

Social capital accumulation and the evolution of social participation

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Abstract

We study the co-evolution of social participation and social capital accumulation, taking the view that the former contributes to the latter, and both contribute to socially enjoyed leisure. We show that a process of substitution of private for social activities (observable in some advanced, affluent economies), might be self-reinforcing and lead to a Pareto-dominated steady state. We find some scope for policy intervention, but we also acknowledge its difficulty.

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1. Introduction

“I am one and only child to my parents. All my life I wanted to have a brother or a sister. Now it is possible! At this site we will find everybody his/her brother/sister”. This announcement, found on an internet site, is one of the many possible examples of private services providing an imperfect substitute for certain interpersonal relationships.¹ While providing a brother or sister is clearly hard for any private provider (but one’s parents), maybe things are easier for ‘friendship providers’. Indeed, one finds plenty of them in magazines, on the internet and through other channels. What does a friendship provider offer? Essentially, it provides on a market base some services that are

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¹ The web site is <http://samlev.tripod.com/iwantabrothersister>.

traditionally obtained through relational activities outside of the market.² More generally, we can say that it is now common, especially in affluent societies, to find market substitutes (in general, imperfect substitutes) for given relational services (like friendship, socially enjoyed leisure, and several forms of social participation).³

The diffusion of such substitutes may be interpreted as a sign of their efficiency and of their superiority to traditional social channels. For instance, one may argue that dating services reduce matching costs, that encountering potential ‘friends’ who were pre-selected by some ‘intelligent’ system reduces relationship building costs and that services that automatically remind you of anniversaries reduce relationship maintenance costs. Alternatively, one may argue that an artificial matching or relationship building and maintenance system impoverishes social relationships of their social nature. In the narrowest view, this just amounts to saying that socially provided and market provided relational services are imperfect substitutes. There is some evidence that the substitutes that may be bought with the additional income granted by a stronger private orientation are not sufficient to compensate the welfare loss in relational domains.⁴

Broadening the perspective, one has to recognize that social relationships are characterized, almost by definition, by the fact that individuals are highly exposed to the external effects of other people’s behavior. Some of these externalities have to do with the process of identity building. Although important, as argued by Akerlof and Kranton (2000), we do not tackle them here. Other external effects arise because the ‘production’ process of relational services may be described as ‘joint production’, to use Cornes and Sandler’s (1984) terminology. Further externalities are due to the fact that relational activities shape a social environment, which affects the ‘productivity’ of future social interaction.⁵

A substitution of market for social provision of relational services may bring about a reduction in the exposure to such external effects. We investigate this substitution process and in particular the possibility that it stimulates economic growth and is stimulated by it. To do this, we develop a simple growth model that studies the co-evolution of social participation and social capital accumulation. These concepts and the contribution of our work to the literature are discussed in Section 3, after having presented in Section 2 the main features of our model in a non-technical way. Section 4 presents the formal model, whose dynamics and welfare properties are analyzed in Sections 5 and 6, leaving some final comments for the concluding section.

2. Main features and scope of the model

Several services from social interaction, like friendship and many forms of socially enjoyed leisure, are not recorded by national accounting. By contrast, many of their private substitutes enter

² For instance, the ‘Managed Friendship Service Provider’ offers that “you choose your friends from a network of pre-screened accredited Friendship Providers”; in other words, it is the system that selects your ‘friends’ (from <http://www.funny.co.uk/stuff/art..71-2225-The-Managed-Friendship-Service-Provider.html>).

³ Among the many possible references, see Moscovici (1993) for the psychological importance of social relationships and Postlewaite (1998) for a discussion of the opportunity to include in the utility function objects different from consumption and leisure. Poutvaara and Wagener (2004) study the role of religious groups as friendship providers.

⁴ For instance, Nickerson et al. (2003) provide interesting evidence of the negative impact of the ‘goal for financial success’ on satisfaction with family, friendship, job and with overall satisfaction.

⁵ Eaton et al. (2000) make a similar point, emphasizing the relevance of shared experience for social interaction. While their model is used to explain phenomena like cultural imperialism, superstars and fads, we are rather concerned with social capital accumulation, but we share the view that the time spent in the past by other people in the same activity as ourselves increases returns to our social interaction with them. We thank an anonymous referee for addressing us to this paper.

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