

Chapter 1 : Mancur Olson (Author of The Logic of Collective Action)

The Logic of Collective Action: Public Goods and the Theory of Groups is a book by Mancur Olson, Jr. published in It develops a theory of political science and economics of concentrated benefits versus diffuse costs.

The Logic of Collective Action by Michael Nielsen on January 28, It is a curious fact that one of the seminal works on open culture and open science was published in 2nd edition , several decades before the modern open culture and open science movements began in earnest. For example, airlines may collectively desire a cut in airport taxes, since such a cut would benefit all airlines. Supermarkets may collectively desire a rise in the market price of bread; such a rise would be, to them, a collective good, since it would be by its nature shared. Scientists desire shared access to scientific data, e. What Olson shows in the book is that although all parties in a group may strongly desire and benefit from a particular collective good e. In particular, they often find it in their individual best interest to act against their collective interest. The book has a penetrating analysis of what conditions can cause individual and collective interests to be aligned, and what causes them to be out of alignment. The notes in the present essay are much more fragmented than my standard essays. Rather than a single thesis, or a few interwoven themes, these are more in the manner of personal working notes, broken up into separate fragments, each one exploring some idea presented by Olson, and explaining how if at all I see it relating to open science. Why individuals may not act to obtain a collective good: Obviously, the entire group of companies would benefit from a rise in the market price of the widget; such a rise would be for them a collective good. One way that price could rise would be for the supply of the widget to be restricted. Despite this fact, it is very unlikely that any single company will act on their own to restrict their supply of widgets, for their restriction of supply is likely to have a substantial negative impact on their individual profit, but a negligible impact on the market price. This analysis is surprisingly general. As a small player in a big pond, why voluntarily act to provide a collective good, when your slice of any benefit will be quite small e. A farmer who voluntarily restricted output to cause a rise in the price of farm products a collective good for farmers would be thought a loon by their farming peers, because of not despite their altruistic behaviour. Open scientists will recognize a familiar problem: One of the major questions of open science is how to obtain this collective good? Small groups and big players: Suppose a very large company decides to restrict supply of a good, perhaps causing a drop in supply of 1 percent. Suppose that the market responds with a 4 percent rise in price. Provided the company has greater than one quarter market share, the result will actually be an increase in profitability for the company. This argument obviously holds only if one actor is sufficiently large that the benefit they reap from the collective good is sufficient, on its own, to justify their action. Indeed, notice that the impact of this strategy is to cause the market share of the large company to shrink slightly, moving them closer to a world in which their individual benefit from collective action no longer justifies voluntary action on their part. An closely related example may be seen in open source software. Many large companies “ perhaps most famously, IBM and Sun “ invest enormous quantities of money in open source software. Why do they provide this collective good for programmers and sometimes consumers? The answer is not as simple as the answer given in the last paragraph, because open source software is not a pure collective good. Many companies including IBM and Sun have developed significant revenue streams associated with open source, and they may benefit in other ways “ community goodwill, and the disruption to the business models of competitors e. Nonetheless, it seems likely that at least part of the reason they pour resources into open source is because purchasing tens of thousands of Windows licenses each year costs a company like IBM millions or tens of millions of dollars. There is a similarity to some of the patterns seen in open data. Many open data projects are very large projects. Why is this the case? A partial explanation may be as follows. You estimate that adopting an open data policy will increase your chances by three percent “ i. I doubt many people really think quite this way, but in practice it probably comes to the same thing. But the chance of this happening for any single member of the collaboration is rather small, especially if there is a brief embargo period before data is publicly released. By contrast, for a small experiment run in a single lab, the benefits of open data are much smaller, but the costs are comparable. This analysis can be slotted into a more sophisticated three-part

