A Semiparametric Network Formation Model with Multiple Linear Fixed Effects*

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October 14, 2016

Job Market Paper

Abstract

This paper analyzes a semiparametric model of network formation in the presence of multiple, unobserved, and agent-specific fixed effects. Given agents’ observed attributes, the conditional distributions of these effects, as well as the disturbance terms associated with each linking decision are not parametrically specified. I give sufficient conditions for point identification of the coefficients on the observed covariates. This result relies on the existence of at least one continuous covariate with unbounded support. I provide partial identification results when all covariates have a bounded support. Specifically, I derive bounds for each component of the vector of parameters when all the covariates have a discrete support. I propose a semiparametric estimator for the vector of coefficients that is consistent and asymptotically normal as the number of individuals in the network increases. Monte Carlo experiments demonstrate that the estimator performs well in finite samples. Finally, in an empirical study, I analyze the determinants of a friendship network using the Add Health dataset.

*I am deeply grateful to my co-advisors Shakeeb Khan and Arnaud Maurel, as well as Federico Bugni and Matthew Masten for their excellent guidance, constant encouragement, and helpful discussions. I also thank Rachel Kranton, Jia Li, Fu Ouyang, Adam Rosen, Takuya Ura, Yichong Zhang and seminar participants at Duke Microeconometrics Workshop for their comments. This work used the Extreme Science and Engineering Discovery Environment (XSEDE), which is supported by National Science Foundation grant number ACI-1053575. All errors are my own.