



COLLECTIVE ACTION

In This Chapter You Will

- Analyze why some people do not contribute to advancing their common interests with other people.
- Learn what the problem of the “free rider” is.
- Consider the importance of private goods and selective incentives in organizations for collective action.
- Think of “voice” and “exit” as rival forms of action.
- Reflect on the advantages of small groups and countries for obtaining satisfaction in their demands for public goods.

Farmers in rich countries, including the United States, many European Union nations, and Japan, receive extensive government subsidies, while farmers in poor and mostly rural countries, such as India and China, are heavily taxed and cannot compete fairly with those in more developed ones. In rich countries that belong to the Organisation for Economic Co-operation and Development (OECD), government subsidies amount overall to about 29 percent of the farmers’ revenues. They include direct payments and help for the cost of water, seed, machinery, and other farm inputs, which generally raise food prices to consumers. This is paradoxical, since in developing countries, farmers typically constitute a large fraction of the population, while in most rich countries dominated by cities and towns, they are a tiny percentage of the working population.

As we will see in this chapter, an explanation for such an unequal distribution of public resources is that small groups and their lobbies are often much more powerful politically than large groups. While small groups may be very effective in organizing themselves and advancing their interests, large and dispersed groups cannot even guarantee the development of collective action. Generally, members of small groups, including branch employer organizations, professional associations, or special interest lobbies, such as farmers in mostly urban countries, can be more effective in obtaining

their desired public goods than large, disperse, and heterogeneous groups such as consumers, waged employees, low-income people, or farmers in mostly rural countries. As a consequence, the provision of public goods by means of political and institutional decisions does not depend on the cost of the goods, but on the cost of the collective action used to achieve that provision. We will see that similar relations can develop between political communities or countries of different sizes. ■

The Individual Logic

Why don't all countries cooperate in comparable proportions to the preservation of common natural resources? Some countries comply with international treaties on fishing, the exploitation of seas, or limits on gas emissions, while others do not. Why do small countries contribute proportionally less than large countries to common defense? Some countries do not defend themselves at all, but rather rely on international treaties and alliances.

Let us look now at the behavior of different groups within a society: Why are consumers insufficiently organized to ensure health guarantees and fair prices of market products? In the best of cases they can trust a public authority to do this. Why are there no such things as collective organizations of vast masses of taxpayers, low-income people, or unemployed workers? And regarding our daily experiences: Why do so many cities have traffic jams or big holdups in the business center even if public transportation is available? Why do students walk on the grass?

For quite some time, social scientists analyzing international relations, interest group pressures, class struggles, or social movements have assumed, often implicitly, that if a group could be identified by a common interest, the group would somehow get organized and seek to further their interest. But in reality, as suggested by the examples in the previous paragraphs, many people do not join an organization or act consistently to promote their collective interests. Peace, defense, security, public health, and laws regulating equitable work contracts, clean air, transportation, and a nice environment—common interests of some of the groups mentioned—can all be considered public goods. But their provision does not depend on the cost of the goods, but on the costs of the collective action able to achieve that provision.

THE COLLECTIVE ACTION FUNCTION

The problems of collective action can be analyzed from two assumptions, neither which should not surprise you very much after reading the previous chapter. These are:

- The common interest of the members of a group can be defined as a **public good**.
- Collective action to provide public goods depends on **individuals' decisions**.

In other words: **collective action is participation or contribution by individual members of a group to the provision of public goods**. As for many human decisions, whether to participate or contribute can be explained by subjectively estimated benefits and costs. In this approach, every individual decision has an expected reward, which can be called R , which depends on its benefits, let us call them B , and its costs, C . Thus, for private goods: $R = B - C$. If R is positive—that is, if the expected benefits

of a good, say an iPod, are higher than its cost—it will be rational for the individual to perform such an action, for instance purchasing the good.

