



One of many closed-down coffee shops and restaurants during the coronavirus lockdown.

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THE LOGIC OF AMERICAN POLITICS

CHAPTER OBJECTIVES

- 1.1** Summarize the importance of institutional design in governance.
- 1.2** Discuss the role of a constitution in establishing the rules and procedures that government institutions must follow for collective agreement.
- 1.3** Identify different types of collective action problems.
- 1.4** Explain the costs of collective action.
- 1.5** Relate the different ways that representative government works.
- 1.6** Discuss the similarities and differences between private, public, and collective goods.

The year 2020 was one of crisis for Americans. The public health crisis began suddenly with the arrival of the COVID-19 pandemic. By February 29, the United States recorded its first death from COVID-19, a number that would rise to more than 340,000 by the year's end. Shortly after the pandemic's onset, the government was struggling to deal with it. Americans began to learn just how seriously unprepared the national government was in many areas, as test kits were in short supply.

In March, the pandemic surged, hitting New York City especially hard. Outside of hospitals, refrigerated trailers lined the streets, serving as makeshift morgues for COVID-19 casualties. Deficiencies in the government's preparedness became shockingly evident each day, as governors and public health officials on the nightly news revealed hospitals had too few ventilators for the very ill. Doctors and nurses treating COVID-19 patients nationwide had limited access to personal protective equipment (PPE) such as gloves, masks, and medical respirators. Nursing homes often had no PPE for their staffs. On March 14, 2020, President Donald Trump addressed a group of governors on the shortages: "Respirators, ventilators, all of the equipment—try getting it yourselves." With the federal government providing insufficient supplies and little coordination, states were left on their own, bidding against each other for PPE from foreign producers.^a

Governors began to issue "stay at home" orders, hoping to stem the tide of COVID-19 cases by limiting personal contact. Those deemed "essential workers" remained on the job, including supermarket employees, bus drivers, and health care personnel. Meanwhile, millions of Americans who could not work from home joined the rapidly swelling ranks of the unemployed. By April, 23 million American workers had filed for unemployment benefits, fueling an economic crisis alongside the public health crisis. In the second quarter of 2020, the United States experienced its steepest quarterly drop in economic output on record.

^aThis problem could have been avoided had they approached testing and provision of critical supplies collectively, rather than individually. We discuss these problems in Chapter 3.

Congress could not stop the pandemic, but it could try to relieve the potentially catastrophic effects it was inflicting on the economy. By the end of May, Congress had passed four relief bills that provided grants to more than 85 percent of small businesses and boosted unemployment compensation by \$600 a week. Big businesses, state governments, health providers, and FEMA also benefited from these bills. The federal government's various programs of grants, loans, and tax breaks totaled more than \$4 trillion.

Despite a divided Congress—Republicans running the Senate and Democrats controlling the House—this bipartisan response to the crisis was extraordinary, both in scale and speed. Each party's politicians had different priorities, which led to marathon negotiations and compromise. But a response was expected, and neither party wanted to bear responsibility for blocking emergency assistance. Given the urgency, each side basically got what it had sought in the bills. Legislators were much quicker in committing funds than were their predecessors, who appropriated much less money during the 2009 financial crisis. Creative policy design also expedited agreement. For example, under the Payroll Protection Program, small businesses received a loan that would be converted to a grant if they maintained at least 75 percent of their payroll. As far as we know, this was a novel (and successful) political solution to protecting businesses and workers.

When support for small businesses and the unemployed expired in August, Congress recognized the need for more federal assistance. However, important political circumstances had changed in ways that made the timely enactment of new relief legislation difficult. The national debt had suddenly quadrupled, making Republican senators blanch at passing the House Democrats' initial proposal to spend several trillion dollars on federal assistance. The two sides continued negotiations up to the November election, but they did not make enough progress to pass a bill. This failure to agree to a second round in a timely fashion illustrates the difficulty of legislating when political power is divided in Washington. And it makes even more impressive Washington's quick and massive response to the crisis during the spring.

As this example shows, social choices inevitably breed conflict, especially when they involve issues that affect the political parties' core constituencies. Through politics, people try to manage such conflicts. Neither side may be thrilled by the results, but when politics succeeds, both sides discover a course of action that satisfies them more than the status quo. However, politics does not always end in success. Resources are too scarce to satisfy the competing claimants, and values prove irreconcilable. Even when the configuration of preferences might allow reconciliation, the political process itself may impede lawmakers' efforts to agree on a new policy. Finally, successful politics does not always lead to happy endings.

In more formal terms, **politics** is *the process through which individuals and groups seek agreement on a course of common, or collective, action—even as they disagree on the intended goals of that action.*^b Politics matters because each party's success in finding a solution requires the cooperation of others who are looking to solve a different problem. When their goals conflict, cooperation may be costly and difficult to achieve.

^bThroughout the text we frequently refer to some generic *collectivity*, whose members engage each other in reaching a *collective decision* either to undertake some *collective action* or to produce some *collective good*. We enlist these general terms whenever we offer a definition, an observation, or a conclusion that has a general application.

Success at politics almost invariably requires bargaining and compromise. Where the issues are simple and the participants know and trust one another, **bargaining** may be all that is needed for the group to reach a collective decision. Generally, success requires bargaining and ends in a compromise, or a settlement in which each side concedes some preferences to secure others.

Those who create government institutions (and the political scientists who study them) tend to regard preferences as “givens”—individuals and groups know what they want—that must be reconciled if they are to agree to some common course of action. Preferences may reflect the individual’s economic situation, religious values, ethnic identity, or some other valued interest. We commonly associate preferences with some perception of self-interest, but they need not be so restrictive. Millions of Americans oppose capital punishment, but few of those who do so expect to benefit personally from its ban.

Reconciling disagreement over government action represents a fundamental problem of politics. James Madison played a dominant role in drafting the Constitution, and we repeatedly turn to him for guidance throughout this book. In one of the most memorable and instructive statements justifying the new Constitution to delegates at the state conventions who were deciding whether to ratify it, he explained in *Federalist* No. 10 that the new government must represent and reconcile society’s many diverse preferences that are “sown into the nature of man”:

A zeal for different opinions concerning religion, concerning government, and many other points . . . have, in turn, divided mankind into parties, inflamed them with mutual animosity, and rendered them much more disposed to vex and oppress each other than to co-operate for their common good. So strong is this propensity of mankind to fall into mutual animosities, that where no substantial occasion presents itself, the most frivolous and fanciful distinctions have been sufficient to kindle their unfriendly passions and excite their most violent conflicts.

Certainly, Madison’s observation appears no less true today than when he wrote it in 1787.



During the Great Depression, when millions of Americans were suddenly impoverished, many critics blamed unfettered capitalism. The National Association of Manufacturers, still a politically active industry association, posted billboards like this one around the country to bolster support for “private enterprise” by associating it with other fundamental preferences.

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THE IMPORTANCE OF INSTITUTIONAL DESIGN

As participants and **preferences** in politics multiply and as issues become more complex and divisive, unstructured negotiation rarely yields success. It may simply require too much time and effort. It may require some participants to surrender too much of what they value to win concessions from the other side. In other words, a **compromise** solution simply may not be present. And finally—and this is crucial, because here the careful study of institutional design can make a difference—negotiation may expose each side to too great a risk that the other will not live up to its agreements.

Fear of renegeing may foster mutual suspicions and lead each side to conclude that “politics” will not work. When this occurs, war may become the preferred alternative. The conflict in the 1990s among Serbs, Croats, and Muslims in Bosnia followed such a dynamic. The earlier collapse of Yugoslavia’s communist government resurrected ancient enmities among people who had lived peacefully as neighbors for decades. In the absence of effective political institutions they could count on to manage potential conflicts, ethnic and religious rivals became trapped in a spiral of mutual suspicion, fear, and hostility. Without a set of rules prescribing a political process for reaching and enforcing collective agreements, they were joining militias and killing one another with shocking brutality within a year. Today, the former Yugoslav states are separate national governments striving to build institutions that replace violence with politics.

