

mvord: An R Package for Fitting Multivariate Ordinal Regression Models

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Abstract

The R package **mvord** implements composite likelihood estimation in the class of multivariate ordinal regression models with probit and a logit link. A flexible modeling framework for multiple ordinal measurements on the same subject is set up, which takes into consideration the dependence among the multiple observations by employing different error structures. Heterogeneity in the error structure across the subjects can be accounted for by the package, which allows for covariate dependent error structures. In addition, regression coefficients and threshold parameters are varying across the multiple response dimensions in the default implementation. However, constraints can be defined by the user if a reduction of the parameter space is desired.

Keywords: Composite likelihood, Cross-sectional data, Longitudinal data, Multivariate ordinal regression model, R.

1. Introduction

The analysis of ordinal data is an important task in various areas of research. One of the most common settings is the modeling of preferences or opinions (on a scale from, say, *poor* to *very good* or *strongly disagree* to *strongly agree*). The scenarios involved range from psychology (e.g., aptitude and personality testing), marketing (e.g., consumer preferences research) and economics and finance (e.g., credit risk assessment for sovereigns or firms) to information retrieval (where documents are ranked by the user according to their relevance) and medical sciences (e.g., modelling of pain severity or cancer stages).

Most of these applications deal with correlated ordinal data, as typically multiple ordinal measurements or outcomes are available for a collection of subjects or objects (e.g., interviewees answering different questions, different raters assigning credit ratings to a firm, pain levels being recorded for patients repeatedly over a period of time, etc.). In such a multivariate setting, models which can deal with the correlation in the ordinal outcomes are desired. One possibility is to employ a *multivariate ordinal regression model* where the marginal distribution of the subject errors is assumed to be multivariate. Other options are the inclusion of random-effects in the ordinal regression model and conditional models (Fahrmeir and Tutz 2001).

Several ordinal regression models can be employed for the analysis of ordinal data, with cumulative link models being the most popular ones (see Tutz 2012; Christensen 2015a).

Other approaches include continuation-ratio or adjacent-category models (see [Agresti 2002, 2010](#)). Different packages to analyze and model ordinal data are available in R ([R Core Team 2017](#)): For univariate ordinal regression models with fixed effects the function `polr()` of the **MASS** package ([Venables and Ripley 2002](#)), the function `c1m()` of the **ordinal** package ([Christensen 2015b](#)) and the function `vglm()` of the **VGAM** package ([Yee 2010](#)). Ordinal regression models which can account for heteroskedasticity can be estimated using package **oglmx** ([Carroll 2016](#)), while package **ordinalNet** ([Wurm, Rathouz, and Hanlon 2017](#)) offers tools for model selection by using an elastic net penalty.

While there are sufficient software tools in R which deal with the univariate case, the ready-to-use packages for dealing with the multivariate case fall behind, mainly due to computational problems or lack of flexibility in the model specification. However, there are some R packages which support correlated ordinal data. One-dimensional normally distributed random effects in ordinal regression can be handled by the `c1mm()` function of package **ordinal** ([Christensen 2015b](#)); multiple possibly correlated random effects are implemented in package **mixor** ([Hedeker, Archer, Nordgren, and Gibbons 2015](#)). Note that this package uses multi-dimensional quadrature methods and estimation becomes infeasible for increasing dimension of the random effects. Bayesian multilevel models for ordinal data are implemented in the package **brms** ([Bürkner 2017](#)). Multivariate ordered probit models, where the subject errors are assumed to follow a multivariate normal distribution with a general correlation matrix, can be estimated with package **PLordprob** ([Kenne Pagui, Canale, Genz, and Azzalini 2014](#)), which uses maximum composite likelihood methods estimation. This package works well for standard applications but lacks flexibility. For example, the number of levels of the ordinal responses needs to be equal across all dimensions, threshold and regression coefficients are the same for all multiple measurements and it does not account for missing observations in the outcome variable. None of these packages support at the time of writing covariate dependent error structures.

The motivation of this package lies in a credit risk application, where multiple credit ratings are assigned by various credit rating agencies (CRAs) to firms over several years. CRAs have an important role in financial markets, as they deliver subjective assessments or opinions of an entity's creditworthiness, which are then used by the other players on the market, such as investors and regulators, in their decision making process. Entities are assigned to rating classes by CRAs on an ordinal scale by using both quantitative and qualitative criteria. Ordinal credit ratings can be seen as a coarser version of an underlying continuous latent process, which measures creditworthiness. In the literature, this latent variable motivation has been used in various credit rating models (e.g., [Blume, Lim, and Mackinlay 1998](#); [Afonso, Gomes, and Rother 2009](#); [Alp 2013](#); [Reusens and Croux 2017](#)).

This setting is an example of an application where correlated ordinal data arises naturally. On the one hand, multiple ratings for one firm at the same point in time can be assumed to be correlated and on the other hand, given the longitudinal dimension of the data, for each rater, there is serial dependence in the ratings assigned over several periods. Moreover, aside from the need of a model class that can handle correlated ordinal data, additional flexibility is desired due to the following characteristics of the problem at hand: Firstly, there is heterogeneity in the rating methodology. Raters use different labeling as well as a different number of rating classes. Secondly, the credit risk measure employed in assessing creditworthiness can differ among raters (e.g., probability of default versus recovery in case of default), which leads to heterogeneity in the covariates, as raters might use different variables

in their rating process and assign different importance to the variables employed. Thirdly, the data has missing values and is unbalanced, as firms can leave the data set before the end of the observation period due to various reasons such as default but also because of mergers and acquisitions, privatizations, etc., or ratings can be withdrawn. Moreover, there are missings in the multiple ratings, as not all firms are rated by all CRAs at each time point.

The paper and package `mvord` (Hirk, Hornik, and Vana 2017b) for R aim at providing a flexible framework for analyzing correlated ordinal data by means of the class of multivariate ordinal regression models. We offer the following features which (to the best of our knowledge) enhance the currently available software for multivariate ordinal regression models in R:

- i Different error structures are available (such as a general, an autoregressive order one, or an equicorrelation structure for the subject error);
- ii we also account for heterogeneity in the error structure among the subjects by allowing the use of subject-specific covariates in the specification of the error structure;
- iii we implement a multivariate logit link for the class of multivariate ordinal regression models;
- iv we allow for outcome specific threshold parameters;
- v we allow for outcome specific regression parameters;
- vi the user can impose further restrictions on the threshold and regression parameters in order to achieve a more parsimonious model (e.g., using one set of thresholds for all outcome dimensions);
- vii we offer the possibility to switch between different parameterizations, which are needed in ordinal models to ensure identifiability.

This paper is organized as follows: Section 2 provides an overview of the model class and the estimation procedure, including model specification and identifiability issues. Section 3 presents the main functions of the package. A description of the illustrative data sets used for exemplifying the functionalities of the package is given in Section 4. A couple of worked examples are given in Section 5. Section 6 concludes.

2. Model class and estimation

Multivariate ordinal regression models are an appropriate modeling choice when a vector of correlated ordinal response variables, together with covariates, is observed for each unit or subject in the sample. The response vector can be composed of different variables, i.e., multiple measurements on the same subject (e.g., different credit ratings assigned to a firm by different CRAs, different survey questions answered by an interviewee, etc.) or repeated measurements on the same variable at different time points.

2.1. Model specification

Let Y_{ij} denote the ordinal observation and \mathbf{x}_{ij} be a p dimensional vector of covariates for subject i and outcome j , where $i = 1, \dots, n$ and $j \in J_i$, for J_i a subset of all available

outcomes J in the data set. Moreover, we denote by $q = |J|$ and $q_i = |J_i|$ the number of elements in the set J and J_i , respectively. Following the cumulative link modeling approach (McCullagh 1980), the ordinal response Y_{ij} is assumed to be a coarser version of a latent continuous variable \tilde{Y}_{ij} . The observable categorical outcome Y_{ij} and the unobservable latent variable \tilde{Y}_{ij} are connected by:

$$Y_{ij} = r_{ij} \quad \Leftrightarrow \quad \theta_{j,r_{ij}-1} < \tilde{Y}_{ij} \leq \theta_{j,r_{ij}}, \quad r_{ij} \in \{1, \dots, K_j\},$$

where r_{ij} is a category out of K_j ordered categories and $\boldsymbol{\theta}_j$ is a vector of suitable threshold parameters for outcome j with the following restriction: $-\infty < \theta_{j,1} < \dots < \theta_{j,K_j-1} < \infty$. Note that in this setting binary observations can be treated as ordinal observations with two categories ($K_j = 2$).

The following linear model is assumed for the relationship between the latent variable \tilde{Y}_{ij} and the vector of covariates \mathbf{x}_{ij} :

$$\tilde{Y}_{ij} = \beta_{j0} + \mathbf{x}_{ij}^\top \boldsymbol{\beta}_j + \epsilon_{ij}, \quad (1)$$

where β_{j0} is an intercept term, $\boldsymbol{\beta}_j = (\beta_{j1}, \dots, \beta_{jp})^\top$ is a vector of regression coefficients, both corresponding to outcome j , and ϵ_{ij} is a mean zero error term. Note that the number of ordered categories K_j as well as the threshold parameters $\boldsymbol{\theta}_j$ and the regression coefficients $\boldsymbol{\beta}_j$ are allowed to vary across outcome dimensions $j \in J$ to account for possible heterogeneity across the response variables. We further assume the n subjects to be independent and that the error terms are uncorrelated with the covariates.

The dependence among the different responses is accounted for by assuming that, for each subject i , the vector of error terms $\boldsymbol{\epsilon}_i = [\epsilon_{ij}]_{j \in J_i}$ follows a suitable multivariate distribution. We consider two multivariate distributions which correspond to the multivariate probit and logit link functions. For the *multivariate probit link* we assume that the errors follow a multivariate normal distribution: $\boldsymbol{\epsilon}_i \sim \mathcal{N}_{q_i}(\mathbf{0}, \boldsymbol{\Sigma}_i)$. A *multivariate logit link* is constructed by employing a multivariate logistic distribution family with univariate logistic margins and a t copula with certain degrees of freedom. For a vector $\mathbf{z} = (z_1, \dots, z_q)^\top$, the multivariate logistic distribution function with ν degrees of freedom, mean $\boldsymbol{\mu}$ and covariance matrix $\boldsymbol{\Sigma}$ is defined as:

$$F_{\nu, \boldsymbol{\mu}, \boldsymbol{\Sigma}}(\mathbf{z}) = t_{\nu, \mathbf{R}}(\{g_\nu((z_1 - \mu_1)/\sigma_1), \dots, g_\nu((z_q - \mu_q)/\sigma_q)\}^\top), \quad (2)$$

where $t_{\nu, \mathbf{R}}$ is the q dimensional multivariate t distribution with ν degrees of freedom and correlation matrix \mathbf{R} corresponding to $\boldsymbol{\Sigma}$, $g_\nu(x) = t_\nu^{-1}(\exp(x)/(\exp(x)+1))$, t_ν^{-1} is the quantile function of the univariate t distribution with ν degrees of freedom and $\sigma_1^2, \dots, \sigma_q^2$ are the diagonal elements of $\boldsymbol{\Sigma}$.

This t copula based multivariate logistic family was proposed by O'Brien and Dunson (2004) and later also employed by Noorae, Abegaz, Ormel, Wit, and van den Heuvel (2016) and Hirk, Hornik, and Vana (2017a), who approximate the distribution by a multivariate t distribution with the degrees of freedom chosen appropriately. The employed distribution family differs from the conventional multivariate logistic distributions of Gumbel (1961) or Malik and Abraham (1973) in that it offers a more flexible dependence structure through the correlation matrix of the t copula, while still keeping the log odds interpretation of the regression coefficients through the univariate logistic margins.

2.2. Identifiability issues

As the absolute scale and the absolute location are not identifiable in ordinal models, further restrictions on the parameter set need to be imposed. Assuming Σ_i to be a covariance matrix with diagonal elements $[\sigma_{ij}^2]_{j \in J_i}$, only the quantities β_j/σ_{ij} and $(\theta_{j,r_{ij}} - \beta_{j0})/\sigma_{ij}$ are identifiable in the model in Equation 1. Hence, in order to obtain an identifiable model the parameter set is typically constrained in one of the following ways:

- Fixing the intercept β_{j0} (e.g., to zero), using flexible thresholds θ_j and fixing σ_{ij} (e.g., to unity) $\forall j \in J_i, \forall i \in \{1, \dots, n\}$;
- Leaving the intercept β_{j0} unrestricted, fixing one threshold parameter (e.g., $\theta_{j,1} = 0$) and fixing σ_{ij} (e.g., to unity) $\forall j \in J_i, \forall i \in \{1, \dots, n\}$;
- Fixing the intercept β_{j0} (e.g., to zero), fixing one threshold parameter (e.g., $\theta_{j,1} = 0$) and leaving σ_{ij} unrestricted $\forall j \in J_i, \forall i \in \{1, \dots, n\}$;
- Leaving the intercept β_{j0} unrestricted, fixing two threshold parameters (e.g., $\theta_{j,1} = 0$ and $\theta_{j,2} = 1$) and leaving σ_{ij} unrestricted $\forall j \in J_i, \forall i \in \{1, \dots, n\}$.¹

Note that the first two options are the most commonly used in the literature. All of these alternative model parameterizations are supported by the **mvord** package, allowing the user to choose the most convenient one for each specific application. Table 1 in Section 3.5 gives an overview on the identifiable parameterizations implemented in the package.

