Abstract
Structural Equation/Causal Models (SEMs/SCMs) are widely used in epidemiology and social sciences to identify and analyze the average causal effect (ACE) and conditional ACE (CACE). Traditional causal effect estimation methods such as Inverse Probability Weighting (IPW) and more recently Regression-With-Residuals (RWR) are widely used - as they avoid the challenging task of identifying the SCM parameters - to estimate ACE and CACE. However, much work remains before traditional estimation methods can be used for counterfactual inference, and for the benefit of Personalized Public Policy Analysis (P3A) in the social sciences. While doctors rely on personalized medicine to tailor treatments to patients in laboratory settings (relatively closed systems), P3A draws inspiration from such tailoring but adapts it for open social systems. In this article, we develop a method for counterfactual inference that we name causal-Graphical Normalizing Flows (c-GNF), facilitating P3A. A major advantage of c-GNF is that it suits the open system in which P3A is conducted. First, we show how c-GNF captures the underlying SCM without making any assumption about functional forms. This capturing capability is enabled by the deep neural networks that model the underlying SCM via observational data likelihood maximization using gradient descent. Second, we propose a novel dequantization trick to deal with discrete variables, which is a limitation of normalizing flows in general. Third, we demonstrate in experiments that c-GNF performs on-par with IPW and RWR in terms of bias and variance for estimating the ACE, when the true functional forms are known, and better when they are unknown. Fourth and most importantly, we conduct counterfactual inference with c-GNFs, demonstrating promising empirical performance. Because IPW and RWR, like other traditional methods, lack the capability of counterfactual inference, c-GNFs will likely play a major role in tailoring personalized treatment, facilitating P3A, optimizing social interventions - in contrast to the current ‘one-size-fits-all’ approach of existing methods.

Introduction
Since the realization that correlation does not imply causation (Wright 1921; Fisher 1936), statisticians, computer scientists, and social scientists have been developing ways to identify and estimate causal effects from observational data. By the 1970s, Structural Equation Models (SEMs), developed from Wright’s path analysis (Wright 1921) in genetics, have been widely used in economics (Haavelmo 1943; Goldberger 1972) and other social sciences (King 1974; Ploch, Goldberger, and Duncan 1975; Fienberg and Duncan 1975) to analyze cause and effect. Pearl’s Structural Causal Model (SCM) (Pearl 2009b) provides an explicit causal definition to disambiguate the causes and effects by replacing the symmetric ‘=’ operator with asymmetric ‘:=’ assignment operator, thereby complementing the original SEM definition. Energized by this and similar developments in computer science, a causal revolution has occurred with large ramifications not only in academia but also for how governments, non-governmental organizations, and international organizations (such as the World Bank, United Nations Children’s Fund (UNICEF), or International Monetary Fund) articulate public policies to combat social ills. For example, to combat poverty, governments use mainly an individual’s income and similar characteristics to identify vulnerable population and then assess if they are eligible for social welfare eligibility. Then a simple rule is often applied: if they are eligible, they tend to receive a fixed one-size-fits-all public policy; if they are not eligible, no policy is ascribed. Although such public-policy making is highly transparent as it applies what is best on average for a population – that is the average causal effect (ACE) – it lacks an adaptability necessary to efficiently combat poverty, ill-health, and other social ills. For effective combating, government officials and others require methods that are able to personalize these policies (Kino et al. 2021). That is, personalized public policy analysis (P³A) requires methods that can move beyond ACE estimation, and into counterfactual inference.