Whether at war or simply at odds over the mundane matter of scheduling employee coffee breaks, parties to a conflict benefit from prior agreement on rules and procedures for negotiations. Indeed, this theme reappears throughout this book: a stable community, whether a club or a nation-state, endures by establishing rules and procedures for promoting successful collective action. In January 1999, when the Senate turned to the impeachment trial of President Bill Clinton, the stage was set for an escalation of the partisan rancor that had marred the same proceedings in the House of Representatives. Yet the Senate managed to perform its constitutional responsibility speedily and with a surprising degree of decorum thanks to an early, closed-door meeting in which all one hundred senators endorsed a resolution that laid out the trial’s ground rules. More important, they agreed to give the chamber’s Democratic and Republican leaders the right to reject any changes to these rules. Thus members on both sides of the partisan divide could proceed toward a decision without fear that the other side would resort to trickery to get the results it favored. That the Senate would find a way to manage its disagreements is not surprising. Its leaders take pride in finding collegial ways of containing the potential conflicts that daily threaten to disrupt its business.

Reliance on rules and procedures designed to reconcile society’s competing preferences is nothing new. In an era of arbitrary kings and aristocrats, republican political theorists understood their value. In a 1656 treatise exploring how institutions might be constructed to allow conflicting interests to find solutions in a more egalitarian way, English political theorist James Harrington described two young girls who were arguing about how to share a single slice of cake. Suddenly one of the girls proposed a rule: “‘Divide,’ said one to the other, ‘and I will choose; or let me divide, and you shall choose.’” At this moment, Harrington stepped away from his story and seemingly shouted to the reader, “My God! These ‘silly girls’ have discovered

the secret of republican institutions.”^c With that ingenious rule, both girls were able to pursue their self-interest (the largest possible slice of cake) and yet have the collective decision result in a division both could happily live with.¹ This became, for Harrington, a parable about the virtues of **bicameralism**—a legislature comprised of two chambers with each holding a veto over the other.

More than one hundred years after Harrington’s treatise, the Framers of the Constitution spent the entire summer of 1787 in Philadelphia debating what new rules and offices to create for their fledgling government. They were guided by their best guesses about how the alternatives they were contemplating would affect the interests of their states and the preferences of their constituencies (Chapter 2). The result of their efforts, the Constitution, is a collection of rules fundamentally akin to the one discovered by the girls in Harrington’s story. (Think about it: both the House of Representatives and the Senate must agree to a bill before it can be sent to the president to be signed into law.) The events in Philadelphia remind us that however lofty the goal that gives rise to reform, **institutional design** is a product of politics. As a result, institutions may confer advantages on some interests over others. Indeed, sometimes one side, enjoying a temporary advantage, will try to permanently implant its preferences in difficult-to-change rules and procedures. The present-day Department of Education, for example, arose from the former Department of Health, Education, and Welfare in 1977 after newly elected president Jimmy Carter proposed this split as a reward for early support from teacher organizations that had long regarded a separate department as key to their ability to win increased federal funding for schools and teacher training. The history of this department bears out the wisdom of their strategy. Republican Ronald Reagan followed Carter into the White House with the full intention of returning the education bureaucracy to its former status. But before long the cabinet secretary he appointed to dismantle the department began championing it, as did many Republicans in Congress whose committees oversaw the department’s activities and budgets. Nearly four decades later, the Department of Education is entrenched in Washington, and as we found in the introduction, national education policy has become a central issue for politicians from both political parties.

CONSTITUTIONS AND GOVERNMENTS

All organizations are governed by rules and procedures for making and implementing decisions. Within colleges and universities, the student government, the faculty senate, staff associations, academic departments, and, of course, the university itself follow rules and procedures when transacting regular business. Although rules and procedures go by different names (for example, *constitution*, *bylaw*, *charter*), their purpose is the same: to guide an organization’s members in making essentially political decisions—that is, decisions in which the participants initially disagree about what they would like the organization to do.

^cActually, Harrington exclaimed, “Mon Dieu!” Note that the lowercase “republican” refers to a form of government and not the (uppercase) Republican Party. The same case distinction applies to “democratic” and the Democratic Party. Both of these forms of government are examined later in the chapter.

And what happens when the organization is a nation? Consider the problems: the number of participants is great, the many unsettled issues are complex, and each participant's performance in living up to agreements cannot be easily monitored. Yet even with their conflicts, entire populations engage in politics every day. Their degree of success depends largely on whether they have developed constitutions and governments that work.

The **constitution** of a nation establishes its governing **institutions** and *the set of rules and procedures these institutions must (and must not) follow to reach and enforce collective agreements*. A constitution may be a highly formal legal document, such as that of the United States, or it may resemble Britain's unwritten constitution, an informal "understanding" based on centuries of precedents and laws. A **government**, then, consists of these institutions and the legally prescribed process for making and enforcing collective agreements. Governments may assume various forms, including a monarchy, a representative democracy, a theocracy (a government of religious leaders), or a dictatorship.

Authority versus Power

The simple observation that governments are composed of institutions actually says a great deal and implies even more. Government institutions consist of **offices** that confer on their occupants specific authority and responsibilities. Rules and procedures prescribe how an institution transacts business and what authority relations will link offices together. **Authority** is the acknowledged right to make a particular decision. Only the president possesses the authority to nominate federal judges. However, a majority of the Senate's membership retains sole authority to confirm these appointments and allow the nominees to take office.

Authority is distinguishable from **power**, a related but broader concept that we employ throughout the book. Power refers to a politician's actual influence over others whose cooperation is needed to achieve their political goals. An office's authority is an important ingredient, conferring influence—that is, power—to those who enlist it skillfully. For instance, President Trump had the authority to instruct the Department of Homeland Security (DHS) to test alternative prototypes for a new and extended wall at the U.S.–Mexican border. However, he did not appear to have the billions of dollars requisite to actually construct the wall. Appropriations authority rests squarely with Congress—in this instance, a Democratic House of Representatives that had little interest in accommodating the president. But then the administration discovered a provision in a military construction law that authorized presidents to move funds to different projects when "unforeseen" circumstances arise and Congress had not explicitly denied funding for the project. After the Supreme Court decided that the administration's plan fell within its authority, the Trump administration hurriedly transferred \$2.5 billion to the wall project. But the fact that it could muster only sufficient funds to construct four hundred miles of wall, much of it replacing sections of the current wall, reminds us that authority rarely ensures success.

Institutional Durability

Institutions are by no means unchangeable, but they tend to be stable and resist change for several reasons. First, with authority assigned to the office, not to the individual holding the office,

established institutions persist well beyond the tenure of the individuals who occupy them. A university remains the same institution even though all of its students, professors, and administrators are eventually replaced. Institutions, therefore, contribute a fundamental continuity and orderliness to collective action. Second, the people affected by institutions make plans on the expectation that current arrangements will remain. Imagine the consternation of those college students who were packing for their Washington internship when the pandemic hit, and they discovered that they would serve distantly—in many cases from their bedroom at home. Or consider the anxiety the millions of workers approaching retirement must feel whenever politicians ruminate about changing Social Security.^d

Sometimes institutions are altered to make them perform more efficiently or to accomplish new collective goals. In 1970, an executive reorganization plan consolidated components of five executive departments and agencies into a single independent agency, the Environmental Protection Agency, with a strong mandate and commensurate regulatory authority to protect the environment. By coordinating their actions and centralizing authority, these formerly dispersed agencies could more effectively monitor and regulate polluting industries.

The Political System's Logic

The quality of democracy in modern America reflects the quality of its governing institutions. Embedded in these institutions are certain core values, such as the belief that those entrusted with important government authority must periodically stand before the citizenry in elections. Balanced against this ideal of popular rule is the equally fundamental belief that government must protect certain individual liberties even when a majority of the public insists otherwise. Throughout this text we find politicians and citizens disagreeing on the precise meaning of these basic beliefs and values as they are applied or redefined to fit modern society.

Also embedded in these institutions—initially by the Framers of the Constitution and later by amendment and two centuries of precedents based on past political practices—is a logic based on principles about how members of a community should engage one another politically to identify and pursue their common goals. Although the Framers did not use the vocabulary of modern political science, they intuitively discerned this logic and realized that they must apply it correctly if the “American Experiment” were to succeed.^e

For us, too, this logic is essential for understanding the behavior of America’s political institutions, the politicians who occupy them, and the citizens who monitor politicians’ actions. To that end, the concepts presented in the remainder of this chapter are the keys to “open up”

^d In his 2005 State of the Union address President George W. Bush sought to reassure the most anxious segment of the public approaching retirement—specifically, those over age fifty-five—that his sweeping reform proposal would not apply to them.

