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# Commodity and Relational Good Exchanges: Commodification and Decommodification<sup>1</sup>

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<sup>1</sup> The authors wish to thank Jack Meyer, Stephen Gasteyer and Adam Soliman for their helpful insights and valuable comments.

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*I don't care too much for money, money can't buy me love—The Beatles*

Economic theory focuses mainly on market exchanges of commodities for other commodities. Exchanges of relational goods for relational goods, what are sometimes referred to as social exchanges, are what makes us human and how we express validation, belonging, and knowing (Blau 1965). Mixed exchanges<sup>3</sup> of commodities *and* relational goods occur mostly outside market exchanges. Despite their frequency and relative important, these have received limited attention in our literature. Consequently, it is the purpose of this paper to advance exchange theory by describing mixed exchanges. Two benefits emerge from a better understanding of mixed exchanges. First, we expect that a discussion of mixed exchanges will provide a framework for explaining anomalies that occur when attempting to describe outcomes of mixed exchange using market exchange theory of commodities. And second, we expect that a better understanding of mixed exchanges will facilitate cooperation across the social science to advance our understanding of exchanges of commodities and relational goods.

In what follows we define commodities and three kinds of relational goods: socio-emotional goods (SEGs), attachment value goods (AVGs), and social capital. Next we briefly describe market exchanges of commodities for commodities and relational goods for relational goods exchanges before focusing on extra-market mixed exchanges of relational goods and commodities—providing several examples. Following that, we describe processes in which commodities are transformed into relational goods

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<sup>3</sup> While commodity exchanges take place in market settings, and relational good exchanges take place in non-market settings, mixed exchanges can take place in either depending on the circumstances. This is discussed in greater detail in the *Settings for Mixed Exchanges* section of this paper.

(decommodification) and relational goods are transformed into to commodities (commodification). Finally, we describe the conditions required for and the benefits and costs associated with mixed exchanges as well as describing some mixed exchanges that should possibly be discouraged.

## **Commodities and Relational Goods**

*Commodities.* Commodities are standardized, mostly physical goods and services whose market value derives from their ability to satisfy physical consumption needs (Marx and Engels 1987, p. 269). The market value of commodities can be altered by changing their form, function, location, or physical characteristics. Commodities are often produced in large quantities of uniform quality. Finally one commodity is distinguished from another by its form, function, location, and physical characteristics and not by who produced or consumed it. For example, a certain type and grade of wheat is a commodity because its market value is not dependent on who produced or consumed it.

*Relational goods.* Not standard, mostly not physical, and not exchanged in markets, relational goods derive their value from their ability to satisfy socio-emotional needs. In contrast to commodities, the value of relational goods depends on who produced them, who consumes them, and under what conditions they are exchanged. Some argue that the concept of a relational good originated with Adam Smith who described fellow-feeling or sympathy (a relationship) as essential for human happiness (Smith 1966).

Gui and Sugden (p. 3) defined relational goods as “the affective components of interpersonal relations [that] are usually perceived as having value through their sincerity

or genuineness”(Gui and Sugden 2005). Emphasizing that identity of exchange partners matters, Uhlaner wrote: “goods which arise in exchanges where anyone could anonymously supply one or both sides of the [exchange] are not relational” (Uhlaner 1989). Bruni and Stanca (2008) conclude in their review of relational goods that “genuineness is foundational, and the identity of the other person is essential for the value, and in some cases even for the existence, of the relational good.

In short, commodities can be seen as largely uniform in quality, and distinguished by their form, function, location and physical characteristics rather than by the specific person that produced or consumed them. Relational goods are not standard and dependent on the conditions and specific people involved in their production and consumption.

### **Three Kinds of Relational Goods**

*Socio-emotional goods* (SEGs).<sup>4</sup> SEGs are intangible goods that validate, express caring, or provide information that give direction or increase self-awareness and self-regard (Robison and Flora 2003). SEGs have value because we have socio-emotional needs that SEGs satisfy. Supporting the connection between socio-emotional needs and SEGs, Carl Rogers (1959) wrote that we all have a basic need for self-regard. Homans (1971) adds: “All of the evidence suggests that for many men social approval is a valuable reward, and that it is difficult to satiate them with it” (p. 457). Hayakawa (1962) asserted that the first law of life is not self-preservation, but self-image preservation. Maslow (1962) noted that: “We tend to be afraid of any knowledge that would cause us to despise ourselves or to make us feel inferior, weak, worthless, evil, shameful” (p. 57).

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<sup>4</sup> This discussion of SEGs draws heavily from (Robison, Shupp and Myers 2010).

