

Introduction to Part II

In *The Foundations of Social Theory*, James Coleman (1990) argued that the primary goal of social theory is to identify and explain the behavior of social systems, but that social systems are rarely observed as wholes. Instead, we observe the actions and interactions of actors (people, organizations) within the system. This distinction between what we want to explain and what we observe presents two theoretical challenges. First, theorists must account for how actors behave and, second, they must identify how the *interdependent* behavior of actors in the system combines to produce system behavior.

Social exchange and rational choice theories are primarily concerned with identifying the effects of interdependent action on social system behavior. Simplifying assumptions about how individuals behave allows theorists to set aside questions of individual motivation in favor of identifying how interdependent action relates to social system behavior. The basic behavioral assumption underlying these models, the rationality assumption, is that people are purposive actors who *optimize* (Coleman and Fararo 1992: xi). Given a set of potential actions, actors choose the one that provides them the best outcome. The theoretical roots of optimization vary across theorists – with early accounts resting on Skinnerian behaviorism while more recent accounts rest strongly on ideas from microeconomics – but the purposive, goal-oriented nature of individual action persists.

The basic postulate of optimization, seemingly benign when applied to normal situations such as finding the fastest route home from work, becomes sociologically interesting when others' optimization attempts interact – when action becomes interdependent. Thus, the individually optimal route home transforms into a collective nightmare during rush hour, as each person's driving affects those around him or her. Moreover, when the "things" one optimizes are *social* (praise, esteem, or honor) instead of material, the quality of interaction changes. Since the value of social goods is hard to identify and can only be realized through interaction with others, the problem of optimization immediately becomes a problem of *social exchange*.

The strongest initial influence came from the behaviorist ideas of B. F. Skinner through the work of George Homans. For behaviorists, the primary determinant of individual action is the *operant conditioning* relationship between an actor and his or her environment. Operant conditioning states that any behavior elicits a response

from the environment (which could be composed of other people). If the response is positive, actors are more likely to repeat the behavior, and when the response is negative they will be less likely to repeat the behavior. For example, the behavior “touching a hot stove” results in pain, which lessens the likelihood that one would touch the stove again. Based on what people have learned of the returns to past behaviors in their social environment, they modify their behavior in an attempt to maximize positive reactions and minimize negative reactions.

Homans’s social version of operant conditioning posits that other people form the social environment that we react with. That each of us interacts as environment for another indicates a dual nature to interaction that can best be characterized as exchange. Simply put, “interaction between persons is an exchange of goods, material and non-material” (Homans 1958: 597). For Homans, sociology consisted of explaining social behavior by identifying how people react to social situations, which in turn conditions the behavior of others, and thereby explains social facts. For example, norms in society work because, at their root, people want to avoid the social punishments meted out by others when a norm is violated. As each of us avoids disappointing others, and reprimanding those who disappoint us, norms are created. Homans later formalized his conception of social exchange theory into a set of basic propositions about individual behavior (Homans 1961), which specified how people would be expected to act in the face of various types of rewards and punishments.

Homans’s work was a direct response to functionalists such as Talcott Parsons. Homans argued that the elaborate theoretical schemes proposed by functionalists were unnecessary fictions that could not be observed and that were ineffective at explaining social behavior. Instead of grand structures, Homans wanted to focus more on local or “elementary” forms of social life. From these elementary building blocks, one could construct a more complete – and grounded – theory of social life. Parsons and Homans engaged in extended debates over which theoretical approach was most appropriate for sociology. The heart of the debate centers around what we can and can’t know about society. Parsons argued that certain fundamental features of social systems were entirely social and could not be reduced to the individual level. Homans, on the other hand, felt that any property we could identify at the social system level must have its roots in the actions of individuals, and thus must ultimately be reducible to psychological factors. While each actively engaged the other, no resolution between the two approaches ever emerged. Instead, “We are left with an unresolved argument in which Parsons says that Homans has not explained structure and Homans says that Parsons has not explained structure” (Ritzer 1992: 438).

In a second version of exchange theory, Peter Blau attempted to develop dyadic exchange theory without giving up the non-reducible character of social interaction (Blau 1964). Blau’s focus was on understanding collective outcomes, such as the distribution of power in a society. Instead of basing his work on operant conditioning, however, he worked more explicitly from an economic frame, arguing that social interaction has value and that people exchange these values. He argued that, “To speak of social life is to speak of the associations between people” and that associations are, fundamentally, social exchanges. Moreover, Blau differentiated

himself from Homans by explicitly stating that some properties of social exchange are *emergent*, as the sum of social interaction could not be reduced to the psychological states of individuals. Building on Simmel’s distinction between a triad and a dyad, Blau argued that extended patterns of exchange would give rise to organizational forms with qualities beyond those of the people in the organization.

The basis of social exchange for Blau rests on the anticipated rewards of association, with rewards being both intrinsic (pleasure of being with someone) and extrinsic (a good or service that someone can provide). Social exchange, like economic exchange, occurs when association provides both parties with a good they could not get on their own. There are significant differences, however, between economic exchange and social exchange that hinge on the ambiguous nature of social exchange. First, because social goods (such as favors or giving advice) do not carry explicit values, one cannot be certain that an exchange is equal. Secondly, social exchanges usually occur over long periods (a favor one week for a favor weeks later), with no assurance that a “good” given will be returned. This results in two special features of social exchange. First, the ambiguity associated with social exchange requires trust for the exchange to function, a trust that is usually built slowly. Second, if the value of a good is ambiguous, and if people want to remain out of debt to others, then there is a tendency for social exchange to escalate. Social integration emerges from the individual desire for rewards. As Blau puts it, “An apparent ‘altruism’ pervades social life; people are anxious to benefit one another and to reciprocate for the benefits they receive. But beneath this seeming selflessness an underlying ‘egoism’ can be discovered: the tendency to help others is frequently motivated by the expectation that doing so will bring social reward” (1964: 17). However, while the individual motivation to engage in social exchange has egoistic roots, Blau maintains that the emergent property of such action is greater social integration.

That people desire something others have is the basic element linking exchange to power. Power rests fundamentally on the ability to control access to a particular good. If one actor has exclusive access to something that other actors want, then they can extract greater rewards from them. While this is clear with a simple material commodity such as water, Blau argued that the same principle works for intrinsic social rewards. He illustrates this clearly with the example of the “principle of least interest” and romantic love. When one person in a relationship loves the other more (finds higher intrinsic value in the relationship) he or she will give up more to remain in the relationship, giving power to the one who loves the least.

If power comes from having something others want, then powerful people can extract social value from less powerful people through exchange. However, the only social commodity that *everyone* has access to is their own ability. As such, Blau argues that *subordination* is the one universal good that all can use for exchange. Those without access to a desired good can exchange with those who do have a desired good by subordinating themselves to the powerful. In so doing, an imbalance in exchange leads directly to a model of interpersonal power. By combining subordination with a process of legitimization (that people see some subordination as fair) Blau attempts (with limited success) to extend his dyadic model of power as a foundation for organizational power.

Recent developments from social exchange theory have tended in two directions. On the one hand, theorists have focused on how the organization of exchange modifies the distribution of power (Waller 1999). Most of this work focuses on how restricting exchange to particular pairs in a wider network leads to differences in the distribution of power. The focus of this work is on *patterns* of exchange and the resulting system characteristics. A second approach has dealt less with exchange *per se* and more with the outcomes of interdependent action when actors are assumed to be individually rational. Unlike most current forms of exchange theory, much of this brand of rational choice theory is concerned with identifying population-level outcomes (such as the development of norms, the success of a political movement, the adoption of family planning practices, and so forth). The broad insight of this work is that there is often a marked distinction between what appears rational to an individual and what appears rational to a group.

The distinction between group and individual rationality is made most clearly by the economist Mancur Olson in his famous work on social movements. In *The Logic of Collective Action* (1965), he shows that the existence of a large group with common interests is not sufficient to produce collective action for the good. When a good is indivisible – when all would benefit from it regardless of who contributed to producing it – rational individuals will not participate in producing the good. Since participation is a cost, people will free ride and let others produce the good. Of course, when everyone acts this way the good will not be produced. Identifying the conditions under which it is rational for people to participate in the production of collective goods has been one of the primary lines of research within this tradition (Oliver et al. 1985).

This line of reasoning forms the heart of Michael Hechter's *Principles of Group Solidarity*, where he attempts to provide a methodological individualist account for the classical problem of social order and group cohesion. Hechter argues that none of the classical approaches (norms, function, structure) can adequately account for variations in group solidarity (1987: 29), noting in particular the failure of such approaches to curtail free riding. For Hechter, “The challenge is to show how group obligations evolve and then how members are induced to honor them” without reference to black-box concepts such as “norms.” Hechter reduces the problem of solidarity to the joint problem of the *extensiveness of group obligations* and the *probability of compliance with obligations*. Compliance is a complex problem with many variants, but ultimately it rests on the control capacity of groups. This control capacity is also subject to free-riding issues (since it is a “second-order public good”), but they are often not as severe as general compliance. Interestingly, the strongest current theories of collective action suggest that interpersonal relations – or social exchanges of the type Blau identified – are important for producing collective actions (Kim and Bearman 1997).

One of the most active theorists working in the rational choice field was James S. Coleman, who focused on basic questions of social origination, especially identifying how norms arise from a collection of self-interested actors. Norms – and regulative behavior more generally – require that individuals subordinate their interests to collective interests. Given the problems of free riding and the immediate returns to non-cooperation, even the well-recognized need for normative, regulative

action is usually insufficient to produce such behavior. In *The Foundations of Social Theory* Coleman (1990) attempts to build a multi-level theory of social organization, starting with individual actors, building through organizations, and on to society at large, based on the basic building blocks of individual self-interested action. The key to this work lies in the ability of people to control their own rights, with Coleman arguing that under certain circumstances it is individually rational for people to trade their rights in order to achieve collective ends.

