

‘All for One and One for All’: Transactions Cost and Collective Action

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Rational choice analysis of collective action predicts that individual members of a large group will not contribute voluntarily towards a common cause; members of large groups attribute no significance to individual action. Large groups are mobilised by the attraction of private goods and services; private interest, rather than identity with a common cause, is the stimulus. Yet the efficacy of such selective incentives depends on the signal that erstwhile ‘profits’ (from the provision of private goods) are dedicated to achieving a collective goal. At the same time, the signal that collective action is ‘non-profit’ enhances the intrinsic value of the act of participation. When the impact of individual action on *outcome* is difficult to discern, individuals rely on low-cost signals relating to *process*. There are incentives to identify with the pursuit of a common cause when collective action is deemed ‘non-profit’ and a common goal is non-rival.

Olson’s (1965) ‘logic of collective action’ rejected the supposition that the identification of common interests leads ‘naturally’ to collective action (Shepsle and Bonchek, 1997). His logic predicted that an individual member of a ‘large’ group would not voluntarily support an association, even if the association has the opportunity to advance the group’s common interests (for example, by lobbying for legislative change). Each individual recognises that if the association were successful, the benefits would be freely available to all; benefits would not be contingent on having offered support. Olson’s insight was that contributing to an association is tantamount to revealing demand for a collective good. Neither is ‘rational’. Rational individuals attempt to free-ride, but, if all behave this way, there can be no free-ride and the group remains latent.

The distinction between small and large groups is important. By definition, individuals in small groups can expect personal action to prove ‘significant’ (for example, to affect the probability that others will contribute). However, in large groups an individual is anonymous; personal action is insignificant. The rational strategy for members of a large group is to free-ride; but if each individual chooses this strategy, nothing is achieved (there can be no free-ride). Although large groups may be mobilised by coercion (for example, closed-shop authority requiring membership of an association to secure employment), voluntary collective action is possible only if associations offer private (excludable) inducement. Olson argued that associations representing large groups rely on ‘selective incentives’ (such as cheap insurance, a journal, or an invitation to a social, or gala, occasion).

This assessment clashes with intuition; surely collective action is a response to collective concerns? Rational choice theory insists that it is a by-product of private concerns. For example, it is not opposition to oppressive regimes that motivates

political revolution. Political revolution is simply a career-enhancing opportunity – a chance for individuals to secure positions in a post-revolution government (Tullock, 1971; Silver, 1974; Jennings, 1998). Identity with a common cause is irrelevant; private gain (attraction of selective incentives) is the motivation.

The dichotomy between private inducement and collective motivation is stark, but is it apposite? In this paper, rational choice pronouncements are questioned. In the second section, I will consider the importance of an association's institutional structure. Attention has already been drawn to the importance of institutional structure in terms of the potential created by size manipulation. Dunleavy argues that

Size manipulation strategies allow the leaders of large interest groups to assure their members both that the group is viable (because of its size) and that their own participation is important (because their efforts and voice would be missed at the local level). (Dunleavy, 1991, p. 77)

In the second section, I will focus on a quite different adaptation to meet the difficulties of mobilising collective action. A comparative analysis of pay-offs for association membership reveals that the efficacy of selective incentives (the inducement of private goods) is sensitive to the perception that an association's institutional status is 'not for profit'. The 'by-product theory' of collective action reveals that the likelihood of collective action depends on the attraction of selective incentives, but the attraction of selective incentives is sensitive to the expectation that an association is 'not for profit'.

Such analysis charts an illustrative route to my main objective in this paper. Individuals are rarely as well informed as is assumed in rational choice theory, and there is no presumption that individuals calculate the pay-offs presented in section two. Decisions are made with bounded rationality (less than full information). Barry (1970) argued that political behaviour (such as voting and association membership) is often a low-cost affair and, below a 'threshold level', individuals are unlikely to incur high decision-making costs. The question is whether behaviour can be predicted in this 'arbitrary domain' (Green and Shapiro, 1994, p. 58). My main objective is the exploration of this domain. Such exploration reveals that perceptions of institutional structure play an important role, even if pay-offs are never formally calculated.

Increasingly, an empirical literature reveals that individuals reduce the transactions cost of decision-making by relying on signals and heuristics (for example, Thaler, 1994, surveys this literature). The implication is that behaviour differs systematically from that predicted of a fully informed 'representative' individual who bases decisions on an optimising calculus. Rational choice theory makes predictions on the basis of information that individuals rarely access formally. In the third section I will focus on the relevance of systematic responses to specific low-cost signals – signals related to an association's institutional structure and status.

Institutional structures in representative democracy have been rationalised as reducing transactions cost (see, for example, North, 1981; North and Weingast, 1989; Weingast and Marshall, 1988). Such analysis has yet to be applied to the decision to engage in collective action. The focus in this paper is on the way in

which institutional structure (adapted to the defining characteristics of common goals) emits low-cost signals regarding the process of collective action. In this 'transactions cost analysis', identity with a common cause and with the process by which it is to be pursued cannot be discounted.