However, traditional statistical causal effect estimation methods, such as Inverse Probability Weighting (IPW) (Rosenbaum and Rubin 1983; Hernán and Robins 2009) or recent ones such as Regression-Without-Residuals (RWR) (Wodtke 2020), focus on ACE estimation only. An advantage of IPW (stabilized) is that it provides a simple and effective way to estimate ACE without the need to model the entire causal system, under the assumption that the functional form of the propensity score is correctly specified. In contrast to IPW, RWR, which comes under the class of outcome regression models, estimate ACEs more effectively (less variance), under the assumption that the func-
The First Law of Causal Inference

To directly address effect modification, computer scientists have developed a class of outcome regression based machine-learning models called meta-learners (Künzel et al. 2019) (e.g., T(Two)-Learner, X-Learner) where each treatment group is modeled using a separate outcome regression model to be correctly specified to produce unbiased ACE estimates when the right functional forms are assumed. Unlike IPW and RWR that require correct functional forms to provide unbiased ACEs, we show that c-GNF needs no functional form assumptions to achieve unbiasedness because the encapsulated-SCM, parameterized by a deep neural network, has the ability to model any functional form from the observational data via likelihood maximization by gradient descent.

3. We demonstrate experimentally that c-GNF is on-par with IPW and RWR in terms of the bias and variance of the ACE estimates when the right functional forms are assumed and above-par when they are unknown under both small and large sample sizes.

4. Normalizing flows (NFs) are generally built for continuous variables. As this challenges the use of discrete variables, we propose a novel yet simple Gaussian dequantization trick to adapt discrete variables for NFs.

5. The most important, unique and key contribution of our c-GNF is that it has the capacity to perform counterfactual inference since c-GNF models the encapsulation of the true SCM. This enables scholars and policymakers to move beyond merely identifying the optimal treatment (public policy) at the population level and start tailoring individual-level optimal treatment (public policy). This capacity will
advance P^2A in social science and other domains (such as personalized medicine) (Kino et al. 2021).

In the next section, we introduce the notations, define a typical social problem, and discuss the assumptions required to solve it. Then, we introduce c-GNFs, how they can be used to model SCMs, and how they estimate ACEs and counterfactual inference. Next, we present the simulated experimental setup, results and analysis. Lastly, we conclude our work with implications in social science and beyond.

**Notation, Problem Definition and Assumptions**

In this section, we discuss the formulation of the causal problem particularly in social science, notations, and critical assumptions for causal inference. Fig. 1a denotes the temporal model involving time-varying confounders used by Wodtke, Harding, and Elwert (2011) in their real-world study involving 16 waves or time-points, i.e., \( k = 1, \ldots, 16 \), where \( A_k \) and \( C_k \) denote the neighborhood context treatment and the observed neighborhood covariate at time \( k \), and \( Y \) denotes the high-school graduation as outcome of causal interest on the Panel Study of Income Dynamics (PSID) sensitive dataset (GeoLytics 2003). However, in this work, we consider the 2-wave model in Fig. 1b used by Wodtke (2020) in his simulated experiments (non-sensitive data) such that the true causal effects are known for benchmarking of different causal effect estimation methods.

Specifically, our aim is same as that of Wodtke (2020), i.e., to estimate the ACEs of the binary treatment variables \( A_1 \) and \( A_2 \) from the observational data. These ACEs (\( \lambda_{a_1,a_2} \)) are formally defined as

\[
\lambda_{1,0} = \mathbb{E}[Y_{1,0}] - \mathbb{E}[Y_{0,0}] \quad (1a)
\]

\[
\lambda_{0,1} = \mathbb{E}[Y_{0,1}] - \mathbb{E}[Y_{0,0}] \quad (1b)
\]

\[
\lambda_{1,1} = \mathbb{E}[Y_{1,1}] - \mathbb{E}[Y_{1,0}] \quad (1c)
\]

where \( Y_{a_1,a_2} \) denotes the potential outcome of \( Y \) under the interventions \( A_1 = a_1 \) and \( A_2 = a_2 \). Note that the previous expectations are with respect to the interventional distribution of \( Y_{a_1,a_2} \) under the interventions \( A_1 = a_1 \) and \( A_2 = a_2 \).

\[
P(Y_{\{a_k\}_{k=1}^K}) \quad (2a)
\]

