

Norman Frohlich, Joe A. Oppenheimer and Oran R. Young, *Political Leadership and Collective Goods* Princeton: Princeton University Press, 1971. Pp xvii, 161 \$6.00

In a review of Mancur Olson's *The Logic of Collective Action* in the first issue of this journal, Richard Wagner called attention to the important role political leadership can play in the provision of collective goods [2]. As Frohlich, Oppenheimer and Young note, however, the concept of a political leader (entrepreneur) is not, in and of itself, an adequate explanation of the supply of collective goods. As Olson argues, the basic problem is that individuals have little, if any, incentive to voluntarily contribute toward the supply of a collective good. In the absence of such an incentive, the flow of resources that a political entrepreneur can control is severely limited, and the likelihood of his achieving a "profit" is correspondingly small. A successful theory of political leadership constructed within the framework of theory of collective goods must establish linkages between the behavior of group members, the supply of the collective good, and the profit of the political entrepreneur. In this book the authors attempt to construct such a theory. Using a decision-theoretic model of individual behavior in collective goods situations they generate a variety of propositions concerning political leadership and the supply of collective goods. The first two chapters of the book develop the model in a non-competitive context, and it is then generalized to the competitive case in the following two chapters, where the problems of both incumbent and opposition leaders are considered. Chapter Five and Appendix One discuss the problem of strategic interaction in collective goods situations and relate the authors' conclusions to those of Olson.

Frohlich, Oppenheimer and Young define a political entrepreneur as "any individual who acts to supply a collective good without providing all of the resources himself" (p.6). In my opinion, the attempt to construct a theory that encompasses all political leaders is unfortunate, for by its very nature, a theory with such generality cannot focus on many of the subtleties associated with any particular type of political leadership. For instance, it would appear to be easier for candidates for electoral office to secure the resources necessary for a leader's surplus than for leaders of interest groups, because the prime resource sought by the former group is votes, which citizens seem more willing to part with than their time or money. Another important distinction between these two types of political leadership concerns the role of opposition. The winner of an electoral contest has a monopoly on the main source "profit", but it is possible for a group of citizens to support on equal terms the co-existence of several interest groups with very similar goals. While the authors mention differences such as these, they are not incorporated formally into their analysis, and the quality of the propositions derived from the model suffers as a result.

As noted earlier, the key element of a theory of political leadership in the context of collective goods is how revenue (in the form of a variety of resources) is secured by a leader from a group of individuals who have little incentive to make voluntary contributions toward the provision of a collective good. Frohlich, Oppenheimer and Young suggest four potential sources of revenue, each represented by an entry in a 2 x 2 table in which each revenue source is classified by (1) whether the individual contributes in return for collective or private benefits and (2) whether the incentive for a contribution results from a positive inducement or from the threat of a negative sanction. The four potential sources of revenue are labeled donations (collective-positive), purchases or contracts (private-positive), taxation (private-negative), and extortion (collective-negative.)

Purchases and contracts include Olson's notion of selective incentives as well as another important class of exchanges. Included in the mathematical formulation of the theory are two terms which represent the expenditures necessary for the maintenance of an organization that supplies a collective good and the expenditures incurred in actually supplying the collective good. The fact that these expenditures must be made gives rise to another source of revenue, for as the authors note,

"From the perspective of the ordinary members, (these expenditures) are potential "contracts". A recipient of such contracts might be willing to offer contributions to get them so long as these contributions are smaller than the expected profits from his contracts." (p. 37)

This notion of contracts represents one of the most intriguing contributions of the book. It is interesting to note that included in this category are kickbacks and bribes given to public officials in exchange for awards of public contracts. Recent history certainly attests to the importance of this source of revenue for some political leaders.

The other new revenue source suggested by Frohlich, Oppenheimer and Young is that of extortion — a contribution toward the provision of a collective good made as a result of the threat of a collective, negative sanction. The authors suggest as an example the threat of random terrorist activities, which *ex ante* threaten everyone. The authors do not treat this source in depth, however, but combine it with taxation in their analysis.