The Efficacy of Selective Incentives

The Attraction of Selective Incentives

With emphasis only on non-excludability, Olson's by-product theory of collective action suggests that selective incentives (as distinct from identity with a common cause) motivate voluntary collective action. It is private-good inducement that mobilises voluntary collective action. Yet if this is so, a number of important questions remain unanswered:

- (i) Questionnaire responses indicate that individuals do not attribute to private goods (selective incentives) as much importance as implied by this theory; respondents insist that commitment to an association's 'collective good' is their motivation (for a review of empirical literature, see Jordan and Maloney, 1996, 1998). Can members really be so unaware of the irrelevance of individual action?
- (ii) Theory fails to offer a rationale for the pursuit of a common goal; if the common goal is redundant, why would an association pursue it (Stigler, 1974; Fireman and Gamson, 1979; Udehn, 1996)? If an association's future depends on the provision of private goods, why devote resources to a common goal? As Laver (1997) notes, it implies that political entrepreneurs prefer to act as 'secular saints' (foregoing pecuniary gain to devote profit to a common cause). Although philanthropy cannot be dismissed (Glaeser and Schleifer, 1998), is it really the case that collective action must rely on an assumed asymmetry between the aspirations of entrepreneurs in non-market and market structures?
- (iii) If members are unwilling to contribute to a common goal, how can associations compete with firms supplying substitute private goods (Stigler, 1974)? Profit-seeking firms are able to offer private goods at lower cost (they do not bear the costs of a collective goal). Surely, if individuals really value private goods, private firms would be at an advantage when marketing substitutes. The absence of intense competition suggests that questionnaire responses are honest (selective incentives are not the main concern of members).

Taken together, these criticisms paint a discernible paradox. Rational choice theory (premised on neoclassical assumptions) maintains that membership is motivated by private inducement (selective incentives), yet members state that their motivation is the common cause. Theory offers no rationale for associations' pursuit of a common cause (other than saintly philanthropy), yet representative associations operate as if this is their major activity. Is the dichotomy between private inducement and collective interests accurate? Can members of associations be so indifferent to the common cause? If so, Laver's question is telling:

Even if some members did join the union as a result of the selective benefits on offer, yielding a surplus for the union that could be deployed

in the production of collective benefits, why would union officials deploy their surplus in this way? (Laver, 1997, p. 41)

Selective Incentives to Trigger Reciprocity

In this section, the importance of selective incentives is reconsidered when an association's institutional structure also serves as a signal. The first example illustrates the typical free-rider problem; and the second illustrates criticisms levelled at the efficacy of selective incentives. The final example reconsiders the inducement of selective incentives when signals of an association's institutional structure are also relevant. The signal that an association is 'not for profit' (will commit 'profit' from the provision of private goods to pursuit of a collective goal) is important when assessing the efficacy of selective incentives.

- (i) *The free-rider problem.* An individual considers a £6 subscription to an association. When others contribute, a collective goal is achieved (worth £100 to the individual). In a large group, personal action is insignificant (the probability that others will contribute does not depend on the individual's decision to contribute). At the same time, individual action is also insignificant because the value of the collective goal contingent on personal subscription is less than the subscription cost (Sandler, 1992); in this example, the value of the additional output is only £3 and the subscription is £6.

The individual opts to free-ride. If others subscribe and the individual contributes, the pay-off is lower ($£97 < £100$) than if the individual did not subscribe (Table 1). Similarly, if others do not subscribe, the individual is not motivated to contribute; the pay-off from contribution is negative ($-£3$). As pay-offs from non-contribution are everywhere greater than from subscription (whether 'others contribute' or 'others do not contribute'), this strategy dominates.

- (ii) *The free-rider problem when selective incentives are available.* The association offers a private good (worth £4); as the subscription is £6, a surplus of £2 is available to devote to a common goal. The private good is valued at £4 (it can be purchased from a private firm at this price). The selective incentive does not resolve the free-rider problem. Consistency requires that the financial residue (£2) is as equally productive as the subscription discussed above – that it increases the value of the collective good by 50 per cent of its own value (this 'input output' ratio can be considered in terms of a public-good technology; Sandler, 1992). It follows that the value of the collective-good

Table 1: The Decision To Subscribe or To Free-Ride

	<i>Others contribute</i>	<i>Others do not contribute</i>
Individual contributes	$103 - 6 = 97$	$3 - 6 = -3$
Individual does not contribute	100	0

Table 2: The Decision To Subscribe If a Selective Incentive Is Offered

	<i>Others contribute</i>	<i>Others do not contribute</i>
Individual contributes	$101 - 6 + 4 = 99$	$1 - 6 + 4 = -1$
Individual does not contribute	100	0

contingent on membership increases to £101 (and to £1 when others do not contribute).

There is no incentive to contribute. If the individual pays £6, the net pay-off is £99 (rather than £100) when others contribute (Table 2). If others do not contribute, the pay-off from subscription is negative (−£1). As already noted, if firms market the private good, why subscribe to the association? If firms do not market the private good, why allocate association resources to a common goal (it simply makes the transaction less attractive to individuals)?

(iii) *The free-rider problem and institutional structure.* The objective is now to reconsider the efficacy of selective incentives when the perception is that the association is ‘not for profit’. It is clear that, if the selective incentive is to prove effective, individuals must expect more than the dedication of a financial surplus (subscription less costs of the private good: £2) to a common goal.

