

FIRM UP PERFORMANCE

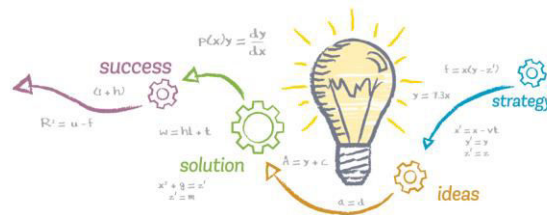
ATHENS, GREECE

SEPTEMBER 9-12, 2019



WORLD BANK GROUP





Randomization

(aka. Why did we waste all that time on non-experimental methods yesterday???)

Aidan Coville, DIME
September 10th 2019

Game time

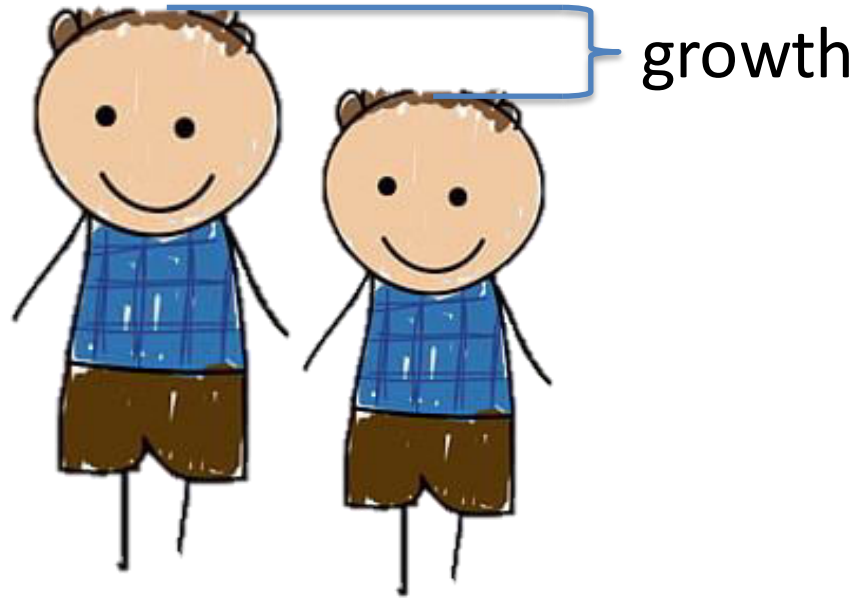
<https://tinyurl.com/y3vac643>



How big is this alien?



How much has this kid grown in the last year?



What was the impact of the training program on business growth?



Why not just collect more data so you can do a matched DID analysis?

- Data is expensive!
- Some things just can't be measured...





Name: Bobby Da Man

Occupation: Stuff at night

Age: 27

Enjoys: Long walks on the beach and jam sandwiches

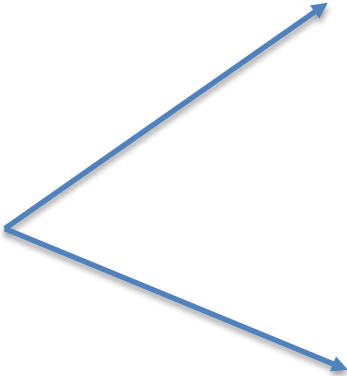
Looking for: That special person

How do you find the magic spark?

Stir it up



SOUP



SOUP



SOUP







Don't take my word for it



Main takeaways

- Randomization automatically balances control and treatment groups on observables AND unobservables
- Other selection methods can easily result in BIASED estimates if not careful.
- Randomization simplifies things: $T - C = \text{impact}$
- BUT...still must be done with care...beware of spillovers!

How to do in practice

- **Budget constraints prevent full coverage** – Random assignment (lottery) is fair and transparent
- **Limited implementation capacity** – Randomized phase-in gives all the same chance to go first
- **No evidence on which alternative is best** – Random variation in treatment with equal ex ante chance of success
- **Take up of existing program is not complete** –
Encouragement design: Randomly provide information or incentive for some to sign up
Randomized phase in, etc.