

ORD # 5964-69

SECTION VI. BIBLIOGRAPHIC ESSAY:

Exchange Theory: A Potential Framework for Cross-Cultural Research

by Arnold E. Dahlke

INTRODUCTION

The purpose of this essay is to suggest a theoretical viewpoint for cross-cultural research. During the past decade, several expositions of what Secord and Backman (1964) call "exchange theories" have emerged in social psychological literature. These theories have their common intellectual roots in a long string of expositions of a hedonistic view of man. They are currently articulated in the combined language of modern economics and social psychology. It is the thesis of this essay that exchange theories, collectively, offer a promising theoretical vehicle for cross-cultural research.

The following presentation of exchange theory is a direct modification of an earlier article (Dahlke, 1967). It draws heavily from Thibaut and Kelley (1959), Homans (1961), and Secord and Backman (1964). No attempt has been made to specifically reference any of these sources until section IV of the essay, in the pedagogical interest of a fluent presentation. The voice given to exchange theory here is not entirely original but at the same time it is not a simple summarizing of the other sources. It is an attempt to present a collective view of current statements of exchange theory.

The order of presentation moves from one person to his society. The discussion begins with the description of individual behavior, turns next to a consideration of individuals behaving in groups, and then extends that consideration to entire societies.

EXCHANGE THEORY

Individuals

An individual is constantly interacting with both the social and nonsocial elements of his environment. A single interaction is termed an exchange. The units of exchange are the verbal and nonverbal actions traded between the individual and the social and nonsocial elements of his environment (these actions are called behaviors), and materials received from his nonsocial environment (these materials are called goods). An example of an exchange of behaviors is the statement of liking from person B to person A as a result of a behavior of person A directed to person B. An example of an exchange of a behavior for goods is an individual pushing a button for an elevator and "receiving" the opening of the elevator door. The choice of these specific labels, behaviors and goods, is unimportant; the designations could be otherwise. This holds for all of the terms presented throughout this essay. The important point is that they convey the basic idea of an individual continuously engaged in exchanges with elements of his environment.

Each exchange has an outcome, that is, it acquires or has attached to it some degree of value or satisfaction ranging from extremely positive to extremely negative. We refer to the positive outcomes as rewards and the negative outcomes as costs. The liking of person A by

Essay

person B pleases person A. The outcome of that exchange is favorable. The opening of the elevator door satisfies the individual pushing the button, another favorable outcome. An endless variety of such examples could be offered here.

The reward and cost associated with the outcome of an exchange for a particular person at a specific time depend upon two classes of determinants. First are biogenic determinants which originate in basic physiologic processes: the value of the outcome of an exchange is often judged by the extent to which that exchange satisfies basic biological requirements and self-regulating processes of the individual. He has to meet and react to certain organic demands, such as hunger, thirst, and sleep, as well as organic states, such as the presence of adrenalin in the bloodstream. Disequilibrium in his internal biological systems brought about by these demands stimulates neural impulses which lead to exchanges resulting in restoration of equilibrium.

The second class of determinants is referred to as sequential determinants. Values of the rewards and costs derived from particular exchanges are affected by prior exchanges and by anticipated future exchanges. Sequential determinants can be grouped roughly into four types: states, expectancies, investments, and social needs.

A specified state refers to a relative deprivation being experienced by an individual with respect to a particular reward. As some exchanges are repeated over and over, their reward value decreases; the individual is in a state of satiation with respect to the rewards resulting from those exchanges. On the other hand, when a reward is rare, or has not been experienced for a long time, the individual is in a state of deprivation. Costs are likewise affected: repeated exchanges, as they become more fatiguing, and exchanges not leading to expected rewards, become more costly.

The second type of sequential determinants, expectancies, refers to the modification of rewards and costs by expectations held by the individual, i.e., the value he places on the outcome of an exchange is affected by the level of reward or cost he expects. These expectancies are the results of experience and knowledge gained in previous exchanges, the availability of other exchanges, and the implications of present exchanges for the outcomes of future exchanges.

The third type of sequential determinants, investments, refers to all that has been "invested" in an exchange or a sequence of exchanges, e.g., time, work, emotion, talents, abilities brought to bear, etc. The more an individual has invested, the more important rewarding outcomes become and the more costly their failure to materialize. Investments affect expectancies: an individual expects his outcomes to be equitable with outcomes of others. He expects that the extent of favorable outcomes as a function of his investments will be proportional to the extent of favorable outcomes of another individual as a function of that other's investments.

Social needs, the fourth type of sequential determinants, originate during the course of the individual's development in the social setting, arising from the presence of other persons in his environment. As we will see in later sections of this essay, individuals attain "status," "power," etc., through belonging to groups. While at first status and power, etc., are reached functionally, i.e., they are assigned to the individual because of his worth to the group, their attainment eventually becomes (due to their reward value) a class of autonomous needs. Hence we speak of the individual's social needs to gain status, power, etc.

It should be noted that the various determinants of the values of rewards and costs discussed above are not independent of one another. Biogenic determinants are modified by

Essay

sequential determinants and vice versa. Expectancies result from states and investments, investments affect reward value in terms of expectancies, etc. In short, the determinants of the values of the outcomes of exchanges can be regarded as a complex, dynamic system of interdependent factors, each constantly modifying the others. The total exchange process and the classes of determinants of the value of an outcome are summarized in Figure 1. That diagram portrays the core concepts of the present exchange theory approach.