The selective incentive becomes effective if individuals expect erstwhile ‘profit’ (that would be enjoyed by a private firm) to be also dedicated to a common goal. The perception that the association is ‘not for profit’ triggers the expectation of donation from another quarter.

Individuals’ knowledge of the profit element is surely imprecise, but perceptions are unlikely to be inconsequential. If the association adopts ‘non-profit’ legal status, it enjoys tax advantages and lower costs (Sandler and Posnett, 1986). If the association signals that it relies on voluntary labour, the same perception applies. In this example, £3 of the £4 costs of providing the private good is assumed to be ‘profit’ earmarked for the common cause. Subscription now implies a financial surplus of £2 (subscription less costs) plus an additional £3 ‘profit’ devoted towards the common cause. With the same public-good technology, the additional value of a collective good (contingent on subscription) is £2.5 ($0.5 \times \text{£}[3 + 2]$). Contribution now yields the highest pay-offs (Table 3), irrespective of whether other individuals choose to subscribe to the association.

In the first instance, it is clear that the efficacy of selective incentives depends on the perception that ‘profit’ will be committed to a cause with which the individual identifies. Second, it is important that the goal is equally available (that consumption by one party does not reduce the availability to others). Subscription commits a reciprocal investment of profit, and the value of this investment (in terms of an increased output of the collective good) is equally available. Even though the additional units of the good are non-excludable, they are non-rival and

Table 3: The Decision To Subscribe to a Non-Profit Association

	<i>Others contribute</i>	<i>Others do not contribute</i>
Individual contributes	$102.5 - 6 + 4 = 100.5$	$2.5 - 6 + 4 = -0.5$
Individual does not contribute	100	0

their receipt (contingent on subscription) is sufficient to make subscription attractive to the individual concerned. (The comparison is now with a small group situation, where an individual's contribution is 'significant' even though it helps finance the provision of a non-excludable good; see Buchanan, 1968). 'Profit' is devoted to the pursuit of a collective goal, and the pay-off from subscription is sufficient to make subscription worthwhile even though the goal is non-excludable (Table 3). The same would apply if the goal were indivisible in production (either achieved or not achieved); in this case, reciprocity increases the probability that the goal will be achieved contingent on subscription.¹

When individuals purchase raffle tickets, attend social outings, take receipt of magazines, and so on, they are often heard to remark that the expenditure is worthwhile as proceeds go to a 'worthy cause'. This perception is critically important. Questions listed above now have answers. Individuals in receipt of a selective incentive are consistent to state that their priority is the common cause; they do not participate simply to acquire a private good or service. Moreover, there is a reason for an association to commit resources to a common goal: it signals that subscription can be significant.

A two-way relationship within association finances becomes evident: (i) selective incentives yield a financial surplus for a common cause; and (ii) expenditure on a common cause increases the attraction of selective incentives. Olson's analysis focused on the former relationship. Laver describes this incisively: 'private benefits must be cheap enough to produce for the surplus generated from contributions to be large enough to provide both the collective consumption good and the private benefits' (1997, p. 40). However, there is now another impact: expenditure on the common goal increases revenue from selective incentives. A two-way effect has been reported in statistical analyses of associations' financial accounts. Lowry observed that 'Revenues generated on selective incentives ... are contingent on the level of spending on public goods' (1997, p. 308). Hansen (1985) suggested that expenditures on a collective good advertise an association's selective incentives. Although this is not in dispute, it is clear that such expenditure does more; it signals a mechanism that makes subscription significant.

But surely all of this confirms that political entrepreneurs must be secular saints; non-profit status implies self-denial. On the contrary, if political entrepreneurs identify the response of individuals, they have an opportunity to further private ambition. As signals of expenditure on a common goal now act as a stimulus to increase an association's membership and influence, political entrepreneurs have a private motive: they secure private gains (power, prestige, career-advancement)

as leaders of large, influential, representative associations. There is an incentive to political entrepreneurs to signal expenditure on a common goal. Wagner's (1966) criticism of the by-product theory was that it ignored the ambition of political entrepreneurs. Similarly, Shepsle and Bonchek (1997) identify politicians whose career flourished (sometimes in other avenues) after successfully mobilising groups. There is no inconsistency if self-loving political entrepreneurs signal devotion to a common goal.

Before turning to analysis of the way in which individuals make decisions, it is important to highlight one observation. Interpretation of the by-product theory of collective action is incomplete if it depends only on non-excludability of collective goods. Non-rivalness in consumption is the second, distinct, collective-good characteristic; consumption of a 'non-rival' good by one person does not reduce availability to others (McLean, 1987); for example, one person's enjoyment of national defence expenditure to deter aggression does not reduce security for adjacent neighbours. The contrast with a private good stands proud; if one individual consumes a private good (such as an apple), there is no possibility that a neighbour can consume the good equally.² It is important to emphasise that, in Table 3, subscription was significant because the product of reciprocity (conditional on subscription) was equally available. By comparison, if a private good was purchased from a 'for profit' firm, the attendant profit would be devoted to a good that is rival in consumption (one that only advantages the entrepreneur).

