

The Credibility “Revolution” in Economics:

Context and Why?

By: Hail

Slide Design: Gus



What is the Credibility Revolution?



What is it?

- Focus on the quality of empirical research designs.
- Holds studies accountable for their claims by testing to make sure the data analysis is sound.





What is it, really?

- Era of empirical research being accepted or challenged.
- Researchers becoming more careful to make conclusions that people will believe



Background

What led up to the credibility revolution?

- Nobody trusted empirical research

What went wrong?

- “Hardly anyone takes data analysis seriously. Or perhaps more accurately, hardly anyone takes anyone else’s data analysis seriously”

Why did it come about?

- People didn’t trust empirical studies unless they were the ones who conducted the research.

Why do we need a Credibility revolution?

- People are skeptical about accepting recommendations resulting from these studies.




Sensitivity Analysis

- How sensitive the results are to small changes in parameters
- Does changing the parameters change the recommendation?
- This impacts the confidence we have in our results
- People found that studies on the same topics often reported opposite findings, frequently only differentiated by the author's assumptions





Structural Economic Parameters

- In econ there's a set framework to work on an analysis
 - Elasticity
 - Other things that sounded smart
 - In data analysis, that framework is not as clearly defined
 - This makes it harder to peer review
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Limitations of Economic Studies

- Powerful method for deriving defensible results
- However, experiments are:
 - time consuming
 - expensive
 - not practical






Randomized Controlled Trials (RCTs)

- Randomization among participants allows for some of the uncontrollable variables to be accounted for
- By properly randomizing a study, you can ignore variables that cannot be accounted for






“Using the results of
randomized
controlled trials”

- You cannot reasonably make predictions in areas in which you have not conducted research
 - Cannot make recommendations for men and women when only men took part in the study





The quality and credibility of empirical work

- Good research design is moving to the forefront of economics due to more and better data
- Important to distinguish correlation and causation
- Economic works are now research based, rather than theory based





“economics had a
cleverness problem”

- People were looking for accidents to find case studies on what would happen if the accident was on purpose
- What if everyone was so busy being clever and out-doing each other, that no one did any meaningful work?





Clean identification

- “a situation in which it’s easy to discern the causal forces in play”
 - Sumo wrestling
 - Real estate
 - Who ate the cookies in the cookie jar?






Questions for the
audience




Questions 1/2

- Dr Dewey: What is your favorite synonym for “important”?
 - Jake: How are you, really?
 - Nicole: If you could only eat one color food for the rest of your life, what color food would you eat?
 - Maverick: Do you feel safe at home?
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Questions 2/2

- Graham: What is your favorite shape and why?
 - Kori: What are you trying to prove to yourself?
 - Logan: What's the last thing you lied to your mother about?
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