The point is that for all public goods such as those just referred to, including defense, security, public works, schools, clean air, transport, and so on, each individual can expect to obtain the benefits without paying its costs, since even if he does not cooperate, the individual can expect not to be excluded from accessing the good. Using the same logic for private decisions, an individual will decide to participate in a collective action leading to the provision of a public good only if his contribution is able to make a significant difference to the outcome; that is, if the marginal benefits obtained with his action (the additional benefit produced by his action in comparison with those he can expect without it) are higher than the cost of the action.

More formally, the individual logic of deciding whether to participate can be represented by this **collective action function**:

$$R = B * P - C$$

This must be read as: the reward for an individual for participating in collective action (R) equals the expected benefit from accessing the public good (B) times the probability of his action being effective for the provision of the good (P) minus the cost of participating (C). If R is positive, participating is a sound decision; if R is negative, participation may not be worth the effort.

For example, your reward for joining a students' union may equal the expected benefits—for instance, the improvement of the quality of teaching or a new student recreation camp—which can be achieved by the union's demands, times the probability that your contribution may make a difference (if you think there is risk, there can be too few fellow students in the union), minus the costs of attending meetings or paying some fee.

Note that the same function can be applied to private goods, but in this case, P always equals one, since for private goods the individual action (typically, paying a price) always makes a difference to obtain the good. In contrast, for public goods that can be obtained without paying the price, the expected benefits from the goods are weighed by the decisiveness of the individual action, P, whose values are between zero and one. In general it can be assumed that P is an inverse function of the number of people in the interest group: $P = 1/N$ (N being the number of people in the group).

WEIGHED BENEFITS AND COSTS

Let us analyze separately the components of the collective action function, which always have subjective values. The **benefits** of participating in collective action partly depend on the type of public good sought, as we discuss in the previous chapter. Specifically, for network or pure public goods, individual participation can be highly rewarding, while, in contrast, the benefits of contributing to the provision and maintenance of a rival or extinguishable good, such as a common pool or natural resource, are conditional to the contribution of other people.

Also, the benefits of a public good are not equal for everybody. Certain individuals may have higher stakes in obtaining a public good because their trade, profession, or fortune depends on it at a higher level than for other individuals. Consider, for instance, the case of the factory interested in having a road suitable for big trucks

mentioned in the previous chapter. Although the road may provide collective, indivisible benefits to all neighbors in town, the owners of the factory may have greater interest, and thus be ready to pay higher costs for it than the local residents, who may have access to other means of transport. Likewise, wealthy people may have more interest than deprived citizens in an effective security system against thieves and less in public pensions; learned persons will be more interested than uneducated fellows in giving public support to the arts and public libraries, and so on.

Different forms of collective action also imply different costs, from the tiny ones of signing petitions to the huge costs of participating in armed struggle, just to mention two extreme forms. Also, the costs of participating in collective actions can be measured differently by different individuals, whether in terms of money, time, or effort. While for some people, attending meetings may be synonymous with wasting time, others with fewer alternative opportunities of leisure may find it an enjoyable occasion to get together with interesting people. On voting day, certain individuals may appreciate more than others the experience of being acknowledged the same dignity and value as everybody else, in contrast to the hierarchy, status, inequality, and discrimination usually experienced in daily life. While some persons may feel that attending a demonstration is embarrassing, others may enjoy the pleasure of walking freely in the middle of the street. Also, a person may change her relative evaluation of being involved in public action and devoting herself to private activities at different times of life and development.

All these different individual perceptions can induce internal disagreements and lead to different levels of provision of public goods in different groups and communities, as we discuss in the next section. But we can assume that different individual evaluations of benefits and costs can be found in comparable proportions and can counterweigh one another within each group. Thus we can make testable predictions at the collective group level.