Taxonomies of goods are based on degree of non-rivalness (see, for example, Buchanan, 1968; Head, 1962; Musgrave, 1969) – the rate at which availability atrophies as more individuals have access (see, for example, Craig, 1987). This characteristic can be distinguished from non-excludability (Head, 1962; Peston, 1972; McLean, 1987).³ It follows that associations can be classified by reference to non-rivalness of goals. Some associations' goals are more rival in consumption; for example, an association providing recreational swimming has an output that is rival when a capacity limit is reached. A trade association lobbying for government regulation to restrict supply and increase price (Stigler, 1975) offers profit opportunities, but profit appropriated by one firm is not equally available to all. However, in the above example, the focus was on an association in pursuit of a non-rival goal (for example, lobbying for research into a healthier lifestyle to provide information from which all benefit without reducing availability). 'Not-for-profit' structure signals orchestrated reciprocity, but the value of reciprocal action also depends on availability.⁴

Signalling Status: It's Not What You Do, It's the Way That You Do It

Analysis of pay-offs highlights the importance of institutional status ('not-for-profit' commitment to a non-rival goal). In the absence of this signal, the efficacy of selective incentives is in question; but when individuals perceive that the association is 'not for profit', greater importance is attached to the acquisition of selective incentives. Even if group size remains a relevant consideration, individuals now respond to another signal. When considering decision-making, individuals are unlikely to be as well informed of pay-offs as described above; for example, they

are unlikely to be as aware of the extent to which erstwhile profit (contingent on acquisition of a selective incentive) is committed to a common goal. By the same token, they are more likely to rely on a set of low-cost signals that is broader than that envisaged by the by-product theory of collective action. As Barry (1970) notes, individuals do not incur high costs when acting politically (voting, joining associations), so why would they invest in a fully informed, 'rational', cost-benefit assessment? Individuals mitigate the transactions cost of decision-making by reliance on low-cost signals and heuristics (see, for example, De Meza and Dickinson, 1984; Thaler, 1994). The objective in a 'transactions cost analysis' is to identify the relevant set of signals and systematic responses and, in this way, form testable behavioural predictions.

Williamson (1985) defined transactions cost of decision-making as comprising search/information costs, bargaining (or negotiating) costs and contract costs (the costs of making the conditions of trade clear and enforceable) and, with bounded rationality, the costs of 'opportunism' or 'self-seeking with guile' (see Williamson, 1986, p. 177). The literature reports that institutional structures reduce transactions cost, both in market (for example, Coase, 1937) and non-market situations (for example, North and Weingast, 1989; Weingast and Marshall, 1988). The institutional structure of representative associations, adapted to suit the characteristics of the goal pursued, emits signals that reduce individuals' transactions cost. Unlike typical private firms (producing only private goods), representative associations (providing private and collective goods) signal that profits are dedicated to a common goal. Non-profit status is signalled by legal registration, reliance on voluntary labour, and leaders' rhetoric. This status mitigates the costs of opportunism (see, for example, Hansmann, 1986) and signals reciprocity; it reduces costs and informs perceptions of the benefits of identifying with collective action.

Responses to low-cost signals can be predicted by reference to motivation. When instrumental action is difficult to ascertain, individuals rely more heavily on perceptions of the intrinsic value of action (see, for example, Frey, 1992, 1997). The boundaries of instrumentalism are predictable (Abelson, 1996); Taylor anticipates instrumental action:

where (i) the courses of action available to the actor are limited; (ii) the costs and benefits attached to the alternative courses of action are ... well defined ... [and] (iii) much, for the agent, turns on his or her choice.
(Taylor, 1996, p. 225)

Instrumental behaviour is less prominent when quid pro quo is absent (when costs and benefits of action are ill defined). The by-product theory of collective action only considers instrumental behaviour (to change outcomes), but a transactions cost approach also considers the impact of signals on perceptions of the intrinsic value of the *act* of participation (Jones, 2003). My objective in this section is to demonstrate that instrumental motivation and intrinsic motivation are informed consistently by the signal that the process is non-profit.

Olson followed Downs (1957) by focusing on action only to change outcome. Downs argued that the decision to vote depended on net expected utility; individuals were viewed as 'investors' (investing time and effort to change electoral out-

comes). Similarly, Olson considered association membership in terms of whether subscription would change outcome. Just as Downs predicted apathy (because each individual has only a miniscule chance of changing electoral outcome), Olson predicted apathy (because, as individuals, members of a large group appear impotent). However, it is questionable that only instrumental motivation is relevant; high turnout in national elections (sometimes in excess of 70 per cent; see, for example, Aldrich, 1993) creates 'the paradox that ate public choice analysis' (Grofman, 1993). Evidence suggests that individuals also act as 'consumers' of political participation – for example, deriving satisfaction from performing a civic duty (Riker and Ordeshook, 1968) and from the act of expressing a view (Brennan and Lomasky, 1993). 'Consumption' benefits (Lee, 1988) depend on the intrinsic value of the act; experiments reveal that, when the intrinsic value of action is dismissed, individuals no longer participate (Brunk, 1980; Blais and Young, 1999).