2.3. Error structures

Basic model

The *basic* multivariate ordinal regression model assumes that the correlation (and possibly variance, depending on the parameterization) parameters in the distribution function of the ϵ_i 's are constant for all subjects i .

Correlation The dependence between the multiple measurements or outcomes can be captured by different correlation structures. Among them, we concentrate on the following three:

- the *general* correlation structure assumes different correlation parameters between pairs of outcomes $\text{corr}(\epsilon_{ik}, \epsilon_{il}) = \rho_{kl}$;
- the *equicorrelation* structure $\text{corr}(\epsilon_{ik}, \epsilon_{il}) = \rho$ implies that the correlation between all pairs of outcomes is constant;
- when faced with longitudinal data, especially when moderate to long subject-specific time series are available, an *AR(1) autoregressive* correlation model of order one can be employed. For given equally spaced time points t_1, t_2, \dots, t_q this *AR(1)* error structure implies an exponential decay in the correlation with the lag. If t_k and t_l are the time points when Y_{ik} and Y_{il} are observed, then $\text{corr}(\epsilon_{ik}, \epsilon_{il}) = \rho^{|t_k - t_l|}$.

¹Note that this parameterization cannot be applied to the binary case.

Variance If a parameterization which supports the estimation of the variance of the latent processes is used (see Section 2.2), it is assumed that $\text{VAR}(\epsilon_{ij}) = \sigma_j^2$.

Extending the basic model

In some applications, the constant correlation (and variance) structure across subjects may be too restrictive. We hence extend the basic model by allowing the use of covariates in the correlation (and variance) specifications.

Correlation For each subject i and each pair (k, l) from the set J_i , the correlation parameter ρ_{ikl} is assumed to depend on a vector \mathbf{s}_i of m subject-specific covariates. The hyperbolic tangent transformation allows us to reparameterize the linear term $\alpha_{0kl} + \mathbf{s}_i^\top \boldsymbol{\alpha}_{kl}$ in terms of a correlation parameter:

$$\frac{1}{2} \log \left(\frac{1 + \rho_{ikl}}{1 - \rho_{ikl}} \right) = \alpha_{0kl} + \mathbf{s}_i^\top \boldsymbol{\alpha}_{kl}, \quad \rho_{ikl} = \frac{e^{2(\alpha_{0kl} + \mathbf{s}_i^\top \boldsymbol{\alpha}_{kl})} - 1}{e^{2(\alpha_{0kl} + \mathbf{s}_i^\top \boldsymbol{\alpha}_{kl})} + 1}.$$

If $\boldsymbol{\alpha}_{kl} = 0$ for all $k, l \in J_i$, this model would correspond to the general correlation structure in the basic model. Moreover, if $\alpha_{0kl} = 0$ and $\boldsymbol{\alpha}_{kl} = 0$ for all $k, l \in J_i$, the correlation matrix is the identity matrix and the responses are uncorrelated.

For the more parsimonious error structures of equicorrelation and $AR(1)$, in the extended model the correlation parameters are modeled as:

$$\frac{1}{2} \log \left(\frac{1 + \rho_i}{1 - \rho_i} \right) = \alpha_0 + \mathbf{s}_i^\top \boldsymbol{\alpha}, \quad \rho_i = \frac{e^{2(\alpha_0 + \mathbf{s}_i^\top \boldsymbol{\alpha})} - 1}{e^{2(\alpha_0 + \mathbf{s}_i^\top \boldsymbol{\alpha})} + 1}.$$

Variance Similarly, one could model the heterogeneity among the subjects through the variance parameters $\text{VAR}(\epsilon_{ij}) = \sigma_{ij}^2$ by employing the following linear model on the log-variance:

$$\log(\sigma_{ij}^2) = \gamma_{0j} + \mathbf{s}_i^\top \boldsymbol{\gamma}_j.$$

The correlation (or covariance) matrix $\boldsymbol{\Sigma}_i$ must be positive-semi-definite. This can be ensured by the use of special algorithms such as the one proposed by [Higham \(1988\)](#).

2.4. Composite likelihood estimation

In order to estimate the model parameters we use a composite likelihood approach, where the full likelihood is approximated by a pseudo-likelihood which is constructed from lower dimensional marginal distributions, more specifically by ‘‘aggregating’’ the likelihoods corresponding to pairs of observations ([Varin, Reid, and Firth 2011](#)).

For a given parameter vector $\boldsymbol{\delta}$, which contains the threshold parameters, the regression coefficients and the parameters of the error structure, the likelihood is given by:

$$\mathcal{L}(\boldsymbol{\delta}) = \prod_{i=1}^n \text{P} \left(\bigcap_{j \in J_i} \{Y_{ij} = r_{ij}\} \right)^{w_i} = \prod_{i=1}^n \left(\int_{D_i} f_{q_i}(\widetilde{\mathbf{Y}}_i; \boldsymbol{\delta}) d^{q_i} \widetilde{\mathbf{Y}}_i \right)^{w_i},$$

where $D_i = \prod_{j \in J_i} (\theta_{j,r_{ij}-1}, \theta_{j,r_{ij}}]$ is a Cartesian product, w_i are subject-specific non-negative weights, which are set to one in the default case, and f_{q_i} is the q_i -dimensional density of the error terms ϵ_i . We approximate this full likelihood by a pairwise likelihood which is constructed from bivariate marginal distributions. If the number of observed outcomes for subject i is less than two ($q_i < 2$), the univariate marginal distribution enters the likelihood. The pairwise log-likelihood function is obtained by:

$$p\ell(\boldsymbol{\delta}) = \sum_{i=1}^n w_i \left[\mathbb{1}_{\{q_i \geq 2\}} \sum_{\substack{k < l \\ k, l \in J_i}} \log(\mathbb{P}(Y_{ik} = r_{ik}, Y_{il} = r_{il})) + \mathbb{1}_{\{q_i = 1\}} \mathbb{1}_{\{k \in J_i\}} \log(\mathbb{P}(Y_{ik} = r_{ik})) \right]. \quad (3)$$

Denoting by $U_{ij} = (\theta_{j,r_{ij}} - \beta_{j0} - \mathbf{x}_{ij}^\top \boldsymbol{\beta}_j) / \sigma_{ij}$ the upper and by $L_{ij} = (\theta_{j,r_{ij}-1} - \beta_{j0} - \mathbf{x}_{ij}^\top \boldsymbol{\beta}_j) / \sigma_{ij}$ the lower integration bounds and by f_1 and f_2 the uni- and bivariate density functions corresponding to the error distribution, the uni- and bivariate probabilities are given by:

$$\begin{aligned} \mathbb{P}(Y_{ik} = r_{ik}, Y_{il} = r_{il}) &= \int_{L_{ik}}^{U_{ik}} \int_{L_{il}}^{U_{il}} f_2(v_{ik}, v_{il}; \rho_{ikl}) dv_{ik} dv_{il}, \\ \mathbb{P}(Y_{ik} = r_{ik}) &= \int_{L_{ik}}^{U_{ik}} f_1(v_{ik}) dv_{ik}. \end{aligned}$$

The maximum pairwise likelihood estimates $\hat{\boldsymbol{\delta}}_{\text{PL}}$ are obtained by direct maximization of the composite likelihood given in Equation 3. The threshold and error structure parameters to be estimated are reparameterized such that unconstrained optimization can be performed. Firstly, we reparameterize the threshold parameters in order to achieve monotonicity. Secondly, for all unrestricted correlation (and covariance) matrices we use the spherical parameterization of [Pinheiro and Bates \(1996\)](#). This parameterization has the advantage that it can be easily applied to correlation matrices. Thirdly, if we assume to have equicorrelated or $AR(1)$ errors, we use the hyperbolic tangent transformation.

Computation of the standard errors is needed in order to quantify the uncertainty of the maximum pairwise likelihood estimates. Under certain regularity conditions, the maximum pairwise likelihood estimates are consistent as the number of responses is fixed and $n \rightarrow \infty$. In addition, the maximum pairwise likelihood estimator is asymptotically normal with asymptotic mean $\boldsymbol{\delta}$ and a covariance matrix which equals the inverse of the Godambe information matrix:

$$G(\boldsymbol{\delta})^{-1} = H^{-1}(\boldsymbol{\delta})V(\boldsymbol{\delta})H^{-1}(\boldsymbol{\delta}),$$

where $H(\boldsymbol{\delta})$ the Hessian (sensitivity matrix) and $V(\boldsymbol{\delta})$ the variability matrix. The variability matrix $V(\boldsymbol{\delta})$ and the Hessian $H(\boldsymbol{\delta})$ can be estimated as follows:

$$\hat{V}(\boldsymbol{\delta}) = \frac{1}{n} \sum_{i=1}^n \left(\frac{\partial p\ell_i(\hat{\boldsymbol{\delta}}_{\text{PL}})}{\partial \boldsymbol{\delta}} \right) \left(\frac{\partial p\ell_i(\hat{\boldsymbol{\delta}}_{\text{PL}})}{\partial \boldsymbol{\delta}} \right)^\top,$$

$$\begin{aligned}\hat{H}(\boldsymbol{\delta}) &= -\frac{1}{n} \sum_{i=1}^n \frac{\partial^2 p\ell_i(\hat{\boldsymbol{\delta}}_{\text{PL}})}{\partial \boldsymbol{\delta} \partial \boldsymbol{\delta}^\top} \\ &= \frac{1}{n} \sum_{i=1}^n \sum_{\substack{k < l \\ k, l \in J_i}} \left(\frac{\partial p\ell_{ikl}(\hat{\boldsymbol{\delta}}_{\text{PL}})}{\partial \boldsymbol{\delta}} \right) \left(\frac{\partial p\ell_{ikl}(\hat{\boldsymbol{\delta}}_{\text{PL}})}{\partial \boldsymbol{\delta}} \right)^\top,\end{aligned}$$

where $p\ell_i(\boldsymbol{\delta})$ is the component of the pairwise log-likelihood corresponding to subject i and $p\ell_{ikl}(\boldsymbol{\delta})$ corresponds to subject i and pair (k, l) .

In order to compare different models, the composite likelihood information criterion by [Varin and Vidoni \(2005\)](#) can be used: $\text{CLIC}(\boldsymbol{\delta}) = -2 p\ell(\hat{\boldsymbol{\delta}}_{\text{PL}}) + k \text{tr}(\hat{V}(\boldsymbol{\delta})\hat{H}(\boldsymbol{\delta})^{-1})$ (where $k = 2$ corresponds to CLAIC and $k = \log(n)$ corresponds to CLBIC). A comprehensive overview and further details on the properties of the maximum composite likelihood estimates is provided in [Varin \(2008\)](#).

2.5. Interpretation of the coefficients

Unlike in linear regression models, the interpretation of the regression coefficients and of the threshold parameters in ordinal models is not straightforward. Estimated thresholds and coefficients represent only signal to noise ratios and cannot be interpreted directly (see [Section 2.2](#)). For one particular outcome j , the coefficients can be interpreted in the same way as in univariate cumulative link models. Let us assume without loss of generality that a higher latent score leads to better ratings on the ordinal scale. This implies that the first category is the worst and category K_j is the best category. The marginal cumulative probabilities implied by the model in [Equation 1](#) are then given by the following relationship:

$$\text{P}(Y_{ij} \leq r_{ij} | \mathbf{x}_{ij}) = \text{P}(\mathbf{x}_{ij}^\top \boldsymbol{\beta}_j + \epsilon_{ij} \leq \theta_{j,r_{ij}}) = \text{P}(\epsilon_{ij} \leq \theta_{j,r_{ij}} - \mathbf{x}_{ij}^\top \boldsymbol{\beta}_j) = F_1(\theta_{j,r_{ij}} - \mathbf{x}_{ij}^\top \boldsymbol{\beta}_j),$$

where F_1 is the marginal (univariate) distribution function of the errors for the j -th outcome. One natural way to interpret ordinal regression models is to analyze partial effects, where one is interested in how a marginal change in one variable x_{ijv} changes the outcome distribution. The partial probability effects in the cumulative model are given by:

$$\delta_{r,v}^j(\mathbf{x}_{ij}) = \frac{\partial \text{P}(Y_{ij} = r_{ij} | \mathbf{x}_{ij})}{\partial x_{ijv}} = - \left(f_1(\theta_{j,r_{ij}} - \mathbf{x}_{ij}^\top \boldsymbol{\beta}_j) - f_1(\theta_{j,r_{ij}-1} - \mathbf{x}_{ij}^\top \boldsymbol{\beta}_j) \right) \beta_{jv},$$

where f_1 is the density corresponding to F_1 , x_{ijv} is the v -th element in \mathbf{x}_{ij} and β_{jv} is the v -th element in $\boldsymbol{\beta}_j$. In case of discrete variables it is more appropriate to consider the changes in probability before and after the change in the variable instead of the partial effects using:

$$\Delta \text{P}(Y_{ij} = r_{ij} | \mathbf{x}_{ij}, \tilde{\mathbf{x}}_{ij}) = \text{P}(Y_{ij} = r_{ij} | \tilde{\mathbf{x}}_{ij}) - \text{P}(Y_{ij} = r_{ij} | \mathbf{x}_{ij}),$$

where all elements of $\tilde{\mathbf{x}}_{ij}$ are equal to \mathbf{x}_{ij} except for the v -th element, which is equal to $\tilde{x}_{ijv} = x_{ijv} + \Delta x_{ijv}$ for the discrete change Δx_{ijv} in the variable x_v . We refer to [Greene and Hensher \(2010\)](#) and [Boes and Winkelmann \(2006\)](#) for further discussion of the interpretation of partial effects in ordered response models.