- First, for any group, participation in collective action should be higher for the attainment of network or pure public goods, whose production positively depends on the number of individuals participating, than for the provision or maintenance of rival or common goods, whose success is subjected to other people's participation.
- Second, we should expect higher participation in low-cost actions, such as formal registration or enrolling, signing petitions or voting, than in those requiring more sustained effort, such as attending frequent meetings, paying organizational fees, voluntarily contributing to taxes, or boycotting products, and even more than in those involving some significant risk, such as parading in demonstrations, joining protests, participating in strikes, or even enrolling in voluntary militias or army units.
- Participation in collective actions should be more numerous and stable under conditions of freedom than under dictatorship, where any of the actions just mentioned may involve fines, going to jail, being deported, or worse. The demand and provision of public goods and the subsequent level of public expenditure should thus be relatively higher in democratic regimes than under authoritarianism, as stated in the previous chapter.
- Finally, if the group or community is tight and homogeneous and its members share common interests in a high number of different collective goods, the

individual benefits of collective action, and thus the likelihood of the group being organized, should be higher than for sets of heterogeneous, dispersed individuals with only one common interest and many divisive issues. For relatively homogeneous groups, a single organization can pursue many beneficial goods.

THE FREE RIDER

In the individual logic of collective action presented here, any individual can expect to be a **free rider, that is, someone able to use the public good without contributing to its provision**. Abstention does not mean that the individual is not sincerely interested in having access to the collective good pursued through collective action. On the contrary, each abstainer can expect to obtain the good without participating; to “travel” for free at the expense of others paying the cost. But if everybody used the same logic and tried to free-ride, nobody would participate in collective actions, cooperate, or contribute to the provision of public goods. The interest groups would not be organized in a way able to satisfy their members’ common interest.

It should be noted that the key difference between individual decisions regarding private goods and those regarding public goods derives from the P variable in the function of collective action presented earlier. P captures the belief in the likelihood of achieving the goal of the collective action, which may depend on estimates of how many other people can participate. The value of P is subjective: some people may have more resources available, more information, or more experience to be able to estimate the likely outcome of every attempt to organize the group than others, thus weighing differently the expected advantages and disadvantages of participating in collective actions. But P needs to be substantial to make the individual participate. If P is very small, the product $B * P$ will be very small, too, and a minor cost, C , can deter the individual from participating. In many cases, especially **when the group with a common interest includes many people**, which can make each individual contribution negligible, and thus P very small, **a regular individual may abstain**.

This is the collective paradox that can be produced by apparently reasonable individual decisions in favor of satisfying collective interests. Indeed, most people do not give substantial amounts of money to the collective causes they support, just as they would evade paying taxes if they were not prosecuted; some people do not bother to vote in certain elections; certain voluntary organizations crumble for lack of attendance at regular meetings; fishing companies do not refrain from over-catching certain species, risking destroying open-sea fisheries; industries pollute the air and erode the atmosphere; and so on. In other words, many public goods in which people can be sincerely interested are undersupplied for lack of participation in collective endeavors.

SELECTIVE INCENTIVES

One mechanism to make people contribute to the provision of public goods may be the **conditional supply of private goods to the participants in collective action**. This can create **selective incentives** for individuals to cooperate. Within this category one can include social recognition and moral censure, fines on abstainers and professional advantages to members of an association. In contrast to public goods, an individual can access the private, indivisible good or escape from the private evil supplied only if he contributes appropriately, in this case by cooperating or participating in the

collective action. In this sense the incentives are "selective"; that is, individually, not jointly, supplied.

The addition of this variable can turn around the sign of the basic individual function of collective action presented earlier, making a negative result a positive one. Now we have:

$$R = B * P - C + D$$

Where D: selective incentives (the choice of the letter D is merely to avoid confusion with B, C, etc.).

