Regression Discontinuity

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Warning: This is not something I have any real practical experience with

I will describe the basic ideas, but ignore many of the details

Good references (and things I used in preparing this are:

- "Identification and Estimation of Treatment Effects with a Regression-Discontinuity Design," Hahn, Todd, and Van der Klaauw, EMA (2001)
- "Manipulation of the Running Variable in the Regression Discontinuity Design: A Density Test," McCrary, Journal of Econometrics (2008)
- "Regression Discontinuity Designs: A Guide to Practice," Imbens and Lemiux, Journal of Econometrics (2008)
- "Regression Discontinuity Designs in Economics," Lee and Lemiux, JEL (2010)

You can also find various Handbook chapters which might help as well

The idea of regression discontinuity goes way back, but it has gained in popularity a lot in recent years

The basic idea is to recognize that in many circumstances there are rules so that assignment to treatment varies at some cutoff point

To think of the simplest case suppose the cutoff is:

$$T_i = \begin{cases} 0 & X_i < x^* \\ 1 & X_i \geq x^* \end{cases}$$

Many different rules work like this.

Examples:

- Whether you pass a test
- Whether you are eligible for a program
- Who wins an election
- Which school district you reside in
- Whether some punishment strategy is enacted
- Birth date for entering kindergarten

This last one should look pretty familiar-Angrist and Krueger's quarter of birth was essentially a regression discontinuity idea

The key insight is that right around the cutoff we can think of people slightly above as identical to people slightly below

Formally we can write it the model as:

$$Y_i = \alpha T_i + \varepsilon_i$$

if

$$E(\varepsilon_i \mid X_i = x)$$

is continuous then the model is identified (actually all you really need is that it is continuous at $x = x^*$)

To see it is identified not that

$$\begin{aligned} lim_{x \uparrow x^*} E(Y_i \mid X_i = x) &= E(\varepsilon_i \mid X_i = x^*) \\ lim_{x \downarrow x^*} E(Y_i \mid X_i = x) &= \alpha + E(\varepsilon_i \mid X_i = x^*) \end{aligned}$$

Thus

$$\alpha = lim_{x \downarrow x^*} E(Y_i \mid X_i = x) - lim_{x \uparrow x^*} E(Y_i \mid X_i = x)$$

Thats it

There is nothing special about the fact that T_i was binary as long as there is a jump in the value of T_i at x^*

This is what is referred to as a “Sharp Regression Discontinuity”

There is also something called a “Fuzzy Regression Discontinuity”

This occurs when rules are not strictly enforced

Examples

- Birth date to start school
- eligibility for a program
- Whether punishment kicks in (might be an appeal process)

This isn't a problem as long as

$$lim_{x\uparrow x^*} E(T_i \mid X_i = x) > lim_{x\downarrow x^*} E(T_i \mid X_i = x)$$

To see identification we now have

$$\begin{aligned}
&\frac{lim_{x\uparrow x^*} E(Y_i \mid X_i = x) - lim_{x\downarrow x^*} E(Y_i \mid X_i = x)}{lim_{x\uparrow x^*} E(T_i \mid X_i = x) - lim_{x\downarrow x^*} E(T_i \mid X_i = x)} \\
&= \frac{\alpha \left[lim_{x\uparrow x^*} E(T_i \mid X_i = x) - lim_{x\downarrow x^*} E(T_i \mid X_i = x)\right]}{lim_{x\uparrow x^*} E(T_i \mid X_i = x) - lim_{x\downarrow x^*} E(T_i \mid X_i = x)} \\
&= \alpha
\end{aligned}$$

Note that this is essentially just Instrumental variables (this is often referred to as the Wald Estimator)

How do we do this in practice?

There are really two approaches.

The first comes from the basic idea of identification, we want to look directly to the right and directly to the left of the policy change

Lets focus on the Sharp case-we can get the fuzzy case by just applying to Y_i and T_i and then taking the ratio

The data should look something like this (in stata)

We can think about estimating the end of the red line and the end of the green line and taking the difference

This is basically just a version of nonparametric regression at these two points

Our favorite way to estimate nonparametric regression in economics is by Kernel regression

Let $K(x)$ be a kernel that is positive and non increasing in $|x|$ and is zero when $|x|$ is large

Examples:

- Normal pdf: $exp(-x^2)$
- Absolute value:
$$\begin{cases} 1-|x| & |x|<1 \\ 0 & |x|\geq 1 \end{cases}$$
- Uniform: $1(|x|<1)$
- Epanechnikov kernel

$$\begin{cases} \frac{3}{4}\left(1-u^2\right) & |x|<1 \\ 0 & |x|\geq 1 \end{cases}$$

The kernel regressor is defined as

$$E\left(Y \mid X = x\right) \approx \frac{\sum_{i=1}^{N} K(\frac{X_i - x}{h}) Y_i}{\sum_{i=1}^{N} K(\frac{X_i - x}{h})}$$

where h is the bandwidth parameter

Note that when

- h is really big we put equal weight on all observations
- h is really small, only the observations that are very close to x influence it

This is easiest to think about with the uniform kernel

In this case

$$K\left(\frac{X_i - x}{h}\right) = 1(|X_i - x| < h)$$

So we use take a simple sample mean of observations within h units of X_i

Clearly in this case as with other kernels, as the sample size goes up, h goes down so that asymptotically we are only putting weight on observations very close to x

To estimate $lim_{x \downarrow x^*} E(T_i \mid X_i = x)$ we only want to use values of X_i to the right of x^*, so we would use

$$lim_{x \downarrow x^*} E(T_i \mid X_i = x) \approx \frac{\sum_{i=1}^{N} 1\,(X_i > x^*)\,K(\frac{X_i - x^*}{h})\,Y_i}{\sum_{i=1}^{N} 1\,(X_i > x^*)\,K(\frac{X_i - x^*}{h})}$$

However it turns out that this has really bad properties because we are looking at the end point

It is better to use local linear (or polynomial) regression.

Here we choose

$$\left(\hat{a},\hat{b}\right)=argmin_{a,b}\sum_{i=1}^{N}K\left(\frac{X_i-x^*}{h}\right)\left[Y_i-a-b(X_i-x^*)\right]^2 1\left(X_i\geq x^*\right)$$

Then the estimate of the right hand side is $\widehat{a}$.

