

Collective Action

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LSE

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Goal: See how collective action problems affect policy outcomes

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- ▶ Why policymaking might be biased towards _____

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

Some views of policymaking



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

Olson and the logic of collective action

Overview

Concentration of benefits and costs

What do we do about it?

Corporatism and neo-corporatism/neo-pluralism

Regulation of influence

Conclusion

Appendix: The problem of divided benefits

Collective goods and collective action



Definitions:

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

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

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 the **free-rider problem**:

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.



Free-rider problem: intuition (1)



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Olson's analogue: An interest group (e.g. consumers) may not lobby for a policy that is beneficial (to them), because it is impossible to deny the benefits to non-contributors.

Put differently: the fireworks/lobbying may be provided, but the **scale** may be sub-optimal.

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First component: Divided benefits

When the benefits of a policy are divided among the recipients,
more recipients \implies
smaller benefit per individual \implies
less incentive to acquire the policy.



Components of the free-rider problem (2a)



Second component: Shared benefits

When the benefits of a policy are shared among the recipients (whether divided or not), self-interested individuals may not contribute to acquiring the policy even when the **total** benefit of doing so exceeds the cost.

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When the benefits of a policy are shared among the recipients (whether divided or not), self-interested individuals may not contribute to acquiring the policy even when the **total** benefit of doing so exceeds the cost.

- ▶ Example of a **non-shared** benefit: a reduction in the tax rate for one business
- ▶ Example of a **shared, non-divided** benefit: a reduction in the tax rate for all businesses in an industry
- ▶ Example of a **shared, divided** benefit: a \$1 million grant to be divided among businesses in an industry

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One way of illustrating this: a simple two player game.



Components of the free-rider problem (2b)

		Player 2	
		Contribute	Don't
Player 1	Contribute	3,3	1,4
	Don't	4,1	2,2

To note:

- ▶ {Don't, Don't} is the only **equilibrium** – only pair of strategies where neither player would want to deviate.
- ▶ The equilibrium is **inefficient**: feasible to make everyone better off.
- ▶ If players were altruistic, {Contribute, Contribute} would be the only equilibrium.
- ▶ The canonical game is called the “prisoner’s dilemma”

Components of the free-rider problem (3)



Third component: Coordination problems

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Suppose that if one or more player contributes 1 unit, each gets a benefit of 2 units:

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

To note:

- ▶ {Contribute, Don't} and {Don't, Contribute} are both **equilibria**
- ▶ Canonical game is called the “Game of chicken” or “Hawk-Dove”; more generally, this is a kind of coordination game in which the players play non-matching strategies in equilibrium.

Components of the free-rider problem: Recap



In Olson, the **free-rider problem** refers to three distinct issues that might lead to under-provision of collective action:

- ▶ **Divided benefits:** Extra recipients means fewer benefits for me, so I may not contribute.
- ▶ **Shared benefits:** Because most of the benefits go to others, I may not contribute even when it would be beneficial for the group if I did so.
- ▶ **Coordination problems:** If I don't contribute, maybe someone else will take care of it.

Group size paradox



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Why is this? Basically,

- ▶ because all three aspects of the free-rider problem are less severe in smaller groups, and
- ▶ it is easier for smaller groups to overcome free rider problems through **organization**.

How do groups overcome free-rider problems?



- ▶ **Norms of reciprocity.** The “divided benefits” and “shared benefits” problems can be overcome if the players agree to match each other’s contributions; the “coordination” problem can be overcome if the players agree to alternate.

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Important point: Reciprocity and organization are typically easier in smaller groups. (Some selective benefits may be an exception.)

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



		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. increasing education spending

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

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What can be done?

We'll discuss several alternatives:

- ▶ Corporatism and neo-corporatism: strengthening and organizing diffuse interests
- ▶ Regulation of influence: Weakening organized interests

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** 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.

How does influence take place?



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Many factors, including

- ▶ responsiveness of voters to appeals by interest groups as opposed to political parties, candidates
- ▶ nature of campaign finance/party finance
- ▶ transparency around policymaking and lobbying
- ▶ amount of information/resources available to policymakers
- ▶ role of media
- ▶ other factors?



