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Social Exchange Theory under Scrutiny: A Positive Critique of its Economic-Behaviorist Formulations

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Abstract

Exchange theory has become one of the most ambitious social, especially socio-psychological, theories. Social exchange theory's fundamental premise is that human behavior is an exchange of rewards between actors. This is the rationale for the claim that social exchange can serve as a general paradigm for sociology and anthropology as well as social psychology. The present critique is aimed at rational choice and behaviorist variants of social exchange theory rather than at the theory as such. First, the main assumptions of (these variants of) social exchange theory are presented. This is followed by a critique of these assumptions at two levels. The first level pertains to the treatment of social interaction as an exchange, and the second to the status of social exchange as an economic or psychological phenomenon. Other criticisms of exchange theory are also presented.

> The exchange approach in sociology [is] the economic analysis of noneconomic social situations (Emerson, 1976, p. 336).

In recent years, one of the most ambitious sociological, particularly socio-psychological, theories has been social exchange theory (Alexander, 1990; Cook, 2000), in turn a subset of the rational choice model predicated on a "paradigm of rational action borrowed from economics" (Coleman, 1986, p. 10), viz. expected utility models imported from microeconomics (Macy and Flache, 1995). Notably, some of its proponents see social exchange theory as a prominent instance of "sociological miniaturism" (or sociological social psychology[1]) that ostensibly allows the "examination of large-scale social issues by means of the investigation of small-scale social situations", or simply "seeing the big through the small" (Stolte, Fine, and Cook, 2001, p. 388).

The question can arise as to the reasons readers need to know about social exchange theory. An important reason is exchange theory's ambition to be a sort of integrative theoretical paradigm for social science, social psychology in particular, which derives from the corresponding claim of the rational choice model and behaviorism, as its key bases and sources. Another reason is exchange theory's self-description as an interdisciplinary theoretical endeavor putatively spanning social-science disciplinary boundaries, especially those between sociology, economics, psychology and political science. So is the moment that exchange theory, especially its economic variant, is intimately linked with "public choice" or "rational choice" approaches, which are more familiar to social and political theorists. A corollary reason is then that exchange theory involves or revolves around the issue of how standard economic frameworks, notably market metaphors and analogies, are applied to social analysis in recent times.

This paper scrutinizes these approaches and claims of exchange theory. The examination is organized in three parts. The first part contains the key concepts and assumptions of social exchange theory as presented by its representatives. The second part involves a critique of social exchange theory at two levels, viz. the treatment of social interaction as exchange, and then of social exchange as an extension of economic and/or behavioral (psychological) phenomena. Adduced in the third part are some other criticisms of exchange theory. A key criticism is that modern exchange theory is neither a completely original nor satisfactory paradigm for social science in virtue of being a mixture of elements from psychological behaviorism and orthodox economics as more or less discredited theoretical traditions, as well as (unwittingly) restating and misinterpreting some classical sociological and anthropological ideas (e.g. Simmel, Mauss). On the account of that mixture, the theory appears as an attempt to resurrect the double 'ghost' of behaviorism and utilitarianism, in respect of this restatement, a sort of déjà vu expedition to 'rediscover America.'

I. Concepts and Assumptions of Social Exchange Theory

Human Behavior/Social Interaction as Exchange

Exchange theory is based on the premise that human behavior or social interaction is an exchange of activity, tangible and intangible (Homans, 1961, p.

12-3), particularly of rewards and costs (Homans 1961, p. 317-8). It treats the exchange of benefits, notably giving others something more valuable to them than is costly to the giver, and vice versa (Homans, 1961, pp. 61-63), as the underlying basis or open secret of human behavior (Homans, 1961, p. 317) and so a phenomenon permeating all social life (Coleman, 1990, p. 37). Not only is the market permeated by exchange but also the non-economic realm--the social relations situated between extremes of intimacy, self-interest or cost-benefit calculation and disinterested, expressive behavior (Blau, 1964, pp. 88-91). Social exchange is composed of actions of purposive actors that presuppose constellations of their interests and resources. The complex of interdependent exchange processes constitutes the market functioning within a definite social and institutional structure, though admittedly the latter has not been systematically examined within rational choice theory. Since these processes are assumed to be governed by reciprocal relations—viz. exchange is defined as social interaction characterized by reciprocal stimuli—they would not continue in the long-run if reciprocity were violated. The concept of exchange ratio or balance-imbalance, leading to the concepts of power, dependence, and cohesion, is implied in the attribute of reciprocal reinforcements (Emerson, 1969, pp. 387-9). In consequence, exchange theory examines the processes establishing and sustaining reciprocity in social relations, or the mutual gratifications between individuals. The basic assumption of exchange theory is that individuals establish and continue social relations on the basis of their expectations that such relations will be mutually advantageous. The initial impetus for social interaction is provided by the exchange of benefits, intrinsic and extrinsic, independently of normative obligations (Blau, 1994, pp. 152-6).

Social “Exchange” as an Extension of Economic Exchanges

In the context of conceptualizing social interaction as an exchange of rewards and costs, a plea is sometimes made for rehabilitation of economic man (Homans 1961:79). Specifically, the plea is in the direction of transforming *homo economicus* from a rational egoist (Hechter and Kanazawa, 1997) or an asocial subject (‘rational fool’ as termed by Sen, 1977) to a new actor holding not only utilitarian or hedonistic but also altruistic or social values, and for whom long-term cost-benefit calculation would be an exception rather than rule (Homans, 1961, pp. 79-80). Curiously, some rational choice theorists (Abell, 1991) would call such an actor *homo sociologicus* rather than *homo economicus*. Though the notion of *homo economicus* and related concepts and principles are viewed as applicable to social exchange (Coleman, 1990, pp. 37-9; Michener, Cohen, Sorensen, 1977), the latter is often distinguished from its economic form. In this view, economic exchange features precise specifications of transactions and prevalence of extrinsic rewards, especially material gains. By contrast, social exchange is characterized by unspecified personal obligations and trust as well as intrinsic--in conjunction with extrinsic--rewards, thus occupying the middle ground between pure calculation of advantage and pure expression of love (Blau, 1994, p. 91). The persistence and extension of social exchange are conditioned by bonds based on personal trust, unlike economic transactions that rely on impersonal markets and legal regulations. Moreover, unlike economic exchange, this bond created by reciprocal benefits of extrinsic character is the principal output rather than side-effect of social exchange (Blau, 1994, pp. 152-6). Hence, exchange theory is said to center on "enduring long-term social relations", as distinguished from "one-shot transactions" in the market realm (Cook, 2000, p. 687).

Still, economic models of social exchange (and rational choice) are not immune to internal contradictions, which can admittedly (Markovsky et al. 1997, p. 833) be self-defeating. Thus, while recognizing the differences between market and social exchange (Cook, 2000, Stole et al., 2001), making the latter a distinct phenomenon vis-à-vis the former, exchange theorists do not see them as an impediment to applying standard economic models of rational choice. Further, some regard models of economic exchange as universal and so applicable to "extra-economic exchange" (Macy and Flache, 1995) or "social situations" (Emerson, 1977). Admittedly, modern social exchange theory uses "concepts and principles borrowed from microeconomics" (Cook, 2000, p. 687). For example, the principle of diminishing marginal utility originally pertaining to market transactions is extended to extra-economic relations on the ground that the present realization of expectations has a dampening effect on future attainment, though such effects are counteracted by rising aspirations (Blau, 1964, pp. 148-9; Coleman, 1990, pp. 37-42). Adopting the rule of diminishing marginal utility, social exchange theory sees the underlying assumption of utility maximization (i.e. optimum or equilibrium) in its domain as little different from that in economics, though admittedly no exact price can be attached to 'invaluable goods' (Arrow 1997) and their utility is not independent or separable. Since for social exchange theorists the principle of marginal utility is applicable to exchanges of non-economic character (Blau, 1994, pp. 158-9), they extend the assumption of utility optimization (and satisficing) beyond the market. Thus, some (Coleman, 1994, p. 159) argue that maximization of utility is a universal engine of action for both economic and non-economic actors (individual or corporate) that leads to the attainment of equilibrium in which the divergence between utility and control of events/goods is minimized. Because actors are assumed to aim at gaining utility by relinquishing control, power is attained not for its own sake but is instrumental in obtaining wealth, thus seeking the first is the means to gaining the second[2] (Coleman, 1973). Arguably, they attempt to maximize their realization of interests as a single action principle and a reduction in the discrepancy between utility and control ensues from exchanges to the point where equilibrium is reached (Coleman, 1990, p. 39). In retrospect, this is a restatement of Pareto's definition of market equilibrium as the outcome of an opposition between tastes (demand) and the obstacles for their attainment (resource scarcity). At first sight, this extension of standard economic concepts like utility, equilibrium and optimum into non-economic domains suggests that exchange theory purports to erase or mitigate social-science disciplinary boundaries, especially those between economics and other disciplines. However, in most cases the underlying rationale or (un)intended outcome of such an extension is subsuming these disciplines under economics as the 'queen of social science', which epitomizes academic economic imperialism rather than an interdisciplinary project. Then, the extension of marginal utility and other marginalist concepts indicate that social exchange theory is primarily a more specific variation of the rational choice model—notably, closely tied to public choice as the economic analysis of politics--rather than an autonomous theoretical paradigm. So does the extension of other related economic concepts.