We do the analogous thing on the other side:

$$\left(\hat{a},\hat{b}\right)=argmin_{a,b}\sum_{i=1}^{N}K\left(\frac{X_i-x^*}{h}\right)\left[Y_i-a-b(X_i-x^*)\right]^2 1\left(X_i< x^*\right)$$

(which with a uniform kernel just means running a regression using the observations between x^*-h and x^*

Lets try this in stata

There is another approach to estimating the model

Define

$$g(x) = E(\varepsilon_i \mid X_i = x)$$

then

$$E(Y_i \mid X_i, T_i) = \alpha T_i + g(X_i)$$

where g is a smooth function

Thus we can estimate the model by writing down a smooth flexible functional form for g and just estimate this by OLS

The most obvious functional form that people use is a polynomial

There are really two different ways to do it:

$$Y_i = \alpha T_i + b_0 + b_1 X_i + b_2 X_i^2 + v_i$$

or

$$\begin{aligned} Y_i =& \alpha T_i + b_0 + b_1 X_i 1\left(X_i < x\right) + b_2 X_i^2 1\left(X_i < x\right) \\ &+ b_3 X_i 1\left(X_i \geq x\right) + b_4 X_i^2 1\left(X_i \geq x\right) + v_i \end{aligned}$$

Lee and Lemieux say the second is better, but it is not obvious to me

Note that this is just as “nonparametric” as the Kernel approach

- You must promise to increase the degree of the polynomial as you increase the sample size (in the same way that you lower the bandwidth with the sample size)
- You still have a practical problem of how to choose the degree of the polynomial (in the same way you have a choice about how to choose the bandwidth in the kernel approaches)

You can do both and use a local polynomial-in one case you promise to lower the bandwidth, in the other you promise to add more terms, you could do both

Also, for the “fuzzy” design we can just do IV

Problems

While when you can find a rule to exploit like this, it is often really nice, there are three major problems that arise

The first is kind of obvious from what we are doing-and is an estimation problem rather than an identification problem

Often the sample size is not very big and as a practical matter the bandwidth is so large (or the degree of the polynomial so small) that it isn't really regression discontinuity that is identifying things

The second problem is that there may be other rules changes happening at the same cutoff so you aren’t sure what exactly you are identifying

One suggestion to test for this is to look at observable characteristics

The third and a potential major problem is if the running variable is endogenous

Clearly if people choose X_i precisely the whole thing doesn't work

Something like a tax change would be a big problem

I can choose my hours and will try to be right near a kink

Think about someone who fails a test. Some people will come back and ask their exams to be regraded-if this is not random it is a problem

Note that you need X_i to be precisely manipulated, if there is still some randomness on the actual value of X_i, rd looks fine

Mccrary suggests to test for this by looking at the density around the cutoff point:

- Under the null the density should be continuous at the cutoff point
- Under the alternative, the density should increase at the kink point when T_i is viewed as a good thing

Lets look at some examples

Do Better Schools Matter? Parental Valuation of Elementary Education

Sandra Black, QJE, 1999

In the Tiebout model parents can “buy” better schools for their children by living in a neighborhood with better public schools

How do we measure the willingness to pay?

Just looking in a cross section is difficult: Richer parents probably live in nicer houses in areas that are better for many reasons

Black uses the school border as a regression discontinuity

We could take two families who live on opposite side of the same street, but are zoned to go to different schools

The difference in their house price gives the willingness to pay for school quality.

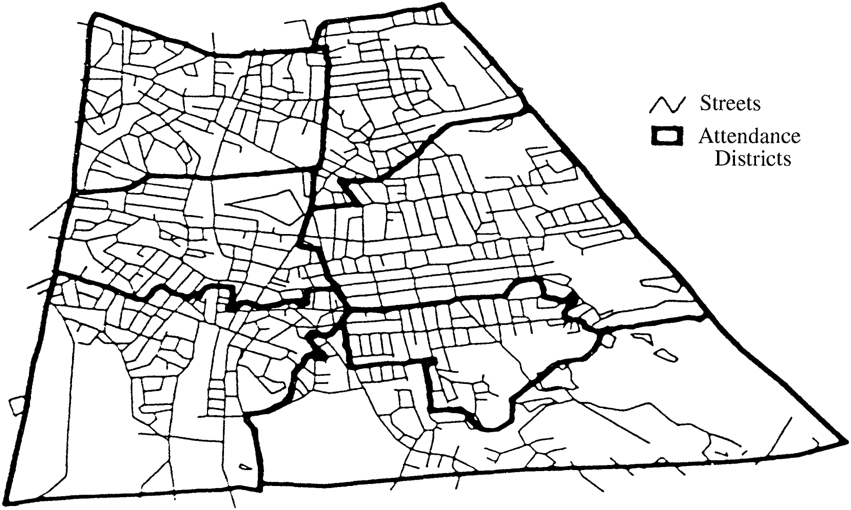


FIGURE I
Example of Data Collection for One City: Melrose
Streets, and Attendance District Boundaries

TABLE II

Regression Results[a]

(Adjusted Standard Errors Are in Parentheses[b])

Dependent Variable = ln (house price)

Distance from boundary:	(1)	(2)	(3)	(4)	(5)
	All houses[d]	0.35 mile from boundary (616 yards)	0.20 mile from boundary (350 yards)	0.15 mile from boundary (260 yards)	0.15 mile from boundary (260 yards)
Elementary school test score[c]	.035	.016	.013	.015	.031
	(.004)	(.007)	(.0065)	(.007)	(.006)
Bedrooms	.033	.038	.037	.033	.035
	(.004)	(.005)	(.006)	(.007)	(.007)
Bathrooms	.147	.143	.135	.167	.193
	(.014)	(.018)	(.024)	(.027)	(.028)
Bathrooms squared	−.013	−.017	−.015	−.024	−.025
	(.003)	(.004)	(.005)	(.006)	(.007)
Lot size (1000s)	.003	.005	.005	.005	.004
	(.0003)	(.0005)	(.0005)	(.0007)	(.0006)
Internal square footage (1000s)	.207	.193	.191	.195	.191
	(.007)	(.01)	(.01)	(.02)	(.012)
Age of building	−.002	−.002	−.003	−.003	−.002
	(.0003)	(.0002)	(.0005)	(.0006)	(.0004)
Age squared	.000003	.000003	.00001	.000009	.000005
	(.000001)	(.0000006)	(.000002)	(.000003)	(.000002)
Boundary fixed effects	NO	YES	YES	YES	NO
Census variables	Yes	No	No	No	Yes
N	22,679	10,657	6,824	4,594	4,589
Number of boundaries	N/A	175	174	172	N/A
Adjusted R^2	0.6417	0.6745	0.6719	0.6784	.6564

Differences in Means[a]