Collections

Two or more individuals together are termed a collection of individuals. A collection can simply be individuals in the presence of one another, possibly emitting behavior, but not behavior for or to each other. We call this kind of collection an aggregate. For example, several individuals sitting in the same theater, watching the same movie, would be considered an aggregate. Further, a collection of individuals can emit behavior for and to each other. It is then a collectivity. Exchanges between a grocer and his customers, between a performer and his audience, between individuals waiting together for an event to occur, are examples of collectivities. Finally, a collection of individuals who coordinate their exchanges for and to each other in order to attain collectively desired positive outcomes is referred to as a group. Examples of groups are a squad of marines attempting to take a hill, a meeting of a city council, a basketball team, etc.

Groups

Although individuals in a group can engage in exchanges with their environments either by themselves or with other members of their groups, their exchanges are constantly being influenced by their membership in groups. Thus, since all people belong to or have belonged to one or more groups, it is important to note that the values of rewards and costs are constantly being socially modified, even those that have been biogenically determined. This is of central importance to an exchange theorist; the behavior of an individual alone or with others in a group is very largely a function of his memberships in groups.

Groups are characterized as formal or informal. These terms refer to the way in which a group has developed and is organized. A collection of individuals very deliberately creates a formal group when faced with the need for attaining some specific outcome. Government bureaucracies, industrial organizations, military organizations, etc., are examples of formal groups. Informal groups, on the other hand, emerge, that is, they develop through exchanges among their component individuals over a period of time. For the most part, informal groups are not consciously or deliberately organized. Friendship groups are examples of informal groups.

In addition to the formal-informal classification, groups have traditionally been characterized as primary or secondary. In a primary group, individuals have warm, intimate personal ties with one another. Primary groups are most often small, face-to-face groups. Exchanges lead to more immediate outcomes which have greater salience to the individuals involved, due primarily to sequential determinants. Secondary groups, on the other hand, represent the other end of the intimacy continuum: exchanges among members are relatively impersonal and formal or contractual. Secondary groups are typically larger and group members usually are participating more in specified capacities. Exchanges are directed toward more distant or long range outcomes. The difference between primary and secondary groups is one of degree rather than kind. Secondary group exchanges are more indirect and less

Essay

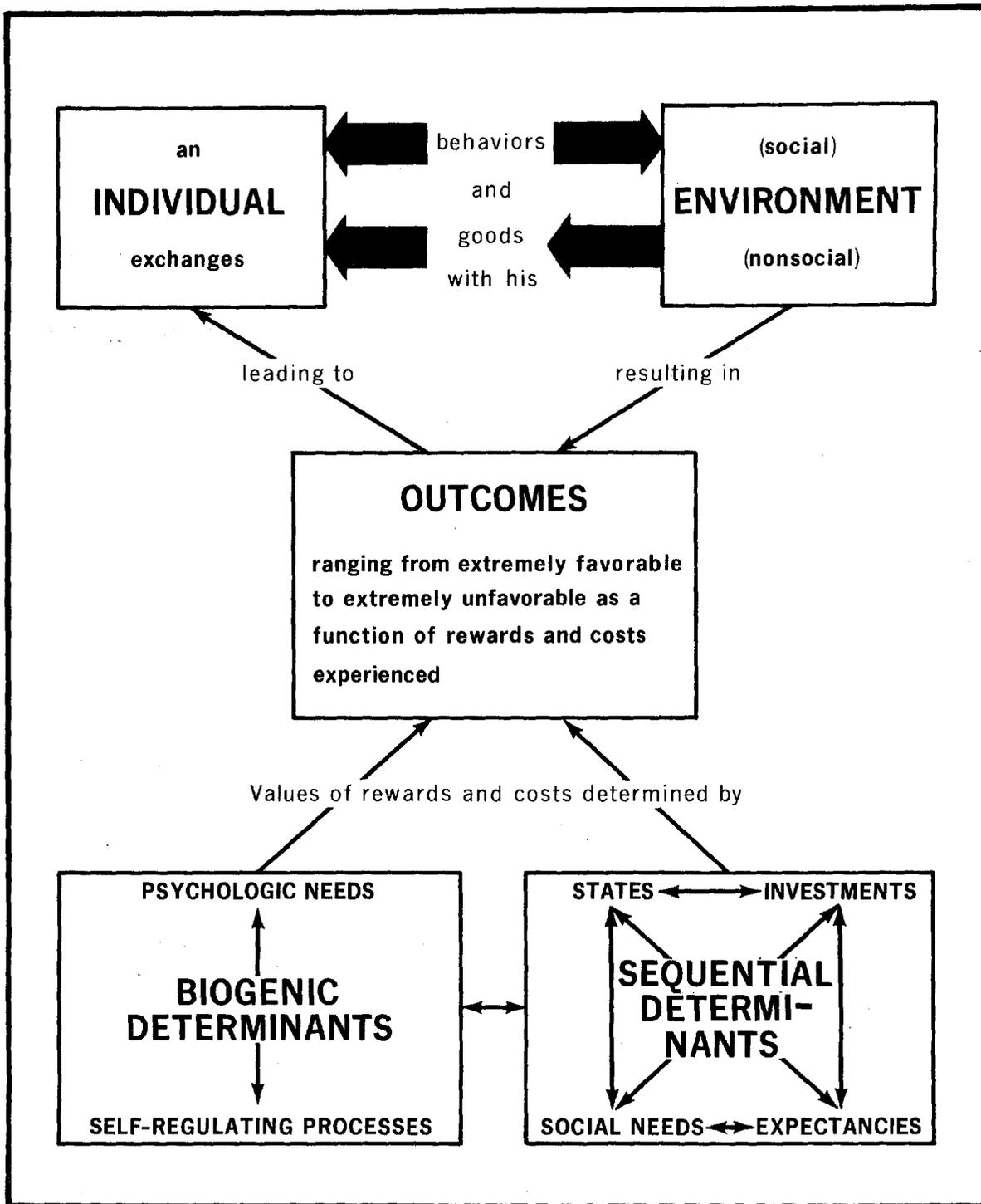


Figure 1. THE PROCESS OF EXCHANGE

Essay

frequent and demand less personal involvement than those of primary groups; outcomes are not as immediately salient.