Early economists, including Naussau Senior (Marshall 1962, p.87), recognized the importance of SEGs or what Becker (1974) called “social income.”

*Attachment value goods.* Tangible and intangible objects may become embedded with SEGs, changing their value and meaning. The difference between an object’s value and meaning before and after being embedded with SEGs is called the good’s attachment value (Robison and Ritchie 2010). Goods whose principal value is their attachment value are called attachment value goods (AVGs).

AVGs, like SEGs, are relational goods because the SEGs embedded in AVGs are produced in relationships. Objects embedded with SEGs that change their meaning and value include land, clothing, personal items such as jewelry, flowers, songs, animals, sounds, smells, and sacred symbols. AVGs deserve special attention in exchange theory because the added value is more easily observed and measured than SEGs (Cordes et al. 2003). Synonyms for AVGs include goods with sentimental, emotional or personal value. In religious settings AVGs may be referred to as goods that are sacred or revered (in the words of Durkheim [1912] that which is “sacred” vs. “profane”). In economics AVGs may be described as goods having existence (Krutilla 1967) or option value (Brookshire, Eubanks and Randall 1983).

AVGs are important because they provide places to store SEGs. By reconnecting with AVGs, we can often recreate emotions and feelings that satisfy our socio-emotional needs and in the process, increase the attachment value for the object. For example, viewing a family photo, listening to a song associated with an exchange of SEGs with another person or visiting one’s home town—may recreate feelings of belonging, validation, or knowing and increase the attachment value for these objects.

Every important organization employs AVGs to maintain the emotional connection, commitments, and covenants between it and its members. Religious specific AVGs include the Cross, the Crescent, the Star of David, or symbols drawn from nature. Nation specific AVGs include national anthems, flags, constitutions, national shrines, battlegrounds, and cemeteries. Athletic teams rally around a team color, mascot and often songs and other symbols. Families employ AVGs such as rings, homesteads, vows pronounced at marriage ceremonies, special ways of celebrating birthday and anniversaries, memorable songs, and gifts. Clan specific AVGs include coats of arms, slogans, and particular clothing.

Cordes and colleagues (2003) found that in one rural Nebraska town, 62% of the population would be willing to move to a new location that supplied equal levels of commodities if they could earn an extra \$30,000 per year. However, the rest of the town's population would not move for any price. Other studies discuss the nature of attachment value associated with towns as well. Frank and colleagues (2011) noted that one may expect that if one has good standing within the town then members of the town will provide support in times of crises (Frank et al. 2011). For example, some lobstermen stop fishing when members of their town are sick, thus preserving the price and resource for the fisherman when he becomes healthy (Acheson 1988, 2003).

*Social capital.* Capital by definition is a durable stock of potential service flows that have value. Capital never works alone and when its services operate on other objects, the object's function, meaning, and value are transformed. Capital has a residence and is capable of being alienated. Finally, capital can substitute for and sometimes complement other forms of capital (Robison and Ritchie 2010, p. 20). (For

example, tractors are useful for pulling plows but plows can also be pulled by horses and people.)

Social capital to be an acceptable economic concept must satisfy the requirements of capital and be social. There are several alternative social capital definitions that have been proposed. For our purpose and to be consistent with the definitional requirements of capital—we define social capital as sympathy in keeping with Adam Smith’s notion of “sympathy.” Sympathy in this context implies the internalization of other’s well-being. Adam Smith implied this definition of sympathy in his important work on the theory of moral sentiments when he described sympathy as our “fellow-feeling” that arises from “changing places in fancy with the sufferer” (Smith 1966 [1759], p.6). Modern synonyms for Adam Smith’s sympathy include caring, regard, compassion, empathy, fellow-feeling, understanding—all words that reflect connectedness or identity with another. One accumulates social capital by becoming the object of another’s sympathy.

Social capital is durable. Sympathetic relationships can last a lifetime and beyond, representing a stock of potential services that can be extracted from one’s social capital. Social capital can produce a flow of services (SEGs) that have value because they satisfy socio-emotional needs. When social capital produced SEGs become embedded in objects they transform objects and create AVGs. Social capital resides in persons whose sympathetic connections form networks. Finally, social capital can substitute for other forms of capital, a concept which is at the heart of mixed exchanges. For example, resources flow among French bankers through direct friendships as well as being mediated by mutual friends within cliques (Frank and Yasumoto 1998). These resources are especially likely to flow when the provider of the resource feels sympathy



towards the other person because of a personal relationship or group membership (Robison, Schmid and Siles 2002).