Distance from boundary:	Full sample		0.35 mile		0.20 mile		0.15 mile	
	Difference in means	*T*-statistic	Ratio of 0.35 to full sample[d]	*T*-statistic	Ratio of 0.20 to full sample[d]	*T*-statistic	Ratio of 0.15 to full sample[d]	*T*-statistic
ln (house price)	.045	3.82	0.85	3.32	0.85	3.17	0.93	3.17
Test score (sum of reading and math)	1.0	32.90	1.03	27.28	1.06	24.44	1.06	22.57
House characteristics								
Bedrooms	0.02	1.68	0.90	0.91	−0.35	−0.30	0.25	0.18
Bathrooms	0.03	2.98	0.23	0.52	−0.02	−0.05	−0.07	−0.12
Lot size	2011	11.39	0.22	2.14	0.24	1.95	0.12	0.83
Internal square footage	31	2.93	0.61	1.32	0.61	1.07	0.84	1.17
Age of building	−3.13	−6.92	0.75	−3.71	0.94	−3.76	1.09	−3.52
Neighborhood characteristics[c]								
Percent Hispanic	−.0008	−0.79	2.50	−1.35	2.50	−1.21	2.50	−1.26
Percent non-Hispanic black	−.0007	−1.50	0.43	−0.54	0.00	−0.07	−0.14	0.16
Percent 0–9 years old	.005	3.30	0.16	0.63	−0.08	−0.31	−0.30	−1.21
Percent 65+ years old	−.01	−2.04	0.40	−0.72	0.67	−1.28	0.60	−0.95
Percent female-headed households with children	−.001	−3.67	1.00	−3.17	1.20	−2.53	1.00	−2.38
Percent with bachelor's degree	.002	1.06	0.75	0.64	1.00	0.74	0.75	0.67
Percent with graduate degree	.008	3.32	0.88	2.77	0.88	3.02	0.88	3.31
Percent with less than high school diploma	−.005	−2.19	1.20	−2.02	0.80	−1.57	0.34	−0.64
Median household income	2,135	2.87	0.60	1.90	0.65	2.11	0.52	1.61

TABLE IV

MAGNITUDE OF RESULTS[a]

	(1) Basic hedonic regression[d]	(2) 0.35 sample boundary fixed effects	(3) 0.20 sample boundary fixed effects	(4) 0.15 sample boundary fixed effects
Coefficient on elementary school test score[b]	.035 (.004)	.016 (.007)	.013 (.0065)	.015 (.007)
Magnitude of effect (percent change in house price as a result of a 5% change in test scores)[c]	4.9%	2.3%	1.8%	2.1%
$ Value (at mean tax-adjusted house price of $188,000 in $1993)	$9212	$4324	$3384	$3948
$ Value (at median tax-adjusted house price of $158,000 in $1993)	$7742	$3634	$2844	$3318

a. The results presented here are based on estimates from Table II, columns (1)–(4).

b. Test scores are measured at the elementary school level and represent the sum of the reading and math scores from the fourth grade MEAP test averaged over three years (1988, 1990, and 1992). *Source*: Massachusetts Department of Education.

c. Approximately a one-standard-deviation change in the average test scores at the mean.

d. Regression includes house characteristics, school characteristics measured at the school district level, and neighborhood characteristics measured at the census block group level. See Table II, column (1), and Appendix 1 for more complete results.

Maimonides' Rule

Angrist and Lavy look at the effects of school class size on kid's outcomes

Maimonides was a twelfth century Rabbinic scholar

He interpreted the Talmud in the following way:

> *Twenty-five children may be put it charge of one teacher. If the number in the class exceeds twenty-five but is not more than forty, he should have an assistant to help with the instruction. If there are more than forty, two teachers must be appointed.*

This rule has had a major impact on education in Israel

They try to follow this rule so that no class has more than 40 kids

But this means that

- If you have 80 kids in a grade, you have two classes with 40 each
- if you have 81 kids in a grade, you have three classes with 27 each

That sounds like a regression discontinuity

We can write the rule as

$$f_{sc} = \frac{e_s}{\left[int\left(\frac{e_s - 1}{40}\right) + 1\right]}$$

Ideally we could condition on grades with either 80 or 81 kids

More generally there are two ways to do this

- condition on people close to the cutoff and use f_{sc} as an instrument
- Control for class size in a “smooth” way and use f_{sc} as an instrument

UNWEIGHTED DESCRIPTIVE STATISTICS

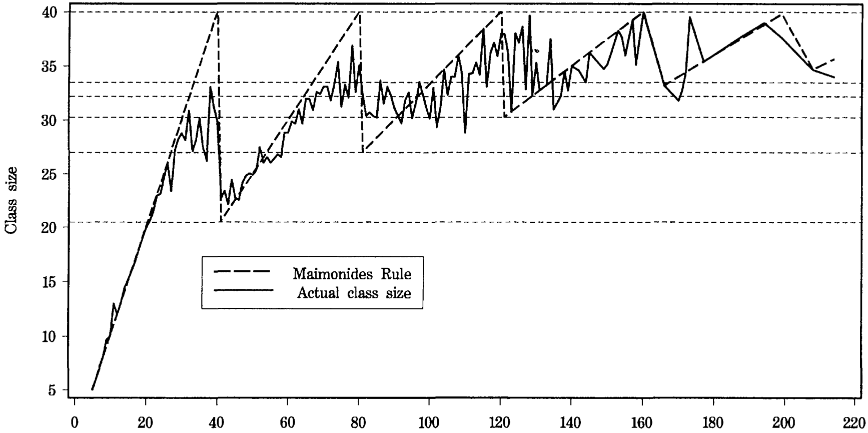
Variable	Mean	S.D.	Quantiles 0.10	0.25	0.50	0.75	0.90
A. Full sample							
5th grade (2019 classes, 1002 schools, tested in 1991)							
Class size	29.9	6.5	21	26	31	35	38
Enrollment	77.7	38.8	31	50	72	100	128
Percent disadvantaged	14.1	13.5	2	4	10	20	35
Reading size	27.3	6.6	19	23	28	32	36
Math size	27.7	6.6	19	23	28	33	36
Average verbal	74.4	7.7	64.2	69.9	75.4	79.8	83.3
Average math	67.3	9.6	54.8	61.1	67.8	74.1	79.4
4th grade (2049 classes, 1013 schools, tested in 1991)							
Class size	30.3	6.3	22	26	31	35	38
Enrollment	78.3	37.7	30	51	74	101	127
Percent disadvantaged	13.8	13.4	2	4	9	19	35
Reading size	27.7	6.5	19	24	28	32	36
Math size	28.1	6.5	19	24	29	33	36
Average verbal	72.5	8.0	62.1	67.7	73.3	78.2	82.0
Average math	68.9	8.8	57.5	63.6	69.3	75.0	79.4
3rd grade (2111 classes, 1011 schools, tested in 1992)							
Class size	30.5	6.2	22	26	31	35	38
Enrollment	79.6	37.3	34	52	74	104	129
Percent disadvantaged	13.8	13.4	2	4	9	19	35
Reading size	24.5	5.4	17	21	25	29	31
Math size	24.7	5.4	18	21	25	29	31
Average verbal	86.3	6.1	78.4	83.0	87.2	90.7	93.1
Average math	84.1	6.8	75.0	80.2	84.7	89.0	91.9

