NETWORK EFFECTS & SOCIAL INEQUALITY

HOW DO MECHANISMS MATTER?

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ABSTRACT

Several bodies of research suggest that under many conditions social networks amplify inequality in access to or adoption of practices that contribute to actors' welfare. Most of this work has remained suggestive, however, due to two problems. First, inattention to, and lack of consensus about, mechanisms of influence impedes interpretation of results and cumulation of knowledge. Second, few data sets have the required detail—over-time measurement of complete social networks and member behaviors—to draw confident conclusions. In this paper we address both of these questions. First, we argue that network effects operate through three major families of mechanisms—network externalities, social facilitation, and normative influence—each of which can best be expressed through a distinctive set of related functional forms. Second, to explore the implication of these different mechanisms (in the absence of suitably fine-grained data), we use computational models of the diffusion of practices through social networks given varying levels of homophily to explore the implication of each mechanism for overall and group-specific diffusion rates and equilibrium adoption levels, and for intergroup inequality in rates and levels of adoption.

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