

CHAPTER 3

Social Exchange Theory

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INTRODUCTION

Exchange theory has been one of the major theoretical perspectives in the field of social psychology since the early writings of Homans (1961), Blau (1964) and Emerson (1962, 1972). This theoretical orientation is based on earlier philosophical and psychological orientations deriving from utilitarianism on the one hand and behaviorism on the other. The vestiges of both of these theoretical foundations remain evident in the versions of exchange theory that are current today. In this chapter we will focus mainly on the theoretical contributions of exchange theory to the analysis of social psychological and sociological phenomena of importance in understanding the micro-level processes of exchange and the macro-structures they create in society.

While early debates focused on the nature of the actor that inhabits the world of social exchange few of these debates remain salient (see Ekeh, 1974; Heath, 1976). We discuss differences in the underlying models of the actor in the different variants of exchange theory, but we do not view these differences as critical to the major enterprise that has emerged over the last two decades, which has been the efforts of exchange theorists to understand the social structures created by exchange relations and the ways in which such structures constrain and enable actors to exercise power and influence in their daily lives. Whether these interactions are viewed as reciprocal exchanges or negotiated exchanges they are ubiquitous in social life and important to study.

One major hallmark of recent research on social exchange in the field of sociology is its attention to the links between social exchange theory and theories of social status, influence,

social networks, fairness, coalition formation, solidarity, trust, affect and emotion. We address these topics in our review of recent important contributions to exchange theory. Our review is organized topically. First, we provide an overview of the major theories of social exchange. Then we draw out some of the relevant distinctions between the different theoretical formulations. After this exercise we discuss the main topics of research that have been studied by the key contributors to the exchange tradition within the field of sociology over the past two decades. We conclude with a brief statement concerning directions for future research. In particular, we focus on the linkages between the exchange tradition of work in sociology and recent developments in related fields of inquiry such as economic sociology and social networks. In our view there are many important topics of research that have yet to be studied fully within the exchange tradition and that provide an exciting research agenda for the future.

SOCIAL BEHAVIOR AS EXCHANGE

For Homans (1961) the dominant emphasis was the individual behavior of actors in interaction with one another. His primary aim was to explain fundamental processes of social behavior (power, conformity, status, leadership, and justice) from the ground up. Homans believed that there was nothing that emerges in social groups that cannot be explained by propositions about individuals as individuals, together with the given condition that they happen to be interacting. In his effort to embrace this form of reductionism he parted company very clearly with the work of Peter Blau (1964) who built into his theory of social exchange and social structure an analysis of "emergent" properties of social systems.

Homans (1961, p. 13) defined social exchange as the exchange of activity, tangible or intangible, and more or less rewarding or costly, between at least two persons. Cost was viewed primarily in terms of alternative activities or opportunities foregone by the actors involved. Reinforcement principles derived from the kind of behaviorism popular in the early sixties (e.g., the work of B. F. Skinner) were used by Homans to explain the persistence of exchange relations. Behavior is a function of payoffs, whether the payoffs are provided by the nonhuman environment or by other humans. Emerson (1972a) subsequently developed a psychological basis for exchange based on these same reinforcement principles.

Homans explained social behavior and the forms of social organization produced by social interaction by showing how A's behavior reinforced B's behavior (in a two party relation between actors A and B), and how B's behavior reinforced A's behavior in return. This was the explicit basis for continued social interaction explained at the "sub-institutional" level. The existing historical and structural conditions were taken as given. Value is determined by the actor's history of reinforcement and thus also taken as a given at entry into an exchange relation. Homans' primary focus was the social behavior that emerged as a result of the social processes of mutual reinforcement (and the lack of it). Relations could also terminate on the basis of the failure of reinforcement.

Dyadic exchange, the main emphasis of his work, formed the basis for much of his theoretical consideration of other important sociological concepts such as distributive justice, balance, status, leadership, authority, power, and solidarity. Homans' work was often criticized for two main reasons: it was too reductionistic (i.e., it took the principles of psychology as the basis for sociological phenomena) and in analyzing the sub-institutional level of social behavior it underplayed the significance of the institutional as well as the social processes and structures that emerge out of social interaction. In this respect, it is somewhat ironic that one of Homans' lasting contributions to social psychology has been his early treatment of the

issue of distributive justice in social exchange relations. The irony derives from the fact that Homans was explicitly much less interested in norms since he was preoccupied with the "sub-institutional" level of analysis in his study of elementary social behavior. His effort to focus on elementary behavior is derived in large part from his opposition to the heavily system-oriented and normative views of Parsons that held sway during the time that he wrote his treatise on social behavior. In his autobiography, Homans (1984) refers to Parsons' main work on the social system as the "yellow peril." We discuss Homans' conception of distributive justice in greater detail in the section on fairness in exchange relations.

Homans' key propositions framed the study of social behavior in terms of rewards and punishments. Behavior that is rewarded in general continues (up to the limit of diminishing marginal utility). His first proposition, the success proposition, states that behavior that generates positive consequences is likely to be repeated. The second proposition, the stimulus proposition, states that behavior that has been rewarded on such occasions in the past will be performed in similar situations. The value proposition, the third proposition, specifies that the more valuable the result of an action is to an actor, the more likely that action is to be performed.

The fourth proposition, the deprivation-satiation proposition, qualifies the stimulus proposition introducing the general ideal of diminishing marginal utility: the more often a person has recently received a particular reward for an action, the less valuable is an additional unit of that reward. Finally, the fifth proposition specifies when individuals will react emotionally to different reward situations. People will become angry and aggressive when they do not receive what they anticipate. Homans (1974) later argues they can become angry when they do not receive a fair rate of return, introducing the normative concept of distributive justice into his analysis of dyadic exchange.

Blau, writing at about the same time, framed his micro-exchange theory in terms of rewards and costs as well, but took a decidedly more economic and utilitarian view of behavior rather than building upon reinforcement principles derived from experimental behavioral analysis. A key distinction between these two broad perspectives, as Heath (1976) points out, is whether the actor is forward-looking or backward looking in his determination of what to do next. Utilitarianism generally looks forward. Actors are viewed as acting in terms of anticipated rewards that benefit them and they tend to choose that alternative course of action that maximizes benefit (and minimizes cost, but see Molm, Takashashi, & Peterson, 2000). Reinforcement theories look backwards with actors valuing what has been rewarding to them in the past. The micro-level exchange theory in Blau's work is embryonic and underdeveloped though it is one of the first attempts to apply utilitarianism derived from economics to social behavior.

Blau viewed social exchange as a process of central significance in social life and as underlying the relations between groups as well as between individuals. He focused primarily on the reciprocal exchange of extrinsic benefits and the forms of association and emergent social structures that this kind of social interaction created. According to Blau (1964, p. 91): "Social exchange ... refers to voluntary actions of individuals that are motivated by the returns they are expected to bring and typically do in fact bring from others." In contrasting social and economic exchange he emphasizes the fact that it is more likely in social exchange for the nature of the obligations involved in the exchange to remain unspecified, at least initially. Social exchange, he argues, "involves the principle that one person does another a favor, and while there is a general expectation of some future return, its exact nature is definitely not stipulated in advance" (Blau, 1986, p. 93).

The first third of the book specifies the nature of the social processes that result in associations between individuals (e.g., attraction). Two conditions are defined as important in the



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