B. +/− 5 Discontinuity sample (enrollment 36–45, 76–85, 116–124)

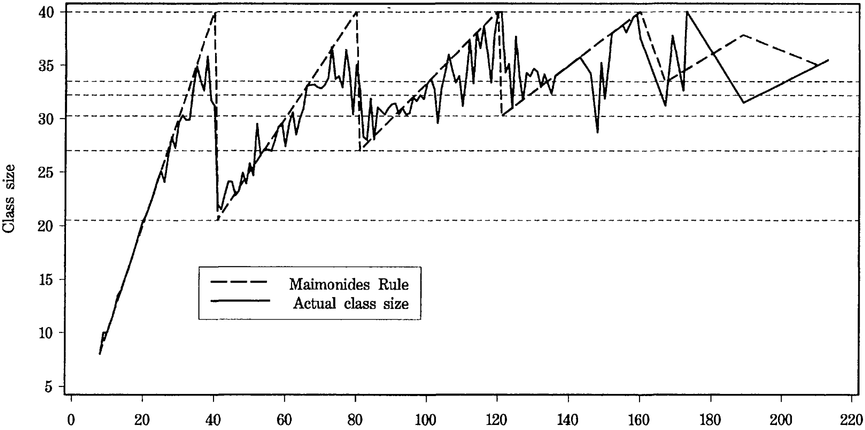
	5th grade		4th grade		3rd grade	
	Mean	S.D.	Mean	S.D.	Mean	S.D.
	(471 classes, 224 schools)		(415 classes, 195 schools		(441 classes, 206 schools)	
Class size	30.8	7.4	31.1	7.2	30.6	7.4
Enrollment	76.4	29.5	78.5	30.0	75.7	28.2
Percent disadvantaged	13.6	13.2	12.9	12.3	14.5	14.6
Reading size	28.1	7.3	28.3	7.7	24.6	6.2
Math size	28.5	7.4	28.7	7.7	24.8	6.3
Average verbal	74.5	8.2	72.5	7.8	86.2	6.3
Average math	67.0	10.2	68.7	9.1	84.2	7.0

Variable definitions are as follows: Class size = number of students in class in the spring, Enrollment = September grade enrollment, Percent disadvantaged = percent of students in the school from "disadvantaged backgrounds," Reading size = number of students who took the reading test, Math size = number of students who took the math test, Average verbal = average composite reading score in the class, Average math = average composite math score in the class.

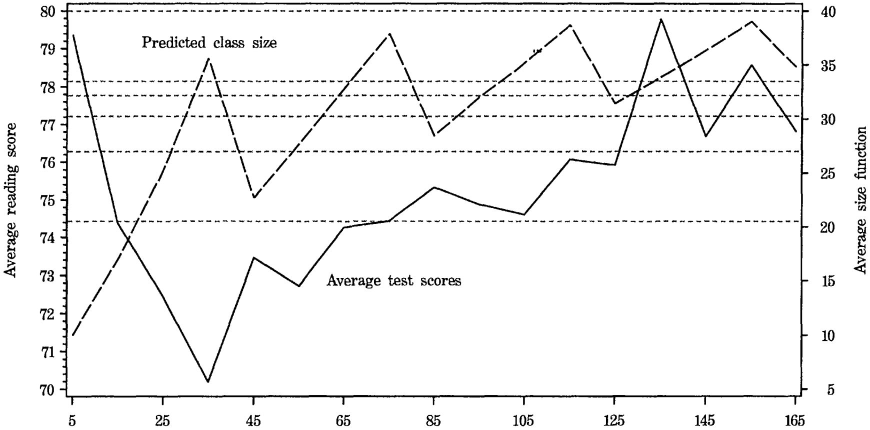
a. Fifth Grade



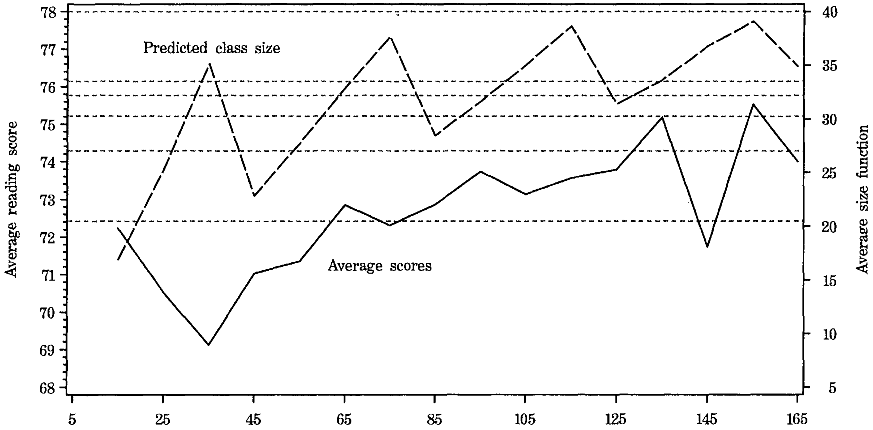
b. Fourth Grade



a. Fifth Grade



b. Fourth Grade



To estimate the model they use an econometric framework

$$Y_{ics} = \beta_0 + \beta_1 C_{cs} + \beta_2 X_{ics} + \alpha_s + \varepsilon_{ics}$$

Now we can't just put in a school effect because we will loose too much variation so think of α_s as part of the error term

Their data is a bit different because it is by class rather than by individual-but for this that isn't a big deal

Angrist and Lavy first estimate this model by OLS to show what we would get

TABLE II
OLS ESTIMATES FOR 1991

	5th Grade						4th Grade					
	Reading comprehension			Math			Reading comprehension			Math		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Mean score		74.3			67.3			72.5			69.9	
(s.d.)		(8.1)			(9.9)			(8.0)			(8.8)	
Regressors												
Class size	.221	−.031	−.025	.322	.076	.019	0.141	−.053	−.040	.221	.055	.009
	(.031)	(.026)	(.031)	(.039)	(.036)	(.044)	(.033)	(.028)	(.033)	(.036)	(.033)	(.039)
Percent disadvantaged		−.350	−.351		−.340	−.332		−.339	−.341		−.289	−.281
		(.012)	(.013)		(.018)	(.018)		(.013)	(.014)		(.016)	(.016)
Enrollment			−.002			.017			−.004			.014
			(.006)			(.009)			(.007)			(.008)
Root MSE	7.54	6.10	6.10	9.36	8.32	8.30	7.94	6.65	6.65	8.66	7.82	7.81
R^2	.036	.369	.369	.048	.249	.252	.013	.309	.309	.025	.204	.207
N		2,019			2,018			2,049			2,049	

The unit of observation is the average score in the class. Standard errors are reported in parentheses. Standard errors were corrected for within-school correlation between classes.

Next, they want to worry about the fact that C_{cs} is correlated with $\alpha_s + \varepsilon_{ics}$

They run instrumental variables using f_{sc} as an instrument.

