

The Logic of Collective Action

How do interest groups form?

Our earlier exploration of Rent Seeking simply assumed the existence of rent seekers, but did not really try to model out where they come from, how they organize, and how they survive.

How do Groups Organize for Collective Action? (from Mancur Olsen – The logic of collective action)

Small groups can organize more easily than large groups

The free rider problem has to be overcome.....

The transaction costs are lower for small groups

Shirking is easier to detect

The per capita benefits of collective action are greater for small groups

Hypothesis: Small groups can better obtain govt. favors than large ones
Agriculture.....

Groups that form often do so for a combination of private and public benefits

No free rider problem is associated with private benefits

A collective group, that is providing a public good (non-rival and non-excludable)

Can link it to a private good

Example – early labor unions (Craft Guilds)

the creation of non-economic norms

– The Indian Caste System... -- The “blue shield”, Medical Malpractice

Hypothesis: The Thammasat University Credit Union and
Cooperative rent seeks.....

It is easier to maintain a group, than it is to form one

Once the costs of organizing have been met, the organization can be maintained

Often at low cost, since norms and vested interests have been established.

Hypothesis: The older a society is, the sillier it will seem to outsiders...

The Siam Society; The Thammasat debate club...

Once a group has been formed, if it is sufficiently large, it has an incentive to monopolize

If the group is large enough to incorporate everybody, monopoly beckons

Whatever public good it originally sought to provide, it now provides a different one..

Hypothesis: What unions really care about is unions....

Union dues reductions – Card Check – “open elections”

Insider-outsider models of wages....

Digression – who is the public in public good?

For Society as a whole, this has implications.....

Groups will organize at different rates over time – and once organized, will endure

Small groups will organize first

Larger groups that can provide a mix of public and private benefits will form later

Larger groups that can only provide public goods may never solve the free rider problem

Hypothesis: Consumer groups are always weaker than producer groups

Example: Free trade, “Consumer Report”

As more groups accumulate in society – rent seeking activity increases

Each group, once organized, has an incentive to rent seek

This contributes to the organizing of counter groups,

Groups will now compete away rents

But society is now engaged in economically destructive activity

A vigorous Society, over time, will collapse

Rent-Seekers (distributive coalitions) will proliferate

They will compete for rents – seeking the profits of others rather than creating for themselves

Once organized, these coalitions almost never go away....

Example 1: The British (U.S.? autoworkers) Car Industry

Example 2: China.....