Coming full circle to early exchange theorists, Coleman (1988) identifies networks of trust as an essential element in modern society. In his now classic treatment of social capital, Coleman describes how the relations actors have with others provides them with a generalized capacity for action – in much the same way as economic capital allows investors to build factories and start companies. While defining exactly what counts as “social capital” has sparked something of a minor industry in sociology, all agree that factors that contribute to the informal interactions among people contribute to a generalized capacity to act. For example, knowing many people increases your odds of knowing someone who can help you find a job, which provides a clear example of how social capital can generate economic capital. At the aggregate level, theorists have argued that social capital is key to understanding political participation and the ability of communities to cooperate for the common good (Putnam 2000). That relationships can provide an unspecified future resource changes the incentive structure implicit in much of the early work on social exchange, making decisions about who to exchange with and how power is distributed complex.

Much of the research on social capital and the importance of social ties for action and integration has focused on questions of trust. If we are to confidently interact with strangers, neighbors or even close friends, what level of trust do we need in each person? In each relation? Can trust serve as a mechanism for easing the sometimes self-defeating nature of otherwise self-interested actors? These types of questions have sparked a wide body of research on trust, ranging from the global economic implications of variance in trust (Fukuyama 1995) to individual-level social exchange experiments (Buchan et al. 2002). Karen Cook has written a number of pieces that identify the social conditions that foster trust as well as the role of trust in building cooperation. But is trust necessary for *building* social institutions, or is trust a feature that while perhaps co-evolving with such institutions, nonetheless is absent at the moment of their formation? Cook, Hardin, and Levi tackle this question directly in the selection excerpted below, and they demonstrate that the ultimate success of these institutions rests on the chains of relations that compose social capital.

Critics of rational choice and exchange theory perspectives are many. First, many people argue that the basic behavioral assumptions of rational choice theory are incorrect. People simply do not optimize for their own self-interest, but instead act habitually, normatively or simply irrationally. While some rational choice theorists respond by changing the focus of rationality (a seemingly irrational act – such as throwing oneself on a grenade – is made rational by referencing one’s perceived reputation as a hero afterward instead of focusing on death), such maneuvers quickly lead to tautology. Second, critics point out that the complex interdependencies implicit

in interaction make predicting future outcomes impossible. As such, simple rational choice models that depend on people making judgments about the future are seen to be unrealistic. Eric Leifer (1988), for example, argues that so long as the meaning of a social event is not determined until it has long passed, actors cannot base action on future expectations. Instead, successful actors behave locally – engaging others in a way that does not commit them to any particular exchange meaning. Finally, still other critics argue that sociology is best served by focusing on macro-level aspects of social organization directly, and that the search for a micro model of macro behavior is not productive. In an interesting biographical twist, Peter Blau has “recanted” his own social exchange theory in favor of a macro-level model of social interaction based on the distribution of types of people in the population (Blau 1977: 994).

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Social Behavior as Exchange [1958]

George C. Homans

An Exchange Paradigm

I start with the link to behavioral psychology and the kind of statement it makes about the behavior of an experimental animal such as the pigeon.¹ As a pigeon explores its cage in the laboratory, it happens to peck a target, whereupon the psychologist feeds it corn. The evidence is that it will peck the target again; it has learned the behavior, or, as my friend Skinner says, the behavior has been reinforced, and the pigeon has undergone *operant conditioning*. This kind of psychologist is not interested in how the behavior was learned: "learning theory" is a poor name for his field. Instead, he is interested in what determines changes in the rate of emission of learned behavior, whether pecks at a target or something else.

The more hungry the pigeon, the less corn or other food it has gotten in the recent past, the more often it will peck. By the same token, if the behavior is often reinforced, if the pigeon is given much corn every time it pecks, the rate of emission will fall off as the pigeon gets *satiated*. If, on the other hand, the behavior is not reinforced at all, then, too, its rate of emission will tend to fall off, though a long time may pass before it stops altogether, before it is *extinguished*. In the emission of many kinds of behavior the pigeon incurs *aversive stimulation*, or what I shall call "cost" for short, and this, too, will lead in time to a decrease in the emission rate. Fatigue is an example of a "cost." Extinction, satiation, and cost, by decreasing the rate of emission of a particular kind of behavior, render more probable the emission of some other kind of behavior, including doing nothing. I shall only add that even a hard-boiled psychologist puts "emotional" behavior, as well as such things as pecking, among the unconditioned responses that may be reinforced in operant conditioning. As a statement of the propositions of behavioral psychology, the foregoing is, of course, inadequate for any purpose except my present one.

George C. Homans, "Social Behavior as Exchange," pp. 598-606 from *American Journal of Sociology* 63: 6 (Chicago, IL: University of Chicago Press, 1958). Copyright © 1958 by American Journal of Sociology. Reprinted by permission of The University of Chicago Press.

We may look on the pigeon as engaged in an exchange — pecks for corn — with the psychologist, but let us not dwell upon that, for the behavior of the pigeon hardly determines the behavior of the psychologist at all. Let us turn to a situation where the exchange is real, that is, where the determination is mutual. Suppose we are dealing with two men. Each is emitting behavior reinforced to some degree by the behavior of the other. How it was in the past that each learned the behavior he emits and how he learned to find the other's behavior reinforcing we are not concerned with. It is enough that each does find the other's behavior reinforcing, and I shall call the reinforcers — the equivalent of the pigeon's corn — *values*, for this, I think, is what we mean by this term. As he emits behavior, each man may incur costs, and each man has more than one course of behavior open to him.

This seems to me the paradigm of elementary social behavior, and the problem of the elementary sociologist is to state propositions relating the variations in the values and costs of each man to his frequency distribution of behavior among alternatives, where the values (in the mathematical sense) taken by these variables for one man determine in part their values for the other.²

I see no reason to believe that the propositions of behavioral psychology do not apply to this situation, though the complexity of their implications in the concrete case may be great indeed. In particular, we must suppose that, with men as with pigeons, an increase in extinction, satiation, or aversive stimulation of any one kind of behavior will increase the probability of emission of some other kind. The problem is not, as it is often stated, merely, what a man's values are, what he has learned in the past to find reinforcing, but how much of any one value his behavior is getting him now. The more he gets, the less valuable any further unit of that value is to him, and the less often he will emit behavior reinforced by it.

The Influence Process

We do not, I think, possess the kind of studies of two-person interaction that would either bear out these propositions or fail to do so. But we do have studies of larger numbers of persons that suggest that they may apply, notably the studies by Festinger, Schachter, Back, and their associates on the dynamics of influence. One of the variables they work with they call *cohesiveness*, defined as anything that attracts people to take part in a group. Cohesiveness is a value variable; it refers to the degree of reinforcement people find in the activities of the group. Festinger and his colleagues consider two kinds of reinforcing activity: the symbolic behavior we call "social approval" (sentiment) and activity valuable in other ways, such as doing something interesting.

The other variable they work with they call *communication* and others call *interaction*. This is a frequency variable; it is a measure of the frequency of emission of valuable and costly verbal behavior. We must bear in mind that, in general, the one kind of variable is a function of the other.

Festinger and his co-workers show that the more cohesive a group is, that is, the more valuable the sentiment or activity the members exchange with one another,

the greater the average frequency of interaction of the members.³ With men, as with pigeons, the greater the reinforcement, the more often is the reinforced behavior emitted. The more cohesive a group, too, the greater the change that members can produce in the behavior of other members in the direction of rendering these activities more valuable.⁴ That is, the more valuable the activities that members get, the more valuable those that they must give. For if a person is emitting behavior of a certain kind, and other people do not find it particularly rewarding, these others will suffer their own production of sentiment and activity, in time, to fall off. But perhaps the first person has found their sentiment and activity rewarding, and, if he is to keep on getting them, he must make his own behavior more valuable to the others. In short, the propositions of behavioral psychology imply a tendency toward a certain proportionality between the value to others of the behavior a man gives them and the value to him of the behavior they give him.⁵

Schachter also studied the behavior of members of a group toward two kinds of other members, "conformers" and "deviates."⁶ I assume that conformers are people whose activity the other members find valuable. For conformity is behavior that coincides to a degree with some group standard or norm, and the only meaning I can assign to *norm* is "a verbal description of behavior that many members find it valuable for the actual behavior of themselves and others to conform to." By the same token, a deviate is a member whose behavior is not particularly valuable. Now Schachter shows that, as the members of a group come to see another member as a deviate, their interaction with him – communication addressed to getting him to change his behavior – goes up, the faster the more cohesive the group. The members need not talk to the other conformers so much; they are relatively satiated by the conformers' behavior: they have gotten what they want out of them. But if the deviate, by failing to change his behavior, fails to reinforce the members, they start to withhold social approval from him: the deviate gets low sociometric choice at the end of the experiment. And in the most cohesive groups – those Schachter calls "high cohesive-relevant" – interaction with the deviate also falls off in the end and is lowest among those members that rejected him most strongly, as if they had given him up as a bad job. But how plonking can we get? These findings are utterly in line with everyday experience.

Practical Equilibrium

At the beginning of this paper I suggested that one of the tasks of small-group research was to show the relation between the results of experimental work done under laboratory conditions and the results of field research on real-life small groups. Now the latter often appear to be in practical equilibrium, and by this I mean nothing fancy. I do not mean that all real-life groups are in equilibrium. I certainly do not mean that all groups must tend to equilibrium. I do not mean that groups have built-in antidotes to change: there is no homeostasis here. I do not mean that we assume equilibrium. I mean only that we sometimes *observe* it, that for the time we are with a group – and it is often short – there is no great change in the values of the variables we choose to measure. If, for instance, person A is interacting with

B more than with C both at the beginning and at the end of the study, then at least by this crude measure the group is in equilibrium.