My objective is now to explore the impact of an association's non-profit status on both instrumental and intrinsic motivation. The example in the second section illustrated the relevance of this signal when instrumental individuals estimated pay-offs. In this section, I will consider the same signal when instrumental individuals rely on heuristics. At the same time, the impact of the signal on intrinsic motivation is also relevant; the same low-cost signal enhances motivation to act expressively (to identify with the process). It is tautology to say that individuals join associations because they enjoy ('consume') the act of contribution; Barry notes that this 'explains everything merely by re-describing it' (1970, p. 33). However, testable predictions are possible when systematic responses to low-cost signals (identified in a growing empirical literature) are taken into account. Signals can acknowledge, or demean, the value of expressive action.

Instrumental Rationality

Reliance on signals regarding association status reduces the costs of acquisition and assimilation of detailed information concerning the pay-offs from association membership. As an example, consider the following simple heuristic. If individuals are set on acquiring a private good, a supplier who also commits profit to a collective good (whatever the element of profit committed) is more attractive than a profit-maximising supplier of a substitute private good. If profit (however small) is dedicated to a common cause, there is an advantage in acquiring a private good from such an association. Consider the purchase of an item from a charity stall rather than from a second-hand store; if the charity commits erstwhile profit to a common cause, payment of the same price also yields a 'matching donation'. Not only are the costs of opportunism reduced – if 'non-profits can be trusted not to exploit the advantage over the consumer resulting from contract failure' (Hansmann, 1986, p. 80) – but this transaction also commits the vendor to reciprocal action.

Both experimental and behavioural evidence prove consistent with reliance on such an heuristic. Kahneman *et al.*'s experiment (1986) placed individuals in a hypothetical situation. On a hot day, a companion offers to return with a beer purchased from either (i) a 'fancy resort hotel' or (ii) a 'run-down grocery' store. Individuals were asked how much they would pay. The median response for the 'fancy-hotel' was \$2.65; the median response for the 'grocery-store' was only

\$1.50. The authors attribute the difference to the propensity of individuals to be 'fair' – to pay more if the supplier signalled such commitment (the 'fancy hotel' offering facilities that are non-rival in consumption below capacity limits).

With reference to behavioural evidence, consider the actions of consumers and investors. When judging product quality, consumers rely on low-cost signals; for example, Nelson (1974) notes that a firm's willingness to commit large sums to celebrity endorsement signals to consumers confidence in product quality. Similarly, a firm's commitment to a common goal (for example, to support gala sports fixtures or charities' fund-raising events) signals non-profit concern. Consumers pay more for 'eco-labelled' products if they believe that costs have been incurred in adopting processes that reduce environmental damage (Zarrilli *et al.*, 1997); investors are attracted to ethical investments that promise equivalent returns (Lewis *et al.*, 1998).

Evidence is consistent with reliance on a simple heuristic – that private goods are more attractive, other things equal, if suppliers signal reciprocal commitment to a non-rival goal. Individuals are more likely to turn to an association to acquire a selective incentive (private good or service) than to a 'for profit' firm if they value the association's common cause. Trust that profits will be committed to a worthy cause is important; increasingly, quasi-contractual relationships are relied on to establish trust; for example, fund-raisers attempt to 'contract' by promising to run a marathon or to parachute jump if individuals act as sponsors. Indeed, trust works both ways: the more an association signals selfless pursuit of a 'noble' cause, the greater individuals' confidence that it offers a fair deal when supplying private goods (such as information or low-cost insurance).

As in the second section, selective incentives prove more attractive if the supplier is perceived as 'not for profit'. Evidence is consistent with reliance on a systematic response to this low-cost signal (full computation of pay-offs is not required).

Intrinsic Motivation

When it is difficult to gauge instrumental action, perceptions of the intrinsic value of action assume greater importance (Abelson, 1996; Taylor, 1996). Low-cost signals inform perceptions of intrinsic worth. Rational choice theory predicts action (of a 'representative' individual) as an optimum response to changed constraints (such as changed levels of income and relative prices) when the individual's preferences are constant (Stigler and Becker, 1977). However, behavioural empirical studies confirm that signals convey more than levels and ratios. The source of income⁵ and perceptions of the manner in which prices have been set also prove relevant.⁶ Signals, loaded with additional information, frame decision-making (Tversky and Kahneman, 1981; McDermott, 2001). The relevance of framing increases in non-market situations; Ware (1990) argues that concerns other than monetary costs and benefits assume greater relevance in non-market situations.

