

# Collectives Action Theory and Practice of Public Policy: The Relationship between Public Policy and Collective Action

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## Abstract

Collective action plays a critical role in the theory and practice of public policy. This paper tries to answer the following questions: Why is collective action important to a society and to the economy? What are the various ways in which collective action affects public policy and how public policy affects collective action? Why is collective action problematic, what have groups done to address these problems, and what are the implications (if any) of these actions? In answering these questions, the paper focuses on a broader perspective about the idea of collective action and the various ways in which it may be manifested and some of its exiting nuances.

**Keywords:** Public Policy, Collective Action, Coordination

## 1. Introduction

*“In late 2000, the state of California started having major power shortages and experienced collective action problem immediately! To avoid black-outs, the utilities pleaded with the consumers to restrict and economize on their usage of electric power. Of course, this was ignored because it is simply not rational for the individual to suffer an inconvenience for the benefit of the whole state. Therefore, the blackouts commenced and California has a real disaster on its hands!”*  
(Felkins, 2010)

The quote above is just one of the many examples of a practical manifestation of the collective action problem and its socio-economic ramifications. In this essay, I argue that effective solutions for collective action problems are important for sound political, social and economic institutions. To support the argument, the paper will focus on role of collective action in society and economy, by exploring the various ways in which collective action affects and is affected by public policy. Also, the essay discusses why collective action is problematic and the different options the various groups (communities) have developed to partially or fully address these problems and the implications of those mechanisms in the economy. The rest of the essay is organized as follows: the next section presents definitions of collective action, collective action problem, its different manifestations and relevance of collective action to society and economy; part three of the essay presents selected examples and discusses how collective action affects and is affected by public policy. Section four discusses the various problems arising from collective action and solutions designed to mitigate such problems, and the last section presents the summary and concluding remarks.

## 2. Definition of collective action, collective action problems, its manifestation

Collective action has variants definitions and conceptualizations; however most definitions come into consensus that collective action requires the involvement of a group of people, a shared interest within the group and some kinds of common action which works in pursuit of that shared interest (Meinzen-Dick, Di Gregorio, and McCarthy, 2004). For the purpose of this essay, collective action is defined as an action taken by a group (either directly or on its behalf through an organization) in pursuit of members' perceived shared interests (Meinzen-Dick, Di Gregorio, and McCarthy, 2004). Prominent scholars in collective action like Ostrom have crafted a short hand definition of collective action to include intra or/and inter group cooperation and coordination of actions/activities in the pursuit of common goal(s)/benefit(s). According to Tilly (1981), collective action consists of all occasions in which sets of people commit pooled resources, including their own efforts, towards common goals.

Depending on the context, nature and the object of collective action, the outcome of collective action efforts may lead to an event or an establishment of a collective action institution. If the object of collective action is short lived, then event is usually the outcome. Examples of such collective action efforts include flood emergency teams formed by local community members or mass revolts against the undesirable political situation in a country or community like the current Middle East's political uprisings. In other extremes, we may have recurring scenarios like over fishing or over harvesting from common pool resources. In such incidences, a collective action effort is more likely to develop into a process which may lead to institutional formations (Meinzen-Dick, Di Gregorio, and McCarthy, 2004). The term institutions refers to the rule of the games in society, or more formally, devised constraints that shape human interactions (North, 1990).

Institutionalization of collective action reduces transaction costs of renegotiation, as well as uncertainty. An example of this form of collective action outcome includes constitutions, governance mechanism for common pool resources as explained in details by Ostrom (2000). Regardless of whether the object of collective