Policy instruments

Consider

- ▶ civic education
- ▶ limits on size of contributions to candidates/parties; public financing of campaigns; restrictions on use of mass media; bans on independent expenditure
- ▶ public access to information about bills in progress; public scrutiny of hearings, legislative activities
- ▶ public funding of legislative staff
- ▶ public broadcasting
- ▶ other policy tools?

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Some key points:

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Next: Focus on lobbying.



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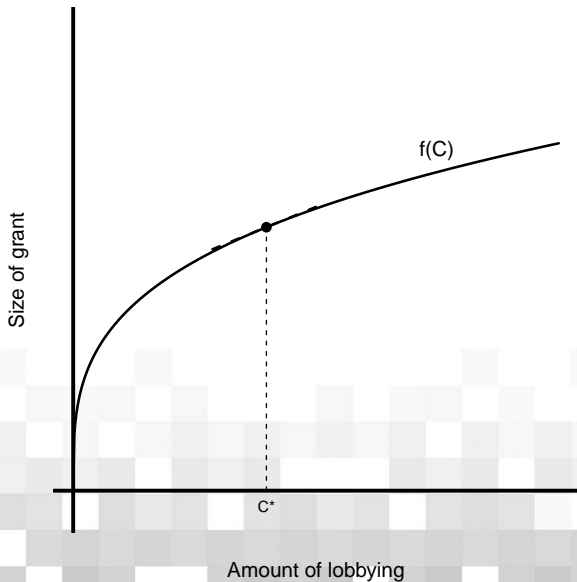
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Supposing the second-order conditions hold, the optimal contribution C^* solves

$$f'(C^*) = 1.$$

Optimal industry contribution: graphics



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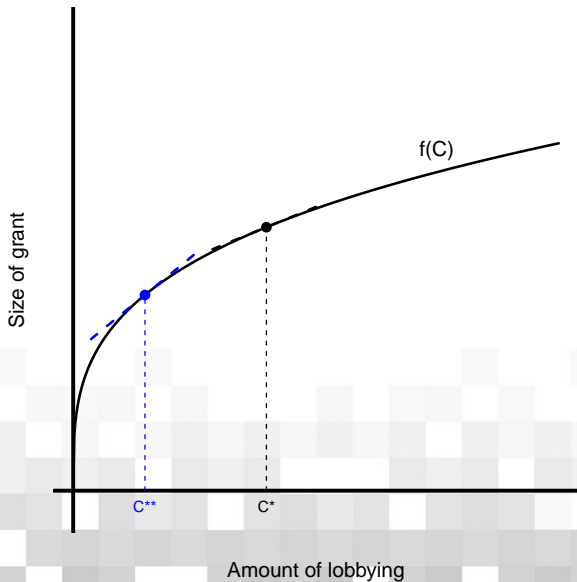
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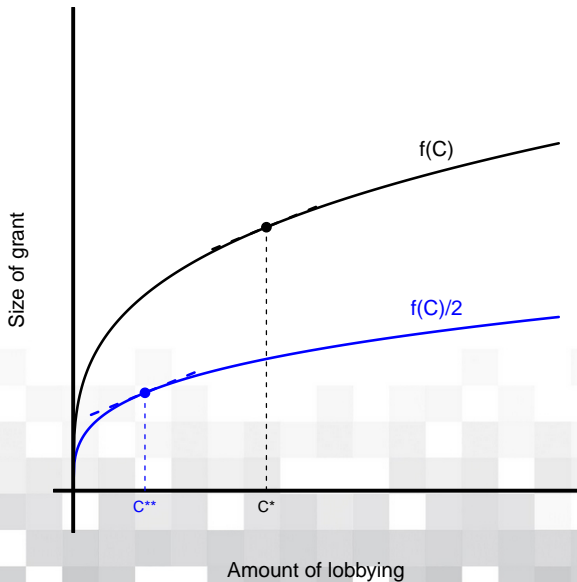
$$f'(C^{**}) = 2.$$

This indicates that $C^{**} < C^*$.

Non-cooperative industry contribution: graphics (1)



Non-cooperative industry contribution: graphics (2)



The problem of shared benefits: summary



When more group members are sharing a pie, group members prefer to invest less in enlarging that pie.