

# Package ‘micEconSNQP’

May 8, 2026

**Version** 0.6-10

**Date** 2022-06-20

**Title** Symmetric Normalized Quadratic Profit Function

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**Depends** R (>= 2.4.0)

**Suggests** micEcon (>= 0.6-1)

**Imports** miscTools (>= 0.6-1), systemfit (>= 1.0-0), MASS

**Description** Tools for econometric production analysis  
with the Symmetric Normalized Quadratic (SNQ) profit function,  
e.g. estimation, imposing convexity in prices,  
and calculating elasticities and shadow prices.

**License** GPL (>= 2)

**URL** <http://www.micEcon.org>

**NeedsCompilation** no

**Repository** CRAN

**Date/Publication** 2022-06-21 11:30:02 UTC

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predict.snqProfitEst *Predictions from an SNQ profit function*

---

### Description

Returns the predicted values, their standard errors and the confidence limits of prediction for an Symmetric Normalized Quadratic (SNQ) profit function.

### Usage

```
## S3 method for class 'snqProfitEst'
predict( object, newdata = object$data,
         se.fit = FALSE, se.pred = FALSE, interval = "none", level = 0.95,
         useDfSys = TRUE, ... )
```

```
## S3 method for class 'snqProfitImposeConvexity'
predict( object, newdata = object$data,
         se.fit = FALSE, se.pred = FALSE, interval = "none", level = 0.95,
         useDfSys = TRUE, ... )
```

### Arguments

object	an object of type snqProfitEst or snqProfitImposeConvexity.
newdata	data frame in which to predict.
se.fit	logical. Return the standard error of the fitted values?
se.pred	logical. Return the standard error of prediction?
interval	Type of interval calculation ("none", "confidence" or "prediction").
level	confidence level.
useDfSys	logical. Use the degrees of freedom of the whole system (and not the degrees of freedom of the single equation) to calculate the confidence intervals.
...	currently not used.

### Details

The variance of the fitted values (used to calculate the standard errors of the fitted values and the "confidence interval") is calculated by  $Var[E[y^0] - \hat{y}^0] = x^0 Var[b] x^{0'}$

The variances of the predicted values (used to calculate the standard errors of the predicted values and the "prediction intervals") is calculated by  $Var[y^0 - \hat{y}^0] = \hat{\sigma}^2 + x^0 Var[b] x^{0'}$

### Value

predict.snqProfitEst and predict.snqProfitImposeConvexity return a dataframe that contains the predicted profit and for each netput the predicted quantities (e.g. "quant1") and if requested the standard errors of the fitted values (e.g. "quant1.se.fit"), the standard errors of the prediction (e.g. "quant1.se.pred"), and the lower (e.g. "quant1.lwr") and upper (e.g. "quant1.upr") limits of the confidence or prediction interval(s).

**Author(s)**

Arne Henningsen

**References**

- Diewert, W.E. and T.J. Wales (1987) Flexible functional forms and global curvature conditions. *Econometrica*, 55, p. 43-68.
- Diewert, W.E. and T.J. Wales (1992) Quadratic Spline Models for Producer's Supply and Demand Functions. *International Economic Review*, 33, p. 705-722.
- Greene, W. H. (2003) *Econometric Analysis, Fifth Edition*, Macmillan.
- Gujarati, D. N. (1995) *Basic Econometrics, Third Edition*, McGraw-Hill.
- Kmenta, J. (1997) *Elements of Econometrics, Second Edition*, University of Michigan Publishing.
- Kohli, U.R. (1993) A symmetric normalized quadratic GNP function and the US demand for imports and supply of exports. *International Economic Review*, 34, p. 243-255.

**See Also**

[sqProfitEst](#), [sqProfitCalc](#) and [predict](#)

**Examples**

```
if( requireNamespace( 'micEcon', quietly = TRUE ) ) {
  data( germanFarms, package = "micEcon" )
  germanFarms$qOutput <- germanFarms$vOutput / germanFarms$pOutput
  germanFarms$qVarInput <- -germanFarms$vVarInput / germanFarms$pVarInput
  germanFarms$qLabor <- -germanFarms$qLabor
  germanFarms$time <- c( 0:19 )
  priceNames <- c( "pOutput", "pVarInput", "pLabor" )
  quantNames <- c( "qOutput", "qVarInput", "qLabor" )
  estResult <- sqProfitEst( priceNames, quantNames, c("land","time"), data=germanFarms )
  predict( estResult )
  predict( estResult, se.fit = TRUE, se.pred = TRUE, interval = "confidence" )
}
```

---

```
print.sqProfitEst      Print output of estimated SNQ profit function
```

---

**Description**

This function prints a summary estimation results of a symmetric normalized quadratic (SNQ) profit function.