analysis. They will instead tend to view any discovery from data produced by the project as a victory for the project, regardless of who actually makes the discovery. To the extent that the leadership is unconcerned about being scooped, they therefore have every incentive to go for open data. Second, if someone wants to join the collaboration, while they have reservations about an open data policy, they may also feel that it is worth giving up exclusive rights over data in exchange for a more limited type of exclusive access to a much richer data set. Third, as I argued in the previous paragraph, the trade-offs involved in open data are in any case more favourable for large collaborations than they are in small experiments. With passionate, persuasive and generous leadership maybe this would be possible. When is collective action possible? Roughly speaking, Olson identifies the following possibilities: When it is made compulsory. This is the case in many trade unions, with Government taxes, and so on. When social pressure is brought to bear. This is usually more effective in small groups that are already bound by a common interest. With suitable skills, it can also have an impact in larger groups, but this is usually much harder to achieve. More generally, he argues that in a voluntary situation while some collective action may take place, the level is usually distinctly suboptimal. When people are offered some other individual incentive. Olson offers many examples: Many of these ideas will already be familiar in the context of open science. Compulsion can be used to force people to share openly, as in the NIH public access policy. Alternately, by providing ways of measuring scientific contributions made in the open, it is possible to incentivize researchers to take a more open approach. This has contributed to the success of the preprint arXiv , with citation services such as Citebase making it straightforward to measure the impact a preprint is having. This use of incentives means that the provision of open data and other open knowledge can gradually change from being a pure collective good to being a blend of a collective and a non-collective good. It becomes non-collective in the sense that the individual sharing the data derives some additional unshared benefit due to the act of sharing. A similar transition occurred early in the history of science. As I have told elsewhere, early scientists such as Galileo , Hooke and Newton often went to great lengths to avoid sharing their scientific discoveries with others. They preferred to hoard their discoveries, and continue working in secret. The reason, of course, was that at the time shared results were close to a pure collective good; there was little individual incentive to share. With the introduction of the journal system, and the gradual professionalization of science, this began to change, with individuals having an incentive to share. Of course, that change only occurred very gradually, over a period of many decades. Nowadays, we take the link between publication and career success for granted, but that was something early journal editors and others had to fight for. Similarly, online media are today going through a grey period. For example, a few years back, blogging was in many ways quite a disreputable activity for a scientist, fine for a hobby, but certainly not seen as a way of making a serious scientific contribution. As this process continues, online open science will shift from being a pure collective good to being a blend of a collective and non-collective good. As Olson suggests, this is a good way to thrive! So, what use are networked tools for science? A group of people may all benefit greatly from some collective action, yet be unable to act together to achieve it. Olson shows that far from being unusual, this is in many ways to be expected. A summary of many of the themes in the book is available in this essay. I will not use your email address for any other purpose! You can subscribe to my blog here.

Chapter 2 : The Logic of Collective Action | Revolv

Olson develops a theory of group and organizational behavior that cuts across disciplinary lines and illustrates the theory with empirical and historical studies of particular organizations, examining the extent to which individuals who share a common interest find it in their individual interest to bear the costs of the organizational effort.

It develops a theory of political science and economics of concentrated benefits versus diffuse costs. Its central argument is that concentrated minor interests will be overrepresented and diffuse majority interests trumped, due to a free-rider problem that is stronger when a group becomes larger. The book argues instead that individuals in any group attempting collective action will have incentives to "free ride" on the efforts of others if the group is working to provide public goods. Pure public goods are goods that are non-excludable. Hence, without selective incentives to motivate participation, collective action is unlikely to occur even when large groups of people with common interests exist. The book noted that large groups will face relatively high costs when attempting to organize for collective action while small groups will face relatively low costs, and individuals in large groups will gain less per capita of successful collective action. Hence, 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. The book concludes that, not only is collective action by large groups difficult to achieve even when they have interests in common, but situations could occur where the minority bound together by concentrated selective incentives can dominate the majority. Information asymmetry Susanne Lohmann agrees with puzzling observations made by Olson, which she classifies as economic and political puzzles. Economic puzzles, for instance, are measures that result in a general welfare loss in favour of minority protection, many times larger than the minority benefit. Political puzzles relates to cases where minority trumps majority. An example she gives is the so-called rural bias in urbanized and developed countries, of which the Common Agricultural Policy in the European Union is a prime example. She sees the explanation in the role of uncertainty information asymmetry among voters when special interest groups or individuals evaluate how political actors promote their interests. She states that everyone can be considered a special interest. Because everyone is relatively sure how well their interests are represented, they account for more weight to their interest representation when evaluating political actors than to the general benefit. Lohmann argues that it could be politically viable to focus on separate narrow interests at the expense of general benefits. Legitimacy Gunnar Trumbull rejects the observation by Olson and Lohmann that concentrated interests dominate public policy. Historically, he points out, diffuse interests nearly always found ways to be represented in public policy making, for instance by relating to retirees, patients or consumers. Trumbull says that the explanation for this lies with the role of legitimacy when interest groups promote policies. He argues that diffuse interests have a legitimacy premium when they manage to mobilize, while concentrated interests are viewed with suspicion. He describes the concept of legitimacy coalitions, which are coalitions between state policymakers, social activists or industry to support the promotion of certain policy. By having to form a coalition, the interests are more broadly represented. The post-war neocorporatist system is an example of such a coalition. Critical Mass Marwell and Oliver [1] use mathematical and computational models to show that a number of the assumptions made by Olson are not only unrealistic, but if they are relaxed, then the behavior of a system of rational agents changes dramatically. One is that the "production function" of goods is linear. If this function accelerates, for example, then a critical mass of early contributors can encourage a large number of others to contribute. Another assumption is that the cost of the good is a function of the size of the group that would benefit from it. For many public goods, this is not true, and Marwell and Oliver show that when the interest group is larger, there is a larger chance that it will include someone for whom it is rational to provide the good, either in part or in full.

Chapter 3 : Collective Action In A Digital Era by Phil Howard on Prezi

Mancur Olson's The Logic of Collective Action is one of the best arguments I have read on the theory of groups. Given its age (it was originally written in the s), it does not include much of the later scholarship on the subject.

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Chapter 4 : The Logic of Collective Action: The Fall of an Iconic Theory? | David Bollier

Olson lays out his general theory in chapter 1, where he discusses individual rationality, selective incentives, and so on. Privileged groups (members of this group would gain more from a public good than it would cost them to provide it unilaterally); Latent groups (any member of this group could withhold his contribution to the public good without causing a noticeable reduction in its.