^e They were, after all, contemporaries of Isaac Newton and found in his theory of mechanics inspiration to search for similar natural laws to create a well-functioning polity. With Britain’s monarchy the only real-world model to guide them—and one they tended to judge more as a model of what to avoid than to emulate—the Framers depended heavily on carefully reasoned ideas, which took them to Newtonian physics. Consequently, the terms *force*, *counterweight*, and *balance* were familiarly used during debates at the Constitutional Convention and by both sides in the Constitution’s subsequent ratification campaign.

America's political institutions and to reveal their underlying logic. We begin with the problems (or one can think of them as puzzles) that confront all attempts at collective action. Many institutional arrangements have been devised over time to solve these problems. Those we examine here are especially important to America's political system, and the concepts reappear as key issues throughout the book.

COLLECTIVE ACTION PROBLEMS

By virtue of their size and diversity, nations encounter special difficulties in conducting political business. In those nations where citizens participate in decisions through voting and other civic activities, still more complex issues arise. Successful **collective action** challenges a group's members to figure out what they want to do and how to do it. The former involves comparing preferences and finding a course of action that sufficient numbers of participants agree is preferable to proposed alternatives or to doing nothing. The latter concerns implementation—not just the nuts and bolts of performing some task but reassuring participants that everyone will share the costs (such as taxes) and otherwise live up to agreements.

Even when members basically agree to solve a problem or achieve some other collective goal, there is no guarantee that they will find a solution and implement it. Two fundamental barriers—coordination problems and prisoner's dilemmas—may block effective collective action. Coordination can be problematic at both stages of collective action—as members decide to undertake a task and subsequently work together to achieve it. **Coordination** in making a joint decision mostly involves members sharing information about their preferences; coordination in undertaking a collective effort involves effectively organizing everyone's contribution. On this second matter, coordination may become problematic when individual members realize that their contribution may be costly. For instance, individual members may be asked to make a severe contribution such as going to war, and despite their costly effort, the collective effort might fail. Or if it succeeds, it will do so whether they personally contribute or not. Of course, if everyone felt this way, the collective effort would disintegrate.

This fundamental problem introduces a class of issues commonly referred to as the **prisoner's dilemma**. It refers to a variety of settings in which individuals find themselves personally better off by pursuing their private interests and undermining the collective effort even when they want it to succeed. Prisoner's dilemmas pervade all of politics, from neighbors petitioning city hall for a stop sign to legislators collaborating to strike budget deals in Congress. These dilemmas especially interest us because the "solution"—that is, having everyone contribute to the collective undertaking—depends heavily on providing the kinds of incentives to individuals that governments are well equipped to do.

Coordination

The size of a group affects its members' ability to coordinate in achieving an agreed-to goal. This is true even when everyone is poised to do their part. They still need to know what their contribution requires them to do. Here, a classical music performance offers an education in the

costs of coordinating collective action. During a concert, the members of a string quartet coordinate their individual performances by spending nearly as much time looking at one another as they do their own music. Volume, tempo, and ornamentation must all be executed precisely and in tandem. By the end of a successful concert, the effort required is evident on the triumphant musicians' perspiring faces. A symphony orchestra, by contrast, achieves comparable coordination, despite its greater numbers, by retaining one of its members to put aside the musical instrument and take up the conductor's baton. By focusing on the conductor, orchestra members are able to coordinate their playing and produce beautiful music. And at the end of the concert, the conductor is the first one to mop a perspiring brow.

The challenges to successful coordination increase with size.^f Large groups trying to reach a shared goal might emulate the symphony in designating and following a leader. Members of the House of Representatives and the Senate configure procedures to enable Congress to decide policy for the hundreds of issues presented each session. But to achieve that objective, the 435-member House and the 100-member Senate proceed differently, following a logic reflecting the size of their organizations. The House delegates to a Rules Committee the responsibility for scheduling the flow of legislation onto the floor and setting limits on deliberations and amendments. This important committee becomes the "leader" in setting the body's agenda. The entire House cedes this authority to a committee because coordination is vital if the chamber is to identify and pass the most preferred legislation. By contrast, the smaller Senate functions similarly to a string quartet; it achieves comparable levels of coordination without having to surrender authority to a specialized committee. In the Senate, the same coordination arises from informal discussions among members and party leaders. This explains why society's collective decisions are generally delegated to a small group of professionals, namely **politicians**, who intensively engage one another in structured settings, namely government, to discover mutually attractive collective decisions.

Despite the problems presented by a great number of participants, successful mass coordination occasionally succeeds without delegation to politicians or the presence of institutions that channel individuals' choices. Nowhere is this more evident than every four years, when voters participate in primaries to select their party's nominee for president. Some voters may have strong opinions about the merits of the candidates. Many will be largely indifferent on this score, since all the candidates belong to the voter's party. Democratic primary voters studied the campaigns to decide not only whose promises and pledges they personally preferred but even more importantly which candidate other Democrats appeared most excited about. What motivates their choice is finding a candidate who stands the best chance of winning.

In the 2020 Democratic presidential primaries, twenty-three candidates vied for nomination. This left voters wondering which one stood the best chance of defeating President Trump. When someone who performed well in the polls was shown support in a state's primary, they rose in the national polls. Most stumbled badly, including the initial front-runner, Joe Biden. But when a number of states broke his way during Super Tuesday, the other campaigns essentially

^fNonetheless, there are collective action problems for which simple, self-enforcing rules—such as traffic staying to the right side of the street—might be all that is required.

collapsed overnight. Biden's Super Tuesday victory may not have persuaded supporters of the other Democratic candidates that Biden's policies were wise. Instead, these voters discerned a bandwagon emerging, one capable of taking them to victory in November. The Super Tuesday results supplied a prominent cue directing them how to pool their collective efforts. Such a cue is called a **focal point**.

Internet-based social networks offer levels of focal point coordination unimaginable in earlier decades. A remarkable example of nearly spontaneously coordinated protest activity occurred in 2006, when a Los Angeles union and church organized a protest march against anti-immigrant legislation under consideration by the House of Representatives. The organizers hoped to arouse twenty thousand participants, but after they persuaded several Spanish-radio DJs to publicize the rally, more than half a million protesters showed up. The size of the turnout amazed everyone, including the organizers, and the crowd quickly overwhelmed the police force. Clearly, there was a pent-up demand needing only a cue as to when and where everyone would appear. Since then, mass demonstrations have become something of the norm. During the 2020 coronavirus pandemic, crowds suddenly showed up in a dozen cities on the same weekend to protest states' pandemic quarantines. These demonstrations were soon eclipsed by even more numerous and massive demonstrations against police brutality, after the world watched a police officer's casual murder of George Floyd in Minneapolis in May 2020 while three other officers on the scene did not intervene.

Each of these examples has a feature in common: they are what economists call "cooperative" games. For the most part, members of the symphony, people seeking ways to demonstrate their displeasure, ordinary voters in presidential primaries, and the like are ready to act but require the direction the focal signal provides. There are exceptions, of course. In 2016, some Republican voters were gung ho for Trump and others were "never Trumpers," but most Republicans piled onto the Trump bandwagon after it became clear that he was the only viable candidate in the race. Those who join protests, whether it embraces "Black Lives Matter" or the January 6 raid on the Capitol, are looking for a way to express their unhappiness. Organizers send out a signal through social media about when and where to show up; those eager to protest do so.