TABLE IV
2SLS ESTIMATES FOR 1991 (FIFTH GRADERS)

	Reading comprehension						Math					
	Full sample				+/− 5 Discontinuity sample		Full sample				+/− 5 Discontinuity sample	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Mean score	74.4				74.5		67.3				67.0	
(s.d.)	(7.7)				(8.2)		(9.6)				(10.2)	
Regressors												
Class size	−.158	−.275	−.260	−.186	−.410	−.582	−.013	−.230	−.261	−.202	−.185	−.443
	(.040)	(.066)	(.081)	(.104)	(.113)	(.181)	(.056)	(.092)	(.113)	(.131)	(.151)	(.236)
Percent disadvantaged	−.372	−.369	−.369		−.477	−.461	−.355	−.350	−.350		−.459	−.435
	(.014)	(.014)	(.013)		(.037)	(.037)	(.019)	(.019)	(.019)		(.049)	(.049)
Enrollment		.022	.012			.053		.041	.062			.079
		(.009)	(.026)			(.028)		(.012)	(.037)			(.036)
Enrollment squared/100			.005						−.010			
			(.011)						(.016)			
Piecewise linear trend				.136						.193		
				(.032)						(.040)		
Root MSE	6.15	6.23	6.22	7.71	6.79	7.15	8.34	8.40	8.42	9.49	8.79	9.10
N	2019			1961	471		2018			1960	471	

The unit of observation is the average score in the class. Standard errors are reported in parentheses. Standard errors were corrected for within-school correlation between classes. All estimates use f_{sc} as an instrument for class size.

Does Air Quality Matter? Evidence from the Housing Market

Chay and Greenstone, JPE, 2005.

The goal of this paper is to look at the willingness to pay for clean air

Using their notation

$$y_{c80} = X'_{c80}\beta + \theta T_{c80} + \varepsilon_{c80}$$

where

- y_{c80} is log of median property value in county c in 1980
- T_{c80} is the geometric mean of total suspended particulates (TSP)

They focus on the first differenced version of the model

$$y_{c80} - y_{c70} = (X_{c80} - X_{c70})'\beta + \theta(T_{c80} - T_{c70}) + \varepsilon_{c80} - \varepsilon_{c70}$$

They solve the identification problem by making use of the Clean Air Act Amendments of 1970

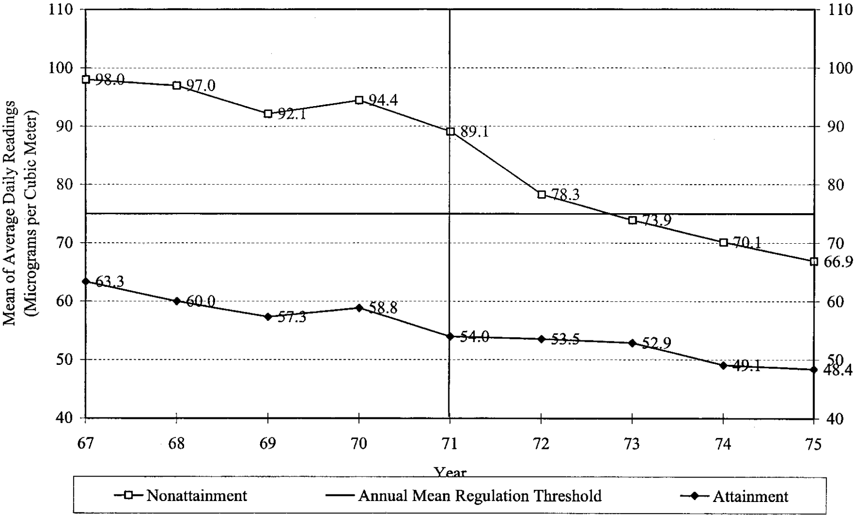
A county violates federal standards if:

- Annual geometric mean of TSP exceeds 75 ug/m
- Second highest daily measure exceeds 260 ug/m

If you fail the test (nonattainment) the county needs to derive a plan to clean something else

They use failing the test as an instrument for $(T_{c80} - T_{c70})$.

You can see that those that failed had much larger declines



Mean of Average Daily Readings
(Micrograms per Cubic Meter)
110
100
90
80
70
60
50
40
67
68
69
70
71
72
73
74
75
Year
98.0
97.0
92.1
94.4
89.1
78.3
73.9
70.1
66.9
63.3
60.0
57.3
58.8
54.0
53.5
52.9
49.1
48.4
Nonattainment
Annual Mean Regulation Threshold
Attainment

You can also see the discontinuity in pollution and housing prices

(note that there are nonattainers to the left of the line because of the second rule)

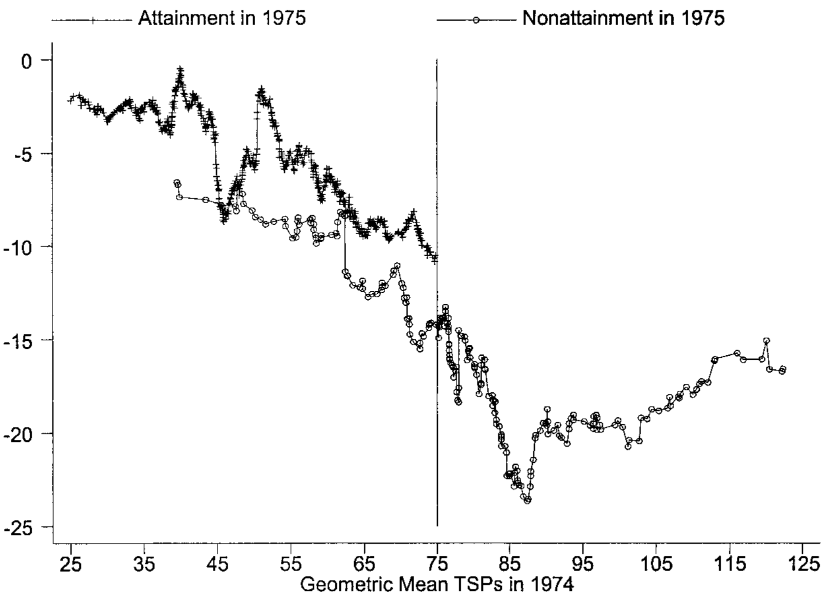


FIG. 4.—1970–80 change in mean TSPs by 1975 nonattainment status and the geometric mean of TSPs in 1974.

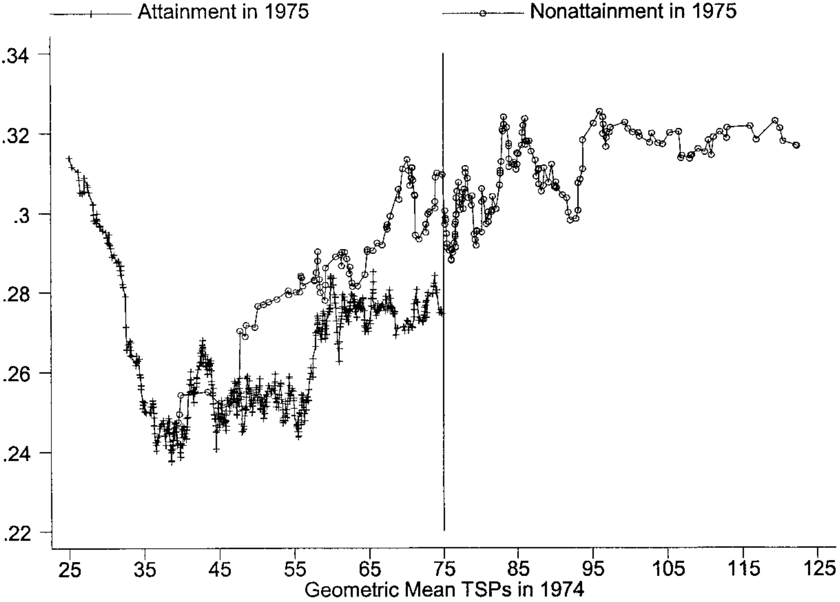


FIG. 5.—1970–80 change in log housing values by 1975 nonattainment status and the geometric mean of TSPs in 1974.