The Logic of Collective Action: The Fall of an Iconic Theory? That is the question posed by an essayist at an unlikely website, the American Enterprise Institute. Mancur Olson Both Olson and Hardin proposed memorable theories for why it is difficult for groups of people to undertake collective action. The occasion for this reflection is the publication of a new book, *Strength in Numbers: First*, a quick review of Olson, who in the 1960s was an economist at the University of Maryland. Olson pointed to the great effort that it takes to organize people with diffuse interests. Not only is it difficult for individuals to organize themselves to manage resources for shared benefit leading to the tragedy of the commons, it is difficult for them to express their interests through government because concentrated, well-organized political interests can easily impose their narrow political priorities. Rational choice theorists claim that this explains the gross ignorance of most citizens in modern democracies as well as low voter turnout. Wrong, said public choice: Unusually, the public-choice analysis found support from both ends of the political spectrum. Liberals embraced the idea that the system was biased toward the concentrated power of corporations; conservatives embraced the idea that political decision making is inherently unfair. But author Gunnar Trumbull takes apart the venerable Olson thesis. The reviewer Rauch summarizes the reasons: In fact, weak, diffuse groups have a paradoxical political advantage: Second, Olson also underestimates the power of ideological motivation, rather than just money and concentration, to spur activism. The program created the constituency, rather than the other way around. Fourth, weak or diffuse interests can link up with concentrated groups to amplify their effectiveness, as when consumers align with exporters to oppose trade protections or when free-speech advocates join with political parties to oppose campaign-finance limits. The rise of the World Wide Web since -- and since then social networking, wikis, and countless other innovations -- has made it ridiculously easy for people to find each other and organize to publicly advance their shared interests. But one lesson that emerges for me is this: They could start by recognizing the very idea of the commons as a useful, socially resilient and politically legitimate vehicle for achieving important work. If government can charter financial mafias known as banks and corporations, ostensibly to advance the public interest, why not the commons?

Chapter 5 : The Logic of Collective Action - Wikipedia

This book develops an original theory of group and organizational behavior that cuts across disciplinary lines and illustrates the theory with empirical and historical studies of particular organizations.

Hasan Ahmed 1 Book Review: The Logic of Collective Action: To start off with, the author talks about the purpose of organizations. One common characteristic of all organizations is that they aim to further the common interests of its members. Labor unions, farm organizations and the state are examples of some organizations. Large organizations can have individual interests as well but should have some common interests that are to be furthered. Olson argues that self-interested individuals will not act to further common interests 1. He uses the analogy of a competitive market to explain this. Under perfect competition a large number of producers produce identical goods which they all sell at the price determined by the market which leads to zero economic profit. Firms could collude and charge a higher price which would reduce output but increase profit which is a common interest. This does not happen because each firm also has selfish interest which in this case would be to sell as much as possible as long as the marginal cost is lower than the price. Firms could also raise prices by asking governments to impose a minimum price or charge tariffs. This requires lobbying which costs money and time, if the lobbying is successful then the benefits will be for every firm in the market therefore firms act selfishly and rely on other firms to provide money and time for the lobbying. Public Goods and the Theory of Groups. Harvard University Press, , 2. It does not offer any distinction between small groups and large groups as it disregards the size of the groups and believe that both small and large groups have similar characters and are equally effective in promoting the interests of its members. The casual theory and formal theory are two variants of the traditional theory. The author then highlights the difficulty in analyzing the relationship between group size and group behavior. The weightage given to common good by an individual is the difficulty. The optimum condition for providing collective goods is that marginal cost should equal the marginal benefit for each individual while any other combination will be sub optimal. Olson now differentiates among inclusive public goods and exclusive public goods. In non-market situations, when the provision of the public good increases as the group size increases, the public good is set to be an inclusive public good. An exclusive public good is found in market situations where members of groups attempt to reduce the size of the group because the public good is fixed in quantity². Olson uses the results to develop classification of groups. In market situations, groups could be classified under oligopoly or atomistic competition³. In non-market situations, groups could be classified under privileged groups and intermediate groups. Privileged goods would benefit if the collective good was to be offered to the firms in the market even if they had to bear the cost. Intermediate groups receive no benefit from the collective good. The second chapter of the book discusses group size and group behavior. As a result, organizations prefer small groups when decision making is the goal. John James, Georg Simmel and Professor Paul Hare after their research all came to the conclusion that small groups are better for decision making whereas large groups are better to gather different viewpoints. The author then disputes one of the assumptions traditional theorists make. Perfect consensus is the essential factor in groups according to traditional theorists, to which Olson disagrees. Reaching perfect consensus is very rare and efficient decision making is contingent on a number of other factors⁴. Then talks about the social incentives present which can influence³ Ibid. Prestige, respect, friendship are some of the social incentives present. Generally, social incentives tend to work in small groups rather than in large groups primarily due to two reasons. Firstly, in large groups the individual does not make a significant difference to the decision making process. Secondly, it is not possible to know everyone on a personal level in a large group for social incentives to have an effect. The one way to make social incentives work in a large group is to make a federal group. A federal group is a large group divided into smaller groups and each small group has a similar common goal to work towards. Social incentives could be then used to influence individuals in each small group to contribute to the benefit of the whole federal group. Instead they were small in size and were local groups instead of national groups. The labor movements of America as well as Britain were a combination of many small unions which had their own interests and were also independent