A classic example of collective action involving heavy selective incentives for members is the workers' unions and their "closed shop" and "picket line" mechanisms. Note that the higher wages, shorter hours, better working conditions, and favorable labor legislation that unions usually demand are public goods that can be provided to all workers regardless of their membership in the union or their participation in collective actions such as demonstrations or strikes. Unions use both positive and negative incentives to attract workers interested in those goods to participate. In a number of countries, industrial workers' unions managed to make union membership compulsory just by following centuries-old traditions well established for guilds and artisanal organizations. When the union is recognized by the firm, the industrial branch, or the employers' organization for collective bargaining, it may make membership in the union a condition of employment. Employers may even deduct union dues from wages and salaries automatically. On the other hand, coercion by union activists can also be used to bring about worker participation. In the event of conflict, picket lines and moral censure can deter potential strike-breakers.

The decline of membership of workers' unions since the late twentieth century derives from several factors, which can be understood with our approach to the problems of collective action. On the affirmative side, governments took on some of the selective incentives previously provided by the unions, including unemployment insurance, which made union schemes for mutual support less attractive. On the negative side, certain governments, starting most notoriously with that of the United Kingdom as of the 1980s, facilitated individual workers' free-riding by suppressing links between employment and union membership not linked to employment and by introducing secret ballots for voting on strikes and in elections. Indeed, union membership decreased dramatically in the following years.

Another easily testable case refers to professional organizations. In certain countries, lawyers', physicians', and architects' associations implement restrictive licensing to exercise their profession in their respective districts. Any professional working without the association permit, which implies paying regular fees, can be prosecuted for illegal activity. In contrast, associations for other professions, such as political scientist, economist, or sociologist, may resort to more fragile positive incentives, such as the provision of job market information or social entertainment, to attract members. Of course, in the countries where different regulations are applied to different professions, the organizations with voluntary affiliation have much lower membership rates among graduates in a given field than those with a closed shop.

As suggested, incentives provided selectively by any kind of group only to those individuals participating in collective action can either be **material or moral**, as well

CASE 2.1 BENEFITS AND COSTS OF VOTING



Voting is a major form of collective action for a public good, as shown at this polling station.

Voting in mass political elections is an outstanding case of individual participation in a collective action for a public good. The electoral scores of every party and the subsequent formation of government are forced on everybody regardless of their participation. As for any public good in whose provision each individual has scarce influence, it can be argued that for an individual, abstaining can be a rational decision. However, voting is usually a “low-benefit, low-cost” action that can be easily encouraged. In fact, in mass political elections, turnout is always positive, although in different proportions, which can be explained by different benefits and costs.

At the individual level, people with higher incomes, members of the ethnic majority in the community, those who are more educated, and those who are older have a greater propensity to vote, probably because they have more information and greater stakes in the electoral outcome. Some people may also be motivated by moral incentives, such as being acknowledged as citizens with equal rights or to perform their “civic duty.”

At the collective level, electoral participation is relatively higher in small countries. Turnout is higher in elections for general institutions with high

potential benefits than in those for local, regional, or other relatively less influential offices. In the United States, for instance, while in concurrent presidential and congressional elections turnout is over 50 percent, in midterm congressional elections it is only about 30 percent. Turnout also tends to increase with big political crises and highly relevant and divisive campaign issues that raise the stakes of elections, and with competitive and uncertain results increasing the apparent decisiveness of every vote.

Regarding institutional incentives, electoral participation is promoted, above all, by compulsory voting, which imposes significant costs on abstention. In certain countries, people abstaining from political elections are requested to present a justification or prove their absence from their residence on election day; they may be given fines or prison terms, be deprived of the right to vote or lose other civil rights, and have difficulties getting access to public jobs or services. In Australia, Belgium, Luxembourg, and other countries with compulsory voting, turnout is usually as high as 90 percent. Positive incentives can be provided by rules that lower voting costs, such as automatic registration of electors, voting on Sunday, and ease of access to polls.

SOURCE 2.1 The Individual Logic of Collective Action

A lobbying organization, or indeed a labor union or any other organization, working in the interest of a large group of firms or workers in some industry, would get no assistance from the rational, self-interested individuals in that industry... This would be true even if everyone in the industry were absolutely convinced that the proposed program was in their interest (though in fact some might think otherwise and make the organization's task yet more difficult)... The larger the number of individuals or firms that would benefit from a collective good, the smaller the share of the gains from action in the group interest that will accrue to the individual or firm that undertakes the action. Thus, in the absence of selective incentives, 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.

