



THE UNIVERSITY  
*of* EDINBURGH

# Methods for Causal Inference

## Lecture 16-17: Counterfactuals and mediation

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# Counterfactuals: Keep identification & estimation separate

**Defining** the counterfactual should not require approximation. Definitions should accurately capture what we wish to estimate precisely.

(How we then estimate it is a different problem).

Defining and estimating counterfactual allows us to address complex problems:

- efficacy of a job training programme by identifying how many enrolled would have gotten jobs had they not enrolled
- Predict the effect of an additive intervention (adding 5 mg/l of insulin to a group of patient with varying insulin levels), from experimental studies
- Obtain the likelihood that an individual cancer patient would have had a different outcome, had they chosen a different treatment

# Mediation and Path-disabling Interventions

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**Example 4.4.5** *A policy maker wishes to assess the extent to which gender disparity in hiring can be reduced by making hiring decisions gender-blind, rather than eliminating gender inequality in education or job training. The former concerns the “direct effect” of gender on hiring, whereas the latter concerns the “indirect effect,” or the effect mediated via job qualification.*

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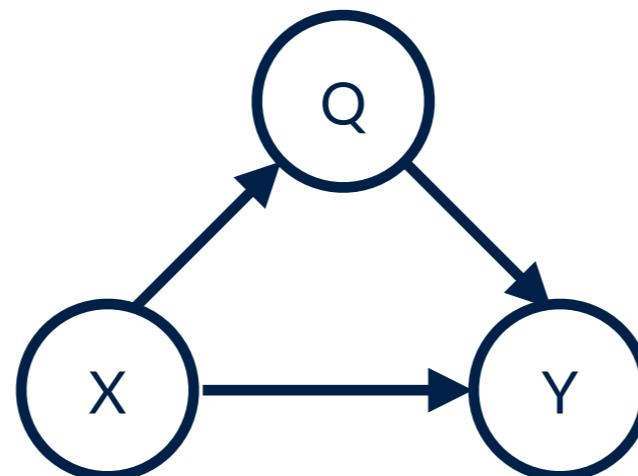
**Aim:** Which of the two causal effects is greater (i) the direct effect (gender on hiring), or (ii) the indirect effect (education on job qualification on hiring)?

—> Could inform policy where to invest resources to address disparity

X: gender

Q: job qualification

Y: hiring decision



# Mediation: Recall and contrast with CDE

## Controlled Direct Effect (CDE):

$$p(Y = y | do(T = t), do(X = x)) - p(Y = y | do(T = t'), do(X = x))$$

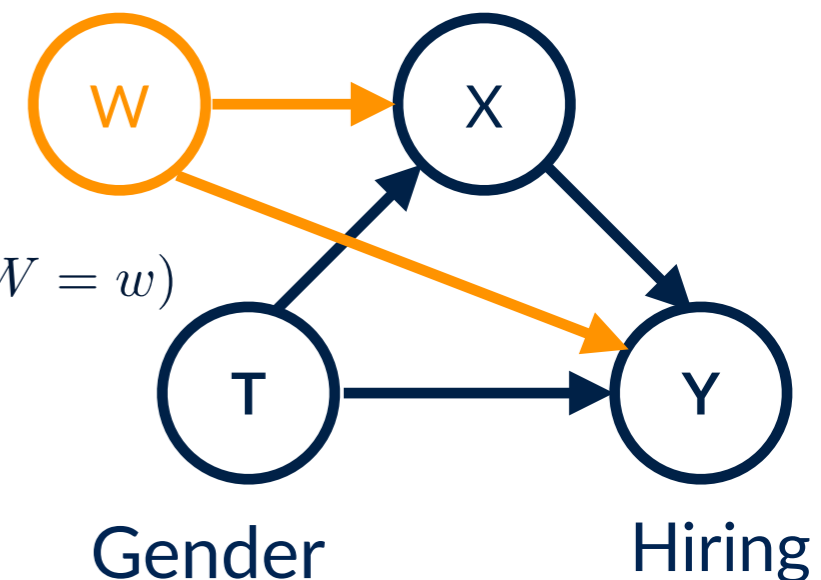
There are no backdoor paths from T to Y, hence the above is equal to:

$$p(Y = y | T = t, do(X = x)) - p(Y = y | T = t', do(X = x))$$

There are 2 back-door paths from X to Y in the original graph:

- 1) through gender T, which is blocked by T
- 2) Through income W, so we condition on W

Income      Qualification



$$\sum_w \left( p(Y = y | T = t, X = x, W = w) - p(Y = y | T = t', X = x, W = w) \right) p(W = w)$$

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—> Could inform policy where to invest resources to address disparity

This concerns enabling/disabling processes (e.g., educational reforms) rather than lowering/raising values of specific variables. Thus, the do-operator and the controlled direct effect (CDE) seen earlier do not suffice ...

... as before, we phrase the problem mathematically via counterfactuals!

# Mediation and Path-disabling Interventions

How do we phrase this in a counterfactual manner?

For example, we want to know how the gender disparity changes *after* successfully implementing gender-blind hiring procedures.

**In words:** We estimate gender disparity under the counterfactual condition that all female applicants be treated as males

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Hiring status ( $Y$ ) of a female applicant with qualification  $Q = q$ , given that the employer treats her as though she is a male ( $X=1$ ) is captured by the counterfactual  $Y_{X=1, Q=q}$

Since  $Q$  varies over the population, we average this quantity according to the distribution of the qualification of female applicants,  $p(Q = q | X = 0)$

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The result is  $\sum_q \mathbb{E}[Y_{X=1, Q=q}] p(Q = q|X = 0)$

Male applicants have similar chances, but averaging over  $p(Q = q|X = 1)$



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Subtracting the two quantities yields the *Natural Indirect Effect (NIE)* of gender on hiring, mediated by the level of qualification  $Q$ :

$$\text{NIE} = \sum_q \mathbb{E}[Y_{X=1, Q=q}] (p(Q = q|X = 0) - p(Q = q|X = 1))$$

Allow  $Q$  to vary naturally between applicants, as opposed to the CDE. Here we disable the capacity of  $Y$  to respond to  $X$  but leave its response to  $Q$  unaltered.

