example, case 1 covers land use in a region of Spain from 1600 to 1935. Although this case has several interesting anecdotes, it comes off being too general and too arbitrary to generate much confidence in its conclusions. In other words, it demonstrates how difficult it is to do empirical work over such a long time-span. In contrast, case 10 covers Peru from 1998 to 2000, and is a traditional empirical analysis of the relationship between access to land and household income diversification in which equations are estimated and evaluated for farm and non-farm income determinants. However, the short time-span of case 10 cannot indicate whether or not the economic relationships are stable or still evolving. Overall, the 11 cases are an interesting collection of studies that have surprises (case 9) and examples of “failures” (case 2), mixed in with well-documented illustrations of how different factors can play lead roles in the transformation process.

References


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This book contributes to neoclassical economic thinking by introducing social capital into the production of a new class of goods, Socio Emotional Goods (SEGs). The title contains 17 chapters, of which the first four provide the conceptual foundation of social capital, including explanations of the importance of relationships in everyday life and in social capital, the different kinds of social capital, and an empirical example that tests the proposition that relationships affect resource allocation. Results from an empirical model provide a first counter-argument to the premise that individuals are self-centered. In fact, survey-based evidence suggests that selfish motivations in resource allocation are important about 33% of the time. This is welcome news for economists. By comparison, goodwill is important in about 9% of the responses. One of my favorite childhood stories was that of the six blind men of Indostan, who went to see an elephant and jointly formed an opinion of what it was. This seems to be an intuitive introduction to the Social Capital Paradigm. We may all agree that relationships matter, but to bring together the insights of our own disciplines into a condensed framework that reveals why relationships matter requires a paradigm. This challenging task is the subject of chapter 5, a must-read because it outlines the components of, and their connection to, the Social Capital Paradigm. In a nutshell, each of the components is connected to, and dependent on, social capital, and include SEGs, attachment values, institutions, networks, and power. Placing these five components as column headings, and then placing social capital, SEGs, attachment values, networks, and institutions as row headings in an upper triangular matrix, one can establish the connections implied by the paradigm. This is a point of connectivity among many disciplines, including: economics (exchange theory between physical goods and SEGs); psychology (socio-emotional needs and SEGs); anthropology (embedding SEGs into the meaning and value of objects); political science-and economics (role of institutions and social capital); sociology (networks and organization—the residence of social capital); and the study of power (physical and social capital). Chapter 5 provides the foundation for chapters 6–10, each of which analyzes the five components of the column names in the upper triangular matrix mentioned earlier. Chapter 6, for example, reminds us that economists’ definition of social income was an early recognition that SEGs are important in economics. One result with economic implications is that exchanging physical goods and services can be altered by including SEGs in the exchange, which has been documented in previous research. Another important aspect of these chapters is the value we attach to various objects (e.g., an autograph signed by a famous sports figure that we later discard). The role of Attachment Value Goods (AVGs) is the subject of chapter 7, which explains a multitude of examples that
illustrate the economic importance of such values. Networking is essential to many aspects of our professional development (one reason for attending a national or regional conference). To learn where social capital resides and the purpose of institutions and networks, chapters 8 and 9 are a must-read. An analysis of power via graphs that will be familiar to economists can be found in chapter 10; the emphasis here is on illustrating acceptable exchange prices that depend on the social capital of buyers and sellers. Readers unfamiliar with the subject will take from this book new knowledge on exchange theory and ideas on how to better negotiate in profit and non-profit situations. The key point of the analysis is that social capital is a form of power that can be effective in influencing the behavior of others.

