

Collective Action

Day 2, Session 2

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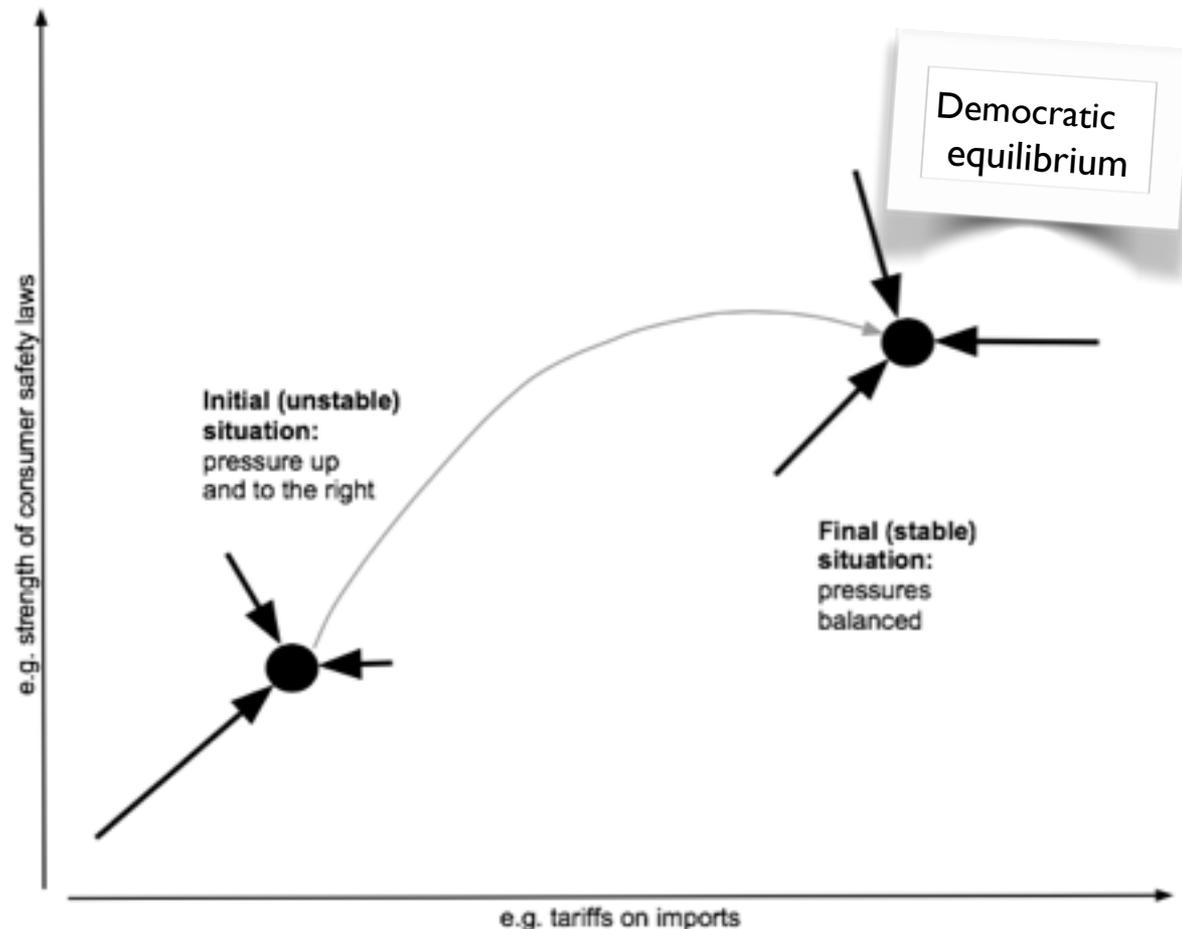
Background for Olson: Pluralism as a democratic goal



Pluralist view (e.g. Dahl): A good democracy is one in which **many interests compete against each other** for power and influence.

Political parties, but also workers, taxpayers, businesses, individuals, etc.

Optimistic about outcomes of a free and open contest among conflicting groups.



Olson's critique: who organizes to compete for influence?



Main points:

- **Collective action problem:** It's puzzling that anyone bothers to compete for policy benefits.
- The winners (i.e. those overcome the collective action problem) may gain less than the losers lose.

A skeptical view.



