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# Social Exchange Theory

Mark V. Redmond

Iowa State University, mredmond@iastate.edu

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# Social Exchange Theory

## Communication Context

Interpersonal, Small Group, and Organizational

## Questions It Addresses in Our Every Day Lives:

1. How do we go about making decisions about what are willing to we give up (time, freedom, money) in order to gain something (love, services, goods)?.
2. What factors influence our decisions to pursue, sustain, or terminate a relationship?
3. Why do we feel resentment when we feel we've put more into a relationship or sacrificed more to sustain it than our partner?

## Theory in a Nutshell

- Social behavior often involves social exchanges where people are motivated to attain some valued reward for which they must forfeit something of value (cost).
- We seek profits in our exchanges such that rewards are greater than the costs.
- We are disturbed when there is not equity in an exchange or where others are rewarded more for the same costs we incurred.

## Visualization of Social Exchange Theory

Exchange = Trade something of value (cost) for something needed/valued (reward)

Rewards – Costs = Positive Outcomes (profits) or Negative Outcomes (net loss)

Inequity = Cost > Reward or My Costs > Your Costs or My Rewards < Your Rewards

*“As I might have anticipated, my theory therefore got stuck with the name of ‘exchange theory.’ This was too bad, not only because the theory is not limited to social behavior that looks like exchange but also because it suggested that the theory was a special kind of theory, whereas it is a general behavioral psychology, admittedly applied to a limited range of social situations.”* G. C. Homans (1984, p. 338).

A friend, who doesn't own a car, needs a ride home on Saturday to attend his sister's wedding; it's a ninety mile round-trip. He offers to pay for gas and give you five dollars. You have tentative plans for Saturday and two hours of driving for five bucks doesn't seem that appealing, but this is a friend in need. After you hesitate, your friend then offers you ten dollars and lunch, so you finally agree. In this exchange, both parties reach an agreement based on a comparison of how much something is going to cost relative to the level of reward or benefit that something will provide (a ride home for the friend and ten dollars and lunch for you). Sociologist George Homans (1950, 1958, 1961) proposed examining such an interaction as an exchange following certain basic economic principles revolving around rewards and costs. For you the costs include wear and tear on your car and giving up two hours of your time; the rewards are ten dollars, a free lunch, and providing support for a friend and gaining his appreciation. Since your friend is desperate for a ride, you probably could have asked for twenty or thirty dollars but such a demand could raise questions about what kind of a friend you are. Homans argued that in general, two or more parties try to get something that is of greater value to them than the cost they incur. In this example, you and your friend probably both feel good about what you're getting out of the exchange--you both feel you're getting more out of the exchange than you're

having to forfeit. If not, one or both of you might feel shortchanged causing a sense of inequity which is discussed later in the chapter.

Noted social psychologists, John Thibaut and Harold Kelley (1959), were interested in the psychology underlying behavior in small groups—forming relationships, exerting control, following norms and rules, achieving goals, and playing roles. They often focused on interpersonal relationships and dyads as they examined the impact of costs and rewards. They developed matrices that reflected various decision outcomes (like a game) such that one choice might lead to both members getting a moderate reward with little cost while another choice led to the decision maker receiving significant rewards while his or her partner incurred significant costs. Their work served as a foundation for later scholars interested in how people weigh costs and rewards when making decisions, particularly within the context of an interpersonal relationship. They proposed that “for a dyadic relationship to be viable it must provide rewards and/or economies in costs which compare favorably with those in other competing relationships or activities available to the two individuals (p. 49).” In other words, we choose from among relationships around us, those that provide the most reward or require the least cost.

George Homans (1950, 1958, 1961) drew from a variety of theories and fields in developing his thoughts on social exchanges. For example, he drew upon William Foote Whyte’s ethnographic study of Boston’s Italian immigrants, gangs and “corner boys” in his book, *Street Corner Society* (1943). In this culture, an exchange of favors was in place such that if a person didn’t return a favor, he or she shouldn’t expect another favor in the future. Homans noted that equivalent exchanges in this culture were expressions of friendship and departure from equivalence had a negative impact on the relationship. These early observations along with an

application of basic economic concepts has led to today's elaborate theories of social exchange, social behavior, and equity.

Homans (1958) advocated that scholars return to what he described as the oldest of theories of social behavior--"social behavior as exchange (p. 606)." Interestingly, in his early writings, Homans, never uses the phrase "social exchange theory." In examining social behavior as exchange, Homans (1961) drew upon behaviorism to explain human behavior as comparable to the behavior of pigeons receiving rewards of corn for pecking a target (cost). He also drew upon his background research and theory related to small groups, in particular, issues of social influence, equilibrium, cohesiveness, and conformity.

Peter Blau (1964) greatly expanded on the importance of the "social" context to which economic and exchange principles were being applied. He noted that social exchanges differ from economic exchanges in that terms of social exchanges are not spelled out per se, but rather left for a given individual to decide. Suppose you had given your friend the ride home without any payment or lunch. You would expect that at some point your friend would "repay" the favor—perhaps invite you to dinner or give you a gift at some future point. In this social exchange, the only operating premise is that if you do a favor for someone, some reciprocal favor of equal value would be returned. Blau also saw social rewards and social benefits as being uniquely dependent upon personal relationships.

As you can tell, many scholars have been involved in the development of social exchange theory, each emphasizing concepts that best fit their own application. As such, social exchange theory has been applied to almost every type of social situation – organizational management, consumer buying decisions, television viewing, politics, marriage, and decisions to terminate romantic relationships. However, because of the diverse contributions and directions taken,

there is not really any one set of accepted concepts and propositions that is called social exchange theory. Purists claim it is not a theory—but we're not such purists. Our review here reflects the most common elements and propositions associated with social exchanges that are particularly related to communication. In this chapter we will begin with the basics of social exchange theory as they were developed from an application of principles drawn from economics, psychology, and sociology particularly as related to small groups. We will then turn our attention to how this theory has been specifically applied to communication and personal relationships.