of each other. The process of the emergence of national labor unions in US took around half century for establishing their credibility over local unions. Unions are believed to play significant role in the large factories where the chance of personal relationship is considered low. The explanations for the factors which form the basis for the historical pattern of the labor growth can be numerous, but they can partly be described by an assumption that small groups are considered to be better equipped to provide collective goods to themselves than larger groups. The working conditions of small labor unions increases their social circle which enables them to enjoy non collective benefits too, thus providing them better incentive to form union. The political strength of national union is stronger than that of local unions, as in case of an individual who is a member of national union shifts from one employer to other he remains the member of the union. However the emergence of first labor unions cannot be solely considered to be the outcome of mandatory membership, as there is a possibility that small unions may have emerged without obligation and later had extended its size and power by the use of mandatory membership. Keeping in mind the significance of necessary membership and the fact that strikebreakers are usually free to cross the picket lines, it brings no surprise in learning that violence had a prominent place in the history of labor unions⁶. One alternative suggested in the book is to do what the majority has voted for and going against that must be made illegal by law. Another alternative is that non-collective goods like health insurance or seniority rights to those who join the union are provided by the union. The great numbers of members are now drawn by compulsory membership and coercive picket lines⁷. Unions are institutions which work for the collective benefits of larger groups. Now the author discusses the theories and controversies surrounding the unions. But this fact is not highlighted by the Selig Perlman in his infamous theory on American labor movement. To explain the closed-shop and economic freedom as well as government intervention in larger groups Olson has drawn an analogy between state and labor unions, as both provide the collective goods and almost both requires the compulsory membership and incentive for the individual in both cases is that he is forced to sacrifice, examples of which are tax in the case of former and fines for the latter. Government intervention is not considered good as it limits the economic freedom, the less the intervention the better would be economic freedom. Theory of the Labour Movement. The main criticism on Marx was because of his much focus on the self-interest as for him things like religion were actually aimed at oppressing other classes and state was one of that means. However, the Marx was unable to envision that class revolts would not be joined by his rational individuals. While arguably Lenin was able to understand that the committed and minority with the ability to sacrifice will lead the communists. These scholars are approving of the beneficial functions pressure groups perform maintaining that they counter balance one another ensuring that the result is not disproportionate. Pluralism has helped provide the basis for this view primarily because it highlights the spontaneity, the liberty, and the voluntary quality of the private association in contrast with the compulsory, coercive character of state. The corporate state theory also supports the pressure groups maintaining that a government based around representation and admiration through industrial-occupation is preferable to the one through territorial divisions. Commons who believed that economic pressure groups were more representative of the people than legislatures based on geographical representations. The Logic of Collective Action. Harvard University Press, , He talks about Latham, Bentley and Truman. Latham like Commons held the view that group interests are more significant than individual interests. Bentley held a similar view, the outline of his theory is that there are no individual interests and every group has its particular interests resulting in group action. He believed that there is no group that involves everyone in the society and based on this he was able to claim that everything is determined by conflicting group interests with the larger and more general interest subduing the narrower interest. He argued that an increase in specialization and complexity will require more associations and more will emerge as it is the basic characteristic of social life that associations emerge to satisfy the needs of society. Associations will also acquire connections with government if necessary. Olson further criticizes these theorists stating that they belittle the importance of formal organization and observable characteristics of¹¹ Ibid. Real life experience show that small organized groups prevail at the expense of large unorganized group which is contrary to what the theory predicts. According to Olson economic groups with significant lobbying are organized for some other purpose and that the lobbying for some collective good is a by-product of their

primary purpose. Olson warns that the theory applies only to large and latent groups and need not apply to the privileged or intermediate groups. It follows that these firms are small enough to provide themselves voluntarily with an active body. The main type of organization representing business interests are trade associations. On the other hand Olson makes it very clear that the business community as a whole is not a small privileged or intermediate group but a large latent group and it faces the same problem other large groups face. The theory is insufficient in where certain non-economic groups such as philanthropic or religious lobbies are concerned. In these lobbies the relationship between purpose and interest of the organization and the individual may be so 13 Ibid. The remaining type of group is the unorganized group which is the group that has no lobby, exert no pressure, take no action and they have some of the most vital common interests, examples of such groups are white collar workers, taxpayers, consumers etc. Strengths and Weaknesses of the Book The biggest strength of the book is that it develops an original theory of group and organizational theory. He supports the theory with historical and empirical evidence and applies economics concepts. Mathematical proofs are used to further strengthen his theory. The free rider problem is from an economic perspective very important to the effectiveness of organizations. Olson offers two conditions that could help the free rider problem. Furthermore, Olson is bold enough to challenge traditional concepts that were taken implicit assumptions by famous professors. Traditionalists thought that small and large groups are similar in character and effectiveness. He further goes on to show that the theory of groups presented by analytical pluralists is inadequate and develops a theory of by-products which attempts to predict the behavior of large economic pressure groups and he provides various examples to support his claim. One of the main weaknesses of the book is that the solution offered by Olson to overcome the free rider problem is to offer private incentives. Olson fails to address the fact that private incentives have costs attached to them too. The rational individual will again try to avoid paying the costs. Furthermore, empirical evidence is also present which shows private incentives make little difference in solving the free rider problem. Another weakness could be that Olson concludes that if the aim of an organization is to provide collective goods then the size of the organization should be small because large groups cannot provide collective goods. The only factor he has considered when coming up with his results is the number of people in the group.

