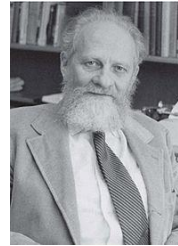




Social exchange

Compiled by
Mart Murdvee

Social exchange

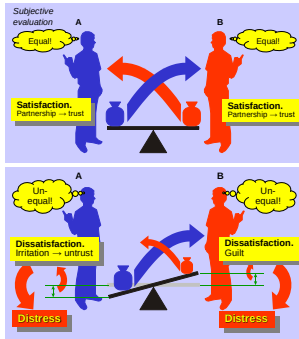


Peter Michael Blau
1918 – 2002

the voluntary actions of individuals that are motivated by the returns they are expected to bring and typically do in fact bring from others. (Blau, 1964)

Social exchange theory is based on a central premise: that the exchange of social and material resources is a fundamental form of human interaction.

Social exchange theory



- **Consumer-supplier (client-vendor) relationships terminate or continue based on the prior history of the relationships**
- **Reciprocal exchange leads to trust.**
- **Knowledge-Based Trust:** The trust developed through repeated interactions that allow an individual to collect information about the other and develop an expectation that the other's behavior is predictable and positive.

Trust

- the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor (Mayer et al., 1995)
- a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another (Rousseau et al., 1998)

Social exchange

- Face-to-face interactions (microstructures) → economic systems, political institutions (macrostructures).
- Larger structures are composed of microstructures.
- Interactions are shaped by a reciprocal exchange of rewards:
 1. Social actors engage in activities as a means of obtaining desired goals;
 2. All social activities entails some cost to the actor – time, energy, resources;
 3. Social actors seek to economize their activities as much as possible, by keeping costs below rewards.

Social exchange Microstructures, Regulatory Rules of:



- Dominance
- Power
- Legitimate control
- Task division

Rewards

sources of positive reinforcement including pleasures, satisfactions, gratifications (a continuum from concrete to symbolic).

- Social rewards:
 - Personal attraction
 - Social acceptance
 - Social approval
 - Instrumental services
 - Respect / prestige
 - Compliance / power

Costs and Resources



Costs = punishments or lost rewards

- **Investment** = time and effort devoted to developing skills which will be used to reward others
- **Direct costs** = resource given to another in exchange for something else
- **Opportunity** = loss of rewards which would have been available elsewhere

Resources = anything that can be transmitted through interpersonal behaviour, including commodities, material, or symbolic matter.

Power



the probability that one actor within a social relationship will be in a position to call out his own will despite resistance.

- Individual has power over others when he alone is able to supply needed rewards to them
- If others are unable to receive the benefits from another source and if they are unable to offer rewards to the individual, they become dependent on the individual.

Power results from an unequal exchange stemming from an individual or group monopoly over a desired resource.

Exchange and Power in Social Life. Principles:



1. The more services supplied in return for receipt of some valued service, the more power held by those providing valued services.
2. The more alternative sources for reward possessed, the less those providing reward can extract compliance.
3. The more receivers can apply force and coercion, the less those providing services can extract compliance.
4. The more receivers can do without services, the less providers can extract compliance.

Expectations in Social Exchange



- **General expectations** – associated with role, occupation, formed by social norms what person ought to receive.
- **Particular expectations** – associated with rewards received from particular person.
- **Comparative expectations** – rewards of a relationship minus costs of maintaining the relationship

Comparison Level

a standard representing what people feel they should receive in the way of rewards and costs from a particular relationship.

- Comparison level:
 - is the lowest level of reward acceptable for the person;
 - refers to the standard by which the individual evaluates;
 - is determined by assessing all the known costs and rewards;
 - can be based on previous experiences.

Comparison level for alternatives – the lowest level of rewards a person is willing to accept given available rewards from alternatives:

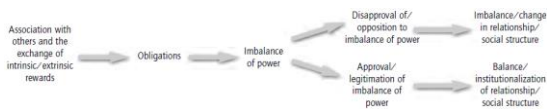
- comparison of one specific alternative to other available alternatives;
- is the best reward available to someone given to the available alternatives.