## **THEORY ELEMENTS**

**Rewards and Value of a Reward** Homans drew upon economics in developing his theory. In considering rewards he decided that some of the economic terms and conceptualizations did not apply as well to social behavior. He used the phrase “value of a reward” to emphasize the notion that any given reward might have different value to different people. A reward of five dollars has a lot more value to a homeless person than to a millionaire. Homans’ definition of value is within the context of a social exchange and thus is different from other ways of defining value. Homans (1961) wrote, “A man emits a unit of activity, however that unit be defined, and this unit is either reinforced or punished by one or more units of activity he receives from another man or by something he receives from the non-human environment (p. 39).” Reexamining our opening example should help you get a better handle on Homans’ definition. Driving a friend home was your unit of activity for which you were paid and got lunch (the unit of activity received from another) which is reward you received. Remember in our example, that you didn’t place much value on the initial reward; so as the value of the reward increased, you were more willing to exchange your unit of activity (drive).

Homans' definition allows for an extensive assortment of things to be considered rewards—essentially anything we put value on. One implication of this is that what is valuable to one person is not valuable to another. The value of those rewards also fluctuates over time, it is not always the same. When you're hungry, food has value and can be a reward, but once you're full, eating more is no longer rewarding—actually it has a negative value, a cost (Have you ever had to eat two thanksgiving dinners the same day because of split family or friend obligations? Ugh!). While young, our parents' financial help is rewarding, but as you become more independent and have your income, getting money from your parents is not as rewarding and might actually frustrate you because your parents aren't recognizing that you're no longer a child. To complicate this notion of rewards, you might not find the money from your parents as rewarding, but come to appreciate the love and generosity that act represents which is rewarding to you.

**Social Rewards** When rewards can only be met through interaction with another person, they are called social rewards. For example, being loved, respected, socially accepted, attractive to others, or having opinions and judgments approved by others, all depend upon other people. Rewards in social interactions include pleasure, satisfaction, gratification, and fulfillment of needs (Thibaut & Kelley, 1959). One unique property of social rewards is that we can't really barter over most of them (Blau, 1964). While we might say something like, "If you won't love me, I won't love you," such an attempt at barter isn't really feasible. However, we do weigh the value of the social rewards we receive against the costs of a given relationship.

Two people might find it rewarding to spend time together because each with such intrinsic rewards as confirmation of the one's value, respect, and acceptance. Sometimes the rewards are more extrinsic such as helping the friend move, buying lunch, giving a gift, or

providing a favor (driving the friend home). Such extrinsic social rewards usually represent costs to the people providing them; a cost which they expect or anticipate will result in a greater rewards for them. Giving a friend a gift might be in hopes of increasing the other person's attraction or affection for the gift giver.

**Costs** Homans (1961) originally defined costs as something of value that is given up; it can also be the withdrawal of a reward, or punishment. Money is the most obvious "cost" that we exchange for some product or service, though we might also give friends money just to help them out. We also work in exchange for money which involves giving our time, energy and skills. But what about spending time with friends? What does it "cost" you to carry on a conversation? What does it "cost" you to be in a relationship? Carrying on a conversation costs you time and energy; time and energy that you might have been spent doing something else, even something more rewarding. The amount of time and energy expended in a conversation is affected by its importance and its intensity and depth. Besides costing time and energy, relationships necessitate forfeiting some of your freedom and independence.

Just as with rewards varying in their value, so do costs. The value of your time varies depending upon the demands placed on your time. If you're hanging around doing nothing and a friend stops by to play some video games with you, then the cost is not very high. If on the other hand, you're cramming for an important exam and a friend stops by in tears after a break up, the time you spend comforting your friend represents a higher cost. Blau (1964) observed that in selecting to spend time in one relationship we forfeit the opportunity to spend time in another relationship which potentially could be more rewarding. According to social exchange theory, the costs we're willing to expend on a relationship relates to the rewards and thus its "profit."

**Profit** Profit = Reward minus Cost. This simple economic formula was presented as applicable to social exchanges by Homans (1961). The implication of this definition is that the greater the rewards and the fewer the costs, the greater the profit a person gains. While such a formula fits well for economic activity, its application to social exchanges is more complex and not as straightforward.

Profits affect our decisions regarding our communication and relationships. We seek interactions which are profitable—we feel greater reward than cost. Think about your relationship with your best friend. Your level of satisfaction and enjoyment is probably related to how rewarding that relationship is compared to what it costs—how profitable the relationship is. The process and effect of profits on relationships is described well by Levine, Kim, and Ferrara (2010):

“... people in relationships have a metaphorical spreadsheet in which relational credits and debits are tabulated, and future profits are forecast. People are satisfied with their relationships when the rewards exceed the costs, and they continue in those relationships where investments lead to projected future profit.

**Equity and Distributive Justice** While gaining a profit is desirable, we often find ourselves dealing with simply achieving a “fair” trade, or an equitable trade. We are concerned with our reward being proportionate to our degree of cost: the more cost we incur, the more we expect the reward to be. Suppose you spent 10 hours on a class project and got a “C” on it, while a friend of yours spent 2 hours on the project and got a “B.” You’d probably be upset because it doesn’t seem fair.