Thus, social exchange theorists also transplant the concepts of supply-demand, market and just price, imperfect competition, costs, profits, etc. from economic to extra-economic phenomena. They view the equilibrium between supply and demand as determining the exchange ratio between two non-economic goods by analogy to market exchange[3]. Also, they treat the concept of elasticity of market supply and demand as also applicable to social relations, particularly interrelations in and structures of groups. Some extend the theory of imperfect and monopolistic competition, with its assumptions of market imperfections (e.g. product differentiation, small numbers of firms, entry constraints, incomplete information), to competition in status and other social rewards. Other examples of extending economic concepts to 'non-economic situations' include (direct, fixed, variable, marginal, investment, opportunity) costs, benefits, profit, income, etc. (Blau ,1994, pp. 158-159; Coleman, 1990, pp. 719-769; Homans, 1990, pp. 77-81).

Such attempts to ground social exchange on market principles introduce variables, such as material interests and initial control of goods, used in turn to predict the value of events, the resources obtained and the patterns of control at equilibrium (Coleman, 1972). They borrow their assumptions or parameters from the standard theory of market exchange or perfect competition premised on the assumptions of product homogeneity, multiple firms, perfect information, rational self-interest in gains, stable homogenous interests or preferences, divisible goods, etc. Still, some exercises (Michener et al., 1977) in what critics see as indiscriminate borrowing (Lie, 1997) realize that such assumptions are too stringent when applied to social (and even economic) relations suggesting the need for their qualification or relaxation. For example, they acknowledge that imperfect knowledge or incomplete information is present in social relations (and economic exchanges) and leads to inefficiencies. Also, they allow that actors have motivations or purposes other than self-interest, viz. altruism, equity, or status, though by relaxing this assumption the (rational choice) model admittedly loses some of its predictive power. Finally, they admit that the proposition of foregoing ownership or power--by giving up control for the sake of gaining utility (Coleman, 1994, p. 169)--through market transactions, while plausible for material goods, is dubious for non-material variables, including information (Michener et al., 1977)

Power as the Outcome Of Exchange Relations

In the rational choice model overall, admittedly the "power concept is a generalization of the wealth concept in economic theory" (Fararo, 2001, p. 266). This also applies to (much of) social exchange theory as (if) a subset of the rational choice model (Coleman 1990), though with some differences. These differences are mostly secondary or terminological: social exchange theory typically conceptualizes power in terms of (material) resources and their exchanges (though its advocates may and do claim that resources are a broader category than wealth). Specifically, they treat power as a derivative of unreciprocated exchange transactions in respect of 'resources'. While assuming that social bonds result from reciprocated benefactions, they see unilateral services are the ultimate source of differentiation in power (and status). This simultaneous generation of social bonds and power differentiation is called the paradox of social exchange. The ultimate form of the first is pure expression of love, and the extreme case of the latter is potlatch in its primitive and modern variations (Blau, 1994, pp. 158-9; Nisbet, pp. 1970:65-6). This process of power differentiation has social structural effects like asymmetries in relations between members of different groups, as superiority in group resources is transmitted into the superior prestige of individuals accruing to them by membership independently of personal factors (Blau, 1994, pp. 146-7).

In conventional economics, market exchange is a primary determining phenomenon in relation to power as secondary and derivative. In a similar vein, economic-behavioral models of social exchange treat exchange as more fundamental than power, explicitly (Emerson, 1969, pp. 385-6) or implicitly (Cook, 1990, pp. 115-6) on the market-style assumption that the latter largely emerges and evolves in a complex structure of exchanges of resources. Arguably, since these exchanges are governed by the objective structure of alternatives, the latter determines power (and dependence) and gives it the character of a structural variable residing within exchange networks. No doubt, power has been a subject of intense interest among social theorists for long time and an organizing concept for much of their theory, classical (viz. Marx, Weber, Simmel) and (post-) modern (e.g. Bourdieu, Habermas, Foucault) alike. Social exchange theory purports to provide some additional insights that would ostensibly enhance our, including public choice, understanding of power and related phenomena, which can be intriguing to readers. As hinted above and elaborated below, exchange theory's key insights in this respect are, first, the equation of power with resources or wealth and, second, the association between power and dependence. While to many readers these insights may appear déjà vu—viz. the first in orthodox economics, including public choice, the second in behaviorist psychology--social exchange theory entertains high ambitions about its contribution to the theoretical (and empirical) analysis of power, which justifies and clarifies how the latter fits into this study.

As regards its second key insight, specifically for exchange theory the inverse association between power and dependence characterizes their relations, so (non)reciprocity in the latter generates the problem of (in)equality or (a)symmetry in power (Emerson, 1962, pp. 31-41). In recent exchange theory, this perspective has become known as the "power-dependence theory of Emerson" (Molm and Peterson, 1999). In this view, reciprocal or balanced exchange relations do not always imply the absence of power, however. Power (though not domination) may still be operative rather than neutralized in such relations because actors can continue to exercise control over each other's actions. Two or more power-dependence relations constitute a power network that tends to closure. A major process in such networks is the legitimation or transformation of power into authority as balanced and directed power exerted only in ways specified by group norms (Emerson, 1969, pp. 395-397) and thus a social structural rather than personal phenomenon residing in dyads. Arguably, the nature of network connections--positive, negative and mixed--and resource scarcity by virtue of being factors altering dependency relations determine the locus of power in exchange networks, a view that seeks to go beyond dyadic social exchange to more ‘macro’ levels (Yamaguchi, Gillmore and Cook, 1988). This shift of attention from isolated dyads to exchange networks (attributed to Emerson 1972) is a key feature of modern social exchange theory for its recent advocates (Molm, 1991, p. 475). However, some modify or replace such network models by a process view that advances an identity model of power associated with a participation level in exchange networks, as set by actors’ standards of identities (Burke, 1997, pp. 135-7).

In rational choice versions of exchange theory, the distribution of power among actors is determined by the ‘availability of resources from alternative exchange relations’ in networks consisting only of negative connections like competition and conflict (Yamaguchi et al., 1988, p. 851). In turn, the ‘local scarcity of resources’ determines power distribution in exchange networks with solely positive connections such as cooperation. And, in networks of mixed connections, the distribution of power is conditional on a conjunction of network positions--e.g., the distance from the sources--and the control of resources. Overall, rational choice models of exchange typically equate power with the total value of economic resources (Yamaguchi, 1997, p. 840) or wealth. Specifically, the power ratio between actors is the reciprocal magnitude of the exchange rates between them--the less resources actor A exchanges with B, the higher A’s power over B--with these rates (or marginal utilities of exchanges with alternative partners) being equal in market-like equilibrium (so optimum). Attaining the latter implies establishing uniform power ratios or approximately symmetrical power-dependence relations between actors in networks.

According to some exchange theorists, actors can exercise both reward and punishment or coercive power, though the first is a more likely strategy for powerful actors, and the second for the weak, in exchanges (Molm, 1989, pp. 1417-8). In this view, the risk of retaliation and fear of loss, however, discourage the strategic use of coercive power (Molm, 1997, p. 130) on the part of weak actors since they are too dependent on their powerful counterparts to use such strategies. Arguably, the dynamics of power in social exchange, expressed in the frequency and distribution of outcomes, is governed by two variables. One is the structure of power in exchange networks--i.e., a structural equivalent to the potential power derived from dependence relations--the other its strategic use. Reportedly, structural power and strategic action are weakly correlated, though both have strong effects on exchange outcomes. Specifically, strategic action is observed to have a more profound impact on punishment power, and structural power on its reward counterpart. In turn, strategic action, viz. the strategic use of coercive power, is employed to recompense for the lack of structural power rather than intensify or mediate its effects, for powerful actors have less need to utilize such strategies (Molm, 1990, p. 447). In this view, the frequency and distribution of exchange is the indicator of satisfaction from exchange relations, which is determined by the amount and balance of power. The greater average power or balance, the more symmetrical distribution of exchange and so the greater satisfaction, and vice versa. Hence, this satisfaction derives from relative power positions via the expectation entailed in each position, with higher (lower) 'nodes' producing high (low) expectations (Molm, 1991, p. 493). As to the effect of the degree of reciprocity vs. negotiation in social exchange on power distribution within networks, presumably reciprocal exchanges exhibit lower strategic power uses (Molm and Peterson, 1999), just as greater perceptions of fairness (Molm, Peterson, and Takahashi, 2003).

