

12E016

6 ECTS

Econometric Methods II

Overview and Objectives

This course builds on and further extends the econometric and statistical content studied in the first quarter, with a special focus on techniques relevant to the specific field studied and their empirical applications. The course deals with the econometric issues related to the use of micro data (individual, household or firm data) in empirical analysis. We will discuss the most important microeconomic methods and their applicability in contexts typically encountered by empirical researchers. The course combines both theoretical and empirical aspects. The theoretical part of the course will be complemented with practical exercises to be solved by the students using real data sets and Stata.

Course Outline

1. Panel Data Models (Albrecht Glitz, 10 hours)
 - a. Basic linear models
 - b. Fixed effects vs. random effects
 - c. Dynamic models
 - d. GMM methods in panel data
 - e. Applications
2. Discrete Choice Models (Albrecht Glitz, 4 hours)
 - a. Binary choice models
 - b. Multinomial choice models
 - c. Ordered response models
 - d. Applications
3. Tobit and Selection Models (Albrecht Glitz, 4 hours)
 - a. Censoring and Truncation
 - b. Tobit model
 - c. Sample selection models
 - d. Applications
4. Duration Models (Albrecht Glitz, 2 hours)
 - a. Basic theory
 - b. Parametric models with observed heterogeneity
 - c. Models with unobserved heterogeneity
 - d. Applications

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Part II: Alessandro Tarozzi

1. The mirage of iid-ness: estimation and inference with data from surveys of complex design (2 hours)
 - a) Sampling weights
 - b) Stratification
 - c) Clustering
2. Estimation of causal effects and Randomized Controlled Trials (RCTs) (6 hours)
 - a) The Rubin causal model, ATE and ATT
 - b) RCTs and causal estimation
 - c) Heterogeneity in treatment effects
 - d) Power calculations
 - e) Pitfalls of multiple equations testing in RCT (and elsewhere)
3. Pitfalls of Instrumental variable estimation (4 hours)
 - a) Weak Instruments
 - b) Heterogeneity and Local Average Treatment Effects
4. Regression Discontinuity Design (4 hours)
5. Selection on Observables and Matching (2 hours)
6. Non-parametric estimation of densities and regressions (2 hours)

Required Activities

The course will comprise 4 hours of lectures per week. In addition, the students will have to hand in weekly problem sets that are discussed in a weekly tutorial.

Evaluation

Exam (70%) and problem sets (30%).

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Materials

Panel Data Models

Arellano, M. (2003), Panel Data Econometrics, Oxford University Press.

Baltagi, B. H. (2005), Econometric Analysis of Panel Data, 3rd Edition, John Wiley. Cameron, A. C. and P. K. Trivedi (2005), Microeconometrics: Methods and Applications, Cambridge University Press, New York, Chapters 21- 23.

Hsiao, C. (2003), Analysis of Panel Data, Cambridge University Press.

Wooldridge, J. M. (2002), Econometric Analysis of Cross Section and Panel Data, MIT Press, Cambridge MA.

Models with Qualitative Variables & Tobit and Selection Models

Cameron, A. C. and P. K. Trivedi (2005), Microeconometrics: Methods and Applications, Cambridge University Press, New York, Chapters 14- 16.

Greene, W. (2005), Econometric Analysis, 5th edition, Prentice-Hall International, Chapter 23.

Maddala, G. S. (1989), Limited Dependent and Qualitative Variables in Econometrics, Cambridge University Press, New York.

Wooldridge, J. M. (2002), Econometric Analysis of Cross Section and Panel Data, MIT Press, Cambridge MA, Chapters 15-17.

Duration Models

Greene, W. (2005), Econometric Analysis, 5th edition, Prentice-Hall International, Chapter 22.5 (Brief discussion within a standard econometrics textbook)

Heckman, J. and B. Singer (1984), "A Method for Minimizing the Impact of Distributional Assumptions in Econometrics Models for Duration Data," *Econometrica*, 52 (2), 271-318.