In relationships, equity is often based on partners seeking relationships where the ratio of rewards and costs are the same for both partners. Underlying feelings of equity is an awareness

and assessment of your partner's rewards and costs (Cook & Yamagishi, 1983). If you feel you are putting more effort, time, and sacrifice into a given relationship than you believe your partner is, you are likely to feel some resentment and attempt to create more balance or equity. On the other hand, those who are overbenefiting (getting more profit from the relationship than their partners) might be inclined to feel guilty. Equity is an important component of relationships and has been frequently studied. For example, one study found that inequity negatively affected marital satisfaction (Guerrero, La Valley, & Farinelli, 2008). As you can see in one of the items used as a measure of equity/inequity (Table 4.X), individuals assess both themselves and their partners in determining equity.

**Table 4.X**

**Sample question from a measure of relationship inequity**

Think about the rewards that you and your partner receive from having a relationship with one another. When comparing your rewards to your partner's rewards, who is getting more from the relationship?"

- I get much more than my partner
- I get more than my partner
- I get somewhat more than my partner
- We get the same amount
- My partner gets somewhat more than me
- My partner gets more than me
- My partner gets much more than me

(from Guerrero, La Valley, & Farinelli, 2008)

Two additional factors influence our management of equity in a relationship. First, in ongoing relationships, our social exchanges don't necessarily require immediate payback from our partners (Mitchell, Cropanzana, & Quisenberry, 2012). Instead, we provide latitude about how soon we are paid back. The amount of time we allow is affected by how importance of the relationship and how great the cost was to you (how immediate is your need for repayment). If

you lent a classmate five dollars you'd probably expect it back at the next class meeting but you'd probably give your best friend as much time as needed.

The second factor that affects equity is our assessment of the costs and rewards relative to the partners' abilities to provide them or the relative "availability of resources" (Mitchell, et al., 2012). Suppose your boss invited you to dinner and fixed an elegant meal of filet mignon, fine wine, and crème brulee. To achieve equity, you invite your boss to dinner and serve grilled hamburgers, beer, and brownie sundaes. Are you even? Your boss's meal cost a lot more than yours, but your boss is likely to perceive the exchange as equitable. As discussed earlier, the costs are relative to the means of the parties involved, but equity depends upon each party's ability to recognize and adjust their evaluation of both party's costs and rewards. What is important to recognize in this example and in most social exchanges, is that evaluations of equity and fairness are psychological rather than physical (Messick & Sentis, 1983); that is they rest in the minds of the participants. As such, perceptions of fairness are subject to bias and thus open to differences in the perceptions of the two partners. Such differences might cause anger, guilt, resentment, and even conflicts.

Now, imagine a different situation, one in which you and a friend have been hired to paint a house for \$600 and you put in twice as many hours as your friend. How would you feel if your friend claims you should split the money 50/50, both getting \$300? You'd probably be unhappy because it's not fair—you did twice as much work, you should be paid twice as much. Similar to equity, distributive justice involves an outcome of an exchange where the two parties each are rewarded proportionate to their costs or in other words, the more you invest, the greater your return (Homans, 1961). Homans argues that we seek justice when it comes to the level of costs and rewards that are exchanged and when we feel that justice is not being done we get

angry and try to do something about it which might involve avoiding the situation in the future. If you split the house painting fee 50/50 with your friend, you'd probably avoid future shared painting jobs with that friend.

One shortcoming of social exchange might be apparent after considering equity. That is, sometimes people remain in situations even when they are inequitable; when social exchange theory would predict leaving the situation. People remain in inequitable situations for lots of reasons, reasons that go beyond the economic-based logic that might dictate otherwise. Have you found yourself in such situations? Perhaps remaining in a job where you felt underpaid for the amount of work you did, or maintaining a friendship where you contributed more than your friend?

### **Social Exchange**

Homans essentially envisions any social interaction between people involving costs and rewards. He initially used the term "social behavior" for what later was called social exchange. He wrote, "Social behavior is an exchange of goods, material goods but also non-material ones, such as the symbols of approval or prestige (Homans, 1958, p. 606)," and later in his writings, social behavior is seen "as an exchange of activity, tangible or intangible, and more or less rewarding or costly, between at least two persons (Homans, 1961, p. 13)." At the intangible level, carrying on a conversation with someone costs you time and energy but can be offset by the rewards gained such as confirmation of your value and development of a relationship.

While Homans, Blau, and Thibaut and Kelley wrote about how social exchange theory applies to behavior in groups or organizations, theory also has application to interpersonal relationships. Blau (1964) defined social exchanges as "voluntary actions of individuals that are motivated by the returns they are expected to bring and typically do in fact bring from others (p.

91).” He emphasizes that the action is voluntary to distinguish it from coerced behavior such as giving your wallet to a mugger. As with Homans’ definition, this definition emphasizes people consciously incurring a cost with an expectation of receiving a reward, and as discussed earlier, the reward should produce either profit or at least equity. The rewards we receive in a social exchange can be either intrinsic (love) or extrinsic (help with chores). At least one of the party’s is dependent on the other which is what prompts the social exchange; that is, a person’s personal goal can only be met through interaction with another person (Blau, 1964). Being loved, getting help on a task for which you are unqualified, or getting a paycheck all require social exchange. These reflect two general functions of social exchanges identified by Blau: “to establish bonds of friendship, and to establish superordination over others (p. 89).” Engaging in ongoing social exchanges can create a pattern of trust that facilitate the development of close relationships. When both partners are meeting each other’s personal goals they create a balanced, reciprocal, interdependent relationship. However, superordination or status difference is created when social exchanges create on-going dependence on the person providing the desired reward.