Of particular interest in the list of synonyms for Adam Smith's sympathy is 'regard' which includes feelings of approval or admiration for persons perceived to be virtuous, honest, talented, accomplished in a particular area, capable of rendering informed judgment, recognized for actions of unusual worth, and worthy of respect—qualities one would like to acquire or enlarge in oneself. One assigns higher values to goods obtained through exchanges with another whom one holds in high regard.

### **Three types of exchanges**

Most of the goods we obtain are acquired in market or non-market exchanges. We refer to exchanges as voluntarily giving up something of value and receiving something different in return. And while economists mostly use the word "exchanges" to refer to market exchanges, we use the term to apply to market exchanges and non-market exchanges at times depending on context and to promote a more inclusive discussion of human exchanges.

It is convenient to organize exchanges into three types: exchanges of commodities for commodities (market exchanges), exchanges of relational goods for relational goods (non-market exchanges) and mixed exchanges of relational goods and commodities.

*Exchanges of commodities.* Commodity exchanges are described within the context of economic theory. Commodity exchanges do not require or imply that the parties to the exchange have social capital or that the goods exchanged have attachment value. Furthermore, in most cases, parties to commodity exchanges do so willingly and both expect to benefit from the exchange. Money, included in commodity exchanges,

besides its other functions, reduces the transactions cost of finding appropriate exchange partners. Inasmuch as money is a placeholder for a commodity, it can be seen as playing the role of a commodity in an exchange.

*Exchanges of relational goods.* Whenever there is a pattern of repeated (and successful) commodity exchanges, eventually relational goods connected to human feelings and relationships will be exchanged as well. This relational element has value *per se*. In fact, the exchange of relational goods has been described within the context of social exchange theory. Blau (1965) wrote about the pervasiveness of social exchanges. “Social exchange can be observed everywhere . . . not only in market relations but also in friendship and even in love, as we have seen, as well as in many social relations between these extremes in intimacy.” Exchanges of relational goods for relational goods are the focus of novels, plays, movies, and religious exhortations—but not economics.

*Mixed exchanges.* Throughout the course of commodity exchanges, relationships may be formed between the parties to the exchange. For example, investment bankers rely heavily on their ability to form strong and meaningful relationships with their clients in order to gain their business. At first, the relational element is largely business related; however, over time, the relationship may become meaningful in a way that is exogenous to the business relationship based on a long history of mutual trust, and sharing feelings of belonging, valuing and knowing as described in other literature (Blau 1965). Then it becomes difficult in practice to see pure commodity exchanges or pure relational good exchanges. Consequently, mixed exchanges constitute a third, often overlooked type of exchange that has immense practical utility.

## A Focus on Mixed Exchanges

*The relative importance of mixed exchanges.* Much of the academic literature focuses on “pure” exchanges (of only commodities or only relational goods). While it remains for a future study to determine the relative frequency of mixed exchanges compared to commodity or relational good exchanges, there is anecdotal information. For example, in the important agricultural land market, over 50% of the sales were between family and friend at prices which averaged 6.8% below the commodity exchange price (Robison, Myers and Siles 2002).

In repeated prisoner of war experiments, respondents allocated roughly 67 % of their resources to relational goods (Robison, Myers and Siles 2002). However, other experiments demonstrated that the allocation of resources to relational goods varied by the compositions of the network from 91% (Rotary Club) to 45% (student group) (Robison et al. 2012).

It may be rare to find a pure commodity exchange in which persons interact with no human feelings involved. Furthermore, at least one party to every human exchange will most likely have feelings about the commodity they are acquiring (or selling/giving). Although the present study has not attempted to quantify the frequency of occurrence of mixed exchanges, logic dictates that relational goods are likely to be present in almost every interpersonal exchange (this may be a driving force for Granovetter’s theory of embeddedness).

Finally, logic dictates that commodity exchanges take place through *human interaction*, and involve exchanges of thoughts and feelings as well as commodities,

indicating that the occurrence of “pure” commodity exchanges may be very unlikely in practice.

*Settings for mixed exchanges.* In economic theory, exchanges of commodities occur in impersonalized market settings in which the terms and level of commodities exchanged are determined by the aggregate of market participants. Mixed exchanges can occur outside of a market setting when the terms and level of exchange of commodities and relational goods are determined by two specific people in the exchange (and not influenced by third party bids and offers). However, some mixed exchanges are influenced by outside bids and offers which establish market condition for their exchange.

For example, suppose attachment value for a particular sportswear was created by identifying it with a famous athlete whose social capital was provided by their many admirers (e.g. “Air Jordan” shoes).