Many of the Festinger-Schachter studies are experimental, and their propositions about the process of influence seem to me to imply the kind of proposition that empirically holds good of real-life groups in practical equilibrium. For instance, Festinger et al. find that, the more cohesive a group is, the greater the change that members can produce in the behavior of other members. If the influence is exerted in the direction of conformity to group norms, then, when the process of influence has accomplished all the change of which it is capable, the proposition should hold good that, the more cohesive a group is, the larger the number of members that conform to its norms. And it does hold good.⁷

Again, Schachter found, in the experiment I summarized above, that in the most cohesive groups and at the end, when the effort to influence the deviate had failed, members interacted little with the deviate and gave him little in the way of sociometric choice. Now two of the propositions that hold good most often of real-life groups in practical equilibrium are precisely that the more closely a member's activity conforms to the norms the more interaction he receives from other members and the more liking choices he gets from them too. From these main propositions a number of others may be derived that also hold good.⁸

Yet we must ever remember that the truth of the proposition linking conformity to liking may on occasion be masked by the truth of other propositions. If, for instance, the man that conforms to the norms most closely also exerts some authority over the group, this may render liking for him somewhat less than it might otherwise have been.⁹

Be that as it may, I suggest that the laboratory experiments on influence imply propositions about the behavior of members of small groups, when the process of influence has worked itself out, that are identical with propositions that hold good of real-life groups in equilibrium. This is hardly surprising if all we mean by equilibrium is that all the change of which the system is, under present conditions, capable has been effected, so that no further change occurs. Nor would this be the first time that statics has turned out to be a special case of dynamics.

Profit and Social Control

Though I have treated equilibrium as an observed fact, it is a fact that cries for explanation. I shall not, as structural-functional sociologists do, use an assumed equilibrium as a means of explaining, or trying to explain, why the other features of a social system should be what they are. Rather, I shall take practical equilibrium as something that is itself to be explained by the other features of the system.

If every member of a group emits at the end of, and during, a period of time much the same kinds of behavior and in much the same frequencies as he did at the beginning, the group is for that period in equilibrium. Let us then ask why any one member's behavior should persist. Suppose he is emitting behavior of value A_1 . Why does he not let his behavior get worse (less valuable or reinforcing to the others) until it stands at $A_1 - \Delta A$? True, the sentiments expressed by others toward

him are apt to decline in value (become less reinforcing to him), so that what he gets from them may be $S_1 - \Delta S$. But it is conceivable that, since most activity carries cost, a decline in the value of what he emits will mean a reduction in cost to him that more than offsets his losses in sentiment. Where, then, does he stabilize his behavior? This is the problem of social control.¹⁰

Mankind has always assumed that a person stabilizes his behavior, at least in the short run, at the point where he is doing the best he can for himself under the circumstances, though his best may not be a "rational" best, and what he can do may not be at all easy to specify, except that he is not apt to think like one of the theoretical antagonists in the *Theory of Games*. Before a sociologist rejects this answer out of hand for its horrid profit-seeking implications, he will do well to ask himself if he can offer any other answer to the question posed. I think he will find that he cannot. Yet experiments designed to test the truth of the answer are extraordinarily rare.

I shall review one that seems to me to provide a little support for the theory, though it was not meant to do so. The experiment is reported by H. B. Gerard, a member of the Festinger-Schachter team, under the title "The Anchorage of Opinions in Face-to-Face Groups."¹¹ The experimenter formed artificial groups whose members met to discuss a case in industrial relations and to express their opinions about its probable outcome. The groups were of two kinds: high-attraction groups, whose members were told that they would like one another very much, and low-attraction groups, whose members were told that they would not find one another particularly likable.

At a later time the experimenter called the members in separately, asked them again to express their opinions on the outcome of the case, and counted the number that had changed their opinions to bring them into accord with those of other members of their groups. At the same time, a paid participant entered into a further discussion of the case with each member, always taking, on the probable outcome of the case, a position opposed to that taken by the bulk of the other members of the group to which the person belonged. The experimenter counted the number of persons shifting toward the opinion of the paid participant.

The experiment had many interesting results, from which I choose only those summed up in tables 5.1 and 5.2. The three different agreement classes are made up of people who, at the original sessions, expressed different degrees of agreement with the opinions of other members of their groups. And the figure 44, for instance, means that, of all members of high-attraction groups whose initial opinions were strongly in disagreement with those of other members, 44 percent shifted their opinion later toward that of others.

Table 5.1 Percentage of subjects changing toward someone in the group

	Agreement	Mild disagreement	Strong disagreement
High attraction	0	12	44
Low attraction	0	15	9

Table 5.2 Percentage of subjects changing toward the paid participant

	Agreement	Mild disagreement	Strong disagreement
High attraction	7	13	25
Low attraction	20	38	8

In these results the experimenter seems to have been interested only in the differences in the sums of the rows, which show that there is more shifting toward the group, and less shifting toward the paid participant, in the high-attraction than in the low-attraction condition. This is in line with a proposition suggested earlier. If you think that the members of a group can give you much — in this case, liking — you are apt to give them much — in this case, a change to an opinion in accordance with their views — or you will not get the liking. And, by the same token, if the group can give you little of value, you will not be ready to give it much of value. Indeed, you may change your opinion so as to depart from agreement even further, to move, that is, toward the view held by the paid participant.

So far so good, but, when I first scanned these tables, I was less struck by the difference between them than by their similarity. The same classes of people in both tables showed much the same relative propensities to change their opinions, no matter whether the change was toward the group or toward the paid participant. We see, for instance, that those who change least are the high-attraction, agreement people and the low-attraction, strong-disagreement ones. And those who change most are the high-attraction, strong-disagreement people and the low-attraction, mild-disagreement ones.

How am I to interpret these particular results? Since the experimenter did not discuss them, I am free to offer my own explanation. The behavior emitted by the subjects is opinion and changes in opinion. For this behavior they have learned to expect two possible kinds of reinforcement. Agreement with the group gets the subject favorable sentiment (acceptance) from it, and the experiment was designed to give this reinforcement a higher value in the high-attraction condition than in the low-attraction one. The second kind of possible reinforcement is what I shall call the "maintenance of one's personal integrity," which a subject gets by sticking to his own opinion in the face of disagreement with the group. The experimenter does not mention this reward, but I cannot make sense of the results without something much like it. In different degrees for different subjects, depending on their initial positions, these rewards are in competition with one another: they are alternatives. They are not absolutely scarce goods, but some persons cannot get both at once.

Since the rewards are alternatives, let me introduce a familiar assumption from economics — that the cost of a particular course of action is the equivalent of the forgone value of an alternative¹² — and then add the definition: Profit = Reward — Cost.

Now consider the persons in the corresponding cells of the two tables. The behavior of the high-attraction, agreement people gets them much in the way of acceptance by the group, and for it they must give up little in the way of personal

integrity, for their views are from the start in accord with those of the group. Their profit is high, and they are not prone to change their behavior. The low-attraction, strong-disagreement people are getting much in integrity, and they are not giving up for it much in valuable acceptance, for they are members of low-attraction groups. Reward less cost is high for them, too, and they change little. The high-attraction, strong-disagreement people are getting much in the way of integrity, but their costs in doing so are high, too, for they are in high-attraction groups and thus forgoing much valuable acceptance by the group. Their profit is low, and they are very apt to change, either toward the group or toward the paid participant, from whom they think, perhaps, they will get some acceptance while maintaining some integrity. The low-attraction, mild-disagreement people do not get much in the way of integrity, for they are only in mild disagreement with the group, but neither are they giving up much in acceptance, for they are members of low-attraction groups. Their rewards are low; their costs are low too, and their profit — the difference between the two — is also low. In their low profit they resemble the high-attraction, strong-disagreement people, and, like them, they are prone to change their opinions, in this case, more toward the paid participant. The subjects in the other two cells, who have medium profits, display medium propensities to change.

If we define profit as reward less cost, and if cost is value forgone, I suggest that we have here some evidence for the proposition that change in behavior is greatest when perceived profit is least. This constitutes no direct demonstration that change in behavior is least when profit is greatest, but if, whenever a man's behavior brought him a balance of reward and cost, he changed his behavior away from what got him, under the circumstances, the less profit, there might well come a time when his behavior would not change further. That is, his behavior would be stabilized, at least for the time being. And, so far as this were true for every member of a group, the group would have a social organization in equilibrium.

I do not say that a member would stabilize his behavior at the point of greatest conceivable profit to himself, because his profit is partly at the mercy of the behavior of others. It is a commonplace that the short-run pursuit of profit by several persons often lands them in positions where all are worse off than they might conceivably be. I do not say that the paths of behavioral change in which a member pursues his profit under the condition that others are pursuing theirs too are easy to describe or predict; and we can readily conceive that in jockeying for position they might never arrive at any equilibrium at all.

Distributive Justice

Yet practical equilibrium is often observed, and thus some further condition may make its attainment, under some circumstance, more probable than would the individual pursuit of profit left to itself. I can offer evidence for this further condition only in the behavior of subgroups and not in that of individuals. Suppose that there are two subgroups, working close together in a factory, the job of one being somewhat different from that of the other. And suppose that the members of the first complain and say: "We are getting the same pay as they are. We ought to get just

a couple of dollars a week more to show that our work is more responsible." When you ask them what they mean by "more responsible," they say that, if they do their work wrong, more damage can result, and so they are under more pressure to take care.¹³ Something like this is a common feature of industrial behavior. It is at the heart of disputes not over absolute wages but over wage differentials — indeed, at the heart of disputes over rewards other than wages.

