Exploring the Economic Foundations Behind Interpersonal Relationships

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Abstract. This paper focuses on economic issues related to the presence of shopping malls, as economic activities are inevitably influenced by social interactions and interpersonal relationships. Different types of relationships, ranging from weak to strong and positive to negative, form a complex system. The combination of Chinese tradition, cultural background, and the requirements of the current social system has led to the prominence of interpersonal connections. This paper provides a detailed analysis of the significant impact of relationships on transaction subjects. Furthermore, it explores how interpersonal relationships affect the formation and development of enterprises, as well as the allocation and utilization of resources. The paper emphasizes the importance of reducing the negative impact of interpersonal relationships by adopting an approach that prioritizes interpersonal connections. This involves considering new cost and profit expectations and minimizing the reliance on relational functions when constraining economic activities.

1 Introduction

The concept of "economic man" forms the foundation of mainstream economics in the Western world [1]. According to this perspective, when individuals engage in transactions, it is seen as a mutually beneficial exchange of material benefits. The parties involved determine the terms and conditions of the transaction through rational calculations and their respective abilities, such as cognitive capacity and economic power. This viewpoint assumes that people's non-economic interpersonal relationships have no impact on their economic activities, resulting in an "anonymous" economic subject. However, this assumption overlooks the importance of interpersonal relationships in real economic activities. People's social characteristics necessitate the involvement of interpersonal connections in their production, distribution, exchange, and consumption activities [2]. Economists have increasingly recognized this oversight and have made efforts to incorporate human relations into economic analysis. They acknowledge that individuals exist within social networks, where social connections play a crucial role in accessing certain opportunities. In China, economic activities are often influenced by personal relationships, and individuals consciously transform interpersonal connections into economic transactions, prioritizing the establishment of friendships before engaging in business.

The study of human relations from an economic perspective involves analyzing how individuals interact within a framework of self-interest. Economics views social activities as individuals pursuing their own interests in a world with limited resources, with the aim of maximizing personal benefits. While self-interest is a fundamental aspect of human nature, acts of altruism can also be seen as a means to further one's own interests [3]. Even harmful actions can be motivated by self-interest. As a result, individuals exhibit a range of behaviors, including actions that serve themselves, acts of altruism, and behaviors that degrade others, depending on the scarcity conditions and constraints they face when trying to maximize their own interests. These behaviors shape the dynamics of interpersonal relationships. Interpersonal relationships, which involve psychological and behavioral connections formed through interaction and communication, are closely intertwined with economic activities. Building positive interpersonal relationships is crucial for success in economic endeavors as they enhance the value of human resources, reduce transaction barriers, and promote cooperation.

2. Concept Description and Theoretical Analysis

2.1 Connotation of interpersonal relationship

The connotation of interpersonal relationship refers to the mutual connection and influence between people. The study of interpersonal relationship in social psychology refers to the psychological tendency formed in the process of interaction and the corresponding behavioural response. In the practice of social life, interpersonal relationship is established and developed through interaction in direct material and spiritual communication in order to meet the needs of survival...
and development [4]. A social relationship based on a psychological relationship.

2.2. Relationships have three levels

Relationships have three levels. First of all, interpersonal relationships take place in the interaction between people. Everyone has been surrounded by some objectively existing relations since birth, such as blood relations, which is a static relationship of appearance. At the same time, the interaction between different relationship subjects constitutes different internal dynamic relations, such as emotional relations and economic relations. In real life, the relationship between people is usually a comprehensive state of the static relationship and the internal dynamic relationship. Under normal circumstances, the two sides of the relationship not only have this or that static relationship, but also have a certain interaction and influence. Therefore, human relationships are complex and diverse.