The formal-informal and primary-secondary characterizations of groups are not independent categorizations. The former, when applied to groups, refers more to the way in which the structure, i.e., organization of the group has developed; the latter characterizes the pattern of exchanges among members within the group. There is some correlation between the two dimensions in that primary groups are most often informal groups, while secondary groups are more often formal groups.

In the early stages of group formation, processes termed sampling and estimation occur. In a collectivity that is moving toward becoming a group, a given individual samples the outcomes of exchanges with other individuals and estimates the rewards and costs that would ultimately be experienced in such a relationship. These perceived rewards and costs are, of course, judged against the expectancies that the individual brings with him to the collectivity and, at later stages, against the expectancies developed by such sampling with members in the collectivity. In addition, each person exchanges behavior toward motivating the other to giving him favorable outcomes. He can distort the other person's perception by falsifying what he is actually giving and receiving and misleading him in his expectations for future exchanges. He can attempt to elicit rewards from the other person by giving progressively greater rewards that prompt the other to return in kind. He can improve the other's outcomes by lowering the cost of the exchange to the other, which would insure the continuation of the exchange.

A group, then, is viewed as a collection of individuals engaging in interdependent exchanges to attain desired favorable outcomes. Either the group members are working toward common individual satisfactions or are working toward outcomes accepted by a consensus of the group.

GROUP NORMS

As a collection of individuals moves from being a simple collectivity to being a group and members attempt to attain collectively desired favorable outcomes through interdependent exchange, a need arises to control and coordinate the large number of exchanges that take place. To insure that group members are able to continuously engage in exchanges directed toward attainment of individually favorable outcomes, they find that they must develop "trading rules." These trading rules are referred to as norms.

A norm is said to exist when group members agree about the exchanges that should or should not be enacted and develop mechanisms to produce adherence to these agreements. Such norms encourage exchanges that maximize favorable outcomes and discourage exchanges that lead to more costly outcomes. Their existence in a group is manifested by observed regularity in the pattern of exchanges taking place within the group. When this regularity is disrupted, attempts are made to restore it by appeal to the norm. The person responsible for disrupting the regularity is likely to feel some obligation to adhere to the norm and experiences conflict or guilt when deviating from it.

The strength of such norms in the group depends upon how necessary group membership is for the attainment of specified outcomes. Whenever outcomes are likely to be adversely affected by particular patterns of exchange, norms develop. Exchanges that are highly relevant to maintaining the group toward individually favorable outcomes are subject to normative pressures.

Essay

Certain exchanges are less susceptible to normative pressures than others by virtue of the fact that they are more strongly associated with very high rewards or costs. Examples are the powerful biogenic and the more salient sequential motives. Similarly, costly behaviors are sometimes exempted from normative control: some exchanges cannot reasonably be required of an individual, such as dangerous combat missions.

Besides the fact of norms arising from the shared desire of group members to achieve favorable outcomes, the size of a larger group requires the formation of sets of norms to coordinate exchanges. Since a larger number of members in a group increases the likelihood that individual exchanges will interfere with each other, difficulty in achieving consensus with respect to desired outcomes will be experienced, and specialization of exchanges and division of labor will occur.

The operations by which norms are communicated and enforced within a group have been termed norm-sending processes. Various activities are required in norm-sending: (1) a rule must be stated concerning the desired exchange and the consequences of engaging or refraining from engaging in it; (2) surveillance must be maintained over the exchanges of group members to evaluate the extent of conformity; and (3) sanctions must be applied to group members to produce conformity. These various activities may be performed by the same agents within the group, by different agents within the group, or even by agents outside the immediate group. For example, police maintain surveillance and judges apply sanctions; in many families the mother states the rules to her children, while the father delivers punishments and rewards. Having members outside the group perform these functions is often advantageous because the aggression aroused by punishment may be directed toward the outside agent and not toward the group members, thus contributing to the continuity of exchanges with favorable outcomes within the group. The ultimate control of conformity to norms occurs when the norm is "internalized," i.e., when these norm-sending functions are taken over by the individual himself.

Certain limits are placed upon the norm-sending processes in the group by the general organizational properties of the group. For example, the ease with which communication is possible among members determines how accurately the norm can be transmitted. The greater the extent to which the actions of members are open to view, the more thoroughly can surveillance be maintained. The norm-sending processes are also limited by the nature of the norm. For example, some norms apply to behavior under virtually all circumstances. These are referred to as universalistic norms. Others, particularistic norms, apply only under certain conditions. Finally, the norm-sending processes are further limited by the nature of the group members involved. If a person is very valuable to the group (i.e., group members are highly dependent upon him for favorable outcomes) maximal sanctions may not be applied to him for fear of driving him out of the group.

Although this discussion of norms has focused on the functional value of norms to the group, it does not mean that group members always consciously develop norms with the intention of achieving more favorable outcomes. It is true that some norms are developed in this manner, such as many of the rules that regulate exchanges in formal groups, but others emerge more as implicit understandings reached by processes of trial and error. Members are reinforced for adhering to given rules because such rules cut costly outcomes and increase dependability of getting rewards.