# Mediation and Path-disabling Interventions

It remains to identify the *Natural Indirect Effect (NIE)* of gender on hiring, mediated by the level of qualification  $Q$ , in order to allow estimation:

$$\text{NIE} = \sum_q \mathbb{E} [Y_{X=1, Q=q}] (p(Q = q | X = 0) - p(Q = q | X = 1))$$

The following result is known as Pearl's *Mediation formula*

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## Theorem (Pearl, 2001)

In the absence of confounding, the NIE can be identified as follows

$$\text{NIE} = \sum_q \mathbb{E}[Y|X = 1, Q = q] (p(Q = q|X = 0) - p(Q = q|X = 1))$$

In words: It measures the extent to which the effect of  $X$  on  $Y$  is *explained* by its effect on the mediator  $Q$ . In the NIE we “freeze” the direct effect of  $X$  on  $Y$ , yet allow the mediator  $Q$  of each unit to react to  $X$  in a natural “unfrozen” way.

# Mathematical toolkit for Attribution and Mediation

The various applications of counterfactuals we have seen share many features in their mathematical description. Examples are:

1. **ETT (Effect of Treatment on the Treated, ATT)**, i.e.,  $\mathbb{E}[Y_x \mid X = x']$   
Showed up in questions related to *recruitment to a programme* and *additive interventions*

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Showed up in questions related to *recruitment to a programme and additive interventions*
2. **Probability of necessity**, i.e.,  $PN = P(Y_0 = 0 \mid X = 1, Y = 1)$   
In words: “Had Y not happened in case X was 0 (i.e.,  $Y_0=0$ ), i.e., was treatment ( $X=1$ ) necessary to obtain  $Y=1$ ?”  
Showed up in *the cancer treatment example and legal liability*

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Showed up in *the cancer treatment example* and *legal liability*
3. **Nested counterfactual expression**, i.e.,  $\mathbb{E}[Y_{x, M_{x'}}]$   
In words: “The expected outcome (Y) had the treatment been  $X=x$ , and, simultaneously, had the mediator M attained the valued  $M_{x'}$ , it would have attained had X been  $x'$ . ”  
This is the key quantity in *mediation*

# Mathematical toolkit: Attribution

First, we consider the attribution of cause

To keep things clear yet precise we consider binary events:

- $X = x$  and  $Y = y$  represent treatment and outcome respectively
- $X = x'$  and  $Y = y'$  represent their negations (no treatment / negative outcome)

Our target quantity is the probability of necessity:

“Find the probability that if  $X$  had been  $x'$ ,  $Y$  would be  $y'$ ,  
given that, in reality,  $X$  is  $x$  and  $Y$  is  $y$ ”

In these variables, the probability of necessity reads

$$\text{PN}(x, y) = P(Y_{x'} = y' \mid X = x, Y = y)$$

# Mathematical toolkit: Attribution

This counterfactual quantity captures the legal criterion of “but for”

## Example

The probability that the damage would not have occurred had the action not been taken ( $Y_0 = 0$ ) given that, in fact, the damage did occur ( $Y = 1$ ) and the action was taken ( $X = 1$ ).

In this case, the plaintiff has to argue that “it is more probable than not that the damage would not have occurred *but for* the actions of the defendant.”

We now consider conditions under which this “but for”, the probability of necessity, can be identified from empirical studies.



# Attribution: Identification

The following identification result can be found in [Pearl, 2000, Chapter 9].

## Theorem

If  $Y$  is monotonic relative to  $X$ ,  $Y_x(u) \geq Y_{x'}(u)$  for all  $u$  for  $x > x'$  (e.g., additional chemotherapy can remove the cancer but never prevent removal), and if the causal effect  $p(Y = y | \text{do}(X = x))$  is identifiable, then PN is identifiable and

$$\text{PN} = \frac{p(y) - p(y | \text{do}(x'))}{p(x, y)}$$

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$$\text{PN} = \frac{p(y) - p(y | \text{do}(x'))}{p(x, y)}$$

Equivalently, using the total law  $p(y) = p(y|x)p(x) + p(y|x')(1 - p(x))$

$$\text{PN} = \frac{p(y|x) - p(y|x')}{p(y|x)} + \frac{p(y|x') - p(y | \text{do}(x'))}{p(x, y)}$$

**Note:** The required causal effect can be estimated from randomised trials or from observational data, e.g., using the backdoor criterion

# Attribution: Identification

This second expression has a helpful interpretation

**Example:** Suppose there is a case brought against a car manufacturer, claiming that its car's faulty design led to a man's death in a car crash.

$$PN = \frac{p(y|x) - p(y|x')}{p(y|x)} + \frac{p(y|x') - p(y|\text{do}(x'))}{p(x, y)}$$

**Excess Risk Ratio (ERR)** or **Attributable Risk Fraction among the exposed**

It tells us how much more likely people are to die in crashes when driving one of the manufacturer's cars ( $X=x$ ) than not ( $X=x'$ )

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**Confounding Factor (CF):** This factor corrects for confounding bias due to confounding of the causal effect of  $X$  on  $Y$ , i.e., when  $p(y|x') \neq p(y|\text{do}(x'))$

E.g. People buying the manufacturer's cars are more likely to drive too fast

# Example: Attribution in Legal Setting

**Lawsuit against:** the manufacturer of a drug x

**Charge:** drug x is likely to have caused the death of Mr A, who took it to relieve back pains.

**Manufacturer's defence:** Experimental data for patients with back pains show conclusively that drug x has only minor effects on death.

