Free exchange

Natural and unnatural experiments

A causal fetish

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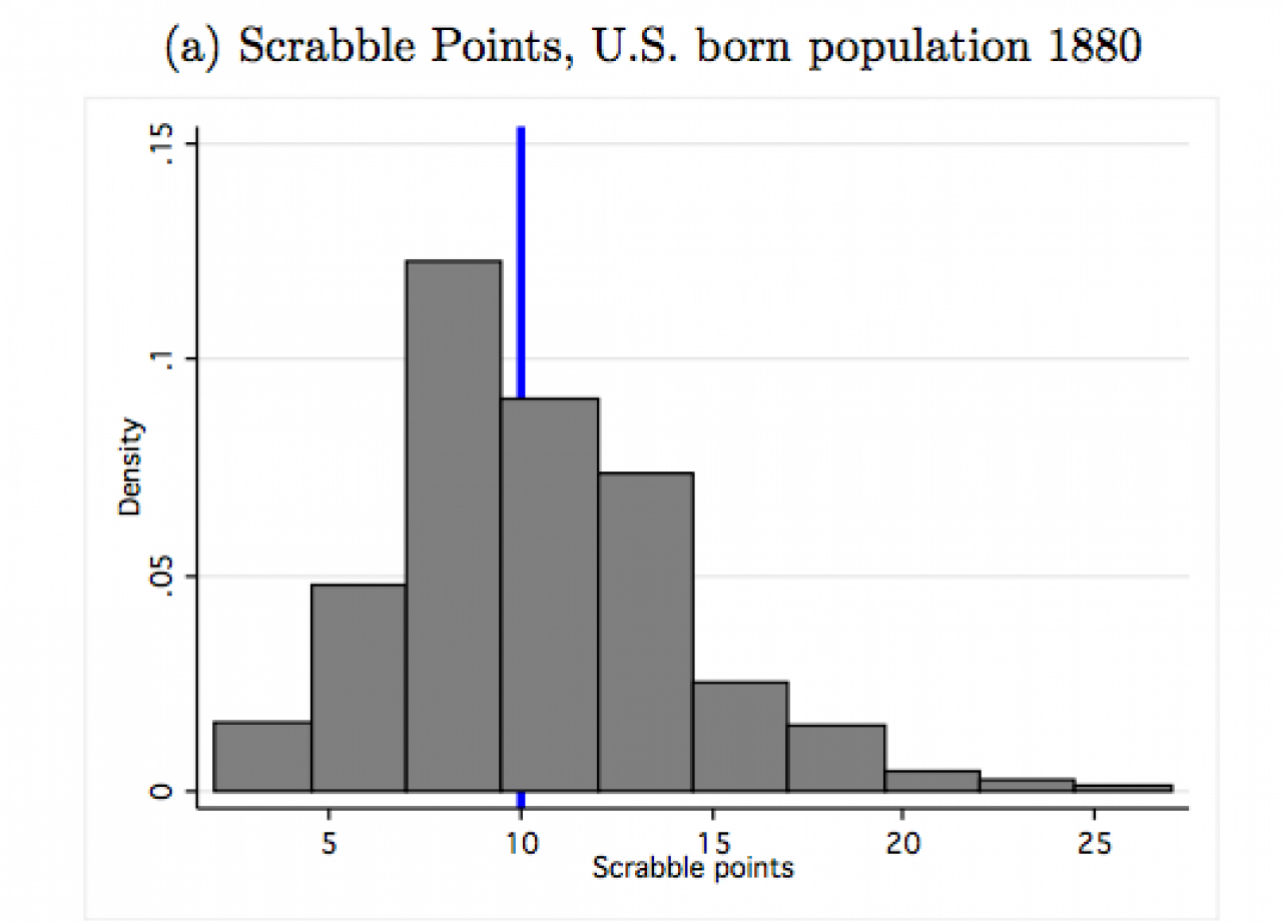

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CHRIS BLATTMAN of Columbia University, who writes a smart and witty blog on development, recently admitted to being a member (http://chrisblattman.com/2013/12/12/did-vatican-ii-make-americans-stupid/) of the "causal fetish" club. As soon as he coined the term, he lost control of it. Some economists, who are not themselves causality fetishists, felt they knew exactly

what he meant. Meanwhile others, who suspected that he was talking about them, either denied their fetishism or celebrated it.

Mr Blattman later tried to clarify (http://chrisblattman.com/2013/12/13/causal-identification-is-dead-long-live-causal-identification/) his position.

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I think the term does describe something interesting--and not necessarily bad. In fact, I like the term so much, I want to feel free to use it for my own purposes. So I hereby absolve Mr Blattman of any responsibility for what follows, while conceding full credit to him for anything with which he agrees. If the term catches on, he can experience the same bittersweet feeling John Williamson must feel (http://www.piie.com/publications/papers/williamson0904-2.pdf) whenever he hears the term "Washington Consensus" used to lambast policies that bear little resemblance to the ten-point agenda he first christened with that name.

What, then, is causal fetishism? Part of the phenomenon was described in an Economics Focus (http://www.economist.com/node/8104169) (remember those?) in 2006, which looked at various attempts to show that good institutions cause growth. Something analogous was also examined (http://www.newrepublic.com/article/freaks-and-geeks-how-freakonomics-

ruining-the-dismal-science) more fully by Noam Scheiber of the New Republic. Mr Scheiber's article generated a frutiful, if sometimes ill-tempered, discussion (see here (http://marginalrevolution.com/marginalrevolution/2007/03/is_freakonomics.html) and here (http://gregmankiw.blogspot.hk/2007/04/is-steve-levitt-ruining-economics.html)) to which I have little to add. But for those who missed the debate the first time, let me rehearse it here.