Besides being deliberately developed, or developed by a process of trial and error, some norms are imported from other groups. New group situations are seen to be similar to old ones, and the norms applicable to the old are generalized to the new. Such adaptation of norms

Essay

will not necessarily be the best solution to the various problems of control, coordination, and synchronization of exchanges, but will generally be adequate and lead to more favorable outcomes for group members. After a time, the sequences of exchanges within the group will lead to a more adequate modification of the old norms for use in the new group.

ROLES OF GROUP MEMBERS

While some of the norms within a group apply to all members, others apply to certain specific individuals or subclasses of individuals. These subclasses of norms provide a basis for identifying different roles within a group; i.e., a role is a subclass of one or more norms that applies to a group member's exchanges with both his social and nonsocial environment. Group members develop common expectations concerning the norms that govern the exchanges of each member in the group. These expectations then guide the exchanges of group members. One member anticipates how another member might react to his various actions, and shapes the exchange accordingly. Thus, exchanges within the group have a "contingent" quality: one person's behavior is contingent upon his anticipation of how the other will react toward him. This is why sequential determinants are so important in considering the values of exchange outcomes.

Early in the formation of the group, different members become associated with different norms governing different sets of exchanges. This specialization has been called role differentiation in a group. The role expectations that accompany role differentiation provide for the coordination of exchanges within the group, leading to the more efficient functioning of the group in its collective pursuit of desired outcomes.

Within any group, a given member may occupy several different roles. Problems then result concerning relations between roles, both intrapersonally and interpersonally. Intrapersonally, there is the problem of keeping various roles mutually consistent with one another. When inconsistency does exist, it may be minimized by mentally separating the roles, by separating their enactment in space and time through establishing order or precedence, or by changing or eliminating some of them. Interpersonally, roles generally develop within the group in a reciprocal fashion, since role differentiation is governed by the need of group members to maximize the favorability of their collective outcomes.

GROUP ENVIRONMENT EXCHANGE AND GROUP MAINTENANCE

A typical group must deal both with the internal problem of relations among its members and the external problem of dealing with its environment. To insure the ultimate survival of the group, maximization of each member's outcomes must be a function of group participation; the exchanges among group members must be regulated and coordinated toward that end. This means that the favorable outcomes available to each group member must be greater than those available in competing groups.

The first general problem that thus confronts the group is that of controlling its social and nonsocial environments so that they will yield relatively positive outcomes for its members. The activities required to do this are referred to as task functions. The task functions are those activities that have to do with controlling the external environment in such a manner as to yield high rewards or cut costs to the group. This would include such activities as making discriminations about the present state of the environment (perceiving and assessing the problem imposed on the group by the environment); making predictions about the

Essay

favorableness of the outcomes for various combinations of actions and environment states; adding behavioral items to the group repertoire (training the members, etc.); and changing the state of the environment or maintaining it (organizing the group into action). Adequate role differentiation to carry out the successful operation of task functions insures a suitable level of reward-cost input from the environment.

The second major problem that then faces the group is the handling of the distribution of rewards received within the group, including the various functions concerned with the establishment, surveillance, and enforcement of norms. This class of functions is referred to as maintenance functions of the group. They, in essence, maintain the interdependence among members in the group. They include activities such as diagnosing the reward-cost position of the various members; equitably distributing the rewards among the various members; insuring regular payoffs for members even though the group's intake from the environment is irregular; cutting costs by improved communication; insuring that the present group and the perceptions of its members are seen as more valuable than competitive groups; etc.

These task and maintenance functions are organized and carried out in the process of role differentiation during which norms develop and stability of expectations concerning exchanges occurs.

STATUS OF GROUP MEMBERS

The development of norms and role differentiation in a group contributes to and is affected by the emergence of a structure referred to as the status structure of the group. Status is the worth of a person as estimated by a group or class of persons. The estimate of worth is determined by the extent to which his attributes or characteristics are perceived to contribute to the attainment of valued outcomes for members of the group or class of persons. Which attributes contribute to status depends upon the persons making the status evaluation. Status attributes may relate to valued outcomes shared by a small group or by a whole society, but only those attributes related to outcomes shared in common by group members are status attributes. A unique characteristic possessed by a person which is of value only to himself and one or two others is not a status attribute.

The notions of exchange presented thus far suggest several determinants of status. First, highest status is given to a group member to the extent that his behavior is rewarding to the entire group. Such rewards, however, must be relatively rare. Only attributes in scarce supply confer status. Second, status is given to a group member to the extent that he is a recipient of things valued by his society, such as high income, esteem, etc. The more he is seen as receiving such valued rewards, the higher he is ranked in the status structure of the group. Similarly, a person who suffers costs that are not incurred by almost everyone in the group but that assist in the realization of the values of the group is accorded higher status, e. g., the soldier who receives the Congressional Medal of Honor. Finally, an individual's investments confer upon him a right to be accorded a certain status.

Basic to the development of a status structure is the process of interpersonal comparison. Persons in a group are constantly comparing themselves to others with respect to the rewards they receive, the costs they incur, and the investments they accumulate. A status structure develops when there is a general agreement or consensus as to the status of each group member.

Essay

In comparing himself with another group member, an individual attempts to obtain distributive justice, a situation in which the outcomes of each person are directly proportional to his investments. When this kind of equality prevails, distributive justice is achieved. Marked inequalities are perceived as unjust. If a group member perceives that his outcomes are not as favorable as those of another group member, even though their investments are equal, he feels an inequity, experiencing dissatisfaction and feelings of anger or abuse. If, on the other hand, his outcomes are more favorable than another member's who has made the same investment, his feelings of inequity will be experienced as guilt.