TABLE 2

Differences in Sample Means between Groups of Counties, Defined by TSPs Levels, Changes, or Nonattainment Status

			TSPs Nonattainment			
	Cross Section 1970	First Difference 1980−1970	In 1970, 1971, or 1972	In 1975 or 1976	In 1975 Regression Discontinuity Sample	In 1975 Bad Day Sample
	(1)	(2)	(3)	(4)	(5)	(6)
Total counties (nonattainment)	988	988	988	988	475	419
			(380)	(280)	(123)	(67)
Housing value	1,092	−3,237**	−517	2,609**	2,007	2,503
	(918)	(713)	(726)	(806)	(1,193)	(1,585)
Mean TSPs	39.2**	−30.9**	−19.6**	−10.0**	−12.3**	−4.8
	(1.2)	(1.0)	(1.4)	(1.8)	(2.4)	(2.9)
Economic condition variables:						
Income per capita (1982–84 dollars)	377.7**	−159.9**	−81.6*	48.6	47.2	−37.2
	(94.7)	(40.7)	(41.2)	(46.4)	(65.1)	(94.1)
Total population (% change)	142,016**	−.058**	−.046**	−.001	.005	.015
	(24,279)	(.013)	(.013)	(.017)	(.028)	(.030)
Unemployment rate (× 100)	−.144	.519**	.200	.043	.305	−.032
	(.120)	(.129)	(.132)	(.152)	(.215)	(.274)
% employment in manufacturing (× 10)	.098	−.119**	−.081**	−.005	−.057	−.066
	(.083)	(.026)	(.026)	(.028)	(.042)	(.051)
Demographic and socioeconomic variables:						

TABLE 3
Cross-Sectional and First-Difference Estimates of the Effect of TSPs Pollution on Log Housing Values

	(1)	(2)	(3)	(4)
	A. 1970 Cross Section			
Mean TSPs (1/100)	.032	−.062	−.040	−.024
	(.038)	(.018)	(.017)	(.017)
R^2	.00	.79	.84	.85
Sample size	988	987	987	987
	B. 1980 Cross Section			
Mean TSPs (1/100)	.093	.096	.076	.027
	(.066)	(.031)	(.030)	(.028)
R^2	.00	.82	.89	.89
Sample size	988	984	984	984
	C. 1970–80 (First Differences)			
Mean TSPs (1/100)	.102	.024	.004	−.006
	(.032)	(.020)	(.016)	(.014)
R^2	.02	.55	.65	.73
Sample size	988	983	983	983
County Data Book covariates	no	yes	yes	yes
Flexible form of county covariates	no	no	yes	yes
Region fixed effects	no	no	no	yes

Note.—See the notes to tables 1 and 2. For 1970 and 1980, the mean TSPs variable is the 1969–72 and 1977–80 average of the annual geometric mean concentrations, respectively. See the Data Appendix for a full list of the control variables. The flexible functional form includes quadratics, cubics, and interactions of the variables as controls. The mean of the natural log of 1970 housing prices is 10.55. The means of the dependent variables in panels B and C are 10.82 and 0.27, respectively. Standard errors (in parentheses) are estimated using the Eicker-White formula to correct for heteroskedasticity.

TABLE 4

Estimates of the Impact of Mid-Decade TSPs Nonattainment on 1970–80 Changes in TSPs Pollution and Log Housing Values

	(1)	(2)	(3)	(4)
	A. Mean TSPs Changes			
TSPs nonattainment in 1975 or 1976	−9.96	−10.41	−9.57	−9.40
	(1.78)	(1.90)	(1.94)	(2.02)
F-statistic TSPs nonattainment*	31.3	29.9	24.4	21.5
	(1)	(1)	(1)	(1)
R^2	.04	.10	.19	.20
	B. Log Housing Changes			
TSPs nonattainment in 1975 or 1976	.036	.022	.026	.019
	(.012)	(.009)	(.008)	(.008)
F-statistic TSPs nonattainment*	8.5	6.2	9.3	6.4
	(1)	(1)	(1)	(1)
R^2	.01	.56	.66	.73
County Data Book covariates	no	yes	yes	yes
Flexible form of county covariates	no	no	yes	yes
Region fixed effects	no	no	no	yes
Sample size	988	983	983	983

Note.—See the notes to previous tables. In panel A the dependent variable is the difference between the 1977–80 and 1969–72 averages of mean TSPs concentrations. The mean is −7.82 $\mu g/m^3$. In panel B the dependent variable is the difference between 1980 and 1970 log housing values, and its mean is 0.27. Standard errors (in parentheses) are estimated using the Eicker-White formula to correct for heteroskedasticity.

* Numbers in parentheses in rows with *F*-statistics are numerator degrees of freedom.

TABLE 5
Instrumental Variables Estimates of the Effect of 1970–80 Changes in TSPs Pollution on Changes in Log Housing Values

	(1)	(2)	(3)	(4)
	A. TSPs Nonattainment in 1975 or 1976			
Mean TSPs (1/100)	−.362 (.152)	−.213 (.096)	−.266 (.104)	−.202 (.090)
Sample size	988	983	983	983
	B. TSPs Nonattainment in 1975			
Mean TSPs (1/100)	−.350 (.150)	−.204 (.099)	−.228 (.102)	−.129 (.084)
Sample size	975	968	968	968
	C. TSPs Nonattainment in 1970, 1971, or 1972			
Mean TSPs (1/100)	.072 (.058)	−.032 (.042)	−.050 (.041)	−.073 (.035)
Sample size	988	983	983	983
County Data Book covariates	no	yes	yes	yes
Flexible form of county covariates	no	no	yes	yes
Region fixed effects	no	no	no	yes

Note.—See the notes to previous tables. The coefficients are estimated using 2SLS. The first row of panels A–C indicates which instrument is used. From panels A to C, the instruments are an indicator equal to one if the county was nonattainment for TSPs in either 1975 or 1976, an indicator equal to one if the county was nonattainment for TSPs in 1975, and an indicator that equals one if the county was nonattainment for TSPs in either 1970, 1971, or 1972, respectively. Standard errors (in parentheses) are estimated using the Eicker-White formula to correct for heteroskedasticity.

Randomized Experiments from Non-random Selection in U.S. House Elections

Lee, Journal of Econometrics, 2008

One of the main points of this paper is that the running variable can be endogenous as long as it can not be perfectly chosen.