Mancur Olson, *The Logic of Collective Action* (1965)

as **positive or negative**. Material, positive incentives may include gifts, perks for organization members such as information on the job market, insurance, clubhouses, and discounts in shops, hotels, or car rental, while negative ones can consist of fees, taxes, or fines. Moral incentives can also be positive, in the form of prestige, good reputation, honors and awards, access to social networks, or opportunities for friendship, and negative, such as collective punishments and condemnations inducing shame and guilt. It is usually estimated that negative incentives can be effective in producing short-term participation by many people (for instance, fining abstainers can make more people go to the polls), while stable participation in smaller groups may require positive incentives.

Similar to any other collective organization, governments systematically use coercive mechanisms, such as military conscription, compulsory taxes, and fines, to make people finance the collective goods in which many of them may be interested. The subsequent benefits, such as defense, public services, and order, are supplied to everyone whether or not they have served in the military or paid taxes or fines. But precisely for this reason, many people may try to skip their individual contributions while acquiescing or voting in favor of maintaining the community.

A frequent objection to this kind of model is that it can explain how an organization is maintained but hardly how or why it was created in the first place. Even if the private goods supplied can be very appealing or deterring, it seems reasonable to suppose that most people will join only those associations defined by a goal they share. Not many people will be willing to join a union, for example, only to have access to its summer resorts. The identification of a common interest can be, therefore, a restriction on potential membership. Thus, we can establish that most people participate only in those collective actions and organizations oriented at providing a public good in which they may be interested. But many do so only if other activities and features of the group, which can be summarily placed within the "selective incentives" category, are sufficiently engaging to break the free-riding temptation and subsequent abstention.

Quick Quiz

- What's a free rider?

The Size of Groups

Any group or community whose members have a common interest can achieve certain levels of collective action and organization. But the group's level of organization and effectiveness in promoting its interests will largely depend on the size of the group, that is, on the number of individuals who can obtain benefits from the public good and can be potentially interested in its provision. The different levels of collective action by workers and entrepreneurs, consumers and producers, urbanites and farmers, employees and unemployed, can be greatly explained by the different benefits and costs, derived from the size of the group.

At the beginning of this chapter we represented the effect of the good's indivisibility on the individual decision with the P variable in the collective action function. P captures the individual subjective estimate that his action will be influential to make the provision of the public good feasible and thus worthy of being undertaken. Generally, we can assume that P is an inverse function of the size of the group—that is, a single individual tends to be less influential in large groups than in small ones. In a large group, there are more people to whom one can let do it than in a small group.

Specifically the following can be postulated: $P = 1/S$, where S equals the size or number of people in the group. If the group size S is large, P will be small, and so will the $B * P$ product in the function. Remember the collective action equation and check that you understand that the individual reward R of participating in collective action decreases with increases in group size S . As put by political economist Mancur Olson, "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."

TYPES OF GROUPS

Different groups and communities are organized at different levels and are able to exert influence on collective and political decisions to different extents. Most interest groups develop some action, but at a suboptimal level; that is, they are able to attain lower levels of provision of public goods than desired by the group members, heavily depending on the group size. Chambers of commerce, branch employer organizations, physicians' associations, agrarian lobbies, teachers' and big company workers' unions, just to mention a few examples, usually manage to combine and obtain benefits from public goods.

