

Alternative approaches to evaluation in empirical microeconomics*

Richard Blundell and Monica Costa Dias

University College London and Institute for Fiscal Studies, 7 Ridgmount Street,
London, WC1E 7AE, UK (e-mail: r.blundell@ucl.ac.uk; <http://www.ifs.org.uk>)

Abstract. Four alternative but related approaches to empirical evaluation of policy interventions are studied: social experiments, natural experiments, matching methods, and instrumental variables. In each case the necessary assumptions and the data requirements are considered for estimation of a number of key parameters of interest. These key parameters include the average treatment effect, the treatment on the treated and the local average treatment effect. Some issues of implementation and interpretation are discussed drawing on the labour market programme evaluation literature.

Key words: Evaluation methods – Matching – Instrumental variables – Social experiments – Natural experiments

JEL Classification Numbers: J21, J64, C33

* This review was prepared for the special ‘microeconometrics’ PEJ. Comments from the editors, the referee and participants at the CeMMAP conference at which the papers for this volume were presented are gratefully acknowledged. The research is part of the program of the ESRC Centre for the Microeconomic Analysis of Fiscal Policy at IFS. Financial support from the ESRC is gratefully acknowledged. The second author also acknowledges the financial support from Sub-Programa Ciência e Tecnologia do Segundo Quadro Comunitário de Apoio, grant number PRAXIS XXI/BD/11413/97. The usual disclaimer applies.