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**Plaintiff argues:** Experimental data is not relevant here because it represents average effects on patients in the study, not patients like Mr A, who did not participate in the study. In particular, Mr A used the drug of his own volition, unlike subject in the experimental study who took the drug to comply with the experimental protocols. The plaintiff then provides non-experimental (observational) data for patients similar to Mr A who chose drug x to relieve back pains but were not part of such experiments, and experienced higher death rates than those who didn't take the drug.

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**The course must now decide, based on experimental and non-experimental evidence, whether it is “more probably that not” that drug x was in fact the cause of Mr A's death.**

# Example: Attribution in Legal Setting

The court must now decide: Based on experimental and non-experimental data, is it “more probable than not” that drug  $x$  was in fact the cause of Mr A’s death.

Experimental:  $P(y|do(x)) = 16/1000 = 0.016$   
 $P(y|do(x')) = 14/1000 = 0.014$

Non-experimental  $P(y) = 30/2000 = 0.015$   
 $P(x, y) = 2/2000 = 0.001$   
 $P(y|x) = 2/1000 = 0.002$   
 $P(y|x') = 28/1000 = 0.028$

**Table 4.5** Experimental and nonexperimental data used to illustrate the estimation of PN, the probability that drug  $x$  was responsible for a person’s death ( $y$ )

	Experimental		Nonexperimental	
	$do(x)$	$do(x')$	$x$	$x'$
Deaths ( $y$ )	16	14	2	28
Survivals ( $y'$ )	984	986	998	972



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$$\begin{aligned}
 PN &= \frac{P(y|x) - P(y|x')}{P(y|x)} + \frac{P(y|x') - P(y|do(x'))}{P(x, y)} \\
 &= \frac{0.002 - 0.028}{0.002} + \frac{0.028 - 0.014}{0.001} = -13 + 14 = 1
 \end{aligned}$$

Negative observational ERR: gives the impression that the drug is preventing death

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Bias-correction term rectifies this impression!

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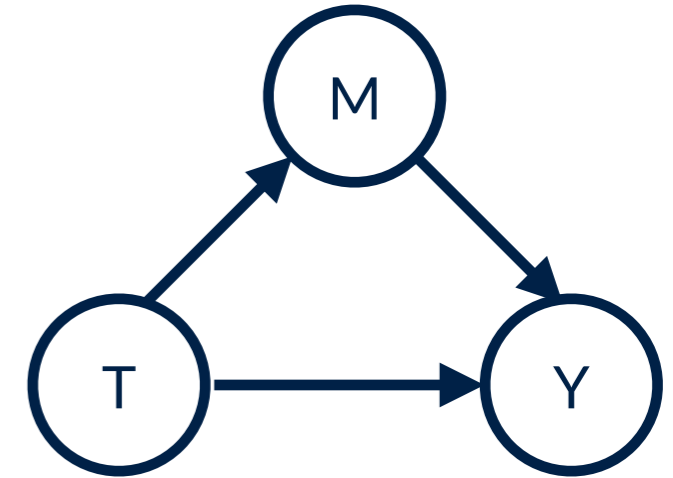
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 \end{aligned}$$

(Barring sampling errors)  
full assurance that drug x was in fact responsible for death.

# Mathematical toolkit: Mediation

Next, we consider a typical mediation problem and the various associated causal effects

Treatment (T), mediator (M), and outcome (Y)



Structural causal model:

$$t = f_T(u_T), \quad m = f_M(t, u_M), \quad y = f_Y(t, m, u_Y)$$

As always, the omitted factors  $U = (U_T, U_M, U_Y)$  that influence treatment, mediator, and outcome may very well be dependent

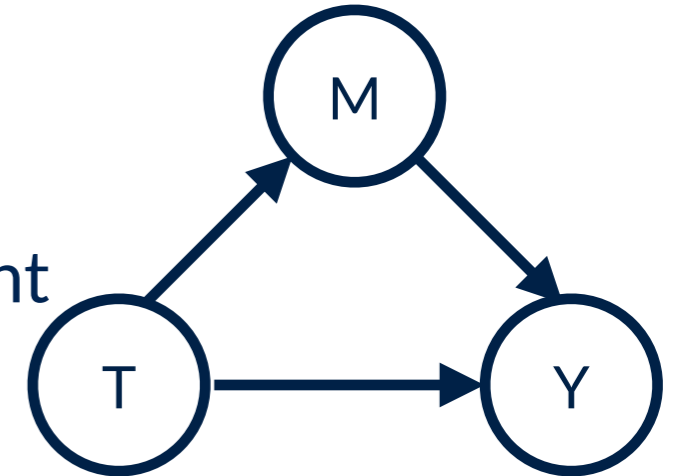
(All expectations on the next slides are with respect to  $Y$ ,  $U_M$  and  $U_Y$ .)

