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Relationship Economics: The Social Capital Paradigm and Its Application to Business, Politics, and Other Transaction

Stephen P. Barrows^a

^a United States Air Force Academy, USA

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wellbeing. They present a convincing argument that sustainable development can be apprehended through the capability approach; but, more than this, they demonstrate that sustainable development demands a capability interpretation of wellbeing. They provide a case—a baseline ethic, if you like—from which further arguments can be developed and upon which policies can be built. In this, the book is consistent with Sen’s interpretation of the capability approach and the centrality of democratic determination of the good life. The volume therefore meets the ambitious remit set out in its conceptual and political aims. Of course, as the editors concede, there is more to be done. This book, though, takes an important first step. Given its focus on sustainability, it is appropriate that it should be around for some time to come.

Michael F. Watts

University of Cambridge

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***Relationship Economics: The Social Capital Paradigm and Its Application to Business, Politics, and Other Transaction*. By Lindon J. Robison and Bryan K. Ritchie. Surrey: Gower Publishing, 2010, xx + 272 pp., ISBN 978-0566-09169-8, \$114.95 (hardcover).**

Economists are continually challenged to devise ways of analyzing human action under conditions of scarcity. The economics profession has had its share of successes, but has also come under intense internal and external scrutiny in light of the recent global financial crisis. Perhaps our analytical tools are inadequate and need supplementation. To that end, Lindon J. Robison and Bryan K. Ritchie’s *Relationship Economics* provides a highly promising elaboration on a neglected aspect of economics.

Subtitled “The Social Capital Paradigm and its Application to Business, Politics, and Other Transactions,” *Relationship Economics* serves as a much

needed survey of social capital as a useful analytical device. Starting with a simple definition of social capital as “*a person’s or group’s sympathy for another person or group*” (p. 16, italics in original), Robison and Ritchie use this foundation to cover vast ground in their book. The authors initiate their discussion of social capital by elaborating on the importance of relationships. This, of course, is a corrective measure in the tendency to reduce economics to a form of methodological individualism that underestimates the centrality of human *interaction* beyond its basic economic function of mere market exchange. After emphasizing the importance of relationships and how they are central to the notion of social capital in the first two chapters, the authors proceed to elaborate on the concept of a socio-emotional good (SEG), using it as an analytical device throughout the remainder of the book. Socio-emotional goods “have value because of the socio-emotional needs they satisfy” (p. 22), and are the chief output that social capital produces. The authors continue in Chapter 3 by making distinctions between different forms of social capital, to include both positive and negative kinds. Three rubrics are developed and emphasized: bonding, linking, and bridging social capital. As rough examples, bonding social capital is that which often manifests itself in families; linking social capital exists among professional colleagues or teams; bridging social capital is that found between a supervisor and employee. This introduction to terms and concepts is particularly useful for those who have little knowledge of the social capital paradigm.

Some economists might be suspicious of the usefulness of social capital in economic analysis. Indeed, the authors point out that “mainstream economics largely ignores SEGs (and hence social capital)” (p. 46). Ignoring it is a mistake. Throughout Chapter 4, Robison and Ritchie demonstrate that there is no inherent conflict between the modern economic notion of self-interested behavior and the incorporation of social capital as an analytical device. Economic analysis is rendered anemic insofar as it restricts optimizing behavior to physical goods and services. Although immaterial goods and services manifested as SEGs may be more difficult to measure, to exclude them from economic analysis is a mistake; after all: “If . . . relationships are important, then modeling how an agent’s choices affect the well-being of others should add insights to agents’ economic behavior and improve the predictive ability of economic models” (pp. 49–50). As an example, Robison and Ritchie provide the results of a “Prisoners of War” survey, which appear to confirm the idea that “relationships influence the way in which economic agents allocate their resources” (p. 52).

The authors are very thorough in identifying specific areas where social capital is particularly useful as an analytical construct. Importantly, Chapter

5 outlines the connections between SEGs and attachment value goods (AVGs) as well as their relationships with networks, institutions, and power. While the paradigm is useful across the social sciences, Robison and Ritchie note that, as a form of capital, the paradigm is particularly valuable for economics, with its emphasis on production and exchange. Chapters 6 through 10 elaborate each of these connecting elements (SEGs, AVGs, institutions, networks, and power) in the social capital paradigm. Each chapter provides a rich foundation for further research. For example, a discussion in Chapter 9 on the role of networks in reducing negative externalities and transaction costs has a myriad of applications: this topic is a ripe tool for analyzing things as diverse as how terrorist cells or mega churches succeed or fail. Additionally, the relationship between networks and SEGs might provide insights into a surge in consumer preferences for locally grown produce from small farms instead of purchasing mass produced food from anonymous corporations.

Having addressed specific examples of the paradigm, the book turns to a more theoretical approach. The next two chapters incorporate the tools of the trade used by economists and provide both graphs and modest mathematics to elaborate on how social capital applies to the theory of exchange and the distribution of income. In a similar vein, Chapter 13 assesses poverty reduction in light of social capital and Chapter 15 discusses its implications for the phenomenon of globalization. The authors provide a very helpful list of citations on research which attempts to link social capital with efforts to reduce poverty (see pp. 183–184). Of course, the potential policy implications of this research for economists and other social scientists are immense.

Economists typically distinguish between positive and normative aspects of their field. Many attempt to avoid the normative questions altogether. This is not so easy in the social capital paradigm, and the authors engage ethical questions in Chapter 14. The concept of social capital immediately begs normative questions: under what circumstances does the use of social capital constitute corruption? Can and should formal institutions be used to compel the exchange of SEGs? Could such compulsory exchanges even be successful? The authors humorously pose the following scenario: “Suppose . . . a formal institution . . . required husbands to give flowers embedded with SEGs on the first of each month to their wives . . . Would the wives recognize the SEGs embedded in the flowers?” (p. 195). There is a broad array of ethical implications that arise in the evaluation of social capital—from governments banning public religious symbols to political quid pro quo behavior.

Finally, Robison and Ritchie apply the social capital paradigm to the topics of political power (Chapter 16) and culture (Chapter 17). Political

scientists would naturally find the former to be useful in analyzing the legitimacy and durability of various forms of government. The authors effectively use the bonding, linking, and bridging rubrics to make sense of different political structures and institutional cultures.

While the breadth of their book makes it suitable as an introductory text for advanced undergraduate students of economics (and similar fields), the book's usefulness is not restricted to that purpose by any means. Indeed, scholars will find its bibliography of over 280 references to be a fabulous source to investigate subtopics in greater details. Admittedly, the book would be greatly improved as a research tool if the authors had either broken their list of references into subcategories, or highlighted in a separate topical bibliography the key publications within each subfield. Nevertheless, it is a great source to assist others in future research. Additionally, the book is occasionally redundant. Readers who are already substantially familiar with social capital would likely find the redundancy to be a bit tedious, but reemphasizing the fundamental concepts of the social capital paradigm throughout the book is necessary and vital for those being initiated into the construct. As a whole, Robison and Ritchie's introduction to social capital is immensely helpful.

Nearly two decades ago, Nobel Laureate Gary Becker remarked that "Only gradually did economists, let alone others, accept the concept of human capital as a valuable tool in the analysis of various economic and social issues" (1993: 392). Hopefully, Robison and Ritchie's *Relationship Economics* will propel economists and other social scientists to expand the richness of the social capital paradigm in such a way that it, too, is universally received within the profession as a valuable analytical tool.

Stephen P. Barrows¹

United States Air Force Academy, USA

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¹ The views expressed in this review are the author's own and do not necessarily reflect the official policy or position of the US Air Force, the Department of Defense, or the US Government.