

Affinity as social capital: its role in development

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Abstract

One form of social capital is a relationship of affinity and regard among people. The capital metaphor can be useful in identifying processes of investment and disinvestment. Caring can be an economic asset that complements and substitutes for other assets.

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1. Introduction

The human brain attaches values to incoming information, information that is a result of its perceptions of the environment, and in return generates actions related to these values. When these valuations are of things, the actions have to do with seeking "goods" and avoiding "bads," some of which are ultimately based in the survival of the human organism (Pinker, 1998). When these valuations are of other people, the actions have to do with intimacy or avoidance. Just as we engage in productive activity to seek valuable goods, we engage in productive activity to seek valuable (satisfying) human relationships. These relationships are prized in themselves and as contributors to the production of goods and services (Frey, 1997).

This article is divided into two parts. The first addresses some alternative conceptions of social capital, which is a particular variety of human relationship. An argument for the centrality of affinity is presented. The utility of the capital metaphor will be exploited, particularly the implication for investment of a clear distinction between capital goods and their outputs. The second part contains examples of social capital functioning which range from its role in solving the free rider problem, to conditional grants in foreign aid, to household capital formation. Also to be discussed are the delivery of bads instead of goods, which is embedded in negative affinity or malevolence. Theft, threats, and war are considered.

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2. Conceptualizing social capital

2.1. *The E-motive*

The process of valuation is partly emotional. By emotional I mean that it is not a calculation of how best to serve some end or objective, but is itself the setting of that objective. Elster (1989) suggests that "emotions provide a meaning and sense of direction to life. . . ." (p. 70). To say that valuation is emotional is not to say that learning is absent; it is only to say that emotional responses are largely not calculated (LeDoux, 1998). While to act emotionally has a bad connotation in common speech, none is intended here. The brain can take the environmental feedback into account over time without being conscious of the process. We code incoming experience by continue, avoid, or neutral. The etymology of emotion and motive has something in common. The emotions set us in motion; they provide our motives. One other thing to note about emotion is that an incoming sensation can result directly in action without any conscious calculation. Again in common speech, this is often condemned as being hot headed or some such approbation. But, of course, we could not have survived without it for the lion would have eaten us while we calculated our response to its presence (Pinker, 1998).

Different motives can be associated with the same action and thus the economist's conception of revealed preferences is problematic (Sen, 1982). We may observe that a person makes a one way transfer to another. The motive might be love and caring for the other person, or it might be done to gain some future advantage for the giver-a selfish motive' Or, it might be based on a learned norm or moral code. Even the actor may not be sure of the motive and in fact, it may be affected by the reaction of the recipient. This makes objective empirical research difficult. Transfers may reveal little of motive, but what happens next may.

Emotions are triggered by beliefs (Elster, 1998). There is a role for social learning and norms to influence subsequent behavior (Knight and North, 1997). Emotions are about something-a person or a state of affairs. When they are about persons, we may feel liking or anger at that person. Emotions can be located on a pleasure-pain scale, and thus sources of social capital potentially can be measured (Frijda, 1986).

2.2. *Why the capital analogy/metaphor?*

Why use the concept of capital when speaking of human relationships? We have long understood the role of physical capital in the production of goods. Capital is a way of describing machines and factories that make things. Capital is not immediately used up in production but rather its services extend over time. The capital stock is subject to investment (augmentation) and depreciation and decay from both use and nonuse. More recently, we have understood that human skills are an important input into the production of things and thus we speak of human capital. Are we now ready to add social capital in the same way? Can we explore its substitutability and complementarity?

