President Barack Obama signs the Every Student Succeeds Act (ESSA) in 2015, after both houses of Congress worked together—for different reasons—to replace the unpopular and flawed No Child Left Behind law. The ESSA changed the way that teachers are evaluated and how schools with poor performance are pressed to improve. It serves as an example of the compromises often required in government, where no side can get exactly what it wants and through collective action must work toward a middle ground.
"This is a Christmas miracle," a beaming President Obama proclaimed on signing the Every Student Succeeds Act (ESSA). Flanked at the signing ceremony by congressional leaders from both political parties, the president added, "We should do this more often." Indeed, in Washington's present-day polarized politics, bipartisan agreement on major policy is a rare sight. But ESSA – affecting 50 million students and their teachers across 100,000 schools – passed with huge majorities in both houses of Congress. What occurred differently that allowed Congress and the president to break their normal gridlock and pass this major law? Answering this question may or may not provide Washington with a roadmap past gridlock. What it certainly offers students of American politics, however, is insight into the process that leads politicians who are ideologically and politically distant from one another to settle on a policy that they (and their like-minded colleagues) prefer to current policy.

The Every Student Succeeds Act represents a sweeping revision of the fourteen-year-old No Child Left Behind (NCLB) law.* That law, championed by Republican president George W. Bush, sought to strengthen K-12 education by holding laggard schools up to strict performance standards. To qualify for indispensable federal grants under NCLB, schools needed to track students’ performance with standardized tests. Schools in the bottom 5 percent of test scores that failed to significantly improve student performance would be overhauled and possibly closed.

The goal of strengthening education was laudable, but Democrats and Republicans in Congress had different reasons for supporting President Bush's initiative. Republicans were helping their president fulfill a campaign promise to improve K-12 education across the nation. In addition, NCLB gave them a way of preventing school districts from taking and freely spending federal money without accountability – schools had to demonstrate that they were using it to improve their programs. Democrats were perhaps even more enthusiastic with the Republican president's initiative. They had long promoted federal aid in education, and impoverished, minority students appeared to stand the most to gain from close scrutiny of failing schools. To satisfy the objectives of accountability and reform, both parties agreed to the creation of a standardized national test of students' verbal and math skills.† Each side quickly found something it liked in NCLB and passed it promptly, at least when compared to the normal lengthy vetting that accompanies most legislation that creates new policy.

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* Welcome to the world of acronyms, where staff on Capitol Hill can be heard saying such things as, "OMB sent over a SAP threatening SSA." Translation: Office of Management and Budget (OMB) issued a Statement of Administration Policy (SAP) in which President Obama threatened to veto Republicans' 2013 legislation, the Student Success Act (SSA).

† This became the Common Core, one of the most controversial features of NCLB.
Not long into the administration of NCLB, however, problems started cropping up. The success envisioned in the law’s timelines for student improvement in reading and math test scores failed to materialize, as was bound to happen. NCLB mandated an ambitious 100 percent student proficiency on these tests within 12 years (2014). Moreover, many center city and rural schools that faced special challenges in educating their students continued to fail—some miserably—in improving their students’ test scores. According to critics, as pressures to meet Department of Education performance deadlines approached, schools began concentrating on student performance on standardized tests to the neglect of a broader, quality education. A few teachers responded to the pressures with direct action—coaching students on answers during tests and, afterward, even correcting students’ answers. School districts and state agencies began requesting deadline exemptions and extensions of deadlines to accommodate their inability to meet NCLB’s stiff standards. By 2015, 43 of the 50 states had received waivers.

