

The Economics of Networks
European University Institute
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Course Overview

Social networks have profound effects on individuals behavior and economic outcomes. They are critical for the trade of goods and services. They influence our opinions, which products we buy, how much education we obtain. They shape our political attitudes and our likelihood of succeeding professionally. They are important in determining how diseases spread and they are essential to understanding the optimal design of organisations and the optimal design of policies based on peer effects. These premises, which find empirical support in a variety of studies, are the motivation for the tremendous interest in the economics of networks.

The course provides an overview of the theoretical work that has been developed in the economic of networks.

Grading

The assessment will be based on a critical review of one article (3-4 pp). The list of articles will be provided before the course starts. The critical review should be composed of three parts. The first part should briefly summarise the analysis conducted in the paper and the principal insights of the article. The second part should describe in more details the methodology adopted, the main results obtained and the intuitions behind the results, the relation with the existing literature and the contribution of the paper with respect to existing work. The final part should emphasise the weakness of the paper and possible extensions of the framework. Overall, the critical review should not be more than five pages.

Readings

We will rely primarily on journal articles. Each lecture will take as its starting point at least one influential paper in the literature. You should make the effort to read these principal works in advance.

Outline:

Lecture 1. Network Formation: Economic models of network formation and statistical models of network formation;

Lecture 2: Network Games: Complete information, incomplete information and endogenous networks;

Lecture 3: Network Games: Complete information, incomplete information and endogenous networks;

Lecture 4: Applications: Models of industrial organisation and networks;

Lecture 5: Applications: Strategic intermediation in networks.