Propositions



- The desire for social rewards leads men to enter into exchange relationships with one another.
- Reciprocal social exchange creates trust and social bonds between men.
- Unilateral services create power and status differences.
- Power differences make organizations possible.
- The fair exercise of power evokes social approval and the unfair exercise of power evokes social disapproval.
- If subordinates collectively agree that their superior exercises power generously, they will legitimate his power.
- Legitimate power is required for stable organization.
- If subordinates collectively experience unfair exercise of power, an opposition movement will develop.

Blau's Model of Exchange and the Structure of Social Relations



- Processes shape the exercise of power and the rise of opposition to it.
- These processes account for both: stability and change in interpersonal and group relations, as well as in more complex social institutions.
- Central importance is the role of social norms of fairness and the legitimacy they either confer on or deny those in dominant positions.
- Legitimate authority—a superior's right to demand compliance from subordinates and their willing obedience—is based on shared norms that constrain an individual's response to issued directives.
- Imbalanced exchange relations are governed less by individual, rational calculations than they are by shared expectations and the cultural values that legitimate them.
- As long as the superior meets or exceeds the expectations for rewards deemed acceptable by the group, then the ensuing legitimacy conferred on the superior will foster the stability of the group.
- The costs incurred by subordinates, both in the services they perform and in the very act of submission, must be judged fair relative to the benefits derived from obedience. Otherwise, opposition to the superior's exercise of power may arise, and with it the potential for change in the structure of existing interpersonal or institutional relations.
- This judgment rests, on consensual, normative standards of fairness.

Conditions of Exchange

	<i>Intrinsic</i>	<i>Extrinsic</i>	<i>Unilateral</i>
<i>Spontaneous evaluations</i>	Personal attraction	Social approval	Respect - prestige
<i>Calculated actions</i>	Social acceptance	Instrumental services	Compliance - power

- Some social rewards can not be bartered in exchange – spontaneous reactions.
- Rewarding actions can be bartered – acceptance in a group, instrumental services, compliances.

The Social Norm of Reciprocity



expectation that people will respond to each other in similar ways.

- Responding to gifts and kindness from others with similar benevolence on their own (*I scratch your back, you scratch my back...*)
- Responding to harmful, hurtful acts from others with either indifference or some form of retaliation (*eye for eye, tooth for tooth...*)

Key principles of reciprocity

Once it has been established as a norm governing the relationship between two individuals, reciprocity requires the individuals to abide by two key principles:

- First, individuals must assist those who have previously given them assistance.
- Second, individuals should not do anything that might harm those who have previously given them assistance.

Gouldner, 1960

The value of the benefit and the debt

- The value of the benefit and the debt is in proportion to and varies, depending on:
 - the intensity of the recipient's need at the time the benefit was bestowed (*"a friend in need . . ."*),
 - the resources of the donor (*"he gave although he could ill afford it"*),
 - the motives imputed to the donor (*"without thought of gain"*), and
 - the nature of the constraints which are perceived to exist or to be absent (*"he gave of his own free will . . ."*).
- The obligations imposed by the norm of reciprocity may vary with the status of the participants within a society.
- The norm of reciprocity functions differently in some degree in different cultures (friendship, kinship, and neighborly etc relations).
- The norm of reciprocity cannot apply with full force in relations with children, old people or with those who are mentally or physically handicapped.

Gouldner, 1960

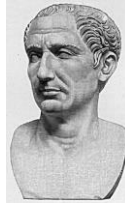
Fairness theories

Possibilities of „fair" sharing:

- Equal
- According to the contribution
- According to pursuit
- According to the costs
- According to the need
- According to the social benefits

How it is fair?

„Balanced" (or "specific") and "generalized" (or "diffuse") reciprocity



Cicero (106 BC – 43 BC) about the norm of generalized reciprocity:
"There is no duty more indispensable than that of returning a kindness. All men distrust one forgetful of a benefit."

- **Balanced reciprocity** refers to a simultaneous exchange of items of equivalent value, as when office-mates exchange holiday gifts or legislators log-roll.
- **Generalized reciprocity** refers to a continuing relationship of exchange that is at any given time unrequited or imbalanced, but that involves mutual expectations that a benefit granted now should be repaid in the future. Friendship, for example, almost always involves generalized reciprocity.