Clearly, NCLB failed to live up to its aspirations. Democrats and Republicans initially responded quite differently to this failure. Republicans focused on the duress Washington’s “one size fits all” performance standards presented to their states’ educational systems. Even though NCLB had been their president’s initiative, many Republicans in Congress chaffed at the way it had dramatically shifted educational policy from local control to Washington. In 2013 the Republican-majority House of Representatives passed a bill that eliminated most of NCLB’s federal oversight provisions, as well as the unreachable 2014 target date for 100 percent proficiency. States would be able to set achievement standards and develop their own testing methods for measuring success and identifying underachieving schools. President Obama, prodded by civil rights groups who worried that the legislation would allow states to abandon efforts to upgrade failing schools, threatened a veto of the bill, and it died in the Senate.

At the same time, numerous states were seeking waivers to NCLB’s unrealistic test score goals. The Obama administration agreed to the requested waivers, but only after a state agreed to institute teacher evaluation procedures that took standardized test scores into account in teacher retention and promotion. Teachers’ organizations—traditional supporters of Democratic members of Congress—objected strenuously to this sudden, externally-imposed policy that upset many long-standing contracts with local school districts. By 2015 Democrats and Republicans in Congress each had their own compelling reasons to rewrite No Child Left Behind.

No Child Left Behind had become so unpopular that it forced Democrats and Republicans to search for and settle on a new law that neither side embraced as ideal but accepted as better than the status quo. Over the Fall of 2015, bipartisan teams in both chambers and later, in conference committee negotiations, hammered out a compromise.

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1 Federal mandates attached to financial aid is a standard practice whereby Congress asserts a national policy without directly taking over administration. We explore the “carrot/stick” properties of federal grants in chapter 3.
bill—Every Student Succeeds Act. Republicans won major concessions that allowed states to develop their own student and teacher performance goals and tests. Moreover, the Department of Education would no longer mandate changes in teacher evaluation or dictate changes in failing schools. Democrats won a major concession requiring states to continue some form of student testing and results reporting to the Department of Education. With these instruments, failing schools could still be identified and efforts to improve them assessed.

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, and 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. (You will soon discover that this text is concerned with understanding how America’s political institutions expedite or interfere with citizens’ and their representatives’ ability to discover and pursue a collectively agreed to policy). Finally, successful politics does not always lead to happy endings. In the example of the ESSA, no one in either political party expressed enthusiasm for the education package beyond “the best deal we could get.”

In more formal terms, politics is the process through which individuals and groups reach agreement on a course of common, or collective, action—even as they disagree on the intended goals of that action. This definition covers a great variety of social relations. Parents and teenagers negotiate over use of a family car; bosses and employees haggle over working conditions and pay; and organized crime families jockey over turf for conducting illicit activities. Politics matters because each party needs to find a solution to its conflict or disagreement. A solution requires parties to cooperate, even when cooperation is costly and difficult to achieve.

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. For example, the prolonged exchange of proposals and counterproposals between teenagers and their parents. Although successful bargaining could lead to the discovery that the contending parties actually agree with each other or possibly to one side’s capitulation (such as handing over the keys without any conditions attached), generally it 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.

*This text concentrates on politics in the American national government, but it also draws freely on examples from other settings because the logic embedded in political processes is not confined to matters related to government. Consequently, throughout 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.*
Reconciling preferences represents a fundamental problem of governance. 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, he explains that the new government must be devised to 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.¹

¹This passage is from Madison’s *Federalist* No. 10, published initially in 1787 as a newspaper editorial supporting the Constitution’s ratification. We shall examine this truly exceptional essay in Chapter 2. We encourage you to read and study it is reprinted in its entirety in the Appendix.
Certainly, Madison’s observation appears no less true today than when he wrote it in 1787.

THE IMPORTANCE OF INSTITUTIONAL DESIGN

As participants and preferences in politics multiply and as issues become more complex and divisive, unstructured negotiation rarely yields a collective decision that all parties can accept. It may simply require too much time and effort. More crucially, it may expose each side to too great a risk that the other will not live up to its agreements. Fear of reneging 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 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.** 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

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 (see 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 follows 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.

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.

