

Collective Action

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LSE

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Plan

Goal: See how collective action problems affect policy outcomes

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Focus: who organizes to apply political pressure (mostly based on Olson)

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Applications:

- ▶ Why policymaking might be biased towards _____

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Applications:

- ▶ Why policymaking might be biased towards _____
- ▶ How to fix that bias through policy, activism

Some views of policymaking

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The big question in this session: What determines the balance of pressure from interest groups?

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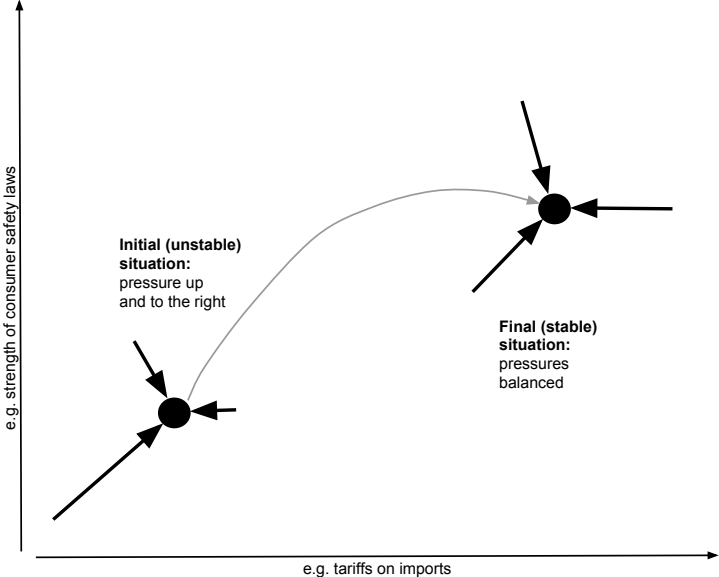
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The big question in this session: What determines the balance of pressure from interest groups?

The big point: Often, factors that are not correlated with “deservingness” .

Balance of pressure: the “vector of forces”



Olson and the logic of collective action

- Lobbying as a public/collective good
- Overcoming collective action problems
- Implications for influence
- Qualifications & complications

Evidence

- Laboratory
- Real world

What do we do about it?

- Corporatism and neo-corporatism/neo-pluralism
- Make voters more responsive to policy

Conclusion

Voluntary provision of public goods in EC440 (wk 8)

Voluntary provision of public goods \implies under-provision of public goods.

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- ▶ **Imperial Army example** (army is a public good; players have different valuations): Player who values the public good most (Palpatine) provides it; size of army does not increase with number of Vaders enjoying it
- ▶ **Living room example** (cleaning of living room is a public good; players have identical valuations): Total amount of cleaning does not increase with number of roommates enjoying it

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Key point: In both cases, the **total value of the public good** increases with numbers, but the **amount provided** does not \implies under-provision that gets worse with larger numbers.

Collective goods and collective action

Definitions:

- ▶ Public goods: non-excludable and non-rival
- ▶ Collective goods: non-excludable and non-rival *within a group*
- ▶ Collective action: efforts to acquire collective goods

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Olson: many [policies](#) are collective goods:

- ▶ Increase in the price of oranges, to orange growers
- ▶ Increase in bricklayers' wages, to bricklayers
- ▶ Consumer safety regulations, to consumers

Olson: under-provision of activism

Since policies are often collective goods, then collective action to achieve policies (i.e. lobbying, activism) should be subject to usual problems of voluntary provision of public goods.

This implies that the “balance of pressures” will not produce good policy.



Linking analysis of public goods to lobbying/advocacy

For a given group, consider a **collective good** with benefit B that could be enjoyed by all members of the group. For example:

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- ▶ A tariff, for orange growers

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Lobbying/advocacy is a costly attempt to obtain that collective good.

The benefit is a collective good \implies
group members do not internalize
the total benefits of their lobbying efforts \implies
lobbying effort will be under-provided.

