

ARUN ADVANI

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## JOB MARKET CANDIDATE, UNIVERSITY COLLEGE LONDON

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Graduate Coordinator: Daniella Harper

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### CONTACT DETAILS

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Drayton House, 30 Gordon Street  
London, WC1H 0AX, UK  
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### EDUCATION

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*PhD Candidate*, Economics, University College London, 2011 to 2017 (expected)  
MRes, Economics, University College London, Distinction, 2011  
MPhil, Economics, University of Cambridge, Distinction, 2010  
BA, Economics, University of Cambridge, First Class Honours, 2009

### REFERENCES

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Richard Blundell (Advisor)  
University College London  
Drayton House, 30 Gordon Street  
London, WC1H 0AX, UK  
[r.blundell@ucl.ac.uk](mailto:r.blundell@ucl.ac.uk)

Imran Rasul (Advisor)  
University College London  
Drayton House, 30 Gordon Street  
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Orazio Attanasio  
University College London  
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Drayton House, 30 Gordon Street  
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### RESEARCH FIELDS

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*Primary* : Development  
*Secondary*: Public  
*Interests* : Networks, Growth, Poverty, Tax Compliance

### RESEARCH EXPERIENCE AND OTHER EMPLOYMENT

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2016- : University College London, Teaching Assistant (Research Methods)  
2013- : Tax Administration Research Centre, Researcher  
2011- : Institute for Fiscal Studies, PhD Scholar and Research Economist  
2014-2016: University College London, Research Assistant for Imran Rasul  
2011-2013: King's College Cambridge, Associate Fellow  
2011-2012: London School of Economics, Teaching Assistant (International Economics)  
2011-2012: Ministry of Justice, Consultant (Econometrics)

## SCHOLARSHIPS

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2016-2017: Royal Economic Society Junior Fellowship  
2013-2014: Programme Evaluation for Policy Analysis, Scholarship  
2010-2013: Institute for Fiscal Studies, Scholarship  
2010-2014: Nuffield College Oxford, ESRC 1+3 Studentship, *declined*  
2009-2010: King's College Cambridge, Studentship  
2008-2009: King's College Cambridge, Senior Scholarship  
2007-2008: King's College Cambridge, Scholarship

## CONFERENCE & EXTERNAL SEMINAR PRESENTATIONS

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**2016** (incl. scheduled): Econometric Society European Winter Meetings (Edinburgh), Gothenburg, Geneva, Manchester.  
**2015**: Stanford (Applied, Development, Labor, and Theory); Econometric Society European Winter Meetings (Bocconi).  
**2014**: 16th ZEW Summer Workshop for Young Economists (Mannheim); Research Methods Festival (Oxford).  
**2013**: “Energy use policies and carbon pricing in the UK” launch event.  
**2012**: ENTER Jamboree (Universitat Autnoma de Barcelona).  
**2011**: Irish Society of New Economists (University College Dublin).  
**2010**: Irish Society of New Economists (Trinity College Dublin).  
**2009**: International Atlantic Society (Boston).

## REFEREEING

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**Journals:** Economic Inquiry, Economic Journal, Economic and Social Review, European Economic Review, FinanzArchiv, Fiscal Studies, Journal of Public Economics  
**Conference Scientific Committees:** RES Symposium of Junior Researchers  
**Funding bodies:** CERGE-EI GDN Research Competition

## PAPERS

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### Job Market Paper

#### [“Insurance Networks and Poverty Traps”](#)

Poor households often do not undertake profitable investments. This is so even when their informal risk sharing networks have the resources to allow one of their members to make such investments. This paper provides a novel explanation for this puzzle: informal risk sharing can crowd out investment. I extend the canonical model of limited commitment in risk sharing networks to allow for lumpy investment. The key insight is that the cost of losing insurance is lower for a household that has invested, since it has an additional stream of income, limiting its ability to credibly promise future transfers, and so network partners demand transfers today and investment does not take place. The model generates two key predictions: there exists a non-linear relationship between total income and investment at the network level – namely there is a network level poverty trap – and there is an inverse U-shaped relationship between network income inequality and investment. I test these predictions using a randomised control trial in Bangladesh, that provided capital transfers to the poorest households. The data covers 27,000 households from 1400 villages, and contains information on risk sharing networks, income and investment. I exploit variation in the number of program recipients in a network to identify the threshold level of capital provision needed for the program to move the network out of a poverty trap and generate further investment. I also verify additional predictions of the model and rule out alternative explanations. My results highlight how capital transfer programs can be made more cost-effective by targeting communities at the threshold of the aggregate poverty trap.

## Submitted and Resubmitted Papers

[“Melting Pot or Salad Bowl: The Formation of Heterogeneous Communities”](#) with Bryony Reich  
Relatively little is known about what determines whether a heterogeneous population ends up in a cooperative or divisive situation. This paper proposes a theoretical model to understand what social structures arise in heterogeneous populations. Individuals face a trade-off between cultural and economic incentives: an individual prefers to maintain his cultural practices, but doing so can inhibit interaction and economic exchange with those who adopt different practices. We find that a small minority group will adopt majority cultural practices and integrate. In contrast, minority groups above a certain critical mass, may retain diverse practices and may also segregate from the majority. The size of this critical mass depends on the cultural distance between groups, the importance of culture in day to day life, and the costs of forming a social tie. We test these predictions using data on migrants to the United States in the era of mass migration, and find support for the existence of a critical mass of migrants above which social structure in heterogeneous populations changes discretely towards cultural distinction and segregation.