# Mathematical toolkit: Mediation

Four types of effects when we go from  $T=0$  to  $T=1$ :

1. **Total effect (TE):** Measures the increase in  $Y$  as treatment changes from  $T=0$  to  $T=1$  while mediator  $M$  changes freely as per the structural function  $f_M$

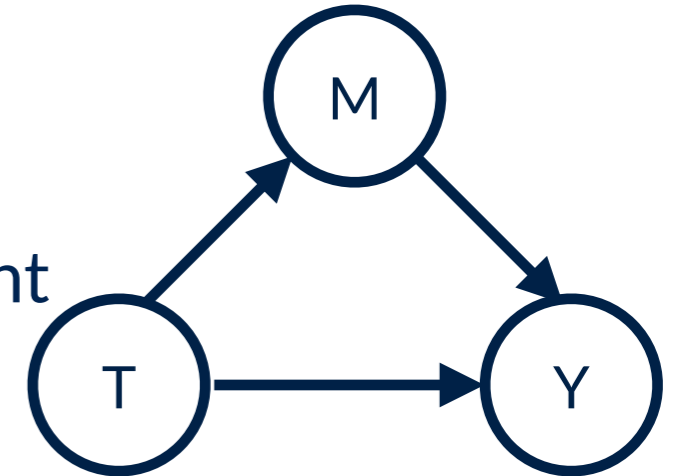
$$\begin{aligned}\text{TE} &= \mathbb{E}[Y_1 - Y_0] \\ &= \mathbb{E}[Y | \text{do}(T = 1)] - \mathbb{E}[Y | \text{do}(T = 0)]\end{aligned}$$



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2. **Controlled direct effect (CDE(m)):** Measures the expected increase in  $Y$  as treatment changes from  $T=0$  to  $T=1$  while mediator is set to  $M = m$  uniformly

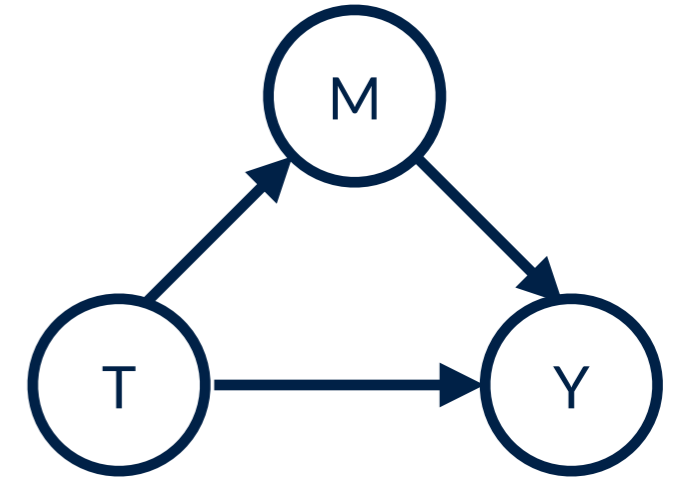
$$\begin{aligned} \text{CDE} &= \mathbb{E}[Y_{1,m} - Y_{0,m}] \\ &= \mathbb{E}[Y | \text{do}(T = 1, M = m)] - \mathbb{E}[Y | \text{do}(T = 0, M = m)] \end{aligned}$$

# Mathematical toolkit: Mediation

Four types of effects when we go from  $T=0$  to  $T=1$ :

3. **Natural direct effect (NDE)**: Measures expected increase in  $Y$  as treatment changes from  $T=0$  to  $T=1$  while mediator is set to whatever value it *would have attained* (for each individual) prior to change, that is, under  $T = 0$ .

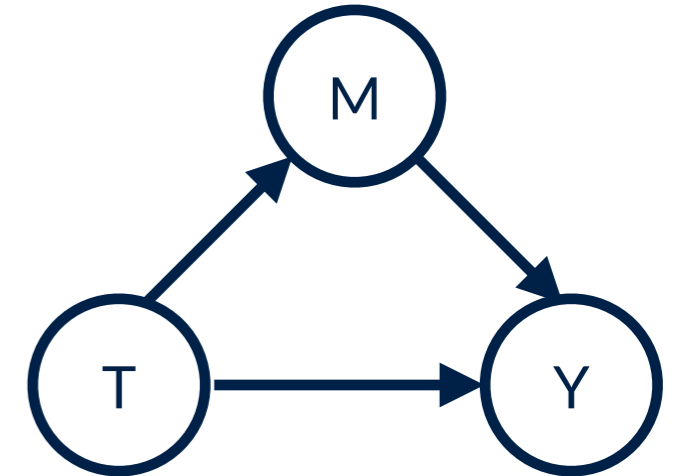
$$\text{NDE} = \mathbb{E}[Y_{1,M_0} - Y_{0,M_0}]$$



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$$\text{NDE} = \mathbb{E} \left[ Y_{1, M_0} - Y_{0, M_0} \right]$$

4. **Natural indirect effect (NIE)**: Measures the expected increase in  $Y$  when the treatment is held constant at  $T=0$  and the mediator  $M$  changes to whatever value it *would have attained* (for each individual) under  $T=1$

$$\text{NIE} = \mathbb{E} \left[ Y_{0, M_1} - Y_{0, M_0} \right]$$

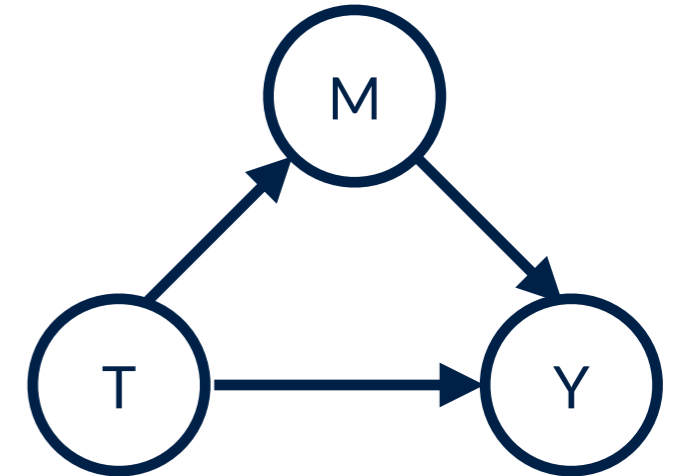
It captures the portion of the effect that can be explained by mediation alone, while disabling (or “freezing”) the capacity of  $Y$  to respond to  $T$