**Usage**

```
## S3 method for class 'sqProfitEst'
print( x, ... )
```

**Arguments**

x                    an object of class snqProfitEst.  
 ...                  arguments passed to [print](#).

**Author(s)**

Arne Henningsen

**See Also**

[snqProfitEst](#)

**Examples**

```
## Not run: library( systemfit )
if( requireNamespace( 'micEcon', quietly = TRUE ) ) {
  data( germanFarms, package = "micEcon" )
  germanFarms$qOutput  <- germanFarms$vOutput / germanFarms$pOutput
  germanFarms$qVarInput <- -germanFarms$vVarInput / germanFarms$pVarInput
  germanFarms$qLabor   <- -germanFarms$qLabor
  priceNames <- c( "pOutput", "pVarInput", "pLabor" )
  quantNames <- c( "qOutput", "qVarInput", "qLabor" )

  estResult <- snqProfitEst( priceNames, quantNames, "land", data = germanFarms )
  print( estResult )
}
```

---

residuals.snqProfitEst

*Residuals of an SNQ profit function*

---

**Description**

Extract the residuals from the estimation of a Symmetric Normalized Quadratic (SNQ) profit function.

**Usage**

```
## S3 method for class 'snqProfitEst'
residuals( object, scaled = TRUE, ... )

## S3 method for class 'snqProfitImposeConvexity'
residuals( object, scaled = TRUE, ... )
```

**Arguments**

object              an object of type snqProfitEst or snqProfitImposeconvexity.  
 scaled              logical. Return scaled quantities?  
 ...                  currently not used.

**Value**

residuals.snqProfitEst and residuals.snqProfitEst return a dataframe that contains the residuals for each netput and the profit.

**Author(s)**

Arne Henningsen

**See Also**

[snqProfitEst](#), [snqProfitImposeConvexity](#) and [residuals](#)

**Examples**

```
if( requireNamespace( 'micEcon', quietly = TRUE ) ) {
  data( germanFarms, package = "micEcon" )
  germanFarms$qOutput <- germanFarms$vOutput / germanFarms$pOutput
  germanFarms$qVarInput <- -germanFarms$vVarInput / germanFarms$pVarInput
  germanFarms$qLabor <- -germanFarms$qLabor
  germanFarms$time <- c( 0:19 )
  priceNames <- c( "pOutput", "pVarInput", "pLabor" )
  quantNames <- c( "qOutput", "qVarInput", "qLabor" )
  estResult <- snqProfitEst( priceNames, quantNames, c("land","time"), data=germanFarms )
  residuals( estResult )
  residuals( estResult, scaled = FALSE )
}
```

---

snqProfitCalc

*Calculations with the SNQ Profit function*

---

**Description**

Calculation of netput quantities and profit with the Symmetric Normalized Quadratic (SNQ) Profit function.

**Usage**

```
snqProfitCalc( priceNames, fixNames, data, weights,
  scalingFactors = rep( 1, length( weights ) ), coef,
  quantNames = NULL, form = 0 )
```

**Arguments**

priceNames	a vector of strings containing the names of netput prices.
fixNames	an optional vector of strings containing the names of the quantities of (quasi-)fix inputs.
data	a data frame containing the data.

weights	vector of weights of the prices for normalization.
quantNames	optional vector of strings containing the names of netput quantities.
scalingFactors	factors to scale prices (and quantities).
coef	a list containing the coefficients alpha, beta, delta and gamma.
form	the functional form to be estimated (see <a href="#">snqProfitEst</a> ).

**Value**

a data frame: the first n columns are the netput quantities, the last column is the profit.

**Author(s)**

Arne Henningsen

**References**

Diewert, W.E. and T.J. Wales (1987) Flexible functional forms and global curvature conditions. *Econometrica*, 55, p. 43-68.

Diewert, W.E. and T.J. Wales (1992) Quadratic Spline Models for Producer's Supply and Demand Functions. *International Economic Review*, 33, p. 705-722.

Kohli, U.R. (1993) A symmetric normalized quadratic GNP function and the US demand for imports and supply of exports. *International Economic Review*, 34, p. 243-255.

**See Also**

[snqProfitEst](#) and [snqProfitWeights](#).