Many conceptions of human relationships which affect economic and social development have been explored. Social networks are a productive asset. Knowing who can provide a physical input or skill is

useful. One sense of social network is something that lowers the cost of information. Another conception is trust as social capital (Fukuyama, 1995). It is a substitute for assurance of performance as agreed to between parties. It may substitute economically for formal contract enforcement. Knack and Keefer (1997) found an association between a nation's economic development and a positive response to the survey question "Generally speaking, would you say that most people can be trusted?" This begs the question of where trust comes from. Trust is an output, not a capital good. Trust could be the result of repeated trade and reputation without any feeling or emotion. Or it could be the result of affinity acting as a capital good. The distinction is important because we want to understand complements and substitutes for the capital goods in the production of trust and other cooperative behaviors. It is not enough to know that trust has economic benefits.

This article focuses on the relationship of affinity, which can provide the energy and motive for trust and other cooperative behaviors. Affinity can range from the benevolent to the malevolent. How is affinity a productive asset subject to investment, to flows of productive services over time, and to depreciation and decay? By social capital, I mean a relationship between individuals combining caring (degree of affinity) and social distance (awareness). It resides in transacting, communicating individuals. This relationship is like capital in the sense that it is productive. For example, it makes it possible for a person to derive utility from the welfare of others, from regard given by others, and from giving regard. And, most important for economic development, it reduces the free rider problem which will be elaborated below.

Caring is one person's sympathy (antipathy) towards another person or group. Caring is the motive or source for flows of potential benefits (harm), advantages (disadvantages), and preferential (discriminatory) treatment. Caring is culturally dependent, environmentally influenced, and responsive to a wide range of stimuli including the perceived social capital exhibited by others.

Caring produces value as does a factory, though it is far from a mechanical process. Since it is a relationship, it is possible for more than one person to benefit from social capital, unlike physical capital which is incompatible in use. Caring is the only thing that makes it possible for two people to enjoy what would otherwise be an incompatible use good. If A gives wealth to B, then B can enjoy consuming it, but in the process gives utility to A who enjoys B's enjoyment. A's caring is B's social capital, which produces benefits for B. But the potential dynamics of the relationship may mean that A's caring also directly produces utility for A at the same time (giving feels good) or indirectly in the future if the caring for B today produces some expression of caring by B for A in the future.

Most of us enjoy the regard and admiration given by others. The giving of regard is one of the cheapest way to produce utility for others. It is curious that this cheap-to-produce good is nevertheless so miserly given. Regard is a factory producing utility. Likewise, disrespect produces disutility and shame whose avoidance can be a powerful motivator.

The enjoyment of consumption is often a function of real or imagined opinions of others. We get utility from goods as a function of whether other people also like them. It can be positive or negative. The value of a good may be enhanced as we try to increase our identity with a desired group, or we may

despise a good associated with a group we despise to show that we are not a member (Akerlof, 1997). We care what other people think of us. We care about our relative standing in a community of relevant others (Frank, 1985). Veblen coined the term "conspicuous consumption" to apply to occasions where we show off. In this case the social relationship may be a factory producing negative utility when others get ahead and we feel diminished. People have been known to refuse to participate in development activity when they perceive that the distribution of the benefits is unfair or go to those whom they dislike. On the other hand, if A cares for B, then if B gets ahead from whatever source, A is happier (Lowenstein et al., 1989).

Social capital as conceptualized here is the "factory" that produces utility. It is distinguished from the goods and utility produced by the factory such as material transfers. [This conception is consistent with Woolcock's (1997) suggestion that "definitions of social capital should focus on its sources rather than its consequences" (p. 35)]

People invest (and dis-invest) in the social capital assets outlined above. They get closer to other people by trying to understand their habits and may offer transfers to elicit regard and caring in return. The investment need not be direct or calculated, but may be an indirect consequence of various activities. Investments in physical capital of communication and transportation as well as physical arrangements of living and working patterns may facilitate the creation of social capital.

There are some differences between physical and social capital. Social capital is not generally fungible though some is attached to specific individuals and other is attached to a class of persons. While the feeling may not be directly transferable, it can be infectious. Both physical and social capital have divisible units within a category. For example, turning lathes of a certain capacity and design can be counted. However, lathes and drills have no meaningful physical common unit such as pounds. As a result of market institutions, they have monetary costs of production which can be summed, but this is not straightforward and requires some conventions of index number construction.