¹ Actually, 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 Democratic Party. Both of these forms of government are examined later in the chapter.
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 return to throughout the book. Power refers to an officeholder’s actual influence with other officeholders and, as a consequence, over the government’s actions. An office’s authority is an important ingredient in its occupant’s power, but that power includes the skill to deploy that authority when dealing with other officeholders and politicians. For instance, President Obama has the authority only to nominate a judge. Whether the Senate confirms his appointment may rest on Obama’s persuasiveness with members of the Senate Judiciary Committee, his mobilization of key support groups to lobby undecided senators, and his ability to generate favorable publicity for his candidate and perhaps even unfavorable publicity for opponents.

**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 who are affected by institutions make plans on the expectation that current arrangements will remain. Imagine how senior college students would react if, during their last semester, their college or university increased the required course units for a degree. Or consider the anxiety that the millions of workers approaching retirement must feel whenever politicians in Washington talk about changing Social Security.*

*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.
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 will 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 in the Constitution and later by amendment and two centuries of political evolution—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. 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 and respond to political actions. To that end, the concepts presented in the remainder of this chapter are the keys to “open up” 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 will reappear as key issues throughout the book.

**COLLECTIVE ACTION PROBLEMS**

By virtue of their size and complexity, 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.

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*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 employed during debates at the Constitutional Convention and by both sides in the Constitution’s subsequent ratification campaign.*
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 the success of the collective enterprise will require their contribution may not depend on their costly effort. 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.

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 suited to provide.

**Coordination**

Whether in deciding what to do or how to do it, coordination is more difficult for large than for small groups. Several friends can easily share their preferences in great detail on how to spend the weekend together. Now consider Republican voters in the Spring of 2016 trying to decide who their presidential nominee should be. An NBC/Wall Street Journal survey in early March found 30 percent favoring Donald Trump, with Ted Cruz, John Kasich, and Mario Rubio following with 27, 22, and 20 percent support respectively. But this only scratched the surface of their preferences on what they wanted their party to do. The survey followed up by pitting Trump against each of the other candidates in a two-man race. In Figure 1.1 we find that Trump loses each contest. A lot of Republican respondents to the survey wanted anyone but Trump. Each candidate’s “true” supporters teamed with the “anyone by Trump” respondents formed a clear majority. But as primaries and caucuses continued through early June, the coordination problem persisted. In the end, the “anyone but Trump” Republicans never managed to coordinate on an alternative candidate, leading to the Republican disaster in November.

Now consider how size affects the capacity of a group to coordinate in achieving an agreed goal. 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 each other as they do following their 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.
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 the same objective, the 435-member House and the 100-member Senate proceed quite 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 has found that it can achieve comparable levels of coordination without having to surrender authority to a specialized committee. In the Senate, informal discussions among members and party leaders suffice.

When the number of participants desiring to coordinate is very large—say, a state’s voters—coordination may generally be unachievable. This explains why a 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, in order to discover mutually attractive collective decisions.

The challenges to successful coordination increase with size. For some problems simple, self-enforcing rules—such as traffic staying to the right side of the street—might be all that is required. For other kinds of collective choices, institutions severely limit options, allowing like-minded individuals to coordinate easily. Political party nominations offer voters an obvious common choice.

Successful mass coordination occasionally arises even in the absence of institutions channeling individuals’ choices. The 2012 presidential primaries saw conservative Republican
voters race *en masse* from one candidate to another in search of an alternative—apparently any alternative—to moderate and eventual winner Mitt Romney. As displayed in Figure 1.2, five of Romney’s serious challengers for the nomination briefly achieved front-runner status in the public opinion polls. On reaching the top of the pile, each faltered and was quickly discarded by voters in favor of yet another “anyone but Romney” nominee. Eventually, they all stumbled badly, leaving Romney the only viable candidate still in the race. At this point, conservative Republicans switched their mantra to “anyone but Obama” and rallied behind their party’s nominee.