We now turn to more problematic challenges to collective action—situations in which those being summoned to join a collective undertaking may be motivated to stay on the sidelines even though they fully endorse their group's goals and efforts to achieve them. Notice in the examples considered so far, the coordination problem was simply one of focally supplying information—when and where would-be protesters should materialize to express their displeasure with the state of the world or presidential primary voters to register support for the candidate who appears to have the best chance of winning in the fall's general election. Unlike these instances, where only mutual ignorance stood in the way of a cooperative effort, many other attempts at collective action—daresay, most other—face a more serious hurdle to success. In these instances, even those individuals who wholeheartedly agree with the collectivity's goals and call to action may find a reason to stay on the sidelines. This is when those being called to action sense that they would be better off shirking their contribution and letting others achieve the collectivity's success. Here too the goals of the collectivity are not at issue. Rather, the problem is a

misalignment between the group's goals and the individual's private incentives. Even if Senator Joe Manchin of West Virginia wants Democrats to retain control of the Senate—allowing him to retain his subcommittee chair—he can ill afford to support the Biden administration's legislation to reduce reliance on coal if he wants to remain the Mountain State's senator. The many situations in which agreement on a group's goals are insufficient to ensure a successful effort or even whether it even gets off the ground belong to a class of coordination problems known as prisoner's dilemma. Unlike scenarios with cooperative coordination, more than a focal signal pointing everyone in the same direction may be required. Overcoming the urge to shirk one's contribution will frequently require that the group monitor its members' actions and, where necessary, find a way to induce them to contribute to the collectivity's success.

The Prisoner's Dilemma

Since it was first formally introduced in the late 1950s, the prisoner's dilemma has become one of the most widely used concepts in the social sciences. A casual Google search generated over half a million hits on this phrase, bringing up websites on subjects far afield from political science and economics (where systematic consideration of the concept originated), including psychiatry, evolutionary biology, and even sports. The prisoner's dilemma depicts a specific tension in social relations, one long intuitively understood by political thinkers. Solving this dilemma fundamentally distinguishes political success and failure and is a cornerstone of our inquiry throughout the text. What precisely is the prisoner's dilemma, and why is it so important for the study of American politics?

The prisoner's dilemma arises whenever individuals who ultimately would benefit from cooperating with each other also have a powerful and irresistible incentive to break the agreement and exploit the other side. Only when each party is confident that the other will live up to an agreement can they successfully break out of the dilemma and work to their mutual advantage. A simple example of how this works is the original exercise that gives the prisoner's dilemma its name. In the movie stills from the 1941 drama *I Wake Up Screaming*, homicide detectives are subjecting screen legends Victor Mature and Betty Grable to the prisoner's dilemma. Specifically, each murder suspect is being advised to confess and testify against the other, in return for a lighter prison sentence. The diagram on the next page maps out the likely prison term each faces. Deep down Mature and Grable know that the police do not have enough evidence to convict them of murder. All they have to do is stick to their story (i.e., cooperate), and, at worst, they may have to spend six months in jail on a gun possession charge. If both were to confess, each would get a five-year sentence. Each of them is offered a deal: in exchange for a full confession, the "squealer" will get off scot-free, whereas the "fall guy" or "sucker" will be convicted and likely receive a ten-year prison term. In the movie both suspects are isolated in their cells for a few days, with the detectives hinting that their partner is "singing like a canary." As the days pass, each begins to recognize the other's character flaws and panics. If Mature squeals, Grable realizes, she must also in order to avoid a ten-year stretch. If, however, she has underestimated his virtues and he holds out, well, that would be unfortunate, but she gains some solace in knowing that her lone confession will be her "get-out-of-jail" card. Of course, Mature, stewing in his cell, reaches the same conclusion. Why this movie presents a genuine



Subjected to the classic prisoner's dilemma interrogation, Victor Mature and Betty Grable turn out to have nothing to confess in the 1941 whodunit *I Wake Up Screaming*. Since its introduction in the 1950s, thousands of articles have enlisted this metaphor to explore the fundamental conflict between what is rational behavior for each member of a group and what is in the best interest of the group as a whole.

20th Century Fox/Photofest

dilemma is that *in this setting* confessing offers the best outcome for each suspect, regardless of what the other individual does. So, in the end, they both confess and spend the next five years in the slammer.[§]

[§]For this reason police have traditionally objected to giving suspects early access to lawyers, who might help the otherwise isolated prisoners coordinate their plan. But this is a different story we return to in Chapter 5. By the way, the movie offers a happy ending.

So what does this dilemma have to do with American politics? Everything. Every successful political exchange must tacitly solve the prisoner's dilemma. Exchanges occur because each side recognizes that it will be better off with a collective outcome rather than with trying to act alone. Had Mature and Grable somehow managed to stay silent, their cooperation would have shaved all but six months from their five-year terms. And both knew this. Yet neither could be sure the other confederate would stay silent. To get something worthwhile, both sides must typically give up something of value in return. The moral: unless participants in a collective decision can trust each other to abide by their commitments, they will not achieve a mutually profitable exchange.

How do the Matures and Grables shift the outcome from that quadrant, where neither cooperates, to the one where they both do? One solution involves making reneging and defection very expensive. In some settings this can be achieved informally. For example, politicians who repeatedly make campaign promises that they subsequently fail to act on lose credibility with voters and become vulnerable to defeat in the next election. Once in office, reneging on an agreement will quickly damage a politician's reputation, and others will refuse to deal with them in the future. Where failure to live up to one's agreements imposes costs down the road, politicians will think twice before doing so.

Another common solution is to create institutions that help parties discover opportunities to profit through cooperation and, most important, guarantee that agreements are honored. Here, government's coercive authority is useful. An anthropologist once reported that two tribes in a remote region of New Guinea lived in a state of continual warfare, to the point that many more men from both tribes had died in battle than from natural causes. The anthropologist summed up their dilemma: "In the absence of any central authority, they are condemned to fight forever . . . since for any group to cease defending itself would be suicidal." He added that these tribes might "welcome pacification." One day the distant government in Papua sent a ranger armed with a handgun to establish territorial boundaries between the tribes and rules governing their chance encounters. Suddenly, the decades-long warfare ended. Each side believed the ranger with his single sidearm presented sufficient force to punish any breaches (defection) of the peace agreements, and the now-peaceful neighbors began to use politics—not war—to solve their conflicts.² Members of a society must be able to engage one another politically. Without confidence that agreements will be enforced, the political process quickly unravels. Participants will balk at undertaking mutual obligations they suspect their bargaining partners will not honor.

In his 1651 treatise on the origin and purposes of government, *Leviathan*, political philosopher Thomas Hobbes examined the straits to which society is reduced when its government is unable to enforce collective obligations and agreements. In a famous passage he warned that life would return to "a state of nature . . . solitary, poor, nasty, brutish and short."³ The mortality rate of the New Guinea tribesmen confirmed Hobbes's insight. They were not naturally combative; rather, these tribes simply could not trust each other. Thus enforcement succeeded in encouraging cooperation, but not through flaunting overwhelming force or imposing a solution on the contending parties. The ranger's presence simply rendered any party's defection costlier than its compliance.

Hopefully, the relevance of the prisoner's dilemma to American politics is becoming clearer. Virtually every policy the government adopts represents a successful resolution of this dilemma.



Thomas Hobbes, *Leviathan, or The Matter, Forme, & Power of a Commonwealth Ecclesiasticall and Civill* (1651; reprint, Oxford: Clarendon Press, 1958).

Wikimedia Commons

Constituencies and their representatives cooperate to achieve their separate goals—recall our definition of politics earlier—because institutions have developed to help diverse constituencies discover opportunities for mutual gain through cooperation and, just as important, to deter them from renegeing on their agreements. Like the ranger with a handgun from Papua, America’s political institutions foster collective action by solving the prisoner’s dilemma.

Other issues simply do not offer mutual gains through cooperation. A **zero-sum game** ensues where one party’s gain is the other’s loss. Elections are a classic zero-sum game. They

frequently arise in national politics over controversial issues that cannot be easily compromised. In such instances, politics may break down and give way to force. National policy on rights to abortion frequently becomes just such an issue where irreconcilable preferences seek to control policy. Chapter 4 recounts the most intractable issue of all in American political history—the failure, despite repeated compromise attempts, to come up with a policy on slavery’s extension into the territories during the 1850s. This issue was resolved only by the deadliest war of its time.