# Mathematical toolkit: Mediation

Some remarks on these four types of effects

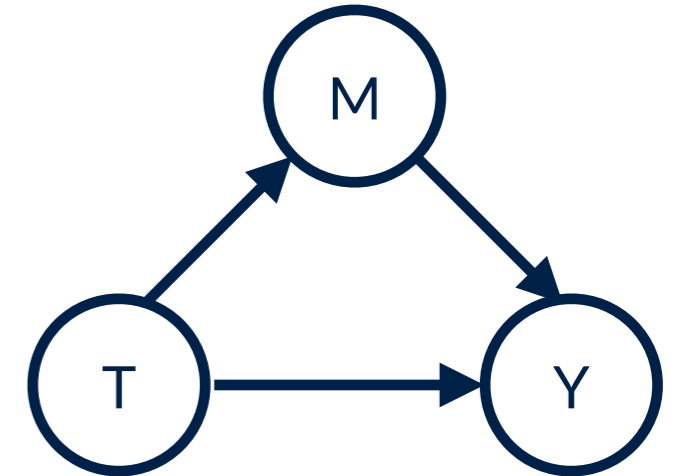
1. TE and CDE(m) are *do*-expressions so can be estimated from experimental data or observational studies using the backdoor and front-door criteria
2. NDE and NIE are **not** *do*-expressions, so their causal identifiability will require a new set of results and, possibly, further assumptions



# Mathematical toolkit: Mediation

There should exist a set  $W$  of measured covariates s.t.

- A. No member of  $W$  is a descendant of  $T$
- B.  $W$  blocks all backdoor paths from  $M$  to  $Y$  (after removing the arrows  $T \rightarrow M$  and  $T \rightarrow Y$ )
- C.  $W$ -specific effect of  $T$  on  $M$  is identifiable, possibly using experiments
- D.  $W$ -specific joint effect of  $\{T, M\}$  on  $Y$  is identifiable, possibly using experiments



## Theorem

When A and B hold, NDE is experimentally identifiable and is given by

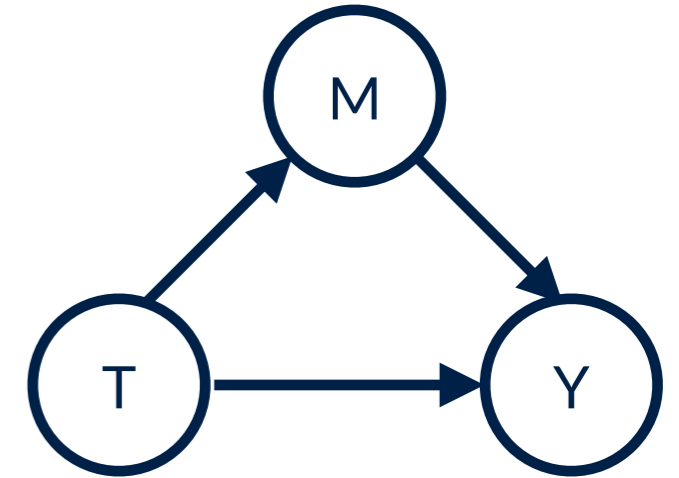
$$\text{NDE} = \sum_m \sum_w \left[ \mathbb{E}[Y | \text{do}(T = 1, M = m), W = w] - \mathbb{E}[Y | \text{do}(T = 0, M = m), W = w] \right] \\ \times p(M = m | \text{do}(T = 0), W = w) p(W = w)$$

Identifiability of the *do*-expression is guaranteed by conditions C and D and can be determined using the backdoor or front-door criteria

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## Corollary

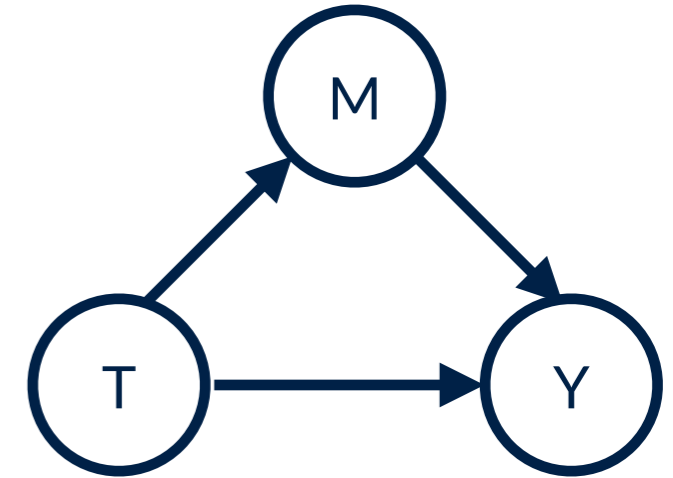
If A and B hold, and the  $W$  deconfound the relationships in C and D, then the *do*-expressions in the theorem reduce to conditional expectations, and we have

$$\begin{aligned} \text{NDE} = & \sum_m \sum_w \left[ \mathbb{E}[Y | T = 1, M = m, W = w] - \mathbb{E}[Y | T = 0, M = m, W = w] \right] \\ & \times p(M = m | T = 0, W = w) p(W = w) \end{aligned}$$