Chapter 6 : The Logic of Collective Action | Michael Nielsen

The Logic of Collective Action by Mancur Olson explains why some groups are able to have a larger influence on government policy than others. I'll give a brief outline of The Logic of Collective Action and show how we can use the results of the book to explain economic policy decisions.

Each of us exchanges a bit of effort or resources in return for benefiting from some collective provision. The signal difference is that I can cheat in the large-number exchange by free riding on the contributions of others, whereas such cheating in the two-person case would commonly be illegal, because it would require my taking from you without giving you something you prefer in return. In some collective provisions, each contribution makes the overall provision larger; in some, there is a tipping point at which one or a few more contributions secure the provision—as is true, for example, in elections, in which a difference of two more votes out of a very large number can change defeat into victory. Let us, however, neglect the tipping cases and consider only those cases in which provision is, if not an exactly linear function of the number of individual contributions or of the amount of resources contributed, at least a generally increasing function and not a tipping or step function at any point. In such cases, if n is very large and you do not contribute to our collective effort, the rest of us might still benefit from providing our collective good, so that you benefit without contributing. You are then a free rider on the efforts of the rest of us. Unfortunately, each and every one of us might have a positive incentive to try to free ride on the efforts of others. But my personal share of the increase from my own contribution alone might be vanishingly small. In any case of interest, it is true that my benefit from having all of us, including myself, contribute is far greater than the status quo benefit of having no one contribute. Still, my benefit from my own contribution may be negligible. Therefore I and possibly every one of us have incentive not to contribute and to free ride on the contributions of others. Suppose our large group would benefit from providing ourselves some good at cost to each of us. This k -subgroup now faces its own collective action problem, one that is perhaps complicated by the sense that the large number of free riders are getting away with something unfairly. If one person in an exchange tried to free ride, the other person would most likely refuse to go along and the attempted free ride would fail. First-time readers of Plato are often astonished that dear old Socrates seems not to get the logic but insists that it is our interest to obey the law independently of the incentive of its sanctions. The back of the invisible hand swats down efforts at price collusion, thereby pushing producers to be innovative. David Hume grasps the generality of the problem clearly. Hume [1740], bk. John Stuart Mill [1848], book 5, chap. He supposes that all workers would be better off if the workday were reduced from, say ten to nine hours a day for all, but that every individual worker would be better off working the extra hour if most others do not. The only way for them to benefit from the shorter workday, therefore, would be to make it illegal to work longer than nine hours a day. Vilfredo Pareto stated the logic fully and for the general case: If all individuals refrained from doing A, every individual as a member of the community would derive a certain advantage. But now if all individuals less one continue refraining from doing A, the community loss is very slight, whereas the one individual doing A makes a personal gain far greater than the loss that he incurs as a member of the community. Unfortunately, his argument is buried in a large four-volume magnum opus that is a rambling discussion of many and varied topics, and it seems to have had little or no influence on further discussion. Finally, the logic of collective action has long been generalized in a loose way in the notion of the free rider problem. Despite such frequent and widespread recognition of the logic, it was finally generalized analytically by Mancur Olson only in his *Logic of Collective Action*. From early in the twentieth century, a common view of collective action in pluralist group politics was that policy on any issue must be, roughly, a vector sum of the forces of all of the groups interested in the issue Bentley In this standard vision, one could simply count the number of those interested in an issue, weight them by their intensity and the direction they want policy to take, and sum the result geometrically to say what the policy must be. Oddly, Marx himself arguably saw the cross-cutting individual vs. This problem had long been recognized in the thesis of the embourgeoisement of the working class: Once workers prosper enough to buy homes and to benefit in other ways from the current level of economic development,