Among the several surprising outcomes in this chronology is the speed with which Republican voters’ preferences switched from one candidate to another. How, for example, did so many survey respondents manage to shift from front-runner Rick Perry (after he forgot the names of several government departments he promised to disband) to Herman Cain, who until Perry’s debate fiasco had barely registered a blip in the polls? In such instances a critical ingredient of success lies in identifying a common focal point to help individuals target their energies toward a common purpose. A *focal point* is some prominent cue that helps individuals recognize the preferences of others with whom they want to cooperate. A strong debate performance might win some supporters, but equally important, it might identify to all the candidates who will attract the most support. Similarly, a narrow victory in a state delegate caucus could signal which candidate all like-minded voters should gather behind. Or endorsement by some accepted authority—like the Tea Party—could concentrate support. Each of these kinds of focal point cues guided conservative Republicans as they

*Figure 1.2* Republicans Pick a Presidential Nominee, 2012

These Los Angeles Spanish-language DJs, among others, are credited with turning out nearly five hundred thousand demonstrators for an immigration reform rally in downtown L.A. in March 2006.
settled on an “anyone but Romney” alternative who, shortly thereafter, displayed some fatal flaw that sent them searching for another candidate.

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, over 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 show up.

Coordination problems essentially arise from uncertainty and insufficient information and may prevent collective undertakings even when a great majority agrees on a course of action, such as Republicans’ desire to win back the presidency in 2012. We now turn to potentially more problematic challenges to collective action—the problems of the prisoner’s dilemma. Unlike a lack of coordination, where mutual ignorance prevents participants from identifying and working together for a common goal, prisoner’s dilemma problems find participants privately calculating that they would be better off by not contributing to the collective action even when they wholeheartedly agree with its purpose. Where coordination problems frequently require no more than direction and information, prisoner’s dilemmas generally necessitate monitoring and the threat of coercion.

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 employed 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 drama theory. 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. 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 (see photos), 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, while 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 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.^

<table>
<thead>
<tr>
<th>Victor Mature</th>
<th>Stays Silent</th>
<th>Confesses</th>
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<tr>
<td>Betty Grable</td>
<td>Stays Silent</td>
<td>6 months</td>
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<td></td>
<td>Confesses</td>
<td>No jail</td>
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*(Grable’s sentence is listed first.)*

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.

^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 will 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 her 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 importantly, 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. 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. (See the Logic of Politics box “Hobbes on Monarchs.”) In a famous passage he warned that life would return to “a state of nature . . . solitary, poor, nasty, brutish and short.” The mortality rate of 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 more costly 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. Constituencies and their representatives cooperate to achieve their separate
In 1651 Thomas Hobbes argued in *Leviathan*, one of the most important books in political theory, that the English monarch was a necessary guarantor of collective agreements. He proposed that since the king and his offspring derived their wealth directly from the population in taxes and labor, they would pursue the nation’s welfare because it would enrich them as well. Even if the monarch were wicked and expropriated too much of the nation’s wealth for himself, the citizenry was still better off with him wielding power arbitrarily than if no one had enforcement authority. Restated in the vocabulary of this text, Hobbes argued that monarchs offered a cost-effective means to collective action.


goals—recall our definition of politics on page 3 [NOTE TO PE: Please confirm page number once typeset.]—because institutions have developed to help diverse constituencies discover opportunities for mutual gain through cooperation and, just as importantly, to deter them from reneging on their agreements. Like the ranger with a handgun from Papua, America’s political institutions foster collective action by solving the prisoner’s dilemma.

There are failures, to be sure. Antitrust laws are designed to prevent competitors in the marketplace from colluding to fix prices or restrain trade in other ways, but they can have unintended consequences. For instance, in 2014 new oil production technologies combined with a slumping world economy to suddenly create a worldwide oversupply of oil. Crude oil prices plummeted to less than half their value of a couple of years earlier, leaving the American oil industry in a predicament. Many drillers that had recently taken on debt to expand production now found themselves contributing to an oil glut. One obvious solution would be for everyone to cut back production. And yet, unable to coordinate, they individually drill harder to service their debt in the face of depressed prices while hoping that their competitors will cut back.