The caring of a mother for a child does have some units of intensity that can be measured in terms of hormonal and autonomic nervous system response (Frijda, 1986) such as burns, stabs, pangs, and sinking feelings (Elster, 1998). Liking a friend, neighbor, or business associate is more subtle and may be described in terms of action tendencies such as approach, avoid, hide, atone, destroy, hurt, fight, and flight. Putnam's (1995) data on the frequency of card playing and entertaining friends just begin to reflect these tendencies. National income data (including financial measures of physical capital) took many years to develop and still have many problems such as not accounting for changes in stocks of natural resources. While social capital has a long way to go to approach the acceptance accorded national income measures, I see no intrinsic reason why we cannot have the same confidence in measuring social capital trends if we devote the same intellectual and physical resources toward it.

2.3 How to get more social capital

The benefits of social capital are clear. But if your community doesn't have it, how can it get more? This is a tough question and we don't have all the answers. I will suggest one place to look. The supply of

caring behavior is influenced by the demand for it. For example, at an earlier time, most communities had a volunteer fire department and many still do. But others have turned to full-time paid professionals. They may put out fires a bit faster, but they do nothing to create an opportunity for caring. It is hard to get enthusiastic about donating your time to the fire department when others are getting paid for it.

The existence of professional services and market sources of supply cheapens any caring contributions. Take the case of blood supply. Some countries rely exclusively on donations. If the patient can't get it any place else, the value of the gift is increased. In the U.S., we have a mixed system of donations and purchases. If a patient needs blood and his or her friends do not contribute, there is always the market. This devalues the gift (Titmuss, 1971).

Hypothesis: if we want more caring behavior, we should provide more opportunities for giving. For example, the amount and quality of donated blood in a community is a function of the number and quality of other voluntary opportunities available and the degree to which they are the exclusive manner of provision.

Providing more opportunity for caring can also contribute to solving the free rider problem that keeps communities from producing goods that will be commonly available to all.

In games simulating an auction market, there is no altruistic behavior exhibited. After a few rounds, the equilibrium price approaches the value of the good offered (Levine, 1997). Sellers could offer to sell for less and make a gift to buyers. But when people are put in the frame of the market, they compete to see who can amass the greater fortune. Drawing from hopefully the same population, Robison and Schmid (1991), however, found that in two-way transactions, sellers gave breaks to relatives and friends while selling at the equilibrium market price to strangers and refusing to sell to those they disliked. Frames make a difference.

There are two broad ways to get more transfers. One is to change people's attitude toward others (the percentage of those in the population who are benevolent and the breadth of their benevolence). The second is to change the frame in which the existing benevolent population is likely to practice it. The two are probably dynamically interdependent.

2.4. General level of social capital in a society: possible underinvestment

We have discussed why an individual might want to invest in creating social capital both in the sense of A's getting closer to others and stimulating others getting closer to A. Is it possible that the resulting aggregate amount of social capital is in some sense suboptimal? Since there are synergistic effects, a person cares about the general level of social capital around them. There is much evidence that communities and countries with higher social capital have higher incomes and are able to do things that other communities can't (Robison and Siles, 1997). But if you don't have it, what can be done?

The general level of social capital is a high exclusion cost good. Its benefits are available to anyone in the community whether or not they invested to create it, The amount of social capital is not fixed and can cycle. There is much discussion following Putnam (1995) about whether social capital is declining in the

U.S. More to the point here is what are threats to it and what could be done to increase it. It is also possible that volunteer behavior and trust might be currently at healthy levels, but the underlying capital goods that support it. may be depreciating. This will not be seen if we confuse capital with its outputs.