[“Credibly Identifying Social Effects: Accounting for Network Formation and Measurement Error”](#)  
with Bansi Malde (in preparation for resubmission to *Journal of Economic Surveys*)

Understanding whether and how connections between agents (networks) such as declared friendships in classrooms, transactions between firms, and family connections in rural villages, influence their socio-economic outcomes has been a growing area of research within economics. Early methods developed to identify these social effects assumed that networks had formed exogenously, and were perfectly observed, both of which are unlikely to hold in practice. A more recent literature, both within economics and in other disciplines, develops methods that relax these assumptions. This paper reviews that literature. It starts by providing a general econometric framework for linear models of social effects, and illustrates how network endogeneity and missing data on the network complicate identification of social effects using observational data. Thereafter, it discusses methods for overcoming the problems caused by endogenous formation of networks. Finally, it outlines the stark consequences of missing data on measures of the network, and regression parameters, before describing potential solutions.

[“Methods to Identify Linear Network Models: A Review”](#) with Bansi Malde (solicited by and forthcoming at *Swiss Journal of Economics and Statistics*)

In many contexts we may be interested in understanding whether direct connections between agents, such as declared friendships in a classroom or family links in a rural village, affect their outcomes. In this paper we review the literature studying econometric methods for the analysis of linear models of *social effects*, a class that includes the linear-in-means local average model, the local aggregate model, and models where network statistics affect outcomes. We provide an overview of the underlying theoretical models, before discussing conditions for identification using observational and experimental/quasi-experimental data.

[“Mostly Harmless Simulations? On the Internal Validity of Empirical Monte Carlo Studies”](#)  
with Tymon Słoczyński (in preparation for resubmission to *Journal of Applied Econometrics*)

In this paper we evaluate the premise from the recent literature on Monte Carlo studies that an empirically motivated simulation exercise is informative about the actual ranking of various estimators when applied to a particular problem. We consider two alternative designs and provide an empirical test for both of them. We conclude that a necessary condition for the simulations to be informative about the true ranking is that the treatment effect in simulations must be equal to the (unknown) true effect. This severely limits the usefulness of such procedures, since were the effect known, the procedure would not be necessary.

## Other Research Papers In Progress

“How long-lasting are the effects of audits” with William Elming and Jonathan Shaw  
Understanding tax non-compliance and the effectiveness of strategies to tackle it is crucial for a modern tax authority. In this paper we study the indirect benefits of conducting audits, focusing on how the reported tax liability of audited individuals changes over time after an audit. We exploit data from a random audit program covering income tax self-assessment returns in the UK. We find that audits have a large and persistent impact on reported tax liability that reaches around 26 per cent on average by the fourth year following the tax year to which the audit relates.

“Social Networks and Success in the US” with Imran Rasul

## Older Papers

Advani, A. and Malde, B., 2014, “Empirical Methods for Networks Data: Social Effects, Network Formation and Measurement Error”, IFS Working Paper W14/34 [now split into two papers, above, and under submission]

## Policy Papers and Comments

Advani, A. and Stoye, G., forthcoming, “Cheaper, Greener, and More Efficient: Rationalising UK Carbon Prices”, Fiscal Studies

Advani, A., Bassi, S., Bowen, A., Fankhauser, S., Johnson, P., Leicester, A., and Stoye, G., 2013, “Energy use policies and carbon pricing in the UK”, IFS Reports, R84

Advani, A., Johnson, P., Leicester, A., and Stoye, G., 2013, “Household energy use in Britain: a distributional analysis”, IFS Reports, R85

Advani, A., Levell, P., and Stoye, G., 2011, “Inconsistent and inefficient UK carbon prices”, IFS Observation

Advani, A., Leicester, A., and Levell, P., 2011, “Hyping hypothecation: should green tax revenues be earmarked?”, IFS Observation

## TEACHING EXPERIENCE

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2016-2017: Economics Research Methods, MSc, University College London, TA

2010-2013: Microeconomics, 3rd Year UG, University of Cambridge, Supervisor

2009-2011: Microeconomics, 2nd Year UG, University of Cambridge, Supervisor

2010-2013: Microeconomics, 1st Year UG, University of Cambridge, Supervisor

2009-2010: Economic Theory & Analysis, 3rd Year UG, University of Cambridge, Supervisor

2011-2013: Environmental Taxation, 3rd Year UG, IFS Public Economics Lectures, Lecturer

2011-2012: International Economics, 3rd Year UG, London School of Economics, TA

2009-2010: Econometrics, 2nd Year UG, University of Cambridge, Supervisor

2008-2009: Macroeconomics, 1st Year UG, University of Cambridge, Supervisor