Other issues simply do not offer mutual gains through cooperation. One party’s gain is the other’s loss, and 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 only resolved by the deadliest war of its time.

Even when each side can envision opportunities for mutual gains, American politics is not fail proof. Everyone agrees that in several decades the Social Security program will be unable to provide its current level of benefits for the next generation of retirees. Both Republican and
Democratic politicians in Washington want to fix it, and from time to time one side will make an overture to the other. But all of the solutions are costly or 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 seek to exploit it and 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.”

**FREE-RIDER PROBLEM.** A form of the prisoner’s dilemma that afflicts large groups is the free-rider problem. With each individual’s contribution to the success of the collective activity being quite small and seemingly inconsequential, each member will be tempted to free ride—that is, to defect from the agreement by withholding a contribution to the group’s undertaking while enjoying the benefits of the collective effort. Pediatricians report that some parents openly state their intention to free ride in not having their children immunized from measles and other contagious childhood diseases. Misinformed by baseless claims that common inoculations cause autism, they reason that since all the other kids are getting the shots, theirs need not do so.

To better understand the critical role of group size to this particular form of prisoner’s dilemma, let us return to the collective efforts of our quartet and symphony. Suppose a violinist is tempted to skip practice and party with friends the evening before a performance. As a member of a quartet, the violinist faces powerful incentives to fulfill her obligations. If she performs poorly, her three colleagues will quickly notice, as will music critics and many in the audience. Since each musician’s contribution is manifestly vital to the quartet’s collective product, all are likely to stay home and practice. Now consider the decision of the would-be partygoer who is a member of the symphony. As one of twenty violinists in the orchestra, each performer’s contribution adds only marginally to the collective product, certainly much less than do the contributions of members of the string quartet. This introduces an opportunity to free ride. The symphony musician might be tempted to spend the night on the town knowing that he could still bask in the orchestra’s beautiful music.

The free-rider problem arises whenever individuals recognize that their small contribution to the collective enterprise will not affect its success or failure. And because contributing is somewhat costly, they decide not to make the effort. Even those who enthusiastically support an enterprise realize that they can escape fulfilling their obligations. If many people react this way—and many do—and suspect their neighbors of doing so as well, too few people will contribute to collective endeavors, and, thus, some may fail.

During Barack Obama’s 2008 presidential campaign, “get out the vote” operatives discovered that organizing volunteers into groups of more than ten volunteers 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 that their contribution made a difference. As a result, the campaign’s voter contact efforts proved more successful.

For many voluntary associations, this strategy is unavailable. With about 10 percent of its regular viewers ever donating to their local PBS affiliate, 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

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*The third rail metaphor refers to the third rail of subway tracks, the one that carries the electricity.*
activities intrinsically rewarding, however minor their contribution. That said, most of the people, most of the time, are inclined to free ride. If a collective effort is to succeed, it must provide potential participants with a private inducement. A few PBS viewers donate to their local station because they want to express their support for public television (or perhaps their disgust with commercial television). But many others are lured into donating by the monthly program guide subscription, license-plate holders, coffee mugs, discount coupon books, and other direct benefits of membership.

Governments face many of the same free-riding issues as voluntary associations, but generally they solve them not by rewards and plying individuals with selective benefits but rather by sanctions and, if necessary, force. Immediately after the United States declared war on Japan after the attack on Pearl Harbor, thousands of patriotic young men rushed to the army and navy recruiters. In case they did not, however, Congress passed a draft law. Now imagine how few people would pay income taxes if there were no Internal Revenue Service (IRS) waiting in the wings. Governments have a variety of other resources at their disposal to induce participation in collective undertakings, as well. One of the most controversial features of the national health care law enacted in 2009 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 cover 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.