The sportswear item could then be sold in a market in which the aggregate desires for the item established a common price. In these cases, AVGs appear to be bought and sold in a market every day throughout the world and an indication that the SEGs embedded in the object are not destroyed by outsiders exerting influence on the terms of trade (the SEGs do not depend on the specific parties to the exchange). Unlike commodity exchanges (that are market exchanges by definition), and relational goods exchanges (that are non-market exchanges by definition) mixed exchanges can be either depending on the circumstances of the exchange.

When mixed exchanges occur outside of markets, in contrast to a single market price, the terms and level of the mixed exchange produce a frontier of commodity and

relational exchange terms even for the same commodity depending on who is exchanging.

Finally, it may be the case that a relational good is valued consistently only by a few persons with shared traits and resources that enable them to bid for the relational good. In this case, it may be that the mixed exchange can occur only between members of the network and third parties are unable to participate. For example, several farmers reported that there is no minimum sell price at which they would sell their land to strangers or arm's length third parties but would transfer the land at less than market prices to family members who in addition to offering commodities also offer some relational goods.

*Relational elements of mixed exchanges.* Economists often speak of actors as rational, but in practice human beings sometimes behave in ways that do not fit economists' definitions or descriptions of rationality. This behavior can be explained (at least in part) by a relational element in an exchange. For example, suppose that the commodity exchange rate of a haircut of a certain quality is \$15 for the haircut and \$5 for the tip. Consequently, it will seem irrational for the customer to give a tip of \$10, given the quality of the haircut. However, suppose that in addition to the haircut, the barber provides feelings of validation, belonging or knowing for the customer by providing a listening ear for the customer and reasoned and sympathetic responses to concerns expressed by the customer. In this case, there is a relational good exchanged during the haircut that would not be present with another barber even with all other things being equal and a larger than average tip is warranted.

*Examples of mixed exchanges.* There are numerous practical examples of mixed exchanges. For example, recycling is a mixed exchange. Recyclers sacrifice time, effort, and transportation costs (all commodities) to recycle with little or no expectation of commodity rewards. Some people recycle and conserve because it earns them internally validating SEGs and increased social capital with their ideal self. Others may recycle because it earns them external validating SEGs from others.

Voting is another example of a commodity and relational good exchange. Persons voting exchange commodities such as time, transportation costs, and inconvenience of adjusting one's schedules for the privilege of voting. The relational good they receive from voting may include the approval of others, conforming to one's ideal self, and having a sense of belonging.

Most fund raising efforts rely on commodity and relational good exchanges. For example, organizations such as hospitals, charities, schools, public radio, and clubs supply SEGs and sometimes AVGs (relational goods) in exchange for commodity donations. Sometimes they create social capital for their causes by showing pictures of recipients of the commodity donations, emphasizing their distressed conditions. One relational good received by donors may be to have one's name etched in the list of important donors, to have a building or room bearing one's name, or to have one's name spoken of in favorable terms, all externally validating SEGs.

In many cases, gifts and donations are made anonymously. In these cases, the relationship involved is likely with one's ideal self which is validated by acts of anonymous charity quite independent of other relationship except for those that created attachment value for the norm of being generous.

Many direct marketing companies rely on commodity and relational good exchanges to market their products. They encourage their sales force to sell their products to those with whom they have social capital. Insurance, cosmetic, health-food, candle, cutlery, and plastic container salespersons all appeal to some degree on the willingness of their customers to purchase commodities in order to maintain their social capital with those selling the products—a commodity for social capital exchange. Indeed, an early relational good/commodity exchange success story involved Bonnie Wise and Tupperware parties—events designed to create SEGs in exchange for which party participants would purchase the plastic containers.

Online dating services are another example of commodity and relational good exchange. Persons pay fees to join online dating services in hopes that by connecting with persons with desired or similar characteristics that some form of SEGs will be exchanged and social capital created. While it is clear that online dating services reduce search costs, what they primarily offer is a relational good.

There was also an example of a commodity and relational good exchange involving Mary Todd Lincoln. Before her husband's assassination, Mary Todd Lincoln was spending way beyond her means. While her husband was alive, her friends in high places provided cover for her excessive spending. But after Abraham Lincoln's assassination, she lacked the means to satisfy her creditors. As a result she began selling her husband's personal effects including his shirts and other personal items. When it became known of her relational good/commodity exchanges, she was generally excoriated (Baker 1987).

