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## Exchange Theory and the Individual's View of His Role

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EXCHANGE THEORY  
AND THE INDIVIDUAL'S VIEW OF HIS ROLE

We are having second thoughts about the traditional ways of explaining social action. That is, we see that persons do not ritualistically perform the roles given them in their childhood or in their later experiences as if they were acting in a play where all the lines and movements have been set out beforehand. Neither do people behave entirely spontaneously, making up the play as they go along. If the latter possibility seems accurate at first, sooner or later some anthropologist will step up and tell us that what looked like arbitrary activity actually was conditioned by the culture and early learning.

Put more formally, what we are trying to understand is actual behaviour and how it is determined. What we have to go on is, on the one hand, what we call structure: more or less rigorous expectations of performances, duties and rights ascribed to actors by virtue of the status they occupy within some operating social system. On the other hand, we realize that views of social behaviour from only the structural angle are myopia; in addition to the structured nature of social action, some kind of slippage or leeway is required. This is usually thought of in terms of novel individual acts and thoughts brought to the structured roles.

Putting these two approaches together has been the task of several theoreticians, both of late and in the "classical" period of sociological theory. For instance, Durkheim's preoccupation with explaining the influence of the group on individuality should be understood as an attempt to conceptualize the coherence of society which contains extreme individuality. We might see the efforts of Pareto in a similar light—conceptualizing a systematic and predictable outcome from individual activities of persons who do not themselves know the deep-rooted reasons for their actions. Clearly Parsons had the same general problem in mind

when he thought of the "social system" as imbedded in other "systems" called the "cultural system" and "personality system". He was trying to see the relations between widely held cultural beliefs and personality variations. These relations converged in the "social system" which he argues is observable<sup>1</sup>.

More recently, however, we have seen this convergence trend attacked, and polarization has occurred. Theory has tended to split into structural types and non-structural types. Exchange theory, especially in its most social psychological form, has usually been employed as an alternative to structural approaches<sup>2</sup>. What exchange theory does, essentially, is account for the emergence of structure in unique situations. This broad field has several variations and room for a good deal of argument, but in general exchange theory rests on the following propositions<sup>3</sup>:

1. The unit of analysis is the individual, and when groups or entities of collaboration are the focus, they are understood in terms of the satisfaction of their component individuals.

2. The actors are motivated by their desires to gain needed commodities, pleasure, or satisfaction in a more or less egoistic way. That is, action is always understood as gaining the actor something. This becomes ambiguous, however, as what is "gained" is the good of another.

3. In the pursuit of gain, it is the nature of actors to try to minimize their costs, (where costs are primarily defined as other rewards which are foregone in order to take part in the action at hand), and to maximize their "profits".

4. As a necessary consequence of the above three points, choice behaviour, or voluntary action, is the kind of action most directly addressed by exchange theory. The theory, based on private motivation and gain, is not capable of saying very much about situations in which people have no choice of action.

5. The criteria of choice-making are not conceived as primarily societal, but rather, are seen as individual; e.g., people are not thought to select a certain alternative because society "makes" them.

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<sup>1</sup> This is not to suggest that each of these persons came to the same conclusions about the relationship between structure and novelty in human action.

<sup>2</sup> A. Gouldner's "Reciprocity and Autonomy in Functional Theory", [in:] N. Demerath and R. Peterson, *System Change and Conflict*, Collier—Macmillan New York, 1976, pp. 141—70, could be taken as a representative of this movement.

<sup>3</sup> These propositions are meant to be descriptive of theories. They are not themselves offered as constituting a theory. The form of the statements is original here; they are gleaned from a body of literature on exchange theory. Cf. P. Blau, *Exchange and Power*, Wiley, New York 1964; G. Homans, *The Nature of Social Science*, Harcourt, Brace and World, New York 1961; M. Olson, *The Logic of Collective Action* Schocken books, New York 1968.

6. Do exchange theorists assume that persons involved in exchange view their interactions cognitively according to the principles outlined above? Psychologically related theories (of games, bargaining, negotiation, etc.) do tend to assume this, whereas the related "systematic" theories (Pareto, Parsons) do not <sup>4</sup>.

In this paper, for reasons of clarity, we will assume that persons do understand exchange in the terms suggested. Consequently, the general assumption of the theory are descriptive, and not simply logical.

What kind of a picture of social action is built up from these fundamentals? In general, the picture is one of two or more actors coming into regular exchange to mutually "exploit" each other. That is, if John has something (like knowledge) which Mary needs, Mary is expected to see her need potentially fulfilled in interaction with John (Proposition 1.) Hence she will come into some kind of association with him to fulfill her need (Proposition 2). This will entail a cost to Mary; she has given up some alternatives to form this association, and hence her need can not be seen as being fulfilled "free", even if there is no formal price tag attached to John's advice (Proposition 3). We have here a hypothetical example of how exchange theory accounts for any given set of personal exchange. Mary has a need; John has the commodity to fulfil it. Mary's needs and plans and values have no necessary connection or complementarity with those of John (Proposition 5) except that a bargain has been struck between them. That is, while individuality has not been intruded upon by any concept such as "common values" as a basis of social organization, social organization has resulted nonetheless.