Exchanges can be reciprocal or negotiated (Molm, 2003). Reciprocal exchanges occur when people experience a cost while providing a reward for their partners without specifying the exact nature of repayment but usually with an expectation that some form of repayment will happen sometime. Such exchanges are voluntary and typically occur as a result of relationships established by prior successful exchanges (Mitchell, et al., 2012). As mentioned earlier, failure to repay the debt or favor is likely to create resentment and have a negative effect on the relationship. Sometimes, this failure to repay results in a discussion of the failure. In negotiated exchanges, participants engage in a discussion and negotiation of the exchange—giving a friend a ride, selling your used books, going on a date. However, even explicit social exchanges are

likely to also have implicit expectations. Besides the ten dollars and free lunch negotiated with your friend, you would expect the friend to say “Thanks,” thus providing an additional intrinsic reward.

## **GUIDING PRINCIPLES**

The economic model of human behavior has three applications that are of particular interest to communication theorists and to this textbook. The first is at the psychological level where we use of costs and rewards as part of our decision making process. We often assess the cost of a particular choice with the benefits that we anticipate or receive. For example, we compare smart phone plans for their costs and benefits (features), we compare potential dating partners on the basis of how much effort a given relationship might take compared to how rewarding it might be, and we also decide whether to stay in a given relationship by assessing the pros against the cons—the rewards against the costs. The second application concerns how we use economic principles to manage our interactions with other people—our social exchanges. In this application, we are involved in the actual exchange of something between two or more people; an exchange, remember, can be for things that are tangible (money, products, food) and/or intangible (acceptance, love, support). The third application is at the relational level where we apply economic principles in selecting and evaluating our relationships, weighing their rewards and costs as well as comparing those to alternatives. These three applications are not mutually exclusive, your decision to pursue a romantic relationship might be because your assessment of the pros and cons of the relationship are affected by the fact that your exchanges with your partner have resulted in profits.

Our primary concern in reviewing this theory is its specific applications to human communication so we have omitted less relevant principles. Our decisions to communicate with

others are often influenced by our assessment of the costs and rewards of such interactions.

Your decision to visit a teacher after class probably involved some weighing of the costs (such as time and potential embarrassment) against the potential rewards (learning information that will improve your grade or developing a positive relationship). Exchanges by their very nature are communication events. Some exchanges are conducted without explicit conversation while others involve detailed negotiations. Many roommate discussions have been evoked trying to maintain equitable arrangements for doing dishes and housecleaning. As you read the following principles related to social exchange theory, try to keep in mind how these apply to communication and your own relationships with others.

**Principle 1: Social behavior can be explained in terms of costs, rewards, and exchanges.**

Another prominent figure in developing social exchange theory was sociologist Richard Emerson who described exchanges simply as “the economic analysis of noneconomic social situations (Emerson, 1976, p. 336).” This first principle loosely applies economic concepts to human decision making and interactions. Consider your own decisions, particularly those dealing with communication choices and relationships. To what degree do you evaluate the pros and cons, the reward and costs, as a way of helping you decide?

**Principle 2: People seek to maximize rewards and minimize costs in pursuit of the greatest profit.**

This principle reflects a claim that people are motivated by a fairly strong self-orientation. People “behave in ways to increase positively valued resources and decrease negatively valued resources (Mitchell, Cropanzano, & Quisenberry, 2012, p.100).” Such behavior results in the most profitable outcomes. This general principle potentially applies to any decision you make—where to go to college, what to major in, where to live, what job to

take, and even who to marry. In choosing among potential relationships, when rewards are equal, we are likely to choose the relationship with less cost (Nye, 1978). Communication scholars Levine and Kim (2010) described the process as applied to relationships:

... people in relationships have a metaphorical spreadsheet in which relational credits and debits are tabulated, and future profits are forecast. People are satisfied with their relationships when the rewards exceed the costs, and they continue in those relationships where investments lead to projected future profit (p. 306).

However, you might begin a relationship with high rewards and few costs but find that as the relationship develops the costs increase without a proportional increase in rewards. In this situation you might try to return to the more rewarding level or decide to end the relationship.

**Principle 3: Social interaction involves two parties, each exchanging a reward needed by the other person.** We depend upon other people for valued resources, but to gain such resources involves an exchange of something we value. We interact with others because we gain some reward for doing so, but the other person must also gain some reward from us (Burns, 1973). In so doing, we create interdependent relationships. If an interaction does not provide you with a reward or the reward doesn't match (equity) or exceed your cost (profit), you are likely to end it. We might continue the social interaction and build a relationship as long as we are being rewarded. But our needs change and what might be rewarding at one point might lose its reward value. For example, suppose a friend rewards you for your company by fixing you cookies all the time. At first you might find the cookies very rewarding, but you might start gaining weight and getting tired of the same old cookies such that they are no longer rewarding.

**Principle 4: Social exchange theory can be used to explain the development and**

**management of interpersonal relationships.** While economic principles provide a framework for understanding social behavior, our behavior in interpersonal relationships requires some specific adaptation of those principles. Altman and Taylor (1973) created social penetration theory (Chapter 13) to explain relational development by using social exchange theory to explain the self-disclosure in escalating relationships. Thibaut and Kelley (1959) discussed the how social exchange impacts the initiation of a relationship: “If good outcomes are experienced in initial contacts or if these contacts lead the persons to anticipate good outcomes in the future, the interaction is likely to be repeated (p. 20).” Thibaut and Kelley (1959) recognized that being in a relationship is not simply a matter of asking yourself “Am I getting the most reward right now?” The complexity of relationships is reflected in the variety of social exchange assessments we make.

*Outcomes:* This concept is the level of current rewards and costs associated with a given relationship; essentially, it’s the profit you’re making at this moment.