Social capital is often the by-product of other activity. For example, participation in a volunteer fire or ambulance service builds an affinity and bond among its members and with the community. Suppose a study shows that volunteer services are not as effective in putting out fires as a hired professional force. Should the volunteer service be replaced? It depends on the amount and value of the social capital that would be lost. If a community without any volunteer fire services is more likely to also be unable to mount any kind of community effort, the nominally better professional service may be a poor bargain. Another by-product example is provided by the citizen Swiss Army. Bonds formed during continuing military training carry over into the business world.

3. Examples of social capital functioning

3. 1. Solving the free rider problem with social capital

What can social capital do? Suppose the businesses in a commercial area of a city want to attract more shoppers. What if they want to spruce up the neighborhood and keep it clean? Everyone knows that once these things are achieved, no one can be excluded from the benefits. If they exist at all, they exist for all. If individuals in large groups calculate their individual advantage, they may reason that their effort won't make any difference, and if the project does succeed, they will get the benefit anyway. This kind of free riding behavior is all too common in many communities.

The answer is not more calculation, but more caring. A person will not be a free rider if they care for their neighbor. You don't take advantage of a friend. It is this learned commitment that unseats the free rider. People can learn to care and do the "right" thing. This is evident to the casual observer. People vote, contribute to community causes and political campaigns. It is also demonstrated in many experiments. People are given tokens with a known value which they may contribute to a common pool or consume privately. If contributed, the value of the pool is increased more than the value contributed. But, since the total value is shared equally, the contributor does not gain unless some threshold number of other players also contribute. The selfish calculating person would be expected to take their initial allocation and run. In a large number of cases, about 28% of the players nevertheless contribute to the pool (Ledyard, 1995). This is consistent with an altruistic person who cares for the other players and derives some utility from their welfare (Levine, 1997). Many of these experiments are one shot and anonymous so that the contributing player cannot be doing it to achieve some strategic reputation effect in future games.

The emotion of shame can also be brought to bear on free ridership. Some repeated games where free ridership is possible are designed with a second stage where the person who contributed to the pool may monetarily punish noncontributors; at a cost to themselves. Many more people contribute in the game where punishment is possible (Fehr and Schmidt, 1997). This could be explained by a calculation of net material gain and/or an attempt to avoid the pain of disrespect. The imposition of monetary penalties for noncontribution also signals disrespect and creates shame.

The social capital factory can of course be used for evil. The bonds of solidarity and loyalty are used by the Mafia, street gangs, the family of predatory dictators, and narrow amoral familialism. The internal bonds are often strengthened by emphasizing the group's distance from others.

3.2. Conditional grants

Grants are the product and result of the social capital "factory." The subsequent behavior of the recipients depends on the character of the social capital relationship. In Mauritania, advancing sand dunes threaten to cover some villages. International donors created a grants program to give technical assistance and equipment to stabilize the dunes. The villagers were asked to contribute some labor and local materials or in other cases the labor is paid. The benefits seem obvious and greater than the local costs. Yet, there was bickering over the wage rates and some wanted to charge for palm fronds used in the stabilization even though the fronds have no value otherwise. When the foreign donors withdrew, the project was not continued or maintained (Lund, 1997).

Many foreign aid programs might be called "conditional grants." The donor offers aid if the recipient contributes something to the project. If the local costs are less than the benefits, why would not the recipients gladly participate? And once they learned that the value of the project exceeds their continued contribution, why would they not continue the project on their own? After all, don't people prefer more to less? Even if local contribution is required, there is still a substantial gift. And after the gift ceases, the project makes economic sense to continue. There is an expression that one should not look a gift horse in the mouth. The situation in Mauritania is like receiving a gift horse and not feeding it.

This phenomenon can't be explained without social capital. Foreign aid gifts involve a movement of goods from the rich to the poor, and the poor are often reminded of their inferior status. They frequently are not consulted about the projects and have little role in their design. The particular project is often not of their choosing. The grant may have been motivated by some affinity of the donor for the recipient, but the manner of the gift creates little affinity of the recipient for the donor. The donor often appears arrogant and the recipients are resentful and suspicious of the motive.