**Examples**

```

if( requireNamespace( 'micEcon', quietly = TRUE ) ) {
  data( germanFarms, package = "micEcon" )
  germanFarms$qOutput <- germanFarms$vOutput / germanFarms$pOutput
  germanFarms$qVarInput <- -germanFarms$vVarInput / germanFarms$pVarInput
  germanFarms$qLabor <- -germanFarms$qLabor
  germanFarms$time <- c( 0:19 )
  priceNames <- c( "pOutput", "pVarInput", "pLabor" )
  quantNames <- c( "qOutput", "qVarInput", "qLabor" )
  fixNames <- c( "land", "time" )

  estResult <- snqProfitEst( priceNames, quantNames, fixNames, data = germanFarms )
  snqProfitCalc( priceNames, fixNames, estResult$data, estResult$weights,
    estResult$scalingFactors, estResult$coef )
}

```

---

snqProfitEla	<i>Price Elasticities of SNQ Profit function</i>
--------------	--

---

**Description**

Calculates the Price Elasticities of a Symmetric Normalized Quadratic (SNQ) profit function.

**Usage**

```
snqProfitEla( beta, prices, quant, weights,
             scalingFactors = rep( 1, length( weights ) ),
             coefVcov = NULL, df = NULL )
```

**Arguments**

beta	matrix of estimated $\beta$ coefficients.
prices	vector of netput prices at which the elasticities should be calculated.
quant	vector of netput quantities at which the elasticities should be calculated.
weights	vector of weights of prices used for normalization.
scalingFactors	factors to scale prices (and quantities).
coefVcov	variance covariance matrix of the coefficients (optional).
df	degrees of freedom to calculate P-values of the elasticities (optional).

**Value**

a list of class `snqProfitEla` containing following elements:

ela	matrix of the price elasticities.
vcov	variance covariance matrix of the price elasticities.
stEr	standard errors of the price elasticities.
tval	t-values of the price elasticities.
pval	P-values of the price elasticities.

**Note**

A price elasticity is defined as

$$E_{ij} = \frac{\frac{\partial q_i}{q_i}}{\frac{\partial p_j}{p_j}} = \frac{\partial q_i}{\partial p_j} \cdot \frac{p_j}{q_i}$$

Thus, e.g.  $E_{ij} = 0.5$  means that if the price of netput  $j$  ( $p_j$ ) increases by 1%, the quantity of netput  $i$  ( $q_i$ ) will increase by 0.5%.

**Author(s)**

Arne Henningsen

**See Also**

[snqProfitEst](#).

**Examples**

```
# just a stupid simple example
snqProfitEla( matrix(101:109,3,3), c(1,1,1), c(1,-1,-1), c(0.4,0.3,0.3) )

# now with real data
if( requireNamespace( 'micEcon', quietly = TRUE ) ) {
  data( germanFarms, package = "micEcon" )
  germanFarms$qOutput <- germanFarms$vOutput / germanFarms$pOutput
  germanFarms$qVarInput <- -germanFarms$vVarInput / germanFarms$pVarInput
  germanFarms$qLabor <- -germanFarms$qLabor
  germanFarms$time <- c( 0:19 )
  priceNames <- c( "pOutput", "pVarInput", "pLabor" )
  quantNames <- c( "qOutput", "qVarInput", "qLabor" )

  estResult <- snqProfitEst( priceNames, quantNames, c("land","time"), data=germanFarms )

  estResult$ela # price elasticities at mean prices and mean quantities

  # price elasticities at the last observation (1994/95)
  snqProfitEla( estResult$coef$beta, estResult$data[ 20, priceNames ],
    estResult$data[ 20, quantNames ], estResult$weights,
    estResult$scalingFactors )
}
```

---

snqProfitEst

*Estimation of a SNQ Profit function*

---

**Description**

Estimation of a Symmetric Normalized Quadratic (SNQ) Profit function.

