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Size, Fungibility, and the Strength of Lobbying Organizations☆

David K. Levine[1], Salvatore Modica[2,*]

Abstract

How can a small special interest group successfully get an inefficient transfer at the expense of a much larger group with many more resources available for lobbying? We consider a simple model of agenda setting where two groups of different size lobby a politician over a transfer from one group to the other, and the group which sets the agenda can choose the size of the proposed transfer. The groups have resources which are used to pay the politician and to overcome the public goods problem within the group. Our key result is that which group prevails in the agenda setting game depends crucially on whether the transfers can also be used to pay the politician - in which case we say they are *fungible*. If the transfer is fungible, as in the case of a monetary payment, the smaller group prevails. If the transfer is non-fungible the result depends on whether it is rival or not - civil rights for example are non-rival. In the case of a rival non-fungible transfer depending on circumstances either group may prevail. In the non-rival case the large group prevails. Our results explain the apparent paradox that when it comes to special financial favors small groups seem very effective, but when it comes to large non-financial issues - such as minority rights - large groups are more effective.

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C72 - Noncooperative Games

D7 - Analysis of Collective Decision-Making

D72 - Political Processes: Rent-Seeking, Lobbying, Elections, Legislatures, and Voting Behavior

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