Besides these, it is interesting to analyze two polar types of group. On the one hand, **privileged groups are small groups in which one or few members are sufficiently interested in the good so as to pay all its cost.** In our previous example of the factory needing a road, the company may subsidize the whole public work even if it is going to be available to the entire town. Similarly, a bank can establish a private service of night surveillance at its doors capable of dissuading any thief or housebreaker from approaching the zone, thus making every inhabitant in the neighborhood more at ease. Likewise, a big naval company may put up a port lighthouse while being unable to prevent village fishermen and sporting yachts from making use of it. The army of the most powerful member of a military alliance can provide defense for all its allies even if the latter do not contribute with soldiers. In general, we can expect that those individuals,

firms, or countries that obtain higher benefits from a public good may contribute more to its provision than other potential beneficiaries of the good.

On the other hand, **in latent groups there is general abstention by individuals sharing a common interest.** In such groups, which are typically very large, anonymous, and dispersed, no member can be aware of the abstention by one individual from contributing to the provision of the public good. Hence, general free-riding, a skeletal organization, fading collective action, and scanty provision of public goods are common for well-identified but vast groups such as taxpayers, consumers, low-income earners, the unemployed, and retired people. Common interests of large majorities of citizens may not be satisfied due to the difficulties of solving the free-ride problem of collective action.

The importance of size for the success of collective action may prompt members of large groups to adopt decentralized forms of organization. Within each small unit, individual members may have incentives to participate actively because their voice or their vote is likely to have an influence, and because interactions will be easy and frequent, thus preventing free-riding conduct. The costs of organization are lower the smaller the number of people who must be coordinated. Large groups, as well as great countries, can thus be better organized if they adopt a federal structure. Successful collective action can result from the union of a number of small, autonomous units.

COLLECTIVE IDENTITY

The expected influence of each individual in the group decision does not depend on group size alone. It can also depend on the internal compactness of the group and other characteristics facilitating interaction among individuals with common interests, as already noted. A density of social relationships implies that many individuals share common interests on a number of issues, which may make collective action on any one of them more beneficial.

Specifically, the spatial concentration of citizens or members of an interest group can facilitate information exchanges, discussion of criteria, and coordination for gathering together and making collective decisions, pressure, trust, and dissuasion from free-riding. Neighboring inhabitants in small towns, businesspeople located in a commercial mall, or employees working within a single big building are more likely to be able to develop collective actions for their common interest than, say, the unemployed dispersed in their homes.

Also, cultural homogeneity can favor collective action for public goods because the members of the group may share information about past actions, links, relations, principles, and interests on numerous issues, which creates opportunities to obtain higher potential benefits from their joint action. This is the case for individuals from the same tribe, relatives of an extended family, immigrants with the same origin, and for members of communities sharing similar characteristics such as religion, race, or language. They can develop more effective collective actions to promote their common interests not only in favor of their customs and traditions, but also for economic or redistributive purposes than heterogeneous individuals with some common interest on one issue but also other discordant concerns.

Individuals can use an experience of sustained reciprocity and their good reputation at being cooperative to build trust among the other members of the group. The

advantages of having common ethnic traits for the provision of collective goods can also foster sentiments of identity. Subjective identification with certain cultural traits may become a tool for a more effective attainment of individuals' common interests. In general, the costs of acquiring and digesting new information may make an individual favorable to having around him people who share cultural values and references, so that he can enjoy his own allegiance to them.

Looking at it the other way around: if people actively pursue a common goal, they are likely to reinforce distinctive cultural norms. Some may join the group in order to take advantage of all the public goods that a relatively low-cost organization of the homogeneous group can obtain. Nationalist and religious movements can thrive on these incentives to attract people and achieve multiple ends.

VOICE AND EXIT

The decision to participate in collective action can also depend on the alternatives available. If an individual is interested in a public good, but the costs of joining the group or contributing decisively to the provision of the good are too high, he may choose to seek an alternative provider or move to an alternative setting in which the public good is already provided. Action can also be called "voice," to suggest the existence of some unsatisfied demand that people may want to highlight. It can be replaced with "exit," that is, a move to an alternative provider of public goods, whether this implies leaving to join a different group, changing affiliation, voting for another party or leader, moving or emigrating (also called "voting with one's feet").