**Usage**

```
snqProfitEst( priceNames, quantNames, fixNames = NULL, instNames = NULL,
  data, form = 0, base = 1, scalingFactors = NULL,
  weights = snqProfitWeights( priceNames, quantNames, data, "DW92", base = base ),
  method = ifelse( is.null( instNames ), "SUR", "3SLS" ), ... )
```

**Arguments**

priceNames	a vector of strings containing the names of netput prices.
quantNames	a vector of strings containing the names of netput quantities (inputs must be negative).
fixNames	an optional vector of strings containing the names of the quantities of (quasi-)fixed inputs.
instNames	an optional vector of strings containing the names of instrumental variables (for 3SLS estimation).
data	a data frame containing the data.
form	the functional form to be estimated (see details).
base	the base period(s) for scaling prices (see details). If argument weights is not specified, argument base is also used to obtain the weights for normalizing prices (see <a href="#">snqProfitWeights</a> ).
scalingFactors	a vector of factors to scale prices (see details).
weights	a vector of weights for normalizing prices.
method	the estimation method (passed to <a href="#">systemfit</a> ).
...	arguments passed to <a href="#">systemfit</a>

**Details**

The Symmetric Normalized Quadratic (SNQ) profit function is defined as follows (this functional form is used if argument form equals 0):

$$\pi(p, z) = \sum_{i=1}^n \alpha_i p_i + \frac{1}{2} w^{-1} \sum_{i=1}^n \sum_{j=1}^n \beta_{ij} p_i p_j + \sum_{i=1}^n \sum_{j=1}^m \delta_{ij} p_i z_j + \frac{1}{2} w \sum_{i=1}^m \sum_{j=1}^m \gamma_{ij} z_i z_j$$

with  $\pi$  = profit,  $p_i$  = netput prices,  $z_i$  = quantities of fixed inputs,  $w = \sum_{i=1}^n \theta_i p_i$  = price index for normalization,  $\theta_i$  = weights of prices for normalization, and  $\alpha_i, \beta_{ij}, \delta_{ij}$  and  $\gamma_{ij}$  = coefficients to be estimated.

The netput equations (output supply in input demand) can be obtained by Hotelling's Lemma ( $q_i = \partial\pi / \partial p_i$ ):

$$x_i = \alpha_i + w^{-1} \sum_{j=1}^n \beta_{ij} p_j - \frac{1}{2} \theta_i w^{-2} \sum_{j=1}^n \sum_{k=1}^n \beta_{jk} p_j p_k + \sum_{j=1}^m \delta_{ij} z_j + \frac{1}{2} \theta_i \sum_{j=1}^m \sum_{k=1}^m \gamma_{jk} z_j z_k$$

In my experience the fit of the model is sometimes not very good, because the effect of the fixed inputs is forced to be proportional to the weights for price normalization  $\theta_i$ . In this cases I use following extended SNQ profit function (this functional form is used if argument form equals 1):

$$\pi(p, z) = \sum_{i=1}^n \alpha_i p_i + \frac{1}{2} w^{-1} \sum_{i=1}^n \sum_{j=1}^n \beta_{ij} p_i p_j + \sum_{i=1}^n \sum_{j=1}^m \delta_{ij} p_i z_j + \frac{1}{2} \sum_{i=1}^n \sum_{j=1}^m \sum_{k=1}^m \gamma_{ijk} p_i z_j z_k$$

The netput equations are now:

$$x_i = \alpha_i + w^{-1} \sum_{j=1}^n \beta_{ij} p_j - \frac{1}{2} \theta_i w^{-2} \sum_{j=1}^n \sum_{k=1}^n \beta_{jk} p_j p_k + \sum_{j=1}^m \delta_{ij} z_j + \frac{1}{2} \sum_{j=1}^m \sum_{k=1}^m \gamma_{ijk} z_j z_k$$

Argument `scalingFactors` can be used to scale prices, e.g. for improving the numerical stability of the estimation (e.g. if prices are very large or very small numbers) or for assessing the robustness of the results when changing the units of measurement. The prices are multiplied by the scaling factors, while the quantities are divided by the scaling factors so that the monetary values of the inputs and outputs and thus, the profit, remains unchanged. If argument `scalingFactors` is `NULL`, argument `base` is used to automatically obtain scaling factors so that the scaled prices are unity in the base period or - if there is more than one base period - that the means of the scaled prices over the base periods are unity. Argument `base` can be either

- (a) a single number: the row number of the base prices,
- (b) a vector indicating several observations: The means of these observations are used as base prices,
- (c) a logical vector with length equal to the number of rows of the data set that is specified by argument `data`: The means of the observations indicated as 'TRUE' are used as base prices, or
- (d) `NULL`: prices are not scaled. If argument `base` is `NULL`, argument `weights` must be specified, because the weights cannot be calculated if the base period is not specified. An alternative way to use unscaled prices is to set argument `scalingFactors` equal to a vector of ones (see examples below).

If the scaling factors are explicitly specified by argument `scalingFactors`, argument `base` is not used for obtaining scaling factors (but it is used for obtaining weights if argument `weights` is not specified).

