

Chapter 3

Assessing the Lay of the Land: The Interest Group Matrix

Contents

1. What You Will Learn in this Chapter	2
2. Interest Groups and Public Policy	3
Introducing the IG Matrix	3
Interest Groups: The Swarm	4
Interest Group Pluralism.....	6
“Organized for Action”	7
An Effectively Organized Group: The National Rifle Association.....	7
An Ineffectively Organized Group: The Occupy Movement	8
Putting the Pieces Together.....	9
3. Policies under the Four Kinds of Politics.....	10
Mini-Cases: Policies and Client Politics	11
Mini-Cases: Policies Arising From Entrepreneurial Politics.....	12
Mini-Cases: Policies and Interest Group Politics.....	14
Mini-Cases: Policies and Majoritarian Politics	16
4. What Tactics to Expect.....	16
Client Politics.....	16
Entrepreneurial Politics.....	17
Interest Group Politics	18
Coalition Politics.....	18
Tactics	20
Majoritarian Politics.....	20
5. The Odds of Success.....	21
6. Judo Politics: Changing the Politics You Have Into the Politics You Want.....	23
Advanced Judo Politics: New Policies Can Create New Politics.....	26
The Payroll Tax and Social Security.....	26

Acid Rain and Tradeable Emissions Permits 27
Community Mental Health Centers and Deinstitutionalization 28
7. Nutshell Review 30

1. What You Will Learn in this Chapter

You will learn:

1. How to identify four distinct interest group configurations.
2. What politics to expect in each configuration.
3. The best political tactics for supporting or opposing a policy initiative, in each of the four kinds of politics.
4. How to change the politics you have into the politics you want.

Key Concepts

By the end of the module you should be able to define:

The Swarm

Interest Group Pluralism

Organized group

Unorganized Group

Configuration of groups

Pro- or Con-Monopoly configuration

Competitive configuration

Diffuse configuration

Client Politics

Interest Group Politics

Entrepreneurial Politics

Majoritarian Politics

Pork Barrel Projects

Rent seeking

Regulatory capture

Tactics for Client Politics (persuasion, speed, stealth, sunshine)

Tactics for Entrepreneurial Politics (judo politics, delay)

Tactics for Interest Group Politics (coalition building, coalition breaking, tweaking the objective, fear-mongering, delay)

Tactics for Majoritarian Politics (judo politics, be prepared)

Status quo bias

Judo Politics

2. Interest Groups and Public Policy

One of the most useful tools for practical political analysis is the Interest Group (IG) Matrix, shown in Figure 1. The IG matrix has three functions in political analysis. It helps you --

- 1) **Identify the Lay of the Land:** It allows you to identify *the kind of politics you will likely face*, distinguishing four major types of politics based on the configuration of interest groups
- 2) **Choose and Anticipate tactics:** Each kind of politics has distinct characteristics, including best sets of tactics for supporters and opposition. Once you've identified the kind of politics you face, you can select the best tactics for your side and anticipate the likely tactics of opponents.
- 3) **Exploit Judo Politics:** If the kind of politics you face is unfavorable and probably leads to defeat, the matrix identifies the best way to change the politics you have into a more favorable configuration, where you can do better. I call this maneuver "judo politics."

Introducing the IG Matrix

The IG Matrix is a simple 2-by-2 matrix of the kind so beloved by social scientists.

		Proponents of Policy/Law	
		Organized	Not Organized
Opponents of Policy/Law	Organized	Interest group politics <i>Environmental protection, Occupational health</i>	Entrepreneurial politics <i>Trade liberalization, Orphan drugs</i>
	Not Organized	Client politics <i>Tax breaks, Agricultural subsidies</i>	Majoritarian Politics <i>Creation social security, Asteroid protection</i>

Figure 1. The Interest Group Matrix. This simple 2-by-2 matrix identifies four configurations of interest groups and associates each configuration with a distinctive kind of politics. The figure includes some illustrative programs for each kind of politics.