Closely related to the condition of distributive justice is that of status congruency, i.e., that condition in which all the status attributes of a person are in proportion to his place in the status structure relative to others. An individual in a higher status rank, for example, expects himself to be better in all facets of his role than an individual in a lower status rank. He attempts to maintain status congruency by excelling in every manifestation of his role.

An important product of the processes of status congruency is the emergence of status symbols. These are characteristics which initially have no status value, but which are regularly associated with certain status levels and eventually come to be perceived as symbols of those status levels.

As norms develop and roles differentiate in the group, the status structure emerges as a stable social system. Processes that insure status congruency and distributive justice lead to the stability of the system. Processes that increase the value consensus in the group also further the stability of the system. Finally, a group member engaging in exchanges appropriate to a role associated with a particular status rank thus validates his status position, adding still further stability to the system.

POWER RELATIONS IN A GROUP

The development of norms, the process of role differentiation, and the emergence of a status structure are interdependently linked to (i.e., all contribute to and are affected by) differences in the relative power of the participants to influence one another. This pattern of power differentials in the group is referred to as the power structure. Power differentials arise from both the value to the group of individual members and the patterns of exchanges among them. The power structure, in turn, affects the distribution of rewards and costs among group members.

Power is determined by three classes of variables: (1) resources, the properties of an individual (possessions or aspects of the behavior, etc.) that enable him to affect the rewards and costs experienced by another person; (2) dependencies of other persons on him; and (3) alternatives, i.e., the availability of alternative sources of rewards and means of reducing costs for each member in the power relationship.

Examples of resources are power based on the perception of one person that another can deliver favorable outcomes for complying with specific kinds of exchanges; power based on the assumption that one person can influence another by threatening the other with unfavorable outcomes for not complying with certain exchanges; power based on identification or the desire to be like another person; power based on the fact that one person has some special knowledge in a given situation that other people do not possess; and power based on the acceptance by a person of group norms that dictate to him that he should accept the influence of

Essay

another person because it is legitimate. These different resources give rise to types of power that differ in the extent to which the power can be constantly exercised and still remain effective. Also, continued use of power directly affects the value of the rewards or costs experienced: repeated use of power, based on ability to reward, reduces the favorability of outcomes as a person's needs become satiated; continued use of power, based on threats of costs, is likely to lead to urgent searches on the part of the person being influenced for a means of getting out of the power relationship; etc.

Turning to dependencies, a particular resource is only an effective power base insofar as it has some relevance to the satisfaction of the person being influenced. The degree of satisfaction experienced is a function, in turn (as usual), of biogenic and sequential determinants of outcomes. An example of a dependency related to sequential determinants is that in a group in which a particular resource is frequently required; the more frequently situations requiring a particular resource are likely to recur, the greater will be the perceived importance of this resource as a source of power and, hence, the greater the dependency.

Alternatives, the third class of power determinants, are closely related to resources and dependencies. If the member being influenced himself has a particular resource in sufficient quantity or if he is able to gain that resource at a lower cost in other relations, then influence attempts directed toward him will be relatively ineffectual. If everyone were an expert, for example, the expert would be powerless. The person being influenced is thus constantly comparing the favorability of the outcomes of his complying with the person in the power position to the outcomes of not complying. If enough available alternatives provide as good or better outcomes, then there is no profit in complying.

In general, then, that group member is more powerful who can affect the outcomes experienced by other persons at rather low costs to himself. The extent to which he is able to do this is a function of the resources, dependencies, and alternatives involved.

In this discussion concerning power we have been examining direct relationships between members. Power of one person over another can also be exerted indirectly through other group members. The hierarchy of members in the power structure and the communication channels existing between them then become important considerations. Power structures vary with respect to the number of levels of power, the degree of connectedness, and the extent that persons have counterpower over those who exert power over them.

COMMUNICATION IN A GROUP

Norm development, role differentiation, and the status and power structures each affect and are affected by the pattern of exchanges of information in the group by means of behaviors and goods; this pattern is called the communication structure. The communication structure is generally very closely related to normative, role differentiation, status, and power processes, since all of these processes coordinate exchanges that lead to the equitable distribution of rewards and costs among group members.

An obviously important basic factor in considering the communication structure in a group is the factor of spatial and mechanical restrictions on communications. At one end of the continuum, group members who are not allowed to communicate with each other cannot be expected to have much effect on each other. On the other hand, in a group in which all members are communicating with one another, the pattern of communication exchanges can become very complex. Presumably, the difficulties of spatial location and interactive contact decrease as

Essay

the size of the group decreases. In a smaller group, the communication structure is more influenced by normative, role, and status factors. As size increases, the most active communicators become increasingly active, relative to other group members.

Besides the more physical restrictions, other factors already discussed affect the communication structure. For example, frequency of communication is associated with the degree of status that a person has in a group: the higher the status, the more likely he is to initiate and receive communications. Communication is likely to be directed toward high-status persons and toward persons of equal status. When the equality of two persons is in doubt, they are likely to avoid communication with each other. Other individual characteristics also influence the development of the communication structure. The amount of communication is affected, for example, by the extent to which an individual conforms to the norms of the group; the amount of communication engaged in by various members of the group is related to the amount of communications that these members receive from others in the group, etc.