3. Practical application

3.1 Interpersonal relations affect the realization of the purpose of economic activities

The economic activities of any society are not purely economic activities, but the result of the interaction of rational and irrational factors. Man's economic activity includes both the rational pursuit of the maximization of interests and the irrational. People's decisions are influenced by cognitive, emotional and other subtle psychological states. In fact, human behavior is often driven by the interplay of passion and reason. The starting point of economic activity is people's conscious and purposeful economic behavior, and the goal and motive force of economic behavior is the pursuit of interests. However, in order to realize the pursuit of interests, it needs to be carried out in interpersonal relations, especially in the coordination of interest relations. Therefore, good interpersonal relationships are beneficial to meet individual needs, while bad interpersonal relationships will reduce people's satisfaction. Economic activities often occur between acquaintances, and people often consciously incorporate interpersonal relationships into economic activities. So, it makes sense to be concerned about the economic impact of human relationships.

3.2 Six degrees of separation

You may have heard of the "six degrees of separation" theory, which states that for every two strangers, up to six people can get to know each other [5]. In other words, there are only six handshakes between you and Trump. The theory was put forward by American social psychologist Stanley Milgram in 1967. As human society has evolved for nearly half a century, a 2012 Facebook analysis of social networking data found that the average distance between two strangers had shrunk to 4.74 people.

3.3 Population growth and technological progress

Over the past 200 years, the global population has increased from 1 billion to 7 billion today, with most of that growth occurring since 1960. The increase in population has led to an increase in contact and interaction between people. With the advancement of technology, especially the popularization of the Internet, the way people interact and connect with each other has changed dramatically. In the virtual Internet world, people can interact and communicate with all kinds of strangers. Some studies have shown that in the virtual world, especially in online games, people are given a more perfect role, which also makes them more confident in the real world.

3.4 Internet connection

From the perspective of Darwinian evolution and traditional economics, human beings generally have a tendency to be selfish. However, with the continuous expansion of social networks, people are more and more closely connected with each other. This connection encourages people to establish a trusting relationship and form a pattern of division of labor, so that people no longer feel lonely and turn from selfish to cooperative [6]. At the same time, this kind of cooperation and altruistic behavior among individuals also gave birth to the collective wisdom beyond individual wisdom, and promoted the continuous progress of human civilization.

4. Interpersonal Relationship

4.1 The economic definition of interpersonal relations

In the realm of social and economic activities, many individuals perceive relationships as a form of capital. This perspective is increasingly being embraced in academia, where there is a growing trend to broaden the concept of capital and include interpersonal relationships within its scope. Interpersonal relationships are seen as a valuable stock of resources that can be utilized for future production or exchange [7]. This notion primarily encompasses information about others, relationships that hold special significance (including emotional bonds and trust), general reputation (including one's standing and popularity), and cooperative habits. Furthermore, it is noted that most interpersonal capital in real life is formed as a by-product of ongoing interaction activities, while some part of it is intentionally built. Human relationships are continually being produced and reproduced, requiring the investment of various factors and costs. The resources available to an individual, particularly time and energy, are limited, and the size of one's network is constrained. Strong relationships tend to
be smaller in scale, while weak relationships generally have a larger reach compared to strong ones. The limited scale of interpersonal relationships inherently determines the boundaries within which they operate. Viewing interpersonal relationships as a form of capital is crucial for actively understanding and analyzing their production and reproduction. However, the impact of interpersonal relationships on individuals and economic activities is complex. It can either reduce transaction costs and facilitate normal economic transactions, or increase transaction costs and impede economic activities. Therefore, analyzing interpersonal relationships solely as capital is insufficient. Interpersonal relationships gradually form through communication, and relationships of varying strength provide the framework for people's communication behaviors, influencing cooperation and competition. Interpersonal relationships possess the characteristics of an informal system. In essence, interpersonal relationships are objective and influential. Therefore, it is essential to adopt a dynamic and multi-dimensional perspective when examining interpersonal relationships.

4.2 The role and influence of interpersonal relationship analysis

Human relationships play a crucial role in various aspects of life, including economic activities such as production, distribution, exchange, and consumption. These relationships can have both positive and negative effects on economic activities, acting as a double-edged sword [8]. While some relationships may hinder economic transactions, others can facilitate them. Overall, the impact of human relationships on economic activities is intricate and multifaceted.