## Commodification and Decommodification

*Commodification.* Commodification is a process in which relational goods are converted into commodities. Scholars have written about the commodification of such things as land (Xu et al. 2009), art (Freedman 1993), relationships (Healey 2008), culture (Harvey 2009), history (Dillon 2007, Van Kooy 2012), and identity (Heller 2003). This has implications for discussions about exchange because the primary worth, value or purpose of a thing is tied up in the social perceptions of that thing—in this case, whether it is viewed as a commodity or not. For example, the lands of many indigenous people are not seen as commodities, rather as a part of identity, culture and social relationships. While indigenous people see their lands as part of identity, culture and ancestral relationships (a non-commodity), many outsiders see the land for the monetary worth of the land in extracting its natural resources (they see it as a commodity) (Avirama and Márquez, 1994, 87; Rice 2010) In many countries in South America, indigenous lands (even those protected by law) are being mined for the monetary value of the natural resources on the land.

The processes that underlie this phenomenon is an example of commodification—land that was once valued for its role in identity, culture and ancestral relationships has been turned into a commodity by governments that sell the rights to mine the land to corporations (even though they are supposed to be protected by law).

An inveterate example of commodification is prostitution. The act of sexual intimacy that is seen by many as primarily about human intimacy and relationships is commodified by selling that intimacy for money. In this sense, the act of sexual intimacy is sold off as a product that is not dependent on a specific relationship with another



person. Sexual intimacy that occurs because of a relationship is dependent on the existence of that relationship; however, when paying for sex, it is not about the specific relationship—any number of people may be found suitable for the act. In this way, human intimacy is transformed into a commodity by virtue of being exchanged for money.

Therefore, the notion of exchange is highly related to the concepts of commodification and decommodification. The exchange can be *evidence* of the process of commodification, but it can also be a *constitutive element* thereof. In other words, paying for prostitution is *evidence* of a larger process of commodification of human intimacy over time. However, the act of selling off indigenous lands for money as described above (Avirama and Márquez, 1994, 87; Rice 2010) might be said to be a constitutive element of the process that commodifies those lands.

*Decommodification.* Decommodification represents the reverse of commodification—specifically, the processes in which commodities are converted into relational goods or in which something’s value as a commodity is enhanced by embedding it with feelings related to validation, belonging or knowing (Blau 1965) — resulting in the emergence of a relational good. And in some cases the exchange of commodities for relational goods is evidence of decommodification. For example, *pro bono* work by professionals such as attorneys can be seen as decommodification in some cases. If the professional is doing the *pro bono* work to legitimately improve their relationships with other human beings or the community (and not just to increase their future financial gains), then something that was once worth money (professional services), has come to be exchanged, instead for a social or relational good. As with

commodification, the exchange is evidence of the process—exchanging valuable professional services for relational goods (improved relations with individuals or the community) is evidence of decommodification.

While the examples above are relatively straightforward, many examples in application are less clearly defined. For example, decommodification can be seen at work in farmer's markets, even though consumers engage in commodity/commodity exchange there (money for food). The reason for this is that people are paying a premium for foods that are similar to what they could buy in a grocery store. Therefore, in this case, decommodification is evident in the premium being paid (in this case, the extra money being paid above what would have been spent at the grocery store for a similar product. Just as a professional doing *pro bono* work exchanges something with commodity value (professional services) for relational goods (improved relations with individuals or the community), the consumer at the farmer's market exchanges something of commodity value (money) in part for relational goods (buying from local growers, giving back to the community or maybe they know specific farmers that run the market).

Additionally, in many cases it is useful to consider the perspectives or motives of the agents of exchange. For example, any given customer at the farmer's market might be paying a premium for the food not to support the community, but for health reasons. In that case, individuals that pay a premium for what they perceive to be a better *quality* of product (a healthier product) would not produce decommodification because they are simply engaged in a commodity/commodity exchange in which they believe the commodity to be of better quality (different in form and function), but are still not

concerned about the individuals that produced it (they would buy a product of comparable form and function from anyone for the same price).

## **Decommodification, AVGs and SEGs**

Some degree of decommodification occurs in any circumstance in which SEGs are produced and exchanged and become associated with an object connected to an exchange. In practice, objects are often not completely decommodified. Consequently, while decommodification might refer to a process of complete decommodification, it can also be used to refer to the process of decommodifying an object to some degree (partial decommodification).

We can create attachment value and decommodify an object by offering it as a gift that meets a need of someone we care about. Wrapping the gift with brightly colored paper creates additional attachment value. Attaching to the wrapped gift a note that expresses feelings of validation and belonging for a particular person creates still additional attachment value. We can create attachment value and decommodify an object by connecting it to a commitment. For example, religious symbols, ceremonial garments, written documents, pledges, and wedding rings are all AVGs which are connected to commitments.

