>
<td>0.790**</td>
<td>0.646**</td>
<td>0.839</td>
<td>5.529**</td>
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<tr>
<td></td>
<td>(0.258)</td>
<td>(0.090)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corruption Concerns</td>
<td>-0.971**</td>
<td>-0.905*</td>
<td>-0.935**</td>
<td>-0.591</td>
</tr>
<tr>
<td></td>
<td>(0.268)</td>
<td>(0.428)</td>
<td>(0.298)</td>
<td>(0.318)</td>
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<tr>
<td>Economic Concerns</td>
<td>-0.074</td>
<td>-0.079</td>
<td>-0.092</td>
<td>-0.225</td>
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<tr>
<td></td>
<td>(0.183)</td>
<td>(0.128)</td>
<td>(0.184)</td>
<td>(0.196)</td>
</tr>
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<td>Preferred Size of State</td>
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<td>0.074</td>
<td>0.038</td>
<td>0.039</td>
</tr>
<tr>
<td></td>
<td>(0.112)</td>
<td>(0.080)</td>
<td>(0.116)</td>
<td>(0.130)</td>
</tr>
</tbody>
</table>

*(p < 0.05) ***(p < 0.01)**

Table 2: Change in Party Identification, Additive Model

and because, as shown above, ideology is usefully predictive of traditional-party identification in 1983. These arguments notwithstanding, ideology would be an inappropriate auxiliary variable if it had an effect on identification with the traditional parties in 1993 net of its effect through identification in 1983; the discussion above strongly suggests that such an effect, if it exists at all, is weak. Hence, ideology appears to qualify as a useful auxiliary variable.

The purely cross-sectional analysis finds a significant negative effect for concerns about corruption, and little if any relationship between identification and either economic concerns or beliefs about the size of the state. These results are, perhaps, unpromising for hypotheses that emphasize economic factors. In order for such factors to produce the collapse in party identification yet fail to predict patterns of identification halfway through the collapse, it would probably be necessary that — before the start of the collapse — the group of non-identifiers with the traditional parties was distinctly made up of economic optimists. Since this seems implausible, the economic hypothesis may be weakened to some degree by the cross-sectional results. The corruption hypothesis is perhaps bolstered, but the troubles with the ideological finding discussed above should give us pause in immediately regarding this result as meaningful. In particular, the effect may well be overestimated if traditional-party loyalists are distinctly less likely to believe corruption accusations than are non-partisans.
Figure 5: Corruption Effect Sizes for the Venezuela Example

Pseudo-panel analysis can, to at least some extent, address this concern by controlling imperfectly for past partisanship. The results reported in Table 2, for the preferred matching method, as well as the often-competitive multiple imputation approach, suggest that this is not a serious problem. Both models produce estimates for the corruption coefficient that are close to the cross-sectional results. Indeed, the results of these two approaches are substantially close across the board for this model and these data. 2SAIV, by contrast, produces distinctly different and, in light of the Monte Carlo results above and substantive reflection, probably inferior results; in effect, 2SAIV finds little evidence of change in the system of party identifications between 1983 and 1993, claiming that the only (and overwhelmingly powerful!) predictor of identification at the end of the time period is identification at the beginning. In any case, setting aside the inferior 2SAIV and cross-sectional results, the data substantially support the hypothesis that corruption was closely connected with declines in identification with the traditional parties in Venezuela.

Since the coefficients presented in Table 2 are drawn from a logit analysis, and hence the
effect of corruption depends to some extent on the values of other explanatory variables, it may be helpful to present simulated effects as an illustration of the results and also to determine the extent to which it is plausible to regard corruption as a leading cause of the 25% decline in party identification in Venezuela. Figure 5 shows the estimated effects of corruption for each of the four models for two individuals, one who was a traditional-party identifier in 1983, and who has no special concerns about the economy or the size of the state, and another who is identical other than that she did not identify with the traditional parties in 1983. Of special note is the fact that the preferred technique, matching, identifies substantially larger effects than does 2SAIV, the most problematic alternative.

While matching (and multiple imputation) provide estimates that are essentially identical with those found by the purely cross-sectional model, the difference between the two remains crucial: the two pseudo-panel techniques find this effect conditional on past patterns of party identification, while the cross-sectional effect is in this regard unconditional. Thus, pseudo-panel analysis permits clearer answers regarding patterns of change over time in Venezuelans’ party identification than can be achieved using a purely cross-sectional model, even though the numerical results are similar.

7 Conclusions

Pseudo-panel analysis is no replacement for work with true panel data when such evidence is available. When the data do not exist, however, pseudo-panel techniques can offer a better approximation of the unavailable true panel model than can be achieved through purely cross-sectional analysis, conditional on the data meeting a key orthogonality assumption. For the many circumstances in which panel data are needed but nonexistent, pseudo-panel matching, in particular, offers a frequently plausible alternative.
References