This simple example has much more behind it than appears immediately, and it will be well to get some of this out in the open so that we can later use the analysis in a critique and expansion. The first thing to notice is that the exchange is entirely private. The things which John has that Mary wants are "owned" by John and under his control, just as the needs that Mary is seeking to fulfill. There is nothing yet to make us speak of a group. Before the exchange takes place, there is no group activity or identity, nothing exchanged, no mutuality of any kind. Furthermore, the "price" at which John is willing to give up some of his knowledge is not to be established in the context of the coming exchange. It is for Mary to offer John something in ex-

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<sup>4</sup> This does not suggest that Pareto and Parsons are "exchange theorists" as we have lately come to understand that term. However, since they both approach "social Systems" from the viewpoint of the individual act, we can consider them as having dealt with the exchange theme.

change. Mary has no knowledge of John's needs or wants (Proposition 5), and hence must make a judgement of the proper "price" by grawing on previous experiences elsewhere. She makes a guess, but does not know. Likewise, if John is to behave as the propositions say, he will compare the "price" offered by Mary to all other possible prices he might get in the "knowledge market". His knowledge's worth is determined partly by Mary's offer, and partly by external comparison having nothing to do with the exchange.

We may summarize this description of how exchange theory works by exposing another proposition implicit in the six previous ones. We assume a "market" relationship growing up between actors. It is the market that defines the maximum and minimum "prices" that can be attached to the commodity which individuals exchange. Hence, while we are analyzing individual, voluntaristic exchange, we are by implication speaking about some kind of regulating and defining mechanism that facilitates exchange. This "market" specifies the conditions under which it will be profitable to proceed with an exchange, and conditions in which it will be more advantageous to wait until the price is bid upward or downward. We note that this hypothetical "market" follows from the six assumptions, is not contradictory to any of them, and at the same time suggests a regulatory mechanism which brings coherence and structure into individual instances of exchange. It was for just reason that the nineteenth century school of English philosophical liberalism used a market model of society and economy. It combined their faith in individual independence and self-reliance with a comforting view of a well-ordered society.

But the question the sociologist is bound to ask sooner or later is this: what does the market model have to do with group action? The market model is a picture of individuals coming together two at a time to exchange exclusively the goods they own and control, using as a guide the decisions of others who might be interested in these exchanges, but who have less need (hence, who are willing to pay less), and who have less enticing commodities of their own to give. In other words, while others are present by implication in the market model, there is no true description or explanation of "group" action in it. More exactly, there is no explanation of groups of more than two parties. We might add parenthetically that if for some reason yet unexplained, two collectivities develop, these might act as two individuals toward each other, behaving along the lines suggested by the assumptions of exchange theory. These would not however, be group actions. The collectivities would be acting as individuals not as true groups.

Let us accommodate the sociologist by adding a third person to the

hypothetical interaction between John and Mary, and see what happens when the assumptions of exchange theory, and the implied market, are tried out. Mary is in need of some knowledge which is scarce; John can trade, exchange fashion, his knowledge for something he wants. Add Jim, who also seeks knowledge, the situation is far from clear. Who will offer John the "price" for giving some of his scarce knowledge? Both Jim and Mary need the knowledge, it is true, but both of these want to minimize their costs, and hence maximize their profits (Proposition 3.) An impasse will develop between Mary and Jim; each will wish the other to pay the cost of having John provide knowledge<sup>5</sup>.

The triangle between these three can be analyzed in two different ways. One is for Jim and Mary to break off their association, making their separate deals with John. This reduces the group action back to separate exchanges between only two partners: John and Mary, John and Jim<sup>6</sup>. If this is the path we follow, the sociologist's question about the relevance of exchange to group action must be answered in the negative: there is nothing in the situation resembling group action (with more than two persons). A second way to look at the situation is to imagine that Jim and Mary do not go their separate ways, but instead try to come to some kind of agreement how to divide the cost of John's knowledge so that they both can benefit. How might they do this?

Before suggesting some answers to this question, let us sum up the situation in more formal terms. What we have is a potentially structured situation. If an agreement between Jim and Mary can be reached, a structured exchange is likely to ensue between these two and John. This structure will contain definitions of expectations and rewards developed first between Mary and Jim, then between both of these and John. The bargain struck between Jim and Mary will be the basis of a set of expectations between them on which they must rely, as it forms a critical part of reaching the desired end. The situation is now shaping up to look like the group action the sociologist was seeking; a set of patterned interactions between three persons which binds the three together into some coherent, predictable pattern. We see that patterns of contingent one-to-one bargains making up a negotiated order between individuals go beyond the participants themselves and form a complex set of relations that actually binds third (and more) parties.