Even when each side can envision opportunities for mutual gains, American politics is far from failure proof. Everyone agrees that in several decades the Social Security program will be unable to keep up current levels of benefits long before the millennial generation approaches retirement. Both Republicans and Democrats in Washington want to fix it, and from time to time one side will gingerly make an overture to the other. But all of the solutions are costly or otherwise unpopular, either requiring hefty new taxes or curtailing benefits. Both political parties worry that as soon as they offer a tough solution, the other side will exploit it to score points in the next election. Until politicians figure out a way to cooperate and share the blame, Social Security reform will remain the proverbial “third rail” of politics: “Touch it and you are dead.”^h

Free-Rider Problem

A form of the prisoner’s dilemma that afflicts large groups is the **free-rider problem**. Whenever an individual’s contribution to the success of the collective effort is so small as to seem inconsequential, they will be tempted to free ride—that is, fail to contribute to the group’s undertaking while enjoying the benefits of its success. Even those who enthusiastically support the group’s goal realize that they can escape fulfilling their obligations. When the motivation to free ride is a serious possibility, several outcomes are possible.

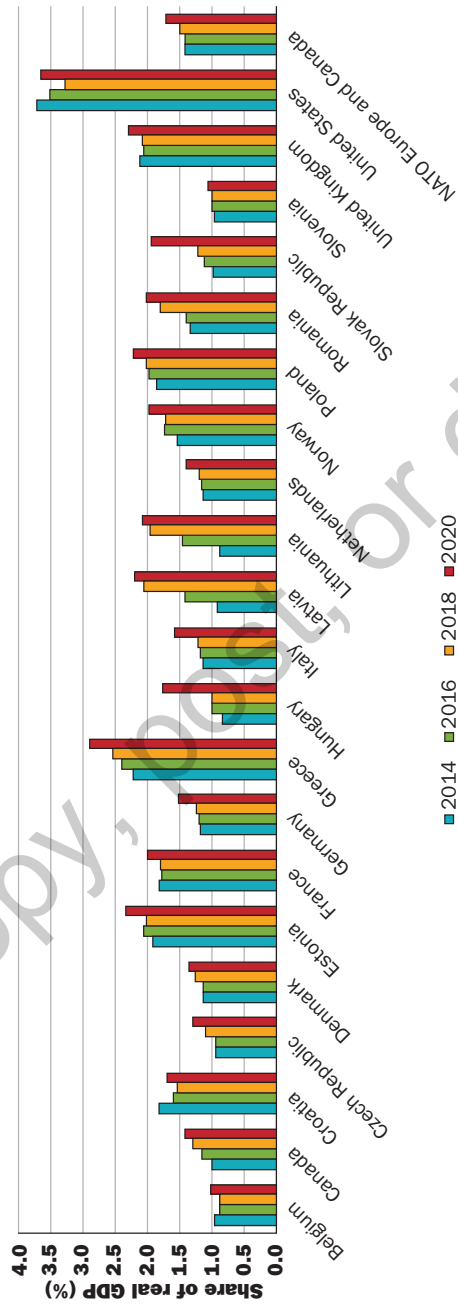
First, it may stymie collective action altogether. Just knowing that the other participants might free ride may dissuade those ready to pony up their share of money or effort from doing so. If many people react this way—and many do—and suspect their neighbors of doing so as well, too few contribute to the collective effort, and, thus, it fails. During Barack Obama’s 2008 presidential campaign, “get out the vote” operatives discovered that organizing volunteers into groups of more than ten reduced the group’s success in contacting prospective voters. Instead of crusaders making a difference, they felt like “numbers on a spreadsheet.” A lot of them dropped out of the campaign. Having learned this lesson, in 2012 the Obama campaign organized volunteers into smaller teams where they could more easily see their contribution making a difference. As a result, the campaign’s voter contact efforts proved more successful.⁴

A second possible outcome arises when the collective undertaking will benefit some participants more than others. So much more, in fact, that those who have a comparatively small stake in a successful collective effort realize that they can shirk their contribution without endangering the outcome. This is because one or several other participants will derive so much value that they will absorb the full cost of the undertaking. Such settings are ripe for free riding.

This is the dilemma the United States has grappled with unsuccessfully over the years in trying to persuade our NATO partners to contribute their agreed-to resources—2 percent of the country’s gross domestic product—for their common defense. In Figure 1.1 we find that

^hThe third-rail metaphor refers to the third rail of subway tracks, the one that carries the electricity.

FIGURE 1.1 ■ Defense Expenditures of NATO Countries, 2014–2020



Source: Adapted from NATO, "Defence Expenditure of NATO Countries (2010–2017)," March 15, 2018. https://www.nato.int/nato_static_fl2014/assets/pdf/pdf_2018_03/20180315_180315-pr2018-16-en.pdf.

Note: Gross domestic product in real dollars is one of the most commonly used benchmarks of nations' wealth.

by 2014 only two NATO allies were contributing (or exceeding) this baseline commitment. Some, such as Canada and Hungary, were coffering up only about half of what they agreed to. Meanwhile, the U.S. contribution had come to nearly double the agreed-to 2 percent. As long as American diplomats pressed European allies to do their part to defray the costs of providing the region's collective defense, their requests fell on deaf ears.¹ But by 2020, several years after President Trump had repeatedly disparaged NATO as “brain dead” and threatened to withhold U.S. military support for any country deficient in their contributions, the shortfalls began shrinking.⁵ Trump's relentless jawboning appealed to our NATO partners' self-interest. Now, the collective security might become a selective security.

Apparently, the threat worked. By 2018 allies' contributions had grown by 5.5 percent in real dollars, and six countries were fully meeting their obligations. Over the next two years these contributions had increased another 20 percent, with ten countries fully compliant with the contribution agreement. The time trend in NATO partner contributions tracks the transformation of the issue from a collective incentive (i.e., Europe's military security) to each nation's selective incentive (i.e., a delinquent country's security).

This time frame predates Russia's invasion of Ukraine in 2022, but in 2014 Russia had seized Crimea and was actively supporting pro-Russian separatists in Ukraine's eastern Donbas region. Evidence of an even stronger selective incentive to beef up support for NATO appears in the sharply increased contributions from NATO's eastern European members. In 2018 and again in 2020, NATO funding from the Czech Republic, Estonia, Latvia, Lithuania, Poland, Romania, and Slovak Republic exceeded the proportionate increases from their allies in Western Europe. Clearly, Russia's neighbors appreciated the virtue of collective defense more than did the more distant NATO members (except for the United States).

From the first two scenarios we see that individuals' contributions to a collective enterprise is calculated, even when everyone agrees that the collective good is well worth pursuing. Successful collective action in most settings requires an organization that can monitor and where necessary intervene to induce individuals' contributions. These organizations may be either private or the government. One advantage the latter enjoys is the use of force. Immediately after the United States declared war on Japan after the attack on Pearl Harbor, thousands of patriotic young men rushed to army and navy recruiters. In case they did not, however, Congress passed a draft law. One of the most controversial features of the national health care law enacted in 2010 was the requirement that everyone sign up for health care insurance. Failing to do so would result in an extra tax added to the individual's income tax to contribute to these premiums. Clearly the intuition behind the mandate was that in a setting where no one could be denied insurance coverage, many people would wait until they got sick to sign up. In a sense they would free ride—that is, not contribute to the overall financing of the program—but avail themselves of the collective good whenever they liked.⁶

¹ Mancur Olson, who introduced free riding to generations of scholars beyond economics, referred to this setting as the “tyranny of the great by the small.”

⁵ In 2017, Congress rescinded this unpopular mandate, putting the Affordable Care Act on a less secure financial footing.

For many voluntary associations, this strategy is unavailable. With about 10 percent of its regular viewers donating to their local PBS affiliates, the Public Broadcasting System requires an annual government subsidy to stay in business. Given the logic of nonparticipation, why does anyone ever contribute to a collective enterprise? Clearly some people find certain activities intrinsically rewarding, however minor their contributions. That said, most of the people, much of the time, are inclined to free ride. If a collective effort is to succeed, it must provide potential participants with a private inducement.