Linking analysis of public goods to lobbying/advocacy (2)

Since this is a case of voluntary provision of public goods (VPPG), we can expect the same problems:

- ▶ **The living room problem** (this is the more general problem of VPPG): group members say “I contribute to the cause until my $MB = MC$ even though I know the total MB is much larger”
- ▶ **The Palpatine problem** (“let George do it” or “exploitation of the great by the small” in Olson): most group members say “let those who value the benefit most put in the effort”

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Crucially,

- ▶ Given two groups lobbying on opposite sides of an issue, no guarantee that the one lobbying harder actually would benefit more
- ▶ Given similar overall benefit at stake ($B \times n$), a **smaller** group is likely to be more effective at lobbying for it

Escaping the logic of collective action: selective incentives

Olson: Groups that succeed in collective action often accomplish this through providing **selective incentives**:

- ▶ Negative selective incentives, e.g. beating or shunning those who do not contribute (like the state, using coercion to provide public goods)

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Olson's stylized view of managing an NGO, trade association, union: get members/donors/people to pay for something they want; use part of proceeds to pursue collective aims.

Escaping the logic of collective action: self-government

Consider the living room problem. If the roommates voted on a binding rule about how much each would clean, they would choose the social optimum: $x^* = \frac{1}{p}$. (The VPPG solution was $x^* = \frac{1}{np}$.)

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But the gains from cooperation may be so large that they can pay someone to enforce (surveillance, sanctions) the cleaning rule.

Escaping the logic of collective action: self-government (2)

An alternative to external enforcement: **repeated play**.

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Claim: If players are patient enough and cheating is detectable, the following might be an equilibrium:

All players say: “I will start out cleaning the socially optimal amount $\frac{1}{p}$, but as soon as anyone cleans any less, I will go back to cleaning the VPPG amount $\frac{1}{np}$.”

See the Dal Bo reading about repeated prisoner's dilemma game. This is the “grim trigger” strategy.

Summing up: self-government

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Key point: Self-government easier in small groups.

The role of values

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Again, values may be more effective at overcoming collective action problems in small groups.

Group size paradox

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Why is this? Basically,

- ▶ because in larger groups **under-provision** is more severe (larger disconnect between total benefits and VPPG)
- ▶ because it is easier for smaller groups to overcome VPPG problems through **organization**
- ▶ (not always explicit:) the per-person benefits of obtaining the collective good are assumed smaller in large groups (perhaps because not a pure public good?)

Concentrated vs. diffuse costs and benefits

One way of applying these ideas:

Prediction: *When a policy change creates costs and benefits for different groups, the group for which the costs or benefits are more concentrated will be better organized.*

Concentrated vs. diffuse costs and benefits (2)

		Benefits	
		Concentrated	Diffuse
Costs	Concentrated	Interest group politics e.g. changing from one defense contractor to another	Entrepreneurial politics e.g. increasing environmental regulation
	Diffuse	Client politics e.g. new subsidy to small industry	Majoritarian politics e.g. public smoking bans

James Q. Wilson (1980), *The Politics of Regulation*

Expectations about relative influence

- ▶ 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

- ▶ What's missing from this account of collective action?
- ▶ What advantages might larger groups have?

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Do lab subjects contribute to public goods?

Common findings:

- ▶ Lab subjects cooperate more than they “should” (e.g. Dal Bo 2005). Few pure free-riders!
- ▶ In many cases lab subjects learn **not** to cooperate after playing a few times (e.g. Dal Bo 2005)
- ▶ When the game is repeated indefinitely, subjects cooperate more (e.g. Dal Bo 2005)
- ▶ Many/most participants can be characterized as “conditional cooperators”: “I will cooperate if others do” (even in one-shot game); this appears to be similar across countries (see Chaudhuri 2011)
- ▶ Allowing players to punish each other (at a cost to punisher) increases cooperation (see Chaudhuri 2011)

Compared to Olson’s time (or even 1990s) much more recognition in econ/poli sci about the importance of values (e.g. “conditional cooperation”) in how people play these games.

Van Bastelaer (1998)

Observes wide range in **how much farmers are paid for crops** relative to world prices, e.g.

- ▶ Ghana: 27% *below* world prices (1958-1976)
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Related to Bates' (1981) argument about **urban bias** in African politics: policy systematically biased against rural majority because they are illiterate, unorganized, far from the capital.

