Assignment 3

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1.1 What is the causal research questions that the authors are set to answer in this paper?

The researchers want to understand the effect of media coverage on disaster relief spending in the USA.

1.2 Why would a simple OLS regression be unlikely to deliver consistent estimates of the causal effect of interest?

A simple OLS estimation would be unable to find the causal effect of media coverage because media might cover more salient disasters that the public cared about more but politicians might also cover these more either because they personally also cared more, or because, even without media coverage, they understood that the public would look favorably on aid.

1.3 Briefly describe the instruments Olympics and Newspressure that the authors use in order to isolate random variation in the independent variable of interest.

Newspressure from other, non-disaster related news sources such as the Olympics and other events would provide a random decrease in the amount of coverage of disasters because the media had other things to talk about. This will introduce variation in the amount of news coverage that is intendant from the salience of the disaster and other endogenous political pressures.

1.4 Do you think that the instruments satisfy the randomness condition unconditionally? Why or why not?

First we look at the IV Olympics. The Olympics happen every two years in either the summer or winter months. These dates are fairly set and so not random. Further, there may be some correlation between the season and disasters, especially if the disasters are climactic in nature. However, I would assume that the correlation would still be low and not an issue. For news pressure, there may be a similar effect, although the authors did control for season WRT newspressure, some seasons may be more likely to have disasters. Like with the Olympics, I imagine the correlation is low.

1.5 Do you think that the instruments satisfy the exclusion restriction unconditionally?

Yes, both Olympics and Newspressure satisfy the exclusion restriction. It is hard to see how having the Olympics play or have OJ Simpson on trial would otherwise effect other political considerations. It might be possible for a radical Islamic terrorism event in the States to decrease willingness to fund humanitarian aid for a concurrent disaster in Pakistan. Or for the inverse to happen. If Pakistan had undergone an earthquake just after having their prime minister assassinated,they might receive more aid despite the news pressure. However, much like the potential problems with 1.4, these do not seem likely. We could presume that the only major way Newspressure and Olympics effects aid is through news coverage.

1.6 The authors believe that the randomness condition is not satised unless they introduce some controls in their model

The researchers included dummy variables for months to control for effects of seasonality. They also included year dummy variables to control for Newspressure and relief increasing over time.

1.7 Based on the coefficients and the footnote in Table IV, write down the first stage regression and the reduced form regression that the authors estimate when they use only Newspressure and Olympics as instruments.

HHHThe reduced form regression for Newspressure:

$$relief = \alpha_0 + \alpha_1 Newspressure + \alpha_2 Olympics + v \tag{1}$$
$$relief = \alpha_0 - 0.0119 Newspressure - Olympics0.1232 + v \tag{2}$$

This is the first stage:

$$news = \pi_0 + \pi_1 Newspressure + \pi_2 Olympics + u \tag{3}$$
$$news = \pi_0 - 0.0613 Newspressure - 0.1079 Olympics + u \tag{4}$$

1.8 As you know, the IV estimator estimates the Local Average Treatment Effect (LATE). What is the subpopulation of disasters for which this paper estimates the relationship of interest?

The local average treatment effect in this study would be disasters which revived proportionately less relief due to either news pressure or the Olympics. I.e. those disasters who revived less aid because of media coverage.