In some variants of exchange theory, power exhibits a direct correlation to the centrality of actors' network positions (Bonacich, 1987), with exceptions where central positions do not necessarily imply superior power, which is either a proposition (Markovsky et al., 1990, p. 300; Willer, 1986, p. 441) or a concession (Cook and Yamaguchi, 1990, p. 297). By contrast, some conceive power as a function not so much of actors' position in exchange networks as of their actions, viz. identity models of network exchanges in which power is linked with participating in these based on certain participation reference standards (Burke, 1997, pp. 135-6). These models differ from their structural counterparts in that power does not inhere to any particular position in an exchange network but expresses the capacity of one actor to control those resources the others seek, so the equation has two parts (Burke, 1997, p. 149). By contrast, structural theories assume that power differentiation is determined more by 'transitive power' in organized networks or hierarchies than by that in dyadic exchange relations (Friedkin, 1991). These theories denote exchange relations positive if they are contingent on each other or mutually reinforcing, and negative if they preclude one another. They derive measures of centrality within exchange networks from process models of social influence assuming that such processes generate and shapes the societal organization of network status. For instance, an integrated variant of these models applies a social-structural perspective on choice shifts by linking these to interpersonal interactions or polarization in small groups, thus making influence network the crucial construct in the analysis of group dynamics (Friedkin, 1999).

Some exchange theorists relax the rational choice argument for the determination of power by exchanges of resources within network structures (Willer et al., 1989). Describing it as a relational and unobservable phenomenon, they view power as determined by multiple rather than single structural conditions, including resource exchanges. They suggest that a substantial departure from some baseline value of expected outcomes is indicative of power use in exchange relations, thus of grounding power in a resource flow linking any pair of positions in a network. In such networks, power transitivity exists if a resource flow between at least three positions is operative. Overall, power is structurally generated in exchange networks via exclusion and inclusion, or hierarchy and mobility, and is proportional to the ability to avoid being excluded. In this rendition of exchange theory, excludability becomes the major factor determining individual and network realms or power positions, though critics (Cook and Yamaguchi, 1990, pp. 297-300) object that the connection between power-dependence and exclusion is not articulated. It defines exclusion in the sense that some actors are effectively prevented from obtaining valuable resources like wealth (and so power and status) by social-structural conditions that affect (and stem from) resource availability, valuation and transfers between individual and collective actors (Markovsky et al., 1988). Thus, the power of micro-units within exchange networks to access these resources is to some degree the function of macro-social structures. Technically, this version of exchange theory assumes that to every network position and its holder accrues relative power analytically predicted by a graph-theoretic power index (GPI) that indicates the number of points earned and distributed in resource exchanges and is based on the equation of power to the availability of alternative exchange relations. GPI calculations in multi-exchange networks are simplified by using the concept of network domains as independent (sub) networks in the sense that power use and change in one domain do not have impact on that in the others. In sum, both exchanges of resources and configurations of network positions determine power and its use, as manifested in resource distributions. Yet, some exchange theorists object that this procedure of power estimation via the accumulation and distribution of resource points may perpetuate the rational-choice myth that social actors wish solely to accumulate wealth (Burke, 1997, p. 149).

Forms of Social Exchange

On the basis of the number, interconnections, and objectives of actors, social exchange is divided into restricted, dyadic or bilateral and generalized, network or multilateral. In some views, the distinction between restricted and generalized exchange is pertinent if these operate according to differing principles, viz. equality in the first, and mutual trust in the second (Roloff 1981:20-2). Early behaviorist-rational choice versions of exchange theory (e.g. Homans and Blau) treats restricted exchanges as primary in relation to their generalized forms. They dismiss generalized exchange in virtue of being founded on normative conformity or social expectations stipulating that actors provide free services rather than on voluntary actions seeking mutual gratifications in contrast to dyadic exchanges. Some accuse the theory of generalized exchange for committing the tautological fallacy of explaining behavior by cultural norms prescribing such conduct and so for overlooking the crucial insight that exchanges do not hinge on social obligations (Blau, 1994, pp. 156-8), especially exogenously imposed rules involving regulatory constraints, thus limiting freedom of choice (Yamaguchi, 1997, p. 841).

Instead, they redefine social (and economic) exchange as a type of choice behavior. Presumably, actors in social exchange make choices freely in regard to other interactants or alternative courses of action while guided by cost-benefit considerations, though no formal bargaining and explicit contracts on reciprocation are involved (Molm, 1990, pp. 427-9). The satisfaction of actors' preferences becomes the prime mover of exchanges: exchange processes are outcomes of their attempts to satisfy their needs (Cook, 1990, pp. 115-116) rather than live up to social expectations, values, and rules. Admittedly, alternatives for exchange transactions as well as their outcomes are influenced by a group's network that prevents or mitigates by various social sanctions, including moral disapproval, failures of reciprocation. Yet, exchange theory typically treats these sanctions and the underlying social norms as secondary explanatory factors in relation to expected returns in the belief that they do not generate (though may sustain) such transactions (Blau, 1994, p. 158). Generally, it, especially its rational-choice rendition, conceives exchange behavior as mostly, to use Weber's terms, instrumental-rational rather than (also) value-rational well as traditional and affective (or emotional) action, despite some recent attempts in the second direction, e.g. affect theories (Lawler, 2001; Molm, 1991). In Paretian terms, it conceptualizes social exchange as driven largely by logico-rational elements such as material interests in resources, while downplaying non-rational variables like sentiments and their rationalizations (residues and derivations). This feature of exchange theory helps explain why its advocates avoid reference to, or criticize and dubiously reinterpret, Weber, Pareto and other classical sociologists and anthropologists (as implicitly admitted by Cook, 2000).

Social-Psychological (Behavioral) Assumptions

A principal socio-psychological or behavioral-motivational assumption of exchange theory is that of human behavior as a function of reward and punishment, pleasure and pain, cost and benefit, gain and loss, pay-off, and the like (Homans, 1961, p. 12). Presumably, by generating such pay-offs, exchange transactions institutionalize or pattern social interaction (Cook, 1990, pp. 115-6). Early exchange theorists (e.g. Homans, Emerson) regard this assumption as common to both behavioral psychology and conventional economics, with the two dominant models of social exchange, the behaviorist-operant and the economic-rational choice (Ekeh, 1974, p. 115; Roloff, 1981, pp. 33-59), originating in these two disciplines, respectively. However, some of them see the rational choice approach as but a special case of behavioral psychology (Homans, 1990, pp. 85-6), a view that the exponents of this approach (e.g. Coleman 1990, p. 11) reject. In this view, among social laws only economic ones approach level of generality in virtue of being grounded on universal behaviorist psychological principles (Homans, 1990, pp. 77-81), though they admittedly emerge and function solely within definite institutional conditions like markets, property rights, legal guarantees, or cultural rules (Elster, 1989; Willer et al., 1989). Thus, early exchange theorists (like Homans) describe such market laws as the law of supply and demand as derivations from psychological propositions or behavioral propensities, though under certain institutional parameters. They explicitly pursue and justify psychological reductionism on the ground that sociological laws are not very general or pertinent. Notably, they treat the rational choice propositions about social exchange, by virtue of referring to individual actions and treating institutions as their aggregate outcomes, as psychological and thus universal, and not sociological. If so, then these propositions assume on the heroic function of explaining and predicting virtually all social phenomena, economic and non-economic alike. For example, some exchange theorists propose that social status--denoted as a special capital (Blau, 1994, pp. 160-1) whose function is to obtain material gains--is subject to the operation of the law of supply and demand, just as are economic variables. The role of wealth or money in economics is in social exchange theory matched by status (Blau, 1994, pp.146-7), approval (Homans, 1990, pp. 77-9), reputation and related non-economic variables assumed in turn to be rationally used for obtaining efficiency gains within exchange systems (Raub and Weesie, 1990, pp. 653-4).

Overall, for leading exchange theorists (Homans, 1971), the key propositions of their theory are much like those of economics, viz. rational pursuit of self-interest, by assuming that actors are more likely to engage in an action, the more valuable its reward, and conversely. In turn, by virtue of making no reference to the conditions and positions of a social system's integration or equilibrium, they are not functional or macro-sociological propositions. Relatedly, like general sociological theory, that of social exchange becomes a set of explanations and predictions using psychological propositions, of which rational choice is (as seen) a special case. Presumably, the only general propositions in sociology are psychological, not social, because no general sociological propositions holding for all societies or groups exist (Homans, 1990). Since its perceived psychological, including individualistic, foundations make rational choice theory a branch of behavioral psychology, exchange theory cum the "economic analysis of noneconomic social situations" (Emerson, 1976, p. 336) is an application of the behaviorist approach. (This is a sort of anathema for economists and rational choice theorists in sociology, e.g. Coleman 1990).