The axes of the IG Matrix characterize the *configuration of interest groups* involved in an issue. Specifically, the matrix employs two distinctions. First, it separates the players into groups AGAINST a policy proposal (opponents) versus groups FOR a policy proposal (proponents). Second, it differentiates

each camp depending on whether it is effectively organized for politics (“organized”) or not effectively organized for politics (“not organized”). The opponents/proponents distinction and the organized/not organized distinction lead to four configurations or structures of interest groups corresponding to the four cells in the matrix.

The key insight of the IG Matrix is that each interest group configuration displays distinctive and distinctively different politics, often leading to a distinctive type of policy. The four types of politics have acquired standard names describing the nature of the politics that typically arise in each configuration. Unfortunately these names are not entirely intuitive. The *monopoly-pro configuration* typically gives rise to “client politics;” the mirror-image *monopoly-con configuration* typically engenders “entrepreneurial politics;” the *competitive configuration* propels “interest group politics;” and the *unorganized configuration* leads to “majoritarian politics.”¹

Shortly I indicate the distinctive features of each type of politics. But first it is helpful to consider in a little more detail some facts and theory behind the IG Matrix.

Interest Groups: The Swarm

¹ These strange names derive from James Q. Wilson’s study of the politics of regulation *The Politics of Regulation*. (1980). Wilson and his collaborators studied the origins and operation of nine regulatory agencies. Wilson organized the observations according to whether the benefits and costs of regulation were “concentrated” or “diffuse,” again yielding a 2-by-2 matrix (not, “organized” versus “not organized.”) He dubbed each of the four configurations with the above names. We do not use Wilson’s concentrated-diffuse distinction because the incidence of programmatic costs and benefits is not itself “exogenous” (independent and causal). Rather, that incidence is highly malleable and reflects the underlying politics (it is “endogenous.”) The IG Matrix takes the key feature to be the interest group configurations.

Organized Interest	%	% Incr Since 1981	Absolute Incr Since 1981
Corporations	36	62	1898
Trade & other business	11	41	429
Occupational	5	32	172
Unions	1	0	0
Education	5	612	643
Health	4	883	547
Public Interest	4	123	313
Identity Groups	4	192	347
Social Welfare/Poor	1	291	95
State & Local Govt	12	382	1292
Foreign	7	54	315
Other	8	312	896
N	13776	106%	7095

Table 1. Organized Interest Groups in the Directory of Washington Representatives 2006. The data indicate a veritable army of organized interests active in national policy making.

Table 1 shows the number of organized interests listed in the *Directory of Washington Representative* for 2006. The numbers surely under-report the number of organized interests since many actors may not be listed in the *Directory*. For example, many firms just hire a Washington lobbying shop to act on their behalf. Still, one can get some idea of the staggering number of organized interests participating in national policy making, a veritable swarm of organized interests.

These data show that about 52% of the organized interests were corporations, trade associations, or professional associations, 18% health-education-welfare-public oriented, 12% state and local governments, 7% foreign governments, and 1% unions. Data on lobbying expenditures in the states also suggests the involvement of many entities, though clearly dominated by business.²

Data from an earlier edition of the *Directory*, that of 1981, show a doubling of organized interests between 1981 and 2006. There was an explosion of health and education groups in particular. Other data suggest that a huge increase in the number of organized interests occurred in the 1970s, in response to the expansion of government programs that occurred between 1965 and 1972.

How can we make sense of what the swarm is doing, and what it means for government?

² DeFigueriedo and Cameron.

Interest Group Pluralism

An old – indeed, somewhat old fashioned -- idea in Political Science, Political Economics, and Political Sociology views the activities of interest groups in a policy area as largely determining the politics and outcomes in that policy area. In Political Science this line of thinking goes under the general heading of *interest group pluralism*; economists tend to associate essentially the same insights with Chicago political economy.³

The underlying intuition is quite simple: different interest groups with different strengths “push” the government in different directions for public policies. If you picture the government as a sail boat, one group as the wind, and another as the tide you will get the essential idea: the “sum” of the various push-forces determines the course of the boat. Figure 2 illustrates this elementary idea showing a push-diagram or the “parallelogram of forces.”