We can create attachment values and decommodify objects by associating them with significant achievements and evidence of the approval of others. Honorific AVGs of this type include trophies, medals, Nobel Prizes, and award certificates.

We can create attachment value and decommodify objects by using them as symbols of belonging. Colors can acquire attachment value when they become identified with a school, religion, location, fashion, or political party. A dress code can acquire

attachment value when it is used to signal belonging at a particular event such as a wedding, sporting event, or a religious ceremony.

Critically, the attachment value of a good may depend heavily on the social relationships in which it is embedded (Granovetter 1985). For example, a prized gift from a spouse loses its attachment value during a bitter divorce. The colors of a school or symbols of religious affiliation lose their attachment value if an alumnus/alumna becomes embittered with the school, or the religious adherent becomes disenfranchised with the religious organization. However, it may also be possible to add attachment value in the absence of social relationships. For example, Tom Hanks assigns attachment value to the volleyball he calls “Wilson” in the movie “Cast Away”. Wilson becomes an alter ego, challenging his motives, and even risking his life to “save” the ball, even though there are no other people on the island in which their relationship can be embedded. The message is that SEGs involve human feelings such as belonging, validation, acceptance and knowing whether or not people are actually present or have anything to do *directly* with an object becoming embedded with SEGs.

Furthermore, we can create attachment value and decommodify objects by becoming personally identified with them through use or association. Nobel Prize winning economist Daniel Kahneman and colleagues provided evidence that coffee mugs could acquire attachment value when owned and used by individuals. He referred to what we call attachment value as the endowment effect (Kahneman, Knetsch and Thaler 2009).

Businesses are particularly interested in creating attachment value and decommodifying an object because it increases the value of the good they wish to

exchange for commodities. As described earlier, the business managers may not see it this way, but embedding products or brands with good feelings such as acceptance or belonging serves to decommodify the product in the eyes of the would-be consumer.

In this way, advertising has become mostly a process of decommodification because unless products or services are “differentiated” potential buyers would purchase a product of the same kind, quality, form and function from almost anyone at the lowest possible price. If the product can be differentiated (in our terms, embedded with feelings of validation, acceptance or belonging), then they will be more disposed to pay a premium or to buy the product when they otherwise may not have done so. Tobacco companies spend large sums to decommodify cigarettes. Recognizing the health dangers, the government has imposed limitations on these decommodifying efforts by requiring that warning labels be attached to advertisements and cigarette packages.

And then there is the whole decommodifying industry of trading on one’s social capital to sell insurance, cutlery, plastic containers, candles, and popcorn from the Boy Scouts of America and cookies from the Girl Scouts. Prized historical artifacts are decommodified as they become relegated to museums. In this case, they are no longer valued just for their form, function or quality but have become embedded with SEGs based on their ties to specific people and events in the history of some group of people. These examples illustrate multiple ways that objects can be decommodified, and show the role that SEGs play in decommodifying objects by being embedded in them.

## **Commodification, AVGs and SEGs**

The commodification process is often the reverse of the decommodification process. Just as embedding objects with SEGs decommodifies them, destroying the

attachment value of objects commodifies them. Instead of connecting an object to a relationship through its association with commitments, achievements, or expressions of belonging, commodification reduces or destroys SEGs embedded in objects and sympathy and regard in relationships. Commodification disassociates AVGs and social capital with relationships so that goods exchanged are valued only as commodities. Commodification destroys the affective component of a relational good by making its acquisition independent of any relationship. As is the case with decommodification, commodification may be used to refer to a process in which objects are partially (as well as completely) commodified.

AVGs associated with marriage covenants are commodified when one or both parties to the covenant fail to honor their vows. And frequently, commodification occurs when one attempts to exchange a relational good for commodities, an exchange facilitated by money. Michael Sandel has compiled an impressive list of commodified AVGs—relational goods that became commodities as a result of their being exchanged for money (Sandel 2012). These include a prison cell upgrade; someone to apologize for you behaving badly; the services of an Indian surrogate mother; the right to exceed the posted speed limit; the right to tattoo a casino ad on the forehead of a single mother; the privilege of immigrating into the United States; admission to a prestigious university; a ticket to a congressional hearing; concierge health care; human lab rats for drug trials—payment increases with the riskiness of the drug; blood; human organs; the right to pollute; and children who read. And not on Sandel’s list: prestigious ambassadorships which can be exchanged for sizable campaign contributions (Confessore and Stolberg 2013) and one’s soul—for fifty dollars (Freakonomics 2012).