*Comparison Level:* We evaluate the rewards and costs of our relationships in terms of how they compare to what we expect or believe we deserve in such a relationship. Think about your relationships where the profits exceed what you believe you deserve/expect. Now think about those relationships that you have or had that fall short. We are likely to continue those which exceed expectations and less likely to continue those that fall short. How well does this principle apply to your experiences?

*Comparison Level for Alternatives:* This concept involves comparing the rewards and costs of other potential relationships to a given relationship (either current or prospective). If another relationship is perceived as potentially providing greater profits than a current

relationship, we are likely to leave the relationship for the alternative. Such a change often occurs as you shift from high school friendships to college friendships when the college friendships prove more rewarding and less costly than those from high school.

*Forecasted Rewards and Costs:* We assess the future of our relationships, evaluating the potential rewards and costs. Thibaut and Kelley see this particularly applicable in the beginning of a relationship and as a factor in the stability of a relationship. If we are happy with a given relationship's profits and forecast that they remain the same, we are likely to continue the relationship, but if we predict the costs might come to exceed the profits, we are likely to deescalate the relationship. Communication scholar, Michael Sunnafrank argues that our goal of maximizing outcomes leads to evaluating the likelihood of positive or negative outcomes if we pursue a given relationship; he calls this *predicted outcome value*. In considering your own experiences you have probably made some incorrect predictions, both pursuing relationships with negative outcomes and missing opportunities to pursue relationships with positive outcomes.

*Cumulative Rewards and Costs:* This assessment represents the sum total of the rewards and costs (profits) a person receives over the history of the relationship (Altman & Taylor, 1973). We tend to remain in relationship where we are making a profit and in a way, those profits become part of our relational savings account. This concept explains why we don't immediately end relationships the moment the immediate costs exceed the rewards. We have an investment in long-term relationships of accumulated rewards and costs that we don't want to simply abandon. In essence, we stay in such relationships, drawing from the savings account to offset the costs until the situation improves or we run out of savings. In a study by Levine and

Kim (2010), the level of investment in a college romantic relationship was positively related to stability in the relationship after a betrayal.

The combination of these assessments leads to predictions about the satisfaction and stability of a given relationship. The most stable and satisfying and stable relationship would be one where the forecasted profits and current outcomes exceed the comparison level of our expectations and alternatives. The most unstable and least satisfying would be where an alternative appears to exceed comparison level of expectation, which exceeds our current outcomes and forecasted profits, and the cumulative costs exceed the cumulative rewards (you'd probably leave this one pretty quickly).

Research example—betrayal in dating Ferrara and Levine ?

**Principle 5: Social exchanges affect the relationships among members of groups and**

**organizations.** The early work by Homans focused on the relationships of group members and on such issues as influence and conformity. Blau (1964) discussed how the need for advice or help leads to exchanges among members in groups and organizations. The person providing assistance (cost) is rewarded with respect, esteem, or some reciprocal action from the advisee. Repeated advising interactions can be the foundation of a relationship even when assistance is no longer needed. For the relationship to continue, an equitable exchange of rewards is required. Think about a new job where someone trained you. You received information and in exchange displayed respect for your trainer. The relationship might continue after the training if you both are content with the succeeding social rewards. Cropanzano and Mitchell (2005) distinguished between economic and social relationships and economic and social exchanges. In their model

you can have social relationships with economic or social exchanges, and economic relationships with economic or social exchanges. Buying a hamburger at McDonalds is an economic relationship with an economic exchange. Having a personal conversation with cashier at McDonalds represents the economic relationship with a social exchange.

## **THEORY EVOLUTION, AMMENDMENT, QUESTIONS and CRITICISM**

**Theory Evolution:** Rather than being modified and improved upon, social exchange theory is like a tree with many branches growing from the core concepts. Some branches involve the application of the concepts to a specific context such as interpersonal relationships, other branches focus on a given principle into which new concepts are added. The following discussion provides some examples of how this tree has grown.

A significant amount of scholarship has focused on social exchange as it relates to power. Power can be based on one person's ability to meet the needs of another person and to therefore control and manage that other person through the disbursement of rewards. Emerson (1962) appreciated that power was a relational phenomenon that resides in a person's dependency. He also recognized that not every interaction was about power, rather power existed as a potential. Power can also involve negative actions by either withholding some reward until an action is taken or by punishment (the infliction of costs) (Blau, 1964).

Since a significant amount of work on social exchange theory occurs within sociology, it is understandable that interest in power focused on its effect in the development of social networks and social structure. In this sense, power that defines relationships—who are the bosses and who are the subordinates. Social structure partially defines the power relationships. Your boss has the power to fire you simply because of the position your boss holds. That

position gives the boss control over rewards or punishments but it is based in the position rather than the person. In addition, the social structure represents unequal distribution of the rewards—your boss is paid more than you, you're paid more than the new guy. The social structure is also comprised of a network of social exchange relationships in which individuals exchange rewards and costs, deal with inequity, and often work toward distributive justice. Sociologists, Cook and Whitmeyer (1992) note that social structure is a product of social exchanges, but it is also a constraint to those exchanges. Your access to members of an organization, and therefore your opportunities for social exchange, are constrained by the organizational structure and hierarchy. This branch of the three is sometimes referred to as exchange network theory.

**Questions and Criticisms:** Some of the criticisms of social exchange theory are tied to the original propositions and assumptions made by Homans. Those criticisms lead to the changes in social exchange theory that even include the way rewards and costs are conceptualized (as seen in the power dependency model). One of the most prominent questions raised about the theory is the degree to which humans really are as rational and calculating as social exchange theory would lead us to believe. How often in your relationships are you assessing the rewards and costs, determining the profit, projecting the future, and comparing to alternatives? While you probably do it sometimes, you are not likely to be in a state of constant accounting. For example, can you really calculate the size of the savings account with your best friend that has built up? Our estimates of costs and rewards are probably more impressionistic than calculated; the exceptions being when we are actually exchanging objects of specific value such as exchanging \$3,000 for a used car. Homans' analysis of human behavior relied more on the principles of operant conditioning principles (based on observations of how pigeons react to reinforcements) than on calculated decision making and rationality.