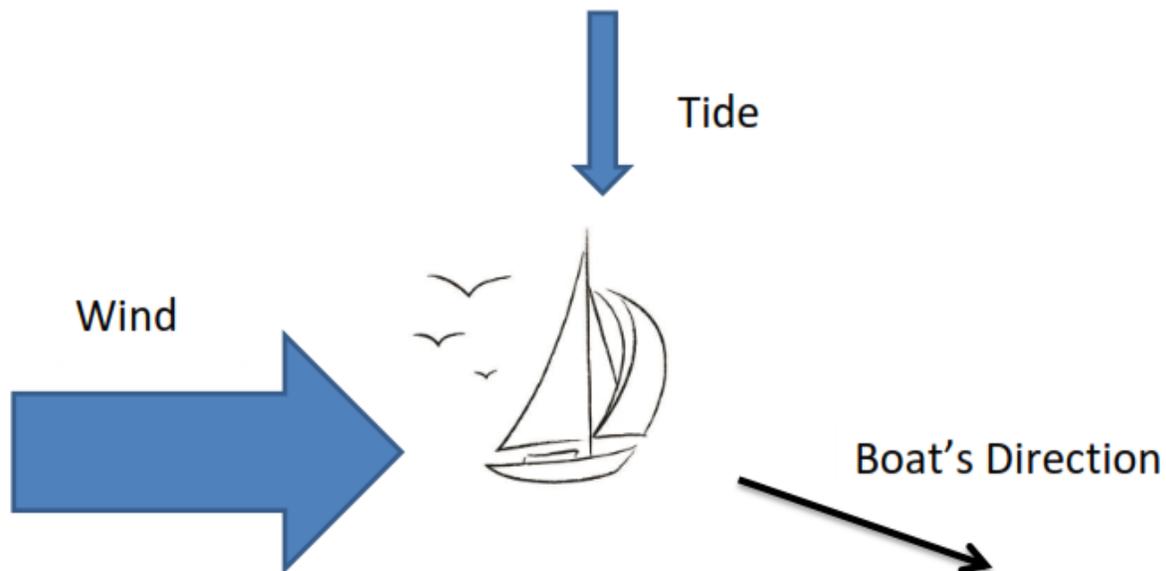


Figure 2: Push-Diagram. The wind and tide exert two different forces on the boat. The size of the arrows for the push forces represents their strengths. The sum of the two forces determines the boat’s direction of movement. Interest Group Pluralism conceives of the government as being like the boat, and the pressures of different interest groups as being like the wind and tide.

I called interest group pluralism somewhat old-fashioned – why? The old-fashioned part is the implicit notion that the sailboat (the government) is entirely passive and equally inclined to go in any direction

³ On the Political Science side, key references include Bentley, Truman, and Dahl. On the political economy side, equivalent references are Stigler, Peltzman, and Becker. A more modern version of the political economy approach is Laffont and Tirole.

whatever, depending only on the sum of the forces applied to it. But sailboats have keels, sails, and above all a skipper and crew who actively use the winds and tide to steer the boat toward a desired objective. And, the same wind can be used to propel the boat in many different directions. In other words, the government has a “crew” – congressmen, presidents, judges, political appointees, and career bureaucrats -- who have their own objectives and use the prevailing “winds” of interest group pressures to move there.⁴ Nonetheless, the interest group pressures form a kind of “political weather” making it easier for the government to move in one direction and much harder to proceed in another. The IG Matrix focuses on the overall political weather. We’ll add the crew later.

“Organized for Action”

The push-diagram in figure 2 distinguishes the strength of interest group pressures by the size of the arrow – a gale may blow furiously in one direction while the tide pushes only gently in another. The sum of the two pushes will thus mostly reflect the former. So, where is interest group strength in the IG Matrix? The concept of “strength” is summarized or subsumed in the important albeit rather vague notion of *political organization*.

What do we mean by a politically organized group? Here is a definition:

Politically Organized Group: A group that understands its interests, can express its interests as a practical political program, can undertake collective action in pursuit of this program, and ultimately reward politicians who support its interests, and/or punish politicians who ignore or damage its interests.

A few examples will clarify the concept of effective organization.

Example

An Effectively Organized Group: The National Rifle Association

An unusual organization, the National Rifle Association (NRA) combines in one entity a mass membership of gun enthusiasts extending across many states and (effectively) a wealthy trade association of gun manufacturers.

