

# Social Exchange Theory: Implications & Examples

The Power Moves | 7 October, 2017 | by Lucio Buffalmano

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The Social Exchange Theory is crucial to social power.

And if you are interested in persuading people, getting what you want and being liked... Then you must apply the social exchange theory.

And this article will help you do just that.

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## Social Exchange Theory Definition

I will define social exchange theory as:

A unifying framework from sociology, psychology and economics with which to analyze and understand social dynamics.

It postulates that people seek out partners and relationships where the value exchanged is in balance.

## What The Social Exchange Mean To You

Put simply, it says that social relations are based on exchanges of value.

The three major corollaries are that:

1. **To get what you want, you have to give others what they want**
2. **The most popular and powerful people are those with the most to give**
3. **Strong and relationships have a balance of give and take** (or at least, the people in them must feel they are balanced)



## Social Currencies: What People Want

There are countless currencies that people exchange in the interpersonal marketplace.

The most helpful and insightful way to understand the social exchange theory is to divide the currencies in terms of “visibility”, which we’ll call “layers”.

### External Layers:

The qualities people usually first notice in you

- Beauty
- Style
- Physical fitness
- Body language / Nonverbal cues
- Posture
- Grooming
- [Walk](#) and moves

### Mid Layer

Not necessary to exchange information, but can be uncovered observing your environment

- Money / Resources
- People around you (the cooler your group the cooler you’ll be perceived)
- Social Proof (people respect you)
- Upbeat, positive personality (make people around you smile)
- Position in society / venue (owner, professor at uni etc.)

### Deeper Layer

To access the deeper layer people need to get to know you

- Knowledge
- Connections
- Great personality
- Riveting conversations
- Life experiences
- Life achievements

- Mastery (of something)
- Future potential (to acquire any of the above)

## Being VS Appearing: A Question of Social Currencies

When people discuss “being” VS “appearing” they are discussing the visibility of the social exchange currencies.

In some social situations external layers win the day.

Some people won't need deeper qualities and the gloss of the external shell will immediately make you a high value giver for them.

This is why beautiful people sometimes need to fight the idea that they only achieved success because of their external qualities.

People high in external value tend to resent the people who only want them for their external qualities because most of us want to be appreciated for our deeper layers.

**Example:** dating, especially for women, often begins *and ends* at the superficial layer.

Locations such as noisy clubs also heighten the importance of external layers as it becomes harder to access them.

### External Layers are Pass Through for Deeper Ones

Most people will not be very interested in accessing your deeper qualities if you don't reach at least a minimum threshold of external qualities.

External qualities are then what will get your foot in the door.

Have great external qualities and more and more people will be interested in your deeper layers.

**Example:** how willing are you to talk with a smelly homeless in tattered clothes?

That homeless is the extreme example of someone with highly negative social external currency: just by being together, he takes social value from you (note: a few people can transcend that but we're talking 0.1% here).

### Layer Mixup

The usual “appearing VS being” dichotomy is, of course, nonsense.

All layers always influence each other all the times.

**Example:**

Beautiful people are perceived as smarter, people in authority positions are perceived as taller ([Bowden, 2013](#)), and great personalities who make us feel good are perceived as more attractive.

## Marketability: What Currencies People Seek?

Not all currencies have the same value.

A Mastercard with a million USD in the bank lets you buy anything anywhere.

A million cash also gives you good options.

The equivalent value in Ukrainian Hryvnia gets complicated: you need to find people who want that currency, or convert it (ie: find a way to present it well).

A million USD worth in, say, Palladium, is even more impractical: how are you even going to convert it?

Notice all currencies have the same nominal value, they all take the same effort to acquire, but they heavily differ on how readily they are accepted.

Social currencies are similar.

**The external layers such as beauty and grooming tend to be appreciated by everyone.**

Deeper layers are more situational and people specific.

Life experiences in travels for example, make your insight and stories hot currency for people who love travels and adventures or dream of something similar one day.

But people who are not interested in ever leaving their city? Not so much. There it can actually highlight how the two of you have little in common.

## **Mid & Deep Layers Marketability**

Mid layers don't show to just about anyone, but they become suddenly visible when you interact with people.

Conversation skills and social skills, for example, are very attractive social currencies for everyone.