If 'consumption benefit' depends on perceptions, how are perceptions of intrinsic worth informed? Once again, answers are provided by reference to an existing empirical behavioural literature. An individual is said to be 'intrinsically motivated' to perform an activity when one receives no apparent reward except the activity

itself' (Deci, 1971, p. 105). Experiments conclude that intrinsic motivation is based on internal moral and ethical considerations and that it responds to external signals. Perceptions of intrinsic motivation depend on signals that intrinsic motivation is *acknowledged* (Deci and Ryan, 1980, 1985). Frey's empirical studies support this conclusion: the more that others signal commitment to action from which all benefit, the more the intrinsic value of action is acknowledged (for a review of studies, see Frey, 1992, 1997). By comparison, when the signal is the reverse (when individuals are solely in pursuit of their own, rival, consumption), self-interest is exhorted. As Elster notes: 'if people feel that they are taken advantage of, why should they not rip off the system in return' (1989, p. 180). Jones *et al.* (1998) report that exhortation of self-reliance ('Victorian values') damaged intrinsic motivation in the 1980s (as measured in the pattern of UK charitable giving). Weisbrod (1988) describes a dramatic reduction in support for US charities when the integrity of charity organisers was questioned. Jones and Hudson (2000, 2001) demonstrate that lower voter turnout in the 1997 UK general election can be attributed to allegations of 'political sleaze' (the successful Labour Party offering policy targets as a quasi-contract – targets described in the manifesto as a 'bond of trust'). Signals that representatives are motivated by concern for the 'public interest' ('non-profit pursuit of a non-rival goal') acknowledge intrinsic value. Behavioural predictions can be formed with reference to the dynamics of systematic inter-response.

Confidence that individuals strive to achieve a non-rival goal enhances perceptions of the importance of intrinsic motivation. When considering an association's goal, the more that it is rival in consumption, the more individuals must act instrumentally to take full advantage (to attain a greater share). However, when a good is non-rival in consumption, such action is irrelevant; the concept of 'share' is irrelevant (all can benefit without subtraction of the total availability). Willingness to commit resources, in a selfless (non-profit) manner, to non-rival goals acknowledges intrinsic merit. Bentham (1948 [1789]) recognised that utility depends on perceptions of the motive for action (as well as on outcomes).⁷ The proposition here is not the tautology that individuals derive utility from the 'warm glow' of acting altruistically (from a 'psychic selective incentive'). The proposition is testable: perceptions of the intrinsic value of action depend systematically on the extent to which a goal can be defined as non-rival.

Knoke (1990) tested the proposition that membership behaviour differed predictably in response to the goals of associations. He analysed questionnaire responses provided by thirty-five associations in the National Association Survey (NAS) in the US. Fifteen associations were classified as 'political'. This classification depended on information provided by association leaders. For example, for the fifteen, it was more frequently asserted that lobbying was an important task. A far greater percentage of the fifteen reported that they made frequent representation to federal government. Knoke refers to the fifteen as 'political'; in the context of a transactions cost approach, they pursued goals that were distinguishably more non-rival. The question was whether this distinction had an impact on the perceptions of individuals. Knoke concluded that 'Members' motivations for joining were not distributed randomly across types of collective action organisations. An association's purpose may shape its members' motivations for involvement'

(p. 125). There were significantly different responses from members of 'political' associations. For example, of 4,399 NAS sample members of the fifteen associations, political activity was cited as the main reason to join by 35 per cent (compared to only 6 per cent of the 4,347 sample members of the twenty non-political organisations). By contrast, 53 per cent of the membership of non-political organisations gave job-related concerns as the motive for membership (compared to 35 per cent of the membership of fifteen political organisations).

Such evidence is consistent with the proposition that self-esteem from the expression of support increases the more that signals suggest the goal is non-rival. Shepsle and Bonchek (1997) draw the same conclusion. 'Economic' associations (trade associations, trade unions) focus on goals that are rival for a small section of the community (higher profits, higher wages, at the expense of consumers). They conclude: 'Members of economic groups join primarily for the selective benefits ... while members of non-economic groups join primarily for the collective benefits' (p. 249). Other case studies add emphasis: the more rival the association's goal, the lower the reliance on intrinsic motivation and the greater the dependency on selective incentives. Bennett (1995) reports that member firms of the UK Chambers of Commerce (a trade association) subscribe almost entirely for selective incentives (with little concern for the common goal). Cell (1980) reports that, as perceptions of association goals change (becoming less ideological), associations simply supply private goods (in order to survive).

Perceptions of the process of collective action (as signalled by non-profit status and the degree to which a goal is non-rival) prove important when action is to enhance self-esteem. The more rival the association's goal, the less that intrinsic motivation can be relied upon to induce voluntary collective action. The proposition that group size is a major determinant of membership has greater resonance for 'economic associations' (for example, for the contest between trade associations and consumers, see Stigler, 1975; McChesney, 1997). When an association (or social movement) strives for a more non-rival goal, the intrinsic value of expressive participation is predictably more relevant.

Conclusions

There is reason to dispute the proposition that collective action is explained only in terms of the pursuit of private interest – for example, that the decision to join an association depends only on the attraction of private goods. Closer scrutiny leaves important questions unresolved; answers are possible only when a different role is attributed to selective incentives. Selective incentives induce collective action when individuals anticipate that erstwhile profit (contingent on their supply) is committed to the pursuit of a non-rival goal. The attraction of selective incentives is not simply the acquisition of private goods (such goods can be supplied in markets). Selective incentives alter expectations and impute significance to the act of participation when individuals perceive that personal contribution will trigger a response from others (from a 'not-for-profit' association). The logic of a by-product incentive relies on the assumption that individuals refer to more than one signal; the efficacy of selective incentives depends on 'non-profit pursuit of a non-rival cause'.