# Mathematical toolkit: Mediation

Finally, one can give simpler expression assuming that

E. The exogenous variables  $U = (U_T, U_M, U_Y)$  are mutually independent



If all conditions A, B, C, D, and E hold then

$$\text{NDE} = \sum_m [\mathbb{E}[Y|T = 1, M = m] - \mathbb{E}[Y|T = 0, M = m]] p(M = m|T = 0)$$

and, similarly,

$$\text{NIE} = \sum_m \mathbb{E}[Y|T = 0, M = m] [p(M = m|T = 1) - p(M = m|T = 0)]$$

These two expressions are known as the *mediation formulas*

Note that NDE is a weighted average of CDE(m), whereas NIE is not

# NDE and NIE response fractions

$NDE/TE$  : Measures fraction of response that is transmitted directly, with M 'frozen'

$NIE/TE$  : Measures fraction of response that may be transmitted through M, with Y blinded to T

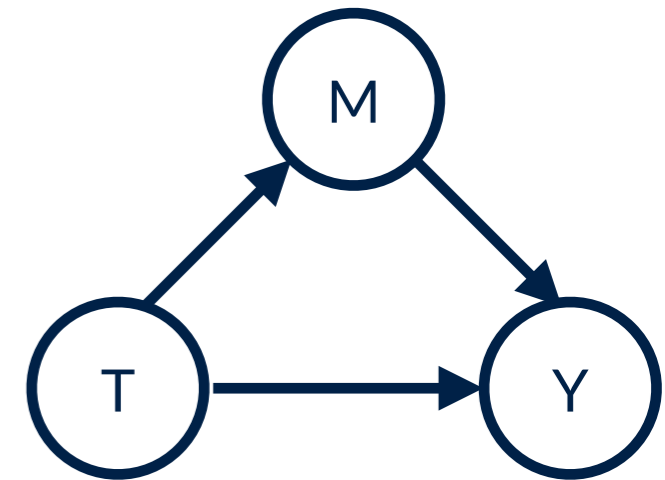
$(TE-NDE)/TE$  : Measures the fraction of the response that is necessary due to M

# NDE and NIE response fractions

T=1 participation in an enhanced training programme

Y=1 passing the exam

M = 1 student spending more than 3 hours per week on homework



Data (next slide) is obtained from a randomised trial with no mediator-outcome confounding

Data shows:

- 1) training tends to increase both the time spent on homework (Table 4.7) and the rate of success on the exam (Table 4.6)
- 2) Training and time spent on homework together are more likely to produce success than each factor alone (Table 4.6, rows 1-3)

# Numerical example: Mediation with binary variables

**Table 4.6** The expected success ( $Y$ ) for treated ( $T = 1$ ) and untreated ( $T = 0$ ) students, as a function of their homework ( $M$ )

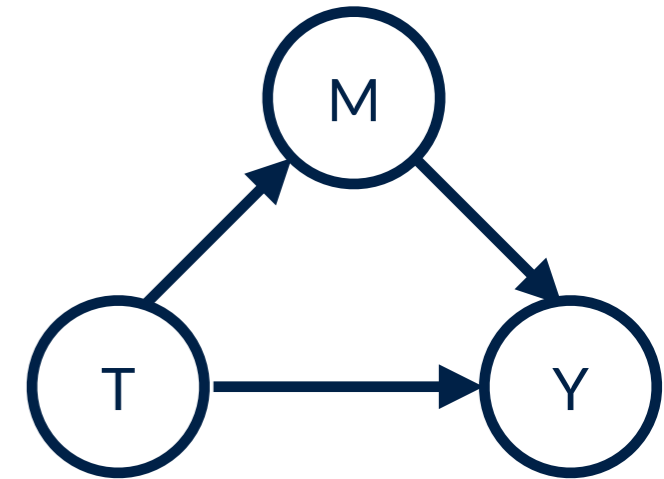
Treatment $T$	Homework $M$	Success rate $E(Y T = t, M = m)$
1	1	0.80
1	0	0.40
0	1	0.30
0	0	0.20

**Table 4.7** The expected homework ( $M$ ) done by treated ( $Y = 1$ ) and untreated ( $T = 0$ ) students

Treatment $T$	Homework $E(M T = t)$
0	0.40
1	0.75

# Numerical example: Mediation with binary variables

**Question:** To what extent does the students' homework contribute to their increases success rates, regardless of the training programme.



**Policy implications:** curtain/enhance homework efforts, e.g. by counting homework effort in final grade or by providing students with adequate environment to work at home.

Extreme situation, with significant impact on educational policy:

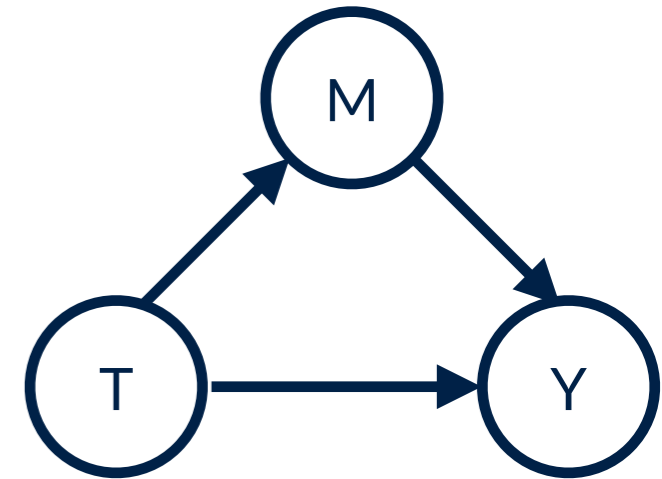
- Programme does not contribute substantively to student's' success, apart from encouraging students to spend more time on homework. This encouragement may instead be obtained through less expensive means.
- Opposing the above, some teachers may argue the programme's success is substantive, achieved mainly due to the unique features of the curriculum covered, and that the increase in homework cannot on its own account for success observed