they may have so much to lose from revolutionary class action that they cease to be potential revolutionaries. We commit this fallacy whenever we suppose the characteristics of a group or set are the characteristics of the members of the group or set or vice versa. If the group has an interest in contributing to provision of its good, then individual members are sometimes wrongly assumed to have an interest in contributing. Sometimes, this assumption is merely shorthand for the recognition that all the members of a group are of the same mind on some issue. For example, a group of anti-war marchers are of one mind with respect to the issue that gets them marching. There might be many who are along for the entertainment, to join a friend or spouse, or even to spy on the marchers, but the modal motivation of the individuals in the group might well be the motivation summarily attributed to the group. But very often the move from individual to group intentions or vice versa is wrong. He says, We see that every city-state is a community of some sort, and that every community is established for the sake of some good for everyone performs every action for the sake of what he takes to be good. Aristotle Politics, book 1, chap. Most likely, any actual city-state is the product in large part of unintended consequences. Argument from the fallacy of composition seems to be very appealing even though completely wrong. Systematically rejecting the fallacy of composition in social theory, perhaps especially in normative theory, has required several centuries, and invocation of the fallacy is still pervasive. Samuelson noted that some goods, once they are made available to one person, can be consumed by others at no additional marginal cost; this condition is commonly called jointness of supply or nonrivalness of consumption, because your consumption of the good does not affect mine, as your eating a lovely dinner would block my eating it. Therefore, in standard price theory, in which price tends to equate to marginal cost, such goods should have a zero price. But if they are priced at zero, they will generally not be provided. In essence, price theory commends free riding on the provision of such goods. This might sound like merely a cute logical problem; but standard examples include radio broadcasts, national defense, and clean air. If any of these is provided for anyone, they are de facto provided for everyone in the relevant area or group. Once supplied at all, it is supposedly impossible to exclude anyone from the consumption of a public good. It is often noted that this feature is analytically interesting but empirically often beside the point. States often forcibly exclude people from enjoying such public goods as radio broadcasts. Others can be provided through the use of various devices that enable providers to charge the beneficiaries and to exclude those who do not pay, as for example, by advertising that imposes a cost on television viewers or the use of cable rather than broadcasting over the air to provide television programming at a substantial price. Exclusion is merely a problem of technology, not of logic. With present technology, however, it may be too expensive to exclude many people and we may therefore want the state to provide many goods so that we can avoid the costs of exclusion. There are some compelling cases of goods that are both joint in supply and nonexcludable. National defense that protects cities against attack from abroad, for example, is for all practical purposes a good with both these features. But the full logic of public goods is of little practical interest for many important contexts. Indeed, what are often practically and politically interesting are goods that are in fact provided collectively, independently of whether they have either of the defining features of public goods. We can even provide purely private consumptions through collective choice. For example, most welfare programs transfer ordinary private consumption goods or resources for obtaining these. Note that the supply of such goods by the state overcomes the free rider problem because voters can vote on whether everyone is required to pay toward the provision, as in the case of national defense. If I am voting whether the good is to be provided, I cannot free ride and I need not worry that anyone else can either. We can all vote our overall preferences between supply at the relevant individual cost versus no supply and no cost of provision, so that democratic choice turns our problem into a simple coordination—“if we are all in agreement that a relevant good should be collectively provided. From the analysis of the de facto logic of collective action that would block the spontaneous provision of many fundamentally important classes of collective goods we can go on to argue for what is now often called the public-goods theory of the state Baumol , 90—’93; more generally see Hardin The public-goods account gives us a clear normative justification of the state in welfarist terms: The state resolves many centrally important and potentially pervasive free rider problems. It does not give us an explanatory account of the origins of the state, although it could arguably contribute to the explanation of the maintenance

of a state once it exists. Unfortunately, as libertarians are quick to note, giving the state power to resolve certain free rider problems also gives it the power to do many other things that could not be justified with similar normative arguments.

Self-Interest Theory The modern view of the fallacy of composition in social choice is a product of the understanding of politics as self-interested. A century later, Hobbes did not bother to advise acting from self-interest because he supposed virtually everyone naturally does so. From that assumption, he went on to give us the first modern political theory of the state, an explanatory political theory that is not merely a handbook for the prince and that is not grounded in normative assumptions of religious commitment. To some extent, therefore, one could credit Hobbes with the invention of social science and of explanatory, as opposed to hortatory, political theory. We all benefit if there is a powerful state in place to regulate behavior, thereby enabling us to invest efforts in producing things to make our lives better and to enable us to exchange with each other without fear that others will wreck our efforts. This is strategically or game theoretically wrong because putting a state in place is a matter of coordination on one or another sovereign, not a matter of exchange among us or between us and the sovereign. Once that state is in place, it might be true that I would rather free ride on the better behavior of my fellow citizens, who are generally law-abiding. But I generally cannot succeed in doing so, because there is police power to coerce me if necessary. What I cannot free ride on is the creation of a state. I want the state, just as everyone who sees it as mutually advantageous wants it. Suppose that somehow, perhaps using the ring of Gyges to make me invisible as Glaucon proposed, I could get away with theft or other crimes. Even then, I would still want the state to have the power to coerce people into order because if they are not orderly, they will produce nothing for me to steal. If it is true, as Hobbes supposes, that having a state is mutually advantageous, it follows that we all want it; and none of us can free ride on whether there is a state. Either there is one or there is not, and if there is one, then I am potentially subject to its powers of legal coercion. On balance, I would want there to be an effective state for the protections it gives me against others despite its potential for coercing me into good behavior. We have only collective choice: Suppose you and I both want cleaner air but that each of us would free ride on the efforts of others to clean the air. State policy can block free riding, if necessary at metaphorical gunpoint. We both prefer the general effort to provide cleaner air and we both pay our share toward the cost of providing it.