When a grant or gift is from a loved one, it is often given special care. When the grant is from someone whom you hold in little regard or even contempt, it is ignored and ill treated even if otherwise valuable. Instead of replying to the request for local labor with grateful acknowledgment, the recipients often regard it as a tax or conscription. The physical object is not evaluated independently of the social capital message attached.

Foreign aid administrators are now changing their procedures to emphasize local participation in project planning, design, and management. This may change the physical aspects of the project and take advantage of local knowledge (Ostrom et al., 1993). But, from a social capital point of view, participation lessens the feeling of inferior status and moves toward the feeling of being a co-owner-more of an equal. It is common to hear administrators describing the nonparticipating recipients as not "having a sense of ownership of the project." But, ownership is probably a metaphor for social capital. To own

something is to have the respect of others. To have something by right is different than to have something by the grace of others.

Some aid organizations like Plan International (Childreach), put their personnel in the villages and develop a long term relationship. They do not offer aid unless the villagers initiate the project. The aid is in terms of capital goods and the local labor is not paid. This is a very slow process and the agency can't be identified with any grand scheme of improvements since each village may do something different. Social capital for both parties is a long process of investment and evolving relationships.

Welfare recipients in the United States often complain of the social stigma attached to publicly receiving benefits. To use food stamps labels one as poor. To live in public housing is the same. This has probably resulted in a reduction in this type of transfer and a movement to income transfer. Still, there are many eligible welfare recipients who do not apply for payments. They do not want to acknowledge to themselves that they are dependent. There is much debate about whether this willingness to be dependent is growing and resulting in people not making as much effort to earn their own way as they might. And, it is problematic whether the donors' enthusiasm for transfers is the same for cash as it is for specific goods altering the consumption patterns of recipients in specific ways.

Giving is tricky business as it feeds back on the relationship that produced it (Godbout, 1998). The delicate dynamic is stated thus by Derrida (1992):

The link between morality and the arithmetic, economy, or calculation of pleasures imprints an equivocation on any praise of good intentions. In giving the reasons for giving, in saying the reason of the gift, it signs the end of the gift, The equivocal praise precipitates the gift toward its end and reveals it in its very apocalypse. The truth of the gift unveils only the nontruth of its end, the end of the gift (p.. 148).

Perhaps the fullest avoidance of this problem is the Jewish ideal of philanthropy where the giver and recipient are ignorant of each other's identity (Neuser, 1988). But, of course, that removes some of the emotion that makes people care in the first place.

Social capital makes it possible for a donor to get satisfaction from the increased welfare of recipients. And, social capital affects how the recipient treats the grant and the grantor. A grant or gift without social capital on the part of the recipient may be refused or is likely to be left to rust in the rain.

3.3. Quick! Hide! Your poor relations are coming

In some cultures, the sharing of wealth is expected. An individual who strikes it rich is expected to share with the extended family. A student from India was about to return home after finishing a degree. He had saved enough money for a television, which at the time was cheaper in the U.S. than in India. So he considered purchasing it and taking it home. But an uncle had let it be known that he expected a television from his nephew who had the good fortune to study in America. The student struggled with the moral issue and decided that he would bring no television at all and plead poverty as an excuse. He

thought it better to have no television than to be shamed within his family or live with the knowledge that his uncle was enjoying his hard earned television.

It is not uncommon for people who are faced with a moral issue to avoid any information that would force a choice. Human misfortune is so large that some reason that they can't do anything about it, so better to ignore the cries of the needy. Better yet, get out of earshot so one is not reminded of their condition. Increasing one's social distance is one way to avoid a challenge to one's self image as a caring person. The flight to American suburbs is in part an attempt to avoid being reminded of the poor.

Many of the gold craftsmen in Bamako, Mali, are from neighboring countries. If they had a successful shop at home, all of their kin would expect a sharing of profits and it would be impossible to save and reinvest in the shop. The answer for many is to exit the relationship.