"Voice" and "exit"—or contribution and departure—can be rival actions on the part of the individual interested in a public good and dissatisfied with the existing state of things. An individual can choose either way depending on its costs and the likelihood of his obtaining access to the desired public goods. Paradoxically, certain governments unable to perform according to their own promises or expectations and providing very low amounts of public goods may encourage "exit"—that is, citizens' emigration—in order to prevent the outburst of "voices" of protest challenging the incumbent leaders. In an authoritarian regime, in particular, but also in certain weak states having adopted democratic procedures, ineffective leaders may prefer to facilitate potential critics going into exile.

Conversely, if the "exit" option ceases to be available because no alternative organization able to provide public goods is in place, or if it becomes extremely costly, the individual can have incentives to consider participation in collective action, or "voice." The costs of exit—which may imply moral censure against "traitors," the persecution of deserters, or restrictive decisions in migration policy—tend to be higher among club members than among store costumers, in ethnic groups than in professional associations, and in armies than in political parties, thus creating different favorable or unfavorable conditions for collective action in different groups.

THE EXPLOITATION OF THE BIG BY THE SMALL

As discussed, small groups, and concentrated and homogeneous communities, can have an advantage, in comparison with large, dispersed, and heterogeneous groups, in gathering their members together and putting up and maintaining an organization

SOURCE 2.2 Small Groups Get Better Organized

Two neighbors may agree to drain a meadow, which they possess in common; because it is easy for them to know each other's mind; and each must perceive that the immediate consequence of his failing in his part is the abandoning of the whole project. But it is very difficult, and indeed impossible, that a thousand persons should agree in any such action; it being difficult for them to concert so complicated a design, and still more difficult for them to execute it; while each seeks a pretext to free himself of the trouble and expense, and would lay the whole burden on others. Political society easily remedies both these inconveniences... Thus bridges are built; harbors opened; ramparts raised; canals formed; fleets equipped; and armies disciplined every where, by the care of government.

David Hume, *A Treatise of Human Nature* (1740)

The inhabitants of a town, being collected into one place, can easily combine together... by voluntary associations and agreements... The trades which employ but a small number of hands run most easily into such combinations... The inhabitants of the country, dispersed in distant places, cannot easily combine together... Stockbreeders separated from one another, and dispersed through all the different corners of the country, cannot, without great difficulty, combine together... Manufacturers of all kinds, collected together in numerous bodies in all great cities, easily can.

Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776)

As for popular suffrage, it may be further remarked that especially in large states it leads inevitably to electoral indifference, since the casting of a single vote is of no significance where there is a multitude of electors. Even if a voting qualification is highly valued and esteemed by those who are entitled to it, they still do not enter the polling booth. Thus the result of an institution of this kind is more likely to be the opposite of what was intended; election actually falls into the power of a few, of a caucus, and so of the particular and contingent interest which is precisely what was to have been neutralized.

G.W.F. Hegel, *Philosophy of Right* (1820)

aimed at satisfying their common interest. The example of farmers in rich and poor countries, respectively, which we presented at the beginning of this chapter, can now be better understood. Likewise, employers tend to be more organized than workers, and thus better able to obtain suitable policies from governments. Producers, in general, are more organized and thus more effective at obtaining favorable governmental decisions than consumers. As observed by economist Adam Smith in the eighteenth century, as soon as a few entrepreneurs from the same branch meet together, "even for merriment and diversion, the conversation ends in a conspiracy against the public or in some contrivance to raise prices."

This may lead to what some authors have called the "capture of the government by pressure groups." Small interest groups may seek public subsidies, transfers, protective

tariffs, or the establishment of other barriers against new competitors or against producers of substitutive activities, all of which may produce a kind of exploitation of large numbers of unorganized and dispersed consumers by small groups of well-organized producers.