In principle, the economics profession should allocate its intellectual efforts according to an "expected value" approach. In choosing its research questions, it should multiply the importance of an answer by the probability of reaching it. Big questions that are difficult to answer should vie with smaller questions that are easier. Note that this calculation will be different for the profession as a whole than it is for any individual economist. The profession may decide (rightly) that a question is vital and answerable. But the individual economist might still conclude (rightly) that he himself has little to add to the efforts of others.

In some cases, a question will be difficult to answer because causality is hard to establish. In economics, causes often masquerade as consequences and vice versa. In addition, the influence of any one cause is often hard to disentangle from all the others. The economist is faced with too many x's, some of which are really y's.

To take one seminal example: parents' ability to choose between competing schools might drive up standards, but this would be hard to show empirically if underperforming school districts often merged with good ones, reducing the competition between them. In this instance, x (competition) might increase y, even as increases in y (standards) reduced x.

To anyone interested in explaining good schooling, this would be discouraging. But to a causal fetishist it is immensely exciting. This is because a causal fetishist is not only interested in demonstrating causality. They are interested in demonstrating their own ingenuity in demonstrating causality.

That ingenuity can take a number of forms. The economist might run a randomised controlled trial, in which some students are randomly allocated vouchers, allowing schools to compete for their custom. Or they might take advantage of "regression discontinuity design", whereby some arbitrary cut-off point--such as a child's age, the alphabetical ordering of their name, or the number of test scores a school publishes--determines whether their school is subject to competition or not.

The most common technique, however, is the use of instrumental variables. By this method, the economist looks for a third variable, let's call it z, that affects x but does not influence y. Rivers, for example, create natural geographical subdivisions that might increase the number of school districts in an area, thereby intensifying competition between them. But it is hard to imagine that rivers would otherwise affect educational standards. If the economist can show that rivers and educational success are nonetheless correlated, she can make a good case that x does in fact cause y. Why else would rivers be tied to higher standards if not by raising competition?

In the old days, economists dutifully used this technique when necessary, but otherwise made little fuss about it. These variables deserved their name because they were of only instrumental value; they were of little interest in themselves. No one passionate about schooling would imagine having to care about riparian geography. But times have changed. Economists now devote extraordinary amounts of effort to finding, fashioning--and defending--their instrumental variables. What begins as a debate about schooling can devolve into a remarkably recondite debate about the length of streams (http://gsppi.berkeley.edu/faculty/jrothstein/hoxby/wsj.pdf) .

As we noted in 2006:

> *"Once just an obscure statistical method, instrumental variables are now popping up all over the place. Daniel Hamermesh, a labour economist at the University of Texas, has joked about the "instrument police", who patrol empirical economics, forever suspicious that causality may run both ways. Indeed, "reverse causality", which was once a frustrating problem, is now seen as a chance to demonstrate ingenuity."*

The Z-men

This intellectual ground-clearing provides one way to spot a causal fetishist. They are economists who care as much about z as they do about y--economists who have fallen in love with their instrumental variables for themselves.

And, quite frankly, who can blame them. "All of the fun in the recent spate of papers is in the instruments," we noted in that old Economics Focus. "Economists

are outdoing each other with ever more curious [ones], ranging from lethal mosquitoes to heirless maharajahs".

Mr Blattman's blogpost was inspired by two papers with particularly irresistible instruments. In one (http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2363240) , Rania Gihelb and Osea Giuntella demonstrated that the outperformance of Catholic schools in America was not caused by their Catholicism per se. For their instrumental variable, they chose the reforms emanating from the Second Vatican Council in the early 1960s. These reforms eroded the prestige of becoming a nun, which reduced the supply of Catholic sisters, many of whom had traditionally served as cheap teachers in Catholic schools. Without them, many schools simply closed down. But pupils performed no worse in the localities that suffered the worst nun shortage.

In the other (http://ftp.iza.org/dp7725.pdf) paper, Costanza Biavaschi, Corrado Giulietti and Zahra Siddique showed that immigrants, settling down in the US in the early 20th century, did better in their subsequent careers if they Americanised their names. Again, causality could have run in either direction. Immigrants who did well in life, becoming lawyers or doctors, might have felt greater (or lesser) need to change their name than did others who remained in manual labour.

To untie this knot, the economists conjectured that the more complex an immigrant's original name, the more likely they would be to Americanise it, regardless of their station in life. How did the researchers judge the complexity of a name? By the number of Scrabble points it would earn, that's how. In Scrabble, long words with rare letters earn more points than short words with common ones. Laskowsky (http://www.nytimes.com/2010/08/26/nyregion/26names.html?pagewanted=all&_r=0) , for example, would score 23 points; Lake only eight. The chart below shows the distribution of Scrabble points for the names of Americans born in 1880. Ten seems to be the median score.

Did these scholars care more about their instrumental variables than about the dependent variables they were trying to explain? I have no idea (and I have absolutely no wish to offend Professors Gihelb, Giuntella, Biavaschi, Giulietti or Siddique). But if these papers had not featured nun shortages and Scrabble points I doubt they would have excited much commentary on Mr Blattman's blog... or on this one, for that matter. Perhaps I'm a casual causal fetishist too.

Next

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