Commodification can apply to social relationships as well as tangible objects. Social relationships can be commodified as they are bought or sold for money. For example, it is now possible to “rent a friend” (Prentice 2010) for special events. Small children can also put a price on a friendship by stealing a toy from a friend (Roseth et al. 2011). Similarly, when a friend of a movie star sells information about the star to a tabloid, the friendship has been monetized (Williams 1998). As is the case with decommodification, SEGs and AVGs are highly related to the notion of commodification—whether of tangible objects, or intangible social relationships.

### **Benefits and costs of mixed exchanges**

*Benefits of mixed exchanges.* There are many potential benefits of mixed exchanges. One advantage of mixed exchanges is they may produce a more balanced distribution of commodities. Those who are severely lacking in commodities may only be able to survive or get ahead through exchanging relational goods. For example, babies, and the severely disabled often have no access to commodities and rely almost completely on mixed exchanges of to survive.

Another advantage of mixed exchanges is that they allow for greater individuality, personal expression and creativity in society. For example, many writers, poets, athletes, musicians, and entertainers make a living by creating SEGs and AVGs that can be exchanged for commodities.

Finally, mixed exchanges hold the potential to motivate efforts beyond that produced by commodity incentives. For example, many family owned farms extract labor from family members at discounted prices. In these commodity and relational good exchanges, relational goods cover the difference between what family laborers earn on

and off the farm. So while it is true that production on the family farm is increased because of commodity and relational good exchanges, commodity production without family laborers may be reduced.

*Costs of mixed exchanges.* One potential cost of mixed exchanges is the possibility of relational goods being commodified. A person exchanging relational goods for commodities is subject to “dehumanization” by virtue of effectively selling the qualities that make them human (their relationships, their feelings, or even potentially their body parts). The person exchanging commodities for relational goods is the person paying for a rent-a-friend in order to feel better about their friendship status, but the person selling themselves out as a rent-a-friend may feel degraded or dehumanized.

Another potential disadvantage of mixed exchanges is that compensation is made only for the commodity component of the relational good. For example, a victim of a stolen heirloom violin may be compensated by only for the commodity value of the violin by the insurance company (that does not recognize or have the ability to compensate for lost attachment value).

It is often the case that the person trading a relational good for a commodity (the person pawning their prized wedding ring at a huge discount) is often in a disadvantaged position (having fewer commodities or lower status or power based on the position they occupy in society), and the person trading a commodity for a relational good (the wealthy person “buying out” a favorite local family restaurant just to tear it down and build apartments) is in an advantaged position.<sup>5</sup>

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<sup>5</sup> One should be sure to note the difference between someone pawning their wedding ring for \$15 and Mark Wells selling his 1980 men’s hockey gold medal for over \$300,000. When the



Another potential cost of mixed exchanges is inefficiency in the production of commodities. Efficient commodity production methods require that the most qualified persons and the most suited equipment and processes are employed to produce commodities. However, granting preferential employment and access to resources to friends and family because they can exchange relational goods may lead to higher production costs for commodities and an allocation of resources and effort away from more efficient commodity productive enterprises. And in the end, these exchanges may lead to higher prices for those who produce the output.

### **Discouraging some types of mixed exchanges**

The potential costs of commodity and relational good exchanges lead to recommendations that certain commodity and relational good exchanges be discouraged. We next describe several mixed exchanges that should be discouraged.

*Mixed exchanges that destroy AVGs.* Just as decommodification adds value to an object by embedding it with SEGs, commodification implies value is being lost by destroying SEGs or social capital responsible for the object's attachment value.

Therefore, the only circumstance under which commodification can be justified is that the commodification creates commodity values sufficient to compensate for the object's

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attachment value being sold for a commodity also has high attachment value to the purchaser, the seller seems to be in a less disadvantaged position as they stand to benefit greatly from the exchange (perhaps selling at a huge premium rather than at a discount). While Mark Wells may seem to be in a less disadvantaged position based on the high sales price of the medal, he was actually in a disadvantaged position, being compelled to sell to meet medical costs. In his mind, it was an act of desperation as he never would have sold the medal for any amount under less desperate circumstances (Coffee 2010).

attachment value losses. Therefore, we argue against commodity and relational good exchanges where the loss in attachment value cannot be compensated by increased commodity values.