To a large extent, I think that the degree of success one attributes to the theory developed in this book is dependent upon the satisfaction one finds with the authors treatment of donations — voluntary donations toward the supply of a collective good. Part of Chapter One (pp. 32-36), Chapter 5, and Appendix One are devoted to this question, which the authors label the problem of strategic interaction. In addition, the interested reader would do well to read an earlier presentation of the ideas by two of the authors [1]. The authors utilize a decision theoretic model of the donation problem, in contrast with the Cournot duopoly and non-cooperative game models which yield Olson's results. In the decision theory model, each individual determines his optimal contribution by assessing a probability distribution over the total contribution of others, and choosing the level of donation that maximizes his utility. The fact that all individuals carry out this process simultaneously introduces the problems of strategic interaction. No restrictions are placed by the authors on the distributions that rational individuals may assess. The result of this is that, not surprisingly, very little can be said about the optimal level of donation for an individual or what would happen to the optimal level of donation if the group size were to change. Clearly, if any probability distribution over the actions of others is admissible, almost anything can be an optimal action in some circumstance. The authors justify the use of this model on the basis that:

"at the present time we are devoid of laws concerning the relevant human behavior with respect to the supply of costly collective goods. Rather than introducing a set of arbitrary assumptions, therefore, we have emphasized the indeterminacies that are a necessary consequence of the present state of our knowledge concerning the supply of collective goods." (p. 127)

To anyone who has considered problems of strategic interaction at any length, emphasis on the indeterminacy of such problems is probably unnecessary. If anything, this analysis convinces me that the (arbitrary) assumptions of a analysis using game theory or oligopoly theory are to be preferred to no assumptions at all. The authors would have done well to consider placing some restrictions on the

probability distributions that individuals can "reasonably" hold and to investigate the effects of these in an attempt to narrow down the range of possible "rational" behavior. In addition, the authors do not consider behavior over time, in which an individual's expectations regarding the behavior of others might reach some equilibrium. Consideration of this line of thought suggest two important questions: 1) if such an equilibrium exists, how would it differ from the equilibrium of analysis using game theory or oligopoly theory, and 2) if such an equilibrium does not exist, of what use is the theory in studying political behavior that continues over time?

The indeterminacy of the strategic interaction problem concerning donations spills over into the consideration of the other revenue sources as well. For a leader must decide upon the optimal mix of revenue sources, and in general it seems reasonable that the use of any other source of revenue would decrease the flow of donations (although that would depend upon the probability assessments of the individuals). The indeterminacy of the donation problem thus introduces an equivalent degree of indeterminacy into the consideration of the optimal mix of revenue sources.

One can view this book in either of two ways, as an effort in mathematical modelling of political phenomena or as a series of observations on political leadership for which use the theory of collective goods is a useful organizing device. The chief problem with the book as a piece of formal modelling is its lack of rigor. A mathematical model of behavior is presented, but very little is actually done with it. The modelling consists almost entirely of setting up an expected utility equation and differentiating it to determine the optimal action. The model is so general that one does not really need the equation at all to derive the consequences — they often follow from the definition of the equation rather than from any manipulation of the model. For example, Chapter Two, "Consequences of Noncompetitive Politics" contains no mathematics at all. All of the consequences are "derived" verbally. Some of the consequences border on being tautological (e.g. "Competition will be supplied only when some individual finds it profitable to do so"). In addition, assumptions whose necessity is questionable to begin with appear to go unused (e.g. individuals are selfish and individuals are aware of the preferences and past actions of others). Since little is actually done with the model, these problems are not of great importance. They are, nevertheless, indicative of the lack of rigor which characterizes the book.

Read as a collection of observations about political leadership, the book fares somewhat better. The discussion of revenue sources is quite good, and the discussion of competitive politics generates some interesting ideas concerning the optimal mix of resources and the ability of a leader to attract contribution's by manipulating information received by the group members. As an inspection of the list of propositions derived in the book (pp. 138-142) will show, however, the focus of the analysis ranges widely, at times considering topics only tangentially related to the book's central theme. A more rigorous treatment of a more narrowly defined set of topics would have been a considerable improvement over the present form of the book.