On the other end of the spectrum, if you invest most of your time developing a vast knowledge of, say, entomology and you become a research professor in that field that will not make you very interesting outside your classrooms -entomology is the study of insects-.

So you already see the first corollary of getting what you want with the social exchange theory: develop currencies that most people want.

## **Mastery's Broad Appeal: the Halo Effect**

There is an exception, though.

If you spend all of your time developing values in areas nobody cares, you can still become attractive even outside your area of expertise.

Why?

Because peak performers have power.

You're a developer?

Boring to most anyone. But if you're a wiz of coding, popular hacker and pioneering a whole new language, now that changes the game.

It's because high levels of achievements say great things about you.

For example, it says that you got grit and determination, that you can focus, and that you likely found your passion. In a world of undecided people who don't know what they want that makes you stand out.

And of course, standing above the mediocre masses is often an attractive quality by itself.

Plus, of course, you're very likely to become rich, successful and powerful.

## **The Relativity of Currency**

Currencies are very relative.

Nobody would exchange a million in cash for a hunting rifle these days. But if society were to collapse and we'd get thrown back to the stone age, then a million in cash is useless scrap paper and a hunting rifle becomes priceless.

Social currency is the same.

Any type of skill is a currency and how people will value it is highly dependent on the situation, the person and the specific need in the specific time.

So for example, if you're [buying a house](#) and someone introduces you to a realtor who can share tips and knowledge, that realtor is hot currency. But after you bought a house and don't have a cent left? That realtor better have something else going on for him.

Subjectivity also plays a role.

There are some standards of beauty and style, but there is also a level of subjectivity.

## Currency Values: a Situational Analysis

There's also a situational element in the value we possess.

A professor can be an idiot most people don't wanna speak with, but when he steps in his classroom many students crave his approval.

Or you can be an idiot, but if you bring a date to a club where you skip the line, get served quicker and everyone says hi to you, you look like you have loads of social value and being with you in that environment.

## High Value People: Who are They & What They Want

High value people have, of course, have lots of value to give.

But guess what?

**High value people prefer giving value other high value people.**

Why?

Because they can get back more, of course!

The social exchange theory says that **people who have a lot to give also demand a lot back.**

And if you're a high-value person, it doesn't make sense for you to enter into an exchange with someone who doesn't have anything to give back.

The rule of social exchange is the reason why people tend to pair up with mates who are similar in socio-economical background, education and even level of beauty.

Also high value people often experience lower value people trying to piggyback on their success, their status or their beauty.

It gets tiresome and people with a lot to give tend to be wary and heavily guarded against people who seem to be just out to take.

## The Burden of High Value: The Psychology

Imagine this situation:

Sara is the head recruiter of a major corporation.

She's smart, cute and takes care of herself.

She has lots of value, particularly among those looking for employment -or a mate-.

Sara has lots of people pleading for help and then sending poor CVs that only wasted her time

And of course, some of them are the usual "friends" and friends of friends who ask for a job and

put her in the difficult situation of having to refuse them.

Some colleagues are also out swinging for her sexual value: it's almost routine that at the company's parties someone gets drunk and sloppily makes a pass at her.

She tries to fight it, but she is irritated for being a target to many simply because of her looks.

"God", asks Sara, "couldn't these people see her for who she really is"? ← here Sara is complaining that people only see her external currencies, nobody being interested in her deeper layer

She particularly feels a pang of resentment when she sees the eyes of people brightening up when she mentions her job in recruitment.

She feels they only care about what she can do for them, without giving anything back ← Sara is complaining about the lack of reciprocity in the social exchange here

That's how many high value people often feel in the presence of the many value takers.

The value takers are trying to get something from them without giving anything back.

[In game theory](#), these people are also called "free-riders".

In real life, they are called "freeloaders".

This is crucial to understand, because this is what many low-value individuals fail to understand: **high-value people don't want to mingle with low-value people who don't make an effort to rebalance the relationship.**

The second part is important: maybe you don't have enough to give back, yet. That's fine.

But then you should show that you are willing to make an effort. And with that effort, you are basically communicating that you're aware of the imbalance and you are willing to make up for it.

