AAE 722 Machine Learning in Applied Economic Analysis

Credits: 4

Meeting Time: August 8-September 2, M, Tu, W, and Th 9:30am-12:00pm; September 6-October 30, Tu and Th 9:30-10:45am.

Location: Taylor Hall B30.

Course Designations and Attributes: General education

Instructional Mode: Online

How Credit Hours are met by the Course: This class meets Monday through Thursday over the summer semester and continues on Tuesday and Thursday in the fall. It carries the expectation that students will work on course learning activities (reading, writing, problem sets, studying, etc) for about 2 hours out of classroom for every class period. The syllabus includes additional information about meeting times and expectations for student work.

Instructor Title and Name: Associate Professor Sheldon (Xiaodong) Du

Instructor Availability: Office hours: W 1:00-2:00pm or by appointment (Taylor Hall 331).

Instructor Email: xdu23@wisc.edu

Teaching Assistant: Yuhan Wang. Email: ywang2558@wisc.edu. Office hours: Th 3:00-4:00PM or by appointment (Taylor Hall 520).

Course Description

The basic methods, implementation and applications of machine learning for understanding contemporary economic issues using large datasets. Building upon understanding of standard econometric models, the topics include regression model selection and regularization; tree-based methods; support vector machines; neural networks; basics of causal inference; application of machine learning methods in economic analysis.

Requisites

AAE 636 or Econ 704

Learning Outcomes

1) Describe and explain the mechanics of the basic machine learning methods.
2) Employ data exploration and visualization tools for analyzing large amounts of data.
3) Select model and conduct post-selection inference of high-dimensional data.
4) Apply machine learning methods on large data sets for economic and policy analysis.
5) Demonstrate the ability to use the R statistical package for the methods covered in the course.

Grading

The final grade for the class will be calculated using the following weights:

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<tr>
<th>Component</th>
<th>Weight</th>
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<tr>
<td>Participation</td>
<td>10%</td>
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<tr>
<td>Problem sets</td>
<td>30%</td>
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<tr>
<td>Final project</td>
<td>20%</td>
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<tr>
<td>1st Midterm Exams</td>
<td>20%</td>
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<tr>
<td>2nd Midterm Exam</td>
<td>20%</td>
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The final grade will be determined by the following percentages: A: $\geq 90\%$, AB: $85\% - 89\%$, B: $80\% - 84\%$, BC: $75\% - 79\%$, C: $70\% - 74\%$, D: $60\% - 69\%$, F: $< 60\%$. PhD students need 3% more to get the same grade.

**Laboratory Session**

The computer lab session will be led by TA to go over the R coding examples associated with the data exploration, visualization, and machine learning methods covered in the lectures. Remember to submit your code after each session by 11pm the same day.

**Textbooks and Other Course Materials**

*Readings will be assigned from:*

James, Gareth, Daniela Witten, Trevor Hastie, and Robert Tibshirani. 2021. An Introduction to Statistical Learning with Application in R. 2nd Ed. Springer. (JWHT). The electronic version is available here

*For reference and coding examples, the following books are useful:*


**Exams and Final Project**

There will be two in-class midterm exams. Tentative midterm dates: August 25 (3rd week) and October 20.

Final project will allow you to apply what you have learned in class to a selected topic, more detail of which will be announced at the beginning of week 4 (August 29). You are recommended to work in a group with no more than 2 people. Each group will submit a written report with project description, model construction and result analysis. Group presentations will be held during the last week of class. The report is due November 30th.

Make-up exams will be given only under extenuating circumstances, for which appropriate documentation will be required, and if advance arrangements are made with the instructor.

**Homework**

About four problem sets will be assigned. Each student must do each assignment independently. Assignments will be penalized 10 percentage points for each day they are late, unless the student has obtained prior permission, or in the case of an unforeseen emergency. Written notification from your advisor or doctor will be required in both instances.

**Academic Integrity**

By enrolling in this course, each student assumes the responsibilities of an active participant in UW-Madison’s community of scholars in which everyone’s academic work and behavior are held to the highest academic integrity standards. Academic misconduct compromises the integrity of the university. Cheating, fabrication, plagiarism, unauthorized collaboration, and helping others commit these acts are examples of academic misconduct, which can result in disciplinary action. This includes but is not limited to failure on the assignment/course, disciplinary probation, or suspension. Substantial or repeated cases of misconduct will be forwarded to the Office of Student Conduct & Community Standards for additional review. For more information, refer to studentconduct.wiscweb.wisc.edu/academic-integrity/.

**Accommodations for Students with Disabilities**
**McBurney Disability Resource Center syllabus statement:** The University of Wisconsin-Madison supports the right of all enrolled students to a full and equal educational opportunity. The Americans with Disabilities Act (ADA), Wisconsin State Statute (36.12), and UW-Madison policy (Faculty Document 1071) require that students with disabilities be reasonably accommodated in instruction and campus life. Reasonable accommodations for students with disabilities is a shared faculty and student responsibility. Students are expected to inform faculty [me] of their need for instructional accommodations by the end of the third week of the semester, or as soon as possible after a disability has been incurred or recognized. I will work either directly with the student [you] or in coordination with the McBurney Center to identify and provide reasonable instructional accommodations. Disability information, including instructional accommodations as part of a student's educational record, is confidential and protected under FERPA. [http://mcburney.wisc.edu/facstaffother/faculty/syllabus.php](http://mcburney.wisc.edu/facstaffother/faculty/syllabus.php)

**Diversity & Inclusion**

Institutional statement on diversity: Diversity is a source of strength, creativity, and innovation for UW-Madison. We value the contributions of each person and respect the profound ways their identity, culture, background, experience, status, abilities, and opinion enrich the university community. We commit ourselves to the pursuit of excellence in teaching, research, outreach, and diversity as inextricably linked goals.

**Tentative Topics**

Introduction; big data and learning; machine learning and econometrics; linear regression; classification; tree-based methods; support vector machine; neural network; causal inference; double selection; instrument selections; causal trees and forests; synthetic control method; matrix completion method; text as data.