**Friend-Based Targeting**

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**Abstract:**

Each individual in a community has a private characteristic (wealth, ability, aptitude for a job).

Information about the characteristic is ordinal (individuals can only compare characteristics) and local (individuals only observe the characteristics of their neighbors in the social network).

A social planner wants to construct a complete ranking of the characteristics.

We show that an incentive compatible and efficient mechanism must take the form of “friend-based” targeting—individuals are asked to report the relative ranking of their neighbors.

A complete ranking can only be obtained if for any pair ij there exists an individual k different from i and j who is connected both to i and j.

We characterize the sparsest network for which this condition is satisfied as the friendship graph of Erdos-Renyi and Sos (1966).

We use data on social networks in India, Indonesia and schools in the United States to assess the efficiency of friend-based targeting when the ranking is incomplete.