As previously discussed, people vary in the reward values they place on things. This variability makes it difficult to actually assess reward values—ten dollars doesn't hold the same value for everyone. Measuring values and being able to conduct research to corroborate the theory is problematic since what is of value to one person might not have the same value for another. Reward values are open to interpretation. In addition, some rewards exist only in symbolic or intangible forms which as to the challenge of measuring them. Your best friend bakes your favorite cookies and gives them to you. The actual cost and time involved in the cookies is of less reward value than the actual symbolic reward you take from your friend's gesture.

What examples of such symbolic rewards can you recall having received recently? Which symbolic rewards do you value the most? The least? What makes a symbolic reward valuable to you?

The principles of social exchange don't necessarily apply to all exchanges because of restrictions created by roles and social structure. Some exchanges occur without any real option of negotiating the costs and rewards. When you buy a hamburger at Wendy's for \$2.99, you don't suggest that the price is too high and offer them \$2.00 for the burger (though this would be an interesting interaction to try a few times). Of course, social exchange might be occurring at the cognitive level we described earlier such that you decide whether the cost of the hamburger is worth the reward (the actual burger). Such exchanges occur because they are defined by the roles and social structure in which we find ourselves. Think about how many of your interactions and activities with other people are not social exchanges in the sense of assessing costs and rewards. You go to your classes, take notes, do papers, and take exams because that is

the role you are playing as a student. When we teach our classes we don't think about how much we're being paid to be there, we just do it because it is the role we have accepted.

A final criticism we'll discuss was levied against early social exchange theory's oversimplification of human exchanges; that is, that the theory is reductionist (reducing something to very few factors). Explaining human interactions only in terms of costs, rewards, profits and exchanges leaves out a lot of other factors that impact human exchanges. Since its initial introduction, much of the branching out of the social exchange theory tree involves adding complexity to the theory. Thus, other concepts such as social structure, power, trust, motives, environment/context, relationship, and time have become part of various models of social exchange theory. The elaboration of social exchange theory significantly reduces the claim of the theory being reductionist.

Because of such simplification and concerns about the theories application to changing social values and structure, the theory is considered weak in its ability to meet the theoretic goal of prediction. Nonetheless, noted social psychologist, Kenneth Gergen (1980) concluded a review of social exchange theory by noting its application across most social phenomena (breadth) and that it "serves well in its role as organizer of experience and social sensitizer; it is especially useful in pointing up relationships among highly diverse phenomena (p. 280)."

#### **Technology Box: Costs and Rewards Associated with Electronic Mediated Communication**

You've just said "Goodnight" after a first date with someone you've recently met. The next day you're trying to decide whether to contact the person and let him or her know you had a nice time. Do you send a text? Do you call? Do you send an email? Do you send a message through Facebook? Your decision about whether to even contact the person probably involves

assessing the costs and rewards of doing so, and the decision of which median to use also involves such assessment. Contacting someone has relatively low costs, but does take a little time and involves some risk of scaring the person away. In this situation, you're probably going to assess the potential or forecasted rewards associated with developing the relationship, and decide if contacting the person as a way to show your interest. So would you contact the person? Which median would you use? Your answer is probably "yes" if you're a male, and "maybe" or "no" if you're female. You'd also probably send a text which has the lowest "cost" to you. If you call, you have to carry on a conversation which takes more time, plus you might be intruding on the other and thus worry about the cost you're placing on the other person.

Social exchange theory applies to other aspects of our mediated world such as television viewing. A recent study, Jeremy Osborn (2012) found correlations showing that the greater the amount of romantically themed programs people viewed the greater relational the costs, the greater expected costs, the greater the quality of potential alternative partners, but no relationship was found with rewards or expected rewards. While the relationships were neither cause and effect, nor particularly large, the study does show that media and technology can affect the perceptions of the costs and rewards associated with our relationships. Can you think of other ways that your use of, decisions about, or exposure to media and technology might relate to social exchange theory?

### **Behind the Theory: Insights from George Homans' Autobiography**

While in his 70's George Caspar Homans published, *Coming to My Senses: The Autobiography of a Sociologist* (1984), in which he reflects on his long life and journey through academia. His descriptions of his struggles and frustration with understanding the nature of theory might be

similar to your own. He noted that he heard the phrase, “there is nothing more useful than a good theory,” “so often as to make me puke (p. 321).” Early in his career he noted that social scientists talked a lot about theory but no one had actually defined it nor explained how to construct one. He read books on physics theories, theories of economics, and the philosophy of science in order to better understand the nature of theory and how it should apply to social sciences. One observation he made was that a theory’s propositions present an empirical relationship between variables rather than a logical one “as some ignorant theorists in social science were fond of saying (p. 326).” His commentary is often straightforward and amusing. Renowned philosopher of science, Karl Popper once asserted that if the results of two people interacting were not what either desired, it could not be explained psychologically. Homans observed, “No sillier fallacy—nor one more easily shown to be such—has ever, to my knowledge, been perpetrated by an otherwise great philosopher. But then I suppose it would be boring if intellectuals were sensible all the time (p. 341).”