Labor unions represent a class of voluntary organization that has been particularly susceptible to free riding. Whether in following the organization's call to strike or simply in paying monthly union dues, unions grapple with workers who want the benefits of the unions' collective effort without having to pay the fees or endure the pain of a strike. Traditionally, the Republican Party in Washington and across state capitals has sympathized with workers inclined to free ride by passing "right-to-work" laws forbidding enforced union membership. In 2018, the Supreme Court ruled that union dues required for public employee workers—the largest groups are teachers and service employees—violated workers' First Amendment free speech right (we return to the modern understanding of this civil liberty in Chapter 5). The ruling directly affects the nation's largest union, the National Education Association (NEA), which announced that it expected to lose more than two hundred thousand of its 3 million teacher-members during the first year alone.⁶ To stanch teachers' temptation to free ride, the NEA offers members a number of selective benefits such as a million-dollar liability policy and legal support in supervisory hearings.

The Tragedy of the Commons

Another distinctive and important form of the prisoner's dilemma is the **tragedy of the commons**. It resembles free riding in that the provision of a collective good is divorced from its consumption. Where free riding emphasizes efforts of individuals to shirk their contribution, tragedy-of-the-commons problems concentrate on individuals' costless consumption of a public good (the "commons") that results in its ruination. Having a large number of participants encourages each to renege on contributions to the public good. The chief difference is that the good already exists and will be destroyed if its exploitation is not brought under control.

This dilemma takes its name from another instructive allegory. A number of herders graze their cattle in a common pasture. Gradually, they increase the sizes of their herds, destroying the pasture and with it their livelihood. With each herder reasoning that adding one more cow to the herd will increase their income while having negligible impact on the pasture, they all add cattle, and do so repeatedly. The end result is a disaster—eventually, overgrazing strips the pasture of fodder, the cows starve, and the herders go broke.

A real-world analogy is the collapse of the cod fishing industry off New England. Entire communities based their economies on fishing cod in nearby waters, but so many fishers exploited this resource, without allowing nature to replenish it adequately, that they managed to wipe out the fishery on which their jobs depended.⁷ And mask-wearing mandates in public venues during the height of the COVID-19 pandemic were intended to protect the air others breathe—the commons—as much as shield those wearing masks.



A classic tragedy-of-the-commons scene: too many boats chasing too few fish, not because the skippers are greedy but because in the absence of an agreement, none can afford to stop fishing and surrender the harvest to others. Here, ships collide at an opening of the Sitka Sound herring fishery as they compete to catch the remaining tons of herring left in the year's quota.

AP Photo/Daily Sitka Sentinel, James Poulson

Where virtually all examples of tragedy-of-the-commons dilemmas emphasize the inability of individual actors to work together to protect a shared resource, here is a recent example of the government relaxing environmental regulations and opening up this commons (i.e., clean air) to individuals' use. In the fall of 2018 the Environmental Protection Agency (EPA) proposed a new regulation that would return to the states authority to oversee energy production of coal. The coal industry would love this change because every state administrator would be tempted to free ride by issuing lax use permits out of suspicion that the other state regulators are doing so. Because one state, acting alone, can achieve little by way of protecting the environment, it might as well reap the same benefits for its coal producers.

The trick to avoiding the tragedy of the commons lies in proper institutional design. As with free riding, the solution links the individual's personal interest to provision (in this instance, preservation) of the collective good. A decision to squander or conserve resources must somehow be made to affect each participant's personal welfare. One solution is **regulation**—setting up rules limiting access to the common resource and monitoring and penalizing those who violate them. But enforcement can be costly because individuals will be tempted to exploit the collective good if they see their neighbors and colleagues flouting the rules.

In many settings, a less costly and more effective alternative solution to conserving the commons is to **privatize** it—that is, converting it from a collective good to a private good. After a second straight disastrous harvest in 1622, the residents of Plymouth Plantation found themselves as close to starvation as at any time since their arrival on the *Mayflower*. In desperation, the community's leader, William Bradford, announced an end to communal farming. He divided the acreage into family plots and left each family to provide for itself. This ended the famine. As one historian noted, "The change in attitude was stunning. Families were now willing to work much harder than they had ever worked before."⁸ After instituting the reform, Bradford observed, "The women now went willingly into the field and took their little ones with them to set corn." Similarly, confronted with decreasing stock, modern fishery management has



Proposed redesigned coal pollution regulatory regime.

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increasingly switched from regulations (i.e., catch quotas) to privatization by granting fishers exclusive access to parts of the ocean in the hope that this will motivate them to harvest prudently. Whether regulation or privatization, the solution involves aligning personal gain with promotion of the collective good.

THE COSTS OF COLLECTIVE ACTION

Collective action offers a group benefits that its members cannot achieve on their own. But participating in a collective enterprise also entails various costs. The key to successful collective action lies in designing a system that achieves the benefits of a collective effort while minimizing its costs. For example, the Senate, with its 100 members, efficiently accomplishes its business with fewer and less restrictive rules than those required for the much larger 435-member House of Representatives.

Some of the costs associated with collective enterprises are not hard to spot. An obvious one is each person's monetary contribution to an enterprise—for example, tax payments funding road construction or staffing of a police department. Less obvious are the “overhead” costs of enforcing agreements, such as the ranger's salary in New Guinea or the costs associated with the judicial system and the lawyers needed to ensure that those who enter into business agreements live up to their contracts. Overhead costs also include the government's effort to combat free riding. If people were not inclined to free ride, the federal government could disband the large bureaucracy that goes after tax cheats.

Two kinds of costs especially relevant for designing and evaluating institutions are transaction costs and conformity costs. Though they represent separate aspects of how a community tackles collective enterprises, they often involve a trade-off with each other. In creating institutions to achieve desirable collective goods, a society should collectively weigh the balance between members' private autonomy and the requirements for achieving the collective good.

Transaction Costs

Transaction costs are the time, effort, and resources collective undertakings incur. Early into the pandemic, it became clear that a serious secondary effect was hunger. People had lost their jobs as businesses shut down. Kids were out of school and no longer received free school lunches. Almost immediately, the national organization Feed America, along with hundreds of other local food pantries, began raising funds and distributing groceries to the needy. But volunteers began suspecting that undeserving folks were showing up for the handouts as well. Lexuses, Mercedeses, and even Teslas began lining up with more modest cars and trucks. And volunteers began spotting cars full of groceries—"more than could be consumed in a week"—opening their trunks to jam in another bag of groceries. Even though the charities were well aware and rued cheating as draining hard-gained resources, they decided that trying to monitor and enforce some need test would be even more costly than spotting and dealing with the cheaters. As one noted the dilemma, "you can't just use the Kelly Blue Book of car values to say who deserves help with groceries."⁹

Transaction costs can pose a formidable barrier to political agreements. These costs rise sharply as the number of participants whose preferences must be taken into account increases. In the absence of institutions for negotiating and implementing collective agreements, these



Cedarville, California, is part of Modoc County, a rural county of fewer than nine thousand people. For the first six months of the pandemic, this tiny county had not registered its first positive test. While the pandemic raged throughout most of the state, precipitating massive business shutdowns and closed schools, Modoc largely ignored state orders and practiced its normal social distancing.

AP Photo/Jeff Barnard, File

costs might overwhelm the ability of participants to identify with and commit themselves to collective enterprises. With well-designed institutions, however, agreements become easier to make.

Sometimes, though, high transaction costs are intentionally put in place to make some collective activities more, not less, difficult. Having fashioned a delicately balanced plan of government, the Framers were understandably uninterested in making it easy for some group down the road to rewrite the Constitution. Indeed, the prospect that their labors might soon be undone could have prevented them from reaching agreement in the first place. The Framers ratcheted up the transaction costs of future constitutional change. A proposed amendment to the Constitution must be endorsed by two-thirds of the membership of both houses of Congress and ratified by three-fourths of the states.^k

Conformity Costs

In negotiating a common course of action, parties advocating competing interests rarely discover that they want precisely the same thing. Politics invariably means compromise. Most of the time there are losers—parties whose preferences receive little accommodation but who must still contribute to a collective undertaking. To the extent that collective decisions obligate participants to do something they prefer not to—and all resolutions of the prisoner's dilemma involve this—we refer to this necessity as a **conformity cost**. Conformity costs range from mundane obligations, such as wearing a facial mask during the pandemic, to extraordinary sacrifices, such as serving overseas in the military. Rules that require fishers to stay at the dock during a portion of the fishing season, rules that make a citizen spend part of their income to fund government programs they oppose, and rules that limit the time allotted to a member of Congress for a floor speech all impose conformity costs on individuals to achieve a collective goal. Not surprisingly, members of a community prefer minimum conformity costs. But because collective goals never come effortlessly, elected representatives must continually weigh what kinds of and how much cost its citizens are prepared to bear for a particular good. Failure to do so, as Democrats discovered in the 2010 congressional elections shortly after passage of comprehensive health care policy, could find them ushered out of office.

