

# **The Problem of Collective Action: A Critical Examination of Olson's Solution of 'Selective Benefits'**

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## **Abstract**

*Olson's (1965) 'theory of groups' suggests that the collective action problem is associated with large groups, as their members are more prone not to act in the group's common interest unless motivated by personal gains. Olson proposes the solution of 'selective benefits', which is based on the argument that, "only a separate and 'selective' incentive will stimulate a rational individual in a latent group to act in a group-oriented way." Individuals will, in other words, only choose to join a group if the private benefits offered exceed the costs and thus the collective action problem will be overcome. This paper seeks to critically examine this highly controversial theory. By analysing the criticisms levelled against Olson's solution, and the state of the debate, it is assessed whether the private benefits theory should be revisited. It is argued that the 'selective benefits' theory is based on over-simplistic assumptions, which are nonetheless inevitable when one appreciated the scientific motivations underlying Olson's attempt to offer a solution to the collective action problem.*

**Key Words:** Rational Choice Theory, Collective Action, Selective Benefits, Self-interest, Altruism.

## **Introduction**

Rational choice is a subject upon which great amounts of ink have been expended in an effort to create a theoretical approach to the study of politics. The central core of the theory is the notion of self-interest, which is deemed to be a crucial feature accounting for people's choice to get involved in politics. Rational behaviour is intended towards fulfilling private desires and is usually taken as synonymous to goal-seeking behaviour.

When considering –within the boundaries of the theory– various courses of action that individuals may choose, no allowance is made for any sort of altruistic behaviour; there is “...*little room for the politics of altruism and self-sacrifice*” (Laver, 1997, p. 1). Rational choice theory therefore excludes “*moral motivations*” (Ward, 1995, p. 79). The only motivation that people possess is the fulfilment of their desires – either their ‘private’ or ‘social’ desires, or both.<sup>1</sup> Clearly, rational individuals will select the courses of action that best satisfy those desires.

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<sup>1</sup> This is a distinction made by Laver (1997, p.18). ‘Private’ desires arise when considering people as individuals, ignoring potential interactions, whereas ‘social’ desires arise when interacting with other people.

A final point that needs to be made in order to understand how the collective action problem may arise, is the distinction between 'private' goods and 'public' (consumption) goods. The former, which refers to those goods that only benefit the consumer, are of no interest in this case. The latter, however, refers to goods that it is impossible to exclude anyone from enjoying their benefits; when supplied to one individual, public goods are automatically supplied to everyone. Examples may include, clean air, traffic lights, national defence and national parks. It is, in fact, with 'public' goods that the problem of collective action is associated. A second distinction that needs to be made is between goods that can be produced in isolation and those that need to be produced collectively, the latter being of relevance in this particular case.

Adding the two together one can address the root of the problem: it lies in cases dealing with collectively consumed goods, which are also collectively produced (Laver, 1997, p. 34). When the production of a collectively consumed good bears a greater cost than benefit for the rational individual, then the latter will have the incentive of enjoying the good without actually participating in its production and thus not incurring any of the costs of so doing (Laver, 1997, p. 35-36). When it is thus not possible to exclude an individual from enjoying the fruits of collective production, the rational citizen will choose to free-ride. In its extreme form the situation may be such that the number of people that will choose to free-ride may be so large that the good will not be produced at all, owing to a lack of resources. The result will be that everyone who values the good will be made worse off. This is the collective action problem.

#### **Examples of the Collective Action Problem**

One example employed by Laver (1997, p. 34-35), in order to illustrate the problem, is that of a group of pathological smokers locked in a small room. In order to have breathable air in the room (a collectively consumed good), some cooperation is needed in the form of not smoking at the same time; the good need therefore be collectively produced. Such good will however be difficult (if not impossible) to produce, *"as each addict will want to reap the benefits of breathable air without contributing to the costs of these by not smoking and suffering the pain of nicotine withdrawal"* (Laver, 1997, p. 35). This example clearly captures how the collective action problem may arise.

Other examples may include more realistic situations such as the *"international politics of global warming"* (John, 2000, p. 122), or a country's choice not to bear any of the costs of reducing carbon monoxide emissions, choosing instead to free-ride on other countries' goodwill to do so (John, 2000, p. 122).

