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The demand for social interaction

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Abstract

In this paper social interaction is modeled as a consumer good. A model of household production is employed to derive the demand for social interaction. The model shows that the demand for social interaction is a function of its price, the price of other goods and income. The theory is tested with data from the General Social Survey and the results show that social interaction can be explained as the consequence of utility maximizing behavior by individuals. These results are in contrast to social capital theorists who have attributed these changes to factors such as increased community heterogeneity.

JEL classification: J22

Keywords: Household production; Social interaction

1. Introduction[1]

Robert Putnam's influential book entitled Bowling Alone (2000) provided considerable visibility for the issue of declining participation in groups such as Masons and League of Women Voters. Putnam, as well as a number of economists, are interested in what is known as social capital. Social capital lacks a precise definition but is usually thought of as related to the level of trust between the members of a community. Since social capital is also difficult to measure, prior empirical research has used social interaction as the empirical proxy for social capital. These prior studies included independent variables measuring demographics and the ability to capture returns from investment in social capital.

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This paper is about social interaction and not about social capital. Since the two concepts have been linked in the prior research a clear definition of social interaction will be helpful before proceeding. Social interaction excludes engagement between individuals living in the same household and is limited to non-commercial activities. The engagement is in either organized membership groups such as a sports club or in visiting friends or family at homes or in other locations.

Since the beginning of the 20th century, the rise of the modern economy in western nations has changed the role of social interaction. Social interaction in the past was more motivated by economic and insurance concerns than it is today. Social interaction had an economic motive since the networking process could assist in finding employment and thus increase income. Social interaction was also motivated by an insurance need since close friends and family could be relied on times of crisis. In the modern economy incomes are higher and markets are larger and more efficient than in the past. These changes in the labor market improve an individual's chance of finding employment without relying on friends or relatives. Also, the purchase of insurance has become more common and the availability of personal services is more common than it was in the past. Thus, today it is less important to maintain a network of friends and relatives for mutual assistance.

Today, the primary motivation for social interaction may be the pleasure or utility derived from this activity. Arrow (2000) argues that the rewards from social interaction are intrinsic and social interaction is not pursued because of future economic gains or for insurance. The model presented in this paper takes Arrow's view that individuals engage in social interaction if these activities directly yield utility. In this study, utility is the motivation for social interaction and an empirical demand model is used to explain its determinants. The study of the determinants of social interaction has relevance since social interaction is believed to have a causal influence on both physical and mental health (Cohen, 2004).

The following sections of this paper review the most relevant literature on social interaction. Next, a model of household production is described. This model predicts the effect of changes in wages, education, children, marriage and other variables on the level of social interaction. Using data from the General Social Survey, the theory is tested with specifications derived from the household production model. Finally, the demand model's ability to explain the time trends in social interaction are calculated.

2. Prior studies

There are two important prior reviews of economic research on social capital that are relevant to the discussion of social interaction. There are also three prior econometric studies which have used data on social interaction as proxies for social capital and are therefore also relevant. In addition, there is an important quantitative sociological study of social isolation.

Manski (2000) provides an excellent overview of the history of research in social interaction. The first issue is whether this topic is appropriate for analysis with the methods of economics. Manski recounts the narrowing of economics in the 1920s with research on social interaction left to sociologists. However, with work such as Becker (1974) and Becker and Murphy (2000), economists have returned to the study of social interaction. Becker shows that social interaction can be viewed as the result of maximization by economic agents. Manski goes on to note that newer work on social capital tends to lack clarity in definitions of outcomes and that the econometric work lacks clear connections to economic theory.