The NRA recognizes its interests and has a well-defined political program: limit all restrictions on individual gun ownership and protect gun manufacturers from any legal liability arising from the use of their products. It has a cohesive

leadership that can devise tactics, coordinate the manufacturers, and communicate with and mobilize the mass membership. It rewards supportive politicians with campaign contributions, and punishes opponents (at least in many states) by mobilizing the vote power of its mass members against them. It also uses brutal campaign ads against members of Congress whose support wavers.⁵ In short, it is

⁴ This may not seem like a blinding theoretical insight. But see Eric Nordlinger, *On the Autonomy of the Democratic State* (1981).

⁵ For a vivid description of the NRA's hardball political tactics see Scott Higham and Sari Horwitz, “NRA Tactics: Take No Prisoners,” *Washington Post* May 18 2013 http://www.washingtonpost.com/investigations/nra-tactics-take-no-prisoners/2013/05/18/4e48aad8-ace6-11e2-a198-99893f10d6dd_story.html

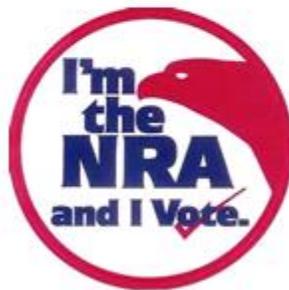
very well organized for contemporary American politics.

Not surprisingly, the NRA often gets its way in politics – and does so even when majorities of Americans oppose it. For example, large majorities of Americans favor stronger

background checks on people who buy guns at gun shows (about 80% of both Democrats and Republicans favor this measure, according to multiple opinion polls). But this proposal has been soundly defeated in Congress multiple times – a testament to an effectively organized group.

Organized vs Unorganized

National Rifle Association



Occupy Movement



Figure 3. Political Organization Is Essential in American Politics. The National Rifle Association epitomizes a group well organized for impact on American politics. The short-lived Occupy Movement never achieved effective organization. As a result, it wasted the enthusiasm and sacrifice of its idealist members, accomplishing nothing.

In contrast to the NRA, a group like “future victims of gun violence” is poorly organized for politics. After all, the future victims don’t even know who they are ... yet.

Groups may come together in dramatic fashion, yet fail to achieve effective organization.

Example

An Ineffectively Organized Group: The Occupy Movement

The "Occupy Wall Street" movement leapt into headlines in September 2011, when activists began camping in a small park near Wall Street in lower Manhattan. The protesters were animated by the 2008 financial crisis and the subsequent government bailout of big banks, state-owned enterprises like Fannie Mae, and financial companies like the re-insurance giant AIG. In addition, many of the protesters were angered by the dramatic increase in income inequality in the United States, which the financial crisis and subsequent recession had highlighted. Hence, the slogan of the protesters: "We Are the 99%," meaning, not the top 1% of income earners.

Despite the furious intensity of many of its members, Occupy never produced an effective leadership cadre that could articulate a coherent political program. Some members genuinely tried – they floated several manifestos with potentially workable ideas for a political

program. But their efforts were repudiated by others who argued that formulating feasible demands merely legitimated the power structures that the movement opposed. These extremists seemed to hope for an "Arab Spring" across the United States, a risible fantasy. In addition, some members opposed any hierarchical leadership in principle, instead preferring an extreme, and extremely labor intensive, form of participatory democracy.

Whether the Occupy movement could have produced a genuine financial reform program and then used effective carrots and sticks on politicians isn't clear. But their romantic ideology meant they never really tried.

In the end, Occupy simply wasted the passion and sacrifice of its members, leaving no more trace on American public policy than yesterday's morning dew.