In what kind of proposition may we express observations like these? We may say that wages and responsibility give status in the group, in the sense that a man who takes high responsibility and gets high wages is admired, other things equal. Then, if the members of one group score higher on responsibility than do the members of another, there is a felt need on the part of the first to score higher on pay too. There is a pressure, which shows itself in complaints, to bring the *status factors*, as I have called them, into line with one another. If they are in line, a condition of *status congruence* is said to exist. In this condition the workers may find their jobs dull or irksome, but they will not complain about the relative position of groups.

But there may be a more illuminating way of looking at the matter. In my example I have considered only responsibility and pay, but these may be enough, for they represent the two kinds of thing that come into the problem. Pay is clearly a reward; responsibility may be looked on, less clearly, as a cost. It means constraint and worry — or peace of mind forgone. Then the proposition about status congruence becomes this: If the costs of the members of one group are higher than those of another, distributive justice requires that their rewards should be higher too. But the thing works both ways: If the rewards are higher, the costs should be higher too. This last is the theory of *noblesse oblige*, which we all subscribe to, though we all laugh at it, perhaps because the *noblesse* often fails to *oblige*. To put the matter in terms of profit: though the rewards and costs of two persons or the members of two groups may be different, yet the profits of the two — the excess of reward over cost — should tend to equality. And more than "should." The less-advantaged group will at least try to attain greater equality, as, in the example I have used, the first group tried to increase its profit by increasing its pay.

I have talked of distributive justice. Clearly, this is not the only condition determining the actual distribution of rewards and costs. At the same time, never tell me that notions of justice are not a strong influence on behavior, though we sociologists often neglect them. Distributive justice may be one of the conditions of group equilibrium.

Exchange and Social Structure

I shall end by reviewing almost the only study I am aware of that begins to show in detail how a stable and differentiated social structure in a real-life group might arise out of a process of exchange between members. This is Peter Blau's description of the behavior of sixteen agents in a federal law-enforcement agency.¹⁴

The agents had the duty of investigating firms and preparing reports on the firms' compliance with the law. Since the reports might lead to legal action against the firms, the agents had to prepare them carefully, in the proper form, and take strict

account of the many regulations that might apply. The agents were often in doubt what they should do, and then they were supposed to take the question to their supervisor. This they were reluctant to do, for they naturally believed that thus confessing to him their inability to solve a problem would reflect on their competence, affect the official ratings he made of their work, and so hurt their chances for promotion. So agents often asked other agents for help and advice, and, though this was nominally forbidden, the supervisor usually let it pass.

Blau ascertained the ratings the supervisor made of the agents, and he also asked the agents to rate one another. The two opinions agreed closely. Fewer agents were regarded as highly competent than were regarded as of middle or low competence; competence, or the ability to solve technical problems, was a fairly scarce good. One or two of the more competent agents would not give help and advice when asked, and so received few interactions and little liking. A man that will not exchange, that will not give you what he has when you need it, will not get from you the only thing you are, in this case, able to give him in return, your regard.

But most of the more competent agents were willing to give help, and of them Blau says:

A consultation can be considered an exchange of values: both participants gain something, and both have to pay a price. The questioning agent is enabled to perform better than he could otherwise have done, without exposing his difficulties to his superior. By asking for advice, he implicitly pays his respect to the superior proficiency of his colleague. This acknowledgment of inferiority is the cost of receiving assistance. The consultant gains prestige, in return for which he is willing to devote some time to the consultation and permit it to disrupt his own work. The following remark of an agent illustrates this: "I like giving advice. It's flattering; I suppose, if you feel that others come to you for advice."¹⁵

Blau goes on to say: "All agents liked being consulted, but the value of any one of very many consultations became deflated for experts, and the price they paid in frequent interruptions became inflated."¹⁶ This implies that, the more prestige an agent received, the less was the increment of value of that prestige; the more advice an agent gave, the greater was the increment of cost of that advice, the cost lying precisely in the forgone value of time to do his own work. Blau suggests that something of the same sort was true of an agent who went to a more competent colleague for advice: the more often he went, the more costly to him, in feelings of inferiority, became any further request. "The repeated admission of his inability to solve his own problems . . . undermined the self-confidence of the worker and his standing in the group."¹⁷

The result was that the less competent agents went to the more competent ones for help less often than they might have done if the costs of repeated admissions of inferiority had been less high and that, while many agents sought out the few highly competent ones, no single agent sought out the latter much. Had they done so (to look at the exchange from the other side), the costs to the highly competent in interruptions to their own work would have become exorbitant. Yet the need of the less competent for help was still not fully satisfied. Under these circumstances they tended to turn for help to agents more nearly like themselves in competence.

Though the help they got was not the most valuable, it was of a kind they could themselves return on occasion. With such agents they could exchange help and liking, without the exchange becoming on either side too great a confession of inferiority.

The highly competent agents tended to enter into exchanges, that is, to interact with many others. But, in the more equal exchanges I have just spoken of, less competent agents tended to pair off as partners. That is, they interacted with a smaller number of people, but interacted often with these few. I think I could show why pair relations in these more equal exchanges would be more economical for an agent than a wider distribution of favors. But perhaps I have gone far enough. The final pattern of this social structure was one in which a small number of highly competent agents exchanged advice for prestige with a large number of others less competent and in which the less competent agents exchanged, in pairs and in trios, both help and liking on more nearly equal terms.

Blau shows, then, that a social structure in equilibrium might be the result of a process of exchanging behavior rewarding and costly in different degrees, in which the increment of reward and cost varied with the frequency of the behavior, that is, with the frequency of interaction. Note that the behavior of the agents seems also to have satisfied my second condition of equilibrium: the more competent agents took more responsibility for the work, either their own or others', than did the less competent ones, but they also got more for it in the way of prestige. I suspect that the same kind of explanation could be given for the structure of many "informal" groups.

Summary

The current job of theory in small-group research is to make the connection between experimental and real-life studies, to consolidate the propositions that empirically hold good in the two fields, and to show how these propositions might be derived from a still more general set. One way of doing this job would be to revive and make more rigorous the oldest of theories of social behavior — social behavior as exchange.

Some of the statements of such a theory might be the following. Social behavior is an exchange of goods, material goods but also non-material ones, such as the symbols of approval or prestige. Persons that give much to others try to get much from them, and persons that get much from others are under pressure to give much to them. This process of influence tends to work out at equilibrium to a balance in the exchanges. For a person engaged in exchange, what he gives may be a cost to him, just as what he gets may be a reward, and his behavior changes less as profit, that is, reward less cost, tends to a maximum. Not only does he seek a maximum for himself, but he tries to see to it that no one in his group makes more profit than he does. The cost and the value of what he gives and of what he gets vary with the quantity of what he gives and gets. It is surprising how familiar these propositions are; it is surprising, too, how propositions about the dynamics of exchange can begin to generate the static thing we call "group structure" and,

in so doing, generate also some of the propositions about group structure that students of real-life groups have stated.

In our unguarded moments we sociologists find words like "reward" and "cost" slipping into what we say. Human nature will break in upon even our most elaborate theories. But we seldom let it have its way with us and follow up systematically what these words imply.¹⁸ Of all our many "approaches" to social behavior, the one that sees it as an economy is the most neglected, and yet it is the one we use every moment of our lives — except when we write sociology.

NOTES

- 1 B. F. Skinner, *Science and Human Behavior* (New York: Macmillan Co., 1953).
- 2 *Ibid.*, pp. 297-329. The discussion of "double contingency" by T. Parsons and E. A. Shils could easily lead to a similar paradigm (see *Toward a General Theory of Action* [Cambridge, MA: Harvard University Press, 1951], pp. 14-16).
- 3 K. W. Back, "The Exertion of Influence through Social Communication," in L. Festinger, K. Back, S. Schachter, H. H. Kelley, and J. Thibaut (eds.), *Theory and Experiment in Social Communication* (Ann Arbor: Research Center for Dynamics, University of Michigan, 1950), pp. 21-36.
- 4 S. Schachter, N. Ellertson, D. McBride, and D. Gregory, "An Experimental Study of Cohesiveness and Productivity," *Human Relations* IV (1951): 229-38.
- 5 Skinner, *Science and Human Behavior*, p. 100.
- 6 S. Schachter, "Deviation, Rejection, and Communication," *Journal of Abnormal and Social Psychology* XLVI (1951): 190-207.
- 7 L. Festinger, S. Schachter, and K. Back, *Social Pressures in Informal Groups* (New York: Harper & Bros., 1950), pp. 72-100.
- 8 For propositions holding good of groups in practical equilibrium see G. C. Homans, *The Human Group* (New York: Harcourt, Brace & Co., 1950), and H. W. Rickken and G. C. Homans, "Psychological Aspects of Social Structure," in G. Lindzey (ed.), *Handbook of Social Psychology* (Cambridge, MA: Addison-Wesley Publishing Co., 1954), II, pp. 786-832.
- 9 See Homans, *The Human Group*, pp. 244-8, and R. F. Bales, "The Equilibrium Problem in Small Groups," in A. P. Hare, E. F. Borgatta, and R. F. Bales (eds.), *Small Groups* (New York: A. A. Knopf, 1953), pp. 450-6.
- 10 Homans, *The Human Group*, pp. 281-301.
- 11 *Human Relations* VII (1954): 313-25.
- 12 G. J. Stigler, *The Theory of Price* (rev. ed.; New York: Macmillan Co., 1952), p. 99.
- 13 G. C. Homans, "Status among Clerical Workers," *Human Organization* XII (1953): 5-10.
- 14 Peter M. Blau, *The Dynamics of Bureaucracy* (Chicago, IL: University of Chicago Press, 1955), pp. 99-116.
- 15 *Ibid.*, p. 108.
- 16 *Ibid.*, p. 108.
- 17 *Ibid.*, p. 109.
- 18 *The White-Collar Job* (Ann Arbor, MI: Survey Research Center, University of Michigan, 1953), pp. 115-27.