Explaining Collective Action The facts that there is a lot of collective action even in many large-number contexts in which the individuals do not have rich relationships with each other and that, therefore, many people are not free riding in relevant contexts suggest at least three possibilities. First, there are ways to affect the incentives of group members to make it their interest to contribute. Second, motivations other than self-interest may be in play. Third, the actors in the seemingly successful collective actions fail to understand their own interests. Each of these possibilities is important and interesting, and the latter two are philosophically interesting. Each is also supported by extensive empirical evidence. In the first category are the by-product theory proposed by Olson and the possibility that political entrepreneurs, at least partially acting in their own interest, can engineer provisions. Such private goods can commonly be provided in the market, so that their usefulness may eventually be undercut. Indeed, firms that provide insurance benefits to their employees thereby undercut one of the appeals of union membership. The general decline of American unions in recent decades is partially the result of their success in resolving problems for workers in ways that do not require continuing union effort. When collective goods can be supplied by government or some other agency, political entrepreneurs might organize the provision.

Mancur Olson's book "The Logic of Collective Action" is a classic of economics and political science, a classic that contains much of interest for people interested in open science. At the heart of Olson's book is a very simple question: "How can collective goods be provided to a group?"

The blinders neoclassicists wear are large indeed. Indeed they are wrong at a fundamental level; they are almost literally reversed from the truth. Here is the basic argument: The interests of a group are not the same as the interests of its individual members. So that could be marked as the significant achievement. Individuals act in their own self-interest. Therefore, groups do not act in their own self-interest. The logic—and the title did say "logic" after all—is absolutely valid. The problem is that the argument should actually run the other way: Groups act in their own self-interest. Therefore, individuals do not act in their own self-interest. That answer has been staring them in the face all along. Humans are neither selfish nor altruistic; we are tribal. We identify ourselves with a group, defining those inside as good and those outside as bad. The definition of the group can vary a great deal; it might be Americans, or White people, or Christians, or Red Sox fans, or economists, or University of Michigan alumni; and indeed most people will identify in varying degrees with many different groups at once—and much of the conflict in our lives comes from being torn between such identifications. The rest probably comes from conflict between the groups we identify with and that one special group that contains only ourselves. Actually, even neoclassicists have been forced to accept the most extreme examples: They speak of "households" and "firms" as though they were indivisible entities, even though a household contains several individuals and a firm may literally contain millions. Why does this work? Because they are indivisible, at least in terms of their tendency to act in their own self-interest. A corporation is far more likely to act in its own self-interest than any individual human being would be. Households are also not strictly selfish, but they are at least close to it sometimes; whereas, anyone who would stop feeding their own child because they ceased to be amusing we would all immediately and rightfully recognize as a horrible and defective human being. Yet this is how you would behave, if you actually acted in your own self-interest independent of that of your "household", that is, your family. We do not ask ourselves, "Would the police punish me if I stopped feeding my children? Indeed, we will go to great lengths to feed our children, even if it harms ourselves substantially. That makes perfect sense in terms of evolutionary psychology—indeed, it would be completely baffling if it were not true, and might force us to radically redefine our understanding of evolution. But it is completely ignored when we assume that human beings are rational self-interested economic agents. Olson even slips into arguing for group cooperation himself sometimes, apparently without realizing it: Moreover, I also question whether he is even correct that this would be something to explain; it is not obvious to me that the disproportionately large amount of money the US gives to the UN offsets its disproportionately small amount of soldiers, for example. It could just be comparative advantage, or even the US bearing too little a share. Throughout the whole book, Olson seems completely unable to fathom why anyone would ever do anything for anyone other than themselves. He says things like "If the groups, or at least the economic groups, are often interested primarily in their own welfare, it could only be so because the individuals in these groups were primarily interested in their own welfare. He likewise dismisses the notion that people have an innate instinct for cooperation as "meaningless", when in fact it is the consensus conclusion of modern evolutionary theory. You are probably even unlikely to pay exactly B , though at times you may. Instead, you pay pB , where p is a discount factor, functioning akin to r —but no longer equal to your genetic relatedness. Instead, it might be called your "cognitive relatedness", or to use a simpler and more evocative term, your solidarity. Usually p far exceeds r , though in some cases it might be less—e. Identical twins usually care about each other a great deal, but it seems unlikely that they value each other exactly equal to themselves. The reason we call it an "instinct" is of course that it is, and this has a rather precise definition in evolutionary biology—a genetically encoded, evolutionarily selected behavior pattern that is triggered in response to certain environmental conditions. We have a moral instinct in exactly—exactly—the same sense in which we have a hunger instinct and a sexual instinct. One of the more