Putnam, 1994

Weak and Strong Reciprocity



- **Weak reciprocity** - reciprocal strategies are profitable for the agents who play them.
- **Strong reciprocity** - actors will return a favor with a favor and retaliate against an unfriendly act without expecting to be compensated for the costs they incur in doing so.
- **Strong reciprocity is a key mechanism in promoting cooperation in voluntary contribution games, strong reciprocity is a powerful device for the enforcement of social norms involving, for example, food sharing or collective action.** (Fehr, 2002).

Diekmann et al (2014) Reputation Formation and the Evolution of Cooperation in Anonymous Online Markets

Three tactics for continuing exchange-based relationships:

- **Virtuous** - the individual will return any favours in kind.
- **Forgiveness** - if the other is not helpful on some occasion, the individual will restore cooperation and continue to provide favours such that the other feels obligated to reciprocate at some future point.
- **Retaliation** - if the other is not helpful, the individual will act likewise to bring the other back in line so that the relationship may continue

(Gibb, 1999)

Tit-For-Tat Strategy



Anatol Rapoport
1911 – 2007

The program opens by cooperating with its opponent. It then plays exactly as the other side played in the previous game. If the other side defected in the previous game, the program also defects; but only for one game. If the other side cooperates, the program continues to cooperate.

- the program punished the other player for selfish behaviour and rewarded her for cooperative behaviour—but the punishment lasted only as long as the selfish behaviour lasted. This proved to be an exceptionally effective sanction, quickly showing the other side the advantages of cooperating.

Four types of exchange that structure all social relationships:



- communal sharing
- authority ranking
- equality matching
- market pricing

These exchange types can work individually in relationships or they can work together with different types of exchange operating in or dominating different aspects of the relationship at a given time.

(Fiske, 1991)

Communal sharing

The communal sharing relationship involves a social exchange relationship where everyone gives their all to the community and is then free to take out what they need.

- A group based on communal sharing has a sense of solidarity and identity within the group, often in contrast to outsiders, creating the basic in-group/ out-group dynamic.
- Membership to the group is the most important component and supersedes the individual, who is undifferentiated from other group members through a relationship of equivalence.
- There is a feeling of oneness in the group where individuals are kind and generous with each other because the group is believed to be of the same kind, especially kin.
- Within the framework of a communal sharing relationship, two people belonging to the same group are equivalent and undifferentiated allowing certain expectation to evolve about a group. Consequently, people cannot be switched at random from one group to another without disrupting the relationships or relational structure of communal sharing

(Fiske, 1991).

Authority ranking

Authority ranking is a relational structure based on inequity.

Authority ranking consists of a linear hierarchy where individuals are placed in order of social importance or status, with the most important at the top and the least important at the bottom.

- The higher in rank an individual is placed, the more people, things or land he or she will control. Individuals ranked higher are often considered more knowledgeable and powerful because the higher ranking individual has more control over events.
- Subordinates feel they deserve to be in lower positions and subsequently pay homage, are loyal, and are deferential to the authority figures. In return, subordinates are entitled to receive aid, protection, and support from their leaders. Authority ranking can be regarded as similar to an ordinal scale.
- While rankings are linear, there is no specified difference between the ranks. Specifically, one person may be greater than the other, but there is no meaningful measure of how much greater the higher ranked individual is. Moreover, the distance between any two rankings is likely different, such that the person ranked number one may be significantly greater than the person ranked number two, while the person ranked number two might be only slightly greater than the person ranked number 3.

(Fiske, 1991).

Equity matching

- Equality matching utilises elements from both communal sharing and authority ranking. While peers in this type of relational structure are considered equal as in communal sharing, they are distinguishable as in authority ranking. That is, they are viewed as distinct but equal.
- Each person takes turns providing what is needed creating a process of in-kind reciprocity.
- What each person gives up exactly matches what he or she gets in return, creating a condition where everyone is equal.

(Fiske, 1991).

Market pricing

Similar to equality matching, market pricing is an equivalent exchange. However, rather than paying with an exact match of what was given, a value is given to what each person has.