In the presence of the probit link function, we have the following relationship between the cumulative probabilities and the latent process:

$$\Phi^{-1}(\text{P}(Y_{ij} \leq r_{ij} | \mathbf{x}_{ij})) = \theta_{j,r_{ij}} - \mathbf{x}_{ij}^\top \boldsymbol{\beta}_j.$$

An increase of one unit in a variable x_{jv} (given that all other variables are held constant) changes the probit of the probability that category r or lower is observed by the value of the coefficient β_{jv} of this variable. In other words $P(Y_{ij} \leq r_{ij} | \mathbf{x}_{ij})$, the probability that category r_{ij} or lower is observed, changes by the increase/decrease in the distribution function. Moreover, predicted probabilities for all ordered response categories can be calculated and compared for given sets of explanatory variables.

In the presence of the logit link function, the regression coefficients of the underlying latent process are scaled in terms of marginal log odds (McCullagh 1980):

$$\log \left(\frac{P(Y_{ij} \leq r_{ij} | \mathbf{x}_{ij})}{P(Y_{ij} > r_{ij} | \mathbf{x}_{ij})} \right) = \theta_{j,r_{ij}} - \mathbf{x}_{ij}^\top \boldsymbol{\beta}_j.$$

For a one unit increase in one variable x_{jv} holding all the others constant, we expect a change of size of the coefficient β_{jv} of this variable in the expected value on the log odds scale. Due to the fact that the marginal effects of the odds ratios do not depend on the category, one often exponentiates the coefficients in order to obtain the following convenient interpretation in terms of odds ratios:

$$\frac{P(Y_{ij} \leq r_{ij} | \mathbf{x}_{ij}) / P(Y_{ij} > r_{ij} | \mathbf{x}_{ij})}{P(Y_{ij} \leq r_{ij} | \tilde{\mathbf{x}}_{ij}) / P(Y_{ij} > r_{ij} | \tilde{\mathbf{x}}_{ij})} = \exp((\tilde{\mathbf{x}}_{ij} - \mathbf{x}_{ij})^\top \boldsymbol{\beta}_j).$$

This means for a one unit increase in x_{jv} holding all the other variables constant, changes the odds ratio by $e^{\beta_{jv}}$. In other words, the odds after a one unit change in x_{jv} are the odds before the change multiplied by $e^{-\beta_{jv}}$

$$\frac{P(Y_{ij} \leq r_{ij} | \mathbf{x}_{ij})}{P(Y_{ij} > r_{ij} | \mathbf{x}_{ij})} \exp(-\beta_j) = \frac{P(Y_{ij} \leq r_{ij} | \tilde{\mathbf{x}}_{ij})}{P(Y_{ij} > r_{ij} | \tilde{\mathbf{x}}_{ij})}.$$

If the regression coefficients vary across the multiple responses, they cannot be compared directly due to the fact that the measurement units of the underlying latent processes differ. Nevertheless, one possibility to compare coefficients is through concept of *importance*. Reusens and Croux (2017) extend an approach for comparing coefficients of probit and logit models by Hoetker (2007) in order to compare the coefficients across repeated measurements. They analyze the *importance ratio*

$$R_{jv} = \frac{\beta_{jv}}{\beta_{j,base}},$$

where $\beta_{j,base}$ is the coefficient of a *base* variable and v is one of the remaining $p - 1$ variables. This ratio can be interpreted as follows: A one unit increase in the variable v has in expectation the same effect in the *base* variable multiplied by the ratio R_{jv} . Another interpretation is the so called *compensation variation*: The ratio is the required increase in the *base* variable that is necessary to compensate a one unit decrease in the variable v in a way that the score of the outcome remains the same.

3. Implementation

Multivariate ordinal regression models in the R package **mvord** are fitted using the function `mvord()`:

```

R> mvord(formula,
+       data,
+       error.structure = corGeneral(~ 1),
+       link = mvprobit(),
+       index = NULL,
+       response.names = NULL,
+       response.levels = NULL,
+       threshold.constraints = NULL,
+       threshold.values = NULL,
+       coef.constraints = NULL,
+       coef.values = NULL,
+       weights = NULL,
+       se = TRUE,
+       start.values = NULL,
+       solver = "BFGS",
+       PL.lag = NULL,
+       control = list(maxit=200000, trace = 1, kkt = FALSE)
+ )

```

3.1. Data structure

We use a long format for the input of `data`, where each row contains a subject index i (`subject_index`), a multiple measurement index j (`multiple_measurement_index`), an ordinal response (Y) and all the covariates (X_1 to X_p)². This long format data structure is internally transformed to an $n \times q$ matrix of responses \mathbf{Y}_1 to \mathbf{Y}_q (which contains NA in the case of missing entries) and a list of covariate matrices \mathbf{X}_j for all $j \in J$. In order to construct these objects, the subject index i and the multiple measurement index j should be specified. This can be performed by an optional argument `index`, a character vector of length two, specifying the column names of the subject index and the multiple measurement index in `data`.

```

R> index <- c("subject_index", "multiple_measurement_index")
R> index

```

```
[1] "subject_index"           "multiple_measurement_index"
```

The default value of `index` is `NULL` assuming that the first column of `data` contains the subject index i and the second column the multiple measurement index j .

If specific constraints are imposed on the threshold parameters and/or on the regression coefficients, it is important to know which level of the multiple measurement index j corresponds to the first dimension, second dimension and so on. Hence, a well defined index $j \in J$ for the multiple measurements is needed. Therefore, a vector `response.names` is used to define the index number of the multiple measurement. If we assume to have $q = 4$ outcomes Y_1 to Y_4 , the following `response.names` are set:

²If the covariates have different scales, numerical instabilities may occur in the estimation procedure. In such cases we suggest to e.g., standardize the covariates or transform them to have a similar scale.

```
R> response.names <- c("Y1", "Y2", "Y3", "Y4")
R> response.names
```

```
[1] "Y1" "Y2" "Y3" "Y4"
```

The default value of `response.names` is `NULL` giving the natural ordering of the levels of the factor variable for all the multiple measurements. The ordering of `response.names` always specifies the index of the multiple measurement unit $j \in J$. This ordering is essential when putting constraints on the parameters and when setting `response.levels`.

```
R> response.levels <- list(Y1 = rev(LETTERS[1:6]),
+                           Y2 = rev(LETTERS[1:6]),
+                           Y3 = rev(LETTERS[7:13]),
+                           Y4 = c("O", "N"))
R> response.levels
```

```
$Y1
[1] "F" "E" "D" "C" "B" "A"
```

```
$Y2
[1] "F" "E" "D" "C" "B" "A"
```

```
$Y3
[1] "M" "L" "K" "J" "I" "H" "G"
```

```
$Y4
[1] "O" "N"
```

If the categories differ across multiple measurements (either the number of categories and/or the category labels) one needs to specify the `response.levels` explicitly. This is performed by a list of length q , where each element contains the names of the levels of the ordered categories in ascending (or if desired descending) order.

3.2. Formula

The ordinal responses Y and the p covariates X_1, X_2, \dots, X_p are passed by a `formula` object. Intercepts can be included or excluded in the model depending on the model parameterization chosen in order to ensure identifiability:

Model without intercept If the intercept should be removed, the `formula` has the following form:

```
R> formula = Y ~ 0 + X1 + ... + Xp
```

Model with intercept If one wants to include an intercept in the model, there are two equivalent possibilities to set the model `formula`. Either the intercept is included explicitly by:

```
R> formula = Y ~ 1 + X1 + ... + Xp
```

or by

```
R> formula = Y ~ X1 + ... + Xp
```

3.3. Link functions

We allow for two different link functions, the multivariate probit link and a multivariate logit link. For the multivariate probit link a multivariate normal distribution for the errors is applied. The normal bivariate probabilities which enter the pairwise log-likelihood are computed with package **pbivnorm** (Genz and Kenkel 2015). The multivariate probit link can be specified by:

```
R> link = mvprobit()
```

For the multivariate logit link a t copula based multivariate distribution with logistic margins is used (as explained in Section 2.1) and can be specified by:

```
R> link = mvlogit(df = 8L)
```

The `mvlogit()` function has an optional integer valued argument `df` which specifies the degrees of freedom to be used for the t copula. The default value of the degrees of freedom parameter is 8. When choosing $\nu \approx 8$, the multivariate logistic distribution in Equation 2 is well approximated by a multivariate t distribution (O'Brien and Dunson 2004). This is also the value chosen by Noorae *et al.* (2016) and Hirk *et al.* (2017a) in their analysis. We restrict the degrees of freedom to be integer valued because the most efficient routines for computing bivariate t probabilities do not support non-integer degrees of freedom. We use the Fortran code from Alan Genz (Genz and Bretz 2009) to compute the bivariate t probabilities. As the degrees of freedom parameter is integer valued, we do not estimate it in the optimization procedure. If the optimal degrees of freedom are of interest, we leave the task of choosing an appropriate grid of values of `df` to the user, who should then estimate a separate model for each value in the grid. The best model can be chosen by CLAIC or CLBIC.

3.4. Error structures

Depending on the model type different error structures are implemented in **mvord**:

Basic model

Correlation For the basic model specification the following correlation structures are implemented in **mvord**:

- **corGeneral** – A general error structure, where the correlation matrix of the error terms is unrestricted and constant across all subjects: $\text{corr}(\epsilon_{ik}, \epsilon_{il}) = \rho_{kl}$. This error structure is among the most common in the literature (e.g., Scott and Kanaroglou 2002; Bhat, Varin, and Ferdous 2010; Kenne Pagui and Canale 2016).

```
R> error.structure = corGeneral(~ 1)
```

- `corEqui` – An equicorrelation structure with $\text{corr}(\epsilon_{ik}, \epsilon_{il}) = \rho$ is used.

```
R> error.structure = corEqui(~ 1)
```

- `corAR1` – An autoregressive error structure of order one with $\text{corr}(\epsilon_{ik}, \epsilon_{il}) = \rho^{|t_k - t_l|}$ is used.

```
R> error.structure = corAR1(~ 1)
```

Variance A model with variance parameters $\text{VAR}(\epsilon_{ij}) = \sigma_j^2$ corresponding to each outcome, when the identifiability requirements are fulfilled, can be specified in the following way:

- the estimation of σ_j^2 is only implemented in combination with the general correlation structure. Hence, the unrestricted covariance matrix of the error terms can be estimated by:

```
R> error.structure = covGeneral(~ 1)
```

Extending the basic model

Correlation

- For the heterogeneous general correlation structure, the current implementation only allows the use of one `factor` variable `f` as covariate. As previously mentioned, this factor variable should be subject-specific and hence should not vary across the multiple responses. This implies that a correlation matrix will be estimated for each factor level.

```
R> error.structure = corGeneral(~ f)
```

- Estimating an equicorrelation structure depending on subject-specific covariates:

```
R> error.structure = corEqui(~ S1 + ... + Sm)
```

- Estimating an `AR(1)` correlation structure depending on subject-specific covariates:

```
R> error.structure = corAR1(~ S1 + ... + Sm)
```

Variance

- As in the basic model, the estimation of the heterogeneous variance parameters can be performed for the general correlation structure. A subject-specific factor `f` can be used as covariate in the log variance equation. This can be specified by:

```
R> error.structure = covGeneral(~ f)
```

In addition to the correlation matrices, which are estimated for each factor level of `f`, a vector of dimension `q` of variance parameters will be estimated for each factor level.

3.5. Constraints on thresholds

The package supports constraints on the threshold parameters. Firstly, the user can specify whether the threshold parameters should be equal across some or all response dimensions. Secondly, the values of some of the threshold parameters can be fixed. This feature is important for the users who wish to further restrict the parameter space of the thresholds or who wish to specify values for the threshold parameters other than the default values used in the package. Note that fixing some of the thresholds is needed for some of the parameterizations presented in Table 1 in order to ensure identifiability of the model.