## Value

a list of class `snqProfitEst` containing following objects:

<code>coef</code>	a list containing the vectors/matrix of the estimated coefficients: <ul style="list-style-type: none"> <li>* <math>\alpha = \alpha_i</math>.</li> <li>* <math>\beta = \beta_{ij}</math>.</li> <li>* <math>\delta = \delta_{ij}</math> (only if quasi-fix inputs are present).</li> <li>* <math>\gamma = \gamma_{ij}</math> (only if quasi-fix inputs are present).</li> <li>* <code>allCoef</code> = vector of all coefficients.</li> <li>* <code>allCoefCov</code> = covariance matrix of all coefficients.</li> <li>* <code>stats</code> = all coefficients with standard errors, t-values and p-values.</li> <li>* <code>liCoef</code> = vector of linear independent coefficients.</li> <li>* <code>liCoefCov</code> = covariance matrix of linear independent coefficients.</li> </ul>
<code>ela</code>	a list of class <code>snqProfitEla</code> that contains (amongst others) the price elasticities at mean prices and mean quantities (see <code>snqProfitEla</code> ).
<code>fixEla</code>	matrix of the fixed factor elasticities at mean prices and mean quantities.
<code>hessian</code>	hessian matrix of the profit function with respect to prices evaluated at mean prices.
<code>convexity</code>	logical. Convexity of the profit function.
<code>r2</code>	$R^2$ -values of all netput equations.
<code>est</code>	estimation results returned by <code>systemfit</code> .
<code>weights</code>	the weights of prices used for normalization.
<code>normPrice</code>	vector used for normalization of prices.
<code>data</code>	data frame of originally supplied data.

fitted	data frame that contains the fitted netput quantities and the fitted profit.
pMeans	means of the scaled netput prices.
qMeans	means of the scaled netput quantities.
fMeans	means of the (quasi-)fixed input quantities.
priceNames	a vector of strings containing the names of netput prices.
quantNames	a vector of strings containing the names of netput quantities (inputs must be negative).
fixNames	an optional vector of strings containing the names of the quantities of (quasi-)fixed inputs.
instNames	an optional vector of strings containing the names of instrumental variables (for 3SLS estimation).
form	the functional form (see details).
base	the base period(s) for scaling prices (see details).
weights	vector of weights of the prices for normalization.
scalingFactors	factors to scale prices (and quantities).
method	the estimation method.

**Author(s)**

Arne Henningsen

**References**

- Diewert, W.E. and T.J. Wales (1987) Flexible functional forms and global curvature conditions. *Econometrica*, 55, p. 43-68.
- Diewert, W.E. and T.J. Wales (1992) Quadratic Spline Models for Producer's Supply and Demand Functions. *International Economic Review*, 33, p. 705-722.
- Kohli, U.R. (1993) A symmetric normalized quadratic GNP function and the US demand for imports and supply of exports. *International Economic Review*, 34, p. 243-255.

**See Also**

[snqProfitEla](#) and [snqProfitWeights](#).

**Examples**

```
if( requireNamespace( 'micEcon', quietly = TRUE ) ) {
  data( germanFarms, package = "micEcon" )
  germanFarms$qOutput <- germanFarms$vOutput / germanFarms$pOutput
  germanFarms$qVarInput <- -germanFarms$vVarInput / germanFarms$pVarInput
  germanFarms$qLabor <- -germanFarms$qLabor
  priceNames <- c( "pOutput", "pVarInput", "pLabor" )
  quantNames <- c( "qOutput", "qVarInput", "qLabor" )

  estResult <- snqProfitEst( priceNames, quantNames, "land", data = germanFarms )
  estResult$ela # Oh, that looks bad!
```

```

# it it reasonable to account for technological progress
germanFarms$time <- c( 0:19 )
estResult2 <- snqProfitEst( priceNames, quantNames, c("land","time"),
  data = germanFarms )
estResult2$ela # Ah, that looks better!

# estimation with unscaled prices
estResultNoScale <- snqProfitEst( priceNames, quantNames, c("land","time"),
  data = germanFarms, scalingFactors = rep( 1, 3 ) )
print( estResultNoScale )

# alternative way of estimation with unscaled prices
estResultNoScale2 <- snqProfitEst( priceNames, quantNames, c("land","time"),
  data = germanFarms, base = NULL,
  weights = snqProfitWeights( priceNames, quantNames, germanFarms ) )
all.equal( estResultNoScale[-20], estResultNoScale2[] )

# please note that the SNQ Profit function is not invariant
# to units of measurement so that different scaling factors
# result in different estimates of elasticities:
all.equal( estResult2$ela, estResultNoScale$ela )
}

```

---

snqProfitFixEla

*Fixed Factor Elasticities of SNQ Profit function*


---

## Description

Calculates the Fixed Factor Elasticities of a Symmetric Normalized Quadratic (SNQ) profit function.