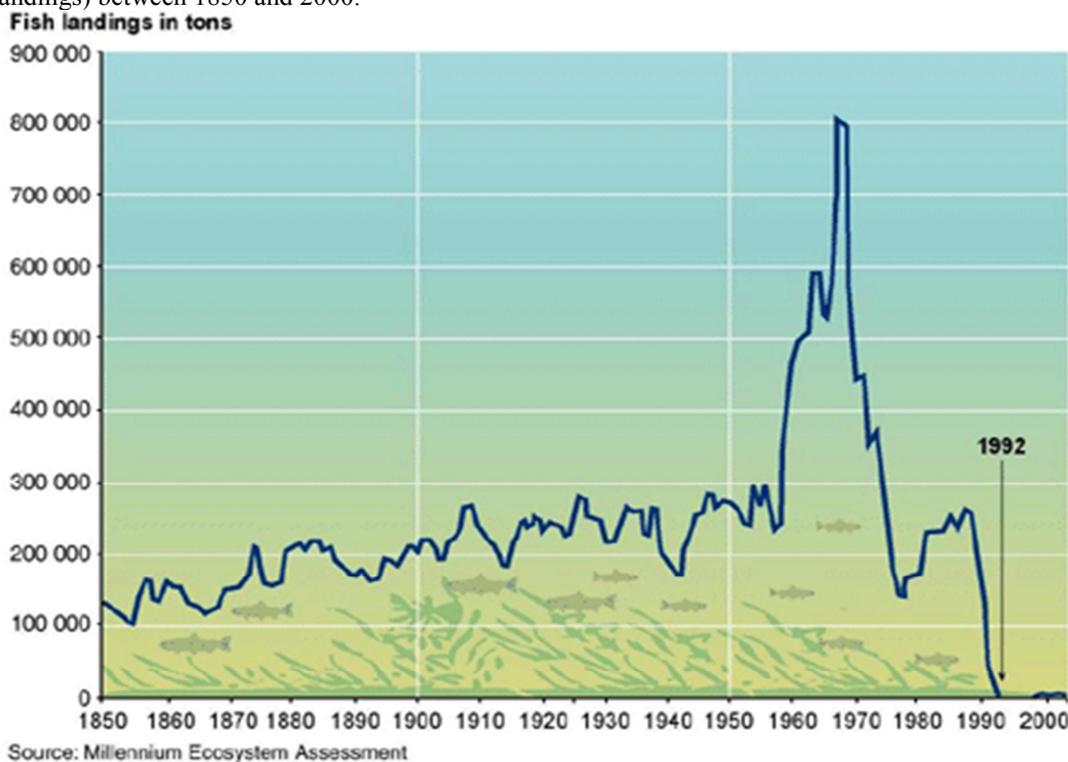
action is temporary or recursive in nature, they both need a collective effort to be achieved.

Such collective action may take place at micro level (individuals in a group), at meso level (among groups across communities) or at macro level (among nations or intergovernmental). Agricultural cooperative unions, coalition government, and Kyoto Protocol present examples of micro, meso and macro level of collective action groups organizations respectively. The major challenge in collective action effort is always how to influence people to cooperate and coordinate their effort in achieving common goals/benefits.

As demonstrated by the opening quotation, a collective action problem is a scenario in which there is conflict between the individual interest and the group interest. In this scenario, each individual in the group faces a choice between selfishness and cooperation. It is always appear to be individually rational to act selfishly, regardless of what the other individuals do. However, if all individuals act selfishly, the ramification is that they all suffer from worst outcomes than if they had cooperated. In other words, it is in the individual's interest to act selfishly, but it is in the group's interest to have everyone cooperate. In sum, there is always a conflict between the individual interest and the group interest (PSU, 2010). In the case of California electrical utility, if everyone cooperated it would have moderated the crisis state. But since it was against the individual's interest, at least in a short term, individual consumers acted selfishly and they all suffered the consequence. This is a typical problem of collective action known as free rider problem. In most cases the free riding problem may lead to under provision or no provision of the public goods or services. Broadly speaking public good/service entails the goods/services which are non rival and non excludable in consumption.