In that transaction and conformity costs generally entail a trade-off, those institutions that minimize transaction costs, making it easy to act, may do so by imposing excessive conformity costs. An extreme case would be a dictator who arbitrarily decides national policies (minimal transaction costs) by insisting that everyone do what the dictator, not the people, prefers (maximum conformity costs). At the opposite end of the continuum would be government by consensus. The group does nothing unless everyone agrees to it. Of course, governments based on consensus often have a difficult time undertaking any collective enterprise, although they expend great effort (exorbitant transaction costs) discovering this.

Perhaps the best way to appreciate the trade-off of these costs is to play the following mind game: you've accumulated \$40,000 and are ready to fulfill your lifelong dream to climb Mount

^k Alternatively, two-thirds of the state legislatures can ask Congress to call a national convention to propose amendments, but this has never been done.



"It's either this or a country run by lawyers."

Not just another lawyer joke. . . . Clearly, the guards prefer the high conformity costs imposed by this hapless leviathan to the transaction costs of more democratic institutions.

Frank Cotham/*The New Yorker* Collection/*The Cartoon Bank*

Everest. One of the first (and probably most consequential) choices you have to make is selecting an expedition to sign up with. With about eight hundred soul mates trekking toward the summit each year, you have some choices. Do you sign up with an expedition whose leader has the reputation as a real taskmaster? This seasoned, grizzled veteran rarely, if ever, pays customers' opinions any regard and brooks no dissent. A real dictator. Or do you opt for an equally experienced but more solicitous leader—someone who shares decisions with the group and values their input? (Note how these hypothetical expeditions opt for different mixes of conformity and transaction costs.) Back to the decision: which group do you sign up with? Recent research on this subject suggests that your answer should depend on your priority. If above all else you want to reach the summit, go with the dictator. Statistics show that over the years, the more hierarchically organized expeditions have greater success in reaching the top. If, however, survival is a higher priority, go with the more democratically organized expedition. Fewer members of these teams die along the way.¹⁰



Climbers make their way toward the peak on Mount Everest. Those who want to climb the world's highest peak must calculate both transaction and conformity costs in selecting the guide to get them there, from the dollar expense to leadership style. Data show that more hierarchically organized expeditions have a greater success rate in reaching the top.

STR/AFP via Getty Images

These extreme mixes of transaction and conformity costs might seem far-fetched when referring to political choices we and our leaders commonly confront. To insist that customers wear a protective mask while shopping, to require those who fail to enroll in medical insurance to pay a surcharge on their taxes, and to allocate water rights for drawing water from a common aquifer are just a few of the controversies that require an individual to conform to generate a collectively desirable outcome.

More commonly, governmental reform occurs within a narrow range of trade-offs between transaction and conformity costs. Rules, procedures, and resources are frequently changed to reduce transaction costs and make government more efficient and decisive. But sometimes the opposite scheme is adopted to prevent abuses. After the civil rights movement and the Vietnam War era, scandals uncovered widespread abuses by the Federal Bureau of Investigation and Central Intelligence Agency in spying on civil rights activists (including Martin Luther King Jr.) and antiwar leaders. Congress enacted procedures requiring judicial approval before these investigative agencies could undertake wiretaps and other forms of intrusive surveillance of citizens. Such reforms to prevent abuses were adopted with little opposition in Washington and represent a classic instance of increasing transaction costs as a way to hamstring action—in this instance, action taken against those who opposed current government policies. Over the objections of law enforcement officials, the government decided to preserve individuals' freedom of dissent (reduce conformity costs) by jacking up transaction costs on law enforcement officials. After September 11, 2001, the balance shifted back to reducing the transaction costs involved in going after potential terrorists (via the USA PATRIOT Act), and conformity costs increased.

REPRESENTATIVE GOVERNMENT

Modern democracies blend delegation with majority rule into what is known as **representative government**. Citizens limit their decisions to the selection of government officials who, acting as their agents, deliberate and commit the citizenry to collective enterprises. This form of democracy eliminates the massive confusion that would ensue if large communities tried to craft policies directly, and it frees most citizens from having to attend constantly to civic business. For a large group or society, representative government, through delegation, makes large-scale democracy possible. **Direct democracy**, in which citizens participate directly in collective decision-making, is reserved primarily for small communities and organizations.¹

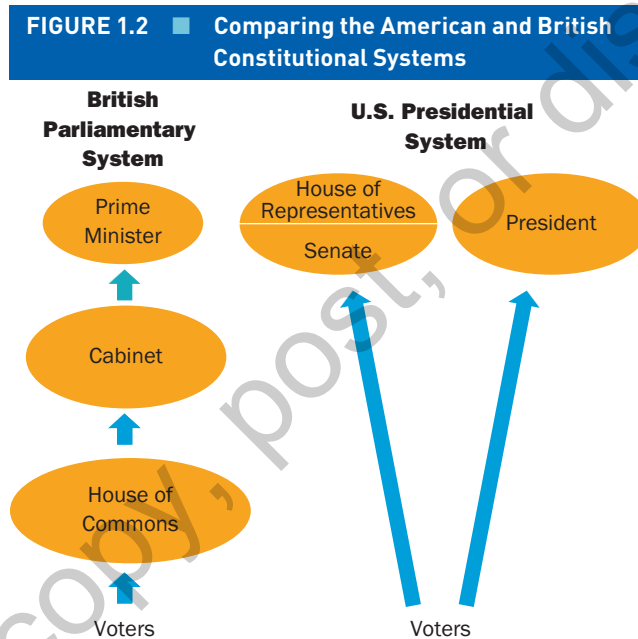
At the time of the adoption of the U.S. Constitution, the idea of majority rule was controversial. The ancient city-state of Athens, one of the few experiments with democracy known at the time, had ended ignominiously in mob rule and ultimately dictatorship. The eighteenth-century political theorists who influenced the Constitution's Framers endorsed a form of government called a **republic**, designed to allow some degree of popular control and also avoid **tyranny**.¹¹ The Framers designed the new Constitution to pose formidable transaction costs on collective action. The Framers especially favored some form of veto or "check" of one institution over another. In a republic, voters elect their representatives, but these representatives are constrained in following the majority's dictates by constitutional guarantees for minorities and by institutions and rules requiring exceptionally large majorities for certain decisions.

The notion of an independent, unelected judiciary challenges the paramount democratic principle of majority rule, but it presents no problem for the republican creed. By ratifying the Constitution and retaining the power to amend it, the people may choose to set up an institution independent of the others and unconcerned with short-term swings in public opinion to referee the political process and preserve the values on which the government is founded. In short, republican theorists, who had the allegiance of virtually everyone attending the Constitutional Convention in 1787, *really* believed in the role of institutions in reaching and preserving agreements. And by making some collective decisions more difficult than others, the Framers consciously built in higher transaction costs, even if they did not use those terms.

Since the American Experiment was launched almost 250 years ago, experience with majority rule throughout the world has proved that it is a viable approach to self-governance. Although constitutions written in the twentieth century—such as those in France and Germany—may still divide authority in ways that allow their countries to be referred to as republics, they do not include the elaborate rules and institutions designed to constrain majority rule by ratcheting up transaction costs in the American system. Instead of separating the

¹Another approach to direct democracy that is adapted to a large electorate is the **referendum**. Nearly half the states allow the legislature to propose a change to the state's laws or constitution, which all the voters subsequently vote on. An alternative and even purer form of direct democracy is the **initiative**, which places a proposal on the ballot when the requisite number of registered voters have signed petitions to place the issue on an election ballot.

executive from the legislature, most of the world's modern democracies have fused them in **parliamentary government**. Many varieties of parliamentary government exist, but they all lodge decisive authority in a popularly elected legislature, whose actions are not subject to the same severe checks by executive and judicial vetoes. The legislature in turn elects a team of executives called a **cabinet**, one of whose members serves as the premier or prime minister (refer to Figure 1.2). This system promotes majority rule in the sense that the political party or **coalition** of parties that controls the legislature controls the executive. In effect, parliamentary systems are able to forgo the higher transaction costs embedded in the U.S. Constitution's **separation of powers**. At the same time, as the majority gains the capacity to act on its preferences, those who disagree are obliged to accept the majority's preferences.