The initial behavioral approach--as pioneered by Homans, as perhaps the first modern exchange and even rational choice theorist (Coleman and Lindenberg, 1989; Fararo, 2001—is elaborated in the model of operant psychology treated as the theoretical foundation. The model uses concepts such as operant stimulus, discriminatory stimulus and reinforcing stimulus, and views not the actor but the relationship as the unit of analysis (Emerson, 1969, pp. 379/95). It distinguishes exchange networks from groups in that they are structures created by exchange processes among different individual and collective actors--i.e., as sets of two or more connected exchanges—thus extending these processes from direct dyadic to indirect multi-agent forms. In an extension of this model, exchange networks meet individual needs and cause or constrain the emergence of social structures--rather than vice versa--by producing differentiation among individuals and groups on the basis of asymmetrical access to valuable resources like wealth, power, prestige, or privilege (Cook, 1990, pp. 115-6). A further related claim is that the assumption that institutional structures are "generated" via the concatenation of individual exchanges makes exchange theory a "theory of social structure [sic!]" (Cook, 2000, p. 687).

Another key behavioral assumption of social exchange theory is that of distributive justice, equity or fairness in non-economic relations. In neoclassical economics, the principle of distributive justice implies equivalence of the marginal productivity or efficiency and the earnings of production factors like labor (wages), capital (interest), and entrepreneurship (profit). By analogy, early social exchange theory defines distributive justice in terms of equivalence or proportionality between the investment in and the (money or psychic) profit from non-economic exchanges (Homans, 1961, p. 264) and contending a la economics that only if both parties make profit will such transactions continue. In modern social exchange theory (and social psychology), most definitions of (distributive) justice or fairness are mainly variations on this theme (e.g., Jasso, 1999; Molm, Peterson, and Takahashi 2003; Younts and Mueller, 2001). For illustration, some redefine distributive justice in terms of 'how people evaluate the fairness of the reward distributions that result from allocations or exchange, typically by comparing actual rewards to some standard of 'just reward'" (Molm, et al. 2003:128-9).

In social exchange theory, most analyses of distributive justice emphasize its subjective dimensions or actors' perceptions of the relation of rewards to a certain distribution rule of 'just reward' (Alwin, 1987). In short, the equation or proportion between actual and subjectively expected rewards measures distributive justice. This approach rests on the premise that equity or fairness is 'in the eye of the beholder' (Molm et al., 2003), thus making distributive justice a sort of socio-psychological phenomenon. Arguably, individuals' expected and actual rewards from exchange constitutes the socio-psychological process of justice evaluation (Shepelak and Alwin, 1986). Reportedly, actors perceive inequalities in exchange as legitimate and just to the extent that their cause is attributed to themselves rather than others (Shepelak, 1987). Since social factors affect individual expectations, admittedly both objective and expected level--influenced by subjective reference groups and standards--of well-being determine the assessment of satisfaction or distributive justice as subjectively experienced.

The relationship between the criteria of evaluation (e.g., skills, performance, or seniority) and the distribution of valuable resources, which expresses or approximates distributive justice, is specified by a distributional rule by analogy to the marginal productivity principle in economics. For example, the fairness of earnings is estimated according to criteria like merit and need affecting actors' judgment of perceived equity (Jasso and Rossi, 1977). Overall, this view makes the extent of perceived injustice—e.g. 'unjust under-reward' and 'unjust over-reward'--in rewards a function of scarcity and inequality (Jasso 1999). Arguably, since (if) the distribution rule is adopted or subjectively perceived as legitimate, the relations between evaluation criteria and distributive rewards will be perceived as equitable or not depending on whether or not individual reward expectations, based on the rule, are fulfilled or frustrated. This implies the expectation that the psycho-social unrest due to distributive injustice will arise only if the distribution standard is (perceived as being) violated (Cook, 1975). In addition, some exchange theorists reintroduce procedural distributive justice stating that 'judgments of fairness are a function not only of outcomes in relation to some standard but of the processes or procedures through which outcomes are obtained' (Molm et al. 2003:129). Thus, they examine how the processes of negotiation and reciprocation—i.e. negotiated and reciprocal exchange with their different 'procedural dimensions'--affect perceptions or judgments of fairness. Their finding is that negotiations as putatively 'fair procedures' produce the 'untended consequence of reducing the perception that exchange is fair and just', and reciprocal exchange is a 'process for building relationships in which other actors are perceived as fair and cooperative' (Molm et al. 2003:129). In general, social exchange theory predicts that definite behavioral consequences will ensue from (in)justice perception and experience (Markovsky et al., 1984).

In this regard, some exchange theorists propose social comparison functions (Markovsky et al., 1984) on the ground that judgments of distributive justice are based on comparisons across individuals, groups, societies, or distributional standards. In this view, social comparisons cause perceptions or emotions of (in)justice as well as justice-restoring mechanisms and actions. Used in modern social psychology, such functions reflect the idea that justice (and happiness) as well as affect and identification are comparative categories or outcomes of interpersonal and inter-group evaluations, a generalization of Veblen's theme of 'invidious comparison'. The social comparison function has a domain of ordinal and ratio-measured investments and rewards unlike that of economic distribution where these variables are numerical (Markovsky et al., 1984). Finally, as to the relationship of distributive justice to power, equity or fairness norms reportedly legitimate behavioral inequality in exchange relations and thus favor powerful actors rather than neutralize such effects to the advantage of the weak (Molm, Quist, and Wiseley, 1994). This finding thus supports the legitimation hypothesis of distributive justice vs. the balance hypothesis

II Critique of Social Exchange Theory

Two Levels Of Critique

Social exchange theory can be examined and criticized at two levels of analysis. The first level pertains to the treatment of human behavior or social life as exchange; the second to the reduction of social interaction or 'exchange' to economic transaction or a psychological process.

At the first level, contemporary social exchange theory is far from being fully original and novel. Many exchange theorists, knowingly or (more often) not, just restate some classical sociological ideas, notably those of Simmel, and to that extent their theory might be designated 'rational choice crossed with classical sociology'[4]. For instance, Simmel posits that many interpersonal relations can be interpreted as exchange, that the latter is the "purest and most developed kind of social interaction based on reciprocity" to the effect "every interaction is an exchange" and is founded on the "scheme of giving and returning equivalence." It is curious that many of modern exchange theorists seem either unaware of the origins or anticipations of their theory in classical sociology—thus appearing as if trying to 'discover America' again--or are prone to disregard these in favor of those from neoclassical economics or behavioral psychology. As some of its adherents admit, most of social exchange theory "combines roots in behaviorism [...] with concepts and principled borrowed from microeconomics" (Cook, 2000, p. 687), a combination that virtually excludes relevant sociological and anthropological ideas as incongruent. For example, economic and psychological versions of exchange theory hardly contain relevant references to classical sociological (and anthropological) works, including even those of Simmel and Weber as putative early 'rational choice' sociologists (Kiser and Hechter 1998). Contrast this negligence with their numerous references to (neo)classical economics (e.g. Smith, Bentnam, Marshall, Edgeworth, etc.) and behavioral psychology (e.g. Skinner). In one respect, social exchange theory tends to ground itself in standard and partly discredited economic concepts and models like *homo economicus*, self-interest, profit, utility maximization, cost-benefit calculation, complete information, cognition, and foresight, etc. In another, it places itself in the equally compromised behaviorist frame of reference, e.g. 'Skinner's box' (Deutsch, 1971), with its reliance on the operant psychology of stimuli, responses, mutual reinforcements, rewards and punishments, etc. The first applies to rational choice models of exchange, second to behavioral ones, though a synthesis mixing both is found in many exchange theorists starting with Homans and Emerson.

Modern exchange theory cum a mix of behaviorism and microeconomics justifies its disregard of sociological ideas on meta-theoretical or doctrinaire grounds that their holist or cultural crust is incompatible with its individualist, utilitarian and behaviorist core. It neglects or dismisses the classical sociological-anthropological conception of generalized, 'rule-governed' (Weber's expression) and symbolic social exchange (e.g. Durkheim, Mauss, Malinowski) in favor of that of restricted, normatively independent, and pseudo-market exchanges. The issue is not whether which conception is more adequate but the disjuncture of an ostensibly sociological theory with the tradition of sociology and its curious continuity with (and borrowing from) orthodox economics and behaviorism. Still, this path makes the modern exchange paradigm appear less adequate as a sociological (or socio-psychological) theory than perhaps would have been the case if the other route were followed. In particular, admittedly "one limitation of [social exchange theory] is the relative inattention to issues of cultural context and cross-cultural variations in the norms and rules that regulate social exchange. Ironically, this is the strength of early studies of social exchange within anthropology" (Cook, 2000, 688).

