Contents

Preface *xiii*

Introduction ***1***

The Reflection Problem *1*
The Law of Decreasing Credibility *2*
Identification and Statistical Inference *3*
Prediction and Decisions *6*
Coping with Ambiguity *6*
Organization of the Book *8*
The Developing Literature on Partial Identification *11*

I Prediction with Incomplete Data

1 *Conditional Prediction* *17*

1.1 Predicting Criminality *17*
1.2 Probabilistic Prediction *18*
1.3 Estimation of Best Predictors from Random Samples *22*
1.4 Extrapolation *25*
1.5 Predicting High School Graduation *28*
Complement 1A. Best Predictors under Square and Absolute Loss *30*
Complement 1B. Nonparametric Regression Analysis *32*
Complement 1C. Word Problems *34*

2 *Missing Outcomes* 36

2.1 Anatomy of the Problem *37*
2.2 Bounding the Probability of Exiting Homelessness *40*
2.3 Means of Functions of the Outcome *42*
2.4 Parameters That Respect Stochastic Dominance *44*
2.5 Distributional Assumptions *45*
2.6 Wage Regressions and the Reservation-Wage Model of Labor Supply *48*
2.7 Statistical Inference *51*
Complement 2A. Interval Measurement of Outcomes *54*
Complement 2B. Jointly Missing Outcomes and Covariates *56*
Complement 2C. Convergence of Sets to Sets *60*

3 *Instrumental Variables* 62

3.1 Distributional Assumptions and Credible Inference *62*
3.2 Missingness at Random *64*
3.3 Statistical Independence *66*
3.4 Equality of Means *69*
3.5 Inequality of Means *71*
Complement 3A. Imputations and Nonresponse Weights *73*
Complement 3B. Conditioning on the Propensity Score *75*
Complement 3C. Word Problems *76*

4 *Parametric Prediction* 83

4.1 The Normal-Linear Model of Market and Reservation Wages *83*
4.2 Selection Models *87*
4.3 Parametric Models for Best Predictors *89*
Complement 4A. Minimum-Distance Estimation of Partially Identified Models *91*

5 *Decomposition of Mixtures* 94

5.1 The Inferential Problem and Some Manifestations *94*
5.2 Binary Mixing Covariates *98*
5.3 Contamination through Imputation *102*
5.4 Instrumental Variables *105*
Complement 5A. Sharp Bounds on Parameters That Respect Stochastic Dominance *107*

6 *Response-Based Sampling* 109

6.1 The Odds Ratio and Public Health *110*
6.2 Bounds on Relative and Attributable Risk *114*

6.3 Information on Marginal Distributions *118*
6.4 Sampling from One Response Stratum *119*
6.5 General Binary Stratifications *122*

II Analysis of Treatment Response

7 *The Selection Problem* *127*

7.1 Anatomy of the Problem *128*
7.2 Sentencing and Recidivism *134*
7.3 Randomized Experiments *136*
7.4 Compliance with Treatment Assignment *140*
7.5 Treatment by Choice *148*
7.6 Treatment at Random in Nonexperimental Settings *151*
7.7 Homogeneous Linear Response *153*
Complement 7A. Perspectives on Treatment Comparison *157*
Complement 7B. Word Problems *160*

8 *Linear Simultaneous Equations* *167*

8.1 Simultaneity in Competitive Markets *167*
8.2 The Linear Market Model *170*
8.3 Equilibrium in Games *174*
8.4 The Reflection Problem *177*

9 *Monotone Treatment Response* *183*

9.1 Shape Restrictions *183*
9.2 Bounds on Parameters That Respect Stochastic Dominance *186*
9.3 Bounds on Treatment Effects *189*
9.4 Monotone Response and Selection *191*
9.5 Bounding the Returns to Schooling *193*

10 *The Mixing Problem* *198*

10.1 Extrapolation from Experiments to Rules with Treatment Variation *198*
10.2 Extrapolation from the Perry Preschool Experiment *200*
10.3 Identification of Event Probabilities with the Experimental Evidence Alone *204*
10.4 Treatment Response Assumptions *206*
10.5 Treatment Rule Assumptions *207*
10.6 Combining Assumptions *210*

11 ***Planning under Ambiguity*** ***211***

11.1 Studying Treatment Response to Inform Treatment Choice *211*
11.2 Criteria for Choice under Ambiguity *214*
11.3 Treatment Using Data from an Experiment with Partial Compliance *218*
11.4 An Additive Planning Problem *222*
11.5 Planning with Partial Knowledge of Treatment Response *226*
11.6 Planning and the Selection Problem *229*
11.7 The Ethics of Fractional Treatment Rules *233*
11.8 Decentralized Treatment Choice *235*
Complement 11A. Minimax-Regret Rules for Two Treatments Are Fractional *237*
Complement 11B. Reporting Observable Variation in Treatment Response *239*
Complement 11C. Word Problems *241*

12 ***Planning with Sample Data*** ***243***

12.1 Statistical Induction *243*
12.2 Wald's Development of Statistical Decision Theory *245*
12.3 Using a Randomized Experiment to Evaluate an Innovation *250*

III Predicting Choice Behavior

13 ***Revealed Preference Analysis*** ***259***

13.1 Revealing the Preferences of an Individual *260*
13.2 Random Utility Models of Population Choice Behavior *263*
13.3 College Choice in America *270*
13.4 Random Expected-Utility Models *274*
Complement 13A. Prediction Assuming Strict Preferences *278*
Complement 13B. Axiomatic Decision Theory *282*

14 ***Measuring Expectations*** ***284***

14.1 Elicitation of Expectations from Survey Respondents *285*
14.2 Illustrative Findings *290*

14.3 Using Expectations Data to Predict Choice Behavior *295*
14.4 Measuring Ambiguity *298*
Complement 14A. The Predictive Power of Intentions Data: A Best-Case Analysis *300*
Complement 14B. Measuring Expectations of Facts *305*

15 *Studying Human Decision Processes* *308*

15.1 As-If Rationality and Bounded Rationality *309*
15.2 Choice Experiments *312*
15.3 Prospects for a Neuroscientific Synthesis *317*

References *321*

Author Index *339*

Subject Index *343*