## Usage

```

snqProfitFixEla( delta, gamma, quant, fix, weights,
  scalingFactors = rep( 1, length( weights ) ) )

```

## Arguments

delta	matrix of estimated $\delta$ coefficients.
gamma	matrix of estimated $\gamma$ coefficients.
quant	vector of netput quantities at which the elasticities should be calculated.
fix	vector of quantities of fixed factors at which the elasticities should be calculated.
weights	vector of weights of prices used for normalization.
scalingFactors	factors to scale prices (and quantities).

**Note**

A fixed factor elasticity is defined as

$$E_{ij} = \frac{\frac{\partial q_i}{q_i}}{\frac{\partial z_j}{z_j}} = \frac{\partial q_i}{\partial z_j} \cdot \frac{z_j}{q_i}$$

Thus, e.g.  $E_{ij} = 0.5$  means that if the quantity of fixed factor  $j$  ( $z_j$ ) increases by 1%, the quantity of netput  $i$  ( $q_i$ ) will increase by 0.5%.

**Author(s)**

Arne Henningsen

**See Also**

[snqProfitEst](#) and [snqProfitEla](#).

**Examples**

```
# just a stupid simple example
snqProfitFixEla( matrix(1:6/6,3,2 ), matrix(4:1/4,2 ), c(1,1,1), c(1,1),
  c(0.4,0.3,0.3) )

# now with real data
if( requireNamespace( 'micEcon', quietly = TRUE ) ) {
  data( germanFarms, package = "micEcon" )
  germanFarms$qOutput <- germanFarms$vOutput / germanFarms$pOutput
  germanFarms$qVarInput <- -germanFarms$vVarInput / germanFarms$pVarInput
  germanFarms$qLabor <- -germanFarms$qLabor
  germanFarms$time <- c( 0:19 )
  priceNames <- c( "pOutput", "pVarInput", "pLabor" )
  quantNames <- c( "qOutput", "qVarInput", "qLabor" )
  fixNames <- c( "land", "time" )

  estResult <- snqProfitEst( priceNames, quantNames, fixNames, data=germanFarms )

  estResult$fixEla # price elasticities at mean quantities of netputs
                  # and fixed factors

  # fixed factor elasticities at the last observation (1994/95)
  snqProfitFixEla( estResult$coef$delta, estResult$coef$gamma,
    estResult$data[ 20, quantNames ], estResult$data[ 20, fixNames ],
    estResult$weights, estResult$scalingFactors )
}
```

---

snqProfitHessian      *SNQ Profit function: Hessian matrix*

---

### Description

Returns the Hessian (substitution) matrix of a Symmetric Normalized Quadratic (SNQ) Profit Function.

### Usage

```
snqProfitHessian( beta, prices, weights,
  scalingFactors = rep( 1, length( weights ) ) )
```

### Arguments

beta                    matrix of the *beta* coefficients.  
 prices                 vector of netput prices at which the Hessian should be calculated.  
 weights                vector of weights of prices for normalization.  
 scalingFactors        factors to scale prices (and quantities).

### Author(s)

Arne Henningsen

### See Also

[snqProfitEst](#), [snqProfitEla](#) and [snqProfitHessianDeriv](#).

### Examples

```
# just a stupid simple example
snqProfitHessian( matrix(101:109,3,3), c(1,1,1), c(0.4,0.3,0.3) )

# now with real data
if( requireNamespace( 'micEcon', quietly = TRUE ) ) {
  data( germanFarms, package = "micEcon" )
  germanFarms$qOutput <- germanFarms$vOutput / germanFarms$pOutput
  germanFarms$qVarInput <- -germanFarms$vVarInput / germanFarms$pVarInput
  germanFarms$qLabor <- -germanFarms$qLabor
  germanFarms$time <- c( 0:19 )
  priceNames <- c( "pOutput", "pVarInput", "pLabor" )
  quantNames <- c( "qOutput", "qVarInput", "qLabor" )

  estResult <- snqProfitEst( priceNames, quantNames, c("land","time"), data=germanFarms )

  estResult$hessian # the Hessian at mean prices and mean quantities

  # Hessian at the last observation (1994/95)
```

```

    snqProfitHessian( estResult$coef$beta, estResult$data[ 20, priceNames ],
                     estResult$weights, estResult$scalingFactors )
}

```

---

snqProfitHessianDeriv *SNQ Profit function: Derivatives of the Hessian*

---

### Description

Returns the matrix of derivatives of the vector of linear independent values of the Hessian with respect to the vector of the linear independent coefficients.