Societies

The discussion of exchange theory thus far has taken us from a consideration of individual behavior to the functioning of groups. These same notions can be extended to the larger subgroups of societies and, in fact, to entire societies. Societies are composed of a large number of overlapping and interdependent groups. Every individual in the society belongs to a number of groups simultaneously. The norms, the roles, the statuses, etc., of those groups overlap with one another and often conflict with one another. Nevertheless, a society, like a smaller group, has to organize itself in the pursuit of the common ends of its composite groups of individuals. The groups of people in a society, just as individuals in a small group, must function together. They require formal rules for defining their relationships to one another. Thus society, like a small group, ends up with a structure or patterned arrangement of relationships.

The structure of society is usually dealt with in terms of "institutions," such as familial, religious, political, economic, etc. The functions of these institutions are coordinated just as are the individual exchanges among members in a small group by the development of norms that guide group exchanges in the society. As in the small group, these norms lead to and are affected by roles, statuses, and power and communication structures.

As in examining the structure and processes in a small group, it is important to note that a society, too, is an integrated, functional system. It is not simply a collection of institutions thrown together by chance. Each part of the society is related to other parts. Each fills a definite function in relation to others and is more or less essential to the normal functioning of the society as a whole. Each part in turn draws upon all other parts in some way for existence. Changing one part necessarily implies changes in other parts. In other words, like the small group, a society can be regarded as a system attempting to maintain equilibrium.

The distinction should be made here between society and culture. Society is made up of individuals who share systems and subsystems of norms, status structures, power structures, etc. Culture consists of those norms and structures transmitted over time from one individual to another that shape the behavior of the individuals in the society. In other words, culture can be thought of as the learned way of life shared by people who make up the society. An individual in the society is socialized very early to responses of values of goodness or badness for his particular exchanges: some exchanges are required, others are approved or

Essay

disapproved. Thus, his culture provides for him "givens" with which he begins the jockeying of exchanges required by people living together in their quest for collectively favorable outcomes.

It is clear, then, that a society grows out of the formation of individuals into groups which, in turn, define its institutions; conversely institutions and groups define the culture of the society. This is the proverbial problem of "which came first, the chicken or the egg." The point along this continuum from individual to society at which we step in to develop a particular analysis determines whether or not a specific concept will be treated as cause or effect. Thus in looking at the larger society we shift our analytical emphasis to the concepts that have grown from looking at individuals interacting in groups: norms, roles, status, power, etc. In other words, building on the primary concepts displayed in Figure 1, we derive a set of intermediate concepts which are then used to delineate the complex characteristics of the society. However, since these intermediate concepts grow out of the more individual exchange concepts, the exchange theory approach allows one to move up and down appropriate levels of abstraction. Institutions of a society define and/or are defined by the individuals that make up their relevant groups.

A particularly useful additional concept in looking at the components of a society is the concept of reference groups. Any group is a reference group for someone if he uses it as his frame of reference for appraising himself or his situation, or as a gauge of aspirations for himself. In other words, when an individual aspires to membership in a group or strives to be like (or unlike) the members of that group, it is referred to as his reference group. A reference group, then, is his basis for evaluating himself. The term indicates the source of the institutionalized definitions that guide behavior or form the attitudes of particular people in particular situations. Because of his multiple group membership, any individual actually has a number of reference groups.

Any group, whether a particular individual belongs to it or not, may be a reference group for him if it is a source of his conception of his role in society, or in the groups to which he belongs. Thus, the reference group is not necessarily a group. It may be a social category consisting of persons who possess similar characteristics such as age, sex, income, race, or religion. It may be a positive reference group whose norms are favorably perceived and adapted, or a negative reference group whose norms are rejected. In short, reference groups serve as frames of reference for an individual's definitions of situations.

Thus, the highly complex, interrelated exchanges among the individuals who make up a society form the basis of the society's culture. The values explicated in that culture comprise the background against which the individual becomes differentiated.

IMPLICATIONS

The exchange theorist, then, sees the individual exchanging behaviors and goods with his environment for the purpose of obtaining favorable outcomes, i.e., attempting to increase the frequency of rewards associated with exchanges and decrease the frequency of costs. The values of these rewards and costs are determined by a number of factors: biogenic determinants and several sequential determinants (states, expectancies, investments, and social needs).

Essay

As we have seen, when individuals interact together, they find it necessary to develop norms to coordinate their exchanges. This insures the attainment of collectively favorable outcomes. They develop a system of such norms and, through the enactment of roles within a status structure, they attempt to maintain the equilibrium of that system. This complex system then leads to the institutions which define the culture and give identity to a society.

The most obvious characteristic of this theoretical view is that behavior can only be accounted for by a large number of variables which fit together in a very complex, interacting, highly interdependent fashion. Given this multi-variable systems approach one can enter the analysis of behavior at several different levels of abstraction. This means, in fact, that certain variables at one point are being considered as antecedents, and at other points as consequences. The particular level of abstraction which one uses is a function of what the theorist is trying to accomplish.

The value of exchange theory does not come from the introduction of a host of new theoretical concepts; in fact, it introduces very few. Rather, its advantage is that it provides a framework that integrates a variety of concepts that already exist at a number of levels of abstraction. It is a detailed systems approach which offers the potential of any systems approach: a common language at all levels of analysis that facilitates the input of cross-cultural data from each level in a meaningful, integrated way without having to translate from one theoretical scheme to another. Hence, the data collected at the institutional level of a given society have relevance to other data collected at the individual level of dyadic exchange and vice versa. Perhaps, in this sense, it would be more appropriate to call the statements of the exchange theorist a "framework," a "system," or a "language" rather than a theory. Whatever its label, the exchange theory approach does have the potential of providing a vocabulary that is relevant at different levels of analysis and across social science disciplines.