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- [1] Frohlich, Norman, and Oppenheimer, Joe, "I get By With a Little Help from My Friends", *World Politics*, 23 (October 1970), 104-120

[2] Wagner, Richard, "Pressure Groups and Political Entrepreneurs: A Review Article," *Papers on Non-market Decision Making*, 1, (1966), 161-170.

James S. Coleman, *Power and the Structure of Society*. New York: W. W. Norton and Company, Inc. Fels Lectures on Public Policy Analysis, 1974. Pp. 112. \$6.95

For a number of years, James Coleman has been interested in the situation which arises when an individual "invests" his own power, influence, or funds in some kind of collective body. This brief collection of lectures is a general presentation of his views on the problem. It is deceptively simple in preparation, but actually it will repay careful study. Before dealing with the bulk of the book, however, I would like to raise two minor, more or less linguistic, issues.

Coleman argues that in present-day society individuals frequently feel relatively powerless because they have invested their power in "corporations" such as labor unions, business corporations, coops, or democratic governments. It seems to me that, although there may be some reduction in actual power by an individual from joining one of these institutions, the more accurate statement would be that there is a rearrangement of his power so that he has more power over things that do not concern him very much and less power over things that concern him a great deal. Consider 365 housewives, each of whom makes decisions as to what her family will eat each day. A collective enterprise is established under which each of the housewives is permitted to make decisions for all 365 of them on one day of the year, but then is bound by the other decisions on the remaining 364 days. The power of the housewife has not declined; she still makes 365 family-day menu decisions. What has happened, however, is that she now has power over matters that do not concern her very much, i.e., the menu of other families, and much less control over something which concerns her a good deal.

In addition to this phenomenon, no doubt there is a genuine reduction in individual power from the joining of many collective organizations; but the redirecting of power seems to me a more important phenomenon. As a matter of fact, this is not a significant criticism of Coleman's book because he could change the language a little bit and end up saying substantively the same thing he says now.

My second criticism is also essentially linguistic and it concerns Coleman's view that "corporations" act in various ways on individuals. The actions are the actions of individuals who are involved somehow in the corporation. The corporation's existence simply changes the constraints under which these individuals act. This again is not something that would surprise Coleman; indeed, he says it toward the end of his discussion. I prefer a different language.

Leaving these two essentially linguistic problems aside, however, the book is a sophisticated and well thought out discussion of a real and difficult problem. As Coleman points out, there are many reasons why we might wish to create elective bodies to perform various services for us. Once these organizations have been created, however, they do change the world and adjustment to these organizations is important for us. It is to a description of the problems that can arise and a rather brief but very suggestive discussion of the possible remedies that the bulk of these lectures is devoted. Coleman's book is different from much modern emoting in this general area in that he never has any doubts that such organizations are desirable, to at least some extent, and he has no subconscious drive for some kind of wholistic society like a commune. It is clear that he feels that, for most people, the situation

in which they now find themselves, in which they deal with quite a number of different "corporations" ranging from different levels of democratic government through private corporations, schools, etc., is desirable in its *main* outlines. What Coleman wants to do is make changes in the details.

In general, the changes he suggests are modest. For example, he suggests that our educational system should devote some attention to teaching people to deal with corporations, as well as teaching them to deal with individuals. He points out that in many cases the corporation has much more information than the people with whom it deals, and devotes a good deal of attention to suggesting ways of evening up the information problem. As one example, which should interest most academics, he points out that universities obtain a great deal of information about the students under consideration for admission, but do not make available very much information *to* the students. He suggests that the universities be compelled to allocate funds to informing potential students which are about the same amount as the funds they now use to obtain information about the students. Further, he suggests that these funds not be disbursed by the university itself but by some consumer-oriented organization. The last sentence sounds naive, but Coleman is of course fully aware of the difficulties of establishing "corporations" that are consumer-oriented in practice and has no utopian dreams in this area.

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