## **RELATED THEORIES**

**Equity Theory (or Theory of Inequity)** derives from a variety of sources such as Homan’s distributive justice but is generally linked to J. Stacy Adams (1963, 1965, 1968) who focused on the factors that create a sense of injustice and what happens when people feel outcomes are unjust in a theory he originally labeled a Theory of Inequity. While he uses employer-employee exchanges as his primary discussion example, he contends issues of inequity exist wherever there is a social exchange such as between students and teachers, parents and children, or between lovers. The focus of equity theory is an examination of how feelings of equity or inequity affect a person’s motivation, such as a willingness to do a job. Adams’ (1963) defined and examined

inequity in terms of people's feelings about how their costs (amount of work, etc.) and rewards (pay, perks, etc.) compared to other people doing similar work. You've probably experienced this in class projects where you feel you are putting in more work than another team member, and felt inequity because that other person would get the same reward as you—the grade for the project. Equity theory has investigated how we respond to inequity, our efforts to achieve equity, or to reduce inequity. Inequity produces tension and distress which people seek to remove (Adams & Freedman, 1976). For example, in your team project, you might decide to put in less effort to match the other member, or perhaps you try to increase the cost in some way on the other member (have them pay for all the materials and pizzas you eat at meetings). The complexity of the human cognition and behavior related to equity theory has resulted in hundreds of research articles.

**Interdependence Theory** John Thibaut and Harold Kelley (1959, 1978) initially focused on the ways that two or more individuals are dependent upon one another for “achieving favorable outcomes (p. 4).” Underlying interdependency is the ability of a person to affect or control another person's outcomes. Interdependency theory has interesting applications, for example explaining the formation of coalitions in groups. In a triad, one member might discover more interdependency with one but not both of the other members, and vice versa. Suppose you're in a work group with two other people and that you and one member seem to be particular complementary, each providing resources needed by the other, but the third member doesn't have any such resources to provide. The interdependence you have with one member results in a coalition for the two of you and the third person is isolated. Interdependency theory examines how structures and relationships interact to produce coalitions which help partners maximize their outcomes. The theory addresses the interaction among three requirements often found in

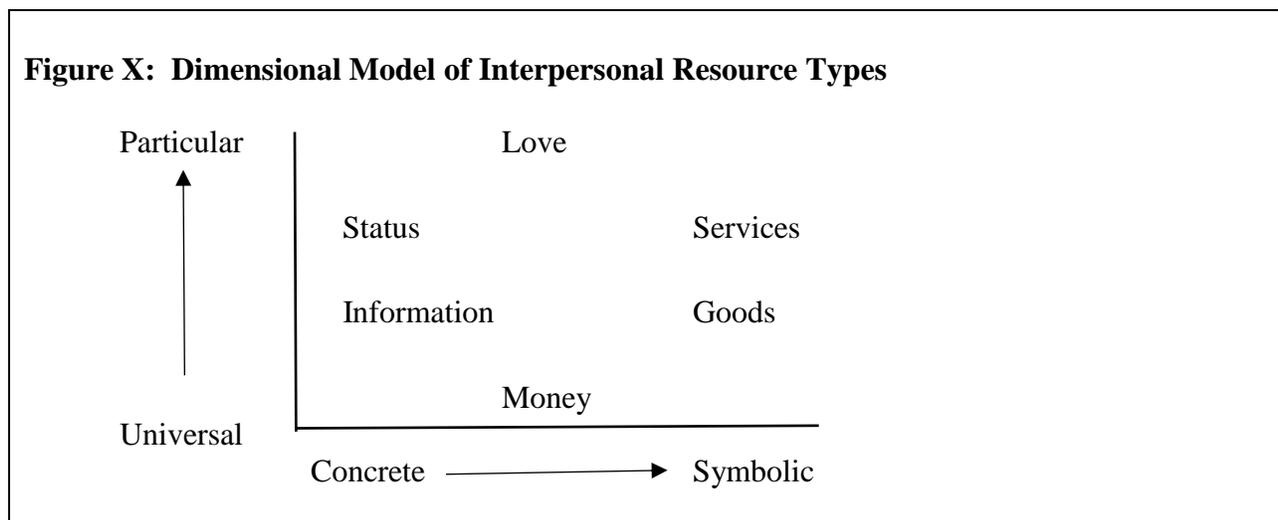
the group and organizational context: what is required of you, what is required of the other members, and what is jointly required (the nature of the task related to division of labor and structural factors imposed by the organization and context) (Victor & Blackburn, 1987). “The three requirements give interdependent units a specified degree of absolute and/or contingent control over their own and each other's performance. To the extent that Unit A requires an action by Unit B (e.g., delivery of materials, completion of a task), B can affect A's operations by either performing the required action or not. In this situation of simple exchange, interdependence theory asserts that B has fate control (FC) over A. “

Social psychologist, Caryl Rusbult (1980, 1983) applied interdependence theory to her examination of satisfaction and commitment in relationships in developing her investment model. In her model she consider the effects of rewards, costs, commitment, investment, and available alternative partners on satisfaction. She found increasing rewards positively related to increases in satisfaction but variations in costs did not. Rusbult (1983) found that people stayed in dissatisfying relationships because of their level of investment or a lack of alternatives. The more investment, rewards and lack of alternatives increased a person's commitment to the relationship. The investment model was seen as applicable to romantic relationships, friendships, and even the workplace.