Under the assumptions we discuss next, the interventional distribution in Eq. (2a) can be expressed in terms of the components from the observational joint distribution via do-calculus (Pearl 2012) or G-computation formula (Robins 1986; Hernán and Robins 2009; Pearl 2009b) as

\[
P(Y_{\{a_k\}_{k=1}^K}) = \sum_{\{C_k\}_{k=1}^K} P(Y | \{C_k, a_k\}_{k=1}^K) \]

\[
= P(C_2 | C_1, a_1) \] \( \prod_{j=1}^2 P(C_j | C_{j-1}, a_{j-1}) \) \( P(C_1) \) \quad (2b)

where \( 1_{(A_j = a_j)} \) is the indicator function denoting the intervention \( A_j = a_j \). For the curious readers, the interventional distribution for the general K-wave model of Wodtke, Harding, and Elwert (2011) can be expressed analogously as

\[
P(Y_{\{a_k\}_{k=1}^K}) = \sum_{\{C_k\}_{k=1}^K} P(Y | \{C_k, a_k\}_{k=1}^K) \]

\[
= \prod_{j=2}^K P(C_j | C_{j-1}, a_{j-1}) \] \( \prod_{j=1}^K P(C_j | a_j) \) \( P(C_1) \) \quad (2c)

**Critical Assumptions in Causal Inference**

Although generally ‘correlation does not imply causation’, causal inference is about defining under what assumptions and conditions correlation coincides with causation (Pearl 2009b; Neal 2020). For our counterfactual-inference argument, we require six assumptions and conditions that are briefly stated below. The technical appendix shows detailing of the mathematical definitions and how causal quantities can be estimated from purely statistical quantities.

1. **Unconfoundedness or no unobserved confounders:** As shown in Fig. 1a, we assume that there is no unobserved confounding between \( A_k \) and \( Y \). Otherwise, it is impossible to know if the observed correlation is due to causality or confounding. This assumption is strong and unstable (Rubin 1990).

2. **Positivity or overlap or common support or extrapolation:** We assume that every individual has non-zero probability of receiving any of the treatments, i.e., \( P(A_k | A_{k-1}, C_k) \) is always positive. Otherwise, it is impossible to accurately estimate the causal effect as the model is inaccurate in the non-overlap region due to no data.

3. **Conditional ignorability or exchangeability:** In economics and epidemiology, the assumptions of unconfoundedness and positivity are referred together as conditional ignorability or exchangeability (Rosenbaum and Rubin 1983). Unconditional ignorability or exchangeability can only be achieved in Randomized Controlled Trials (RCTs).

4. **Consistency:** This assumption states that the observed outcome is same as the potential outcome under the observed treatment (Robins 1986; Cole and Frangakis 2009; VanderWeele 2009a).

5. **No interference or Stable Unit-Treatment Value Assumption (SUTVA):** No interference means that a particular individual’s outcome is only a function of that particular individual’s treatment and is not affected by the treatment of any other individual (Cox 1958).

6. **Modularity or independent mechanisms or autonomy or invariance:** Any joint distribution can be factorized as the product of conditional distributions corresponding to independent causal mechanisms using the Markov assumption. Under the interventions, the modularity assumption states that all the mechanisms of the non-intervened variables remains the same while the mechanism of the intervened variables is set to the intervened value. The modularity assumption can be seen in Eqs. (2b) and (2c), where the probability terms corresponding to the mechanism of the intervened variable \( A_j = a_j \), i.e., \( P(A_j | C_j, A_{j-1}) \) term in the observational joint distribution is replaced by the indicator function \( 1_{(A_j = a_j)} \) denoting the intervention \( A_j = a_j \). This modularity assumption is crucial for causal and counterfactual inference (Pearl 2009a,b; Pearl and Mackenzie 2018).