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 public good is divorced from its consumption. Where free riding emphasizes efforts of individuals to avoid contributing to the creation or preservation of a public good, tragedy of the commons concentrates 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 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 herdsman graze their cattle in a common pasture. Gradually, they increase the size of their herds, destroying the pasture and with it their livelihood. With each herdsman reasoning that adding one more cow to the herd will increase his 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 herdsman 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 fishermen exploited this resource, without allowing nature to replenish it adequately, that they managed to wipe out the fishery on which their jobs depended. Kansas wheat growers confront the same dilemma when they over-irrigate their fields even while recognizing that they are rapidly depleting the underground aquifer and, consequently, their long-term livelihood. In these and many other examples of overpopulation and pollution, participants find themselves racing toward ruin as they deplete natural resources.

The commons metaphor has broader and timely applications. When patients fail to take their full prescription of antibiotics, they contribute to the emergence of a more resistant
In 2004 Google unveiled a grandiose plan to digitize every book and make each of them universally available on the Web. It launched the project by announcing agreements with more than a dozen major research universities throughout the world, allowing Google to copy their collections. In effect, the Google project envisioned the creation of a new “commons”—the ability to search every book online and, depending on the copyright, read select passages or the entire book. The benefit to users was obvious. Books long out of print, many out of copyright, and many others “orphans” in that their copyright holder was unclear would come out of the recesses of library storage and become instantly accessible via Google’s search engine. Although the concept won widespread support, the project ran into opposition on two fronts. First, other companies—such as Amazon—had their own designs on creating downloadable libraries. Google’s plan would give it a huge advantage over others in providing print on demand and other services. Moreover, everyone going to this new “commons” would pass through Google’s site, which is loaded with advertising banners.

The second group of critics consisted of authors and publishers. Google anticipated complaints from these producers, and it assured everyone their copyrights were safe. The public could “preview” books by reading a selection of pages, but other pages would be omitted. Those who sued held that Google proposed to offer too much and that, since it had a financial stake in drawing users to its site, it was the inappropriate party to decide what contents of a book would be available. Copyright holders’ objections were unabashedly self-interested. After all, those who contribute to the expansion of knowledge should be compensated. Without control over copyright, which the Google plan compromised, authors and publishers would be less likely to undertake books and journals.

Ironically, Google’s thoroughly twenty-first-century concept of a “cloud” library conjures up the same issues that afflicted publishing at its founding. It is a history that offers a moral arguably more relevant today than at any time during the intervening four centuries. Shortly after the invention and manufacture of the printing press in the early seventeenth century, a class of freelance printers, or publishers, sprang up throughout England. The number of books published exploded. But within a few years authors and publishers experienced a crisis that threatened the future of the industry. Some wily publishers would only “publish” books that already had a market—the same strategy pursued by those who make knockoffs of designer handbags today. They would reprint a text and, to gain a market edge, attribute authorship to someone famous. Authors and publishers had no legal recourse because the copyright had not yet been invented. Their books entered the public domain, freely available for anyone to copy. Given the prospect that even a highly successful book would offer publishers little return on their investment, these early printer-publishers petitioned the government for protection. In 1709 the British Parliament decided to privatize this commons in passing the first copyright law, with its title appropriately beginning with “An Act for the Encouragement of Learning.” This history raises the following question for the Google project: Would reverting to a commons ruin the resource (i.e., knowledge) that Google purports to advance?

1. In a series of settlements, Google introduced some limitations on access and gave authors a right to remove their books from the proposed digital library. Lawsuits, tentative settlements, and Justice Department antitrust investigations ensued. Early in 2014, the federal courts dismissed a major lawsuit against Google, and the massive scanning project continues.
THE LOGIC OF AMERICAN POLITICS

and glean some revenue as viewers click on accompanying advertising banners. Since high-
quality information is costly to produce, many will seek to exploit this commons by creating cheaply produced, low-grade information, making it difficult for quality information to distinguish itself and ask for compensation for its more-costly-to-produce information.