### Usage

```
snqProfitHessianDeriv( prices, weights, nFix = 0, form = 0 )
```

### Arguments

prices	vector of netput prices at which the derivatives should be calculated.
weights	vector of weights for normalizing prices.
nFix	number of (quasi-)fix inputs.
form	the functional form to be estimated (see <a href="#">snqProfitEst</a> ).

### Author(s)

Arne Henningsen

### See Also

[snqProfitHessian](#).

### Examples

```

# just a stupid simple example
snqProfitHessianDeriv( c(1,2,3),c(0.4,0.3,0.3) )

# now with real data
if( requireNamespace( 'micEcon', quietly = TRUE ) ) {
  data( germanFarms, package = "micEcon" )
  germanFarms$qOutput <- germanFarms$vOutput / germanFarms$pOutput
  germanFarms$qVarInput <- -germanFarms$vVarInput / germanFarms$pVarInput
  germanFarms$qLabor <- -germanFarms$qLabor
  germanFarms$time <- c( 0:19 )
  priceNames <- c( "pOutput", "pVarInput", "pLabor" )
  quantNames <- c( "qOutput", "qVarInput", "qLabor" )

  estResult <- snqProfitEst( priceNames, quantNames, c("land","time"), data=germanFarms )

  snqProfitHessianDeriv( estResult$pMean, estResult$weights, 2 )
}

```

---

 snqProfitImposeConvexity

*Imposing Convexity on a SNQ Profit function*


---

### Description

Imposing Convexity on a Symmetric Normalized Quadratic (SNQ) Profit function.

### Usage

```
snqProfitImposeConvexity( estResult, rankReduction = 0,
  start = 10, optimMethod = "BFGS", control = list( maxit=5000 ),
  stErMethod = "none", nRep = 1000, verbose = 0 )
```

### Arguments

estResult	object returned by <a href="#">snqProfitEst</a> .
rankReduction	an integer specifying the reduction of the rank of the $\beta$ matrix.
start	starting values of the triangular Cholesky matrix.
optimMethod	method to be used by <a href="#">optim</a> .
control	list of control parameters passed to <a href="#">optim</a> .
stErMethod	method to compute standard errors, either 'none', 'resample', 'jackknife' or 'coefSim' (see details).
nRep	number of replications to compute the standard errors if stErMethod is either 'resample' or 'coefSim'.
verbose	an integer indicating the verbose level.

### Details

The procedure proposed by Koebel, Falk and Laisney (2000, 2003) is applied to impose convexity in prices on an estimated symmetric normalized quadratic (SNQ) profit function.

The standard errors of the restricted coefficients can be either calculated by bootstrap resampling ('resampling'), jackknife ('jackknife') or by simulating the distribution of the unrestricted coefficients using its variance covariance matrix ('coefSim').

### Value

a list of class `snqProfitImposeConvexity` containing the same objects as an object of class [snqProfitEst](#) and additionally the objects:

mindist	object returned by <a href="#">optim</a> .
sim	results of the simulation to obtain the standard errors of the estimated coefficients.

**Author(s)**

Arne Henningsen

**References**

Koebel, B., M. Falk and F. Laisney (2000), Imposing and Testing Curvature Conditions on a Box-Cox Cost Function. Discussion Paper No. 00-70, ZEW, Mannheim, <https://madoc.bib.uni-mannheim.de/515/1/dp0070.pdf>.

Koebel, B., M. Falk and F. Laisney (2003), Imposing and Testing Curvature Conditions on a Box-Cox Cost Function. *Journal of Business and Economic Statistics*, 21, p. 319-335.

**See Also**

[snqProfitEst](#).