**SCM, Encapsulated-SCM and c-GNF**

In this section, we present our c-GNFs and describe their connection to SCMs. An SCM consists of a set of assignment equations describing the causal relations between the random variables of a causal system, such as

\[
X_i := f_i(PA_i, U_i) \quad \text{with} \quad i = 1, \ldots, d \quad (3)
\]
where \( \{ X_i \}_{i=1}^d \) represents the set of observed endogenous random variables, \( PA_i \) represents the set of variables that are connoting parents of \( X_i \), \( \{ U_i \}_{i=1}^d \) denotes the set of exogenous noise random variables, and \( \{ f_t \}_{t=1}^d \) denotes the set of functions (independent mechanisms) that generate the endogenous variable \( X_i \) from its observed causes \( PA_i \) and noise \( U_i \). SCM is also referred as Functional Causal Model (FCM) due to the functional mechanisms \( \{ f_t \}_{t=1}^d \).

Let \( X=\{X_1, \ldots, X_d\}^{\top} \in \mathbb{R}^d \) denote the \( d \)-dimensional vector of SCM endogenous variables. Similarly, let \( U=\{U_1, \ldots, U_d\}^{\top} \in \mathbb{R}^d \) denote the \( d \)-dimensional vector of SCM exogenous variables and \( F:U \rightarrow X \) denote the transformation representing the true SCM such that \( X=F \cdot U \). Let \( \mathcal{G} \) represent a causal-DAG with \( \{X_1, \ldots, X_d\} \) as the set of nodes and adjacency matrix \( A_{\mathcal{G}} \in \{0,1\}^{d \times d} \). Let \( P_X(X) \) represent the joint distribution over the endogenous variables \( X \), which factorizes according to the causal-DAG \( \mathcal{G} \) as

\[
P_X(X) = \prod_{t=1}^d P(X_t | PA_t) ,
\]

where \( PA_t = \{X_j:A_{\mathcal{G},i,j}=1\} \) denotes the set of parents of the vertex/node \( X_i \) in the causal-DAG \( \mathcal{G} \). As we show in the next section, the factorized joint distribution in Eq. (4a) can be modeled using an autoregressive model parameterized by a deep-neural-network \( \theta \), which we denote by \( P_X(X; \theta) \). Such a model is what we call c-GNF.

### Causal-Graphical Normalizing Flows (c-GNFs)

Normalizing Flows (NFs) (Tabak and Vanden-Eijnden 2010; Tabak and Turner 2013; Rezende and Mohamed 2015; Kobzerev, Prince, and Brubaker 2020; Papamakarios et al. 2021) are a family of generative models with tractable distributions where both sampling and density evaluation can be efficient and exact. A NF is a flow-based model with transformation \( T:X \rightarrow Z \), such that \( Z=TX \), where \( Z=\{Z_1, \ldots, Z_d\}^{\top} \in \mathbb{R}^d \) represents the base random variable of the flow-model with the base distribution \( P_Z(Z) \) that is usually a \( d \)-dimensional standard normal distribution for computational convenience and ease of density estimation. Hence, the name normalizing flow. The defining properties of \( T \) are, (i) \( T \) must be invertible with \( T^{-1} \) as the inverse generative flow such that \( T^{-1}:Z \rightarrow X \), and (ii) \( T \) and \( T^{-1} \) must be differentiable, i.e., \( T \) must be a \( d \)-dimensional diffeomorphism (Milnor and Weaver 1997). Under these properties, from the change of variables formula, we can express the endogenous joint distribution \( P_X(X) \) in terms of the assumed base distribution \( P_Z(Z) \) as

\[
P_X(X)=P_Z(TX)\left|\det J_T(X)\right| .
\]

Since calculating the joint density of \( P_X(X) \) requires the calculation of the determinant of the Jacobian of \( T \) with respect to \( X \), i.e., \( \det J_T(X) \), it is advantageous for computational reasons to choose \( T \) to have an autoregressive structure such that \( J_T(X) \) is a lower-triangular matrix and \( \det J_T(X) \) is just the product of the diagonal elements. Autoregressive Flows (AFs) (Kingma et al. 2016; Papamakarios, Murray, and Pavlakou 2017; Huang et al. 2018) are NFs that model autoregressive structure. AFs are composed of two components, the transformer and the conditioner (Papamakarios et al. 2021). Under the assumption of a strictly