4.3 The role of the subject of the relationship

Relational subjects are responsible for the creation and maintenance of interpersonal relationships. One of the primary motivations for establishing these relationships is the potential for financial gain. In addition to this, interpersonal relationships also serve the purpose of information exchange. Granovetter's study on job seekers in Newton, a town near Boston, revealed that 57% of them successfully secured employment through networking. During the process of interacting with others, relational subjects often engage in mutual information exchange. Acquaintances tend to provide more valuable information compared to formal media sources. This is because formal media sources often present an overwhelming amount of information, which can be distorted and challenging to navigate. Additionally, personal limitations in terms of abilities and knowledge may hinder individuals from effectively utilizing information from formal sources. On the other hand, acquaintances possess a better understanding of the specific needs and circumstances of the information seeker, enabling them to provide more targeted and trustworthy information. As a result, the information seeker tends to place more trust in the information provided by acquaintances. Personal relationships often serve as a means to acquire goods, services, and rights that are scarce and difficult to obtain through conventional channels. In our current societal context, obtaining financial loans, for instance, often relies on personal connections, even when approaching banks or credit unions. However, interpersonal relationships offer more than just transactional benefits. They also provide emotional exchange and fulfillment to the individuals involved. Relationships themselves act as a motivating factor for people's actions, as certain needs can only be fulfilled through interactions with others. For instance, emotions, dignity, and a sense of authority cannot be satisfied solely by oneself but require the involvement of others.

It can be argued that a significant portion of people's spiritual needs can only be directly met or fulfilled through interactions with others. Consequently, the quality of these relationships directly impacts individuals' satisfaction in these areas. Positive relationships contribute to fulfilling these needs, while negative relationships can diminish satisfaction and even have adverse effects. From the perspective of the relational subject, interpersonal networks possess the characteristics of intangible assets. However, the production and maintenance of human relationships require the investment of various costs, including financial resources, time, and effort. Interestingly, stronger relationships can become more difficult to break free from. The strong bond of a relationship often restricts the subject's ability to engage in trade and cooperation with external entities. Consequently, the subject may miss out on new information and resources available through trusting unfamiliar individuals [9]. These missed opportunities arise from the focus on maintaining and leveraging existing relationships. The stronger the relationship, the higher the associated costs. In a society where opportunity costs are high, interpersonal relationships can be perceived as a liability rather than an asset. When one party no longer deems the maintenance of a relationship necessary, they may resort to drastic measures, feeling trapped by the relationship's obligations.

4.4 Attach importance to the cultural background of interpersonal relations

To comprehensively analyze human relationships, it is essential to consider the historical and cultural traditions of China, which have been shaped by thousands of years of feudalism and cultural heritage. Networking has long been deeply ingrained in Chinese society, distinguishing it from Western societies [10]. The concept of guanxi holds particular significance in Chinese cultural traditions. Comparative cultural researchers generally attribute the core of Chinese cultural traditions to Confucianism, emphasizing the importance of hierarchical relationships. In contrast, Christian cultural traditions prioritize the equality of individuals before God, with the emperor being subject to the same
relationships as any other person. Christian scriptures even discourage excessive attachment to any particular individual in order to foster a stronger belief in the one God. For instance, in the Bible, Jesus states, "If anyone comes to me and does not hate his own father and mother and wife and children and brothers and sisters, yes, and even his own life, he cannot be my disciple" (Matthew, New Testament). In Chinese society, the influence of Confucianism resonates strongly among the masses, emphasizing the significance of interpersonal relationships. These relationships are akin to ripples in water, starting with immediate family members, then extending to relatives, friends, neighbors, and so on. All these relationships collectively form a "family-like" network, characterized by varying degrees of strength and corresponding responsibilities. Failing to adhere to these fundamental expectations can result in societal disapproval and loss of "face," which refers to the respect and reputation an individual receives from others based on their image. The nature of these relationships also compels individuals to abide by the rules governing them. Deviating from these rules not only invites condemnation from others but may also lead to severe consequences, such as the loss of social connections and the valuable resources they provide.

