

MY457/MY557

Causal Inference for Experimental and Observational Studies

Week 9: Instrumental Variables

Paper:

- Dinas, Elias, Konstantinos Matakos, Dimitrios Xefteris, and Dominik Hangartner. "Waking up the golden dawn: does exposure to the refugee crisis increase support for extreme-right parties?." *Political Analysis* 27, no. 2 (2019): 244-254.

Questions

A) In your group, please answer the following questions.

1. Why do the authors choose Greece? What are the theoretical and empirical reasons?
2. Why can we not compare the electoral success of far-right parties of islands with refugees and without refugees, and interpret the difference as the causal effect?
3. What are the key identifying assumption(s) of all causal inference approaches being used? Which falsification tests do the authors conduct?
4. Discuss the strength and weaknesses between the municipality DID vs. township DID? Which one do you think is superior? Justify your answer.
5. Discuss the validity of the exogeneity/independence assumption and the exclusion restriction of the instrumental variable approach. When is the exogeneity assumption not valid?
6. Which type of treatment effect does DID estimate? Which type of treatment effect does IV estimate? What can we infer from the fact that these estimates are similar?

B) Now, brainstorm in your group, which other instrumental variables (other than geographical distance) may be suitable to instrument the number of refugees in a region.