What prominent exchange theorists (Emerson) call the 'economic analysis of noneconomic social situations" as the presumed *differentia specifica* of their theory transforms the latter into a particular subtype of the rational choice model (Coleman, 1990; Cook, 2000; Macy and Flache, 1995), though some of those instrumental in this transformation (Blau, 1994) recently reject this view. Admittedly, rational choice models, as originating in standard micro-economics, "form the basis" (Cook, 2000, p. 687) for social exchange theory. In conjunction with this economic basis, the latter has also evolved into a sort of sub-field of behavioral or operant psychology in Emerson-Homans' formulations, amid some misgivings (Coleman, 1990, pp. 11-16) favoring an exclusively rational choice model. In either case, like most of the rational choice model, social exchange theory is, for its viability and validity, subservient to or 'parasitic' on these two sociologically extraneous and alien paradigms rather than being a truly sociological endeavor. Consequently, it stands and falls with utilitarian economic theory and psychological behaviorism, as partly discredited or revised paradigms even within their own fields. In this sense, exchange theory (to quote Schumpeter's comment on welfare economics) 'only revives Benthamite [and the Skinnerian] tradition.' That social exchange theory's proclivity for economic-behavioral roots and formulations vs. sociological-anthropological ones is dubious is elaborated below. Notably, the flaws of its economic and behavioral versions can be exposed by comparing and contrasting with them the exchange theory presented, anticipated, or inspired by classical sociology/anthropology. So, this is not a critique of social exchange theory as such but only of its economic-behaviorist variants.

Is All Social Interaction Exchange?

Most exchange theorists reiterate or echo an early sociological or anthropological idea--as present or implicit in, for example, Simmel and Malinowski--of social interaction as exchange. However, they ignore or downplay the observation that social interaction is, Simmel emphasizes, the more comprehensive concept and exchange the narrower, by reducing the former to the latter. While Simmel views exchange as the ‘purest sociological occurrence’ or the ‘most complete form’ of social interaction he commits or implies no such economic-style reductionism. By contrast, most rational choice models of exchange fail to distinguish the latter as a form of social interaction with reciprocal outcomes (Burgess and Nielsen, 1974; Molm et al. 2003) rather than a universal process found in virtually all society.

Despite its claim to be a sociological paradigm, exchange theory in its rational choice and behavioral varieties fails to recognize the distinctive social character of exchanges that are not fully reducible to their particular economic and/or psychological dimensions. It overlooks that social exchange represents, as Simmel puts it, a sociological phenomenon *sui generis* by virtue of being originally determined by society as well as subsequently socially regulated by inter-personal and inter-group commitments eventually conducive to impersonal rules and institutions. As critics object, based on its central proposition that the rational operation of economic and psychological processes defines social behavior as an exchange of rewards, and that institutional structures arise and exist as just more complex forms or outcomes of such processes, exchange theory misconceives the societal framework of exchanges by offering a mechanistic portrayal of human action (Mitchell, 1978, p. 168). In this view, its depiction of actors as motivated by reward vs. punishment and profit vs. cost reflects social exchange theory’s parasitic reliance on reductive psychology and economics. Alternatively, it overlooks or dismisses the self-emergent or pre-existing properties of macro-phenomena relative to individual units and their actions in favor of ‘ad hoc quality of utilitarian rationalities’ (Mitchell, 1978, p. 168) as the presumed prime mover of social structures regarded as collections or results of these unit acts. Admittedly, exchange theory treats social structures as “generated through the formation of [individual] exchange relations” (Cook, 2000, p. 687).

For critics, what is at issue, however, is not only this rational choice micro-aggregation to generate macro-outcomes—even for some economists (Arrow 1994) a dubious procedure--but also, to paraphrase Weber, co-determination of individual actions by (what Blau calls) the large social structure, including institutions, thus beyond interpersonal networks as ‘substructures’. If these processes are intertwined with, or co-determined by, each other, a key problem exchange theory overlooks, yet needs to solve, pertains to the ways thereby macro-social structure affect actors in their exchanges and pursuit of interest within networks. Admittedly, a possible solution is linking individual actions, via relations in networks of exchanges or micro-structures, with macro-social structures instead of assuming--as most economists do--that the latter are generated by ingrained individual propensities like some ‘propensity to exchange’

(Willer, Markovsky, and Patton, 1989). Thus, even some exchange theorists (Willer, et al., 1989) consider the macro-to-micro approach from social structure (not local networks) to individual exchange (agency) more in accordance with the sociological tradition, particularly Marx and Weber, than the micro-to-macro model characteristic of rational choice theory. Such an approach treats outcomes from exchanges like exchange rates as generated by connecting individual actions with macro-social structures as different from network sub- or micro-structures. This admits that just as it is implausible to reduce human interaction to an exchange of rewards, so is it to treat 'large social structure' as an aggregate outcome or composition effect of individual exchanges propelled by utilitarian or behavioral considerations. If so, then this casts doubt on the claim that exchange theory "offers significant insights about the nature and operation of social structure" (Stolte et al., 2001, p. 410), even that it is "a theory of social structure" (Cook, 2000, p. 687). (In fact, what modern exchange theorists, following Emerson, call 'structure' is what Blau denotes as sub- or micro-structures, like exchange networks, distinguished from large or macro-social structure.) Also, it doubts the general argument of 'sociological miniaturism' (or social psychology) that the phenomena usually 'taken as characteristic of the microbehavioral level of analysis transcend that level of analysis and apply on macrolevels of analysis as well" (Stolte et al., 2001, p. 409).

Can Social Exchange Be Reduced to Economic Exchange?

The second level of critique of exchange theory involves the relationship between economic and social exchange. Economic and behaviorist models tend to reduce social exchange to a set of market-like exchanges of material objects driven by extrinsic motivations like gain, even when it declaratively distinguishes between the two. For instance, this reduction is implicit in the claim that exchange theory is 'well-suited for grasping material/extrinsic exchange" (Stolte et al., 2001, p. 411) insofar as this means that social exchanges are subsumed under the latter. A related claim is that exchange theory brings to sociology a "clear conception of the material and resource basis of social action" (Cook, 2000, p. 688). These claims assume or imply that not just economic but social exchange is induced by pursuit of material resources (wealth) and/or hedonistic motives (pleasure). As some exchange theorists (Homans, Emerson) suggest, the economic postulate of utility maximization is a special case of the general hedonistic 'law' of pleasure optimization, as is loss minimization relative to pain avoidance. This highlights their project for, even most of modern, social exchange theory as an extension and combination of behaviorist, including hedonistic, psychology and utilitarian microeconomics (Cook 2000).

A critical alternative to the reduction of social exchange to economic and behavioral laws is explaining market transactions (and psychological tendencies) by sociological principles in light of the societal organization and embeddedness of the economy, including markets. This explanation is the mark of economic sociology, notably sociology of markets, which thus differs from social exchange (and rational choice) theory. In retrospect, the reduction of non-economic to market exchanges commits, for better or (more likely) worse, an inversion of the traditional sociological and anthropological treatment (e.g. Simmel, Malinowski) of the latter as a particular form of social exchange. Notably, rational choice models extend the 'economic approach' from market to social exchange and reduce the latter to the former, while 'stirring a bit of [behavioral psychology] to improve the flavour' (Hodgson 2000). However, this economic reductionism seems dubious even to some rational choice theorists (Boudon 1996) on the underlying premise social exchange is a distinct phenomenon not reducible to its particular market elements. In addition to the fundamental difference in comprehensiveness, underscored in early sociology (Simmel) and anthropology (Malinowski) but neglected in rational choice and behaviorist models, the differences between economic and social exchange are numerous and substantial.

Thus, even the exchange of material goods in the market is, as Simmel stresses, not a purely economic fact as treated in orthodox microeconomics. For, as he puts it, "such a fact--i.e. one whose content would be exhausted in the image of economics--does not exist [but is one of] the purest and most primitive forms of socialization". Further, Simmel observes that even when considered an economic phenomenon, market exchange far from exhausting analysis becomes the subject of sociological (and psychological) analyses examining its "preconditions in non-economic concepts and facts and its consequences for non-economic values and relationships". In some views, economic and social exchange differ in that in the former the focus is on material goods and the associated gains and sacrifices in contrast to the latter where relationships are central mostly regardless of such benefits (Burns, 1990). In Simmel's words, if the exchange of economic values entails the notion of sacrifice of a useful good and cost-benefit calculation, most social exchanges involve no such sacrifices and calculations. For instance, when, as he puts it, "we exchange love for love, we do not sacrifice any [material] good". Unlike market exchange involving an objective appraisal of the goods exchanged in the form of a definite value or money price, social exchanges are based on what

Simmel calls a purely subjective impulse independent of an exact exchanging rate. *Inter alia*, this is evidenced by the indefinite 'subjective impulse' and reciprocity in gift exchange, including Christmas presents (Solnick and Hemenway, 1996) as (in Levi-Strauss' words) a 'gigantic potlatch', in which determining an accurate economic value or monetary price is not feasible or sensible. As Simmel argues, to the extent that it involves equivalence of power and balanced relations, economic exchange is the typical instrument for combining distributive justice, though formal and relative, with changes in ownership by multiplying the number of values experienced. By contrast, he suggests that distributive justice in social exchanges is more difficult to attain or ascertain given its 'pure subjectivity' and indefinite terms of exchange like rates and time of transactions (Burgess and Nielsen, 1974). If so, then various attempts at transplanting the concept of distributive justice from economic to social exchange are just analogies and metaphors at best. Reportedly, while in economic exchange inequality or injustice can be measured with great precision, this is not so in social exchanges (Curtis, 1986).