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What can be done?

Today we'll discuss two main alternatives:

- ▶ Corporatism and neo-corporatism: top-down efforts to strengthening the representation of diffuse interests
- ▶ Education, urbanization
- ▶ (Next week: regulation of influence)

Corporatism

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We have constituted a Corporative and Fascist state, the state of national society, a State which concentrates, controls, harmonizes and tempers the interests of all social classes, which are thereby protected in equal measure.

Benito Mussolini, 1926



Corporatism and neo-corporatism/neo-pluralism

More broadly, **corporatism** (or neo-corporatism/neo-pluralism) refers to various **top-down** approaches to equalizing interest group representation as seen in, e.g.

- ▶ wage bargaining in Scandinavia, Germany
- ▶ creation of “expert groups” in EU policymaking, “advisory committees” in the U.S., formal solicitation of input on regulation and legislation (APA in USA)
- ▶ subsidies to (disadvantaged) interest groups: tax benefits, grants, seconded personnel
- ▶ formation of government agencies with explicit goal of representing particular groups, e.g. Consumer Financial Protection Bureau in U.S. (2012)

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Can alternatively see such policies as instances in which particular groups use the government to overcome collective action problems.

Rational ignorance

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This highlights the role of **education, government transparency, and media** in addressing policy bias.

Evidence on policy bias

Gawande et al 2009 contribution:

- ▶ Idea: estimate the weight placed on consumer welfare vs. producer profits (a parameter they call a) by governments around the world based on tariff rates (and data on demand elasticities, import penetration)
- ▶ explain variation in a using political factors

Estimates of governments' consumer orientation (a)

TABLE 2. Countries ranked by their estimates of a

$a < 1$		$2 < a \leq 1$		$3 < a \leq 5$		$5 < a \leq 10$		$10 < a$	
Nepal	0.06	Thailand	1.06	Indonesia	2.62	Greece	5.11	Finland	10.57
Bangladesh	0.16	Trinidad and Tobago	1.11	India	2.72	South Africa	5.13	France	10.96
Ethiopia	0.17	Morocco	1.14	Phillipines	2.84	Argentina	5.25	Germany	11.55
Malawi	0.25	Ecuador	1.23	Netherlands	2.85	Venezuela	5.41	United Kingdom	11.86
Cameroon	0.30	Egypt	1.24	Malaysia	3.13	Latvia	5.75	Sweden	12.28
Bolivia	0.68	Mexico	1.29	Ireland	3.50	Poland	7.48	Italy	13.42
Pakistan	0.74	Guatemala	1.53	Uruguay	3.62	Colombia	7.88	Turkey	14.53
Kenya	0.86	Costa Rica	1.98	Hungary	3.96	Denmark	8.10	Spain	15.16
Sri Lanka	0.93			Norway	4.22	China	8.33	Korea	16.15
				Chile	4.83	Taiwan	8.53	Brazil	24.91
				Peru	4.85	Austria	8.79	United States	26.14
						Romania	9.25	Japan	37.81
								Singapore	404.00
								Hong Kong	∞

Notes: China, Ethiopia, Hong Kong, and Taiwan are excluded from the remainder of analysis. Only democracies during 1988–96 are included.

Predictors of governments' consumer orientation (a)

Gawande et al (2009) show that several “responsiveness” factors predict estimated value of a :

- ▶ More literacy \implies more pro-consumer trade policy
- ▶ More urbanization \implies more pro-consumer trade policy
- ▶ Less polarization in legislature (parties more interchangeable) \implies more pro-consumer trade policy

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Wrapping up

Some key points:

- ▶ **Collective action as a problem:** because most policies are public goods (non-rival, non-excludable) for their beneficiaries (i.e. collective goods), lobbying/advocacy will tend to be under-provided
- ▶ **Group size paradox:** voluntary lobbying/advocacy efforts and organization of special interests will be more successful in relatively small groups
- ▶ **Policy bias from collective action problems:** because of above, the extent of lobbying/advocacy may not be correlated with deservingness
- ▶ **Policy responses:** biases may be addressed by structuring policymaking, improving education, regulating influence.

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Next week: Focus on regulating influence.