4.5 The impact on the transaction

The high level of trust generated within a group can reduce the cost of bargaining and searching for information between group members, that is, can reduce transaction costs that already exist in strong relationships. However, in a cultural environment where relationships are strong, by

In the legal environment lacking the general trust of the members of the society, the mutual distrust between the relationship subject and the relationship subject

It's usually more intense. In order to make a deal, more bargaining is required, and more time and effort is spent searching for information, which further increases the transaction cost between the relationship subject and the external subject. This makes it easier for transactions to happen in strong relationships, and the scope of transactions is smaller. Strong relationships within a specific group are evident. The high level of trust within this group can effectively reduce the costs associated with bargaining and information search among its members. This reduction in transaction costs is a result of the existing trust within strong interpersonal relationships. However, in a cultural environment where strong interpersonal relationships dominate, there is often a lack of general trust among society members, particularly in the legal system. As a result, the level of mutual distrust between the relationship subject and external parties tends to be higher.

Completing a transaction in such an environment requires more extensive bargaining, increased time and effort spent on information search, and ultimately higher transaction costs between the relationship subject and external parties. This dynamic makes it easier for transactions to occur within the scope of strong relationships, where the level of trust is higher, but limits the scope of transactions with external parties.

5. Bestie gardening

Bestie gardening is when a friend or someone close to you recommends a product or service to you, arousing your interest and prompting you to buy it. There are some economic principles behind this phenomenon, some of which include:

Social identification: People tend to be influenced by people they trust and respect. When a friend recommends a product, people may assume it is reliable because they trust her judgment and taste. This social recognition can motivate us to buy the product.

Information asymmetry: When people are faced with a large number of choices, we may feel confused and uncertain. Bestie's grass growing behavior provides additional information that helps us make decisions. People will trust her experience and opinions and are therefore more likely to buy the products she recommends.

Social influence: People are often influenced by the behaviors and attitudes of those around them. When we see our best friend using a certain product and raving about it, people may be influenced by her to think that the product is valuable and want to have the same experience.

Word of mouth marketing: Bestie's grass planting behavior is actually a form of word of mouth marketing. When we hear positive comments from friends, we are more likely to believe in the quality and value of the product. This kind of word of mouth can help the product establish a good reputation in the market. It should be noted that there may also be some economic benefits driven by bestie planting, such as promotion fees or commissions. Therefore, when it comes to planting grass, we still need to think rationally, weigh the pros and cons, and make decisions based on our needs and budget.

6. Conclusion

The motivation of this paper is to explore the impact of interpersonal relationships on economic decision-making and to reveal the importance of interpersonal relationships in economics. By analyzing the economic characteristics and mechanisms of interpersonal relationships, we hope to gain insight into how people interact and cooperate with others in economic activities. The method of literature review is adopted to systematically sort out and analyze the past research. The essay collected the relevant economic literature and classified and summarized the studies involving human relationships. The essay have looked at the impact of interpersonal relationships on economic decision-making, including research on cooperation, trust, and social capital. The research finds that interpersonal relationships have a significant impact on economic decision-making. First, people's cooperative behavior is often influenced by the relationships they have with
others. Cooperation can bring about mutually beneficial results, but it may also be restricted by information asymmetry, moral hazard and other factors. Secondly, trust plays an important role in economic activities, and people are more willing to transact and cooperate with those they trust. In addition, the accumulation of social capital can also promote economic development and improve social welfare. The research has important implications for economists, sociologists, policy makers and entrepreneurs. Economists can come up with more accurate economic models and theories by gaining a deeper understanding of the impact of interpersonal relationships on economic decision-making. Sociologists can reveal the evolution of social structure and social relations by studying the economic characteristics of interpersonal relations. Policymakers and entrepreneurs can leverage knowledge of the economics of interpersonal relationships to develop more effective policies and business strategies. The research has important implications for understanding how people behave and make decisions in economic activities. Interpersonal relationship is a factor that cannot be ignored in economic activities, and the understanding of cooperation, trust and social capital helps to improve economic efficiency and social welfare. In addition, this research can also provide guidance to policymakers and entrepreneurs to help him.

References