**Examples**

```
if( requireNamespace( 'micEcon', quietly = TRUE ) ) {
  data( germanFarms, package = "micEcon" )
  germanFarms$qOutput <- germanFarms$vOutput / germanFarms$pOutput
  germanFarms$qVarInput <- -germanFarms$vVarInput / germanFarms$pVarInput
  germanFarms$qLabor <- -germanFarms$qLabor
  priceNames <- c( "pOutput", "pVarInput", "pLabor" )
  quantNames <- c( "qOutput", "qVarInput", "qLabor" )
  estResult <- snqProfitEst( priceNames, quantNames, "land", data = germanFarms )
  estResult # Note: it is NOT convex in netput prices
  estResultConvex <- snqProfitImposeConvexity( estResult )
  estResultConvex # now it is convex
}
```

---

snqProfitShadowPrices *Shadow Prices of a SNQ Profit function*

---

**Description**

Calculates the shadow prices of a Symmetric Normalized Quadratic (SNQ) profit function.

**Usage**

```
snqProfitShadowPrices( priceNames, fixNames, estResult = NULL,
  data = estResult$data, weights = estResult$weights,
  scalingFactors = estResult$scalingFactors,
  coef = estResult$coef, form = estResult$form )
```

**Arguments**

priceNames	a vector of strings containing the names of netput prices.
fixNames	an optional vector of strings containing the names of the quantities of (quasi-)fix inputs.
estResult	object returned by <a href="#">snqProfitEst</a> .
data	a data frame containing the data.
weights	vector of weights of prices used for normalization.
scalingFactors	factors to scale prices (see details).
coef	a list containing the coefficients (at least delta and gamma).
form	the functional form to be estimated (see details).

**Author(s)**

Arne Henningsen

**See Also**

[snqProfitEst](#), [snqProfitCalc](#) and [snqProfitEla](#).

**Examples**

```
if( requireNamespace( 'micEcon', quietly = TRUE ) ) {
  data( germanFarms, package = "micEcon" )
  germanFarms$qOutput <- germanFarms$vOutput / germanFarms$pOutput
  germanFarms$qVarInput <- -germanFarms$vVarInput / germanFarms$pVarInput
  germanFarms$qLabor <- -germanFarms$qLabor
  germanFarms$time <- c( 0:19 )
  priceNames <- c( "pOutput", "pVarInput", "pLabor" )
  quantNames <- c( "qOutput", "qVarInput", "qLabor" )
  fixNames <- c( "land", "time" )

  estResult <- snqProfitEst( priceNames, quantNames, fixNames, data = germanFarms )

  snqProfitShadowPrices( priceNames, fixNames, estResult )
}
```

---

snqProfitWeights      *SNQ Profit function: Weights of prices for normalization*

---

**Description**

Returns a vector of weights to normalize prices on a Symmetric Normalized Quadratic (SNQ) Profit function.

**Usage**

```
snqProfitWeights( priceNames, quantNames, data, method = "DW92", base = 1 )
```

**Arguments**

priceNames	a vector of strings containing the names of netput prices.
quantNames	a vector of strings containing the names of netput quantities.
data	a data frame containing the data.
method	the method to determine the weights (see details).
base	the base period(s) for scaling prices (see details).

**Details**

If argument method is 'DW92' the method of Diewert and Wales (1992) is applied. They predetermine the weights by

$$\theta_i = \frac{|\bar{x}_i| p_i^0}{\sum_{i=1}^n |\bar{x}_i| p_i^0}$$

Defining the scaled netput quantities as  $\tilde{x}_i^t = x_i^t \cdot p_i^0$  we get following formula:

$$\theta_i = \frac{|\tilde{x}_i|}{\sum_{i=1}^n |\tilde{x}_i|}$$

The prices are scaled that they are unity in the base period or - if there is more than one base period - that the means of the prices over the base periods are unity. The argument base can be either

- (a) a single number: the row number of the base prices,
- (b) a vector indicating several observations: The means of these observations are used as base prices,
- (c) a logical vector with the same length as the data: The means of the observations indicated as 'TRUE' are used as base prices, or (d) NULL: prices are not scaled.

**Author(s)**

Arne Henningsen

**See Also**

[snqProfitEst.](#)

**Examples**

```
if( requireNamespace( 'micEcon', quietly = TRUE ) ) {
  data( germanFarms, package = "micEcon" )
  germanFarms$qOutput <- germanFarms$vOutput / germanFarms$pOutput
  germanFarms$qVarInput <- -germanFarms$vVarInput / germanFarms$pVarInput
  germanFarms$qLabor <- -germanFarms$qLabor
  priceNames <- c( "pOutput", "pVarInput", "pLabor" )
  quantNames <- c( "qOutput", "qVarInput", "qLabor" )
  snqProfitWeights( priceNames, quantNames, germanFarms )
}
```

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