#### **Examining Olson's Approach to the Problem of Collective Action**

Olson (1965) employs political theory and economic analysis in order to address organisational problems, which are seen as intertwined with the collective action problem. Olson's *'theory of groups'* contradicts the pluralist theory assumption that participation in voluntary associations is virtually universal (Olson, 1965, p. 20). Instead, he argues that writers of orthodox theories –such as pluralist and corporatist writers– have *"built their theories around an inconsistency"* (Olson, 1965, p. 127). In particular, they have assumed that *"[...] if a group had some reason or incentive to organize to further its interest, the rational individuals in that group would also have a reason or an incentive to support an organization working in their mutual interest"* (Olson, 1965, p. 127). This assumption is *"logically fallacious"* in Olson's description, at least for large, latent groups, which have economic interests: *"The 'group theory' that dominates the discussion of pressure groups is inadequate for large economic groups, at least, and there is accordingly a need for a new theory"* (Olson, 1965, p. 131).

Contrary to orthodox theories, therefore, Olson argues that rational individuals will see a potential benefit in not participating in a group effort to organise around the achievement of a collective good, as they will still be able to enjoy the good by free-riding on the rest of the group's labour. The collective action problem, as argued by Olson, is a problem associated with large groups, as opposed to smaller ones who are able to overcome it. The rationale underlying this theory is that the larger the group, the more likely it is that individuals will deem their own contribution as insignificant. They will thus choose not to contribute in the good's production, but still consume the benefits, which are not likely to be very different whether they contribute or not (considering the large size of the group). Clearly, the share of the burden of providing the collective good would fall disproportionately upon different parties.

Olson gives the example of NATO, which has been characterised by a tendency for the United States to bear disproportionate shares of the burdens, whereas smaller countries choose, in many cases to remain neutral (Olson, 1965, p. 36).

Large groups will, therefore, under Olson's assumption, remain completely latent, unless the collective action problem is solved. A number of solutions are offered in his book, such as finding a way of excluding the free-rider, making membership in a group compulsory, or using violence and picket lines, and, when possible, organising smaller groups.

#### **Olson's Solution of 'Selective Benefits'**

This paper, however, focuses on another solution offered by Olson, namely the provision by groups of exclusive private benefits (or "*selective benefits*" as referred to by Olson) to individuals, as a means of inducing them to join the group and participate in the production of the collective good. The rationale underlying this potential solution to the problem of collective action is that individuals know that, unless they join the group, they cannot receive these private benefits. By employing a cost-benefit analysis of comparing these private benefits against the costs of membership, individuals will decide to join the group if the benefits exceed the costs. Thus, the collective action problem will, according to Olson, be overcome.

The author labels this special case of solving the problem "*by-product theory*". The fact that some large groups have, in the actual world, been organised, should not be seen as contradictory of the theory of "*latent groups*", but "*as an elaboration or addition to the theory*" (Olson, 1965, p. 132). These groups are organised for some purpose other than the collective good that they may offer. Their success in producing the collective good is in fact the "*by-product of organizations that obtain their strength and support because they perform some function in addition to lobbying for the collective good*" (Olson, 1965, p. 137). This function can be the offering to individuals of 'selective benefits.'

Olson gives the example of specialised insurance services offered by trade unions to their members (1965, p. 72-76). The '*Amalgamated Society of Engineers*' is, for instance, one organisation, which offered a range of non-collective benefits (Olson, 1965, p. 72). As the argument develops, Olson goes as far as suggesting that, "*the largest economic pressure groups in the United States are in fact explained by the by-product theory*" (1965, p. 135). He specifically looks at labour unions, farm organisations and professional organisations (1965, p. 135-165), arguing that they obtain their support either by using compulsion or by offering selective benefits, or both.

### **Criticisms to Olson's 'Selective Benefits' Solution**

Olson's solution of 'selective benefits' has attracted intense criticism. Dunleavy (1991) offers a cost-benefit analysis of the decision of membership and illustrates the point made by Olson, that the crucial determinant of the decision of membership is the balance between the non-collective benefit offered to potential members and the cost of membership; the collective benefit is not so important in large organisations. The selective incentives must exceed membership costs, for people to join. The criticism however comes when Dunleavy (1991) takes the argument a step further, arguing that, membership costs are incurred before benefits are received. These costs may include a fee, and/or spare time to be devoted for activism. Even if in the end there is a net gain derived from membership, the assets foregone will not directly be replaced. As a result, people must in the first place possess the amount of resources needed to pay for the costs of membership, otherwise they might not be willing or able to join at all. The result therefore derived at by Dunleavy (1991, p. 34) , is that Olson's theory can only be applied in the case of better-off people, as the poorer "*will have more pressing demands upon their marginal resources*". Clearly therefore, a factor ignored by Olson is that participation in organisations is not simply the by-product of net benefits for the individual, but it is, in many cases, class-biased (Dunleavy, 1991, p. 34).