Notably, while the actor of market exchange, as modeled in orthodox economics, is essentially some variant of 'anemic, one-dimensional *homo economicus*' (Bowles 1998:78) social exchanges imply a different type of agency, a sort of multidimensional *homo sociologicus*. Further, the concept of a sociological actor guided by intrinsic and extrinsic motivation alike seems more plausible than the model of economic man as a perfectly rational egoist driven solely by self-interest. In fact, *homo sociologicus* thus understood incorporates *homo economicus* as a special case. Admittedly, this is because individual rational actions are situated within and shaped by the social framework, including the value-normative content as one of the distinctive features of *homo sociologicus* (Boudon, 1996). Moreover, some studies suggest that most social exchanges are induced by value imperatives rather than naked greed (Wilson and Musick, 1997). This indicates a tendency to the salience of (to use Weber's term) value-rationality or intrinsic motivation in social exchange, viz. acting 'not just for money' (Frey, 1997), in contrast to most (though not all) economic transactions. In some descriptions (Boudon 1981), *homo sociologicus* is an intentional or purposive actor, having all kinds of ends and motivations, but is not rational in the narrow sense of *homo economicus*. Admittedly, the concept of a perfectly rational actor a la *homo economicus* cannot be a general paradigm for social exchange theory due to the limits of utilitarianism and economic determinism. The fact that economic and social exchange involve different kinds of actors implies that they entail differing types of rationality (Blau 1993).

Rational choice and behaviorist models overlook the difference between economic and social exchange in the sources of power. In economic exchange, power is typically (though not invariably) gained and retained via acquisition and control of material resources, and in social exchanges by accumulation of symbolic 'assets' that establish and sustain ties and influence. In short, in one case power is based on financial capital or wealth, in the other on 'social capital' (just a metaphor) or networks. Given (to paraphrase Simmel) the sui *generis* character of non-economic exchange vis-à-vis its economic form, 'social capital', including networks of relationships, influence and status, is not just a means for gaining financial capital or utility as rational choice models (e.g. Coleman 1990) presume. On the contrary, the relationship between economic and 'social capital' can move in an opposite direction: Accumulation and consumption of wealth often is not an end in itself but a means or intermediate goal to ends like influence or prestige (plus power, morality, religious salvation, etc.), as Veblen and others show. However, rational choice models of social exchange overlook the observation or possibility that wealth accumulation and consumption may be just a subset of, or an intermediate step to achieving, "social capital" (e.g. status) and related non-economic variables (especially power). As specific exchange systems rather than individual transactions, economic and social exchange with their respective ends, values, and rules may come in contradiction with each other, which reflects the crucial difference between the two in that in ideal-typical terms the former rests on impersonal market transactions or (in Weber's words) 'matter-of-factness', the latter on personal relations. (In reality, even economic exchange is often embedded in personal relations and networks, just as social exchanges may involve a degree of 'matter-of-factness'.) An exemplary sociological depiction of the actual or potential contradiction between economic and social exchange is implicit in Tönnies' distinction between *Gemeinschaft* (traditional community) and *Gesellschaft* (modern society), though some exchange theorists (e.g. Hechter and Kanazawa 1997) dispense with this distinction on the ground that the same rational-choice laws govern both systems.

And, rather than just determining social exchange, as in rational choice models, economic transactions are (as Weber puts it) also co-determined by extra-economic processes. A case in point is the social definition and construction of the rules of rational calculation in economic exchange. Hence, a sociological conception of economic exchange as a socially co-determined phenomenon becomes a sensible alternative to the 'economic analysis to non-economic social situations'. Prominent instances are Durkheim's concern with the role of 'social rules systems' (Burns 1990), trust and solidarity in market transactions ('noncontractual bases of commercial contract'), Weber's ideas of power constellations and conflicts of interests, Simmel's treatment of economic exchange as a form of social interaction, Marx's analysis of commodity fetishism, etc. Notably, these approaches cast doubt (Willer 1992) on the tendency for rational choice models (e.g. Becker 1976) of exchange to reduce social exchanges/structures to market transactions/markets.

Finally, in some views (e.g. Burns, 1990), economic and social exchange differ in that calculations guide the former, while their replacement by non-economic relations is a property of the latter. Even when calculation is present in social exchange, its logic is different from that of cost-benefit calculations in economic transactions. Alternatively, even the 'purest' (Samuelson 1983:78) market exchange (or competition) is not fully devoid of certain properties of social exchanges like mutual trust and networks of personal relations ('embeddedness'), alongside generalized and formalized trust (by the legal system). In this view, compared to its market form, in social exchange the relations between actors or intrinsic motivations are central rather than economic benefits or extrinsic motives. These relations are governed by social rule systems (e.g. Burns, 1990), notably, the norm of generalized reciprocity, generating a diffuse spectrum of exchange transactions and obligations, and making cost-benefit calculations almost impossible.

Other Criticisms of Social Exchange Theory

Restricted And Generalized Exchange. Social exchange theory's treatment of the relationship between restricted or bilateral and generalized or multilateral exchanges seems inadequate, even contradictory. The theory, especially its rational choice and behaviorist formulation, claims that restricted exchange is primary vs. its generalized form on the ground that the former implies the crucial insight that exchanges are motivated by mutual rewards rather than social norms and obligations assumed to underlie the latter[5] (Blau, 1994, Homans, 1990). Since the restricted type rests on dyads, and its generalized counterpart on social systems (Uehara, 1990) or networks of exchanges (Bearman, 1997), this claim contradicts modern social exchange theory's (see above) alleged orientation to focusing on exchange networks rather than dyads. Though exchange networks involve pairs of dyads and so bilateral exchanges, they are better seen as sites or systems of generalized exchange rather than collections of dyadic ones. For example, the market as a peculiar exchange network represents a system of generalized or multilateral economic transactions rather than a mere collection of dyadic isolated restricted or bilateral exchanges. The same applies mutatis mutandis to the polity and culture understood as networks or systems of political and symbolic exchange respectively, as illustrated by Parsons' AGIL scheme.

In addition, the above claim neglects the fact that generalized exchange is more complex (Bearman, 1997) and conducive to social order--an overarching theme of rational choice models --than the restricted type (Levi-Strauss, 1971, p. 305). At the minimum, reportedly social cohesion is best promoted by a blend of dyadic and collective exchange systems (Uehara, 1990).

Historically, though generalized exchange is probably more characteristic of traditional than modern societies, some (Levi-Strauss, 1971, p. 306) invoke what is called the 'gigantic potlatch' (manifested in Christmas gifts) as a major feature of these latter. In this view, such a system of generalized reciprocal exchange is based on social expectations or normative obligations rather than seeking mutual gratifications in strictly economic terms. As even some economists admit, (Christmas) gifts received are often more socially valuable to recipients than their economic values or market prices (Solnick and Hemenway, 1996, p. 1304). Also, recent studies (Kranton, 1996) find that in contemporary Oriental societies (Egypt), gift or reciprocal exchanges, that coexist with and often replace market exchange, are permeated by social connections, influence, rank and related extra-economic and group considerations rather than individual profit calculi. These observations clearly contradict the claim of most economists and rational choice theorists that economic and social exchange such considerations are irrelevant relative to cost-benefit calculations. In particular, they are inconsistent with some rational choice theorists' estimation that between 1/10 and 1/3 of Christmas gifts' market-economic value is destroyed by giving, since people supposedly do not particularly value what they receive (Waldfogel, 1996, p. 1306). Overall, they indicate that in modern Western (and other) societies generalized exchange is far from irrelevant relative to its restricted type, thus suggesting that the theory of the latter is not only self-contradictory but also empirically unsupported.

In addition, social exchange can be conceived in terms of interchanges between various groups, organizations, or systems, not only of individual transactions. Thus, each social system, e.g. economic, political, communal, and cultural, can be, as Pareto, Parsons and others suggest, assumed to exchange 'inputs' and 'outputs' with the other systems. Notably, these interchanges between social systems represent multilateral or collective rather than bilateral or individual exchange. In Parsons' formulation (the AGIL scheme), the interchanges between the media of exchange, such as wealth, power, influence, and solidarity, correspond to and mediate those between macro-social systems like economy, politics, community, and culture, respectively. In light of these macroscopic attributes of social interchanges, no wonder some insiders criticize exchange theory for attributing primacy to exchanges at micro levels (e.g. Coleman, 1988). In this view, social exchange theory confines itself to individual-level relations and so fails to establish the micro-macro transition—seen as a key virtue of neoclassical economics--from dyadic to generalized exchanges (yet see Bearman 1997), in addition to introducing dubious ad hoc hypotheses. Admittedly, '[there are] two deficiencies in work that introduced 'exchange theory' into sociology. One was the limitation to microsocial relations, which abandons the principal virtue of economic theory, its ability to make the micro-macro transition from pair relations to system. The other was the attempt to introduce principles in and ad hoc fashion [e.g. 'distributive justice' and 'norm of reciprocity]" (Coleman, 1988:96).