Closer consideration of the efficacy of selective incentives to mobilise large groups reveals that individuals refer to more than one signal. Group size is only one signal when assessing the relevance of individual action; there are others. Consideration of why and how individuals mitigate transactions cost sheds insight. Individuals do not compute pay-offs with precision; they respond systematically to low-cost signals. If they were to estimate pay-offs, it is clear that participation would be more likely when 'profit' (contingent on provision of selective incentives) is committed to the pursuit of a non-rival goal. Not surprisingly, the same signal proves pertinent when individuals rely on an heuristic response (rather than detailed estimates of pay-off). Individuals are more likely to participate, *ceteris paribus*, the more that a process appears genuinely 'non-profit pursuit of a non-rival goal'.

When the impact of individual action on outcome becomes almost impossible to gauge, low-cost signals of process assume greater relevance (Jones, 2003). A growing empirical literature reveals that the manner in which goals are pursued can prove as important as prospective levels of attainment (Thaler, 1994). When signals of process (for example, 'non-profit pursuit of a non-rival goal') simultaneously reduce transactions cost (of information and opportunism) and enhance self-esteem from participation, individuals are more ready to engage. If acquisition of private goods (from associations rather than from private firms) has relevance, it is as a trigger that induces greater commitment and as an act that demonstrates affinity with pursuit of a non-rival goal.

When analysing systematic response to signals, one important question is whether the same signal informs instrumental and intrinsic motivation symmetrically. Although individuals predictably attach greater importance to intrinsic motivation when consequence of action becomes difficult to discern (see, for example, Abelson, 1996; Taylor, 1996), both intrinsic and instrumental considerations are likely to prove relevant when assessing the value of participation (Brennan and Hamlin, 1998). In some cases, a signal can prove contradictory. With reference to expressive voting, Schuessler (2000a) argues that the signal that more than a majority of voters supports a candidate (i) increases the likelihood that individuals will regard the candidate as worthy of expressive support, but (ii) reduces the instrumental incentive to vote. Jones and Cullis (2003) also provide instances when particular signals exert contradictory effects. However, with reference to a process signalled as 'non-profit pursuit of a non-rival goal', both instrumental and intrinsic responses are in harmony. In terms of instrumental behaviour, the signal increases the significance of individual action (by informing the perception that, via reciprocity, 'the money goes to a good cause'). In terms of intrinsic behaviour, the pursuit of a non-rival goal signals more than naked self-interest (informing the perception that participation is 'the right thing to do').

Perceptions of the value of participation depend on both defining characteristics of goals pursued. Firms supply excludable and rival goods; clubs supply excludable and (below capacity) non-rival services; cartels supply non-excludable and rival objectives; and representative associations pursue non-excludable and non-rival goals.⁸ Individuals infer more from the act of participation if a non-profit association is in pursuit of a non-rival goal. Intrinsic motivation is more relevant the more the goal is non-rival; responses to questionnaires describe quite different patterns

of association membership depending on the degree to which common goals are non-rival. Group size may prove a relevant signal of the 'significance' of individual action when committing resources to the pursuit of a non-excludable good, but the gain from participation also depends on the intrinsic value that is derived by association with pursuit of a non-rival goal.

Entrepreneurial acumen sharpens incentives to participate. Public choice analysis characterises political entrepreneurs as indifferent to constituents' collective-good preferences (see, for example, Brennan and Buchanan, 1980). However, political entrepreneurs are responsive to such preferences (and to preference over process) when individuals refer more broadly to relevant signals. Critics of the by-product theory argue that political entrepreneurs must be 'secular saints' to dedicate revenue to a common cause. Yet evidence reveals that careers are advanced when such signals prove effective in mobilising collective action.

Public choice analysis pays little attention to leadership (McLean, 2001). However, leadership can be analysed in terms of manipulation of signals to reduce the transactions cost of information and of opportunism (Twight, 1994). Political entrepreneurs increase the identity of individuals with the pursuit of a common cause (by rhetoric and charisma) and instil trust by quasi-contractual arrangements (Wickham-Jones, 1995). The impact of entrepreneurial ethical posturing (for example, by emphasis on 'non-profit pursuit of a non-rival goal') can be estimated empirically (Vitell and Davis, 1990). Entrepreneurial reliance on some, rather than other, signals can be explained in terms of appeal to behavioural 'anomalies' reported in experimental investigations (Frey and Eichenberger, 1989).⁹ Political parties administer 'spin' and strive for signal consistency (Jones and Hudson, 2001). Schuessler considers the strategy of 'producers of mass participation' (2000b, p. 91) in terms of a 'symbol-intensive, expressive-attachment-inviting approach' (p. 87). He demonstrates that an 'all things for all people approach' (focus on a non-rival goal) proves more effective as a means of harnessing expressive support. Politicians are careful to commit to broad principles (such as 'family values') and to avoid questions that would narrow expressive support (for example, to suggest that some families deserve particular assistance at the expense of others). 'Signal manipulation' can prove as relevant as 'size manipulation' (Dunleavy, 1991) when mobilising collective action. Signals can be emitted to reduce the transactions cost of participation and to enhance the intrinsic value of identity with the process of collective action.

