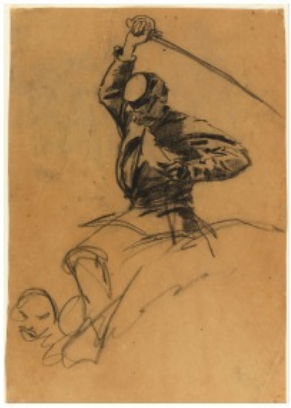
No Hesitations

A Blog by Francis X. Diebold



Sunday, January 11, 2015

Mostly Harmless Econometrics?

I've had Angrist-Pischke's *Mostly Harmless Econometrics: An Empiricist's Companion* (MHE) for a while, but I just got around to reading it. (By the way, a lower-level follow-up was just published.)

There's a lot to like about MHE. It's an insightful and *fun* treatment of micro-econometric regression-based causal effect estimation -- basically how to (try to) tease causal information from least-squares regressions fit to observational micro data. It's filled with wisdom, exploring many subtleties and nuances. In many ways it's written not for students at age 23, but rather for seasoned researchers at age 53. And it tells its story in a marvelously engaging conversational style.

But there's also a lot *not* to like about MHE. The problem isn't what it includes, but rather what it excludes. Starting with its title and continuing throughout, MHE promotes its corner of applied econometrics as *all* of applied econometrics, or at least all of the "mostly harmless" part (whatever *that* means). Hence it effectively condemns much of the rest as "harmful," and sentences it to death by neglect. It gives the silent treatment, for example, to anything structural -- whether micro-econometric or macro-econometric -- and anything involving time series. And in the rare instances when silence is briefly broken, we're treated to gems like "serial correlation [until recently was] Somebody Else's Problem, specifically the unfortunate souls who make their living out of time series data (macroeconomists, for example)" (pp. 315-316).

[Here's a rough parallel. Consider Hansen and Sargent's *Recursive Models of Dynamic Linear Economies*. It treats structural analysis and econometric estimation of dynamic macroeconomic models, and it naturally contains large doses of time series, state space, optimal filtering, etc. It's also appropriately titled and appropriately pitched. Now imagine that Hansen and Sargent had instead titled it *Mostly Harmless Econometrics*, declared its contents to be the central part of (the mostly harmless part of) applied econometrics, and pitched it as a general "empiricist's companion". *Voilà*!]

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All told, *Mostly Harmless Econometrics: An Empiricist's Companion* is neither "mostly harmless" nor an "empiricist's companion." Rather, it's a companion for a highly-specialized group of applied non-structural micro-econometricians hoping to estimate causal effects using non-experimental data and largely-static, linear, regression-based methods. It's a novel treatment of that sub-sub-sub-area of applied econometrics, but pretending to be anything more is most definitely harmful, particularly to students, who have no way to recognize the charade as a charade.

Posted by Francis Diebold at 6:28 AM
Labels: Causal modeling, Econometrics and Statistics, Macro-econometrics, Rants, Time Series

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Big Hits and Fazed Cookies

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Econometrics: Angrist and Pischke are at it Again

Check out the new Angrist-Pischke (AP), " Undergraduate Econometrics Instruction: Through Our Classes, Darkly ". I guess I have ...

Time-Varying Dynamic Factor Loadings

Check out Mikkelsen et al. (2015) . I've always wanted to try high-dimensional