If so, such versions of exchange theory are unable to establish an analytical compromise, by taking into account the empirical interplay, between restricted or micro and generalized or macro exchanges. This interplay can lead to dual or plural social exchange. Reportedly (Uehara, 1990), exchange networks of low density and intensity correspond to dyadic or restricted exchanges, and those of high-density/intensity to generalized or multilateral exchange ones. Though individual dyadic exchange can be the starting point, it is influenced by collective considerations and so immersed in diffuse systems or networks of generalized exchanges (as Malinowski classically shows for the Kula system.) Relatedly, in such systems market exchange takes on the form of socio-cultural interaction -- just as in Weber's framework economic behavior is a special case of social action-- rather than the other way round, as in rational choice models. The reality and possibility of such relations between social interaction and market transactions suggest the need for reconsidering, if not turning on its head, current exchange theory. Instead of construing all human behavior as quasi-market exchange, it may be sociologically more sensible to conceptualize the later (and other economic activity) as a particular form of social action (Weber) or interaction (Simmel), an approach taken in economic sociology, including sociology of markets.

<u>Socio-Psychological Assumptions</u>. Even if all the propositions of social exchange theory are valid, it seems handicapped by its behavioral assumptions derived from reductive psychology. Just as rational choice versions of exchange theory stand or fall with neoclassical economics and utilitarianism, so is the destiny of its psychological variants tied with behaviorism. A critique of behaviorist as well as rational choice models may even seem redundant in light of the partly discredited

place of utilitarianism and behaviorism, as ostensibly universal theoretical paradigms, in social science and philosophy, thus casting doubt on a social exchange theory based on them. This particularly holds true insofar as social exchange, like rational choice, theory seeks to become “an inclusive and universally applicable [utilitarian-behaviorist] construct that simultaneously explains everything and therefore nothing” (Smelser, 1992, p. 403), i.e. a ‘theory of everything [under the sun]’ (Hodgson, 1998:178).

Like rational choice, exchange theory can hardly be deemed more satisfactory than its initial target, structuralism-functionalism or macro-sociology overall (Mulkay, 1971, p. 225), as even by some of its exponents admit recently (Blau, 1994). One reason is that behavioral models of exchange (Homans, Emerson et al.) lack explanatory value vis-à-vis macro-social phenomena, especially institutions, because it neglects or downplays the impact of structural variables, viz. institutional (as distinguished from personal) power, authority relations, coercion, stratification, and political centralization, on individual exchanges (Mitchell, 1978, pp. 46-48). Since these models perform conceptual insulation of (pairs of) actors from this macro-social reality, they can deal only with the simplest forms of exchange like dyadic direct exchanges.

As noted, for many exchange theorists since Homans, their behavioral assumptions make for a universal model of human nature in the image of (as utilitarian economists like Edgeworth put it) a ‘pleasure machine’, rational egoist, or optimizing agent, so a sort of homo economicus.

A problem with such a model is that over-rational actors can degenerate into irrational subjects (‘rational fools’), since admittedly ‘hyper-rationality [is] irrationality’ (Elster 1989, p. 9). Generally, a major problem of social exchange theory, just as catallactics[6] or the pure economic model of markets, is socio-psychological or behavioral, because human beings have a “hard time doing what homo economicus does so easily: [optimizing, calculating]” (Blinder, 1997, p. 9).

Another problem with the behavioral-rationalist model of actors is that economic and other exchanges cannot be treated, as economists do since Smith, as the result of some ingrained human ‘propensity to truck, barter, and exchange’ but as embedded in society. Notably, market exchange is historically and culturally contingent, emerging under certain social conditions, including institutionalized markets, private property and legal systems, as shown by various cases of negation of these preconditions, especially private property (Willer et al., 1989). Yet, the behavioral treatment of social exchange as the outcome of the operation of operant psychology, viz. reinforcement stimuli as incentives (Emerson, 1969), misconstrues its nature as, in Simmel's words, a sociological category sui generis inhering to society rather than isolated individuals.

As critics object, behavioral models first eliminate macro variables like structures and institutions and then reconstruct them on psychical grounds, and thus have constricted scope (Willer et al., 1989), almost equivalent to that of Skinner-type behaviorism (Deutsch 1971). Consequently, not much is really structural in ostensibly 'structural' models of social exchange. What they call social structures are sets of interpersonal relations, notably clusters of exchanges or exchange networks, and thus micro-categories rather than macro, systemic, and impersonal phenomena as, ironically, defined in some non-behavioral models (Blau, 1994, pp. 140-152). Behavioral 'structural' models of exchange give the impression as if exchange networks were the only social structures, just as their rational choice counterparts reduce 'structure' to markets. Both models gloss over or downplay the fact that exchange processes admittedly take place within a setting of complex institutional structures (Blau, 1994, p. 151). This admission leads some exchange-turned-structural theorists (e.g. Blau) to reject the behavioral (Homans) and rational choice (Coleman) argument that the study of how individual exchange relations at the micro-level form macro-structures is the man task of social theory in favor of examining how these latter affect the former in a process of societal structuring. In this view, macro variables are not only influenced by micro relations, but shape individual life chances in all their components like wealth, health, power, autonomy, identity, leisure, cultural variety, or secure family life. If so, then the life chances of individuals represent structural effects in the sense of opportunities supplied or denied by social structure. Admittedly, the latter governs not only individual life chances by providing opportunities for and placing restraints on social exchange, but also shapes socio-psychological or interpersonal processes contrary to behaviorist models a la Homans.

The adequacy of behavioral models also can be questioned with respect to the postulated motivations for exchange. Typically, both rational choice and behavioral models postulate that utilitarian, hedonistic, egoistic, or extrinsic motivations are primary in social exchange relative to opposite motives. Further, they tend to dissolve the latter into the former, as exemplified by the dissolution of altruism and related motivations into egoism, which even some rational choice theorists suspect (e.g. Elster, 1998). To counteract such tendencies, some (formerly) exchange theorists (Blau) state that, as distinguished from material rewards in economic exchange, approval is a basic reward of social exchanges and cannot be gained by a selfish disregard for others, so consistent egoistic behavior a la rational-choice is discredited by seeking approbation. This leads to the suggestion that social exchange theory cannot be treated as simply a variant of rational choice theory (Blau, 1994, p. 152) contrary as the latter's exponents claims. In this view, though exchange operates on the basis of some rational pursuit of rewards, social relations with their rewarding experience are the prime benefit or primary outcome relative to which material gains are incidental. Admittedly, the motivations for such relationships, such as the 'pleasure of socializing', for their own sake rather than just for material gain govern most social exchange. Critics object that material and ideal interests can be mutually exclusive forces, and thus hardly reconciled in the juxtaposition of Spencerian-Benthamite utilitarianism with its economic model of self-interest and Durkhemian normativism based on moral code (Mitchell, 1978, pp. 75-78). Alternatively, they suggest that, despite some metaphysical collectivist implications, Durkheim-Mauss' morality postulate may prove more satisfactory as the analytical solution to the problem of social order than post-hoc utilitarian rationalities, since (if) 'rational construction of society' based on Benthamite utilitarianism can be self-defeating, so ultimately irrational, in accordance with the 'hyper-rationality = irrationality' equation (Elster 1989:8-9).

Both behavioral and rational choice models tend to minimize the role of non-economic motivations like power and status in social exchange compared to that of economic ones (profit). In a more plausible alternative, some sociologists (Kemper and Collins, 1990) suggest that power and prestige be considered two basic generative processes, relational dimensions or motives of micro-social interaction, including exchange, that are aggregated into macro-structures. In this view, material, variables, by not indicating relations between actors, are not social in the same way as power and status, and thus incapable of aggregation into structures at the macro level, which in turn differ from exchange networks. This shows again that it is inaccurate to treat networks of exchanges as structures, as done in 'structural' exchange theory, but as instances of personal interaction, micro- or sub-structures, miniature social structures (Burke, 1997, p. 134). As some structural exchange theorists (Blau) imply, treating exchange networks as 'structure' can be contradictory if social structures are understood as macro and impersonal phenomena. Further, the existence and operation of micro exchange networks, just as macro structures, can be predicated on power and status rather only wealth or materialistic ends. Thus, analyses suggest that a positive interaction exists between high group cohesion and the transformation of power into authority and prestige (Kemper and Collins, 1990). Notably, as even some economists admit, the 'assumption that individuals pursue their own materialistic ends, which economists employ to explain individual behavior in the marketplace, pales in innocence alongside the actions those who seek political power have taken to achieve their ends' (Mueller 1996:405). The same can mutatis mutandis be said of the pursuit of materialistic ends compared to status seeking, as Veblen and others contend and demonstrate.

