**Social Exchange Theory**

One way of analyzing social interaction is through the social exchange theory. This model interprets society as a series of interactions that are based on estimates of rewards and punishments. According to this view, our interactions are determined by the rewards or punishments that we receive from others and all human relationships are formed by the use of a subjective [cost-benefit analysis](http://management.about.com/cs/money/a/CostBenefit.htm) . The theory has its roots in economics as well as sociology and psychology.

Central to the [social exchange theory](http://psychology.about.com/od/sindex/g/socialexchange.htm) is the idea that an interaction that elicits approval from another person is more likely to be repeated than an interaction that elicits disapproval. We can thus predict whether a particular interaction will be repeated by calculating the degree of reward (approval) or punishment (disapproval) resulting from the interaction. If the reward for an interaction exceeds the punishment, then the interaction is likely to occur or continue.

The basic formula for predicting the behavior for any individual in any situation is: Behavior (profits) = Rewards of interaction – costs of interaction.

Rewards can come in many forms. Some examples include: Recognition, money, tangible things such as gifts, or subtle everyday gestures such as a smile, nod, or pat on the back. Punishments also come in many forms, from extremes like public humiliation, beating, or execution, to subtle gestures like a raised eyebrow or a frown.

Example

A simple example of social exchange theory can be seen in the interaction of [asking someone out on a date.](http://socialanxietydisorder.about.com/od/copingwithsad/qt/askdate.htm) If the person says yes, you have gained a reward and are likely to repeat the interaction by asking that person out again or asking someone else out. On the other hand, if you ask someone out on a date and they reply with “No way!” then you have received a punishment that will probably cause you to shy away from repeating this type of interaction in the future.

Basic Assumptions of Social Exchange Theory

* People who are involved in the interaction are rationally seeking to maximize their profits.
* Most gratification among humans comes from others.
* People have access to information about social, economic, and psychological aspects of their interactions that allows them to consider alternative, more profitable situations relative to their present situation.
* People are goal oriented in a freely competitive system.
* Exchange operates within cultural [norms](http://sociology.about.com/od/N_Index/g/Norm.htm).
* Social credit is preferred over social indebtedness.
* The more deprived the individual feels in terms of an act, the more the person will assign value to it.
* People are rational and calculate the best possible means to compete in rewarding situations. The same is true of punishment avoidance situations.

**Applications of Social Exchange Theory**

Social Exchange Theory has its roots in a variety of research topics. Among them are: Mate selection research, marital stability research, marital satisfaction research, family violence research, parenting research, role differentiation research, work relationships research, and family relationships research.