Another type of collective action is tragedy of the commons. This type of the problem is more frequent for those resources which are rival but not excludable (common pool resources) like fishery resources, grazing land, irrigation or forestry management. Tragedy of the commons is the over use or depletion of the common pool resources by the users. It is at the best personal interest for each individual to harvest as much as possible from the commons, however if everyone should do so, they would collectively exceed the maximum carrying capacity, leading to resources depletion or a disaster where everyone loses in the long term.

The depletion of cod fishery, during 1990 in North America, provides a real life example of this type of collective action problem. According PSU (2010), between the mid 1970s and early 1990s, after the innovation in detecting and capturing the codfish, coupled with a series of poor management decisions and inadequate understanding of complex marine ecosystems, the cod fishery collapsed, leading to devastation of livelihoods, a flux of environmental refugees, and long-term negative impacts on the northwest Atlantic ecosystem off the coast of the northern United States and Canada. The graph below shows the amount of cod captured and taken ashore (fish landings) between 1850 and 2000.



Source: Millennium Ecosystem Assessment  
Figure 1: Graphical presentation of the trend in the collapse of Atlantic cod stocks off the East Coast of Newfoundland in 1992

The free rider problem and tragedy of the commons are both special cases of prisoner dilemma, at least

from theoretical perspective, but they lead into a different manifestation of the collective action problems. While the former causes under provision or no provision of public good/services, the later leads to over use of publicly owned resources/services. Nevertheless, they share one thing in common: lack of cooperation or inter-dependent decision making, leading to equilibrium outcomes that are Pareto-deficient in which all actors prefer another given outcome to the equilibrium outcome *ex-post* (Stein 1983). In other words, the individual rational actors' pursuit of self-interest at the expense of cooperation results in their being worse off.

Another common collective action problem is coordination problem. In coordination problem individuals are faced with multiple equilibriums. In order to avoid the Pareto inferior outcome, there is a need for coordination to take place among the actors (Stein 1983). In a standard coordination problem the actors have strong incentives to achieve something jointly but the challenge is to decide which of the two equilibrium points will be chosen, especially when there are distributional issues at stake. An example of coordination problem is the USA and Russia mass destruction weapon investments during the 20th century. If both countries decided not to invest in expensive mass destruction weapons, they would end up in a Pareto superior equilibrium and they would have saved extra resources for other social and economic development expenditures.

Since, both decided to invest in weapons of mass destruction because of the lack of coordination, strategic reasons and ideological differences, they ended up with a Pareto inferior equilibrium. This scenario demonstrates that even if the gain from coordination appears obvious, decision making in a complex environment and uncertainty may result in deviation from a Pareto superior solution. Thus, to guarantee the Pareto superior solution, all the parties involved needs to consciously coordinate their individual actions, efforts and decision strategies. Despite the challenges mentioned above, collective action is very important for social order, policy process, and institutional design and development, which in turn, determines the path of economic development.

### **3 . How collective action affects and is affected by public policy and its relevance to society, economy and public policy**

In any given society, governmental entities enact laws, make policies, and allocate resources. This is true at all levels (Kilpatrick, 2010). While public policy can assume many diverse definitions, it can be literally generalized as a system of laws, regulatory measures, courses of action, and funding priorities concerning a given topic promulgated by a governmental entity or its representatives (Kilpatrick, 2010). Given the importance of public policy, in terms of short term and long-term benefits and costs across different groups and the economy at large, it is important to understand how public policy is made, how it is being affected by collective action, and how it affects collective action. This section explains the policy process and the influence of collective action on the policy process.

In any established governance system a policy is a dynamic equilibrium outcome of the interaction of the socio-political factors, political actors and institutions, moderated by the societal, economic and cultural contexts respectively. Institutions, like constitutions, provide opportunities and a general framework for the rules of the game. In some instance it also constrains what can be put forth at a given point in time.

A good example is the recent health care policy obstruction in the USA. Vying for control of contextual factors, the rest of the public policy process became a struggle for power and party position through bargaining and debating over different policy options. As noted by North (1990), the group with power will always have advantage to influence the decision outcome by favoring its interest over the group with less power.