Chapter 6

Exchange and Power in Social Life [1964]

Peter M. Blau

Basic Processes

The basic social processes that govern associations among men have their roots in primitive psychological processes, such as those underlying the feelings of attraction between individuals and their desires for various kinds of rewards. These psychological tendencies are primitive only in respect to our subject matter, that is, they are taken as given without further inquiry into the motivating forces that produce them, for our concern is with the social forces that emanate from them.

The simpler social processes that can be observed in interpersonal associations and that rest directly on psychological dispositions give rise to the more complex social processes that govern structures of interconnected social associations, such as the social organization of a factory or the political relations in a community. New social forces emerge in the increasingly complex social structures that develop in societies, and these dynamic forces are quite removed from the ultimate psychological base of all social life. Although complex social systems have their foundation in simpler ones, they have their own dynamics with emergent properties. In this section, the basic processes of social associations will be presented in broad strokes, to be analyzed subsequently in greater detail, with special attention to their wider implications.

Social attraction is the force that induces human beings to establish social associations on their own initiative and to expand the scope of their associations once they have been formed. Reference here is to social relations into which men enter of their own free will rather than to either those into which they are born (such as kinship groups) or those imposed on them by forces beyond their control (such as the combat teams to which soldiers are assigned), although even in these involuntary relations the extent and intensity of the association depend on the degree

Peter M. Blau, "Exchange and Power in Social Life," pp. 19-31, 91-5 from Peter M. Blau, *Exchange and Power in Social Life* (New York: John Wiley and Sons, 1964). Copyright © 1964 by Peter M. Blau. Reprinted by permission of Judith Blau.

of mutual attraction. An individual is attracted to another if he expects associating with him to be in some way rewarding for himself, and his interest in the expected social rewards draws him to the other. The psychological needs and dispositions of individuals determine which rewards are particularly salient for them and thus to whom they will be attracted. Whatever the specific motives, there is an important difference between the expectation that the association will be an intrinsically rewarding experience and the expectation that it will furnish extrinsic benefits, for example, advice. This difference calls attention to two distinct meanings of the term "attraction" and its derivatives. In its narrower sense, social attraction refers to liking another person *intrinsically* and having positive feelings toward him; in the broader sense, in which the term is now used, social attraction refers to being drawn to another person for any reason whatsoever. The customer is attracted in this broader sense to the merchant who sells goods of a given quality at the lowest price, but he has no intrinsic feelings of attraction for him, unless they happen to be friends.

A person who is attracted to others is interested in proving himself attractive to them, for his ability to associate with them and reap the benefits expected from the association is contingent on their finding him an attractive associate and thus wanting to interact with him. Their attraction to him, just as his to them, depends on the anticipation that the association will be rewarding. To arouse this anticipation, a person tries to impress others. Attempts to appear impressive are pervasive in the early stages of acquaintance and group formation. Impressive qualities make a person attractive and promise that associating with him will be rewarding. Mutual attraction prompts people to establish an association, and the rewards they provide each other in the course of their social interaction, unless their expectations are disappointed, maintain their mutual attraction and the continuing association.

Processes of social attraction, therefore, lead to processes of social exchange. The nature of the exchange in an association experienced as intrinsically rewarding, such as a love relationship, differs from that between associates primarily concerned with extrinsic benefits, such as neighbors who help one another with various chores, but exchanges do occur in either case. A person who furnishes needed assistance to associates, often at some cost to himself, obligates them to reciprocate his kindness. Whether reference is to instrumental services or to such intangibles as social approval, the benefits each supplies to the others are rewards that serve as inducements to continue to supply benefits, and the integrative bonds created in the process fortify the social relationship.

A situation frequently arises, however, in which one person needs something another has to offer, for example, help from the other in his work, but has nothing the other needs to reciprocate for the help. While the other may be sufficiently rewarded by expressions of gratitude to help him a few times, he can hardly be expected regularly to devote time and effort to providing help without receiving any return to compensate him for his troubles. (In the case of intrinsic attraction, the only return expected is the willingness to continue the association.) The person in need of recurrent services from an associate to whom he has nothing to offer has several alternatives. First, he may force the other to give him help. Second, he may obtain the help he needs from another source. Third, he may find ways to get along

without such help.¹ If he is unable or unwilling to choose any of these alternatives, however, there is only one other course of action left for him; he must subordinate himself to the other and comply with his wishes, thereby rewarding the other with power over himself as an inducement for furnishing the needed help. Willingness to comply with another's demands is a generic social reward, since the power it gives him is a generalized means, parallel to money, which can be used to attain a variety of ends. The power to command compliance is equivalent to credit, which a man can draw on in the future to obtain various benefits at the disposal of those obligated to him.² The unilateral supply of important services establishes this kind of credit and thus is a source of power.

Exchange processes, then, give rise to differentiation of power. A person who commands services others need, and who is independent of any at their command, attains power over others by making the satisfaction of their need contingent on their compliance. This principle is held to apply to the most intimate as well as the most distant social relations. The girl with whom a boy is in love has power over him, since his eagerness to spend much time with her prompts him to make their time together especially pleasant for her by acceding to her wishes. The employer can make workers comply with his directives because they are dependent on his wages. To be sure, the superior's power wanes if subordinates can resort to coercion, have equally good alternatives, or are able to do without the benefits at his disposal. But given these limiting conditions, unilateral services that meet basic needs are the penultimate source of power. Its ultimate source, of course, is physical coercion. While the power that rests on coercion is more absolute, however, it is also more limited in scope than the power that derives from met needs.

A person on whom others are dependent for vital benefits has the power to enforce his demands. He may make demands on them that they consider fair and just in relation to the benefits they receive for submitting to his power. On the other hand, he may lack such restraint and make demands that appear excessive to them, arousing feelings of exploitation for having to render more compliance than the rewards received justify. Social norms define the expectations of subordinates and their evaluations of the superior's demands. The fair exercise of power gives rise to approval of the superior, whereas unfair exploitation promotes disapproval. The greater the resources of a person on which his power rests, the easier it is for him to refrain from exploiting subordinates by making excessive demands, and consequently the better are the chances that subordinates will approve of the fairness of his rule rather than disapprove of its unfairness.

There are fundamental differences between the dynamics of power in a collective situation and the power of one individual over another. The weakness of the isolated subordinate limits the significance of his approval or disapproval of the superior. The agreement that emerges in a collectivity of subordinates concerning their judgment of the superior, on the other hand, has far-reaching implications for developments in the social structure.

Collective approval of power legitimates that power. People who consider that the advantages they gain from a superior's exercise of power outweigh the hardships that compliance with his demands imposes on them tend to communicate to each other their approval of the ruler and their feelings of obligation to him. The

consensus that develops as the result of these communications finds expression in group pressures that promote compliance with the ruler's directives, thereby strengthening his power of control and legitimating his authority. "A feeling of obligation to obey the commands of the established public authority is found, varying in liveliness and effectiveness from one individual to another, among the members of any political society."³ Legitimate authority is the basis of organization. It makes it possible to organize collective effort to further the achievement of various objectives, some of which could not be attained by individuals separately at all and others that can be attained more effectively by coordinating efforts. Although power that is not legitimated by the approval of subordinates can also be used to organize them, the stability of such an organization is highly precarious.

Collective disapproval of power engenders opposition. People who share the experience of being exploited by the unfair demands of those in positions of power, and by the insufficient rewards they receive for their contributions, are likely to communicate their feelings of anger, frustration, and aggression to each other. There tends to arise a wish to retaliate by striking down the existing powers. "As every man doth, so shall it be done to him, and retaliation seems to be the great law that is dictated to us by nature."⁴ The social support the oppressed give each other in the course of discussing their common grievances and feelings of hostility justifies and reinforces their aggressive opposition against those in power. It is out of such shared discontent that opposition ideologies and movements develop — that men organize a union against their employer or a revolutionary party against their government.

In brief, differentiation of power in a collective situation evokes contrasting dynamic forces: legitimating processes that foster the organization of individuals and groups in common endeavors; and countervailing forces that deny legitimacy to existing powers and promote opposition and cleavage. Under the influence of these forces, the scope of legitimate organization expands to include ever larger collectivities, but opposition and conflict recurrently redivide these collectivities and stimulate reorganization along different lines.

The distinctive characteristic of complex social structures is that their constituent elements are also social structures. We may call these structures of interrelated groups "macrostructures" and those composed of interacting individuals "microstructures." There are some parallels between the social processes in microstructures and macrostructures. Processes of social attraction create integrative bonds between associates, and integrative processes also unite various groups in a community. Exchange processes between individuals give rise to differentiation among them, and intergroup exchanges further differentiation among groups. Individuals become incorporated in legitimate organizations, and these in turn become part of broader bodies of legitimate authority. Opposition and conflict occur not only within collectivities but also between them. These parallels, however, must not conceal the fundamental differences between the processes that govern the interpersonal associations in microstructures and the forces characteristic of the wider and more complex social relations in macrostructures.

First, value consensus is of crucial significance for social processes that pervade complex social structures, because standards commonly agreed upon serve as

mediating links for social transactions between individuals and groups without any direct contact. Sharing basic values creates integrative bonds and social solidarity among millions of people in a society, most of whom have never met, and serves as functional equivalent for the feelings of personal attraction that unite pairs of associates and small groups. Common standards of valuation produce media of exchange — money being the prototype but not the only one — which alone make it possible to transcend personal transactions and develop complex networks of indirect exchange. Legitimizing values expand the scope of centralized control far beyond the reach of personal influence, as exemplified by the authority of a legitimate government. Opposition ideals serve as rallying points to draw together strangers from widely dispersed places and unite them in a common cause. The study of these problems requires an analysis of the significance of social values and norms that must complement the analysis of exchange transactions and power relations but must not become a substitute for it.