<sup>5</sup> Disrupting the exclusiveness assumption in economic theory is called the "failure" of the market. This is closely parallel to the exchange theory discussion at this point.

<sup>6</sup> M. Olson deals at length with some of the sociological and economic consequences of situations such as this in his seminal book, *The Logic of Collective Action*.

How do Jim and Mary conclude their arrangements with John? Let us examine the act of exchange. First we try to discover their breadth of perspective. Do these two orient exclusively to the present situation, taking only it into consideration? They do not. We know this because the price of John's advice and the costs Jim and Mary are prepared to bear are determined outside of the interaction. Do Jim and Mary, because of these externals, bring already established structures to bear on the present exchange? They do, since it is with respect to externals, as we saw, that the "worth" of the goods is determined.

The important points here are:

1. That exchange orients the actors to more than just the exchange partners,
2. Aspects of other exchanges made by other parties effect present situations.

If these two things are true, a conclusion must be drawn which is not directly derivable from the proposition of exchange theory presented above: aspects of a given exchange having no relevance to it whatsoever are nonetheless important in developing given exchanges. Other structures have developed as results of other people striking other bargains.<sup>7</sup> But these other bargains enter our situation and effect the present exchange. This is because these other exchanges have defined cost and reward.

Put another way, this analysis suggests that it is a mistake to take exchange theory primarily as addressing "Structure producing" processes, and it would be improper to see exchange as mainly, or even primarily, a process involving only the exchange partners. We may not have to assume that persons involved in exchange are bound together by common values, or even by complementary values, but it does not follow that the values of persons irrelevant to any given situation do not influence it. We may now suggest some conclusions about how exchange theory ought to picture the individual's view of his role.

The assumptions of exchange theory suggest that roles are defined, come into and out of existence, according to the terms of a given exchange. This immediate exchange is usually taken as the point of orientation of the exchange partners.

We now see that the point of orientation of the role, as pictured by exchange theory, should be nothing so narrow as the given exchange, but that it should take substantial account of role decisions made by

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<sup>7</sup> This point at first resembles Blau's account of institutionalization, but it is not the same. It is suggested here that exchanges not even relevant to the kinds or terms of a given exchange nevertheless may effect it.

other actors in other situations. Hence exchange theory is not one which neglects culturally developed structures, but one which depends heavily on them. This dependence may tend toward closure of "cultural systems" leading to restrictions on individual choices by the community.

Two hypotheses related to this conclusion would be as follows:

1. Individuals do not orient exclusively to exchange partners in specific exchanged, but to an abstract "community" of role definitions in which theirs is imbedded.

2. It is in the nature of exchange system to "solidify" and to develop norms of exchange, not predictable from a knowledge of the values of individuals involved in any given exchange or series of exchanges.

The second conclusion we can draw concerning exchange theory and individual roles is:

Since individual pursuit of gain is a main assumption, it is usually emphasized in "group" applications of exchange theory. That is, we usually suppose without much contemplation that the "group reward" will be sufficient reward to secure individual participation.

From the impasse reached between Mary and Jim in our example above, we see that we can never make the assumption that "group reward" will be sufficient to attain group goals. Alternatively, it was necessary to understand Jim and Mary as having reached some bargain before approaching John. We now see that some elements of individual reward, privately held and not belonging to the group, are assumed in bargains of this type. In fact, we might hypothesize that:

1. To the extent that no exclusive ownership or control of benefits is left to individuals in group situations, the group will tend to fail in realizing its objective.

2. To the extent that "group reward" is actually a mixture of collective and private benefit sufficient to retain the efforts of the group toward the group end, groups will tend to be successful.

From the point of view of role definition, these hypotheses are as follows:

1. Individuals do not tend to understand their role as being solely beneficial to the group, even though its legitimacy may be entirely explained in these terms.

2. An individual does not see himself as a "group member" entirely taking his cue from collective expectations. He retains a measure of "individuality", defined as private ownership or control of exclusive goods, rights, or some other "commodity".

This paper has reviewed exchange theory by following the logical development of it toward a set of conclusions about the nature of social organization. With a special interest in discovering the ways exchange

theory pictures individuals in roles, we have seen that its assumptions, when applied to groups of three or more, lead to modifications of original ideas concerning orientations of group members. Where we expected orientation to exchange partners, we found widely diversified and synthetic orientations. Where we might have expected group rewards to suffice, we have found exclusiveness.

The hypotheses presented above are not intended to be taken as new discoveries. Instead, they are instances of the convergence of exchange theory with more traditional structural theory. These convergences, while perhaps not expected by exchange theorists, suggest that a more thorough integration of exchange and structural theories would be fruitful. Rather than exchange theory being an alternative or opposite approach to structural theories, it may be more profitably approached as a complementary view, which holds implied in it further evidence for a synthetic theory of both exchange and structural components.

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