THE WORK OF GOVERNMENT

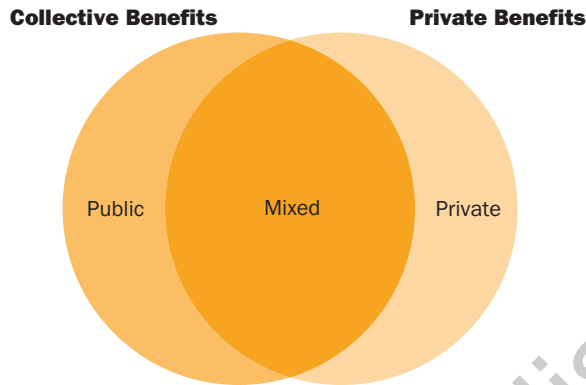
Given the variety of costs and risks associated with collective action, Americans weigh such undertakings carefully. Among other things, they calculate whether the prospective gains from a collective public effort are sufficiently greater than what they could achieve privately. The vast majority of these calculations favor private action, perhaps explaining why much of what Americans do and consume as individuals has little or nothing to do with government. Their homes, cars, clothes, food, and sources of entertainment fall into a realm called **private goods**—that is, things people buy and consume themselves in a marketplace that supplies these goods according to the demand for them.

What we discuss in this book is the provision of **public goods**, which everyone participates in supplying—say, through tax dollars—and which anyone can freely consume, as much as they desire. Stated another way, the two distinguishing features of all public goods are that their costs are borne collectively and that no one can be excluded from their benefits. An example of a public good is a freeway, which, as its name implies, may be used by anyone. A toll road is a private good because its costs are met by the motorists who pay a fee (toll) for its use. A quintessential public good is national defense. However, in the early 1950s, at the beginning of the Cold War, some fearful homeowners took a “private goods approach” and installed backyard bomb shelters to use in the event of nuclear attack. They were eventually abandoned as just about everyone accepted the logic of relying on national defense—a public good—to protect them from nuclear assault.

Citizens frequently look to government to provide positive public goods: national defense, public order, a legal system, civil liberties, and public parks. They also count on government to prevent or correct negative public goods such as laws controlling pollution; protecting endangered species; and establishing residential, commercial, and industrial zones. For these tasks, the government enjoys two important advantages: it has sufficient resources to undertake expensive projects, and it has coercive authority to prevent free riding. Many public goods simply could not be produced any other way. Congress appropriated billions of dollars to the development of a COVID-19 vaccine. Other goods offer better value when converted from a private to a public good. The history of fire protection in America is one example. In colonial times property owners paid private fire brigades, but frequently the firefighters never got the word that one of the customers needed urgent help. Shifting responsibility to local governments meant that one entity was responsible for putting out all fires.

Another large class of goods and services has a “public good” aspect that justifies the collective provision of essentially private benefits. Earlier we examined a class of mixed policies where government privatizes the “commons” in order to conserve it. Federal and state tax codes are complicated because many of their provisions are intended not to raise revenue but to motivate the public to contribute to some collective policy goal. Tax deductions or credits for charitable contributions, for contributions to personal retirement accounts, for installing solar heating, for restoring historic homes, and for investing in new equipment are just a few of a long list of federal incentives promoting some collective good.

In reality, most of the goods and services that governments provide cannot be easily sorted into either the private or the public bin. Public education is a classic example. A well-educated citizenry undeniably strengthens the civic and economic life of a society, but public education also bestows substantial *private* benefits on students and educators. The immediate beneficiary of a flu vaccination is the person who received it. But so too is everyone with whom they come into contact, even if only by pushing the same elevator button. Because the work of modern governments typically belongs in this class of *mixed* goods, public policy is frequently referred to as dealing in **collective goods**. Throughout our discussion, we will use this less restrictive term that includes both true *public goods* and mixed policies that also confer private benefits (refer to Figure 1.3).

FIGURE 1.3 ■ Several Types of Goods

CONCLUSION: COLLECTIVE ACTION AND AMERICA'S CONSTITUTION

The Constitution's Framers, who assembled in Philadelphia during the summer of 1787, did not use the modern vocabulary of collective action problems, such as *prisoner's dilemma* or *tragedy of the commons*. Yet they were intimately preoccupied with the collective action issues that afflicted society and overwhelmed the capacity of the nation under the Articles of Confederation to solve them. Although they sometimes disagreed on the design of the new government, delegates to the Philadelphia Convention all understood that the nation's previous failures stemmed from weak institutions. Citizens and state governments engaged in rampant free riding, and politicians failed to honor commitments because the institutions made renegeing easy and cooperation risky. Americans were trapped in the same fundamental prisoner's dilemma that ensnared Victor Mature and Betty Grable. The Framers undertook the enormous task of refashioning the nation's governmental system, knowing that the survival of the republic was at stake.^m

To solve the nation's pervasive collective action problems, the Framers designed a new government that, by modern standards, minimized conformity costs. Separation of powers, staggered legislative terms, an unelected judiciary, authority reserved to the states, and the other features explored in the chapters that follow all effectively constrain majority rule. The most appropriate place to begin our examination of *modern* American politics and apply the concepts presented here is at the reorganization of the entire government, and so in Chapter 2, we turn to the founding of the republic.

^m Rival nations abroad also knew that U.S. survival was at stake and tried to pry the nation apart by pitting states against one another in bidding for trade agreements that would weaken and eventually destroy the national union.

KEY TERMS

authority (p. 7)	parliamentary government (p. 27)
bargaining (p. 4)	politicians (p. 10)
bicameralism (p. 6)	politics (p. 3)
cabinet (p. 27)	power (p. 7)
coalition (p. 27)	preferences (p. 5)
collective action (p. 9)	prisoner's dilemma (p. 9)
collective goods (p. 28)	private goods (p. 27)
compromise (p. 5)	privatize (p. 20)
conformity costs (p. 23)	public goods (p. 28)
constitution (p. 7)	referendum (p. 26)
coordination (p. 9)	regulation (p. 20)
direct democracy (p. 26)	representative government (p. 26)
focal point (p. 11)	republic (p. 26)
free-rider problem (p. 16)	separation of powers (p. 27)
government (p. 7)	tragedy of the commons (p. 19)
initiative (p. 26)	transaction costs (p. 22)
institutions (p. 7)	tyranny (p. 26)
institutional design (p. 6)	zero sum game (p. 15)
offices (p. 7)	

SUGGESTED READINGS

Oyer, Paul. *An Economist Goes to the Game*. New Haven, CT: Yale University Press, 2022. Does Michael Jordan hand off the ball to the screen, expecting him to feed it back for a “give and go” layup? If that screen is more inclined to shoot a jump shot, Jordan might start thinking twice before relinquishing the ball. Both players want the Bull to win the game, but each also wants to score a lot of points and a lucrative contract. For an easy introduction to prisoner's dilemmas, this book is good place to start.

Safire, William. *Safire's New Political Dictionary*. New York: Ballantine Books, 1993. Arguably, Safire understood the American version of English better than any other modern popular writer. Fortunately, the former presidential speechwriter also had an especially keen eye for politics.

Tocqueville, Alexis de. *Democracy in America*. Many good paperback translations of Tocqueville are available, but beware of abridged versions in which, invariably, the lively asides and incidental observations are lost

REVIEW QUESTIONS

1. Why can't we solve our disputes through simple bargaining all the time? What factors undermine bargaining in different settings? What can people or governments do to help solve disputes despite these factors?

2. What sorts of institutions are commonly used to manage conflicts in societies? What are some examples of where these institutions have failed?
3. In what ways are challenges to today's government a consequence of collective action problems?
4. In what ways is the parliamentary system of representative government designed to work with fewer transaction costs than the U.S. presidential system?
5. What are some examples of public and private goods that you have consumed today? How did you acquire them?

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