The obligation to one's kin is a major source of corruption in some parts of the world where extended family ties are strong. People who succeed to power in government are expected by their kin to offer jobs regardless of merit or qualifications. A minister may want to reward merit, but will be forced by family obligations to practice patronage. Some immigrants to the United States are known to Anglicize their names to avoid claims on their savings by subsequent cohorts of coethnic immigrants (Portes and Sensenbrenner, 1993).

3.4. The delivery of bads: negative transfers

The relationship between individuals can be one of malevolence instead of benevolence. Instead of deriving satisfaction from the welfare of others, one derives disutility. Such a person is happier when the hated one is worse off. Can social capital be negative? The factory metaphor is strained here, but perhaps still suggestive. The physical capital in a munitions factory has a positive value measured as acquisition or replacement cost or value to another user, even if it produces bads in some peoples' eyes. On the other hand, we can speak of an obsolete factory that has a negative salvage value when there is a net cost to tearing it down.

Again, casual observation gives many examples of relationships which produce bads. We must be careful, however, in the imputation of motive. A parent may punish a child and still love them. In the case of prisoner's dilemma experiments, a player may be using a tit-for-tat strategy and defect if the other player does not cooperate. There may be no enmity here, only a signaling that the person cannot be taken advantage of. However, the relationship that was initially neutral may deteriorate into malevolence.

Ultimatum games raise questions about possible malevolence. Player A is given a pot of money and proposes a split of the pot with player B. If player B accepts, the split proceeds. But if the split is refused, both get nothing. If people gave no importance to the relationship between them, it might be reasoned that the ultimatum would be accepted no matter how small the offer, as something is better than nothing. The experiments have been replicated many times with the robust finding that offers substantially less than 50-50 splits are rejected. Are the rejecting parties missing the opportunity to make others better off? On the other side of the transaction, persons offering the ultimatum seldom make

lop-sided offers in their favor. Are they being benevolent or instead being fair (Fehr and Schmidt, 1997)? Is there a difference?

It is possible to interpret the rejection of unequal offers as having the intent to punish the offering person by denying them the pot. One writer refers to this behavior as "spiteful." (Levine, 1997) Are they envious or resentful? It is also possible to interpret the person who accepts an unequal split as being benevolent and conferring a positive transfer onto the other person. These interpretations presume calculating behavior. Alternatively as suggested earlier in this article, the behavior may be the unconscious result of prior experience. A certain pattern in the behavior of others leads to rejection of the offer without any thought as to the consequence for themselves or others. And again, on the part of the proposer of the split, their behavior may be the result of learned concepts of fairness without any calculation. The behavior may be a gut reaction, and the only thought is how to justify the behavior once it occurs.

It is not possible here to sort out the implications of the experimental evidence, so let us return to the field and examine some of the consequences and attributes of malevolence. A continuum of increasing malevolence is demonstrated in a range of cases from avoidance and no trade, to theft, to threats, to war. Negative transfers are a huge brake on development.

3.5. No trade and missed opportunities

When social capital is negative, a person may refuse to trade. They may even refuse a highly profitable trade. Trade sanctions are one manifestation. The U.S. has trade embargoes with Cuba and prohibits its citizens from even traveling there. This is hoped to harm the economy of Cuba and convince the government to resign or change its policies. Often these embargoes only stiffen the resolve of the other party. The Cuban government blames all of the island's economic problems on the U.S. even when its own policies may be to blame. Iraq uses the same policy.

The refusal of many people to trade with South Africa and the refusal to let them play in various games (e.g., the Olympics) was associated with the eventual peaceful acceptance of the white government to allow Black majority rule. Which was more effective—the loss of economic opportunity or the loss of international regard and respect? It is difficult to separate these motivations. The South African government would have had a hard time convincing the Blacks that their plight was the fault of the Americans.