Power, in the policy context, manifests itself in different folds including: economic power, information, social-capital, organizational, political and voting power. Therefore, it becomes intuitive and inevitable for political organizations to have shared goals/values with private interest groups that would seek to pressure the policy making process. Interestingly collective action goals among such minimally diverse groups become more homogeneous. As is urged by Olson "Pressure groups were the most representative and beneficial forces affecting American economic policy" (Olson, page 115). In order to have access to and influence on the public policy process, many professional, business and social movement groups have been formed in different societies to represent their voice/influence in policy process.

The policy process is an iterative dynamic circle of problem identification, agenda setting, policy formulation, implementation and evaluation. For the purpose of this discussion, I will literally assume that a policy process follows the consecutive stages mentioned above which is not too far from reality. Based on this simplified model of policy process, I will explain and demonstrate by examples, the influence of collective action on public policy and how public policy influences the collective action.

To put things into perspectives, we could assume an ideal small community growing to become an independent state. At time  $t_0$ , there will be subgroups with heterogeneous interests. In order to create social order and provide the society with necessary public goods and services, the groups which are able to organize themselves will have an advantage over the others in determining the agenda and design policies which may lead to creation of institutions like constitution. Once such institutions are created, they tend to have a positive

feedback loop which leads to path dependency (Pierson, 2004).

Thus at time  $t_0$  the groups which manage to maintain effective cooperation and coordination among its members (successful collective action) will have higher bargaining power to influence the creation of institutions favoring their interests. Alternatively, the groups which fail to effectively coordinate and ensure cooperation, will have weak bargaining power and less representation in the creation of policies and decisions, at least in time  $t_0$ . Once institutions are created they provide “quasi-permanent” structures within which the policy process and decisions takes place and reinforcing the power advantage for a successful collective action groups.

This situation is not too far from empirical examples; consider the aboriginals and the non aboriginals on the emergence of formal institutions and policy debate in Canada and the development of constitutionalism in South African prior to independence in the 1990s. Based on this argument, we conclude that collective action is very important and it does affect public policy decision and institution formations.

On the other hand, if the discontented group cannot take it further and decides to influence a positive change of current policies and existing institutional framework, they will need to invest a significant effort in coordinating their action to countervail the efforts and entrenchment of the incumbent group(s). The major challenge is that, once institutions are developed at times  $t_0$  they will provide an opportunity and advantage over the group in power to create political institutions at time  $t$ . In turn, the political institutions at time  $t$  will determine economic institutions at time  $t$  which in turn will determine the economic performance and distribution of resources at time  $t_{+1}$  (Acemoglu and Robisson, 2008).

This cyclical effect may be difficult to break/change for the discontented group(s). More specifically, the collective action is important for formation of political institution which determines who is to be entrenched with political power. The group with political power will design economic institutions and formulate public policies, taking their interests into account. The resulting policy outcome and economics institutions will determine the economic performance and distribution of resources in society at time  $t_{+1}$ .

Depending on the nature of equilibrium outcomes of political institutions, public policy and economic institutions, such outcome may lead to a stable and progressive society, like developed economies and some selected developing economies or it may lead into a chaotic and regressive society like Somalia. In sum, collective action influences public policy through creating opportunity for effective mobilization of political power and access or ownership of established political institutions. Access to political institutions and political power offers a relative advantage of veto power in decision making and policy formulation.

In the previous section we demonstrated how collective action is important for evolution of institutions and public policy design. However on the other end of the spectrum, it will be interesting to see how public policy influences collective action. To put thing into perspective, we can imagine a well-established society with existing policies and institutions in place. Since public policy is a dynamic, responding to the changing individuals’ preference and contextual factors like societal mood, economic situations and environmental factors, at any point in time there is always a struggle between the incumbent groups and existing institutions against those groups which are discontented with a status quo.

