



Social Networks and Economic Development

(Master of Science in International Economics and Economic Policy)

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1 Overview

For almost a century, social networks analysis (SNA) has been at the forefront of theoretical and methodological developments in sociology, while other disciplines have just recently started discovering it. In the case of economics, and despite some early attempts, it is only in the last decade that SNA has become an important part of the profession's toolkit, with a prolific recent literature that have left the classic Granovetter (1985)¹ critique by the wayside. While the theoretical foundations were developed in the 1990s, a plethora of empirical studies has followed.

In developing countries, where markets tend to be incomplete (or absent altogether), the role of networks created by kinship, friendship, and informal interactions is fundamental. This is particularly the case in terms of risk-sharing, the transmission of information, and many other daily economic activities. The importance of these networks has been formally recognized at least since Malinowski's studies of traditional economic systems in the 1920s, but has recently gained increasing attention with the focus on trust and social capital as key determinants of economic development.

The main objective of this block seminar course is to introduce students to the recent literature related to social networks and economic development and guide them through an in-depth review of related sub-topics.

¹Granovetter, Mark. Economic action and social structure: The problem of embeddedness. *American journal of sociology* 91:481–510, 1985.



2 Format

- This course is designed as a “block seminar”. Students have to write a term-paper and present its main content in a final presentation.
- Students have to choose a topic in agreement with the lecturer. They can decide on a subject from the list below or propose an alternative issue which meets his/her own interests.
- The paper must have maximum 25 pages and contain two main sections: (i) deep overview of the particular topic, including a general literature review; and (ii) in-depth analysis of one technical paper or technical literature. For the latter, the related “state of the art” econometric and/or theoretic methods must be explained and described for the particular context of the topic.
- While producing new results in the term-paper with data and/or models is not required, it would be highly appreciated.

3 Requirements

It is assumed that students have prior knowledge of econometrics at the level of “Fundamentals of Econometrics” and knowledge of microeconomic theory at the level of “Fundamentals of Microeconomics.”

4 Evaluation

- Students successfully finishing the seminar will be awarded with 6 credit points.
- Grading will be based on the term-paper and the final presentation.
- Active participation in the presentation of other students will also be considered in the final grade.
- There will be no final exam.



5 Topics and readings

5.1 General readings

An updated general overview of the topics covered in the seminar can be found in:

- Matthew Jackson. An overview of social networks and economic applications. In *The Handbook of Social Economics*. Elsevier Press, 2010.
- Kaivan Munshi. Community networks and the process of development. *The Journal of Economic Perspectives*, pages 49–76, 2014.
- Yating Chuang and Laura Schechter. Social networks in developing countries. *Annual Review of Resource Economics*, 7, 2015.

5.2 Topics

TOPIC 1. Risk-sharing networks

- Marcel Fafchamps and Susan Lund. Risk sharing networks in rural Philippines. *Journal of Development Economics*, 71(2):261–287, 2003.
- Marcel Fafchamps and Flore Gubert. The formation of risk sharing networks. *Journal of Development Economics*, 83(2):326–350, 2007.
- Joachim De Weerd and Stefan Dercon. Risk-sharing networks and insurance against illness. *Journal of Development Economics*, 81(2):337–356, 2006.
- Joachim De Weerd and Marcel Fafchamps. Social identity and the formation of health insurance networks. *Journal of Development Studies*, 47(8):1152–1177, 2011.

TOPIC 2. Technology adoption and diffusion of information

- Oriana Bandiera and Imran Rasul. Social networks and technology adoption in Northern Mozambique. *Economic Journal*, 116(514):869–902, 2006.
- Timothy G. Conley and Christopher R. Udry. Learning about a new technology: Pineapple in Ghana. *American Economic Review*, 100(1):35–69, March 2010.
- Abhijit Banerjee, Arun G. Chandrasekhar, Esther Duflo, and Matthew O. Jackson. The diffusion of microfinance. *Science*, 341(6144):363–371, 2013.
- Jing Cai, Alain de Janvry, and Elisabeth Sadoulet. Social networks and the decision to insure. *American Economic Journal: Applied Economics*, forthcoming.



