

Government 30

Lecture 4

Principles of Politics: Dilemmas of Collective Action

February 13, 2006

Announcements

1. Readings
 - For this week, read first chapters (respectively) of Kingdon and Riker
 - More to come in elections, campaigns, legislation.
2. McCullough, *John Adams*
 - (a) For sections this week and next, read first 3 chapters (re Declaration)
 - (b) Second half of book (on his VP and Presidency) will be read for Presidency week of the class.

The Problems of Politics

1. Collective Action
2. Public Goods
3. Tragedy of the Commons
4. The Failure of Markets

The Collective Action Problem The Cable TV Dilemma

The Cast (Your Summer Rental House): Jeff, Lisa, Marcus, Callista. Jeff likes soaps, Callista wants ESPN. They propose cable. Marcus (C-SPAN addict) agrees.

Lisa (WWF Death Match enthusiast) wants cable TV, but says, "No, I don't want cable TV." **WHY?**

Lisa is free-riding. Cable TV will happen whether or not she contributes.

Problem: Whole agreement unravels; no cable TV.

Olson's *Logic of Collective Action*

Any organization (a household, a firm, a university, a nation-state, a cartel, a lobbying group) faces the **collective action problem**.

"...But it is not in fact true that the idea that groups will act in their self-interest follows logically from the premise of rational and self-interested behavior. ...Indeed, unless the number of individuals in a group is quite small, or unless there is coercion or some other special device to make individuals act in their common interest, *rational, self-interested individuals will not act to achieve their common or group interests.*" (Kernell and Smith, 2)

The Problem of Non-Excludability

1. Unlike pizza, cable TV can't really be excluded from members (tech solutions costly).

2. Look around you -- these dilemmas are everywhere.

- Roads
- Parks, environment, clean air/water -- see Hardin, "Tragedy of the Commons"
- Civil rights, (e.g., student rights).
- Government benefits for elderly (AARP)
- Douglas Jehl: water and agriculture

Collective Action and the Cartel

1. Example of OPEC: In 1970s, calculated supply restrictions lead to higher price. "Oil crisis."
2. BUT, in 1980s and 1990s, breakdown of agreement.
 - Higher oil prices benefit all producers
 - But given high price, each individual has incentive to increase supply
3. Cartel breaks down

Collective Action and the State

The goods that the state provides -- order, protection, rights -- are generally non-excludable.

Olson (K & S, p. 7): "Almost any government is economically beneficial to its citizens, in that the law and order it provides is a prerequisite of all civilized economic activity. But despite the force of patriotism, the appeal of the national ideology, the bond of a common culture, and the indispensability of the system of law and order, no major state in modern history has been able to support itself through voluntary dues or contributions. Philanthropic contributions are not even a significant source of revenue for most countries. Taxes, compulsory payments by definition, are needed. Indeed, as the old saying goes, their necessity is as certain as death itself."

Collective Action and the Confederation

1. A big part of the problem facing Union under Articles of Confederation.

- Defense of nation was dependent upon voluntary "supply" of state militia power
- Internal order dependent upon voluntary state action (e.g., Shays' Reb)
- Revenue dependent upon voluntary state contributions

Result: neither order nor revenue supplied.

The Concern of the Federalists

2. A concern for Hamilton (#9): "If the interposition of the state legislatures be necessary to give effect to a measure of the Union, they have only NOT TO ACT, or to ACT EVASIVELY, and the measure is defeated."

3. A concern for Jay (#4): "Leave America divided into 13 or...3-4 independent governments -- what armies could they raise and pay -- what fleets could they ever hope to have? If one was attacked, would the others fly to its succor and spend their blood and money in its defense?"

See also Hamilton, #25, pp. 130-31; #30, pp. 156-61.

Federalists' Solution (Hamilton, #9) *Consolidation*, not Confederation

1. Federalists argue that only a national Union can overcome these problems.

2. Hamilton argues for all powers necessary for the national government to perform this function

- general argument (#23): "the means ought to be proportioned to the end" (p. 121)
- taxation (#35)
- national defense (#30)

3. So for Federalists, coercive central authority is solution to the collective action problem: need a national authority that compels states to contribute.

Solutions to the Collective Action Dilemma

1. Coercion

- nation-state
- in a way, Iraq and Kuwait in 1990-1991

2. One willing provider

- e.g., Jeff really needs cable TV; is willing to pay for everyone else to free-ride
- U.S. in NATO

Selective Incentives as Solutions

3. Provide something that is divisible among members, so you can reward contributions

- AARP
- labor unions
- Me and Trout Unlimited



Problem #1:

Politics Complicates the Solution

Government “public goods” (e.g., the lighthouse, roads) are not simply provided, but instead...

- must be agreed upon in their details
- will be subject to lobbying from those who expect to gain privately from their provision (road builders, universities, defense contractors).
- must be administered

Problem #2:

Solutions Are Expensive, & Not Always Successful

1. Will one willing provider emerge? Probably not for large groups.
2. Selective incentives are expensive.
3. Coercion not always efficient, even if political problems are minimal.

Implication: May need to look elsewhere (solidary incentives, “social capital”)... NEXT TIME.