Jenkins, S. P. (2005a), Survival Analysis, unpublished manuscript, Institute for Social and Economic Research, University of Essex. Downloadable from <http://www.iser.essex.ac.uk/teaching/degree/stephenj/ec968/pdfs/ec968lnotesv6.pdf>

Kiefer, N. (1985), "Econometric Analysis of Duration Data," *Journal of Econometrics* 28, 1-169. (Extensive survey for econometricians)

Kiefer, N. (1988), "Economic Duration Data and Hazard Functions," *Journal of Economic Literature* 26, 646-679. (Readable general survey)

Lancaster, T. (1990), *The Econometric Analysis of Transition Data*, Cambridge University Press. (The modern classic)

Wooldridge, J. M. (2002), *Econometric Analysis of Cross Section and Panel Data*, MIT Press, Cambridge MA, Chapter 20. (Single chapter introduction in a leading graduate microeconometrics textbook)

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Estimation and Inference with Complex Survey Design and non-iid Data

Bertrand, M., E. Duflo, and S. Mullainathan. (2004). How much should we trust differences-in-differences estimates? *Quarterly Journal of Economics* 119, 249–276.

Brownstone and Valletta (2001), The Bootstrap and Multiple Imputations: Harnessing Increased Computing Power for Improved Statistical Tests. *Journal of Economic Perspectives*, 15(4), 129-141.

Camerer and Miller (2013). A Practitioner's Guide to Cluster-Robust Inference. Forthcoming *Journal of Human Resources*.

Deaton, Angus (1997). *The Analysis of Household Surveys: A Micro-econometric Approach to Development Policy*. Johns Hopkins University Press: Baltimore, Maryland. (Ch. 1)

Wooldridge, J. M. (2002), *Econometric Analysis of Cross Section and Panel Data*, MIT Press, Cambridge MA, Chapter 17.

Randomized Experiments

Deaton, Angus (2010). "Instruments, randomization, and learning about development", *Journal of Economic Literature*, 48(2): 424-455.

Deaton, Angus, and Nancy Cartwright. 2016. "Understanding and Misunderstanding Randomized Controlled Trials." NBER Working Paper, no. 22595.

Duflo, E. R. Glennerster and M. Kremer, 2007, "Using Randomization in Development Economics Research: A Toolkit," CEPR Discussion Paper No. 6059.

Miguel E. and M. Kremer (2004), "Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities," *Econometrica* 72(1).

Pitfalls of Weak Instruments

Imbens, G. and J. D. Angrist (1994), "Identification and Estimation of Local Average Treatment Effects," *Econometrica* 62 (2), 467-475.

Stock, J. H., J. Wright and M. Yogo, 2002, "A Survey of Weak Instruments and Weak Identification in Generalized Method of Moments," *Journal of Business and Economic Statistics*, 20, 518 – 529.

Regression Discontinuity Designs

Imbens, G. and T. Lemieux, 2007, "Regression Discontinuity Designs: A Guide to Practice," *Journal of Econometrics*, 2007, 142(2): 615-635.

David S. Lee and T. Lemieux, 2009, "Regression Discontinuity Designs in Economics," *Journal of Economic Literature*, 48(2): 281-355.

Lee, D., 2007, "Randomized Experiments from Nonrandom Selection in U.S. House Elections," *Journal of Econometrics*, 142(2): 675-697.

Jens Ludwig and Douglas L. Miller (2007), "Does Head Start Improve Children's Life Chances? Evidence from a Regression Discontinuity Design," *The Quarterly Journal of Economics*, 122(1): 159-208.

Selection on Observables

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Dehejia, R. and S. Wahba, (2002), "Propensity Score Matching Methods for Non-experimental Causal Studies," *Review of Economics and Statistics* 84(1), 151-161.

J. D. Angrist and J.-S. Pischke, 2009, *Mostly Harmless Econometrics, An Empiricist's Companion*, Princeton University Press.

Nonparametric Estimation of densities and regressions

Deaton, Angus (1997). *The Analysis of Household Surveys: A Micro-econometric Approach to Development Policy*. Johns Hopkins University Press: Baltimore, Maryland. (Ch. 1)

Pagan and Ullah (1999). *Nonparametric Estimation*. Cambridge University Press.