TOPIC 3. Productive activities and rural development

- Christopher Udry and Timothy Conley. Social Networks in Ghana. Yale University Economic Growth Center Discussion Paper n. 888, 2004.
- Pramila Krishnan and Emanuela Sciubba. Links and architecture in village networks. *Economic Journal*, 119(537):917–949, 2009.
- Dany Jaimovich. Missing links, missing markets: Evidence of the transformation process in the economic networks of Gambian villages. *World Development*, 66:645–664, 2015.

TOPIC 4. Labor markets

- Kaivan Munshi and Mark Rosenzweig. Traditional institutions meet the modern world: Caste, gender, and schooling choice in a globalizing economy. *American Economic Review*, 96(4):1225–1252, 2006.
- Jeremy R Magruder. Intergenerational networks, unemployment, and persistent inequality in South Africa. *American Economic Journal: Applied Economics*, 2(1):62–85, 2010.
- Shing-Yi Wang. Marriage networks, nepotism, and labor market outcomes in China. *American Economic Journal: Applied Economics*, 5(3):91–112, 2013.
- Kaivan Munshi. Strength in numbers: Networks as a solution to occupational traps. *The Review of Economic Studies*, 78(3):1069–1101, 2011.

TOPIC 5. Trust and social capital

- Dean Karlan, Markus Mobius, Tanya Rosenblat, and Adam Szeidl. Trust and social collateral. *The Quarterly Journal of Economics*, 124(3):1307–1361, 2009.
- Benjamin Feigenberg, Erica Field, and Rohini Pande. The economic returns to social interaction: Experimental evidence from microfinance. *The Review of Economic Studies*, 80(4):1459–1483, 2013.
- Christine Binzel and Dietmar Fehr. Social distance and trust: Experimental evidence from a slum in Cairo. *Journal of Development Economics*, 103:99–106, 2013.

TOPIC 6. Health

- Hans-Peter Kohler, Jere R Behrman, and Susan C Watkins. Social networks and HIV/AIDS risk perceptions. *Demography*, 44(1):1–33, 2007.



- Michael Kremer and Edward Miguel. The illusion of sustainability. *The Quarterly Journal of Economics*, 122(3):1007–1065, 2007.
- Emily Oster and Rebecca Thornton. Determinants of technology adoption: Peer effects in menstrual cup take-up. *Journal of the European Economic Association*, 10(6):1263–1293, 2012.

TOPIC 7. Education

- Weili Ding and Steven F Lehrer. Do peers affect student achievement in China’s secondary schools? *The Review of Economics and Statistics*, 89(2):300–312, 2007.
- Gustavo J Bobonis and Frederico Finan. Neighborhood peer effects in secondary school enrollment decisions. *The Review of Economics and Statistics*, 91(4):695–716, 2009.
- Esther Duflo, Pascaline Dupas, and Michael Kremer. Peer effects, teacher incentives, and the impact of tracking: Evidence from a randomized evaluation in Kenya. *The American Economic Review*, pages 1739–1774, 2011.

TOPIC 8. Networks in trade and migration

- Kaivan Munshi. Networks in the modern economy: Mexican migrants in the US labor market. *The Quarterly Journal of Economics*, pages 549–599, 2003.
- David McKenzie and Hillel Rapoport. Self-selection patterns in Mexico-US migration: the role of migration networks. *The Review of Economics and Statistics*, 92(4):811–821, 2010.
- James E Rauch and Vitor Trindade. Ethnic Chinese networks in international trade. *Review of Economics and Statistics*, 84(1):116–130, 2002.

TOPIC 9. The “dark side” of social networks

- Salvatore Di Falco and Erwin Bulte. A dark side of social capital? Kinship, consumption, and savings. *Journal of Development Studies*, 47(8):1128–1151, 2011.
- Omar Shahabudin McDoom. Antisocial capital: A profile of Rwandan genocide perpetrators’ social networks. *Journal of Conflict Resolution*, 58(5):865–893, 2013.
- Abhijit Banerjee and Kaivan Munshi. How efficiently is capital allocated? Evidence from the knitted garment industry in Tirupur. *The Review of Economic Studies*, 71(1):19–42, 2004.



TOPIC 10. Networks of political connections

- Mara Faccio. Politically connected firms. *The American Economic Review*, 96(1):369–386, 2006.
- Raymond Fisman. Estimating the value of political connections. *American Economic Review*, pages 1095–1102, 2001.
- Cesi Cruz, Julien Labonne, and Pablo Querubin. Politician family networks and electoral outcomes: Evidence from the Philippines. Unpublished Manuscript, 2014.