- The value of the items exchanged is determined by the market, allowing items of equal value to be exchanged. Usually the value is designated by a price or utility in a single universal metric; however, this is not required. Rules are agreed upon by the group members so that everyone may achieve an ideal end in the exchange process. These rules are rational and highly structured, as well as consistent and universal, allowing the group's social life to be more agreeable, predictable, and successful.
- Because of the nature of exchange and the value of others' actions, services, and products, the market pricing relationship is open to competent honest individuals who have something to exchange or sell, or have money to buy. Market pricing corresponds to a ratio scale.
 - For example, the price of a dinner of a specified kind at a particular restaurant has a definite, socially meaningful ratio to the cost of an hour of child-care by a baby sitter who charges a specific rate.

Difference of economic exchange and social exchange

- Unlike an economic exchange (involving quantifiable material goods), social exchange is based on intangible goods that are not quantifiable.
- For example, advice, support, positive attitudes, signs of recognition, cordial forms of behavior such as mutual aid and benevolent attitudes such as empathy all play a part in structuring social exchanges between individuals. In order for an exchange to produce the anticipated outcome in terms of durability and relational quality, the goods involved in the exchange must have a value.
- The individuals involved in the exchange are committed to pursuing the exchange if, in return for what they have given, they receive goods that have an estimated or perceived value equivalent to the goods they have previously given, even if the return is deferred over time. The maintenance of the relationship in the long term is heavily dependent on the sense of trust established between the two individuals (Blau, 1964).

Differences between social exchanges and economic exchanges

- The differences stem from the content of the exchange transaction and from the conceptual units of analysis employed.
- Social exchanges can be purely social or a combination of social and economic exchanges.
- In contrast to pure economic exchanges, the benefits from social exchange often are not contracted explicitly, and it is voluntary to provide benefits.
- Thus, social exchange theory focuses on the social relations and personal ties among the actors that shape the exchange of resources and benefits.
- Personal ties are the bonds that result from successful, mutually rewarding interactions over time. They are founded upon trust, reciprocation and reward.
- In contrast to social exchanges, economic exchanges take place in the market. Such transactions imply the allocation of resources with disregard to personal ties, in favour of an immediate maximization principle of profit making.

Comparison – social exchange and economic theory

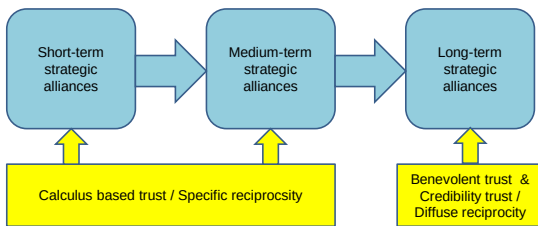
Social exchange theory	Economic theory
Focus on the social relations and personal ties that shape the exchange of resources	Focus on price as the mechanism to govern exchange
Examines a combination of economic and non-economic exchanges	Examines economic exchanges only
Exchange is voluntary	Exchange is mandatory
Exchange is not contracted explicitly	Exchange is contracted explicitly
Exchange takes place within a social system	Exchange takes place within the market

Bignoux (2006) Short-term strategic alliances - a social exchange perspective.

Planned short-term dyadic strategic alliances – lack of reciprocity

- When compared to long-term strategic alliances, planned short-term dyadic strategic alliances are more difficult to manage.
- These alliances encourage independent behaviours, have limited recourse to coercive techniques and are excessively prone to conflict.
- The independent ownership/control structures and short-term nature of these alliances limit reciprocal activity. Such alliances are limited to one type of reciprocal action, known as specific reciprocity.
- In addition to its reliance on specific reciprocity, exchange partners have less recourse to a specific type of reciprocal action, known as "tit for tat". Tit for tat is a social control mechanism that allows partners to punish and reward each other.
- Planned short-term dyadic strategic alliances interrupt the development of benevolent and credibility trust and promote the development of a weaker form of trust, known as calculus based trust.

Model of the transformation process of social exchange variables



Bignoux (2006) Short-term strategic alliances - a social exchange perspective.

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