RELEVANT BIBLIOGRAPHIC SOURCES

As pointed out in the introduction, the presentation of exchange theory offered in this essay draws heavily from three sources: Thibaut and Kelley (1959), Homans (1961), and Secord and Backman (1964). The voices of these authors have been quite evident throughout this exposition. They, along with Blau (1964), are the current proponents of exchange theory in contemporary social science.

In his book, Social Behavior: Its Elementary Forms, Homans combines the language of elementary economics and behavioral psychology. He says that persons give off activities (behavior) and sentiments (indicators of attitudes and feelings). These activities and sentiments either reinforce or punish the behaviors of others in an interaction. He bases his brand of exchange theory on four propositions:

- (1) If in the past the occurrence of a particular stimulus situation has been the occasion on which a man's activity has been rewarded then the more similar the present stimulus situation is to the past one, the more likely he is to emit the activity, or some similar activity now. . . .
- (2) The more often within a given period of time a man's activity rewards the activity of another, the more often the other will emit the activity. . . .

Essay

- (3) The more valuable to a man a unit of activity another gives him, the more often he will emit activity rewarded by the activity of the other. . . .
- (4) The more often a man has in the recent past received a rewarding activity from another, the less valuable any further unit of that activity becomes to him.*

Homans then builds upon these basic propositions and some corollaries by examining a number of fundamental social psychological concepts, e.g., norms, conformity, esteem, status, etc. He illustrates his discussion with both field and experimental research carried out by sociologists and social psychologists. He extends his discussion to a consideration of institutions in society.

In The Social Psychology of Groups, Thibaut and Kelley are concerned specifically with the ideas of norm development and power relationships. Like Homans, they combine economic language with psychological language. Their basic paradigm is a matrix of the possible behaviors of interacting participants beginning with dyads and working up to large groups. They contend that interaction must be rewarding to the interactors for it to continue. In addition, they introduce the notion of comparison level, which is the standard that a person uses to evaluate the favorableness of a given exchange in terms of what he expects from it; and the concept of comparison level for alternatives, which is the standard used to determine whether or not the individual will remain in the exchange, i.e., the lowest level of favorable outcome accepted by the individual for him to continue an interaction.

Secord and Backman, in their comprehensive attempt to present a broad view of social psychology (Social Psychology), review the exchange theories of Homans and of Thibaut and Kelley. They then weave exchange concepts into their discussions of various topics of interest to the social psychologist. They do not use exchange theory as their major theoretical viewpoint, however. Along with other theories, they demonstrate the application of exchange concepts to an examination of status structures, power relationships, communication processes, etc. Theirs is a good second source book, because not only does it review the above exchange theories, but it puts them into perspective with other theoretical positions and extends them by applying their language to other areas within social psychology.

In Exchange and Power in Social Life, Blau has combined concepts from exchange theory with the thinking of Goffman (1959) who is concerned with the way in which people present themselves to others in everyday life. Blau stresses the fact that a person interacting with others impresses them with his reward value; he constantly displays characteristics to others that they will perceive as valuable. Likewise, he minimizes characteristics that would prove costly. Blau also develops an exchange model of institutionalization. He resorts more to intermediate theoretical concepts (power, authority, status differentiation, etc.) than does Homans. Finally, he emphasizes that individuals do not evaluate outcomes in a consistent manner or pursue particular outcomes to the exclusion of others. His treatment of exchange theory is a recommended second document to that of Homans.

*Homans, G. C., Social Behavior: Its Elementary Forms (New York: Harcourt, Brace, 1961), pp. 53-55.

Essay

Like Blau, two other theorists (Coleman, 1963, and Parsons, 1963), emphasize in their exchange viewpoints the investment of self in others. They deal with the exchange of self-respect, self-identities, enhancement of self, etc. Their discussions are based primarily on social influence literature and the focus is on the self in an exchange. Their brief statements are more applicable to the interactions of individuals in smaller groups than to interaction in society.

Of additional interest are the works of French and Raven (1959), Hollander (1958), and Jones (1964). Each of these authors deals with a specific exchange concept, rather than presenting a broad theory.

French and Raven provide a basis for the study of social power. It is from their theory that we drew the power concepts of resources, dependencies, and alternatives.

Hollander introduces the notion of idiosyncrasy credit—the positive impressions of a person held by others. It is his contention that this credit accumulates as a result of perceived competence, conformity, and so forth. People with enough credit are then in a position to expend some of it. Hence, the leader who has gained much idiosyncrasy credit is able to deviate from the norms of his group and innovate at the expense of that credit.

Jones introduces the concept of ingratiation: when individuals are engaged in an asymmetric power relationship, the individual with less power attempts to gain rewards by his action and statements from the more powerful person by ingratiation, i.e., compliments, signs of agreement, making himself appear to be more valuable, etc. As the person in the lesser power position becomes more attractive, the more powerful person is more likely to give rewards.

One additional author is of peripheral interest, Berne (1964), who deals with the strategies of interaction. While not a broadly based exchange theory as others discussed above, Berne's work is based on a "transactional" analysis of interaction between individuals. His thinking stems out of an earlier work (Berne, 1961) that attempted to analyze relationships in psychotherapy.

Finally, it should be noted that a variety of other references, of indirect relevance to exchange theory, have been omitted. These are the various treatments of bargaining and game theory, as exemplified by such works as Deutsch and Krauss (1962); the classical work of Morgenstern (1944); Rapoport (1960); Rapoport and Orwant (1962); etc. Although bargaining and game theory models are similar to the exchange theory viewpoint, they focus more on social conflict and the logical structure of conflict situations in which the parameters are clearly quantified: They are highly mathematical and very specific.