monotonic transformer, AFs are universal density estimators (Huang et al. 2018). Of all the current AFs, Graphical Normalizing Flows (GNFs) (Wehenkel and Louppe 2021) facilitate the use a desired DAG representation as opposed to an arbitrary autoregressive structure. For causal inference, it is crucial that the DAG has a causal interpretation. In this work, we assume the true causal-DAG \( \mathcal{G} \) for the GNFs, hence the term causal-GNFs (c-GNFs). In c-GNFs, we use Unconstrained Monotonic Neural Network (UMNN) (Wehenkel and Louppe 2019), a strictly monotonic integration based transformer with \( \mathcal{G} \) for the graphical conditioner.

Since Markov equivalent DAGs induce equivalent factorizations of the observational joint distributions, GNFs that use Markov equivalent DAGs represent the same observational joint distribution. This is problematic for causal and counterfactual inference, as different GNFs may represent different interventional joint distributions. In other words, to perform causal inference as we do in this work, the GNF needs to use causal-DAG \( \mathcal{G} \). Hence the name causal-GNF (c-GNF). To appreciate this, consider the Causal Autoregressive Flow (CAREFL) by Khemakhem et al. (2021). While CAREFL uses AF, it is flawed as it considers all the predecessors in the topological ordering, i.e., a Markov equivalent DAG, when it should strictly be just the connoting parents/ causes of the given node, i.e., the causal-DAG \( \mathcal{G} \). We present an example of CAREFL’s flaw in our technical appendix, which shows the conditions under which CAREFL fails in counterfactual inference. Note that only a GNF with the true causal-DAG \( \mathcal{G} \) encapsulates the true SCM, thus satisfying the modularity assumption, which is necessary for correct causal and counterfactual inference. This is formalized as

\[
X=F \cdot U=F(H(Z))=(FH)Z=F \cdot Z=T^{-1}Z ,
\]

where \( H:Z \rightarrow U \) is an auxiliary transformation such that \( U_i=h_i(Z_i) \) for \( i=1, \ldots, d \) and \( H=[h_1, \ldots, h_d]^{\top} \). It follows from Eq. (5) that our c-GNF \( T^{-1}=F=(FH) \) encapsulates the true SCM \( F \) as \( T \) and \( T^{-1} \) both encode causal-DAG \( \mathcal{G} \) in the graphical conditioner, thus providing a way to indirectly model \( F \) without making assumptions on \( U \) or the functional causal mechanisms \( F \) or the auxiliary transformation \( H \). This sets apart our c-GNFs from most other models for causal inference. Fig. 1c shows the c-GNF architecture for causal and counterfactual inference using \( T \) and \( T^{-1} \).

Training a c-GNF amounts to training the deep neural networks that parameterize the transformers and conditioners. This is typically done by maximizing the log-likelihood of the training dataset \( \{X^\ell\}_{\ell=1}^{N} \) which is expressed as shown below, by using Eq. (4b) for the summation term \( P_X(X; \theta) \)

\[
\mathcal{L}(\theta)=\sum_{\ell=1}^{N} \log P_X(X^\ell; \theta)
\]

where \( \theta \) denotes the parameters of the deep neural networks of the UMNN transformer and graphical conditioner, optimized using stochastic gradient descent.

### Gaussian Dequantization Trick

NFs naturally model continuous variables, yet in practice, social scientists and others have to model both continuous and discrete variables, as treatments may be discrete categorical variables.
Recently, discrete NFs have been an active field of research including techniques ranging from simple uniform dequantization, Gumbel-max dequantization to complex variational bound dequantization (Urias, Murray, and Larochelle 2013; Hoogeboom et al. 2019; Tran et al. 2019; Ho et al. 2019; Ziegler and Rush 2019; Ma et al. 2019; Nielsen and Winther 2020; Pawlowski, de Castro, and Glocker 2020). Motivated by the Dirac-delta function from control theory, we propose and validate our novel Gaussian dequantization trick (see Algorithm 1 for a discrete variable $D$ with $N$ classes/categories) to model discrete variables into NFs using the fact that NFs are strongest in modeling Gaussian distributions seamlessly. We provide the exact motivation for the Gaussian dequantization and other details in the technical appendix.

