

## MACS 40200: Structural Estimation

### Problem Set #1

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I agree with many of the arguments presented in both readings against the reduced-form (experimentalist) approaches. People rely (maybe, too much) on this approach because it “allows us to draw inference without “too much” theory”.

I learned a lot from the readings, but I also have to point out my bias towards the experimentalist approach because practically all my econometrics training has been on that area. In that sense, it was somewhat hard for me to differentiate in Keane’s critique of Angrist’s work between 1) critiques on the underlying assumption of this particular causal specification (the instrument might have some heterogeneous effect on the endogenous variable, which jeopardizes the estimation), or 2) a general critique of quasi-experimental methods or IV, or 3) a general critique of all experimental economics.

They mentioned that sometimes theoretical models are derived after the results from the data specification, but are these different priors than the ones a person uses to create a macro model? A researcher observes something (in the data or elsewhere) and then creates a model for it. What is wrong with creating it after “letting the data speak” or from a “quasi-experimental” design?

I also believe that in some parts, the tone of these articles is to “mock” the naivete of the assumptions in reduced-form exercises (such as the one from Angrist) based on potential lack of description of the reality. Which is the same critique on structuralists that have pushed economists away from it: the lack of “real life” applicability, particularly in Microeconomics (I must admit my lack of knowledge about its applications in Macroeconomics).

Kean and Rust certainly made me think about extra challenges faced by reduced-form research that have been largely disregarded, and makes me wonder if it is true that sometimes we need not care about the underlying mechanisms: how are Vietnam veteran’s outcomes (income) had they not being enlisted to go to war.

I agree that some experimentalist research lacks the theoretical framework, and this should not be normalized. I see how these efforts do not build up the economic science, but it makes me wonder if some researchers do it for sciences’ sake or for policy decisions’ sake, for instance.