# Numerical example: Mediation with binary variables

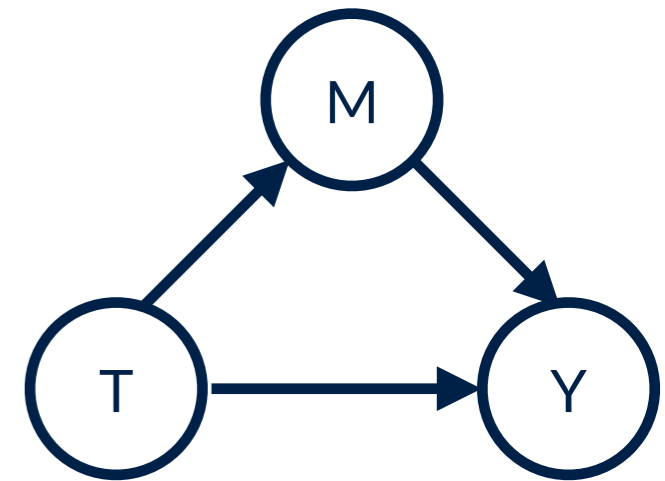
**Question:** To what extent does the students' homework contribute to their increases success rates, regardless of the training programme.

$$\begin{aligned} \text{NDE} &= \sum_m [\mathbb{E}[Y|T = 1, M = m] - \mathbb{E}[Y|T = 0, M = m]]p(M = m|T = 0) \\ &= (0.4-0.2)(1-0.4)+(0.8-0.3)0.4 = 0.32 \end{aligned}$$



# Numerical example: Mediation with binary variables

**Question:** To what extent does the students' homework contribute to their increases success rates, regardless of the training programme.

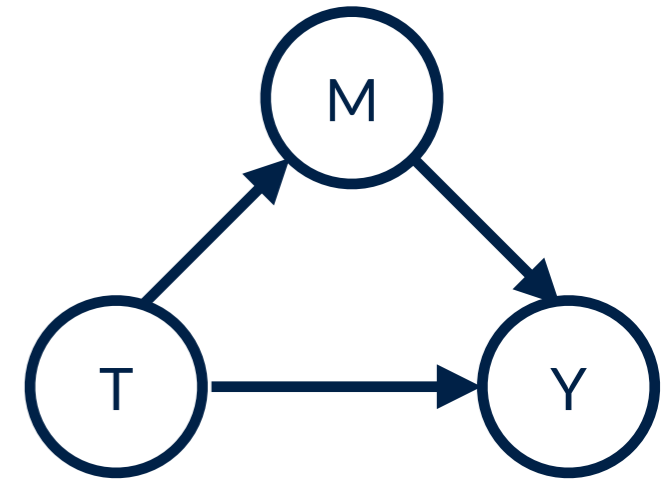


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$$\begin{aligned} \text{NIE} &= \sum_m \mathbb{E}[Y|T = 0, M = m] [p(M = m|T = 1) - p(M = m|T = 0)] \\ &= 0.2(0.25-0.6) + 0.3(0.75-0.4) = 0.035 \end{aligned}$$

# Numerical example: Mediation with binary variables

**Question:** To what extent does the students' homework contribute to their increases success rates, regardless of the training programme.



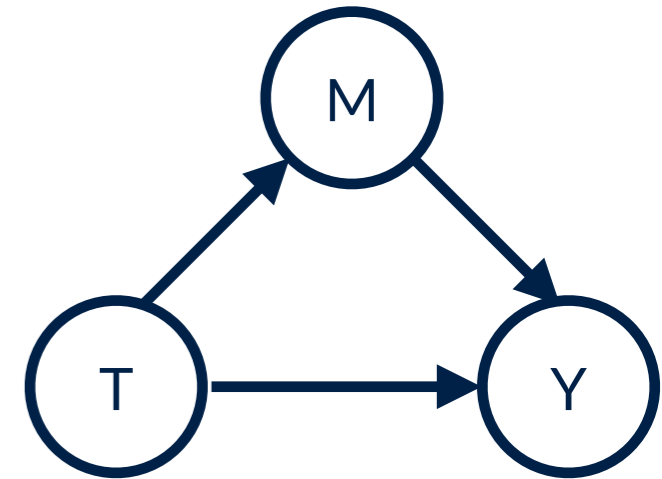
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$$\begin{aligned} \text{TE} &= \mathbb{E}[Y|T = 1] - \mathbb{E}[Y|T = 0] = p(Y = 1|T = 1) - p(Y = 1|T = 0) \\ &= \sum_{M=\{0,1\}} p(Y = 1|T = 1, M)p(M|T = 1) - p(Y = 1|T = 0, M)P(M|T = 0) \\ &= 0.8 \times 0.75 + 0.4 \times 0.25 - (0.3 \times 0.4 + 0.2 \times 0.6) = 0.46 \end{aligned}$$

# Numerical example: Mediation with binary variables

**Question:** To what extent does the students' homework contribute to their increases success rates, regardless of the training programme.



$$\begin{aligned} \text{NDE} &= \sum_m [\mathbb{E}[Y|T = 1, M = m] - \mathbb{E}[Y|T = 0, M = m]] p(M = m|T = 0) \\ &= (0.4-0.2)(1-0.4)+(0.8-0.3)0.4 = 0.32 \end{aligned}$$

$$\begin{aligned} \text{NIE} &= \sum_m \mathbb{E}[Y|T = 0, M = m] [p(M = m|T = 1) - p(M = m|T = 0)] \\ &= 0.2(0.25-0.6) + 0.3(0.75-0.4) = 0.035 \end{aligned}$$

$$\text{TE} = 0.46$$

$$\text{NIE/TE} = 0.07$$

$$\text{NDE/TE} = 0.699$$

$$1-\text{NDE/TE} = 0.304$$

**Conclusion:** programme as a whole has increased the success rate of 46%. Only 7% of the increase can be explained by stimulate homework alone, while 30.4% is the response that is necessarily due to M.

