Econometric Methods for Social Spillovers and Networks

UNamur-UCL/CORE Winter School on Networks

December 12th to 14th, 2016

Course Description

This course will provide an overview of econometric methods appropriate for the analysis of social and economic spillovers and networks. Many social and economic activities are embedded in networks. Furthermore, datasets with natural graph theoretic (i.e., network) structure are increasingly available to researchers. We will review (i) how to describe, summarize and visually present network data, (ii) formal econometric models of network formation that admit heterogeneity, strategic behavior, and/or dynamics, and, finally, (iii) how to model behaviors that occur on networks (e.g., the identification of peer group effects or social spillovers). The focus will be on the formal development of methods, but selected empirical examples will also be covered, as will methods of practical computation.

Course Logistics

Instructor: Bryan Graham, Department of Economics, University of California – Berkeley

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Time: 2:00PM to 5:30PM December 12th to 14th, 2016

Prerequisites: The equivalent of a first year Ph.D. level sequence in econometrics. Specifically an understanding of probability and statistical inference at the level of Casella and Berger (1990, *Statistical Inference*), linear regression analysis at the level of Goldberger (1991, *A Course in Econometrics*) and some exposure to non-linear models (e.g., maximum likelihood, M-estimation). I will also assume a basic knowledge of applied matrix algebra.

Textbook: Readings preceded by a [r] in the course outline are "required" (i.e., should be read prior to class), while those preceded by a [b] are for "background" (i.e., may be useful for students interested in additional material). Students should consider purchasing the textbooks by Jackson (2008) and Newman (2010). The Easley and Kleinberg (2010) book also contains useful material (with the added attraction of being available in draft form online for free). The survey by Goldenberg, Zheng, Fienberg and Airoldi (2009) covers much of the technical literature in statistics and machine learning. A recommended general purpose reference for microeconometrics is Wooldridge (2010).

Computation: The bulk of class will be devoted to the formal development of the material, albeit with empirical illustrations as well as ample discussions of the various practicalities of implementation. However I do intend to reserve some class time for actual practice with computation. Computational examples will be done using Python. Python is a widely used general purpose programming language with good functionality for scientific computing. I highly recommend the Anaconda distribution, which is available for download at http://continuum.io/downloads. Some basic tutorials on installing and using Python, with a focus on economic applications, can be found online at `http://quant-econ.net`. You may also wish to install Rodeo, which is an integrated development environment (IDE) tailored to statistics or "data science" applications. Rodeo makes working in Python look and feel similar to working in Stata or MATLAB. Rodeo is also free and available at `https://www.yhat.com/`.

Good books for learning Python, with some coverage of statistical applications, are Guttag (2013) and McKinney (2013). The former is an excellent introduction to computer science as well as Python, the latter is heavily focused on the pandas module.

The code I will provide will execute properly in Python 2.7. Nevertheless I recommend installing Python 3.5. This is the latest Python release. Both Python 2.7 and 3.5 are available on the EML workstations.

Graphviz is a free graph visualization program that is also useful (`http://www.graphviz.org/`).

Course Outline

Date	Topic	Readings
M 12/12	**Describing**	[r] Graham (2015), [r] Jackson (2008, Ch. 2)
Lec1	**Networks**	[r] Newman (2010, Ch. 6 - 8), [b] Jackson et al. (forthcoming)
	Examples of networks	[r] Atalay et al. (2011), [r] De Weerdt (2004)
		[b] Apicella et al. (2012), [b] Matous and Todo (2016)
	Small worlds	[b] Milgram (1967)
	Centrality	[b] Bonacich (1987), [r] Calvó-Armengol et al. (2009)
	Degree distributions	[b] Mitzenmacher (2004), [b] Clauset et al. (2009)
	Triads	[b] Granovetter (1973), [b] Jackson et al. (2012)
M 12/12	**Nonparametrics:**	[b] Orbanz & Roy (2015), [b] Hoff (2008)
Lec2	**Graphons**	[b] Bickel & Chen (2009)
	Estimation	[r] Chatterjee (2013), [r] Zhang et al. (2015)
	Stochastic Block Model	[b] Snijders & Nowiki (1997), [r] Daudin et al. (2008)
	EM Algorithms	[b] Gupta & Chen (2011), [b] Bickel et al. (2013)
Tu 12/13	**Nonparametrics:**	[r] Holland & Leinhardt (1976), [b] Granovetter (1973)
Lec3	**Network Moments**	
	Theory	[r] Bickel, Chen & Levina (2011)
	Computation	[r] Bhattacharya and Bickel (2015)
Tu 12/13	**Network Formation:**	[b] Barabási and Bonabau (2003)
Lec4	**Heterogeneity**	
	β-Model, Testing	[b] Blitzstein and Diaconis (2011)
		[b] Chatterjee, Diaconis and Sly (2011)
	Dyadic Link Formation	[r] Graham (2014), [b] Dzemski (2014)
W 12/14	**Network Formation:**	[b] de Paula (2016)
Lec5	**Strategic Interaction**	
	Panel approach	[r] Graham (2016)
	Set identification	[r] de Paula et al. (2015)
	Incomplete information	[b] McPherson et al. (2001), [b] Leung (2015)
W 12/14	**Peer Effects**	[r] Manski (1993)
Lec6		
	Network structure	[r] Bramoullé, Djebbari & Fortin (2009)
		[r] Calvó-Armengol et al. (2009)
	Neighborhoods	[r] Graham (forthcoming)

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