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<https://yasu0704xx.github.io>

Pretest with Caution: Event-Study Estimates after Testing for Parallel Trends

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This paper discusses two important limitations of the common practice of testing for preexisting differences in trends (“pre-trends”) when using difference-in-differences and related methods. First, conventional pre-trends tests may have low power. Second, conditioning the analysis on the result of a pretest can distort estimation and inference, potentially exacerbating the bias of point estimates and under-coverage of confidence intervals. I analyze these issues both in theory and in simulations calibrated to a survey of recent papers in leading economics journals, which suggest that these limitations are important in practice. I conclude with practical recommendations for mitigating these issues. (JEL A14, C23, C51)

This slide is available on



<https://github.com/yasu0704xx/ArticleReview>.




Introduction

References




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