Threshold constraints across responses

Such constraints can be imposed by a vector of positive integers `threshold.constraints`, where dimensions with equal threshold parameters get the same integer. When restricting two outcome dimensions to be equal, one has to be careful that the number of categories in the two outcome dimensions must be the same. In an example with $q = 4$ different outcomes, if one wishes to restrict the threshold parameters of the first and second outcomes Y1 and Y2 to be equal ($\theta_1 = \theta_2$). These restrictions can be specified as:

```
R> threshold.constraints <- c(1, 1, 2, 3)
R> names(threshold.constraints) <- paste0("Y", 1:4)
R> threshold.constraints
```

```
Y1 Y2 Y3 Y4
 1  1  2  3
```

Fixing threshold values

Values for the threshold parameters can be specified by the argument `threshold.values`. For this purpose the user can pass a `list` with q elements, where each element is a `vector` of length $K_j - 1$ (where K_j is number of ordered categories for ordinal outcome j). A numeric value in this vector fixes the corresponding threshold parameter to the specified value while `NA` leaves the parameter flexible and indicates it should be estimated.

After specifying the error structure (through the `error.structure` argument) and whether an intercept should be estimated or not (in the `formula` argument), the user can choose among five possible options for fixing the thresholds:

- leaving all thresholds flexible;
- fixing the first threshold $\theta_{j,1}$ to a constant a_j for all $j \in J$;
- fixing the first and second thresholds $\theta_{j,1} = a_j$, $\theta_{j,2} = b_j$ for all outcomes with $K_j > 2$;
- fixing the first and last thresholds $\theta_{j,1} = a_j$, $\theta_{j,K_j-1} = b_j$ for all outcomes with $K_j > 2$;
- an extra option is fixing all of the threshold parameters, for all $j \in J$.

Note that the option chosen needs to be consistent across the different outcomes (e.g., it is not allowed to fix the first and the last threshold for one outcome and the first and the second

threshold for a different). Table 1 provides information about the options available for each combination error structure and intercept, as well as about the default values in case the user does not specify any threshold values.

Error structure	Intercept	Threshold parameters				
		all flexible	one fixed $\theta_{j,1} = a_j$	two fixed $\theta_{j,1} = a_j$ $\theta_{j,2} = b_j$	two fixed $\theta_{j,1} = a_j$ $\theta_{j,K_j-1} = b_j$	all fixed
cor	no	✓	✓	✓	✓	✓
	yes		✓	✓	✓	✓
cov	no		✓	✓	✓	✓
	yes			✓	✓	✓

Table 1: This table displays different model parameterizations in the presence of ordinal observations ($K_j > 2 \forall j \in J$). The row `cor` includes error structures `corGeneral`, `corEqui` and `corAR1`, while row `cov` includes the error structure `covGeneral`. The minimal restrictions (default) to ensure identifiability are given in green. The default threshold values (in case `threshold.values = NULL`) are always $a_j = 0$ and $b_j = 1$.

In the presence of binary observations ($K_j = 2$), if a `covGeneral` error structure is used, the intercept has always to be fixed to some value due to identifiability constraints. In a correlation structure setting no further restrictions are required.

For example, the following restrictions on the threshold parameters:

- $\theta_{11} = -4 \leq \theta_{12} \leq \theta_{13} \leq \theta_{14} \leq \theta_{15} \leq \theta_{16}$;
- $\theta_{21} = -4 \leq \theta_{22} \leq \theta_{23} \leq \theta_{24} \leq \theta_{25} \leq \theta_{26}$;
- $\theta_{31} = -5 \leq \theta_{32} \leq \theta_{33} \leq \theta_{34} \leq \theta_{35} \leq \theta_{36} \leq \theta_{37}$;
- $\theta_{41} = 0$,

are implemented as:

```
R> threshold.values <- list(c(-4, NA, NA, NA, NA, NA),
+                          c(-4, NA, NA, NA, NA, NA),
+                          c(-5, NA, NA, NA, NA, NA, NA),
+                          c(0))
R> names(threshold.values) <- paste0("Y", 1:4)
R> threshold.values
```

\$Y1

[1] -4 NA NA NA NA NA

\$Y2

[1] -4 NA NA NA NA NA

\$Y3

[1] -5 NA NA NA NA NA NA

```
$Y4
[1] 0
```

3.6. Constraints on coefficients

Similar to the threshold parameters, the package supports constraints on the regression coefficients. Firstly, the user can specify whether the regression coefficients should be equal across some or all response dimensions. Secondly, the values of some of the regression coefficients can be fixed.

Coefficient constraints across responses

Such constraints can be specified by the argument `coef.constraints`, which can be either a vector or a matrix of integer values. If vector constraints of the type $\beta_k = \beta_l$, are desired, which should hold for all p regression coefficients corresponding to outcome k and l , the easiest way to specify this is by means of a vector of integers of dimension q , where outcomes with equal vectors of regression coefficients get the same integer. For example, for $q = 4$, a model where the regression coefficients of the first and second outcomes are equal ($\beta_1 = \beta_2$), while the coefficients of outcomes three and four are unrestricted, can be specified as:

```
R> coef.constraints <- c(1, 1, 2, 3)
R> names(coef.constraints) <- paste0("Y", 1:4)
R> coef.constraints
```

```
Y1 Y2 Y3 Y4
 1  1  2  3
```

A more flexible framework allows the user to specify such constraints for each of the regression coefficients of the p covariates, not only for the whole vector. Such constraints will be specified by means of a matrix of dimension $q \times p$, where each column specifies constraints for one of the p covariates in the same way as presented above. Moreover, a value of NA indicates that the corresponding coefficient is fixed (as we will show below) and should not be estimated.

Let us assume we are dealing with seven covariates and four outcomes (as in the example presented in Section 5.1) and the following constraints on the regression coefficients:

- $\beta_{12} = \beta_{22} = \beta_{32}$;
- $\beta_{13} = 0, \beta_{23} = 0, \beta_{33} = 0$;
- $\beta_{14} = \beta_{24} = \beta_{34}, \beta_{44} = 0$;
- $\beta_{15} = \beta_{25} = \beta_{35} = \beta_{45} = 2$.

These restrictions on the regression coefficients are imposed by:

```
R> coef.constraints <- cbind(c(1, 2, 3, 4),
+                           c(1, 1, 1, 2),
```

```

+           c(NA, NA, NA, 1),
+           c(1, 1, 1, NA),
+           c(NA, NA, NA, NA),
+           c(1, 2, 3, 4),
+           c(1, 2, 3, 4))
R> rownames(coef.constraints) <- paste0("Y", 1:4)
R> colnames(coef.constraints) <- paste0("X", 1:7)
R> coef.constraints

```

```

      X1 X2 X3 X4 X5 X6 X7
Y1    1  1 NA  1 NA  1  1
Y2    2  1 NA  1 NA  2  2
Y3    3  1 NA  1 NA  3  3
Y4    4  2  1 NA NA  4  4

```

Specific values of coefficients can be fixed through the `coef.values` argument, as we will show in the following.

Fixing coefficient values

In addition, specific values on the regression coefficients can be set in the $q \times p$ matrix `coef.values`. Again each column corresponds to the regression coefficients of one covariate. This feature is to be used if some of the covariates have known slopes, but also for excluding covariates from the mean model of some of the outcomes (by fixing the regression coefficient to zero).

By default, if no `coef.values` are passed by the user, all the regression coefficients which receive an NA in `coef.constraints` will be set to zero. NA in the `coef.values` matrix indicates the regression coefficient ought to be estimated. Setting `coef.values` in accordance with the `coef.constraints` from above:

```

R> coef.values <- cbind(c(NA, NA, NA, NA),
+                       c(NA, NA, NA, NA),
+                       c(0, 0, 0, NA),
+                       c(NA, NA, NA, 0),
+                       c(2, 2, 2, 2),
+                       c(NA, NA, NA, NA),
+                       c(NA, NA, NA, NA))
R> rownames(coef.values) <- paste0("Y", 1:4)
R> colnames(coef.values) <- paste0("X", 1:7)
R> coef.values

```

```

      X1 X2 X3 X4 X5 X6 X7
Y1 NA NA  0 NA  2 NA NA
Y2 NA NA  0 NA  2 NA NA
Y3 NA NA  0 NA  2 NA NA
Y4 NA NA NA  0  2 NA NA

```

gives the following equations for the latent scores:

$$\begin{aligned}\tilde{Y}_{i1} &= \beta_{11}x_{i1} + \beta_{12}x_{i2} && + \beta_{14}x_{i4} + 2x_{i5} + \beta_{16}x_{i6} + \beta_{17}x_{i7}, \\ \tilde{Y}_{i2} &= \beta_{21}x_{i1} + \beta_{12}x_{i2} && + \beta_{14}x_{i4} + 2x_{i5} + \beta_{26}x_{i6} + \beta_{27}x_{i7}, \\ \tilde{Y}_{i3} &= \beta_{31}x_{i1} + \beta_{12}x_{i2} && + \beta_{14}x_{i4} + 2x_{i5} + \beta_{36}x_{i6} + \beta_{37}x_{i7}, \\ \tilde{Y}_{i4} &= \beta_{41}x_{i1} + \beta_{42}x_{i2} + \beta_{43}x_{i3} && + 2x_{i5} + \beta_{46}x_{i6} + \beta_{47}x_{i7}.\end{aligned}$$

Note on interaction terms and factor covariates When constraints on the regression coefficients should be specified in models with interaction terms or factor covariates, the `coef.constraints` matrix has to be constructed appropriately. If the order of the terms in the covariate matrix is not clear to the user, it is helpful to call the function `model.matrix()` before constructing the `coef.constraints` and `coef.values` matrices.

```
R> formula <- Y ~ 0 + X1 : X2 + X3 + X4 + X5 + X6 * X7
R> colnames(model.matrix(formula, data = data_x))

[1] "X3"    "X4"    "X5"    "X6"    "X7"    "X1:X2" "X6:X7"
```

This will provide the names of each column in the covariate matrix and should be used when setting up the coefficient constraints.

3.7. Additional arguments

weights

Weights on each subject i can be chosen in a way that they are constant across multiple measurements. Weights should be stored in a column of `data`. The column name of the weights in `data` should be passed to this argument `weights`. Negative weights are not allowed.

solver

All general purpose optimizers of the R package `optimx` (Nash and Varadhan 2011; Nash 2014) can be used for maximization of the composite log-likelihood. These are "Nelder-Mead", "BFGS", "CG", "L-BFGS-B", "nlm", "nlminb", "spg", "ucminf", "newuoa", "bobyqa", "nmkb", "hjkb", "Rcgmin" and "Rvmmmin". The default is the "BFGS" solver. However, also the "newuoa" solver performed very well in terms of convergence in our experiments. Moreover, if the user desires a specific solver which is not implemented in the R package `optimx`, other applicable solvers can be used by using a wrapper function with arguments `starting.values`, `objFun`, `control` of the following form:

```
R> solver = function(starting.values, objFun, control){
+   optRes <- solver.function(...)
+   list(optpar = optRes$optpar,
+        objvalue = optRes$objvalue)
+ }
```

The `solver.function()` should return a list of two elements `optpar` and `objvalue`. The element `optpar` should be a vector of length equal to number of parameters to optimize containing the estimated parameters, while the element `objvalue` should contain the value of the objective function after the optimization procedure.

`se`

If `se = TRUE` standard errors are computed using the Godambe information matrix (see Section 2.4).

`start.values`

A list of starting values for threshold as well as regression coefficients can be passed by the argument `start.values`. This list contains a list (with a vector of starting values for each dimension) `theta` of all flexible threshold parameters and a list `beta` of all flexible regression parameters. All fixed values need to be excluded and in case of constraints on a whole dimension (e.g., `threshold.constraints = c(1,1,2,3)` or `coef.constraints = c(1,1,2,3)`), the element can be either skipped or a vector of length zero can be set. Starting values for Example 1 in Section 5 are for example:

```
R> start.values = list(theta = list(c(-3, -1, 0, 0.5, 2.5),
+                               c(-3, -1, 0, 0.5, 2, 3.5),
+                               c(0)),
+                       beta = list(c(0.05, -0.05, -0.8, 1, 0.2),
+                                  c(-0.5, 0.2),
+                                  c(-0.3, 0.3),
+                                  c(0.5, -1.1, 0.7, 0.3, -1.2)))
```

Starting values for the error structure parameters cannot be specified by the user because of the complexity of the different error structure parameterizations and transformations.

`PL.lag`

In longitudinal studies, where q_i is possibly large, the pairwise likelihood estimation can be time consuming as it is build from all two dimensional combinations of $j \in J_i$. To overcome this difficulty, one can construct the likelihood using only the bivariate probabilities for pairs of observations less than lag in “time units” apart. A similar approach was proposed by [Varin and Czado \(2009\)](#). Assuming that, for each subject i , we have a time-series of consecutive ordinal observations, the i -th component of the pairwise likelihood has the following form:

$$p\ell_i^{lag}(\boldsymbol{\delta}) = w_i \left[\sum_{k=1}^{q_i-1} \sum_{l=k+1}^{q_i} \mathbb{1}_{\{|t_k - t_l| \leq lag\}} \log P(Y_{ik} = r_{ik}, Y_{il} = r_{il}) \right].$$

The lag can be fixed by the argument `PL.lag` and it can only be used along with `error.structure = corAR1()`. The use of this argument is however not recommended if there are missing observations in the time series, i.e., if the ordinal variables are not observed in consecutive years. Moreover, one should also proceed with care if the observations are not missing at random.

control

A list of control arguments that are passed to the function `optimx()` or to the user-specific `solver.function()`. For further details see [Nash and Varadhan \(2011\)](#).