A further criticism that can be levelled against the 'selective benefits' solution, is the simplicity that characterises it. When individuals are making the choice of whether to join a group and participate in the production of a collective good, it has been argued that, they are, in effect, making a cost-benefit analysis. The assumptions that this bears, however, are rather simplistic, as individuals are thought to possess perfect knowledge of the world around them. In particular, it is assumed that they know their own interests and hence their preferences; this encompasses the knowledge of the benefits that are on offer by different organisations, ignoring the idea that in order to acquire such information it may bear costs. This is ignored by Olson. In fact, "*Olson's index records no references at all to information costs and deficiencies*" (Dunleavy, 1991, p. 53).

The above criticism can be levelled not only against Olson's solution, but also against rational choice theory at large. As Ward (1995, p. 79) puts it, "*the mainstream variant of rational choice assumes that individuals all have the capacity, time and emotional detachment necessary to choose a best course of action, no matter how complex the choice.*" The complexity of the choice may also include the difficulty, if not impossibility, in many cases, to actually make a cost-benefit analysis, even if the variables are known.

It is for this reason in fact, that many political scientists contest the validity of rational choice theory, as indeed the assumptions underlying it are, in many cases, unrealistic and over-simplistic. The case of voting is an area that has attracted the attention of a number of scholars (e.g. Ward 1995). The collective action problem suggests that people choose to free-ride when they feel that their own contribution is not likely to make much difference. As a result, rational choice theory may be problematic in explaining why people vote at all (Ward, 1995, p. 91). To take the argument a step further, critics would support that rational choice hypotheses have not, at large, survived empirical testing: "*[...] few theoretical insights derived from rational choice theory have been subjected to serious empirical scrutiny and survived*" (Green and Shapiro, 1994, p.9).

In an empirical study concerning political opinion in America, the role played by self-interest in formulating the Americans' political attitudes is investigated (Sears and Funk, 1990, p. 147-170). The authors conclude that self-interest does not have much effect on the mass public's political attitudes and this result is, of course, contrary to what rational choice theory would suggest: "*The general public thinks about most political issues, most of the time, in a disinterested frame of mind*" (Sears and Funk, 1990, p.170).

The idea that people's motives need not reflect self-interest is an area that attracted particular attention over time. The suggestion that individuals frequently act altruistically is one that is ignored by rational choice theor: *"Critics have been especially worried by the exclusion of altruism from most rational choice models of politics"* (Ward, 1995, p. 87).

Elster (1990) gives examples of cases that disprove rational choice theory's reliance on self-interest and enhance the case for altruism. For instance, non-selfish behaviour could be represented by *"anonymous contributions to impersonal charities"* (Elster, 1990, p.46). In general, Elster argues that, *"the idea that self-interest makes the world go round is refuted by a few familiar facts"* (Elster, 1990, p.45).

To return therefore to the main objective of this study, namely the critical evaluation of the private benefits theory, one could argue that the politics of self-altruism are completely ignored by any attempt to overcome the collective action problem. For if altruism was a motivation, the problem of collective action would automatically be solved, with no need to resort to any form of 'bribery.'

### **Private Benefits Theory Revisited**

Another implicit assumption made by Olson, is that people will not value the collective good *per se*: *"Our core assumptions do not include the possibility that groups of individuals will intrinsically value producing collective consumption goods per se"* (Laver, 1997, p. 40). Instead, the good produced will be instrumentally valued. In other words, Olson precludes the possibility that individuals may join an organisation because they value the collective good as such. The only thing they value is the private benefit they will receive. If individuals derived *"intrinsic pleasure"* from producing collective goods, *"the collective action problem would then be solved at a stroke"* (Laver, 1997, p. 40) and clearly any attempt to overcome it would be rendered irrelevant.