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, since individuals will be tempted to exploit the collective good if they see their neighbors and colleagues flaunting the rules.

In many settings, a less costly and more effective alternative solution to conserving the commons involves privatizing 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, "[T]he change in attitude was stunning. Families were now willing to work much harder than they had ever worked before." 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 increasingly switched from regulations (i.e., catch quotas) to privatization by granting fishermen 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 that are 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 one another.

Don’t waste your time: stop circling the block, find a spot in a button tap

Broadcast your parking request to our community: you could park on other people vacant driveways!

Privatizing the Commons. Citing the headaches that hundreds of city drivers face each day, an enterprising entrepreneur has developed an app-based service, MonkeyParking, that identifies vacant parking spots on city streets. He took service one step further in Los Angeles and proposed that, for a fee, the service would send someone out to reserve the slot for the subscriber. This would have effectively privatized this commons—that is, street parking. City Hall, however, decided that the commons is not his to privatize and banned the practice.
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 required to make collective decisions. Consider a student activities committee that selects which band to bring to campus. First, do students want rock, hip hop, or some other kind of music? Then, what bands are available, how good are they, and what do they charge? Of course, unsatisfactory answers to the second set of questions might return the committee to the first. Once a decision has been made, the bands must be contacted, dates and prices negotiated, and a venue found. The time and effort spent researching available bands, debating preferences, and implementing decisions are all transaction costs of the collective good of campus entertainment.

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 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. In the above example, the student body greatly reduced its transaction costs by authorizing a committee to make a collective choice for it.

Deputies in Ukraine’s parliament clash during a debate before a vote on the country’s 2014 budget. The deputies struggled with high transaction costs in the process of agreeing on the budget, which culminated in physical altercations before agreement was reached and the budget was ultimately approved.
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.*

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 an ordinary task such as paying property taxes to extraordinary sacrifices such as serving overseas in the military, away from home and family. Rules that require fishermen to stay at the dock during a portion of the fishing season, rules that make a citizen spend part of her income to fund government programs that she opposes, and rules that limit the time allotted to a member of Congress for a floor speech all impose conformity costs on individuals in order to achieve a collective goal. Not surprisingly, members of a community prefer minimum conformity costs. But since collective goals never come effortlessly, elected representatives must continually weigh what kinds of and how much costs 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, such calculations tend to be complicated: 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

* Alternatively, two-thirds of the state legislatures can ask Congress to call a national convention to propose amendments, but this has never been done. 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.
arbitrarily decides national policies (minimal transaction costs) by insisting that everyone do what he, not they, 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 tradeoff 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 Mt. Everest. One of the first (and probably most consequential) choices you have to make is selecting an expedition to sign up with. With about 800 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? (Consider how these expeditions have opted 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.9
These extreme mixes of transaction and conformity costs might seem far-fetched when referring to national governments, but for many of the Constitution’s Framers this was precisely the issue that brought them to Philadelphia. Chapter 2 examines America’s unhappy, precarious experience with government by consensus in the decade following independence. The Articles of Confederation, the nation’s first constitution, allowed any state to block national action on important policies such as taxes. Moreover, the absence of enforcement authority fostered rampant free riding even when the states could agree on a course of action. Consequently, even in a country with only thirteen participating states—each with one vote in the Confederation Congress—the transaction costs of consensus government proved impossibly difficult and prompted all but one state, Rhode Island, to send delegates to a constitutional convention to create a more viable arrangement.

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 (FBI) and Central Intelligence Agency (CIA) 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.

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.

*Another 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.*
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. 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 over two hundred years ago, experience with majority rule throughout the world has proven 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 an separating the 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 (see Figure 1.3). 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 will 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 he or she desires. 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. Some are too risky financially to attract private investment. What business could afford to build a multibillion-dollar supercollider to research nuclear fusion and, at the project’s inception, expect to recover its costs within a period reasonable to shareholders? Other goods offer better value when converted from a private to a public good. The history of fire protection in America is one example (see Politics to Policy box “Fire Protection: From a Private to a Public Good”).

