

Part IIB, Paper1: Policy Evaluation

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This course consists of 8 lectures on the way economics can be used to evaluate policies. This is not an econometric theory course, nor an economic theory course. It is about understanding how to estimate and interpret causal effects in real world applications, both in experimental settings and with observational data. The focus is on applications in applied microeconomics.

- Lectures: Tuesday 9-10am; Thursday 9-10am
- Office hour: Friday 11:00am to 12:30pm Room 87, Economics Faculty
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Topics

1. Potential outcomes framework
2. Randomised control trials
3. Regression/selection on observables
4. Instrumental variables
5. Difference-in-differences
6. Fixed Effects
7. Regression discontinuity

Reading

- Angrist, J. and J-S Pischke, *Mostly Harmless Econometrics: An Empiricist's Companion* (Princeton University Press, 2009) [MHE] This is a very accessible book which I will use extensively, focus on the intuition rather than the detailed derivations. The book is available online at: <http://lib.myilibrary.com/Open.aspx?id=260809>

Reading by topic

1. Potential Outcomes Framework

- Cobb-Clark, D. and T.F. Crossley, (2003), “Econometrics for Evaluations: An Introduction to Recent Developments,” *Economic Record*. 79(247):493-513.
- Cameron, C. and Trivedi, P. “Microeconometrics: methods and applications” Section 2.7 Available online

2. Randomized Controlled Trials:

- Krueger, Alan (1999). “Experimental Estimates of Education Production Functions.” *Quarterly Journal of Economics* 114(2): 497-532.
- MHE Chapter 2
- Deaton, Angus, and Nancy Cartwright. 2016. “Understanding and Misunderstanding Randomized Controlled Trials.” NBER Working Paper, no. 22595.
- Deaton, A. 2010. “Instruments, randomization, and learning about development.” *Journal of Economic Literature* 48: 424-455.

3. Regression and Selection on Observables:

- MHE Chapter 3 (through 3.2)
- Magnuson, K., C. J. Ruhm, and J. Waldfogel (2007) “Does prekindergarten improve school preparation and performance?”, *Economics of Education Review*
- Black, D. A., J. A. Smith, M. C. Berger, and B. J. Noel (2003) “Is the Threat of Reemployment Services More Effective than the Services Themselves? Evidence from Random Assignment in the UI System”, *The American Economic Review*, 93(4): 1313-1327.

4. Instrumental variables (1):

- MHE Chapter 4.1, 4.4
- Angrist, J.D and A.B. Krueger (1991) “Does Compulsory School Attendance Affect Schooling and Earnings?” *The Quarterly Journal of Economics*, 106(4): 979-1014.

5. Instrumental variables (2)

- MHE Chapter 4.1, 4.4
- Maestas, Mullen, and Strand (2013) “Does Disability Insurance Receipt Discourage Work? Using Examiner Assignment to Estimate Causal Effects of SSDI Receipt.” *American Economic Review*, 103(5): 1797-1829.
<http://pubs.aeaweb.org/doi/pdfplus/10.1257/aer.103.5.1797>

6. Difference-in-differences

- MHE Chapter 5
- Card, D. and A. Krueger (1994) “Minimum wages and employment: A Case Study of the Fast Food Industry in New Jersey and Pennsylvania,”
- The American Economic Review, 84: 772-84 and (2000) “Minimum wages and employment: A Case Study of the Fast Food Industry in New Jersey and Pennsylvania, a Reply” The American Economic Review, 90: 1397-420.

7. Fixed Effects

- MHE Chapter 5
- Meyer, B. and D. Rosenbaum (2001) “Welfare, the Earned Income Tax Credit, and the Labor Supply of Single Mothers,” Quarterly Journal of Economics.

8. Regression Discontinuity

- MHE Chapter 6
- Ludwig, J and D. L. Miller (2007). ”Does Head Start Improve Children’s Life Chances? Evidence from a Regression Discontinuity Design,” The Quarterly Journal of Economics, vol. 122(1), pages 159-208, 02.