

Contents

Acknowledgments	ix
Introduction	1
What Is Causal Inference?	3
Do Not Confuse Correlation with Causality	6
Optimization Makes Everything Endogenous	8
Example: Identifying Price Elasticity of Demand	10
Conclusion	14
Probability and Regression Review	16
Directed Acyclic Graphs	96
Introduction to DAG Notation	97
Potential Outcomes Causal Model	119
Physical Randomization	123
Randomization Inference	148
Conclusion	174
Matching and Subclassification	175
Subclassification	175
Exact Matching	191
Approximate Matching	198
Regression Discontinuity	241
Huge Popularity of Regression Discontinuity	241
Estimation Using an RDD	252
Challenges to Identification	282
Replicating a Popular Design: The Close Election	289

Regression Kink Design	312
Conclusion	313
Instrumental Variables	315
History of Instrumental Variables: Father and Son	315
Intuition of Instrumental Variables	319
Homogeneous Treatment Effects	323
Parental Methamphetamine Abuse and Foster Care	329
The Problem of Weak Instruments	337
Heterogeneous Treatment Effects	346
Applications	352
Popular IV Designs	359
Conclusion	384
Panel Data	386
DAG Example	386
Estimation	388
Data Exercise: Survey of Adult Service Providers	396
Conclusion	405
Difference-in-Differences	406
John Snow's Cholera Hypothesis	406
Estimation	411
Inference	423
Providing Evidence for Parallel Trends Through Event Studies and Parallel Leads	425
The Importance of Placebos in DD	433
Twoway Fixed Effects with Differential Timing	461
Conclusion	509
Synthetic Control	511
Introducing the Comparative Case Study	511
Prison Construction and Black Male Incarceration	525
Conclusion	540
Bibliography	541
Permissions	555
Index	561