3.8. Methods for class "mvord"

Several methods are implemented for the class "mvord". These methods include a `summary()` and a `print()` function to display the estimation results, a `coef()` function to extract the regression coefficients, a `thresholds()` function to extract the threshold coefficients and a function `get.error.struct()` to extract the estimated parameters of the correlation/covariance structure of the errors. In addition, the pairwise log-likelihood can be extracted by `logPL()` while functions `claic()` and `clbic()` can be used to extract the information criteria CLAIC and CLBIC. In addition, a `predict()` function, a `marginal.predict()` function and a `get.prob()` function are available to predict probabilities, cumulative probabilities and ordinal outcomes from the fitted model.

3.9. Output

The function `mvord()` returns an object of class "mvord", which is a list containing the following components:

<code>beta</code>	a named matrix of regression coefficients
<code>theta</code>	a named list of threshold parameters
<code>error.struct</code>	a named list of correlation (covariance) matrices, or a vector of coefficients in the <code>corEqui</code> or <code>corAR1</code> setting
<code>sebeta</code>	a named matrix of standard errors of the regression coefficients
<code>setheta</code>	a named list of standard errors of the threshold parameters
<code>seerror.struct</code>	a named list of standard errors of the correlation (covariance) matrices, or a vector of standard errors of the coefficients in the <code>corEqui</code> or <code>corAR1</code> setting
<code>rho</code>	a list of all objects that are used in <code>mvord()</code>

3.10. Implementation `mvord2()`

Additionally, a second function `mvord2()` is implemented, for the setting where the covariates do not vary between the multiple measurements ($\mathbf{x}_{i1} = \dots = \mathbf{x}_{iq}$):

```
R> mvord2(formula,
+         data,
+         error.structure = corGeneral(~ 1),
+         link = mvprobit(),
+         coef.constraints = NULL,
+         coef.values = NULL,
+         threshold.constraints = NULL,
+         threshold.values = NULL,
+         weights = NULL,
+         se = TRUE,
+         start.values = NULL,
```

```
+ solver = "BFGS",
+ PL.lag = NULL,
+ control = list(maxit = 200000, trace = 1, kkt = FALSE))
```

This function uses a slightly simplified data structure, where the multiple ordinal observations as well as the covariates are stored as columns in a `data.frame`. Each subject i corresponds to one row of the data frame, where all outcomes Y_{i1}, \dots, Y_{iq} (with missing observations set to NA) and all the covariates x_{i1}, \dots, x_{ip} are stored in different columns. Each outcome must be of class ordered factor. In order to specify the model we use a multivariate formula object of the form:

```
R> formula <- cbind(Y1, ..., Yq) ~ 0 + X1 + ... + Xp
```

The `error.structure` and the constraints on the regression and threshold parameters are set in analogy to `mvord()`. However, the ordering of the responses is given by the ordering in the model `formula`. In addition, the `link`, subject `weights`, `se` and the `solver` are chosen in the same way as in `mvord()`.

4. Description of the illustrative data sets

As previously mentioned, the motivation of the `mvord` package lies in a credit risk application, where ordinal credit ratings from different rating sources are available for a sample of firms over several years. In this application, yearly credit ratings from the big three credit rating agencies Standard & Poor's, Moody's and Fitch were collected for a panel of publicly traded US companies. Moreover, accounting, stock price and default information on a yearly basis have been obtained for each firm-year in the sample.

Before proceeding with the multivariate analysis of these credit ratings, the following aspects of the problem at hand are worth mentioning. Firstly, a feature of the sample is the rather high number of missing values. Not all firms in the sample are rated by all three raters at the same point in time. In line with the market share the raters hold in the US ratings market, the number of rated firms per year differs between the three raters. Secondly, the raters can employ different rating scales in their rating methodology, e.g., different labeling of their ordinal rating classes or a different number of rating classes. A perhaps more fundamental difference between the rating scales appears when the raters employ different rating "philosophies", i.e., when the central credit risk measure employed in assessing creditworthiness differs among raters (e.g., probability of default versus recovery in case of default). This also has implications for the covariates used in the rating models, as the inclusion or importance of various covariates can differ among the raters. Even though the rating agencies do not fully disclose their rating process, most likely for keeping their competitive advantage, they do publish reports on a regular basis where they state what are the main variables considered in the rating process.

These data have been analyzed in Hirk *et al.* (2017a), where a multivariate model of corporate credit ratings has been proposed. Unfortunately, this original data set is not freely redistributable. Therefore, we resort to the simulation of illustrative data sets by taking into consideration key features of the original data such as the ones mentioned above. The simulated data sets contain ratings from four different rating sources and firm-specific covariates for a panel of 1665 firms over a sample period of ten years.

4.1. Covariates

The covariates employed correspond to firm-level and market financial ratios which measure different aspects of a firm's financial health:

- ICR – interest coverage ratio, which measures how well the interest expenses can be covered from the free operating cash-flow of a company;
- LR – liquidity ratio relating the cash held by a company to the current liabilities;
- LEV1 – leverage ratio relating debt to earnings before interest and taxes;
- LEV2 – leverage ratio measuring the percentage of debt in the long-term capital of a firm;
- PR – profitability ratio measuring return on capital;
- 1RSIZE – relative size of the company in the market (in logarithm);
- 1SYSR – a measure of systematic risk (in logarithm);
- BSEC – the business sector of a firm.

More information on these covariates can be found in e.g., [Campbell, Hilscher, and Szilagyi \(2008\)](#) or [Puccia, Collett, Kernan, Palmer, Mettrick, and Deslondes \(2013\)](#). The business sector variable BSEC has been kept as in the original data set. For the continuous covariates we resort to simulation. As the distribution of the continuous covariates in the original data set is rather homogeneous across the ten years, we fit a distribution to each covariate over the whole sample period using the function `fitdistr()` of the **MASS** package. The best fitting distribution has been chosen by AIC. The parameters and distributions used for the simulation of the covariates are given in Table 2.

Covariate	Bound	Distribution	Parameters
ICR	unbounded	$t(m, s, df)$	$m = 2.301, s = 2.120, df = 1.163$
LR	positive	$\log-t(m, s, df)$	$m = -1.472, s = 0.992, df = 2.753$
LEV1	positive	$\log-t(m, s, df)$	$m = 1.008, s = 0.596, df = 1.245$
LEV2	positive	$\log-t(m, s, df)$	$m = -0.777, s = 0.443, df = 1.289$
PR	unbounded	$t(m, s, df)$	$m = 0.12, s = 0.08, df = 4$
1RSIZE	unbounded	$\mathcal{N}(m, s)$	$m = -9.131, s = 1.475$
1SYSR	unbounded	$\mathcal{N}(m, s)$	$m = -3.877, s = 0.439$

Table 2: Distributions used for the simulation of the covariates.

After simulating the covariates from the distributions presented in Table 2, we winsorize the simulated ratios at 10% for unbounded ratios and 5% for bounded ratios (by setting for all ratios the values above the 95%-quantile to the 95%-quantile; for the unbounded ratios we also winsorize from below, by setting for the values below the 5%-quantile to the 5%-quantile). This is standard practice in the literature on credit risk estimation based on financial ratios for reducing the influence of outliers (e.g., [Campbell *et al.* 2008](#)).

4.2. Cross-sectional data set

For the 1665 firms in the first year of the sample, we generate ratings from four rating sources. We name the four rating sources **R1**, **R2**, **R3** and **R4**. Raters **R1**, **R2** and **R3** correspond to the three rating agencies in the original application. The fourth rating source **R4** corresponds to an indicator variable constructed from the original data set, which indicates if the company will be in an investment or speculative grade within one year from the rating observations. In the original data set, this indicator is computed by checking the one-year ahead rating for each of the three raters. We then follow the US regulation stating that, if two ratings for a company are available, one investment grade and one speculative grade, the company is categorized as speculative grade, whereas if three ratings are available the majority rule applies (Bongaerts, Cremers, and Goetzmann 2012).

Similarly to the original data, we assume that the rating methodology of the raters is heterogeneous. Raters **R1** and **R2** employ a similar credit risk measure when assigning firms on a six-point ordinal scale (which we label, from best to worst, **A**, **B**, **C**, **D**, **E**, **F**), rater **R3** uses a seven-point scale and different labeling (from best to worst, **G**, **H**, **I**, **J**, **K**, **L**, **M**) while the **R4** ratings differentiate on a two point scale between speculative grade and investment grade firms (from best to worst, **N**, **O**).

We simulate the latent scores \tilde{Y}_{ij} from the model in Equation 1 with multivariate logit link and a constant general correlation structure. The correlation matrix used in the simulation is

$$\Sigma = \begin{pmatrix} 1 & 0.9 & 0.7 & 0.5 \\ 0.9 & 1 & 0.7 & 0.6 \\ 0.7 & 0.7 & 1 & 0.8 \\ 0.5 & 0.6 & 0.8 & 1 \end{pmatrix}.$$

We use the following coefficients:

- $\beta_{0j} = 0 \forall j \in \{\mathbf{R1}, \mathbf{R2}, \mathbf{R3}, \mathbf{R4}\}$;
- $\beta_{\mathbf{R1}} = (0.3, 0, -0.2, -1.3, 0.5, 0.2, 0)^\top$;
- $\beta_{\mathbf{R2}} = (0, 0, -0.2, -1, 0.5, 0.3, 0)^\top$;
- $\beta_{\mathbf{R3}} = (0.3, 0, -0.2, -1.4, 0.5, 0.4, 0)^\top$;
- $\beta_{\mathbf{R4}} = (0, -0.3, 0, -1.6, 1.9, 0.1, -0.2)^\top$.

The threshold parameters are chosen such that the simulated distribution of ratings (the proportion of observations falling into each rating class) is similar to the distribution of the ratings in the original data set.

As raters **R1** and **R2** employ similar rating methodologies and use the same labeling of their rating classes, we set $\theta_{\mathbf{R1}} = \theta_{\mathbf{R2}} = (-4.5, -3, -1, 1, 3.5)^\top$. The thresholds for rater **R3** are: $\theta_{\mathbf{R3}} = (-6, -3, 0, 1, 2, 4)^\top$ and the threshold for rater **R4** is $\theta_{\mathbf{R4}} = -1$.

The panel of ratings in the original data set is highly unbalanced, as not all firms receive ratings from all four sources. We therefore keep the missingness pattern and remove the simulated ratings that correspond to missing observations in the original data. For rater **R1** we remove 5.41%, for rater **R2** 86.13%, and for rater **R3** 34.23% of the observations.

The cross-sectional data set is available in the **mvord** package as `data_cr_mvord` (in long format) or `data_cr_mvord2` (in short format). More details on the structure of this data set will be provided in Section 5.

4.3. Longitudinal data set

For the whole panel of firms we simulate ratings corresponding to rater R1 over a period of ten years (`year1`, `year2`, ..., `year10`). From the initial 1665 firms which are in the sample in the first year, 1575 are rated by rater R1.

We simulate the latent scores from the model in Equation 1 with probit link and business sector-specific $AR(1)$ correlation structure. The dependence of the correlation structure on the business sector is motivated by the fact that in some sectors such as manufacturing ratings tend to be more “sticky”, i.e., do not change often over the years, while in more volatile sectors like IT there is less “stickiness” in the ratings. The sector specific correlations are: $\rho_{\text{BSEC1}} = 0.9$, $\rho_{\text{BSEC2}} = 0.7$, $\rho_{\text{BSEC3}} = 0.9$, $\rho_{\text{BSEC4}} = 0.9$, $\rho_{\text{BSEC5}} = 0.9$, $\rho_{\text{BSEC6}} = 0.7$, $\rho_{\text{BSEC7}} = 0.5$, $\rho_{\text{BSEC8}} = 0.6$.

We use no intercepts and two sets of regression coefficients:

- $\beta_{\text{year1}} = \dots = \beta_{\text{year5}} = (0.17, 0, -0.11, -0.72, 0.28, 0.11, 0)^\top$;
- $\beta_{\text{year6}} = \dots = \beta_{\text{year10}} = (0.08, -0.2, -0.3, -1.6, 0.4, 0.5, -0.2)^\top$.

Such a “break” in the coefficients could be explained by e.g., a change of regimes. Moreover, we assume the rating methodology of rater R1 does not change over time, hence we use one set of threshold parameters for all years: $\theta_{\text{year1}} = \dots = \theta_{\text{year10}} = (-4, -1, 0, 1, 3)^\top$. The longitudinal panel is unbalanced, as firms can leave the sample for various reasons such as default or mergers and acquisitions. In addition, credit ratings can be withdrawn. We remove the simulated ratings that correspond to missing firm-year observations in the original data. The longitudinal panel of R1 ratings together with the covariates is available in `data_cr_panel`.