Mancur Olson

Collective action problem

Policies typically impact **entire groups**:

- Consumer safety regulation benefits all consumers
- A tariff on orange imports benefits all domestic orange growers

This produces two kinds of problems (given selfish individuals):

- **Free rider problem**: “Why should I lobby, when I can count on other beneficiaries to do it for me?”
- (More generally) **Under-provision of lobbying effort**: “Even if the total benefit of my effort is large, I won’t put in more effort than it’s worth to *me*.”



The (il)logic of collective action

“If there is only voluntary and rational behavior, then for the most part neither governments nor lobbies and cartels will exist, unless individuals support them for some reason *other* than the collective goods they provide.”

Note the conflict between group interests and individual incentives:

It may be that

- every member of the group would be better off if everyone lobbied for a collective benefit
- no member of the group lobbies for the collective benefit



Mancur Olson

How can this be? The broader problem as illustrated by the prisoner's dilemma



		Player 2	
		Contribute	Don't
Player 1	Contribute	1,1	-1,2
	Don't	2,-1	0,0

Rationale for payoffs: Contributing costs 3; each contribution gives both players a benefit of 2.

Unlike in the case of the “invisible hand”, individual incentives lead to bad outcomes for the group. Lobbying as a case of “under-provision of public goods”.

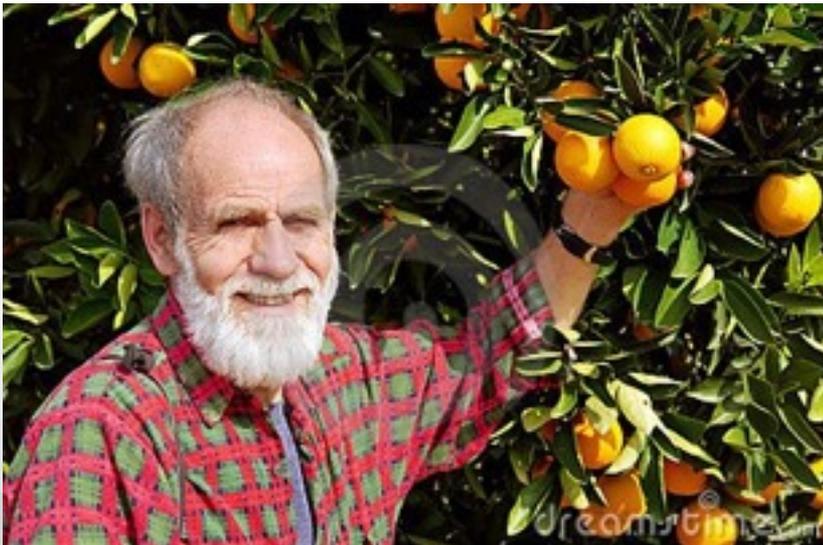
Under-provision of lobbying? Is that a problem?



Olson doesn't care about how much lobbying goes on.

The problem is whether some groups manage to solve the collective action problem and others don't.

Let's consider how groups solve the collective action problem.



Overcoming collective action problems (I): Organization plus selective incentives



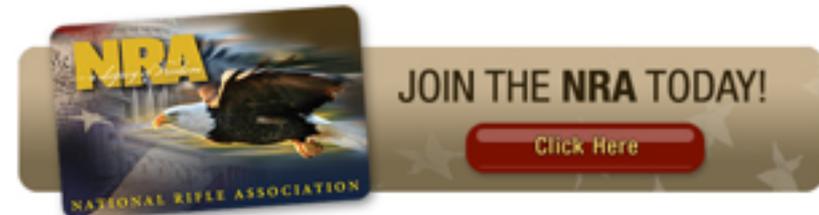
How do lobbying groups collect resources from the individuals they benefit?

Offering **positive selective incentives** — benefits that only contributors receive.

- National Rifle Association (USA): a company that sells membership cards, magazines, and insurance and uses the revenue to lobby for gun rights.

Imposing **negative selective incentives** — costs that non-contributors must pay.

- For example, unions threatening “scab” employees.



NRA Member Benefits

These basic membership benefits are automatically included with your NRA Annual Membership or Life Membership, along with special [members-only discounts and services](#).