A second emergent property of macrostructures is the complex interplay between the internal forces within substructures and the forces that connect the diverse substructures, some of which may be microstructures composed of individuals while others may themselves be macrostructures composed of subgroups. The processes of integration, differentiation, organization, and opposition formation in the various substructures, which often vary greatly among the substructures, and the corresponding processes in the macrostructure all have repercussions for each other. A systematic analysis of these intricate patterns would have to constitute the core of a general theory of social structures.

Finally, enduring institutions typically develop in macrostructures. Established systems of legitimation raise the question of their perpetuation through time. The strong identification of men with the highest ideals and most sacred beliefs they share makes them desirous to preserve these basic values for succeeding generations. The investments made in establishing and expanding a legitimate organization create an interest in stabilizing it and assuring its survival in the face of opposition attacks. For this purpose, formalized procedures are instituted that make the organization independent of any individual member and permit it to persist beyond the life span or period of tenure of its members. Institutionalization refers to the emergence of social mechanisms through which social values and norms, organizing principles, and knowledge and skills are transmitted from generation to generation. A society's institutions constitute the social matrix in which individuals grow up and are socialized, with the result that some aspects of institutions are reflected in their own personalities, and others appear to them as the inevitable external conditions of human existence. Traditional institutions stabilize social life but also introduce rigidities that make adjustment to changing conditions difficult. Opposition movements may arise to promote such adjustment, yet these movements themselves tend to become institutionalized and rigid in the course of time, creating needs for fresh oppositions. . . .

There is a strain toward imbalance as well as toward reciprocity in social associations. The term "balance" itself is ambiguous inasmuch as we speak not only of balancing our books but also of a balance in our favor, which refers, of course, to

a lack of equality between inputs and outputs. As a matter of fact, the balance of the accounting sheet merely rests, in the typical case, on an underlying imbalance between income and outlays, and so do apparent balances in social life. Individuals and groups are interested in, at least, maintaining a balance between inputs and outputs and staying out of debt in their social transactions; hence the strain toward reciprocity. Their aspirations, however, are to achieve a balance in their favor and accumulate credit that makes their status superior to that of others; hence the strain toward imbalance.

Arguments about equilibrium — that all scientific theories must be conceived in terms of equilibrium models or that any equilibrium model neglects the dynamics of real life — ignore the important point that the forces sustaining equilibrium on one level of social life constitute disequilibrating forces on other levels. For supply and demand to remain in equilibrium in a market, for example, forces must exist that continually disturb the established patterns of exchange. Similarly, the circulation of the elite, an equilibrium model, rests on the operation of forces that create imbalances and disturbances in the various segments of society. The principle suggested is that balanced social states depend on imbalances in other social states; forces that restore equilibrium in one respect do so by creating disequilibrium in others. The processes of association described illustrate this principle.

A person who is attracted to another will seek to prove himself attractive to the other. Thus a boy who is very much attracted to a girl, more so than she is to him, is anxious to make himself more attractive to her. To do so, he will try to impress her and, particularly, go out of his way to make associating with him an especially rewarding experience for her. He may devote a lot of thought to finding ways to please her, spend much money on her, and do the things she likes on their dates rather than those he would prefer. Let us assume that he is successful and she becomes as attracted to him as he is to her, that is, she finds associating with him as rewarding as he finds associating with her, as indicated by the fact that both are equally eager to spend time together.

Attraction is now reciprocal, but the reciprocity has been established by an imbalance in the exchange. To be sure, both obtain satisfactory rewards from the association at this stage, the boy as the result of her willingness to spend as much time with him as he wants, and the girl as the result of his readiness to make their dates enjoyable for her. These reciprocal rewards are the sources of their mutual attraction. The contributions made, however, are in imbalance. Both devote time to the association, which involves giving up alternative opportunities, but the boy contributes in addition special efforts to please her. Her company is sufficient reward by itself, while his is not, which makes her "the more useful or otherwise superior" in terms of their own evaluations, and he must furnish supplementary rewards to produce "equality in a sense between the parties." Although two lovers may, of course, be equally anxious to spend time together and to please one another, it is rare for a perfect balance of mutual affection to develop spontaneously. The reciprocal attraction in most intimate relations — marriages and lasting friendships as well as more temporary attachments — is the result of some imbalance of contributions that compensates for inequalities in spontaneous affection, notably in the form of one partner's greater willingness to defer to the other's wishes. . . .

The theoretical principle that has been advanced is that a given balance in social associations is produced by imbalances in the same associations in other respects. This principle, which has been illustrated with the imbalances that underlie reciprocal attraction, also applies to the process of social differentiation. A person who supplies services in demand to others obligates them to reciprocate. If some fail to reciprocate, he has strong inducements to withhold the needed assistance from them in order to supply it to others who do repay him for his troubles in some form. Those who have nothing else to offer him that would be a satisfactory return for his services, therefore, are under pressure to defer to his wishes and comply with his requests in repayment for his assistance. Their compliance with his demands gives him the power to utilize their resources at his discretion to further his own ends. By providing unilateral benefits to others, a person accumulates a capital of willing compliance on which he can draw whenever it is to his interest to impose his will upon others, within the limits of the significance the continuing supply of his benefits has for them. The general advantages of power enable men who cannot otherwise repay for services they need to obtain them in return for their compliance; although in the extreme case of the person who has much power and whose benefits are in great demand, even an offer of compliance may not suffice to obtain them.

Here, an imbalance of power establishes reciprocity in the exchange. Unilateral services give rise to a differentiation of power that equilibrates the exchange. The exchange balance, in fact, rests on two imbalances: unilateral services and unilateral power. Although these two imbalances make up a balance or equilibrium in terms of one perspective, in terms of another, which is equally valid, the exchange equilibrium reinforces and perpetuates the imbalances of dependence and power that sustain it. Power differences not only are an imbalance by definition but also are actually experienced as such, as indicated by the tendency of men to escape from domination if they can. Indeed, a major impetus for the eagerness of individuals to discharge their obligations and reciprocate for services they receive, by providing services in return, is the threat of becoming otherwise subject to the power of the supplier of the services. While reciprocal services create an interdependence that balances power, unilateral dependence on services maintains an imbalance of power.

Differentiation of power evidently constitutes an imbalance in the sense of an inequality of power; but the question must be raised whether differentiation of power also necessarily constitutes an imbalance in the sense of a strain toward change in the structure of social relations. Power differences as such, analytically conceived and abstracted from other considerations, create such a pressure toward change, because it can be assumed that men experience having to submit to power as a hardship from which they would prefer to escape. The advantages men derive from their ruler or government, however, may outweigh the hardships entailed in submitting to his or its power, with the result that the analytical imbalance or disturbance introduced by power differences is neutralized. The significance of power imbalances for social change depends, therefore, on the reactions of the governed to the exercise of power.

Social reactions to the exercise of power reflect once more the principle of reciprocity and imbalance, although in a new form. Power over others makes it possible to direct and organize their activities. Sufficient resources to command power over

large numbers enable a person or group to establish a large organization. The members recruited to the organization receive benefits, such as financial remuneration, in exchange for complying with the directives of superiors and making various contributions to the organization. The leadership exercises power within the organization, and it derives power from the organization for use in relation with other organizations or groups. The clearest illustration of this double power of organizational leadership is the army commander's power over his own soldiers and, through the force of their arms, over the enemy. Another example is the power of business management exercises over its own employees and, through the strength of the concern, in the market. The greater the external power of an organization, the greater are its chances of accumulating resources that put rewards at the disposal of the leadership for possible distribution among the members.

The normative expectations of those subject to the exercise of power, which are rooted in their social experience, govern their reactions to it. In terms of these standards, the benefits derived from being part of an organization or political society may outweigh the investments required to obtain them, or the demands made on members may exceed the returns they receive for fulfilling these demands. The exercise of power, therefore, may produce two different kinds of imbalance, a positive imbalance of benefits for subordinates or a negative imbalance of exploitation and oppression.

If the members of an organization, or generally those subject to a governing leadership, commonly agree that the demands made on them are only fair and just in view of the ample rewards the leadership delivers, joint feelings of obligation and loyalty to superiors will arise and bestow legitimating approval on their authority. A positive imbalance of benefits generates legitimate authority for the leadership and thereby strengthens and extends its controlling influence. By expressing legitimating approval of, and loyalty to, those who govern them subordinates reciprocate for the benefits their leadership provides, but they simultaneously fortify the imbalance of power in the social structure.

If the demands of the men who exercise power are experienced by those subject to it as exploitative and oppressive, and particularly if these subordinates have been unsuccessful in obtaining redress for their grievances, their frustrations tend to promote disapproval of existing powers and antagonism toward them. As the oppressed communicate their anger and aggression to each other, provided there are opportunities for doing so, their mutual support and approval socially justify and reinforce the negative orientation toward the oppressors, and their collective hostility may inspire them to organize an opposition. The exploitative use of coercive power that arouses active opposition is more prevalent in the relations between organizations and groups than within organizations. Two reasons for this are that the advantages of legitimating approval restrain organizational superiors and that the effectiveness of legitimate authority, once established, obviates the need for coercive measures. But the exploitative use of power also occurs within organizations, as unions organized in opposition to exploitative employers show. A negative imbalance for the subjects of power stimulates opposition. The opposition negatively reciprocates, or retaliates, for excessive demands in an attempt to even the score, but it simultaneously creates conflict, disequilibrium, and imbalance in the social structure.⁵

Even in the relatively simple structures of social association considered here, balances in one respect entail imbalances in others. The interplay between equilibrating and disequilibrating forces is still more evident, if less easy to unravel, in complex macrostructures with their cross-cutting substructures, where forces that sustain reciprocity and balance have disequilibrating and imbalancing repercussions not only on other levels of the same substructure but also on other substructures. As we shall see, disequilibrating and re-equilibrating forces generate a dialectical pattern of change in social structures.