Muller and Opp (1986) investigate the validity of private interest theory. They conclude that, selective incentives prove to be irrelevant in collective action. Instead, their proposition is for a public goods model: *"[...] public goods incentives –the variables assumed to be irrelevant in the private interest [...] model of Olson- [...] are estimated to have significant impact on participation in rebellious collective action"* (Muller and Opp, 1986, 485). This contradicts Olson's argument that the collective good is instrumentally valued.

A final criticism of Olson's model is that, the collective good might still not be produced even if individuals derive a private gain by acquiring the 'selective benefits' offered to them. This is so because they may choose not to devote these gains in the provision of the collective good. As Laver (1997, p. 40) argues, *"...we cannot automatically assume that if some rational producer derives a surplus from the provision of private incentives to some group, then the producer will voluntarily ... devote this surplus to the production of collective consumption goods."* Olson, however, does implicitly make this assumption, for instance in his example of the unions providing insurance schemes.

The criticism offered by Laver (1997) is that, even if individuals did choose to join the union, motivated by the private benefits on offer, and yielding a surplus for the union, this need not immediately be translated in that this surplus will be deployed for the production of collective benefits to members; if they did devote their surplus in this way, then they would be, as Laver (1997, p. 41) terms it *"secular saints."* This should emphasise the rather unrealistic assumption made by Olson, namely that producers will give away the surplus they have made from the supply of 'selective benefits' to members. *"There is no reason for those who supplied the incentives, unless they are*

*secular saints, to go on and supply the collective good” (Laver, 1997, p. 41). Clearly therefore, Olson’s idea of private benefits would not solve the collective action problem; “Since people cannot be forced to contribute, they will not do so and we are back to the collective action problem” (Laver, 1997, p. 41).*

### **Dismissing the Private Benefits Solution**

In light of the above criticisms, one would be led to dismissing the private benefits solution to the problem of collective action, as largely irrelevant and unrealistic, stemming from a set of over-simplistic assumptions, that are, in many cases, fallacious. Although all these accusations do bear elements of truth and all of the criticisms offered above are accurate, one should not completely condemn Olson’s idea or rational choice theory at large – “[...] *whether rational choice scholarship can properly be regarded as social science*” (Green and Shapiro, 1994, p. 9).

Rational choice theory is in fact a valuable, albeit controversial, contribution to social science. It is true that the bases of this theory are not to be found in any real world models and indeed, many times empirical findings do not do justice to the theory. Yet, “...*these assumptions do not aim to mirror the world exactly*” (John, 2000, p. 119). Instead the aim of theory is “*to predict how they [people] will behave in certain social situations...sometimes accurately, at other times less so*” (Dowding, 1994, p. 106-7).

To refer to the specific case of ‘selective benefits’, this can be viewed as an action that derives from a quite simplified model of human behaviour. Even though in most cases this course of action may not turn out to be true, the value of this contribution may be seen if the argument is slightly twisted; it may be argued that, although the private benefits idea –as a solution to the collective action problem– has not given the reader a complete, spherical explanation of how people behave, it has offered a hypothesis of how one might have behaved if certain circumstances (assumptions) had prevailed.

Finally, the fact that Olson’s theory rests on some over-simplistic assumptions is to be expected. The author has sought to build a model to study a particular theory. Models are usually made simplistic in order to facilitate a better understanding of the hypothesis they are trying to put across. The only danger that the simplified model-building method involves, is that, in certain cases, models may turn out to be too over-simplified to have any practical meaning. Olson, however, has attempted to make his model compatible with the real world, by actually giving practical examples –like that of labour unions– where they may apply.

### **Conclusion**

In conclusion it could be inferred that the collective action problem can be overcome in a number of ways, although attention has focused on one particular solution offered by Olson, which has proved to be a highly controversial one. In particular the offer of private benefits as a means of inducing people to join an organisation and thereby contribute to the production of the collective good has been viewed with scepticism by scholars. The criticisms offered are indeed very valid, as not only have they questioned several aspects of this solution, but they have also concerned themselves with the very root of the problem, namely the assumptions upon which this theory rests. In the final analysis, however, an attempt to shed light on the positive contributions of the theory was made as, despite its limitations, Olson’s attempt to offer a solution to the collective action problem is a rather interesting one, if one appreciates the scientific motivations underlying such course of action.

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