# The Economics of Social Interactions: Peers and Neighborhoods

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The course focuses on the economics, econometrics, and empirical analysis of social interactions across various contexts, from schooling to consumption behavior and labor market outcomes. In the first part, we will establish the foundational concepts. In the second part, the focus shifts to the question: How do social interactions shape access to economic opportunities? After examining the role of neighborhoods in intergenerational mobility, we will build on the foundations from the first half of the course to study recent advances on peer effects in education and job search as potential channels influencing social mobility.

## Learning objectives

1. Understand the key concepts and theories related to social interactions in economics, with specific applications to the contexts of consumption, devevelopment and educational choices.
2. Master the main econometric methods used to identify and estimate social interactions effects, including linear-in-means models, instrumental variables, and network-based approaches.
3. Link empirical findings on the role of social interactions to broader questions of economic opportunity and social mobility, with a focus on the role of neighborhoods and peer effects in education and labor markets.

## Prerequisites

Graduate-level microeconomics and econometrics. Familiarity with linear regression, instrumental variables, and basic concepts of social networks is recommended. Familiarity with software for data analysis (e.g., R, Stata, Python) is also instrumental for replication assignments.

## Course format

Lectures covering theoretical and empirical concepts. Practical sessions for replication exercises. Attendance is compulsory.

## Assessment and grading

The final grade will be based a replication exercise introduced during the practical sessions, requiring students to replicate and extend a key paper in the field. The replication will be evaluated based on accuracy, clarity of presentation, and the quality of the extension. Further, extra credits will be awarded for in-class participation.

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## Lectures and Readings

We will focus on lecture notes and slides, below you will find a list of the main articles constituting the basis for each class material. Topics 1.-4. will be covered by Giacomo; 5.-8. by Pietro.

| | Topic | Readings |
|---|---|---|
| 1 | **Formal and informal institutions in the development process** | • Angelucci et al. (2018)<br>• Banerjee and Newman (1998) |
| 2 | **The econometrics of social interactions** | • Manski (1993)<br>• Moffitt (2001)<br>• Sacerdote (2001) |
| 3 | **Applications to schooling and consumption** | • Bramoullé et al. (2009)<br>• De Giorgi et al. (2010)<br>• De Giorgi et al. (2019) |
| 4 | **Departing from the linear-in-means model and new applications** | • Boucher et al. (2024)<br>• Mas and Moretti (2009) |
| 5 | **Neighborhoods and social mobility** | • Chetty and Hendren (2018)<br>• Chyn (2018)<br>• Chetty et al. (2016) |
| 6 | **Neighborhoods and social interactions** | • Benabou (1993)<br>• Chetty et al. (2022a)<br>• Chetty et al. (2022b) |
| 7 | **Peers in education** | • Carrell et al. (2018)<br>• Fruehwirth and Gagete-Miranda (2019)<br>• Cattan et al. (2025)<br>• Bursztyn et al. (2018) |
| 8 | **Peers and access to jobs** | • Montgomery (1991)<br>• Hensvik and Skans (2016)<br>• Caldwell and Harmon (2019)<br>• Campa (2025) |

| Topic | Readings |
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