Similar asymmetries can be observed in interstate relations. In the current world, small states obtain benefits from large areas of free trade and from international security alliances, and usually contribute to the provision of universal or large-scale public goods less than proportionally to their relative size. Specifically, in the North Atlantic Treaty Organization (NATO), the United States copes with the bulk of the load. Small states can obtain more benefits from the large states' provision of defense than from their own provision, so they choose to free-ride. Likewise, in the United Nations organization and its agencies, such as UNESCO (United Nations Educational, Scientific, and Cultural Organization), the largest and wealthiest members contribute more than proportionally to their population or product share, although decision-making power within the various UN institutions does not correspond to their contributions.

Quick Quiz

- Define "voice" and "exit" as ways of action.

Conclusion

In this chapter we have discussed the incentives for individuals interested in public goods to cooperate and contribute to the provision of the goods. We have seen how the development of cooperation or collective action can be marred by the problems of free-riding, but favored in groups with small size, internal concentration or homogeneity, as well as influenced by the availability of the alternative of leaving in search of another provider.

The previous discussion can be summarized in the following two Propositions:

1. **Collective action.** Members of small, concentrated and homogeneous communities or interest groups have more incentives to cooperate and participate in collective action than members of large, dispersed and heterogeneous groups. In the public arena, small groups tend to have relatively more access to public resources at the expense of large groups.
2. **Voice versus exit.** Collective action for the advancement of collective interests or "voice" weakens and may fail if the rival action of "exit" in search of an alternative provider is less costly and more likely to give access to public goods. ■

Summary

The existence of a group with a common interest does not guarantee the organization of the group to pursue that interest. Collective action for the provision of public goods depends on individuals' decisions to participate or to abstain.

Since public goods are supplied jointly to all members of the group, each individual can try to free-ride—that is, everybody can expect to have access to the public good without cooperating with other members of the group or contributing to the provision of the good.

People tend to participate more in low-cost collective actions than in actions involving high costs and risks, and more under conditions of freedom than under dictatorships.

Participation in collective action can be encouraged by the conditional provision of private goods or selective incentives to the participants. Collective action for public goods can be the by-product of decisions aimed at obtaining private goods.

Individual members of small groups that can expect to be relatively decisive in their group may have more incentives to cooperate and participate in collective actions for their common interest than members of large groups in which each individual contribution is negligible.

Territorial concentration and cultural homogeneity of individuals favor interactions and collective action for common interests. On the basis of the experience of cooperating, individuals can build good reputations, trust, and cultural norms favoring further cooperation.

If the costs of collective action are too high or the expectation to obtain public goods is pessimistic, people may choose to seek an alternative provider. "Voice" and "exit" are rival ways of action.

Due to the limited availability of public resources to finance or provide public goods, small groups tend to obtain more satisfaction of their demands and exploit large groups.

Key Concepts

Collective action. Participation or contribution by individual members of an interest group to the provision of public goods.

Exit. A move to an alternative provider of public goods; a rival action to "voice."

Free rider. User of a public good who does not contribute to its provision.

Latent group. A group in which there is general abstention by individuals sharing a common interest.

Privileged group. A group in which one or a few members pay the whole cost of a public good.

Selective incentives. Private goods provided conditionally to the participants in collective action.

Voice. An action usually identified with protest or a demand for public goods.

Questions for Review

1. Write the individual function of collective action and define its elements.
2. What are "selective incentives?"
3. What's a "free rider?"
4. Discuss the relative advantages of small groups and large groups for collective action.

Problems and Applications

1. Search for data on relative turnout (number of voters per number of persons entitled to vote) for local elections in your place of residence and in national or federal elections. Search also for data on turnout for elections to your school or college board. Compare data and discuss.
2. List positive and negative incentives to vote in general elections in your place of residence.
3. Choose a club, fraternity, union, or association in which you are a member. What are the public goods provided? Can you identify private goods that are supplied as selective incentives to its members?
4. Do you know any privileged group?
5. Give an example of a latent group that is not mentioned in this chapter.