In this context, if the current public policy frameworks lead to the outcome which may cause a significant mass discontent, then an incentive for collective action to support the existing opposition groups or to start a new opposition altogether emerges. A good example is the recent crisis in Egypt, Tunisia and Libya. Another example is the Black American movement in USA during the beginning and mid 20th century and the ongoing movement for aboriginal people in Canada. The most recent example connected to recent economic crisis is the organized social movement's gathering in Saskatoon on October 15, 2011 (see excerpts below for details) which is broader group of “Occupy Wall Street”, “Occupy Toronto” etc.

“ ..... On Saturday, supporters will attend a University of Saskatchewan Senate meeting and then march down the University Bridge to River Landing. Graham Goff with Occupy Saskatoon says their event is as relevant here as anywhere else. He expects a solid turnout. "It started off as a Wall Street movement, but it's so much more than 'Oh, they're doing something. We need to do it to.'" said Goff. "The same problems are every bit as prevalent here, like the growing disparity between the rich and poor and the erosion of the democratic process." He says it's less about protest, and more about starting a conversation. "It's creating a space and a process for people, no matter how informed they are, to come there and let their opinions be heard and then from that, we can decide our next step," said Goff. The North-America-wide movement is largely focused on fighting economic inequality and corporate influence on politics.....” (Cjme,2011)

This ongoing social movement provides a clear demonstration on the impact of the public policy on collective action. More specifically, I argue that if the existing polices do not do a good enough job to balance the power and the flow of benefits, at least among key actors or the majority, it creates incentive for a collective action toward an effort to influence policy changes which in some cases may end up with ad-hoc institutional changes. Such collective action may results in lasting organizations like interest groups, professional associations, labor unions, farmers unions, or temporary mass movement like civil revolts or mass boycotts. Based on the discussion on influence of collective action on public policy and the argument made above, it appears that there

is a bi-directional relationship between collective action and public policy, at least, in established democracies.

Despite the role of collective actions discussed in previous sections, most of the discussion was done under the assumption that, if individuals have similar interests they will pursue the group interest. It turns out that such assumption is over restrictive. The next section discusses the challenges/problems of collective action and the different solutions adopted by different groups and their implications on the society and the economy at large.

#### **4. Problems arising from collective action and possible solutions to mitigate such problems**

Theoretically, it has been argued that some situations pose difficulty to get people to work together towards achieving collective goals/interest because of the conflict between the individual interests and the collective interests (Olson, 1965). More specifically, he argues that “unless the number of individuals in a group is quite small or unless there is coercion or some other special device to make individuals act in their common interests, rational, self-interested individuals will not, on their own, act to achieve their common or group interests” (pp.2).

Despite such theoretical prediction, empirical evidence suggests that cooperation can be sustained in some conditions. Section two of this paper provided a detailed explanation about different causes and manifestations of collective action problems. In this section, I focus on different solutions which have been adapted or proposed by different academicians and practitioners in response to collective action problems. More particular, I will discuss property rights, government control, and self-governance.

In analyzing collective action problems, Olson constructed three typological groups: the first one is privileged group, the members of which would gain more from a public good than it would cost them to provide it unilaterally; the second group is latent groups, any member of this group could withhold his contribution to the public good without causing a noticeable reduction in its supply; and the last one is intermediate groups - if any member of this group withholds his contribution, it will cause a noticeable decrease in supply of the good, or a noticeable rise in cost to other contributors.

Normally the first group does not suffer as much from collective action problem because the collective benefits are relatively higher than the individual cost of participating. Also the last one is mainly small groups which he showed that it is easier and less costly to coordinate and control the members, thus it is possible to provide collective goods to this group. Also, the use of social pressure and selective incentive strengthen the cooperation among the group members. Ostrom demonstrated that through self-organized governance, local norms/beliefs, trust, reciprocity and altruism, these small groups have been able to manage the common pool resources in a sustainable manner. Thus, institutions which are locally developed help identify psychological, social, economic incentives for members to act.

