

Book Review Mastering 'Metrics: The Path from Cause to Effect

By Simeon Paton

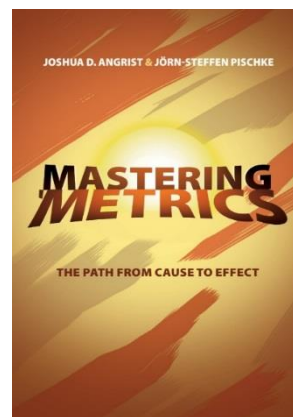
Mastering 'Metrics is – yes you guessed it – a book about Econometrics. Although probably not the favourite subject of study for most students of Economics, this book attempts to change that. As a follow up from *Mostly Harmless Econometrics* by the same authors, this manageable 252 paged book starts at a much more introductory level, meaning it is accessible even to readers that are new to the subject. That said, a basic understanding of metrics is likely to be beneficial as the topics covered quickly increase in complexity.

The book is written from the perspective of a young Kung Fu rookie as they journey on the path to become a 'master of metrics'. This narrative allows for an almost seamless blend of theory and technical notation alongside real world examples. Case studies include whether health insurance increases health, expensive higher-education increases future income and whether central banks should bail out private banks.

The authors attempt to show how econometrics is both interesting and useful in explaining cause and effect, but they also demonstrate how mathematical statistics is riddled with complexities. In particular there is almost never a completely controlled experiment where simple casual effect can be observed without treatment effects or selection biases arising. Instead, the authors show step-by-step how statistical tools can be used to find causality to an acceptable degree of likelihood.

The book covers five main topics: randomised trials, regression analysis, instrumental variables, regression discontinuity design and difference-in-

difference. Unlike other Economics books, Angrist and Pischke keep equations to a minimum and use everyday language, going through each topic in an easy to follow progression. Each chapter starts with a non-technical explanation of a metrics problem using relatable real world examples. The end of each chapter features a pioneer in the field of Econometrics, which is a unique and valuable addition. Furthermore, the appendix of each chapter provides a more textbook-style explanation of the topics covered, along with mathematical formulae.



Overall this book has been very well received and is hard to fault. It may not be useful to Economics undergraduates in its entirety, but is definitely useful if students want a slightly different perspective on the core topics in Econometrics. Perhaps what students will learn most from this book is that Econometrics is not only an empirical science, but also an art to be mastered.

Author: Joshua D. Angrist & Jörn-Steffen Pischke

Year of Publication: 2014

Publisher: Princeton University Press

Genre: Econometrics