important unsolved questions in modern evolutionary psychology and moral science generally is how much of human moral behavior is genetic and how much can be changed by environment; but there is no serious dispute about the fact that both are important—and that means that by definition we have a moral instinct. And indeed, *The Logic of Collective Action* is a book about how people would behave if they were neoclassical rational agents, which is to say, omniscient psychopaths. There are good reasons to have enforcement mechanisms in your system of policy, just in case people are tempted to act against the interests of your group in favor of themselves or in favor of another group! His analysis of how the most stable groups provide both collective and non-collective goods simultaneously is also useful; it goes far to explain why churches hold bake sales and lobby politicians. His explanation of why the lobbying groups for oil companies and utility companies is so powerful is sound. His concept of "selective incentives" can be adapted, I think, to include our concepts of in-group and out-group and social belonging. In reality, of course, we are very willing to punish people, even at rather substantial cost: The few neoclassical economists who acknowledge this fact at all make ridiculous excuses for it, like "People enjoy punishing others for wrongdoing; they gain utility from a sense of righteousness. Why is that true? Because we have a moral instinct. Yes, sometimes it feels good to do the right thing; but why does it feel good? That is literally the only plausible explanation. Psychopathy is at a selective disadvantage. Given that this is the case, you may wonder how there are psychopaths at all. In a world of moral individuals, it can be adaptive to be a psychopath. But a population of psychopaths would rapidly self-destruct. Under frequency-dependent selection, the two traits converge to an equilibrium where they are equally adaptive. Only at the very end of the book does he acknowledge any motives other than self-interested calculation; and as neoclassicists are wont to do, he immediately declares them "irrational". There are of course limits to human altruism; and that is well worth studying. People are not always altruistic to everyone, and they do not always do their fair share. The tension between self-interest and group interest—and between different types and scales of group—is fundamental to economics, and indeed to human nature.

Chapter 8 : Mancur Olson - Wikipedia

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As an economist, Olson investigates the economic incentives and disincentives for group formation, especially political and trade organizations. His conclusion is that individuals are led to act in a self-interested manner that interferes with any desire to work toward a collective good. Producers of a certain product have an interest in selling the product for as high of a price as possible. It is in their collective good to find ways to push prices and profits higher. An easy way to achieve higher prices is to organize and establish set prices. However, the organization of a trade group would require full participation of all makers of the product within the market. If one producer refused to join the group and sold the product for less money, that producer would come to dominate the market. A group is unlikely to form because each individual producer has a stronger interest in being the one who does not join and comes to undersell the competition. There is a conflict between the individual interests of the producers and their collective interest. Another type of group is one that is seeking a benefit, but not selling. Collective bargaining is an example Olson uses. Workers have an interest in unionizing to drive up wages and force better working conditions. Non-joiners would not endanger union members. However, non-joiners would gain the benefits of the collective agreements. Why would someone join a group when the benefits would be gained even without joining? Because so many people would attempt to free-ride, the number of joiners would not be significant enough to achieve the end goal. The free-rider becomes a major obstacle, according to Olson, for the creation of important groups. As a result, organizers seek rules that eliminate the free-rider option. Legislation that requires union membership is a common way to deal with free-riders. Selective incentives can be insurance plans, magazine or journal subscriptions, or social pressure. Some people object to coercive efforts, such as laws requiring union membership. Such people claim that forced unionization violated their freedom. Olson discounts that claim though, stating that forced unionization is no different than forcing someone to be subject to military draft or to pay taxes for public education. However, there are numerous policies the government could impose that would be efficient and beneficial to America. The government could require a mandatory college savings plan for parents above a certain income bracket, attendance at civic events, and a myriad of other policies. Each would be beneficial, but should the government require everything that is deemed beneficial? Second, should the people be forced to relinquish all control over their lives because a majority of the electorate has decided they would be better off unionized? Olson does make very convincing arguments about the difficulties in organizing people. Certainly, many people do not want to invest resources into an effort that they will gain the benefit of regardless of their effort. Organizations do use selective incentives to lure members. The National Education Association and National Rifle Association both use various insurance plans, magazine subscriptions and special events to reward people for membership. On the other hand, people seem to join for other reasons at certain times. Prior to the Presidential election, the NRA successfully raised membership substantially. While some may have joined for selective incentives, it seems more likely that people joined for the lobbying efforts against Al Gore who was known for supporting very strict gun control. The Southern Baptist Convention has the Cooperative Program designed to pool the resources of thousands of independent churches. The Cooperative Program offers few selective incentives to these member churches. The collective benefit is the ability for pooled resources to be used more efficiently in achieving the related missions of these churches. However, these individual churches do give up substantial control when they pool resources. Some groups of churches have split off the Cooperative Program and formed new groups, such as the Cooperative Baptist Fellowship, in order to gain better control over spending. The Cooperative Program is an example where individuals voluntarily join for a collective good, despite losing individual control and gaining few selective benefits. The Logic of Collective Action raises some important points in the organization of groups. The book does not answer questions, though, about how groups are initially formed.

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DOWNLOAD PDF THE LOGIC OF COLLECTIVE ACTION OLSON

In The Logic of Collective Action, Olson originates what has become the standard story that the public choice economists tell about the role of special-interests in politics. Namely, that a small group is inherently at an advantage against a larger group in arguments over public policy.