

Nine Questions to Ask Yourself Before Embarking on an Applied Econometrics Study

Kirstin Munro

October 16, 2023

These are some deceptively difficult questions to answer. Knowing the answers to them will help you clarify your thinking (and writing) as well as help you avoid issues with your research design that may seem "econometric" but are actually logical.

1. What is the economic/social problem of interest and why should we care?
2. What is the outcome you care about?
3. What are the key factors that you think cause changes in that outcome?
4. What is the direction of the hypothesized change, and what is the mechanism through which that change occurs (common sense or based on an existing theory)?
5. In the simplest dinner-at-non-economist-grandparents'-house terms, what is the theory that is being tested? Is there an OG citation for this theory?
6. Are there other (moderating) factors that will be included in your model because they influence the outcome, but aren't specifically related to the hypothesis?
7. What is the source(s) for your data? How do the variables available in the data set correspond to the outcomes and explanatory factors from your theory (how have the concepts been operationalized)?
8. If you are using a "non-standard" or "sophisticated" econometric technique, why do you need it? What would you get wrong in terms of the economic/policy implications of your results if you were to use a more standard approach?
9. What is your identification strategy?