5. Examples

We use the credit risk data sets presented in Section 4 to illustrate some of the features of package **mvord**.

5.1. Example 1 – Ratings assigned by multiple raters to a cross-section of firms

The first example presents a multivariate ordinal regression model with logit link and a general correlation error structure (`corGeneral(~ 1)`). The simulated data set contains the credit risk measure `rating` (ratings assigned by raters R1, R2, R3 and R4) and 8 covariates for a cross-section of 1665 firms. The number of firm-ratings is 4566.

```
R> head(data_cr_mvord, n = 3)
```

	firm_id	rater_id	rating	ICR	LR	LEV1	LEV2
1	1	R1	D	1.546318	0.2484137	3.782934	0.92053787

```

2      2      R1      B 8.723779 0.1506502 1.033042 0.05305052
3      3      R1      D 4.726520 0.5187664 8.942818 0.97001785
      PR      LRSIZE      LSYSR      BSEC
1 0.2743184 -11.202807 -3.691023 BSEC3
2 0.1182763 -8.815116 -4.270618 BSEC3
3 0.2871493 -9.548691 -3.895642 BSEC6

```

```
R> str(data_cr_mvord, vec.len = 3)
```

```

'data.frame':      4566 obs. of  11 variables:
 $ firm_id : Factor w/ 1665 levels "1","2","3","4",...: 1 2 3 4 5 6 7 8 ...
 $ rater_id: Factor w/ 4 levels "R1","R2","R3",...: 1 1 1 1 1 1 1 1 ...
 $ rating  : chr  "D" "B" "D" ...
 $ ICR     : num  1.55 8.72 4.73 4.08 ...
 $ LR      : num  0.248 0.151 0.519 0.168 ...
 $ LEV1    : num  3.78 1.03 8.94 2.19 ...
 $ LEV2    : num  0.9205 0.0531 0.97 2.8743 ...
 $ PR      : num  0.2743 0.1183 0.2871 0.0821 ...
 $ LRSIZE  : num  -11.2 -8.82 -9.55 -8.66 ...
 $ LSYSR   : num  -3.69 -4.27 -3.9 -5.13 ...
 $ BSEC    : Factor w/ 8 levels "BSEC1","BSEC2",...: 3 3 6 4 3 1 6 4 ...

```

The distribution of the ratings classes for the four raters is:

```
R> by(data_cr_mvord, data_cr_mvord$rater_id,
+     function(x) table(x$rating))
```

```
data_cr_mvord$rater_id: R1
```

```

  A  B  C  D  E  F
89 450 605 281  89  61
-----

```

```
data_cr_mvord$rater_id: R2
```

```

  A  B  C  D  E  F
12 74 79 51  9  6
-----

```

```
data_cr_mvord$rater_id: R3
```

```

  G  H  I  J  K  L  M
40 163 169 209 404  88  22
-----

```

```
data_cr_mvord$rater_id: R4
```

```

  N  O
1067 598

```

We include 7 financial ratios as covariates in a model without intercept by the formula:

```
R> formula <- rating ~ 0 + ICR + LR + LEV1 + LEV2 + PR + lRSIZE + lSYSR
R> formula
```

```
rating ~ 0 + ICR + LR + LEV1 + LEV2 + PR + lRSIZE + lSYSR
```

The subject index i is stored in the column `firm_id` and the multiple measurement index j , which indicates the rater, is given by `rater_id`:

```
R> index <- c("firm_id", "rater_id")
R> index
```

```
[1] "firm_id" "rater_id"
```

An optional vector `response.names` is used to specify all the raters to be included in the model. The ordering of this vector is essential when constraints on the parameter set want to be imposed:

```
R> response.names <- c("R1", "R2", "R3", "R4")
R> response.names
```

```
[1] "R1" "R2" "R3" "R4"
```

Due to the fact that the categories differ across raters we specify the `response.levels` by:

```
R> response.levels <- list(rev(LETTERS[1:6]),
+                          rev(LETTERS[1:6]),
+                          rev(LETTERS[7:13]),
+                          rev(LETTERS[14:15]))
R> names(response.levels) <- response.names
R> response.levels
```

```
$R1
```

```
[1] "F" "E" "D" "C" "B" "A"
```

```
$R2
```

```
[1] "F" "E" "D" "C" "B" "A"
```

```
$R3
```

```
[1] "M" "L" "K" "J" "I" "H" "G"
```

```
$R4
```

```
[1] "O" "N"
```

If no `response.levels` are passed, the natural ordering is used and could lead to an incorrect labeling. The rating classes assigned by the raters are here in order from worst to best indicating that lower values of the latent variables indicate lower creditworthiness or increased credit risk.

We fit a model to these data with the following features:

- We assume that R1 and R2 use the same rating scale by setting the following constraints on the threshold parameters:

```
R> threshold.constraints <- c(1, 1, 2, 3)
R> names(threshold.constraints) <- response.names
R> threshold.constraints
```

```
R1 R2 R3 R4
  1  1  2  3
```

- We assume that some covariates are equal for some raters. For example, we assume that the coefficient of ICR is equal for R1 and R3, or that the coefficients of LEV1 and PR are the same for the raters R1, R2 and R3. In addition, some of the regression coefficients are set to zero like ICR for R1 and R3, or 1SYSR for the raters R1, R2 and R3. All the constraints above and some additional constraints are performed by the following restrictions on the regression coefficients by using the more flexible method:

```
R> coef.constraints <- cbind(c(1, NA, 1, NA),
+                           c(NA, NA, NA, 1),
+                           c(1, 1, 1, NA),
+                           c(1, 2, 3, 4),
+                           c(1, 1, 1, 4),
+                           c(1, 2, 3, 4),
+                           c(NA, NA, NA, 1))
R> rownames(coef.constraints) <- response.names
R> colnames(coef.constraints) <- c("ICR", "LR", "LEV1", "LEV2",
+                                 "PR", "1RSIZE", "1SYSR")
R> coef.constraints
```

	ICR	LR	LEV1	LEV2	PR	1RSIZE	1SYSR
R1	1	NA	1	1	1	1	NA
R2	NA	NA	1	2	1	2	NA
R3	1	NA	1	3	1	3	NA
R4	NA	1	NA	4	4	4	1

The NAs in `coef.constraints` are fixed to specific values. If no matrix `coef.values` is provided, the coefficients are set by default to zero automatically. This automatically generated `coef.values` matrix, looks like:

```
R> coef.values <- cbind(c(NA, 0, NA, 0),
+                      c(0, 0, 0, NA),
+                      c(NA, NA, NA, 0),
+                      c(NA, NA, NA, NA),
+                      c(NA, NA, NA, NA),
+                      c(NA, NA, NA, NA),
+                      c(0, 0, 0, NA))
R> rownames(coef.values) <- response.names
R> colnames(coef.values) <- c("ICR", "LR", "LEV1", "LEV2",
```

```
+ "PR", "1RSIZE", "1SYSR")
R> coef.values
```

	ICR	LR	LEV1	LEV2	PR	1RSIZE	1SYSR
R1	NA	0	NA	NA	NA	NA	0
R2	0	0	NA	NA	NA	NA	0
R3	NA	0	NA	NA	NA	NA	0
R4	0	NA	0	NA	NA	NA	NA

The specified `coef.constraints` together with `coef.values` give the following model:

$$\begin{aligned} \tilde{Y}_1 &= \beta_{11}\text{ICR} + \beta_{13}\text{LEV1} + \beta_{14}\text{LEV2} + \beta_{15}\text{PR} + \beta_{16}\text{1RSIZE}, \\ \tilde{Y}_2 &= \beta_{13}\text{LEV1} + \beta_{24}\text{LEV2} + \beta_{15}\text{PR} + \beta_{26}\text{1RSIZE}, \\ \tilde{Y}_3 &= \beta_{11}\text{ICR} + \beta_{13}\text{LEV1} + \beta_{34}\text{LEV2} + \beta_{15}\text{PR} + \beta_{36}\text{1RSIZE}, \\ \tilde{Y}_4 &= \beta_{42}\text{LR} + \beta_{44}\text{LEV2} + \beta_{45}\text{PR} + \beta_{46}\text{1RSIZE} + \beta_{47}\text{1SYSR}. \end{aligned}$$

As a link function we choose the multivariate logit link:

```
R> link <- mvlogit()
```

For simplicity, we use a general correlation structure which is constant for all subjects:

```
R> error.structure <- corGeneral(~ 1)
R> error.structure
```

```
$type
[1] "corGeneral"
```

```
$formula
~1
```

In order to avoid numerical instabilities, we standardize our data for each rater:

```
R> covar_names <- c("ICR", "LR", "LEV1", "LEV2", "PR", "1RSIZE", "1SYSR")
R> data_cr_mvord_scaled <- do.call("rbind.data.frame",
+   by(data_cr_mvord, data_cr_mvord$rater_id,
+     function(x){x[, covar_names] <- scale(x[, covar_names]); x}))
```

The estimation can now be performed by the function `mvord()`:

```
R> res_cor_logit <- mvord(
+   formula = rating ~ 0 + ICR + LR + LEV1 + LEV2 + PR + 1RSIZE + 1SYSR,
+   data = data_cr_mvord_scaled,
+   error.structure = corGeneral(~ 1),
+   link = mvlogit(),
+   index = c("firm_id", "rater_id"),
+   response.names = c("R1", "R2", "R3", "R4"),
```

```

+ response.levels = list(rev(LETTERS[1:6]),
+                         rev(LETTERS[1:6]),
+                         rev(LETTERS[7:13]),
+                         rev(LETTERS[14:15])),
+ coef.constraints = cbind(c(1, NA, 1, NA),
+                          c(NA, NA, NA, 1),
+                          c(1, 1, 1, NA),
+                          c(1, 2, 3, 4),
+                          c(1, 1, 1, 4),
+                          c(1, 2, 3, 4),
+                          c(NA, NA, NA, 1)),
+ threshold.constraints = c(1, 1, 2, 3),
+ solver = "newuoa")

```

The results are displayed by the function `summary()`:

```
R> summary(res_cor_logit, call = FALSE)
```

Formula: rating ~ 0 + ICR + LR + LEV1 + LEV2 + PR + lRSIZE + lSYSR

	link	threshold	nsubjects	ndim	logPL	CLAIC	CLBIC	fevals
mvlogit	flexible		1665	4	-7995.86	16113.53	16443.49	8785

Thresholds:

	Estimate	Std. Error	z value	Pr(> z)	signif
R1 F E	-4.86402172	0.02930083	-166.0028589	0.000000e+00	***
R1 E D	-3.20844192	0.02429023	-132.0877688	0.000000e+00	***
R1 D C	-1.10155146	0.03222289	-34.1853762	3.988311e-256	***
R1 C B	0.94633334	0.02937005	32.2210306	8.958677e-228	***
R1 B A	3.39419668	0.02664730	127.3748834	0.000000e+00	***
R3 M L	-6.14282312	0.04818046	-127.4961570	0.000000e+00	***
R3 L K	-3.19489944	0.02653946	-120.3829699	0.000000e+00	***
R3 K J	0.02613874	0.03104165	0.8420541	3.997577e-01	
R3 J I	1.06061830	0.03482384	30.4566753	9.773291e-204	***
R3 I H	2.04826512	0.03209814	63.8125720	0.000000e+00	***
R3 H G	3.97952463	0.03128642	127.1965344	0.000000e+00	***
R4 O N	-0.98424619	0.02865313	-34.3503890	1.389703e-258	***

Coefficients:

	Estimate	Std. Error	z value	Pr(> z)	signif
ICR R1	0.3545924	0.01190462	29.786121	5.909886e-195	***
ICR R2	0.0000000	0.00000000	NA	NA	<NA>
ICR R3	0.3545924	0.01190462	29.786121	5.909886e-195	***
ICR R4	0.0000000	0.00000000	NA	NA	<NA>
LR R1	0.0000000	0.00000000	NA	NA	<NA>
LR R2	0.0000000	0.00000000	NA	NA	<NA>
LR R3	0.0000000	0.00000000	NA	NA	<NA>

```

LR R4      -0.3823087 0.02607591 -14.661378  1.139374e-48   ***
LEV1 R1    -0.1813130 0.01659491 -10.925819  8.675409e-28   ***
LEV1 R2    -0.1813130 0.01659491 -10.925819  8.675409e-28   ***
LEV1 R3    -0.1813130 0.01659491 -10.925819  8.675409e-28   ***
LEV1 R4     0.0000000 0.00000000          NA           NA   <NA>
LEV2 R1    -1.3930109 0.02059372 -67.642501  0.000000e+00   ***
LEV2 R2    -1.0062182 0.03660958 -27.485106  2.645431e-166   ***
LEV2 R3    -1.4657409 0.02233537 -65.624202  0.000000e+00   ***
LEV2 R4    -1.7196172 0.04275497 -40.220287  0.000000e+00   ***
PR R1      0.5533711 0.01427445  38.766530  0.000000e+00   ***
PR R2      0.5533711 0.01427445  38.766530  0.000000e+00   ***
PR R3      0.5533711 0.01427445  38.766530  0.000000e+00   ***
PR R4      2.1773434 0.03264913  66.689164  0.000000e+00   ***
LRSIZE R1  0.2535411 0.01410705  17.972659  3.190496e-72   ***
LRSIZE R2  0.4103694 0.03056553  13.425888  4.264413e-41   ***
LRSIZE R3  0.4754545 0.01513498  31.414269  1.291954e-216   ***
LRSIZE R4  0.1655771 0.02584503   6.406536  1.488626e-10   ***
LSYSR R1   0.0000000 0.00000000          NA           NA   <NA>
LSYSR R2   0.0000000 0.00000000          NA           NA   <NA>
LSYSR R3   0.0000000 0.00000000          NA           NA   <NA>
LSYSR R4  -0.2013633 0.02041021  -9.865811  5.855923e-23   ***