*Mixed exchanges that commodify people.* Mixed exchanges that commodify people should be discouraged because the relational good value of a human being cannot be estimated (outside of the dyad involved in the exchange). Therefore, commodity and relational good exchanges that commodify people should be discouraged. While persons may exchange their efforts and the application of their talents for commodities, these exchanges generally do not commodify people because they are commodity/commodity exchanges. However, lifetime injuries suffered by professional sports figures in exchange for commodities may represent a commodification of people.

*Mixed exchanges under false pretenses.* Confident persons make their mark by feigning social capital, the delivery of SEGs, and the creation of AVGs. In this effort, the misrepresentation of the relational good provides an unfair advantage in the exchange to the person pretending to supply relational goods. In some cases, the scam should be obvious—some relational goods simply cannot be exchanged for commodities. These were described previously and include all those goods whose allocation is expected to be based on criteria besides one's access to commodities.

The news is full of decommodifying scams. High profile decommodifying exchanges involving infamous figures such as Bernie Madoff exemplify the danger. Madoff and his brother Peter had close ties to persons in regulatory positions who apparently failed in their efforts to discover his massive Ponzi scheme. Recent

decommodifying scandals involve bilking investors out of their savings by having them invest in movies--convincing them of connections to movie favorites.

One famous decommodifying scam involved converting ordinary wood into a sacred relic (with high attachment value) by declaring it to be from the original cross upon which Jesus was crucified. “By the end of the Middle Ages so many churches claimed to possess a piece of the True Cross, that John Calvin is famously said to have remarked that there was enough wood in them to fill a ship” (New World Encyclopedia n.d.).

*Mixed exchanges and fairness.* Relational goods intended to be allocated based on fairness should not be allocated by commodity and relational good exchanges

Embedded in the constitution of the United States is the belief in a doctrine of citizens’ equal access to life, liberty, and the pursuit of happiness. Consistent with this doctrine is the belief that our responsibilities to maintain the liberty and functioning of a country that provides such liberties should also be equally shared. Therefore, to allocate the rights or the responsibilities and obligations associated with citizenship should not be commoditized.

An example of not sharing the burdens and responsibilities of governing include the planter elites in the South during the civil war. These benefitted from laws which exempted all those with more than 20 slaves from serving in the Confederate military (Lee 2012). Wealthy northerners also commodified military service by hiring substitute soldiers for \$300 (Boltz 2012). The right to vote, attend congressional hearings, avoidance of jury duty, attend fee-public events should not depend on one’s commodity advantage to determine the distribution of these goods.

*Mixed exchanges and creative destruction.* Free markets in which commodities are exchanged between willing and knowledgeable buyers and sellers are said to be the most efficient and effective means for allocating commodities. One of the benefits of such an allocation scheme is what has been called “creative destruction” in which efficient alternatives replace inefficient ones. But what if an AVG with commodity value can be replaced or diverted to an alternative use and produce more commodities. When exchanges of commodities and relational goods preserve inefficient allocation of resources which if efficiently employed would provide greater benefit than the current arrangement—then the exchanges of commodities and relational goods should be questioned.

## **Conclusion and discussion**

It is possible that many of the anomalies identified by behavioral economists are a result of treating mixed exchanges as though they were market exchanges of commodities. The theory of exchange outlined in this paper emphasizes the need to understand the way *both* commodities *and* relational goods are involved in exchanges, and recognizes (although admittedly without quantifying it precisely) the prevalence of mixed exchanges. Hopefully, these contributions will improve our ability to describe and predict exchange outcomes that have before been considered anomalies and outside of traditional market exchange theory.

Understanding mixed exchanges also requires that we understand the processes of commodification and decommodification. These processes apply to physical and non-physical objects, as well as social relationships—making the application of these

concepts broadly applicable. Furthermore, these processes may also occur during mixed exchanges.

In some cases the potential costs associated with commodification and decommodification for society may outweigh the potential benefits earned by individuals or groups. For example, efforts by the cigarette industry to decommodify cigarette created important health consequences for individuals. When such asymmetry in the benefits and costs of decommodification (and commodification) occur, there may emerge an interest in mixed exchange regulations.

In summary, the theoretical framework outlined in this paper holds the potential to enrich research within and across disciplines of the social sciences. In the case of the former, this will be accomplished through more inclusive definitions of exchanges, inclusion of the role of both commodities and relational goods in exchanges, and the use of more accurate conceptions of commodification and decommodification. In the case of the latter, this paper establishes common definitions that may be employed in writing about exchanges in society.

In short, the theory presented in this paper may advance interdisciplinary discussions of exchange and contribute to a conversation about how to optimize outcomes related to all kinds of exchanges in society.

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