At a more mundane level, there is evidence that enmity is a barrier to trade. A thought experiment asked people what price they would offer to sell a used car of known market value to buyers to which they varied in affinity (Robison and Schmid, 1991). The experiment showed that people gave discounts to family and friends but refused to trade with hated neighbors at any price. (See also, Schmid and Robison, 1995).

3.6. Theft and crime

Fear of theft and crime is one of the most frequently mentioned community problems. Police and penal costs are a huge demand on investment that might have gone into economic development and social services. In this context it is important to note that a person does not steal from persons he/she cares for. It is possible that the person robbed is held in a neutral relationship—they are just a vehicle for the robber's needs. In other cases, the robber holds the victim in contempt. In the later case, there may be violence as well. Society relies heavily on the threat of punishment to prevent theft and violence. But, if hatred is involved, the emotions may rule and there is little calculation of consequences. Effort is put into escaping punishment rather than less thievery. The economic implications of thievery are immense. Not only is the dollar loss huge, but it results in avoidance behavior for those with the resources to move out of high crime areas. Suburbanites fear the residents of central cities and invest in creating social distance.

3.7. Threats

A threat is a promise of harm made to obtain a transfer that otherwise would not be volunteered. The U.S. threatens trade embargoes and military action. A thief threatens a victim with violence if money is not handed over. A blackmailer threatens to reveal some secret if money is not paid. A nation threatens to invade if some territory is not ceded. A person involved in an accident threatens to sue and create large court costs if the victim does not agree to pay for alleged damages. Threats are made in the context of negative social capital (malevolence).

Threats create fear, and fear is not a stimulus for calculated thinking. Cost and benefits are not weighed. Rather the heroic is called forth. One side will blow up a bridge that both sides use. They are willing to hurt themselves to hurt others. And of course, A's hatred of B is reciprocated. Neutral people can get sucked into hatreds. In Bosnia, many Muslims and Christians had lived peacefully and socialized with each other. But when an armed force is seen to be attacking Muslims for instance, the Christian may withdraw from the social relationship so as not to be mistaken for a Muslim. In the face of fear, neutrality cannot be maintained.

Any expression of regard by any member of a hated group is discounted as being insincere. In this case, it is difficult for any marginal kindness to expand and have any synergistic effect. A physical gift would be equally suspect. A vicious circle of increasing threat and enmity accelerates.

3.8. War

If a threat is ignored, the threatener must decide whether to deliver the promised bad or withdraw and lose credibility. At the international level, the result of delivery is war, The same is common with splits within countries resulting in terrorism and civil war. The hatred between Catholics and Protestants in Northern Ireland has boiled for years and both sides deliver bads upon the other. The interaction is highly path dependent. Once it reaches a certain threshold, it is difficult to forget and forgive. People become locked in what Boulding (1973) has called the "sacrifice trap." One side notes the sacrifices it has made in losing life and property while fighting the other and feels it cannot withdraw and have nothing to show for the costs. Economists advise that sunk cost be ignored, but the emotions make it hard to follow this good advice.

Boulding speaks of the carrot, the stick, and the hug in human transactions. It is only when there is an attitude of hug-hug by all parties that transactions are at all stable. In some cases, hugs can be contagious. Unfortunately, it seems easier to generate enmity for a large group of strangers than to generate caring.

Social capital is an important factor in the whether a country has democratic political institutions (Hadenius, 1997). Democracy is a process of accommodating conflicting interests. It is difficult for a group to accept a political compromise with hated opponents. Some degree of affinity facilitates the rise and sustainability of democracy.

4. Conclusion

Emotion is a source of valuation and action. Affinity (negative and positive) is a motive for seeking human relationships which are prized in themselves but also serve many functions related to community and economic development. The "capital" metaphor is useful in understanding actions, (investments), which create affinity. Human relationships described as social capital are like a "factory," which produces goods, transfers, and utility (and bads).

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