Social Capital Exchange Theory is introduced in chapter 11, and for most economists this would be a long but necessary wait if the reader had no familiarity with the social capital paradigm. Supply and demand curves are presented, departing from the market equilibrium price illustration and progressing to the effect of SEGs on market prices. Again, after reading the previous chapters, the Social Capital Exchange Theorem, which explains the influence of SEGs on the terms and levels of trade, is a straightforward follow-up. One definite result from this economic analysis is that when a buyer and a seller include SEGs in their exchange of multiple units of economic goods, the number of goods traded increases relative to the equilibrium quantity that excludes SEGs in a simple demand-supply graph of pure competition. This is in addition to the fact that, according to the theorem, the likelihood of finding a mutually-agreed price and thus exchanging increases relative to the equilibrium quantity. This chapter adds empirical content illustrating that, in a survey of land valuations, various types of relationships have an effect (which were significant, based on a paired t-test) on the mean selling prices. For example, higher minimum selling prices were offered to “strangers” and “unfriendly neighbors.” This chapter provides an economic trip through the “good old boy network” strategy that is all too familiar to many. The main lesson from this chapter, the authors argue, is that social capital alters the terms and level of trade, which in turn influences income distributions. Thus, the distribution of social capital should be linked to the distribution of poverty, the connection of which is the subject of the two subsequent chapters.

Distributions of social capital and household income are related. If specialization increases productivity, and if increases in social capital make it easy to both specialize and trade, then it can be claimed, as the book does, that increases in social capital also improve an individual’s productivity. Chapter 12 introduces a number of theorems and models to explain the implications of the distribution of social capital on incomes and public policy questions of income transfers. At a basic level, one theorem states that, \textit{If I have social capital available from someone else, then our combined incomes will increase, and the difference in our incomes will decrease.} Four different externality models are used to explain the connections (e.g., the high exclusion-cost goods-HEGs model). A bit of discussion is given to social capital and gains from specialization and trade. In a second approach, graphical illustrations help the authors create connections between the effect of group size and income disparity.

For development economists, this book provides original insight to the relationship between social capital and economic development. Chapter 13 argues that attempts at economic development that do not include increasing a country’s social capital are unlikely to be successful. In my view, one way to conceptualize the role of social capital in a macro model of development would be to add social capital to the right-hand side of the model and lump it together with human capital variables (e.g., a medical doctor generally has more social capital than a blue-collar worker and thus belongs to better-endowed networks). More social capital, the book argues, improves the terms of trade, and this of course has implications for specialization. Naturally, a basic argument in this social-capital poverty-reduction paradigm is that exchange almost always includes some socio-emotional goods. In the context of production economics, then, the suggestion of this model is that productivity growth would be enhanced in the presence of social capital. One hypothesis that caught my attention states that “the lack of social capital under poverty, in resource rich networks, must often lead the poor to trade in disadvantageous terms” (i.e., information and networking may be lacking). Chapter 11 continues with other implications and results that anyone with development experience can appreciate because often, the doors that open up to facilitate our work are the ones that are facilitated by either our host-country partners or community leaders. For a very long time,
I have been thinking about an entrepreneurship development model that provides community leaders (e.g., chiefs in Africa) a central role in small-community development programs. Although not in this context, the book provides examples of countries where social-capital-based development has produced positive results. The book elaborates on the most salient policy recommendations for poverty reduction.

Ethics is a topic of global importance, and Chapter 14 discusses the ethical use of social capital. The first discussion is unavoidable: it explores the difficulty of establishing a moral foundation for ethical rules. The second discussion is more practical: connecting ethical rules to the use of social capital in relation to influence on the terms and level of trade. With little debate, the main result that emerges is that the decision on the allocation of social capital depends on the particulars of the case. What seems clear from this discussion, and founded on previous work, is that underinvesting in social capital threatens the ability of institutions to serve the needs of civil society.

The final three chapters of the book are a condensed discussion of globalization (e.g., global social capital and the production of SEGs, AVGs, and economically valued goods-EVGs), the distribution of political power (e.g., the connectedness between politics and social capital), and culture (e.g., the interdependence between social capital and culture and their influence on economic and political outcomes).

This book makes excellent reading for graduate students in international economic development and trade, marketing, business, finance, advertising, etc. Actually, I recommend it for anyone who values relationships. For agricultural and applied economists, there is much to think about in terms of empirical research in each of the areas where relationships influence transactions, policies, and anything else where exchange theory plays a role. It is also a fresh new look at resource allocation questions where the role of social capital is relevant. In essence, the book alerts us to not underestimate the value of relationships in economic thinking.

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