Putting the Pieces Together

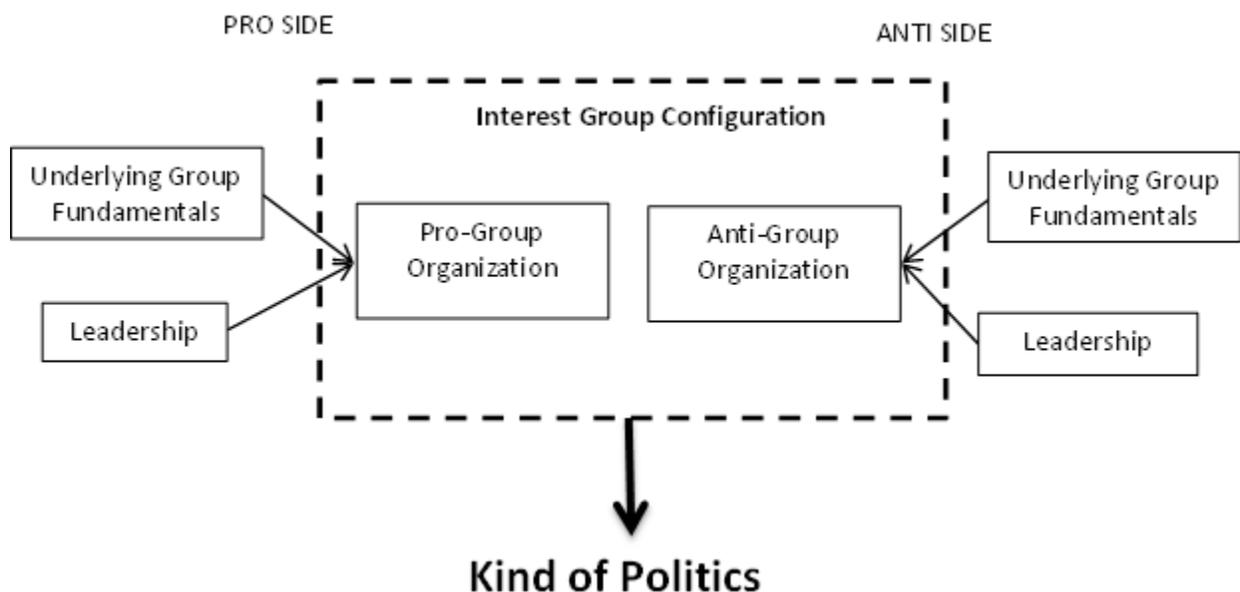


Figure 4. The Ideas behind the Interest Group Matrix.

Figure 4 tries to tie together the basic ideas behind the Interest Group Matrix. Underlying *group fundamentals* (such as the number of members, their stakes, their wealth, and their distribution across congressional districts) combined with *leadership* produce *group organization* on both the pro- and anti-sides of an issue, bill, or regulation. The pattern of organized and unorganized groups on the two sides produces the *interest group configuration*, simplified to four configurations in the IG Matrix. I called these four configurations pro-monopoly, con-monopoly, competitive, and diffuse. In turn, the interest group configuration conduces to the *kind of politics* typically prevailing in a policy area. The standard names for the four kinds of politics are client politics, entrepreneurial politics, interest group politics, and majoritarian politics. The different kinds of politics tend to produce different kind of policies – which I’ll discuss in a minute.

The IG Matrix focuses your attention on what might be called the Golden Rule of American Politics:

The Golden Rule: American politics is responsive to groups that are organized and not responsive to groups that aren’t. In this sense, “organization is golden.”

I should say, there is an important caveat to the Golden Rule: elected politicians may respond to the interests of a poorly organized group like the general public – but only if the politicians believe the public is sufficiently likely to become exercised and use its vote power in a future election. This mechanism involves anticipation by politicians. But whether the group or voters will actually reward or punish the politician at the polls hinges on whether the group sees the politician as responsible for the condition mobilizing the group. In turn, that sort of accountability often hinges on the traceability of the politicians’ actions, which they can affect. We return to policy traceability in a later chapter.

We will study group organization and collective action in much more detail, in the next chapter. Later, when you learn how to analyze legislative coalitions, we will continue to consider the factors that confer greater or lesser political power on organized groups.

3. Policies under the Four Kinds of Politics

The IG Matrix identifies four kinds of politics that likely follow from the possible configurations of groups. Again, the four kinds of politics are:

Client Politics – Client Politics often arises when proponents of the policy are organized but opponents are not organized. In other words, proponents have a monopoly on organization.