```

Error Structure:

```

          Estimate Std. Error  z value    Pr(>|z|) signif
corr R1 R2 0.9036459 0.006281258 143.86384 0.000000e+00 ***
corr R1 R3 0.6932401 0.003210192 215.94975 0.000000e+00 ***
corr R1 R4 0.4935230 0.006310486  78.20682 0.000000e+00 ***
corr R2 R3 0.7340730 0.008726075  84.12408 0.000000e+00 ***
corr R2 R4 0.5984871 0.022917787  26.11452 2.493897e-150 ***
corr R3 R4 0.7703146 0.005597183 137.62540 0.000000e+00 ***

```

Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

If the user fixes thresholds or coefficients to specific values, the z values and the corresponding p values as well as the significance codes are set to NA. Another option to display the results is the function `print()`:

```
R> print(res_cor_logit, call = FALSE)
```

Thresholds:

\$R1

```

          F|E          E|D          D|C          C|B          B|A
-4.8640217 -3.2084419 -1.1015515  0.9463333  3.3941967

```

\$R2

```

          F|E          E|D          D|C          C|B          B|A
-4.8640217 -3.2084419 -1.1015515  0.9463333  3.3941967

```

```

$R3
      M|L      L|K      K|J      J|I      I|H
-6.14282312 -3.19489944  0.02613874  1.06061830  2.04826512
      H|G
  3.97952463

```

```

$R4
      O|N
-0.9842462

```

Coefficients:

```

      ICR      LR      LEV1      LEV2      PR      IRRSIZE
R1 0.3545924  0.0000000 -0.181313 -1.393011  0.5533711  0.2535411
R2 0.0000000  0.0000000 -0.181313 -1.006218  0.5533711  0.4103694
R3 0.3545924  0.0000000 -0.181313 -1.465741  0.5533711  0.4754545
R4 0.0000000 -0.3823087  0.0000000 -1.719617  2.1773434  0.1655771
      ILSYSR
R1  0.0000000
R2  0.0000000
R3  0.0000000
R4 -0.2013633

```

Sigma:

```

      R1      R2      R3      R4
R1 1.0000000  0.9036459  0.6932401  0.4935230
R2 0.9036459  1.0000000  0.7340730  0.5984871
R3 0.6932401  0.7340730  1.0000000  0.7703146
R4 0.4935230  0.5984871  0.7703146  1.0000000

```

An extended summary, where all thresholds and regression coefficients are shown, even though they are duplicated, can be obtained by:

```
R> summary(res_cor_logit, short = FALSE, call = FALSE)
```

The threshold coefficients can be extracted by the function `thresholds()`:

```
R> thresholds(res_cor_logit)
```

```

$R1
      F|E      E|D      D|C      C|B      B|A
-4.8640217 -3.2084419 -1.1015515  0.9463333  3.3941967

```

```

$R2
      F|E      E|D      D|C      C|B      B|A
-4.8640217 -3.2084419 -1.1015515  0.9463333  3.3941967

```

```

$R3
      M|L          L|K          K|J          J|I          I|H
-6.14282312 -3.19489944  0.02613874  1.06061830  2.04826512
      H|G
  3.97952463

$R4
      O|N
-0.9842462

```

The regression coefficients are obtained by the function `coef()`:

```

R> coef(res_cor_logit)

      ICR          LR          LEV1          LEV2          PR          lRSIZE
R1 0.3545924  0.0000000 -0.181313 -1.393011  0.5533711  0.2535411
R2 0.0000000  0.0000000 -0.181313 -1.006218  0.5533711  0.4103694
R3 0.3545924  0.0000000 -0.181313 -1.465741  0.5533711  0.4754545
R4 0.0000000 -0.3823087  0.0000000 -1.719617  2.1773434  0.1655771
      lSYSR
R1  0.0000000
R2  0.0000000
R3  0.0000000
R4 -0.2013633

```

The error structure is displayed by the function `get.error.struct()`:

```

R> get.error.struct(res_cor_logit)

      R1          R2          R3          R4
R1 1.0000000  0.9036459  0.6932401  0.4935230
R2 0.9036459  1.0000000  0.7340730  0.5984871
R3 0.6932401  0.7340730  1.0000000  0.7703146
R4 0.4935230  0.5984871  0.7703146  1.0000000

```

Fitting the model with the function `mvord2()`

Due to the fact that the covariates do not change across the multiple measurements (the covariates are firm-specific and do not vary across raters), we can alternatively fit the model by the function `mvord2()`. In `mvord2()`, a slightly different format of `data` is used and the ordering of the responses is defined by a multivariate `formula` object. The multiple measurements are stored in different columns as ordered factors:

```

R> head(data_cr_mvord2, n = 3)

  firm_id R1  R2  R3 R4  ICR  LR  LEV1  LEV2
1      1  1  D <NA>  K  N 1.546318 0.2484137 3.782934 0.92053787

```

```

2      2  B <NA> <NA>  N 8.723779 0.1506502 1.033042 0.05305052
3      3  D <NA> <NA>  N 4.726520 0.5187664 8.942818 0.97001785
      PR      lRSIZE      lSYSR      BSEC
1 0.2743184 -11.202807 -3.691023 BSEC3
2 0.1182763  -8.815116 -4.270618 BSEC3
3 0.2871493  -9.548691 -3.895642 BSEC6

```

```
R> str(data_cr_mvord2, vec.len = 2)
```

```

'data.frame':      1665 obs. of  13 variables:
 $ firm_id: Factor w/ 1665 levels "1","2","3","4",...: 1 2 3 4 5 ...
 $ R1     : Ord.factor w/ 6 levels "F"<"E"<"D"<"C"<...: 3 5 3 1 5 ...
 $ R2     : Ord.factor w/ 6 levels "F"<"E"<"D"<"C"<...: NA NA NA NA NA ...
 $ R3     : Ord.factor w/ 7 levels "M"<"L"<"K"<"J"<...: 3 NA NA 1 NA ...
 $ R4     : Ord.factor w/ 2 levels "O"<"N": 2 2 2 1 2 ...
 $ ICR    : num  1.55 8.72 ...
 $ LR     : num  0.248 0.151 ...
 $ LEV1   : num  3.78 1.03 ...
 $ LEV2   : num  0.9205 0.0531 ...
 $ PR     : num  0.274 0.118 ...
 $ lRSIZE : num  -11.2 -8.82 ...
 $ lSYSR  : num  -3.69 -4.27 ...
 $ BSEC   : Factor w/ 8 levels "BSEC1","BSEC2",...: 3 3 6 4 3 ...

```

Again, we standardize the data to avoid numerical instabilities:

```
R> data_cr_mvord2[, covar_names] <- scale(data_cr_mvord2[, covar_names])
```

The estimation is performed by calling the function `mvord2()`:

```

R> res_cor_logit <- mvord2(
+   formula = cbind(R1, R2, R3, R4) ~ 0 + ICR + LR + LEV1 + LEV2 + PR +
+                                     lRSIZE + lSYSR,
+   error.structure = corGeneral(~ 1),
+   link = mvlogit(),
+   data = data_cr_mvord_scaled,
+   coef.constraints = cbind(c(1, NA, 1, NA),
+                             c(NA, NA, NA, 1),
+                             c(1, 1, 1, NA),
+                             c(1, 2, 3, 4),
+                             c(1, 1, 1, 4),
+                             c(1, 2, 3, 4),
+                             c(NA, NA, NA, 1)),
+   threshold.constraints = c(1, 1, 2, 3))

```

yielding equivalent results to the fit of `mvord()`.

5.2. Example 2 – Ratings assigned by one rater to a panel of firms

In a second example we present a longitudinal multivariate ordinal probit regression model with a covariate dependent $AR(1)$ error structure. The simulated data set contains the credit risk measure `rating` (ratings assigned by rater R1) and 8 covariates for a panel of 1575 firms over ten years. The number of firm-year observations is 11037:

```
R> str(data_cr_panel, vec.len = 3)

'data.frame':      11037 obs. of  11 variables:
 $ firm_id: Factor w/ 1575 levels "1","2","3","4",...: 1 2 3 4 5 6 7 8 ...
 $ year   : Factor w/ 10 levels "year1","year2",...: 1 1 1 1 1 1 1 1 ...
 $ rating : Ord.factor w/ 6 levels "F"<"E"<"D"<"C"<...: 4 3 4 5 4 6 3 4 ...
 $ ICR    : num  2.9281 3.9104 3.1522 -0.0483 ...
 $ LR     : num  0.6433 0.3154 0.1471 0.0162 ...
 $ LEV1   : num  3.5 6.84 0.26 21.98 ...
 $ LEV2   : num  0.392 0.409 0.414 0.442 ...
 $ PR     : num  0.2075 0.05 0.0968 0.1764 ...
 $ IRSIZE : num  -10.69 -8.07 -8.64 -9.4 ...
 $ IYSYSR : num  -4.18 -3.22 -4.16 -4.21 ...
 $ BSEC   : Factor w/ 8 levels "BSEC1","BSEC2",...: 3 3 6 4 3 1 6 4 ...
```

```
R> head(data_cr_panel, n = 3)
```

	firm_id	year	rating	ICR	LR	LEV1	LEV2
1	1	year1	C	2.928058	0.6433189	3.5040486	0.3919582
2	2	year1	D	3.910441	0.3154287	6.8438839	0.4089648
3	3	year1	C	3.152185	0.1471216	0.2595343	0.4141279
			PR	IRSIZE	IYSYSR	BSEC	
1			0.20746812	-10.687212	-4.182475	BSEC3	
2			0.05000904	-8.069681	-3.221042	BSEC3	
3			0.09679941	-8.636322	-4.157882	BSEC6	

The panel is highly unbalanced. The distribution of the number of ratings per firm assigned by rater R1 over the 10 years is given by:

```
R> summary(rowSums(with(data_cr_panel, table(firm_id, year))))
```

Min.	1st Qu.	Median	Mean	3rd Qu.	Max.
1.000	4.000	9.000	7.008	10.000	10.000

Per year the number of ratings in the data set decreases:

```
R> with(data_cr_panel, table(year))
```

year	year1	year2	year3	year4	year5	year6	year7	year8	year9	year10
	1575	1424	1327	1208	1101	1020	924	867	811	780

We include the 7 financial ratios as covariates in a model without intercept by the formula:

```
R> formula <- rating ~ 0 + ICR + LR + LEV1 + LEV2 + PR + lRSIZE + lSYSR
R> formula
```

```
rating ~ 0 + ICR + LR + LEV1 + LEV2 + PR + lRSIZE + lSYSR
```

The subject index i is stored in the column `firm_id` while the multiple measurement index j is given in the column `year`:

```
R> index <- c("firm_id", "year")
R> index
```

```
[1] "firm_id" "year"
```

If we wish to estimate the model only for the last eight years of the sample, this can be done by specifying the names of each ordered response which should enter the model:

```
R> response.names <- paste0("year", 3:10)
R> response.names
```

```
[1] "year3" "year4" "year5" "year6" "year7" "year8" "year9"
[8] "year10"
```

The rating classes assigned by rater R1 are:

```
R> levels(data_cr_panel$rating)
```

```
[1] "F" "E" "D" "C" "B" "A"
```

with the sixth rating class F being the worst class and the first rating class A being the best rating class. We specify the response levels, in the order from worst to best, for each of the eight outcome dimensions through the `response.level` argument. Ordering the classes from worst to best indicates that lower values of the latent variables indicate lower creditworthiness or increased credit risk. The rating classes and labels do not change over the eight years:

```
R> response.levels <- rep(list(levels(data_cr_panel$rating)),
+                          length(response.names))
R> names(response.levels) <- response.names
R> response.levels
```

```
$year3
[1] "F" "E" "D" "C" "B" "A"
```

```
$year4
[1] "F" "E" "D" "C" "B" "A"
```

```
$year5
[1] "F" "E" "D" "C" "B" "A"
```

```
$year6
[1] "F" "E" "D" "C" "B" "A"
```

```
$year7
[1] "F" "E" "D" "C" "B" "A"
```

```
$year8
[1] "F" "E" "D" "C" "B" "A"
```

```
$year9
[1] "F" "E" "D" "C" "B" "A"
```

```
$year10
[1] "F" "E" "D" "C" "B" "A"
```