Also of indirect relevance to exchange theories are the various treatments of interpersonal perception such as those presented by Heider (1958) and Tagiuri and Petrullo (1958). These expositions are not, strictly speaking, exchange theories. They do, however, deal very explicitly with the way in which people perceive one another, and all of the classes of variables that affect those perceptions. Such information, as is pointed out in the next section, is crucial to a complete understanding of the exchange process.

Essay

A FINAL NOTE

One qualifying note: exchange theory must be viewed within the bounds of three important individualistic parameters. These are (1) physiological limits, (2) perceptual processes, and (3) the dynamics of learning.

As an individual begins the sequence of exchanges that make up his life, the kinds of sampling of information from others and from situations available to him are limited by his physiology. As an infant, for example, his physical helplessness excludes him from certain sets of exchanges. As he grows older, the potential number of those sets increases. The kinds of exchanges he can engage in are also related to his health, his metabolism, etc. In short, the number and variety of exchanges possible to him during his life are delimited by his physiological makeup and by his physiological states.

Closely related to this physiological parameter is that of perception, here defined to include all sensory input: the way in which an individual receives information about his world through seeing, hearing, touching, etc. The manner in which an individual perceives his world further defines the sets of exchanges he can experience. Just as a blind person cannot experience the same exchanges as a person with sight, so the perception of a prejudiced person delimits the kinds of exchanges possible to him.

The third delimiting parameter is the learning situations to which the individual is exposed. The particular array of stimuli in his environment is related to how and what he will learn. This consideration is especially important in looking at sequential determinants of the value of exchange outcomes.

While these three parameters—physiology, perception, and learning—delimit the scope of the sets of exchanges that can take place, they are, at the same time, influenced by those exchanges. A particular sequence of exchanges will alter the dimensions of any of these parameters. The exchange theory viewpoint as articulated in this essay emphasizes a dynamic, interdependent systems view of man. Any variable of the complex multivariable system of human behavior can at one time be an input and at others an output factor.

A cross-cultural study of man must consider every level of abstraction, from individual to societal. A theoretical viewpoint is needed that can move flexibly across all levels. Exchange theory may be the answer.

REFERENCES

- Berne, E. Transactional Analysis in Psychotherapy, A Systematic Individual and Social Psychiatry. New York: Grove Press, 1961, p. 270.
- _____. Games People Play. New York: Grove Press, 1964.
- Blau, P. M. Exchange and Power in Social Life. New York: Wiley & Sons, 1964.
- Coleman, James S. "Comment on 'On the Concept of Influence,'" Public Opinion Quarterly, XXVII (1962), pp. 63-82.

Essay

- Dahlke, A. E. Social Psychological Factors for the Development of a Psychological Index, in R. A. Terry, et al., Development of Weapons Design Criterion Based on the SRC Psychological Index: An Investigation of Signature, Reputation, and Context Effects. Air Force Armament Laboratory, Eglin Air Force Base, Fla., AFATL-TR-67-165, 1967.
- Deutsch, M., and R. M. Krauss. "The Effect of Threat on Interpersonal Bargaining," Journal of Abnormal and Social Psychology, LXI, pp. 181-189.
- French, J. R. P., Jr., and B. H. Raven. "The Bases of Social Power," pp. 118-149, in D. Cartwright (ed.), Studies in Social Power. Ann Arbor, Mich.: University of Michigan Press, 1959.
- Goffman, E. The Presentation of Self in Everyday Life. Garden City, N. Y.: Doubleday-Anchor, 1959.
- Heider, F. The Psychology of Interpersonal Relations. New York: Wiley & Sons, 1958.
- Hollander, E. P. "Conformity, Status, and Idiosyncrasy Credit," Psychological Review, LV (1958), pp. 117-127.
- Homans, G. C. Social Behavior: Its Elementary Forms. New York: Harcourt, Brace, 1961.*
- Jones, E. E. Ingratiation. New York: Appleton-Century-Crofts, 1964.
- von Neumann, J., and O. Morgenstern. Theory of Games and Economic Behavior. Princeton, N.J.: Princeton University, 1944.
- Parsons, Talcott. "On the Concept of Influence," Public Opinion Quarterly, XXVII (1963), pp. 37-62.
- Rapoport, A. Fights, Games and Debates. Ann Arbor, Mich.: University of Michigan, 1960.
- Rapoport, A., and Carol Orwant. "Experimental Games: A Review," Behavioral Science, VII, pp. 1-38.
- Secord, Paul F., and Carl W. Backman. Social Psychology. New York: McGraw-Hill, 1964.*
- Tagiuri, R., and L. Petrullo (eds.). Person Perception and Interpersonal Behavior. Palo Alto, Calif.: Stanford University Press, 1958.
- Thibaut, J. W., and H. H. Kelley. The Social Psychology of Groups. New York: Wiley & Sons, 1959.*

Dr. Dahlke is Associate Director for Research and Plans, SSRI. He received a Ph.D. degree in psychology from the University of Minnesota (1963). His publications include "Intraindividual Verbal-Numerical Discrepancies and Personality" (with R. H. Dana), Journal of Consulting Psychology, XXVII, No. 182 (1963), and "Small Group Behavior in a Simulated Panic Situation" (with H. H. Kelley et al.), Journal of Experimental Social Psychology, I, No. 1 (Winter 1965).

* Most comprehensive sources relevant to exchange theory.