Entrepreneurial Politics – Entrepreneurial Politics often arises when proponents are not organized but opponents are organized. So, opponents have a monopoly on organization. (The name reflects the idea that political entrepreneurs may find it attractive to organize the unorganized thereby creating interest group politics).

Interest Group Politics – Interest Group Politics often arises when both sides are organized. Because neither side has a monopoly on organization, interest group politics is competitive.

Majoritarian Politics – Majoritarian Politics arises when neither side is organized. There may be no active organized groups at all. (The name tries to get at the idea that groups really haven't formed, there is just an undifferentiated majority of people.)

To make the IG Matrix more concrete, let's attach some specific policies or programs to the boxes. These programs illustrate the fruits of the different kinds of politics.

Example

Mini-Cases: Policies and Client Politics

Tax Loopholes – Tax loopholes benefit a specific group, sometimes even a single firm or a single person. In essence, a loophole shifts the tax burden FROM the happy beneficiaries ONTO everyone else. But the majority generally doesn't even realize what's going on. The beneficiaries lobby and push to get and protect their tax break; the losers do nothing except pay their tax bill. We will look at an egregious example involving NASCAR race tracks in a future module. But most of the big "tax expenditures" like the deductibility of interest payments on house mortgages (which mostly benefits the upper middle class and wealthy), have this flavor. (Where is the organization of renters or lower middle-income home owners mobilized against the home mortgage interest loophole? Nowhere.)

Agricultural Price Supports – In Module 1 we looked at subsidies to sugar producers. These subsidies raise the price of sugar to consumers, though only a small amount for each consumer. But they shower money on a tiny handful of US sugar producers. Not surprisingly, the sugar growers are well-organized and fight relentlessly and tirelessly for their subsidy; consumers don't even perceive the rip off and are completely unorganized on this issue. US farm policy is mostly organized by commodity (corn, wheat,

soybeans) reflecting the organization of specific growers. The subsidies for each commodity resemble the sugar story which is unusual only in its egregiousness.

The Political Pork Barrel – So-called pork barrel projects are construction projects in a specific congressional district benefiting local residents or construction firms. They are financed by taxes on the *general* population not just the members of the district. The beneficiaries are thus geographically concentrated and often very well-organized (e.g., advocating for a specific bridge, road, dam, post office, defense contract) while the losers (those who pay for the project but get nothing from it) are usually not organized at all. Congressmen generally love pork barrel projects which can take bizarre or extreme forms (e.g., the "bridge to nowhere" in Alaska).

Regulatory Capture at the CAB – Congress created the Civil Aeronautics Board (CAB) in 1938 to regulate the fledgling airline industry.⁶ From its inception until the late 1970s, it exercised "absolute authority" over entry and pricing in all commercial interstate air transportation. How did the CAB use this power? At least until the late 1970s it used it for one purpose: to benefit the airlines. In essence, the CAB managed an airline cartel, protecting the

⁶ I draw upon Bradley Behrman, "Civil Aeronautics Board," Chapter 3 in James Q. Wilson *The Politics of Regulation*.

airlines from new competition and setting prices that assured them comfortable profits. In fact, the CAB was consistently hostile to entry from new airlines and consistently opposed to fare reduction. This solicitous concern for airlines' bottom lines was no accident: from the beginning Congress *intended* the CAB to function this way. Congress's rationale was the need to develop a strong domestic airline industry – but of course strong airlines were in place by the late 1940s. Nonetheless for decades longer the CAB acted as cartel manager for the airlines with little regard for the welfare of air travelers. In the

1970s however the CAB became a testing ground for deregulation, and the agency was eventually terminated in 1985 – but that is another (and very interesting) story.

The CAB illustrates *regulatory capture* in which a regulatory agency acts in the interests of the regulated entity, not the interest of the general public. Capture occurred in airline regulation because the airlines were well-organized while airline passengers were not – hence, Congress responded to Client Politics.

Many of these examples also illustrate the important concept of *rent-seeking*.

Rent-Seeking: The exploitation of government by a small group in order to re-distribute wealth to itself from others in society, without actually creating any new wealth or perhaps even decreasing total wealth.

