

Empirical policy evaluation methods

The goal of these two sessions is to present and discuss methods that have been used in the policy evaluation literature.

The lectures will discuss the identification of different treatment effect parameters, from the more traditional average effects to the recent developments to identify the distribution of treatment effects.

Each method strengths and weaknesses will be illustrated with simulated data and an empirical application found in the recent literature.

1st session

- Introduction: the evaluation problem, selection and causality, parameters of interest, early approaches, random experiments
- The difference in differences method: assumptions, identification strategy, discussion of underlying assumptions, examples – returns to education
- Matching: assumptions, identification strategy, different matching procedures, discussion of underlying assumptions, examples – returns to education
- Putting matching and difference in differences together to relax underlying assumptions, examples

2nd session

- Classical instrumental variables: assumptions, identification strategy, discussion of underlying assumptions
- Instrumental variables under weaker assumptions: the LATE parameter, interpretation, discussion, examples: returns to education
- Local instrumental variables to estimate the marginal treatment effect, examples: returns to education
- Control functions: assumptions; identification strategy; discussion of underlying assumptions; examples – returns to education
- The link between control functions and instrumental variables

Blundell, R. and Costa Dias, M. (2007), “Alternative Approaches to Evaluation in Empirical Microeconomics”, <http://www.ucl.ac.uk/~uctp39a/Blundell-CostaDias-Dec-2007.pdf>