### **Resource Theory:**

According to social exchange theory an exchange involves a reduction in the amount of a resource someone has, but contrary to this, there are resources (a smile, love, pat on the back) which don't reduce the giver's resources. Resource theory was developed to resolve this conundrum (Foa, 1971; Foa & Foa, 1974, 1980). Foa (1971) proposed that resources varied along two dimensions: concreteness to symbolism and particularism (interpersonal) to

universalism. Concrete resources are the tangible goods or services that might be exchanged while at the other end of the continuum are symbolic resources include valued words and actions. Foa recognized that the source of a resource affected the resource's value, so the notion of particularism represents the degree to which a resource has value because of the particular person or relationship (your spouse saying "I love you") while universalism represents resources that have value regardless of the relationship (e.g. money). Within these two dimensions, Foa plotted six interpersonal resources: information, money, goods, services, love, and status as seen in Figure X. Foa (1971) originally contended that those resources that are nearest each other are perceived



as most similar and also most substitutable though the research to confirm this has been mixed (Foa, Törnblom, Foa, & Converse, 1993). Needs are an important part of considering how the resources are exchanged. A person in need of money might exchange goods, information, or services, for money. Two people in need of money are unlikely to make an exchange, while two people in need of love might each exchange their love.

**THEORY SUMMARY AND APPLICATION TO EVERY DAY COMMUNICATION**

As you read this chapter hopefully you consider the degree to which you personally examine the rewards and costs of your exchanges with friends, family, romantic partners, and workplace relationships. In so doing, perhaps you discovered that while you sometimes take into consideration the outcomes or “profits”, you also engage in social interactions without your accounting ledger. But are the decisions you make without considering the rewards and costs as successful or satisfying? One of the challenges of keeping track of rewards and costs is actually identifying them. Knowing how much money have or spend is fairly straightforward, but how do you keep track of the costs and rewards of a given relationship? How do you assess the value of your cost such as time in comparison to the reward of simply spending time with a particular person who gets on your nerves sometimes? Awareness of this theory might help you to better understand frustrations you have in your personal and workplace relationships where you experience inequities.

Social exchange theory describes the elements and process by which people engage in an exchange where rewards are sought and costs are incurred. Basic economic principles are applied such as people seeking to gain something of greater value than it costs (to make a profit). Social decisions are said to be based upon consideration of the rewards and costs including such choices on what relationships to pursue and which to terminate. The values of rewards and costs are variable and are often relevant to a person’s needs. We also seek fairness (what Homan’s calls distributive justice) in our exchanges where we feel we have made an equitable exchange.

Social exchanges involve at least two people who incur a cost with the expectation that they will gain a reward and can involve both material goods (money, services, objects) as well as non-material ones (approval, love, respect). However, if we can become reliant on one person for a particular reward (like paychecks or friendship) it can create dependence or superordination.

While many principles have been developed as part of social exchange theory, we selected five which had the greatest application to the communication. One principle asserts that we are motivated to make the greatest profits (least cost for the greatest reward). Other principles explain how social exchange theory can be applied to explain specific social interactions such as the development of interpersonal relationships, decision making within groups, and workplace behavior. As social exchange theory developed it was applied in a variety of ways such as explaining social power and control, social networks, and social structures.

Criticisms of the theory include a question about the degree to which people act in such a rational and analytic manner, issues regarding determining reward values, concerns that exchanges are at times dictated by social structure rather than the individuals, and finally that the overall theory tends to oversimplify human interactions and behavior.

Equity theory focuses on issues of inequity and how people respond to and manage those situations in which they feel their costs are greater than the rewards, or when they are not getting their fair share of rewards. Interdependence theory deals with those situations where a given structure or task leads to individuals forming coalitions in order to best maximize their outcomes. Such interdependence is reflected in the investment model of relationships in which costs, rewards, commitment, investment, and alternative partners interact and affect relational satisfaction. Finally, the nature of rewards and costs is detailed in resource theory. Resource theory uses the dimensions of particularism-universalism and concreteness-symbolism to classify six specific interpersonal resources (love, status, services, goods, money, and information).

**FOR REVIEW**

## **Key Terms**

Rewards	Value of a Reward
Social Rewards	Costs
Profit	Equity/Distributive Justice
Social Exchange	Outcomes
Comparison Level	Comparison Level for Alternatives
Forecasted Rewards and Costs	Equity Theory
Interdependence Theory	Resource Theory

## **Questions for Review**

1. Explain what is meant by “value of a reward”.
2. Identify some of the costs that might be experienced in an interpersonal relationship.
3. What is profit?
4. Under what conditions are people likely to feel inequity?
5. Briefly explain what a social exchange entails.
6. Explain one of the principles associated with social exchange theory that were covered in this chapter.
7. As social exchange theory was expanded, in what other ways was it applied?
8. Discuss one of the criticisms raised about social exchange theory.
9. How do interdependence theory and resource theory relate to each other?

## **CLASSROOM ACTIVITIES**

1. Think about all the decisions you’ve made in the last twenty-four hours that involved some other person— texting a person you’ve recently met, taking a friend to dinner, going for a jog

with a friend, calling your mom, etc. Identify at least four such decisions. For each decision, consider what the costs were—what did you have to sacrifice (time, freedom, money, etc.). What rewards did you ultimately gain (information, a boost to your self-esteem, weight loss, etc.)? How profitable do you feel each of your decisions were? How does your level of profit or loss affect future decisions regarding the same person?

2. In small groups, generate a list of examples where you felt inequity. Once you have a list of eight to ten examples, regroup them into three or four categories according to qualities they share in common—workplace, romantic relationship, etc. Discuss the impact that the inequity had on you and the other person (people) involved. For which category did inequity have the most negative impact? Why? For which category did inequity have the least impact? Why? Discuss your conclusions with the rest of the class.

3. In groups of three to five, analyze your current jobs or most recent jobs using social exchange theory, equity theory, interdependence theory, and resource theory. Help each other apply the theories to the analysis. Consider how you felt in the job relative to the resources you received and the costs you incurred. For jobs that the members no longer hold, to what degree did inequity affect the decision to quit? As a group decide which theory provides the best explanation for the workplace exchanges and interactions.



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