Unspecified Obligations and Trust

The concept of exchange can be circumscribed by indicating two limiting cases. An individual may give another money because the other stands in front of him with a gun in a holdup. While this could be conceptualized as an exchange of his money for his life, it seems preferable to exclude the result of physical coercion from the range of social conduct encompassed by the term "exchange." An individual may also give away money because his conscience demands that he help support the underprivileged and without expecting any form of gratitude from them. While this could be conceptualized as an exchange of his money for the internal approval of his super-ego, here again it seems preferable to exclude conformity with internalized norms from the purview of the concept of social exchange. A social exchange is involved if an individual gives money to a poor man because he wants to receive the man's expressions of gratitude and deference and if he ceases to give alms to beggars who withhold such expressions.

"Social exchange," as the term is used here, refers to voluntary actions of individuals that are motivated by the returns they are expected to bring and typically do in fact bring from others. Action compelled by physical coercion is not voluntary, although compliance with other forms of power can be considered a voluntary service rendered in exchange for the benefits such compliance produces, as already indicated. Whereas conformity with internalized standards does not fall under the definition of exchange presented, conformity to social pressures tends to entail indirect exchanges. Men make charitable donations, not to earn the gratitude of the recipients, whom they never see, but to earn the approval of their peers who participate in the philanthropic campaign. Donations are exchanged for social approval, though the recipients of the donations and the suppliers of the approval are not identical, and the clarification of the connection between the two requires an analysis of the complex structures of indirect exchange. Our concern now is with the simpler direct exchanges.

The need to reciprocate for benefits received in order to continue receiving them serves as a "starting mechanism" of social interaction and group structure, as Gouldner has pointed out.⁶ When people are thrown together, and before common norms or goals or role expectations have crystallized among them, the advantages to be gained from entering into exchange relations furnish incentives for social interaction, and the exchange processes serve as mechanisms for regulating social interaction, thus fostering the development of a network of social relations and a rudimentary group

structure. Eventually, group norms to regulate and limit the exchange transactions emerge, including the fundamental and ubiquitous norm of reciprocity, which makes failure to discharge obligations subject to group sanctions. In contrast to Gouldner, however, it is held here that the norm of reciprocity merely reinforces and stabilizes tendencies inherent in the character of social exchange itself and that the fundamental starting mechanism of patterned social intercourse is found in the existential conditions of exchange, not in the norm of reciprocity. It is a necessary condition of exchange that individuals, in the interest of continuing to receive needed services, discharge their obligations for having received them in the past. Exchange processes utilize, as it were, the self-interests of individuals to produce a differentiated social structure within which norms tend to develop that require individuals to set aside some of their personal interests for the sake of those of the collectivity. Not all social constraints are normative constraints, and those imposed by the nature of social exchange are not, at least, not originally.

Social exchange differs in important ways from strictly economic exchange. The basic and most crucial distinction is that social exchange entails *unspecified obligations*. The prototype of an economic transaction rests on a formal contract that stipulates the exact quantities to be exchanged. The buyer pays \$50,000 for a specific house, or he signs a contract to pay that sum plus interest over a period of years. Whether the entire transaction is consummated at a given time, in which case the contract may never be written, or not, all the transfers to be made now or in the future are agreed upon at the time of sale. Social exchange, in contrast, involves the principle that one person does another a favor, and while there is a general expectation of some future return, its exact nature is definitely *not* stipulated in advance. The distinctive implications of such unspecified obligations are brought into high relief by the institutionalized form they assume in the Kula discussed by Malinowski:

The main principle underlying the regulations of actual exchange is that the Kula consists in the bestowing of a ceremonial gift, which has to be repaid by an equivalent counter-gift after a lapse of time. . . . But it can never be exchanged from hand to hand, with the equivalence between the two objects being discussed, bargained about and computed. . . . The second very important principle is that the equivalence of the counter-gift is left to the giver, and it cannot be enforced by any kind of coercion. . . . If the article given as a counter-gift is not equivalent, the recipient will be disappointed and angry, but he has no direct means of redress, no means of coercing his partner. . . .⁷

Social exchange, whether it is in this ceremonial form or not, involves favors that create diffuse future obligations, not precisely specified ones, and the nature of the return cannot be bargained about but must be left to the discretion of the one who makes it. Thus, if a person gives a dinner party, he expects his guests to reciprocate at some future date. But he can hardly bargain with them about the kind of party to which they should invite him, although he expects them not simply to ask him for a quick lunch if he had invited them to a formal dinner. Similarly, if a person goes to some trouble on behalf of an acquaintance, he expects *some* expression of gratitude, but he can neither bargain with the other over how to reciprocate nor force him to reciprocate at all.

Since there is no way to assure an appropriate return for a favor, social exchange requires trusting others to discharge their obligations. While the banker who makes a loan to a man who buys a house does not have to trust him, although he hopes he will not have to foreclose the mortgage, the individual who gives another an expensive gift must trust him to reciprocate in proper fashion. Typically, however, exchange relations evolve in a slow process, starting with minor transactions in which little trust is required because little risk is involved. A worker may help a colleague a few times. If the colleague fails to reciprocate, the worker has lost little and can easily protect himself against further loss by ceasing to furnish assistance. If the colleague does reciprocate, perhaps excessively so out of gratitude for the volunteered help and in the hope of receiving more, he proves himself trustworthy of continued and extended favors. (Excessive reciprocation may be embarrassing, because it is a bid for a more extensive exchange relation than one may be willing to enter.) By discharging their obligations for services rendered, if only to provide inducements for the supply of more assistance, individuals demonstrate their trustworthiness, and the gradual expansion of mutual service is accompanied by a parallel growth of mutual trust. Hence, processes of social exchange, which may originate in pure self-interest, generate trust in social relations through their recurrent and gradually expanding character.

Only social exchange tends to engender feelings of personal obligation, gratitude, and trust; purely economic exchange as such does not. An individual is obligated to the banker who gives him a mortgage on his house merely in the technical sense of owing him money, but he does not feel personally obligated in the sense of experiencing a debt of gratitude to the banker, because all the banker's services, all costs and risks, are duly taken into account in and fully repaid by the interest on the loan he receives. A banker who grants a loan without adequate collateral, however, does make the recipient personally obligated for this favorable treatment, precisely because this act of trust entails a social exchange that is superimposed upon the strictly economic transaction.

In contrast to economic commodities, the benefits involved in social exchange do not have an exact price in terms of a single quantitative medium of exchange, which is another reason why social obligations are *unspecific*. It is essential to realize that this is a substantive fact, not simply a methodological problem. It is not just the social scientist who cannot exactly measure how much approval a given helpful action is worth; the actors themselves cannot precisely specify the worth of approval or of help in the absence of a money price. The obligations individuals incur in social exchange, therefore, are defined only in general, somewhat diffuse terms. Furthermore, the specific benefits exchanged are sometimes primarily valued as symbols of the supportiveness and friendliness they express, and it is the exchange of the underlying mutual support that is the main concern of the participants. Occasionally, a time-consuming service of great material benefit to the recipient might be properly repaid by mere verbal expressions of deep appreciation, since these are taken to signify as much supportiveness as the material benefits.⁸ In the long run, however, the explicit efforts the associates in a peer relation make on one another's behalf tend to be in balance, if only because a persistent imbalance in these manifestations of good would raise questions about the reciprocity in the underlying orientations of support and congeniality.

NOTES

- 1 The last two of these alternatives are noted by Talcott Parsons (*The Structure of Social Action* (New York: McGraw-Hill, 1937), p. 252) in his discussion of a person's reactions to having his expectations frustrated by another.
- 2 See Talcott Parsons, "On the Concept of Influence," *Public Opinion Quarterly* 27 (1963): 37-62, esp. pp. 59-60.
- 3 Bertrand de Jouvenel, *Sovereignty* (University of Chicago Press, 1957), p. 87.
- 4 Adam Smith, *The Theory of Moral Sentiments*, 2nd edn. (London: A. Millar, 1761), p. 139.
- 5 Organized opposition gives expression to latent conflicts and makes them manifest.
- 6 Alvin W. Gouldner, "The Norm of Reciprocity," *American Sociological Review* 25 (1960): 161-78, esp. p. 176.
- 7 Bronislaw Malinowski, *Argonauts of the Western Pacific* (New York: Dutton, 1961), pp. 95-6.
- 8 See Erving Goffman, *Asylums* (Chicago, IL: Aldine, 1962), pp. 274-86.