Also read:

- [High-value women](#)
- [High-value men](#)

## Value Takers: Who Are They?

It's been my experience that the most consistent ones to fall afoul of the rules of social exchange share the following traits:

- **Social Climbers:** they see people only for what they can do for them -the ones brightening up when Sara mentions her job-
- **Nervous & Insecure:** states are contagious, nervous people make us feel nervous and we don't appreciate that
- **Egocentric:** we all are the center of our own worlds and resent the "me, me, me" people who claim that spot all for themselves
- **Braggarts:** we like people who make *us* feel important, not those out to prove *they* are important
- **Chatterboxes:** we like to be heard, we don't like to listen to nonstop blabber
- **Teachers:** people who "teach" without first making sure we want to learn. It's annoying because the teacher position assumes superiority (and hence our inferiority), and that's a role that should be *given*, not *taken*.
- **Socially Oblivious:** have no idea of how social dynamics work (one example below)

## **Socially low-value people don't even realize they enter relationships by asking without giving.**

I, as anyone with a business, has [plenty of examples of freeloaders](#), people attempting to take your time without giving anything back and not even realizing they're being a nuisance.

- **Shy, loners and socially awkward.**

This deserves a special mention. While we could argue that some of the above are personality flaws, being overly shy or socially awkward is more about skills. Shy and socially awkward people can otherwise be amazing human beings.

But the lack of social skills still makes them a social liability.

I have met many great human beings whom I would have loved to bring with me somewhere.

But then I would think: he/she is going to stand all by himself and will only talk to me.

The socially awkward and overly shy indeed are often overly dependent on you to have a good time and make you feel like a babysitter.

It might sound harsh to say, but it doesn't make it any less true: overly shy and socially awkward people are a bigger social liability than any of the above category: not only they will make you look bad for having uncool friends, but they will be a drag on your time and freedom.

## **Value Taking is Relative**

Most people tend to cluster around the middle and the average.

Such as, most people are not particularly rich in social value to give and neither are they major social value takers.

However, these people can still become value takers (or givers) when they go for people who are much better than they are or when they spend time with those who have much less value.

So here is the funny thing:

## **Value Taking Can Help You Grow**

You have probably heard the self-help gurus saying that if you are the best person in a room, you're in the wrong room, right?

Or more self-help gurus advising to spend time with people who are better and know more than you, right?

Basically: the self help gurus are advising people to be valued takers.

But here is the important caveat: **to access people's higher value and not be rejected as a social leecher, you need to find a way to rebalance the social exchange by giving something back.**

And that's what the socially oblivious don't understand.

## **Value Taking and First Impressions**

The most important instances of value taking happens at the beginning of a relationship.

When a relationship is still fresh, there's no past history, no favors done and taken and no goodwill. Also, the balance is exactly at 0.

And the social exchange theory tells us that when people are getting to know each other they are unconsciously weighing each other up in terms of possible utility.

Conversely, it's often acceptable to ask and take when you have a solid relationship already in place because you've most likely given already a lot and you will likely give more in the future, so there's more leeway.

## Typical Expressions of Value Takers

Here are some examples of social exchange deal breakers:

“Lemme know when you're having some cool party (so I can tag along)”

“Are you doing something tonight (so I can tag along)”

“Can I pick your brain over coffee sometimes (you give, I take)”

“Please, please, please...”

You will recognize that all these messages are requests that don't give anything back.

Sometimes just a little fix could make them more balanced.

For example the guy who wants to pick your brain could *invite* you to lunch.

Lunch is a small token, of course, but more than the monetary value it shows that the inviter *gets it* and shows respect and consideration for your time and knowledge.

Also read:

- [Low-value women](#)
- [Low-value men](#)

## Takeaway: Give to Take

The most important take away is this:

“The more you bring, the more you can take.”

The three major corollaries to away from the social exchange theory are:

1. **Focus on what you bring to the table:** Make this your N.1 rule of social exchange
2. **Ask yourself if the relationship is balanced:** where the imbalances lie is where social power lies
3. **Assess takers and givers:** Are the people around you taking or giving? Cut out the takers, give more to the givers.

If you understood thus far, then you can move to “[value and availability](#)“, which explains another fundamental concept of social skills and emotional intelligence.

## Summary

The social exchange theory is an important theoretical framework with some of the most fundamental ramifications to get good with people.

Learn it and live and you will become a better -and more powerful- human being.

Read more:

- [The market exchange of dating](#)



- [Social Power](#): your one stop course on social power

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