As critics suggest, though the main motivating force of utilitarianism and behaviorism—seeking utility or reward in economic as well as social exchange--can be included as a particular ingredient in a general theory of motivation (Turner, 1987; Zetterberg, 1966), it is too simplistic. This resurfaces the limitations of an exchange theory that extends utilitarian-behavioral models of motivation beyond economic transactions to social exchange admittedly (Blau 1994) premised on relations rather than material gain, thus remaining a version of rational choice utilitarianism. As critics observe, the theory essentially retains the principal motivational mechanism of the latter in one form or another, viz. maximization of utility (or profit), diminishing marginal utility, cost-benefit calculus (Turner, 1987), despite some attempts at positing generic classes of utilities, by including both material and symbolic motives or resources.

<u>Power and Social Exchange</u>. In consequence of their utilitarian-behaviorist bias, rational choice and psychological models fail to establish an adequate relationship between power and social exchange. A major problem with these models is their treatment of power as a microscopic and personal phenomenon generated by (unequal or unreciprocated) exchanges within exchange networks, which fails to do justice to its macro, impersonal, or structural attributes. As critics (Mitchell, 1978, p. 78) charge, they dubiously assume that subjective interpretations by subjects, with their false consciousness, rationalizations, or ignorance, rather than the objective structural conditions of exchange define power, including domination, exploitation and legitimation. In this view, the main deficiency of rational choice models is taking social order as the non-problematic outcome of utilitarian rationality (self-interest), for which classical sociological theory can, by including both the objective and subjective factors of legitimate and illegitimate power, is a sensible alternative.

Most of these (and behavioral) models fail to distinguish personal power resting on (unequal) inter-individual exchanges from impersonal or structural power rooted in institutional and related conditions, probably due to their conflation between macro structures and micro interactions, including exchange networks construed as 'structure'. Admittedly, the first type of power emerging and located at the micro-level of face-to-face interactions in essence differs from the second inhering to the macro-level of institutions (Blau, 1994, pp. 163). In this view, the second type, as epitomized in economic and political domination, does not hinge on personal interactions but on social-structural processes, and thus implies impersonal and indirect power in contrast to the first. Prima facie, this view attempts to rehabilitate classical sociological theories of power, notably Weber's ideas of economic and political power, viz. 'domination by virtue of a constellation of interest' and 'domination by virtue of authority, as well as Marx's class-based conceptions. So do other exchange theorists (Willer et al., 1989) by restating Marx-Weber's arguments to the effect that sociologically power is an agent-social structure rather than intra- or inter-agency problem and suggesting that only in this sense can power be considered a relational phenomenon as its prevalent classical meaning.

Even when dealing with exchange networks, rational choice and behavioral models fail to reach a concept of structural impersonal power, as they construe these clusters of micro-interaction as 'structures'. Dubiously treating exchange networks as 'structure', these models overlook those genuine, macro-structures and processes, viz. institutions, beyond micro-interaction settings. To see how dubious this approach is, imagine an economics that is only microscopic dealing with processes within exchange networks or 'structures' like markets and firms while neglecting or excluding macro-economic structure or economy as a whole. By doing so rational choice and behavioral models make it appear as if nothing (relevant) exists outside networks of exchanges or explicit and implicit 'markets' and the power deriving from them. In particular, rational-choice exchange theory, by extending the economic theory of markets to non-economic phenomena, views market-like exchanges of 'resources' and their distribution as the generator of power differentiation as well as institutions and other social structures. Like the neoclassical (Edgeworth) "pure catallactics" of markets, social exchange theory via a sort of market-style alchemy converts power and institutions into derivations of resource exchanges between individuals within networks. And, even some of its early advocates (e.g. Blau) try to go beyond current exchange theory (and market catallaxy) by proposing that impersonal power as rooted in macro-social structures crucially affects exchanges of resources and their distribution. This implies that exchange/distribution is, to use Weber's terms, a set of 'power constellations' or what J. S. Mill calls a 'matter of human institution' rather than the other way round.

<u>Distributive Justice.</u> As hinted, the principle of distributive justice in social exchange seems highly questionable. Transplanted from neoclassical economics--where it has the definite form of equivalence or proportionality between productive

contributions and distributive rewards, viz. marginal productivity of labor and wages—admittedly (Coleman 1988), it becomes an ad hoc principle or indefinite criterion in social exchange theory. This admission indirectly concedes that the principle of distributive justice is virtually inapplicable to social as opposed to economic exchange. Thus, in economic exchange greater productive contributions than rewards (e.g. wages) signify distributive injustice or exploitation: for instance (as a neoclassical economists, Pigou, puts it), workers are "exploited in the sense that they are paid less than the value which their marginal net product has for the firms which employ them". However, it is difficult, if not impossible, to ascertain and measure precisely such variables as wages and marginal net product and thereby the degree of distributive justice or fairness in social exchange. Hence, though some subjective elements are present in its economic form, distributive justice in social exchange becomes a pseudo-psychological, indefinite, and imprecise concept that, like most concepts borrowed from economics, is to be used as a metaphor at best.

Concluding comments

The principal objective of this paper has been to reexamine social exchange theory, as one of the more ambitious contemporary sociological or socio-psychological theories by presenting and reassessing the arguments of its adherents and those of its critics. The key conclusion is that exchange theory has become a variant or mutant of the rational choice model and behaviorism given the predominance of its economic and behavioral versions often combined (Cook 2000). In essence, it embraces the "basic behavioral assumptions of operant psychology and utility theory in economics regarding utility maximization, rationality, learning and deprivation-satiation" (Baron and Hannan, 1994, p. 1133). In particular, social exchange (like rational choice) theory in its "efforts to extend microeconomic models to extraeconomic exchange" (Macy and Flache, 1995, p. 73), claims, for example, that group pressure and member conformity "better be viewed as two sides of a transaction involving the exchange of utility or reward" (Emerson, 1976, p. 336). Admittedly, the perceived "rigor, parsimony, and analytic power of rational choice has prompted sociologists to extend the theory beyond market transactions to exchanges of symbolic and nonfungible resources such as social approval, security, and even love" (Macy and Flache, 1995, p. 73). The outcome of such efforts has been social exchange theory, notably its rational choice version. *Prima facie*, this makes exchange (and rational choice) theory 'parasitic' on utilitarian economics and psychological behaviorism as partly compromised paradigms in social science rather than an autonomous theoretical endeavor.

A possible alternative to these formulations of social exchange theory can be a more sociological perspective drawing upon the insights of classical sociology and anthropology--in conjunction with, rather than subordinated to, those of utilitarian economics and behaviorism—and more empirically-historically grounded. For illustration, a key assumption of this perspective is that, as Weber states, non-economic exchange and other ‘forms of social action follow "laws of their own", and even apart from this fact, they may always be co-determined by other than economic causes.’ Moreover, market-economic exchange itself is often ‘influenced by the autonomous structure of social action within which it exists’. However, a further elaboration of these issues is outside the scope of this paper.

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NOTES

[1] Stolte et al. (2001, p. 388) argue that since (sociological) social psychology's distinctive contribution is *sociological miniaturism*, it is "not fundamentally social *psychological*, but, in contrast, is a form of *microsociology*", seemingly a far cry from Homan and in part Emerson. Further, it is argued that sociological social psychology thus understood "will be linked inexorably to concerns of macrosociology" (Stolte et al., 2001, p. 388).

[2] A possible implication of Coleman's assertion that seeking power or control is instrumental to gaining wealth or money would be that social actors (including American millionaires and billionaires) run for political office (including the presidency) to maximize their economic assets. Thereby, they are no more than rent-seekers, as asserted by public choice as the economic theory of politics.

[3] Blau (1964, pp. 155-6) asserts that the relationship between the fair rate and the going rate in social exchange parallels that between just, normal or equilibrium price and market or average price in economic transactions.

[4] One might describe exchange theory as 'rational choice crossed with classical sociology'. Still, as a matter of proportion, exchange theory is admittedly (Cook 2000) more rational choice (and behaviorism) than classical sociology.

[5] Podolny and Baron (1997, p. 691) examine the bearing of social networks on intra-organizational mobility (in a corporation) and report that individuals can experience "negative reputational consequences in an organization by dropping person-to-person ties no longer valuable. The individual may need to preserve ties no longer instrumentally valuable because of norms against the breaking of ties. The presence of such constraints calls into question the value of conceptualizing workplace networks in highly strategic and voluntary terms."

[6] Edgeworth defines catallactics as the "mathematics of a perfect market." In this sense, he sees economic science as resting on the "mathematical theory of catallactics" or market exchange.