Chapter 7

The Logic of Collective Action [1965]

Mancur Olson

The combination of individual interests and common interests in an organization suggests an analogy with a competitive market. The firms in a perfectly competitive industry, for example, have a common interest in a higher price for the industry's product. Since a uniform price must prevail in such a market, a firm cannot expect a higher price for itself unless all of the other firms in the industry also have this higher price. But a firm in a competitive market also has an interest in selling as much as it can, until the cost of producing another unit exceeds the price of that unit. In this there is no common interest; each firm's interest is directly opposed to that of every other firm, for the more other firms sell, the lower the price and income for any given firm. In short, while all firms have a common interest in a higher price, they have antagonistic interests where output is concerned. This can be illustrated with a simple supply-and-demand model. For the sake of a simple argument, assume that a perfectly competitive industry is momentarily in a disequilibrium position, with price exceeding marginal cost for all firms at their present output. Suppose, too, that all of the adjustments will be made by the firms already in the industry rather than by new entrants, and that the industry is on an inelastic portion of its demand curve. Since price exceeds marginal cost for all firms, output will increase. But as all firms increase production, the price falls; indeed, since the industry demand curve is by assumption inelastic, the total revenue of the industry will decline. Apparently each firm finds that with price exceeding marginal cost, it pays to increase its output, but the result is that each firm gets a smaller profit. Some economists in an earlier day may have questioned this result,¹ but the fact that profit-maximizing firms in a perfectly competitive industry can act contrary to their interests as a group is now widely understood and accepted.² A group of profit-maximizing firms can act to reduce their aggregate profits because in perfect competition each firm is, by

Mancur Olson, "The Logic of Collective Action," pp. 9-16 from *The Logic of Collective Action: Public Goods and the Theory of Groups* (Cambridge, MA: Harvard University Press, 1965). Copyright © 1965, 1971 by the President and Fellows of Harvard College. Reprinted by permission of Harvard University Press.

definition, so small that it can ignore the effect of its output on price. Each firm finds it to its advantage to increase output to the point where marginal cost equals price and to ignore the effects of its extra output on the position of the industry. It is true that the net result is that all firms are worse off, but this does not mean that every firm has not maximized its profits. If a firm, foreseeing the fall in price resulting from the increase in industry output, were to restrict its own output, it would lose more than ever, for its price would fall quite as much in any case and it would have a smaller output as well. A firm in a perfectly competitive market gets only a small part of the benefit (or a small share of the industry's extra revenue) resulting from a reduction in that firm's output.

For these reasons it is now generally understood that if the firms in an industry are maximizing profits, the profits for the industry as a whole will be less than they might otherwise be. And almost everyone would agree that this theoretical conclusion fits the facts for markets characterized by pure competition. The important point is that this is true because, though all the firms have a common interest in a higher price for the industry's product, it is in the interest of each firm that the other firms pay the cost — in terms of the necessary reduction in output — needed to obtain a higher price.

About the only thing that keeps prices from falling in accordance with the process just described in perfectly competitive markets is outside intervention. Government price supports, tariffs, cartel agreements, and the like may keep the firms in a competitive market from acting contrary to their interests. Such aid or intervention is quite common. It is then important to ask how it comes about. How does a competitive industry obtain government assistance in maintaining the price of its product?

Consider a hypothetical, competitive industry, and suppose that most of the producers in that industry desire a tariff, a price-support program, or some other government intervention to increase the price for their product. To obtain any such assistance from the government, the producers in this industry will presumably have to organize a lobbying organization; they will have to become an active pressure group. This lobbying organization may have to conduct a considerable campaign. If significant resistance is encountered, a great amount of money will be required. Public relations experts will be needed to influence the newspapers, and some advertising may be necessary. Professional organizers will probably be needed to organize "spontaneous grass roots" meetings among the distressed producers in the industry, and to get those in the industry to write letters to their congressmen. The campaign for the government assistance will take the time of some of the producers in the industry, as well as their money.

There is a striking parallel between the problem the perfectly competitive industry faces as it strives to obtain government assistance, and the problem it faces in the marketplace when the firms increase output and bring about a fall in price. *Just as it was not rational for a particular producer to restrict his output in order that there might be a higher price for the product of his industry, so it would not be rational for him to sacrifice his time and money to support a lobbying organization to obtain government assistance for the industry. In neither case would it be in the interest of the individual producer to assume any of the costs himself. A lobbying*

organization, or indeed a labor union or any other organization, working in the interest of a large group of firms or workers in some industry, would get no assistance from the rational, self-interested individuals in that industry. This would be true even if everyone in the industry were absolutely convinced that the proposed program was in their interest (though in fact some might think otherwise and make the organization's task yet more difficult).

Although the lobbying organization is only one example of the logical analogy between the organization and the market, it is of some practical importance. There are many powerful and well-financed lobbies with mass support in existence now, but these lobbying organizations do not get that support because of their legislative achievements. The most powerful lobbying organizations now obtain their funds and their following for other reasons, as later parts of this study will show.

Some critics may argue that the rational person will, indeed, support a large organization, like a lobbying organization, that works in his interest, because he knows that if he does not, others will not do so either, and then the organization will fail, and he will be without the benefit that the organization could have provided. This argument shows the need for the analogy with the perfectly competitive market. For it would be quite as reasonable to argue that prices will never fall below the levels a monopoly would have charged in a perfectly competitive market, because if one firm increased its output, other firms would also, and the price would fall; but each firm could foresee this, so it would not start a chain of price-destroying increases in output. In fact, it does not work out this way in a competitive market, nor in a large organization. When the number of firms involved is large, no one will notice the effect on price if one firm increases its output, and so no one will change his plans because of it. Similarly, in a large organization, the loss of one dues payer will not noticeably increase the burden for any other one dues payer, and so a rational person would not believe that if he were to withdraw from an organization he would drive others to do so.

The foregoing argument must at the least have some relevance to economic organizations that are mainly means through which individuals attempt to obtain the same things they obtain through their activities in the market. Labor unions, for example, are organizations through which workers strive to get the same things they get with their individual efforts in the market — higher wages, better working conditions, and the like. It would be strange indeed if the workers did not confront some of the same problems in the union that they meet in the market, since their efforts in both places have some of the same purposes.

However similar the purposes may be, critics may object that attitudes in organizations are not at all like those in markets. In organizations, an emotional or ideological element is often also involved. Does this make the argument offered here practically irrelevant?

A most important type of organization — the national state — will serve to test this objection. Patriotism is probably the strongest non-economic motive for organizational allegiance in modern times. This age is sometimes called the age of nationalism. Many nations draw additional strength and unity from some powerful ideology, such as democracy or communism, as well as from a common religion, language, or cultural inheritance. The state not only has many such powerful sources

of support; it also is very important economically. Almost any government is economically beneficial to its citizens, in that the law and order it provides is a prerequisite of all civilized economic activity. But despite the force of patriotism, the appeal of the national ideology, the bond of a common culture, and the indispensability of the system of law and order, no major state in modern history has been able to support itself through voluntary dues or contributions. Philanthropic contributions are not even a significant source of revenue for most countries. Taxes, *compulsory* payments by definition, are needed. Indeed, as the old saying indicates, their necessity is as certain as death itself.

If the state, with all of the emotional resources at its command, cannot finance its most basic and vital activities without resort to compulsion, it would seem that large private organizations might also have difficulty in getting the individuals in the groups whose interests they attempt to advance to make the necessary contributions voluntarily.

The reason the state cannot survive on voluntary dues or payments, but must rely on taxation, is that the most fundamental services a nation-state provides are, in one important respect, like the higher price in a competitive market: they must be available to everyone if they are available to anyone. The basic and most elementary goods or services provided by government, like defense and police protection, and the system of law and order generally, are such that they go to everyone or practically everyone in the nation. It would obviously not be feasible, if indeed it were possible, to deny the protection provided by the military services, the police, and the courts to those who did not voluntarily pay their share of the costs of government, and taxation is accordingly necessary. The common or collective benefits provided by governments are usually called "public goods" by economists, and the concept of public goods is one of the oldest and most important ideas in the study of public finance. A common, collective, or public good is here defined as any good such that, if any person X_i in a group $X_1, \dots, X_n, \dots, X_n$ consumes it, it cannot feasibly be withheld from the others in that group. In other words, those who do not purchase or pay for any of the public or collective good cannot be excluded or kept from sharing in the consumption of the good, as they can where noncollective goods are concerned.

Students of public finance have, however, neglected the fact that *the achievement of any common goal or the satisfaction of any common interest means that a public or collective good has been provided for that group*. The very fact that a goal or purpose is *common* to a group means that no one in the group is excluded from the benefit or satisfaction brought about by its achievement. As the opening paragraphs of this chapter indicated, almost all groups and organizations have the purpose of serving the common interests of their members. As R. M. MacIver puts it, "Persons . . . have common interests in the degree to which they participate in a cause . . . which indivisibly embraces them all."³ It is of the essence of an organization that it provides an inseparable, generalized benefit. It follows that the provision of public or collective goods is the fundamental function of organizations generally. A state is first of all an organization that provides public goods for its members, the citizens; and other types of organizations similarly provide collective goods for their members.

And just as a state cannot support itself by voluntary contributions, or by selling its basic services on the market, neither can other large organizations support themselves without providing some sanction, or some attraction distinct from the public good itself, that will lead individuals to help bear the burdens of maintaining the organization. The individual member of the typical large organization is in a position analogous to that of the firm in a perfectly competitive market, or the taxpayer in the state: his own efforts will not have a noticeable effect on the situation of his organization, and he can enjoy any improvements brought about by others whether or not he has worked in support of his organization.

There is no suggestion here that states or other organizations provide *only* public or collective goods. Governments often provide noncollective goods like electric power, for example, and they usually sell such goods on the market much as private firms would do. Moreover, as later parts of this study will argue, large organizations that are not able to make membership compulsory *must also* provide some noncollective goods in order to give potential members an incentive to join. Still, collective goods are the characteristic organizational goods, for ordinary noncollective goods can always be provided by individual action, and only where common purposes or collective goods are concerned is organization or group action ever indispensable.⁴

NOTES

- 1 See J. M. Clark, *The Economics of Overhead Costs* (Chicago: University of Chicago Press, 1923), p. 417, and Frank H. Knight, *Risk, Uncertainty and Profit* (Boston: Houghton Mifflin, 1921), p. 193.
- 2 Edward H. Chamberlin, *Monopolistic Competition*, 6th ed. (Cambridge, MA: Harvard University Press, 1950), p. 4.
- 3 R. M. MacIver in *Encyclopaedia of the Social Sciences*, VII (New York: Macmillan, 1932), p. 147.
- 4 It does not, however, follow that organized or coordinated group action is *always* necessary to obtain a collective good.