**Experiments, Results and Discussion**

For our experiments and benchmarking, we simulate a virtual social system using the 2-wave model shown in Fig. 1b. We generated continuous covariates $(C_1, C_2)$, binary treatments $(A_1, A_2)$ and a continuous outcome $Y$. To provide a realistic sense to the virtual social system under our study, $(C_1, C_2)$ can denote the neighborhood contexts, e.g., the parental income of the individual in the given neighborhood, and $(A_1, A_2)$ can represent neighborhood exposures, e.g., rich/poor neighborhood, and $Y$ can represent the total score obtained in high-school graduation examination. Our aim is to analyse the neighborhood effects on the high-school graduation. We use the following governing equations from Wodtke (2020) to simulate the dataset.

\[
C_1 \sim \mathcal{N}(\mu=0, \sigma^2=1), \quad \text{(7a)}
\]
\[
A_1 \sim \text{Bern}(p=\Phi(0.4C_1 + 2\gamma_{12}C_2^2)), \quad \text{(7b)}
\]
\[
C_2 \sim \mathcal{N}(\mu=0.4C_1 + 0.2A_1, \sigma^2=1), \quad \text{(7c)}
\]
\[
A_2 \sim \text{Bern}(p=\Phi(0.2A_1 + 0.4C_2 + \gamma_{12}A_1^2 + 2\gamma_{12}C_2 + \gamma_{12}C_1A_2/2)), \quad \text{(7d)}
\]
\[
Y \sim \mathcal{N}(\mu=0.4(C_1-\mu_{C_1}) + A_1(0.2 + \theta_{11}C_1) + (C_2-\mu_{C_2})(0.4 + \gamma_{21}C_2) + A_2(0.2 + \theta_{21}C_1 + 0.1A_1), \sigma^2=1), \quad \text{(7e)}
\]

where $\Phi$ is the standard normal cumulative distribution function. $\{\theta_{11}, \theta_{21}\}$ are the parameters used to modify the magnitude of the causal effect modification/heterogeneity, and $\{\gamma_{12}, \gamma_{21}\}$ are the parameter used to control the misspecification of the treatment and outcome models.

In the work by Wodtke (2020), every experimental setting is run for 10000 randomly seeded simulations with [500, 1000, 2000] training samples (typical for social science experiments) in each simulation to report the mean ($\mu_{\lambda_{10},a_0}$) and standard-deviation ($\sigma_{\lambda_{10},a_0}$). However, in most practical cases, it is atypical to run deep neural networks for 10000 simulations and is limited between one to 10 in most practical deep learning applications. Hence, we run our experiments with different sample sizes for five randomly seeded simulations, using all the methods (IPW, RWR, GCOM and c-GNF) and report the results pictorially in Fig. 2. Since we run multiple simulations with multiple setting with c-GNFs, we do not concentrate on hyperparameter selection that is best for each simulation and simply use three fully-connected layers with [20, 15, 10] hidden units for the graphical conditioner and three fully-connected layers with [15, 10, 5] hidden units for the monotonic UMNN transformer. We implement c-GNFs in Pytorch (Paszke et al. 2017) using GNF baseline code\(^3\) and AdamW (Loshchilov and Hutter 2019) optimizer with learning-rate=1e-3 and a batch-size of 128 (2GB of GPU memory) for all our experiments. It is also our aim to evaluate the robustness of c-GNFs in estimating the ACEs without any fine hyperparameters selection using only the most basic/default settings. Since, deep neural networks are prone to overfit, we split our data into three train, validation and test sets in ratio 8:1:1. We strictly use only the training set with [500, 2000, 4000000] samples for training and use the held-out validation set for early stopping to get the model with best validation loss. We further validate the generalization of the best validation loss model on the held-out test set. We simulate 2000 samples from every interventional distributions using c-GNFs to evaluate $E[Y_{a_1,a_2}]$ to obtain Monte-Carlo estimates of ACEs using Eqs. (1a)-(1c). Theoretically, a higher number of samples from the interventional distributions would provide better Monte-Carlo estimates at an added computational cost.