In summary, individuals act collectively when specific low-cost signals systematically reduce transactions cost (of information and opportunism) and enhance intrinsic value. 'Non-profit pursuit of a non-rival goal' is such a signal; it instils trust, enhances the efficacy of selective incentives and heightens self-esteem from association. 'All for one and one for all' is a maxim that provokes both instrumental and intrinsic response. When the cause is non-rival, 'all is for one'; when action is non-profit, 'one is for all' and the intrinsic value of action is exalted. Collective action is not divorced from identity with a common goal. Willingness to participate depends systematically on signals that acknowledge the intrinsic value derived by association and reduce the transactions cost of association.

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Notes

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- 1 The example assumes continuity of production – that the value of the common goal increases as the association reciprocates (by dedicating profit). However, this is not a necessary assumption. If the goal was indivisible in production (either achieved or not achieved), reciprocity by the association increases the probability that the goal would be achieved. As an (extreme) expositional case, if the value of achieving the goal were 100, a subscription might yield a 0.9 chance of success and a 0.1 chance of non-provision – a net expected pay-off of 88 ($= 0.9[100 - 6 + 4] + 0.1[0 - 6 + 4]$). As non-contribution means that there is no reciprocation, the chance of successful provision of 100 falls to 0.1 and the expected pay-off is only 10 ($= 0.1[100] + 0.9[0]$). The impact of perceptions of reciprocity cannot be dismissed.
- 2 If G is non-rival, the relationship of the total provision to consumption by individuals A, B and C is $G = G_A = G_B = G_C$. If X is rival, the relationship is $X = X_A + X_B + X_C$. McLean offers a succinct definition: “Non-rival” means that it is not subject to crowding’ (1987, p. 11).
- 3 If ‘output’ of an association is defined as X and the number in the group is N , the extent to which a goal is non-rival is gauged by the exponent η when the amount available for any individual (i) is $q_i = X/N^\eta$. When $\eta = 0$, the good is non-rival in consumption; when $\eta = 1$, the good is rival in consumption.
- 4 The analysis of rational choice has followed the format typical of public choice analysis – that self-interest is assumed relevant (see, for example, Brennan and Lomasky, 1993). Rational choice analysis can embrace altruism (Frank, 1996), but Olson (1965) explains why altruism would not necessarily mobilise large groups (each ‘altruistic individual’ remains impotent). It follows that the relevant consideration that makes selective incentives attractive is the reciprocal donation to a non-rival goal. There is no necessity that the goal be deemed ‘altruistic’; it might best suit the self-interest of the individual who contributes by subscription for a selective incentive. The important consideration is that ‘profits’ are perceived as devoted to a common cause. This signal can be conveyed by legal status; non-profit associations are barred by law from distributing net earnings to any individual who exercises control (Hansmann, 1986; Gladstone, 1982). However, as noted, the same perception might also be conveyed by rhetoric and other signals. It is the perceived commitment of ‘profit’ to a common non-rival goal that enhances the efficacy of selective incentives.
- 5 For example, Shefrin and Thaler show that ‘income paid in the form of a lump sum bonus will be treated differently from regular income’ (1988, p. 609). Winnett and Lewis (1995) show that the decision to save differs according to which ‘mental account’ money income is attributed (to a ‘current income account’, to an ‘asset account’ or to a ‘future income account’). They show that the use of income depends on a distinction made between liquidity, windfall/regular and capital/labour income. When analysing investment choices, inherited income is treated differently to other income.
- 6 ‘Sticky prices’ occur, for example, because firms are reluctant to raise prices when there is abnormal excess demand (see, for example, Hirschman, 1970; Akerlof, 1982); such price-setting is regarded as ‘unfair’. For a review of perceptions of ‘fair’ prices, see Zajac (1978).
- 7 In 1789, Jeremy Bentham argued that individuals derive satisfaction, not just from goods and services, but also from self-esteem experienced by acting in a specific manner (Bentham, 1948). Reflecting on Bentham’s conception of utility, Lowenstein argues that ‘the evolution of the utility concept during our century has been characterised by a progressive stripping away of psychology’ and notes that recent developments in experimental economics revives Bentham’s ‘richer’ formulation (1999, p. 315).
- 8 *Firms* market private goods that are excludable and rival in consumption. *Clubs* (such as for sport and leisure pursuit) supply services that are excludable and non-rival in consumption below capacity (Buchanan, 1965). *Cartels* provide goods that are non-excludable but rival in consumption; the emphasis is on rationing (to avoid the ‘tragedy of the commons’). *Representative associations* (such as lobbying groups) pursue non-excludable and non-rival goals.
- 9 For example, political entrepreneurs are more likely to mobilise groups when common interests appear threatened – a prediction that does not resonate in public choice analysis. In rational choice theory, individual action is always insignificant in large groups, so there is no incentive to participate even when a common goal is under threat. By contrast, experiments highlight the significance of ‘loss aversion’ (Kahneman *et al.*, 2000) and response to ‘defence’ of common interests (Sonnemans

et al., 1998). Behavioural studies typically reveal that groups are more easily mobilised when common interests appear threatened (see, for example, Jordan and Maloney, 1996; King and Walker, 1992; Mitchell, 1979; Smith, 1980; Jones, 1981; Grant, 1979; Crenson, 1987).

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