In particular it could be that:

$$X_i = W_i + \xi_i$$

where W_i is chosen by someone, but ξ_i is random and unknown when W_i is chosen

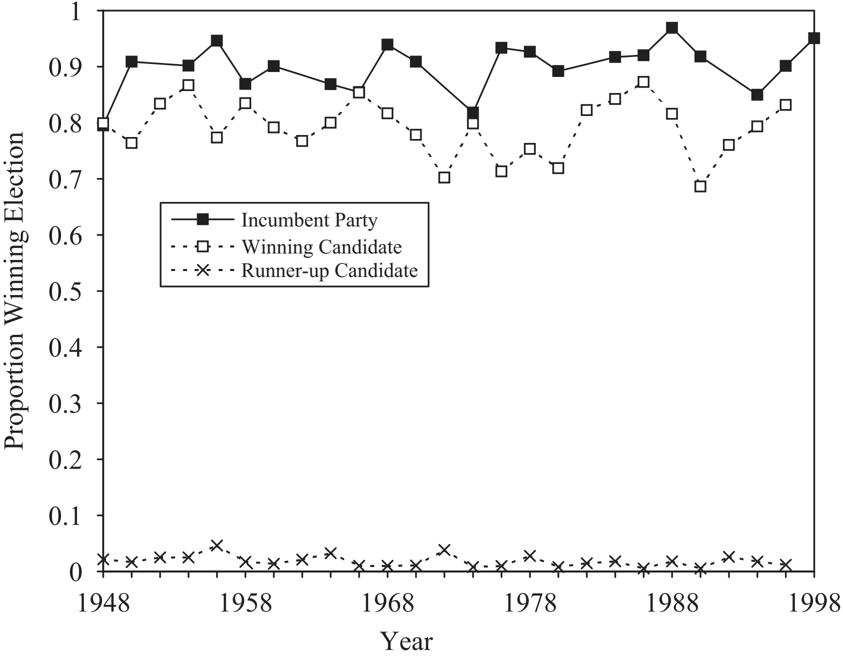
Lee shows that regression discontinuity approaches still work in this case

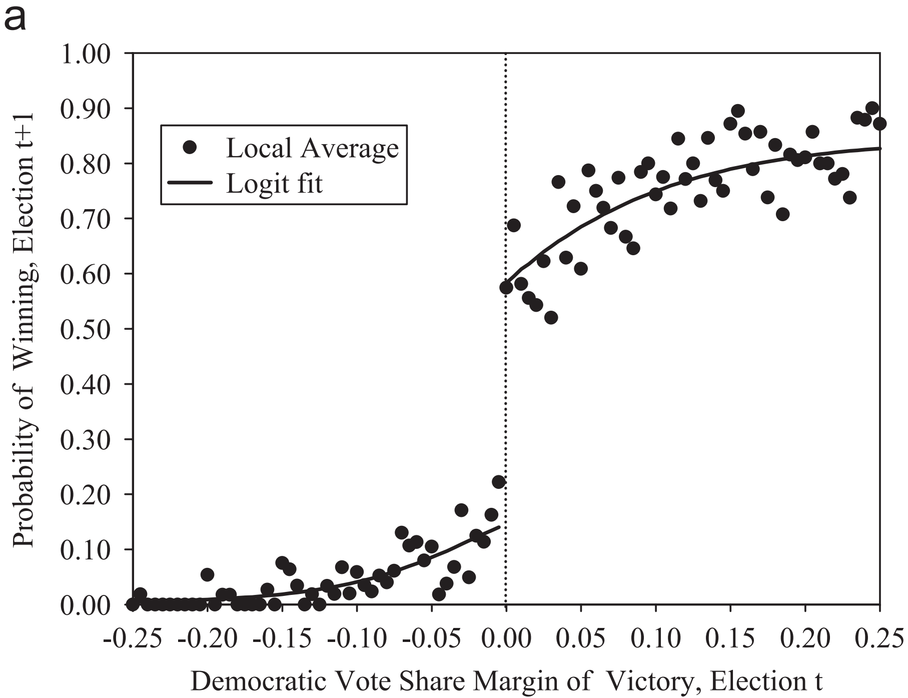
Incumbency

We can see that incumbents in congress are re-elected at very high rates

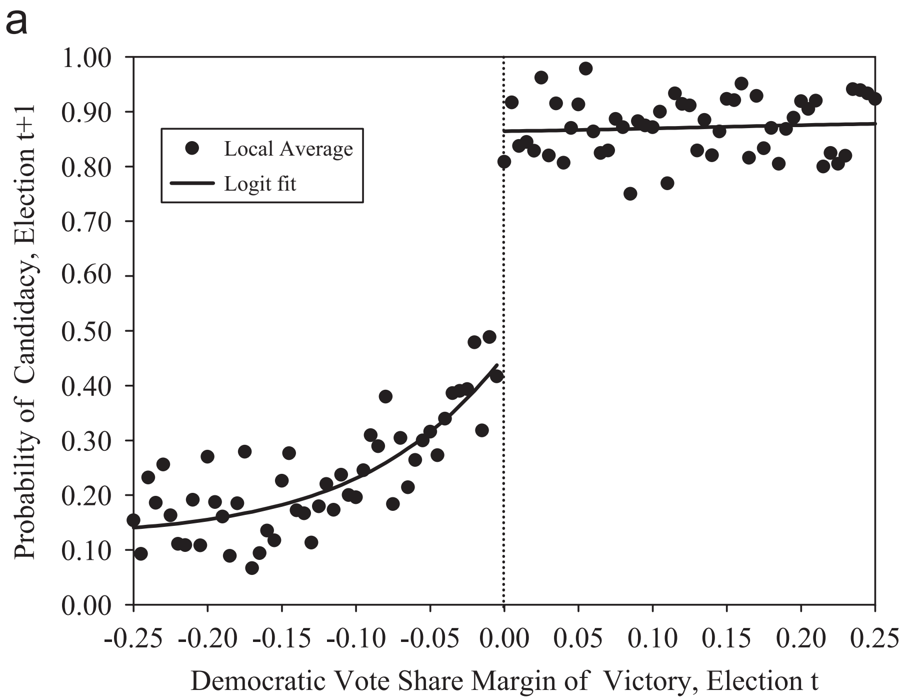
Is this because there is an effect of incumbency or just because of serial correlation in preferences?

Regression discontinuity helps solves this problem-look at people who just barely won (or lost).