Additionally, the model has the following features:

- We assume that the rating agencies do not change their methodology over the sample period. This means the threshold parameters are constant over the years. This can be specified through the argument `threshold.constraints`:

```
R> threshold.constraints <- rep(1, length(response.names))
R> names(threshold.constraints) <- response.names
R> threshold.constraints
```

```
year3 year4 year5 year6 year7 year8 year9 year10
      1      1      1      1      1      1      1      1
```

- We assume that there is a break-point in the regression coefficients after `year5` in the sample. This break-point could correspond to the beginning of a crisis in a real case application. Hence, we use one set of regression coefficients for years `year3`, `year4` and `year5` and a different set for `year6`, `year7`, `year8`, `year9`, `year10`. This can be specified through the argument `coef.constraints`:

```
R> coef.constraints <- c(rep(1, 3), rep(2, 5))
R> names(coef.constraints) <- response.names
R> coef.constraints
```

```
year3 year4 year5 year6 year7 year8 year9 year10
      1      1      1      2      2      2      2      2
```

- We allow for different correlation parameters in the $AR(1)$ structure for the different business sectors:

```
R> error.structure <- corAR1(~ BSEC)
R> error.structure
```

```
$type
[1] "corAR1"
```

```
$formula
~BSEC
```

As before, we standardize our covariates on a yearly basis:

```
R> data_cr_panel_scaled <- do.call("rbind.data.frame",
+   by(data_cr_panel, data_cr_panel$year,
+     function(x){x[, covar_names] <- scale(x[, covar_names]); x}))
```

The estimation is performed by calling the function `mvord()`:

```
R> res_AR1_probit <- mvord(
+   formula = rating ~ 0 + ICR + LR + LEV1 + LEV2 + PR + lRSIZE + lSYSR,
+   index = c("firm_id", "year"),
+   data = data_cr_panel_scaled,
+   response.levels = rep(list(levels(data_cr_panel$rating)), 8),
+   response.names = paste0("year", 3:10),
+   link = mvprobit(),
+   error.structure = corAR1(~ BSEC),
+   coef.constraints = c(rep(1, 3), rep(2, 5)),
+   threshold.constraints = rep(1, 8),
+   solver = "BFGS")
```

The results are displayed either by the function `summary()`:

```
R> summary(res_AR1_probit, short = TRUE, call = FALSE, digits = 6)
```

Formula: rating ~ 0 + ICR + LR + LEV1 + LEV2 + PR + lRSIZE + lSYSR

	link	threshold	nsubjects	ndim	logPL	CLAIC	CLBIC	fevals
mvprobit	flexible		1341	8	-51412.22	103130.38	103926	207

Thresholds:

	Estimate	Std. Error	z value	Pr(> z)	signif
year3 F E	-3.9410757	0.0996021	-39.568193	0.00000e+00	***
year3 E D	-0.9898296	0.0334147	-29.622621	7.64179e-193	***
year3 D C	0.0116947	0.0280591	0.416789	6.76833e-01	
year3 C B	1.0457466	0.0328362	31.847349	1.43237e-222	***
year3 B A	3.0796484	0.0670293	45.944843	0.00000e+00	***

Coefficients:

	Estimate	Std. Error	z value	Pr(> z)	signif
ICR year3	0.14111610	0.0132252	10.6702226	1.40290e-26	***
ICR year6	0.07371915	0.0123160	5.9856478	2.15530e-09	***
LR year3	0.00130569	0.0133583	0.0977438	9.22136e-01	

LR year6	-0.20506920	0.0135524	-15.1316199	1.00198e-51	***
LEV1 year3	-0.13694928	0.0131809	-10.3900053	2.75338e-25	***
LEV1 year6	-0.29689650	0.0144849	-20.4969583	2.29178e-93	***
LEV2 year3	-0.68577009	0.0221636	-30.9413351	3.32288e-210	***
LEV2 year6	-1.63481055	0.0353756	-46.2128892	0.00000e+00	***
PR year3	0.26289965	0.0142387	18.4637647	4.04164e-76	***
PR year6	0.40383580	0.0145240	27.8047991	3.79525e-170	***
1RSIZE year3	0.13070785	0.0136838	9.5520073	1.27207e-21	***
1RSIZE year6	0.51983711	0.0161197	32.2484983	3.69270e-228	***
1SYSR year3	-0.00940876	0.0128649	-0.7313496	4.64566e-01	
1SYSR year6	-0.20253167	0.0129320	-15.6613211	2.78061e-55	***

Error Structure:

	Estimate	Std. Error	z value	Pr(> z)	signif
(Intercept)	1.329792	0.0573956	23.16890	9.37600e-119	***
BSECBSEC2	-0.571238	0.0767097	-7.44674	9.56734e-14	***
BSECBSEC3	0.175537	0.0715536	2.45323	1.41580e-02	*
BSECBSEC4	0.163095	0.0678496	2.40377	1.62268e-02	*
BSECBSEC5	0.145882	0.0822284	1.77411	7.60449e-02	.
BSECBSEC6	-0.494303	0.0844049	-5.85633	4.73216e-09	***
BSECBSEC7	-0.771783	0.0741335	-10.41071	2.21563e-25	***
BSECBSEC8	-0.759152	0.0853433	-8.89528	5.82723e-19	***

Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

or by the function `print()`:

```
R> print(res_AR1_probit, call = FALSE, digits = 4)
```

Thresholds:

```
$year3
      F|E      E|D      D|C      C|B      B|A
-3.94108 -0.98983  0.01169  1.04575  3.07965
```

```
$year4
      F|E      E|D      D|C      C|B      B|A
-3.94108 -0.98983  0.01169  1.04575  3.07965
```

```
$year5
      F|E      E|D      D|C      C|B      B|A
-3.94108 -0.98983  0.01169  1.04575  3.07965
```

```
$year6
      F|E      E|D      D|C      C|B      B|A
-3.94108 -0.98983  0.01169  1.04575  3.07965
```

```
$year7
```

F E	E D	D C	C B	B A
-3.94108	-0.98983	0.01169	1.04575	3.07965

\$year8

F E	E D	D C	C B	B A
-3.94108	-0.98983	0.01169	1.04575	3.07965

\$year9

F E	E D	D C	C B	B A
-3.94108	-0.98983	0.01169	1.04575	3.07965

\$year10

F E	E D	D C	C B	B A
-3.94108	-0.98983	0.01169	1.04575	3.07965

Coefficients:

	ICR	LR	LEV1	LEV2	PR	1RSIZE	1SYSR
year3	0.14112	0.001306	-0.1369	-0.6858	0.2629	0.1307	-0.009409
year4	0.14112	0.001306	-0.1369	-0.6858	0.2629	0.1307	-0.009409
year5	0.14112	0.001306	-0.1369	-0.6858	0.2629	0.1307	-0.009409
year6	0.07372	-0.205069	-0.2969	-1.6348	0.4038	0.5198	-0.202532
year7	0.07372	-0.205069	-0.2969	-1.6348	0.4038	0.5198	-0.202532
year8	0.07372	-0.205069	-0.2969	-1.6348	0.4038	0.5198	-0.202532
year9	0.07372	-0.205069	-0.2969	-1.6348	0.4038	0.5198	-0.202532
year10	0.07372	-0.205069	-0.2969	-1.6348	0.4038	0.5198	-0.202532

alpha parameters error.structure:

(Intercept)	BSECBSEC2	BSECBSEC3	BSECBSEC4	BSECBSEC5
1.3298	-0.5712	0.1755	0.1631	0.1459
BSECBSEC6	BSECBSEC7	BSECBSEC8		
-0.4943	-0.7718	-0.7592		

An extended summary, where all thresholds and regression coefficients are shown, even though they are duplicated, can be obtained by:

```
R> summary(res_AR1_probit, short = FALSE, call = FALSE)
```

The threshold coefficients can be extracted by the function `thresholds()`:

```
R> thresholds(res_AR1_probit)
```

\$year3

F E	E D	D C	C B	B A
-3.94107573	-0.98982958	0.01169472	1.04574661	3.07964844

\$year4

F E	E D	D C	C B	B A
-----	-----	-----	-----	-----

```
-3.94107573 -0.98982958 0.01169472 1.04574661 3.07964844
```

```
$year5
```

```
      F|E      E|D      D|C      C|B      B|A
-3.94107573 -0.98982958 0.01169472 1.04574661 3.07964844
```

```
$year6
```

```
      F|E      E|D      D|C      C|B      B|A
-3.94107573 -0.98982958 0.01169472 1.04574661 3.07964844
```

```
$year7
```

```
      F|E      E|D      D|C      C|B      B|A
-3.94107573 -0.98982958 0.01169472 1.04574661 3.07964844
```

```
$year8
```

```
      F|E      E|D      D|C      C|B      B|A
-3.94107573 -0.98982958 0.01169472 1.04574661 3.07964844
```

```
$year9
```

```
      F|E      E|D      D|C      C|B      B|A
-3.94107573 -0.98982958 0.01169472 1.04574661 3.07964844
```

```
$year10
```

```
      F|E      E|D      D|C      C|B      B|A
-3.94107573 -0.98982958 0.01169472 1.04574661 3.07964844
```

The regression coefficients are obtained by the function `coef()`:

```
R> coef(res_AR1_probit)
```

```

      ICR      LR      LEV1      LEV2      PR
year3 0.14111610 0.001305694 -0.1369493 -0.6857701 0.2628996
year4 0.14111610 0.001305694 -0.1369493 -0.6857701 0.2628996
year5 0.14111610 0.001305694 -0.1369493 -0.6857701 0.2628996
year6 0.07371915 -0.205069200 -0.2968965 -1.6348106 0.4038358
year7 0.07371915 -0.205069200 -0.2968965 -1.6348106 0.4038358
year8 0.07371915 -0.205069200 -0.2968965 -1.6348106 0.4038358
year9 0.07371915 -0.205069200 -0.2968965 -1.6348106 0.4038358
year10 0.07371915 -0.205069200 -0.2968965 -1.6348106 0.4038358
      lRSIZE      lSYSR
year3 0.1307079 -0.009408759
year4 0.1307079 -0.009408759
year5 0.1307079 -0.009408759
year6 0.5198371 -0.202531669
year7 0.5198371 -0.202531669
year8 0.5198371 -0.202531669
year9 0.5198371 -0.202531669
year10 0.5198371 -0.202531669
```

The error structure is displayed by the function `get.error.struct()`:

```
R> get.error.struct(res_AR1_probit)
```

```
(Intercept)  BSECBSEC2  BSECBSEC3  BSECBSEC4  BSECBSEC5
  1.3297921  -0.5712375   0.1755374   0.1630952   0.1458822
  BSECBSEC6  BSECBSEC7  BSECBSEC8
 -0.4943028  -0.7717828  -0.7591522
```

In addition, the correlation parameters ρ_i for each firm are obtained by:

```
R> head(get.error.struct(res_AR1_probit, type = "corr"), n = 3)
```

```
Correlation
1  0.9061067
2  0.9061067
3  0.6834125
```

Moreover, the correlation matrices for each specific firm are obtained by:

```
R> head(get.error.struct(res_AR1_probit, type = "sigmas"), n = 1)
```

```
$`1`
      year3      year4      year5      year6      year7      year8
year3  1.0000000  0.9061067  0.8210294  0.7439402  0.6740892  0.6107968
year4  0.9061067  1.0000000  0.9061067  0.8210294  0.7439402  0.6740892
year5  0.8210294  0.9061067  1.0000000  0.9061067  0.8210294  0.7439402
year6  0.7439402  0.8210294  0.9061067  1.0000000  0.9061067  0.8210294
year7  0.6740892  0.7439402  0.8210294  0.9061067  1.0000000  0.9061067
year8  0.6107968  0.6740892  0.7439402  0.8210294  0.9061067  1.0000000
year9  0.5534470  0.6107968  0.6740892  0.7439402  0.8210294  0.9061067
year10 0.5014821  0.5534470  0.6107968  0.6740892  0.7439402  0.8210294
      year9      year10
year3  0.5534470  0.5014821
year4  0.6107968  0.5534470
year5  0.6740892  0.6107968
year6  0.7439402  0.6740892
year7  0.8210294  0.7439402
year8  0.9061067  0.8210294
year9  1.0000000  0.9061067
year10 0.9061067  1.0000000
```

6. Conclusion

The present paper is meant to provide a general overview on the R package **mvord**, which implements the estimation of multivariate ordered probit and logit regression models using

the pairwise likelihood approach. Different error structures like a general correlation and covariance structures, a covariate dependent equicorrelation structure and an $AR(1)$ structure can be imposed. In addition, the flexible modeling framework allows imposing constraints on threshold as well as regression coefficients. Two different data formats can be used either by applying `mvord()` or `mvord2()` to estimate the model parameters.

Further research and possible extensions of **mvord** could be addressed to the implementation of variable selection procedures in multivariate ordinal regression models and the inclusion of multivariate semi- or nonparametric ordinal models.

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