Rent-seekers – whether groups, firms, or individuals – use government to create monopolies, restrict economic competition, grab wealth from others, or dodge taxes through special loopholes. Most economists argue that rent-seeking reduces aggregate welfare in society not simply by raising prices and distorting demand but by syphoning economic resources away from productive uses into non-productive ones, and by dulling incentives to create beneficial new products and services. Typically, rent seeking involves a small group of highly organized proponents and a large group of unorganized victims, the general public.

Of course, Client Politics (driven by the proponent's monopoly on organization) need not *necessarily* involve rent-seeking. But it often does.

Examples

Mini-Cases: Policies Arising from Entrepreneurial Politics

Trade Liberalization – This is a somewhat controversial example because trade policy can be seen as belonging in several boxes. But let's take the perspective of most trade economists. In the view of most trade economists, protectionist trade barriers hurt consumers while helping specific domestic firms. (You may

not entirely agree with this view). If you believe the trade economists, tariffs on (say) imported cars hurt American car buyers (higher prices, fewer choices) and help domestic car manufacturers (who face less competition on price and quality) and auto workers. But "future car buyers" are not well organized while

domestic auto manufacturers and auto workers are very well organized. So trade liberalization can be seen as entrepreneurial politics.

Orphan Drugs – So-called orphan drugs are drugs that would help sufferers from certain rare diseases, but are not developed by drug companies because the market is too small to be profitable. Hence, the sufferers are condemned to misery or early death. An example of such a disease is cystic fibrosis.

To produce the drugs, the companies require subsidies of various kinds. Historically drug companies were not advocates for orphan drug legislation, perhaps fearing that the subsidies would be insufficient.

Government support for orphan drugs required organizing the sufferers of the rare diseases – who rarely were well-organized until fairly recently. In fact, political entrepreneurs like Representative Henry Waxman helped the sufferers become better organized. After they became organized, Congress passed legislation, and many orphan drugs have now been developed.⁷

Tax Reform (Closing Loopholes) – From a political perspective, one might expect the tax code to be as filled with holes as a Swiss cheese, with huge carve-outs for powerful groups and firms. And generally this is exactly correct. Very occasionally, however, Congress will close tax loopholes, often combining this move with a reduction in marginal tax rates.

The most famous example is the Tax Reform Act of 1986, one of the most important tax acts of the last 30 years and a spectacular example of

Entrepreneurial Politics. (add some more details)

Reducing Social Security Benefits – Needless to say, retired and near-retired people hate this idea, and these groups are among the best organized in American politics. The immediate beneficiaries of trimming Social Security benefits would be younger working people currently paying payroll taxes (there are no “accounts” or what-not in Social Security – current payments to beneficiaries come straight from the current payroll taxes of workers). But young workers are not organized on this issue. Although some conservative think tanks advocate for Social Security cuts, the actual politics of restraining Social Security today is Entrepreneurial Politics.

The Medicare Catastrophic Coverage Act of 1988 – Remember the MCC Act from Module 2? The addition of improved catastrophic coverage to Medicare in the 1988 act was not pushed by Medicare recipients themselves. Rather, it was the brainchild of technicians and policy entrepreneurs from the Department of Health and Human Services, the House Ways and Means Committee, and the American Association for Retired People (AARP). They saw it as a worthwhile improvement fixing a flaw in Medicare.

Even initially, the change engendered some organized opposition, though mainly from the extremist National Committee to Preserve Social Security and Medicare, because under the proposal the premiums paid by affluent seniors would increase in order to pay for the coverage of less affluent seniors. After the passage of the

⁷ For a vivid and entertaining first-hand account by a key player, see Henry Waxman's *How Congress Works*.

Act, this opposition became a firestorm and the Act was repealed by Congress.⁸

The Gainful Employment Regulation – Module 1 opened with Secretary of Education Arne Duncan considering how to prevent predatory for-profit schools from cheating poor students and saddling them with onerous debt. The method Duncan selected was a “gainful employment regulation,” which (in essence) restricted student loans only to students attending schools that actually graduated students and whose graduates were able to find

jobs. This regulation would cut off loans to bogus schools offering deceptive and worthless degrees. No pressure group initiated this regulation; it reflected the response of education officials to a perceived crisis in student loans. At the same time, the predatory schools vigorously opposed the regulation since it would (and has) put them out of business. The gainful employment regulation was thus Entrepreneurial Politics.