Fig. 2 indicates the results for the following three experimental settings: (i) Fig. 2a shows the results with both the treatment and outcome models correctly specified without heterogeneity in data. (ii) Fig. 2b shows the results with only the treatment model correctly specified with heterogeneity in data. (iii) Fig. 2c shows the results with both treatment and outcome models misspecified with heterogeneity in data. Under all three experimental settings, the true ACEs of interest for the above 2-wave time-varying model $\lambda_{a_1,a_2}$ for the binary treatments $A_1:=a_1, A_2:=a_2$ are calculated from Eqs. (1b)-(1c) as $\lambda_{1,0}=0.2-0=0.2, \lambda_{0,1}=0.2-0=0.2,$ and $\lambda_{1,1}=0.5-0.2=0.3$ and denoted by green horizontal dotted lines in Fig. 2. The red horizontal dotted line in Fig. 2 represents zero-ACE which can be considered as the critical point due to the fact that zero-ACE indicates both the treatments to have the same causal effect/outcome. Sometimes, it is more important to accurately identify the sign of the ACE with some acceptable tolerance in the magnitude of the ACE estimate as the sign is what determines the effectiveness of the treatment, e.g., $\lambda_{1,0}>0$ in Eq. (1a) indicates treatment $A_1:=1, A_2:=0$ is better than treatment $A_1:=0, A_2:=0$.

\(^3\)https://github.com/AWehenkel/Graphical-Normalizing-Flows
in expectation, and vice-versa if $\lambda_{1,0} < 0$. It is of primary importance to identify which treatment is better and of secondary importance to identify by what amount the treatment is better, in expectation. In Fig. 2, the box-plots indicate $\mu$, $\mu \pm \sigma$, $\mu \pm 3\sigma$ values for all $\lambda_{a_1, a_2}$ to provide an idea of the variance of the estimates. Observe that in all the plots, c-GNF does not include the zero-ACE in $\mu \pm \sigma$ range indicating that c-GNF does not introduce ambiguity in the selection of best treatment, in expectation, unlike IPW, RWR, and GCOM. This non-ambiguity is a desired quality from any causal effect estimation methods used in decision-making.

In Fig. 2a, we see that all the models perform equally well under no model misspecification and effect modification/heterogeneity in data. However increasing the complexity by adding outcome model misspecification and data heterogeneity in Fig. 2b, we see that the regression based outcome methods not assuming the right functional forms, i.e., GCOM and RWR, result in biased estimates in both small and large samples. GCOM,THETA in Fig. 2 refers correcting GCOM by specifying the true functional form manually or parameterizing the model by a deep neural network as in the case of meta-learners to result in unbiased estimates. Hence, we see that GCOM,THETA performs better than GCOM due to the correction. Similarly, since the treatment model is rightly specified, IPW estimates are unbiased. In contrast to Figs. 2a and 2b, Fig. 2c indicates the treatment model is misspecified as well. With the treatment model misspecified, IPW no longer results in unbiased estimates. From Fig. 2, we show that in small-sample size regime, c-GNF results in unbiased estimates with comparable variance. We can still do better in terms of variance by appropriate selection of the deep neural networks as a part of the hyperparameter tuning, which is not our aim. A real-world application of c-GNF on a large-scale non-randomized observational study to analyse the impact of IMF (International Monetary Fund) program on the child poverty is conducted in Balgi, Peña, and Daoud (2022) that observes an effective reduction of child poverty by $1.2 \pm 0.24$ degrees in the Global-South, thus indicating the beneficial nature of IMF program on child poverty reduction.