Among the three groups, the collective action problem is more serious for the latent group. In the latent group the collective goods/services would not be provided without coercion and selective incentives. The main challenge in this group is that each person gets proportionately smaller benefit from a collective good. The use of coercive mechanism and selective incentive (both negative and positive) has been proposed and actually, it has been applied in different settings.

When groups get large enough, government control and federalism becomes a more feasible coercive and coordinating mechanism for the provision and coordination of the collective efforts. A good example is the mandatory taxation and the use of the tax revenue in the provision of public goods like defense, education and infrastructure, just to mention a few. The problem of free riding, in some instance, especially in professional association has been dealt with by enacting legislation that requires compulsory union membership, for example, in labor unions. Such legislations can be used in conjunction with the use of selective incentives where individuals can only gain through membership like members’ insurance plans.

Another solution for collective action problem is property rights. Property rights have proved to be useful especially in controlling the tragedy of the common and misuse of common pool resources. According to Barzel 1989, property rights can be defined as the rights of an individual (*or a group*) to consume or alienate from assets, *italics are mine*. Ruth and Di Gregorio argue that recognized property rights not only reinforce collective action that is needed for collective management of common property resources but also provides security for individual and households. However, these different mechanisms which have been adopted as solution to collective action problems have led to new challenges or second level problems. The next paragraph discusses these challenges and their implications for the economy and society at large.

In some instance the introduction of property rights has led to serious short-term and long-term distributional problems. Such problems if not well addressed may create more problems than it was supposed to solve in the long run. A good example is the land crisis in Zimbabwe and the ongoing land conflict in South Africa. While it is easier to argue that the problem is more on the management of the country than the property right regimes, there is a need to seriously revisit the property rights regimes and ask if its enforceability still conforms with prevailing views of what is ethical in the local context of those communities. Also, when the property rights are too restrictive, they may hinder development and adoption of local technologies. Pablo et al,

2004 provides detailed example on how ignorance of local rights in designing property regimes led to the loss of local knowledge on low cost medications for heart ailments.

Government control and regulatory regimes is the most widely recognized mechanism as a solution to collective action problem. The major challenge of this approach is the creation of the higher order collective action problem, while solving lower order problem. An example of this is the income equalization scheme in Canada. As the economic dynamics change across the provinces, some provinces would prefer to receive the income equalization than giving aid to others. Another parallel problem is the principal agent problem, in large organization like government, monitoring and supervision of provision of collective good is important. However those who are appointed to monitor the activities have their own interests which may not be aligned with the collective interests. In a hierarchical organization like federal government this problems is very common and sometimes very costly.

Last but not the least, self-organized governance which seems to be effective in small group and in managing common pool resources has some limitations. These limitations includes: out-migration and immigration, and excessive control from external agency like central government. The problem of out migration may arise due, possibly, to loss of people's strong ethics and cooperatives spirits, as immigration may bring in people with different culture and norms and sometimes non cooperatives spirits.

## 5. Conclusion

Voluntary coordination and cooperation is a fundamental element in group formation and collective action efforts. Well-coordinated and managed groups tend to have advantage over the weakly organized groups both in terms of social influence and bargaining power. Thus successful groups will have disproportionate influence on the creations of the institutions which in turn will set the rules of the game and dictate the policy process in their favor. Through collective action they will be guaranteed an access to and control of political institutions. Political institutions in turn influence economics institutions. Economics institutions influence economic performance and resources distribution in the future. The resources distribution and economic performance in the future creates positive incentive for creating or re-invigorating exiting collective actions groups which in turns influence the public policy process. This iterative process leads to conclusion that there is bi-directional causality between collective action and public policy. Despite the significant role of collective action, both in economy and society, they often suffer the tragedy of commons, free rider problem and coordination problem. Some of the proposed solutions to these challenges are: self-government, property rights and government control. While each different solution fit different contexts, none of the solution is a panacea to the problem of collective action. Also each collective action solution has its own limitations and negative impacts to the society.

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