- An official NRA Membership ID card - showing your Membership ID number and expiration date or Life Member status. You should carry this card with you at all times.
- With all regular memberships, you will get a choice of subscription to [American Rifleman](#), [American Hunter](#), or [America's 1st Freedom](#). (Premium Digital Editions now available)
- Junior members receive a subscription to [insights](#).
- Annual members receive \$5,000 of Accidental Death and Dismemberment coverage at **NO COST** to you. The plan covers accidents at, or to and from, an NRA event; and accidents that occur during the use of firearms or hunting equipment while hunting. Insurance must be activated at time of renewal. (Does not include Junior membership.)
- Life members receive \$10,000 of Accidental Death and Dismemberment coverage at **NO COST** to you. The plan covers accidents at, or to and from, an NRA event; and accidents that occur during the use of firearms or hunting equipment while hunting. Insurance must be activated at time of upgrade to Life member status

Overcoming collective action problems (1): Organization plus selective incentives (2)



		Player 2	
		Contribute	Don't
Player 1	Contribute	1,1	-1,2
	Don't	2,-1	0,0

How much would the players pay an enforcer who would punish non-contributors?

Overcoming collective action problems (2): Values and community



The collective action problem comes from selfish behavior: I don't contribute because I don't care about the benefit of my contribution *to you*.

Groups whose members *do* care about each other have an advantage.

Needn't be altruism: reciprocity (grim trigger, tit-for-tat) in a repeated game also solves the prisoner's dilemma.

		Player 2	
		Contribute	Don't
Player 1	Contribute	1,1	-1,2
	Don't	2,-1	0,0

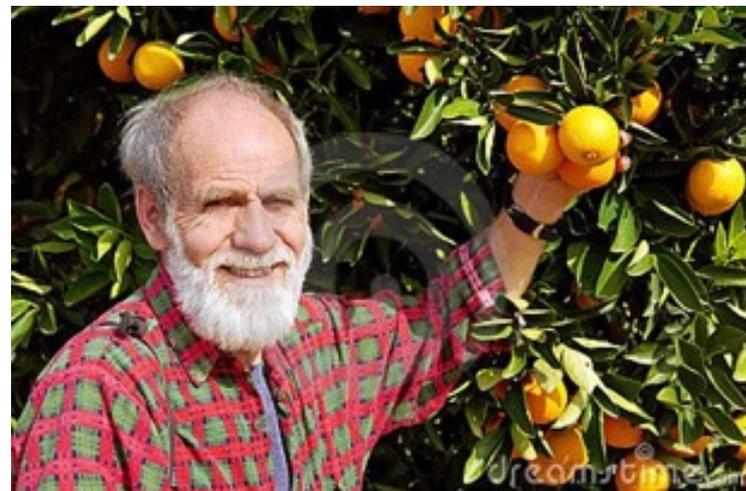
Who overcomes the collective action problem? The role of group size



Would it be easier to organize (and offer selective incentives to) orange growers or orange consumers?

Would there be more community spirit among orange growers or orange drinkers?

Other reasons why the size of the group may affect ability to overcome collective action problem?



Group size paradox



“...the incentive for group action diminishes as group size increases, so that large groups are less able to act in their common interest than small ones.” (pg. 31 of chapter)



Mancur Olson

Fixed cost of “getting involved”?

Another explanation of the group size paradox:

Suppose there is a fixed cost for an individual or organization to contribute to a cause, e.g. it costs \$20 to pay attention to the question, figure out what you're supposed to do, and do it.

Then no group with an expected net benefit of contributing **per individual** below \$20 will overcome the collective action problem.

(Implications for rise of social media, kickstarter, etc?)

“The typical citizen will find that his or her income and life chances will not be improved by zealous study of public affairs.” (Olson)

Implications



Who wins lobbying battles?

- Orange growers vs. orange juice drinkers
- Credit card industry vs. credit card consumers
- Internet service providers vs. internet content providers
- Concrete producers vs. construction companies

Collective action as a determinant of policy



Gawande et al (2009) show that trade policy is more favorable to consumers in countries where

- Literacy is higher
- Urbanization is greater
- More executive-legislative checks and balances
- Legislature is less polarized, which produces greater electoral accountability

(Questions about correlation and causation?)

Wrapping up

Olson is a methodological individualist => making individual sacrifices for a group benefit is puzzling.

Two opposing groups may collectively care equally about the effect of a policy change (e.g. orange tariff), but may not lobby equally.

Question: how does this relate to parties, elections, electoral systems?