1
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0
Proportion Winning Election
1948
1958
1968
1978
1988
1998
Year
■ Incumbent Party
□ Winning Candidate
× Runner-up Candidate


a
Local Average
Logit fit
Probability of Winning, Election t+1
Democratic Vote Share Margin of Victory, Election t
1.00
0.90
0.80
0.70
0.60
0.50
0.40
0.30
0.20
0.10
0.00
-0.25
-0.20
-0.15
-0.10
-0.05
0.00
0.05
0.10
0.15
0.20
0.25

b


a
Local Average
Logit fit
Probability of Candidacy, Election t+1
Democratic Vote Share Margin of Victory, Election t
1.00
0.90
0.80
0.70
0.60
0.50
0.40
0.30
0.20
0.10
0.00
-0.25
-0.20
-0.15
-0.10
-0.05
0.00
0.05
0.10
0.15
0.20
0.25

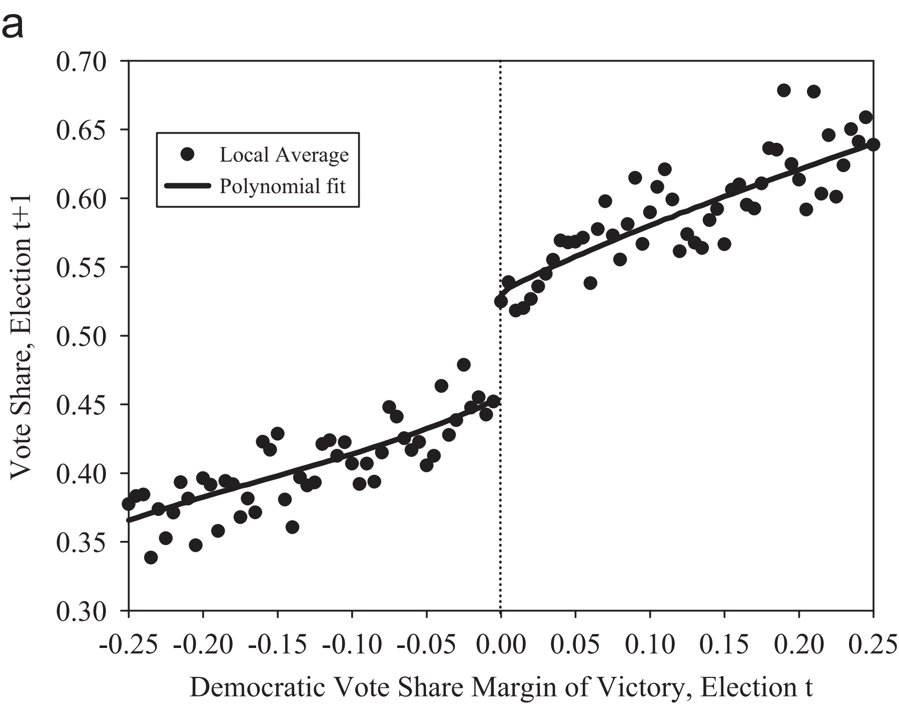

a
0.70
0.65
0.60
0.55
0.50
0.45
0.40
0.35
0.30
Vote Share, Election t+1
● Local Average
Polynomial fit
-0.25
-0.20
-0.15
-0.10
-0.05
0.00
0.05
0.10
0.15
0.20
0.25
Democratic Vote Share Margin of Victory, Election t

Table 1
Electoral outcomes and pre-determined election characteristics: democratic candidates, winners vs. losers: 1948–1996

Variable	All		|Margin| < .5		|Margin| < .05		Parametric fit	
	Winner	Loser	Winner	Loser	Winner	Loser	Winner	Loser
Democrat vote share election $t+1$	0.698	0.347	0.629	0.372	0.542	0.446	0.531	0.454
	(0.003)	(0.003)	(0.003)	(0.003)	(0.006)	(0.006)	(0.008)	(0.008)
	[0.179]	[0.15]	[0.145]	[0.124]	[0.116]	[0.107]		
Democrat win prob. election $t+1$	0.909	0.094	0.878	0.100	0.681	0.202	0.611	0.253
	(0.004)	(0.005)	(0.006)	(0.006)	(0.026)	(0.023)	(0.039)	(0.035)
	[0.276]	[0.285]	[0.315]	[0.294]	[0.458]	[0.396]		
Democrat vote share election $t-1$	0.681	0.368	0.607	0.391	0.501	0.474	0.477	0.481
	(0.003)	(0.003)	(0.003)	(0.003)	(0.007)	(0.008)	(0.009)	(0.01)
	[0.189]	[0.153]	[0.152]	[0.129]	[0.129]	[0.133]		
Democrat win prob. election $t-1$	0.889	0.109	0.842	0.118	0.501	0.365	0.419	0.416
	(0.005)	(0.006)	(0.007)	(0.007)	(0.027)	(0.028)	(0.038)	(0.039)
	[0.31]	[0.306]	[0.36]	[0.317]	[0.493]	[0.475]		
Democrat political experience	3.812	0.261	3.550	0.304	1.658	0.986	1.219	1.183
	(0.061)	(0.025)	(0.074)	(0.029)	(0.165)	(0.124)	(0.229)	(0.145)
	[3.766]	[1.293]	[3.746]	[1.39]	[2.969]	[2.111]		
Opposition political experience	0.245	2.876	0.350	2.808	1.183	1.345	1.424	1.293
	(0.018)	(0.054)	(0.025)	(0.057)	(0.118)	(0.115)	(0.131)	(0.17)
	[1.084]	[2.802]	[1.262]	[2.775]	[2.122]	[1.949]		
Democrat electoral experience	3.945	0.464	3.727	0.527	1.949	1.275	1.485	1.470
	(0.061)	(0.028)	(0.075)	(0.032)	(0.166)	(0.131)	(0.23)	(0.151)
	[3.787]	[1.457]	[3.773]	[1.55]	[2.986]	[2.224]		
Opposition electoral experience	0.400	3.007	0.528	2.943	1.375	1.529	1.624	1.502
	(0.019)	(0.054)	(0.027)	(0.058)	(0.12)	(0.119)	(0.132)	(0.174)
	[1.189]	[2.838]	[1.357]	[2.805]	[2.157]	[2.022]		
Observations	3818	2740	2546	2354	322	288	3818	2740

Table 2
Effect of winning an election on subsequent party electoral success: alternative specifications, and refutability test, regression discontinuity estimates

Dependent variable	(1) Vote share $t+1$	(2) Vote share $t+1$	(3) Vote share $t+1$	(4) Vote share $t+1$	(5) Vote share $t+1$	(6) Res. vote share $t+1$	(7) 1st dif. vote share, $t+1$	(8) Vote share $t-1$
Victory, election t	0.077	0.078	0.077	0.077	0.078	0.081	0.079	−0.002
	(0.011)	(0.011)	(0.011)	(0.011)	(0.011)	(0.014)	(0.013)	(0.011)
Dem. vote share, $t-1$	–	0.293	–	–	0.298	–	–	–
		(0.017)			(0.017)			
Dem. win, $t-1$	–	−0.017	–	–	−0.006	–	−0.175	0.240
		(0.007)			(0.007)		(0.009)	(0.009)
Dem. political experience	–	–	−0.001	–	0.000	–	−0.002	0.002
			(0.001)		(0.003)		(0.003)	(0.002)
Opp. political experience	–	–	0.001	–	0.000	–	−0.008	0.011
			(0.001)		(0.004)		(0.004)	(0.003)
Dem. electoral experience	–	–	–	−0.001	−0.003	–	−0.003	0.000
				(0.001)	(0.003)		(0.003)	(0.002)
Opp. electoral experience	–	–	–	0.001	0.003	–	0.011	−0.011
				(0.001)	(0.004)		(0.004)	(0.003)