**Counterfactual Inference**

Apart from the benefits of ACE estimates with small bias and variance compared to standard statistical methods, c-GNF provides the unique benefit of counterfactual inference using ‘The First Law of Causal Inference’ (Pearl 2009a,b; Pearl and Mackenzie 2018), which is virtually non-existent in IPW/RWR/GCOM. ‘The First Law of Causal Inference’ essentially provides a framework to identify the unit level potential outcomes using SCM, thereby addressing the fundamental missing value problem of counterfactual inference. This law to identify the missing/unseen potential outcome $Y_{a_1, a_2}$ for a unit $Z^t$ is represented mathematically as

$$Y_{a_1, a_2}(Z^t) = \tilde{Y}_{\tilde{F}_{a_1, a_2}}(Z^t),$$

where $Y_{a_1, a_2}(Z^t)$ denotes the potential outcome $Y$ under the treatments $\{A_j := a_j\}_{j=1}^2$ for a given unit individual $Z^t$ that is fundamentally missing and is of interest for counterfactual inference, and $\tilde{Y}_{\tilde{F}_{a_1, a_2}}(Z^t)$ represents the actual outcome $Y$ observed from the mutilated-SCM $\tilde{F}_{a_1, a_2}$ that is obtained by the mutilation $\{A_j := a_j\}_{j=1}^2$ on the encapsulated-SCM $\tilde{F}$. Essentially, this law involves three steps that help identify the missing potential outcomes, thereby addressing the fundamental missing value problem of causal inference.

1. **Abduction:** For a given observed unit-individual evidence $X^t$, the respective exogenous SCM noise $Z^t$ corresponding to $X^t$ is recovered from the encapsulated-SCM $\tilde{F}$. In case of c-GNF, we have $Z^t = TX^t = \tilde{F}^{-1}X^t$ where the encapsulated-SCM noise $Z^t$ indicates the unique hidden essence/identifier/DNA of the $t^{th}$ unit-individual with observed evidence $X^t$.

2. **Action:** The action or intervention (in our case a public policy) corresponding to the desired treatment is con-
This article developed causal-Graphical Normalizing Flow (c-GNF) for personalized public policy analysis (P³A). We demonstrated that our c-GNF learnt using only observational data without any assumptions on the exogenous noises or the functional mechanisms of the underlying SCM. We further identified c-GNF is on/above-par well-established standard causal effect estimation methods such as IPW and RWR. Most importantly, in contrast to IPW and RWR, using simulation experiments, we demonstrated the unique benefit of counterfactual inference using ‘The First Law of Causal Inference’ with c-GNF. Although our simulation study might be perceived as a limitation, the strong benchmarking of c-GNF on the simulated dataset demonstrated the usability of our framework with real-world data. The counterfactual inference demonstrated with c-GNFs showed potential to identify the optimal treatments at an individual-level, enabling precise P³A. When successful, P³A will likely accelerate the use of individualized policies beyond the closed settings of medical applications and into the open settings of the social science.

**Conclusion**

Using c-GNF, we observe that the optimal treatments are indeed predicted with a very high accuracy of 99.6% on unseen validation and test sets under no-misspecification and no effect modification/heterogeneity in data. Similarly, under both model misspecifications we obtain 91% accuracy even with our sub-optimal hyperparameters. Thus, c-GNF enables precise P³A targeting and articulation of the tailored treatments/policies in the social sciences, instead of relying on ‘one-size-fits-all’ sub-optimal treatments/policies.

Finally, our c-GNF not only model the encapsulation of the true SCM, but also offer exact density estimation which provides necessary tools for causal inference practitioners to identify other causal quantities such as the probabilities of causation (Pearl 1999, 2009b), i.e., Probability of Necessity (PN), Probability of Sufficiency (PS), Probability of Necessity and Sufficiency (PNS), Probability of Disablement (PD), Probability of Enablement (PE), that are of utmost importance to policy-makers planning various social programs.
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Ethics Statement

The authors would like to indicate that the current work does not involve any real ethical considerations as assumptions are clearly stated and the experimental results with benchmarking are based only on the non-sensitive simulated dataset.

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