# Further examples

**SCM:**

$$y = \beta_1 m + \beta_2 t + u_y$$
$$m = \gamma_1 t + u_m$$

**NDE**, recall, we measure the expected increase in  $Y$  as  $T$  changes from  $T=0$  to  $T=1$  while  $M$  is set to the value it would have attained prior to the change (i.e. under  $T=0$ ):

$$\begin{aligned} NDE &= \mathbb{E}[Y_{1,M_0} - Y_{0,M_0}] \\ &= \left( \beta_1[\gamma_1 \times 0 + u_m] + \beta_2 \times 1 + u_y \right) - \left( \beta_1[\gamma_1 \times 0 + u_m] + \beta_2 \times 0 + u_y \right) \\ &= \beta_2 \end{aligned}$$

# Further examples

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**NIE**, recall, we measure the expected increase in  $Y$ , with  $T$  held constant at  $T=0$ , and  $M$  changes to whatever value it would have attained under  $T=1$ :

$$\begin{aligned} NIE &= \mathbb{E}[Y_{0,M_1} - Y_{0,M_0}] \\ &= \left( \beta_1[\gamma_1 \times 1 + u_m] + \beta_2 \times 0 + u_y \right) - \left( \beta_1[\gamma_1 \times 0 + u_m] + \beta_2 \times 0 + u_y \right) \\ &= \beta_1 \gamma_1 \end{aligned}$$

# Further examples

$$\begin{array}{l} \text{SCM:} \\ y = \beta_1 m + \beta_2 t + u_y \\ m = \gamma_1 t + u_m \end{array} \quad \left| \quad TE = \mathbb{E}[Y_1 - Y_0] = \beta_2 + \gamma_1 \beta_1 = NDE + NIE \right.$$

**NDE**, recall, we measure the expected increase in  $Y$  as  $T$  changes from  $T=0$  to  $T=1$  while  $M$  is set to the value it would have attained prior to the change (i.e. under  $T=0$ ):

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**NIE**, recall, we measure the expected increase in  $Y$ , with  $T$  held constant at  $T=0$ , and  $M$  changes to whatever value it would have attained under  $T=1$ :

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# Further examples

**SCM:**  $y = \beta_1 m + \beta_2 t + \beta_3 tm + \beta_4 w + u_y$

$$m = \gamma_1 t + \gamma_2 w + u_m$$

$$w = \alpha t + u_w$$



# Further examples

**SCM:**  $y = \beta_1 m + \beta_2 t + \beta_3 tm + \beta_4 w + u_y$

$$m = \gamma_1 t + \gamma_2 w + u_m$$

$$w = \alpha t + u_w$$

- w is confounding for m and y
- there is an interaction term

Suppose M is the mediator

$$NDE = \mathbb{E}[Y_{1,M_0} - Y_{0,M_0}]$$

$$= \left( \beta_1 \times 0 + \beta_2 \times 1 + \beta_3 \times 1 \times 0 + \beta_4 \times \alpha \right) - \left( \beta_1 \times 0 + \beta_2 \times 0 + \beta_3 \times 0 \times 0 + \beta_4 \times 0 \right)$$

$$= \beta_2 + \alpha\beta_4$$

# Further examples

**SCM:**  $y = \beta_1 m + \beta_2 t + \beta_3 tm + \beta_4 w + u_y$

$$m = \gamma_1 t + \gamma_2 w + u_m$$

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$$= \beta_2 + \alpha\beta_4$$

$$NIE = \mathbb{E}[Y_{0,M_1} - Y_{0,M_0}]$$

$$= \left( \beta_1[\gamma_1 + \gamma_2\alpha] + \beta_2 \times 0 + \beta_3 \times 0 + \beta_4 \times 0 \right) - \left( \beta_1 \times 0 + \beta_2 \times 0 + \beta_3 \times 0 \times 0 + \beta_4 \times 0 \right)$$

$$= \beta_1(\gamma_1 + \alpha\gamma_2)$$

# Further examples

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$$= \beta_2 + \alpha\beta_4$$

$$NIE = \mathbb{E}[Y_{0,M_1} - Y_{0,M_0}]$$

$$= \left( \beta_1[\gamma_1 + \gamma_2\alpha] + \beta_2 \times 0 + \beta_3 \times 0 + \beta_4 \times 0 \right) - \left( \beta_1 \times 0 + \beta_2 \times 0 + \beta_3 \times 0 \times 0 + \beta_4 \times 0 \right)$$

$$= \beta_1(\gamma_1 + \alpha\gamma_2)$$

$$TE = \mathbb{E}[Y_1 - Y_0]$$

$$= \left( \beta_1[\gamma_1 + \gamma_2\alpha] + \beta_2 \times 1 + \beta_3[\gamma_1 + \gamma_2\alpha] + \beta_4\alpha \right) - \left( \beta_1 \times 0 + \beta_2 \times 0 + \beta_3 \times 0 \times 0 + \beta_4 \times 0 \right)$$

$$= \beta_2 + (\gamma_1 + \alpha\gamma_2)(\beta_1 + \beta_3) + \beta_4\alpha$$



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# Methods for Causal Inference

## Lecture 16-17: Counterfactuals and mediation

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2023-2024