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
The history of fire protection in America offers a classic example of the evolution of private goods to a government responsibility. During the nation’s colonial era, fire protection assumed the form of an insurance policy. Homeowners subscribed to a local protection service, mounted its identifying shield on the front of the house, and hoped that if they had a fire it would show up.

In many small communities voluntary fire departments formed to turn fire protection into a public good. The coordination problems were resolved, and the service’s responsiveness limited the spread of fires across structures. This arrangement worked reasonably well in towns and villages where everyone knew everyone else. Any “volunteer” who chronically slept through the fire bell might well have found his neighbors doing the same when the bell sounded for his house.

As communities grew and social controls on free riding weakened, voluntary fire protection gave way to government-run, professional fire protection. Typically, governments created a special fire district with taxing authority and hired professional firefighters to supply this public good.

From a Private to a Public Good

Politics to Policy

Missouri History Museum, St. Louis

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 he or she comes 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 employ this less restrictive term that includes both true public goods and mixed policies that also confer private benefits (see Figure 1.4).

Collective Action and America’s Constitution

The Constitution’s Framers, who assembled in Philadelphia during the summer of 1787, did not employ the modern vocabulary of collective action problems, such as prisoner’s dilemma or tragedy of the commons. Nor did they formally label and classify their institutional design mechanisms. 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 reneging 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.∗

To solve the nation’s pervasive collective action problems, the Framers designed a new government that, by modern standards, minimized conformity costs. Some delegates worried that the states were being reduced to minor administrative districts. Others, including James Madison, were far more concerned that self-interested majorities might tyrannize minorities and exploit the public good. The solution to both extremes lay in escalating transaction costs so the new government could better address the nation’s collective problems. At the same time, the government would possess too little authority to allow self-interested politicians or a majority coalition to turn its power against the citizenry. Separation of powers, staggered legislative terms, an unelected judiciary, limited national authority, and the other features explored in the chapters that follow all effectively constrain majority rule. The result is a highly complex constitutional system in which politicians must work hard to introduce even minor changes in national policy. 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.

NOTA BENE

This chapter and the next present concepts that our discussion will employ throughout the remainder of the book. So far, we have examined the various kinds of collective action problems that invariably arise within society and government whenever differently minded individuals attempt to work together. In the next chapter we identify some simple institutional design principles that guided the Framers in drafting the Constitution and can be employed to dissect the underlying logic of all forms of governmental organization. For those chapters examining the several branches of government and federalism, problems of collective action and institutional design are naturally more prominent than in the political behavior chapters. Yet these issues arise in every chapter, and when they do, we will highlight the text (including the important topics located in the boxes!) to alert you that the concepts introduced here and in the next chapter are being put to work.

∗ 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 .................. 7
bargaining .................. 3
cabinet .................. 26
collective action .................. 8
collective goods .................. 28
compromise .................. 3
conformity costs .................. 23
constitution .................. 7
coordination .................. 9
delegation .................. 25
direct democracy .................. 25
focal point .................. 11
free-rider problem .................. 17
government .................. 7
institutions .................. 7
majority rule .................. 25
offices .................. 7
parliamentary government .................. 26
politics .................. 3
preferences .................. 3
prisoner’s dilemma .................. 12
private goods .................. 27
privatization .................. 21
public goods .................. 27
regulation .................. 20
representative government .................. 25
republic .................. 26
separation of powers .................. 26
tragedy of the commons .................. 18
transaction costs .................. 22
tyrrany .................. 26

SUGGESTED READINGS


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?
10. They were, among others, the French philosopher Baron de Montesquieu (1689–1755) and the English philosopher John Locke (1632–1704).