

Discussant Remarks on “Fractional Treatment Rules for Social  
Diversification of Individual Private Risks” by Charles Manski

Remarks by Jeffrey Smith

October 28, 2006

## **Statistical treatment rules**

A theoretically important literature

A practically important literature

Manski has contributed to both aspects of the literature in very important ways in a series of thoughtful, organized papers

## **Examples of policy-relevant statistical treatment rules**

Search profiling for highway stops by the police

Use STR to determine which cars to pull over or search

Selective incapacitation

Use STR to determine sentences of convicted criminals

Very controversial in criminology

Confused literature in criminology – see Bushway and Smith

## **Integration between theory and practice of STRs**

No: UI profiling in the US

No: Air travel watch list

Yes: mental health treatment sequences – e.g. Susan Murphy

## **Are there heterogeneous treatment effects?**

We do not know as much about this as we should in many (most? all?) substantive contexts

But, see job training literature – not much beyond age and sex

Are opportunity costs the most important part of the heterogeneity?

The more heterogeneity there is, the more it is useful to think about STRs

## **Who knows about the heterogeneous treatment effects?**

Social planner / econometrician

Expert – caseworker or doctor

See literature on evidence based medicine and STRs in medicine

See literature on professional knowledge

Individual

## **Alternative treatment allocation mechanisms**

Self-selection – ex: what to eat for dinner

Self-selection with eligibility rules: community college

Double-selection with eligibility rules: University of Michigan

Self-selection with eligibility rules and information: WIA

Random draft with exclusions related to treatment effects and opportunity costs

Random draft with voluntary buy-out

## **Selecting the best treatment allocation mechanism**

Extent of heterogeneity and who knows about it crucial for optimal choice of treatment allocation mechanism

Historical analog: socialist calculation debate; Hayek (1945)