An obvious question is, how can programs ever be enacted or sustained when opponents have a monopoly on organization? The answer is, they usually can't be!

So, what accounts for the occasional trade liberalization law or tax reform? Oft-times the key is *judo politics*: transform entrepreneurial politics into interest group politics. For example, successful trade liberalization assembles a broad coalition across industries so the politics now pits discrete winners under liberalization (U.S. exporters, their employees, and their suppliers) against discrete losers (protected firms, their employees, and their suppliers).

Similarly, successful tax reform of the kind exemplified by the remarkable 1986 Tax Act involves closing not one or two small loopholes but dozens simultaneously including some whoppers, while mobilizing proponents of lower marginal tax rates. This tricky maneuver again pits discrete losers (firms and groups who lose their tailored loophole) against discrete winners (wealthy and upper-middle class taxpayers who benefit from lower marginal rates). So the political judo flips entrepreneurial politics into interest group politics.⁹ We return to judo politics shortly.

Examples

Mini-Cases: Policies and Interest Group Politics

Environmental Protection – The politics of environmental protection typically features environmentalists (sometimes allied with victims of pollution or groups like sport fishermen) battling with very specific opponents, typically

firms that produce pollutants and who wish to avoid clean-up costs or higher production costs. Both sides are often well-organized. The politics of air pollution and water pollution generally look like this. In a latter chapter, we will examine

⁸ See Richard Himmelfarb, *Catastrophic Politics*, especially pp. 43-44.

⁹ *Showdown at Gucci Gulch*.

the campaign of the Sierra Club to shut down coal-fired power plants, classic interest group politics.

Occupational Health and Safety – This policy arena features labor unions (who favor a safer work environment for their members) against employers (who do not wish to pay for mitigating hazards in the work place). Both sides tend to be well-organized, though the demise of private sector unions has changed the politics of occupational health and safety over the years.

Telecom Regulation – Telecom regulation typically pits the big cable conglomerates against one another – and then, the cable companies against satellite providers. This is firm-against-firm conflict with excellent organization on both sides; consumers are not effectively organized to participate.

The Obama Administration's Overtime Regulation. In April 2014, President Obama directed the Labor Department to revise existing regulations governing the payment of overtime to employees. But Obama's action reflected

years of effort by a coalition of liberal and labor-affiliated groups and think-tanks, such as the Economic Policy Institute (liberal think tank), the National Employment Law Project (advocacy group), and the Center for American Progress (liberal advocacy group). They in turn coordinated mail campaigns by several public sector unions such as the American Federal of State, County and Municipal Employees (AFSCME). Opposing the proposed regulation is a coalition of business-funded and affiliated groups, notably the Chamber of Commerce which has created a purpose-built organization to oppose the regulation, the Partnership to Protect Workplace Opportunity, and leading a variety of D.C. law/lobbying firms attacking the regulation. By the close of the comment period on the regulation in late summer 2015, the Labor Department had received some 155,000 comments on its proposal. The controversy over the overtime regulation is classic interest group politics.¹⁰

Perhaps you can think of other examples illustrating two well-organized sides battling it out – say, tort reform with the trial lawyers (formerly the American Trial Lawyers Association, now redubbed the American Association for Justice) facing off against the U.S. Chamber of Commerce. Health care finance features notoriously well-organized groups often operating in coalitions against one another (e.g, doctors and hospitals against insurance companies). The politics of electricity rate regulation, long characterized by Client Politics and regulatory capture, has shifted in some states to Interest Group Politics as environmentalists and consumer groups now organize in favor of cheaper and cleaner electricity.¹¹

¹⁰ Lydia DePillis, "What Its Says About How Lobbying Has Changed," *Washington Post*, September 5, 2015 <http://www.washingtonpost.com/news/wonkblog/wp/2015/09/04/inside-the-battle-to-overhaul-overtime-and-what-it-tells-us-about-how-lobbying-works-now/>

¹¹ For an example from Ohio, see David Roberts, "This Ohio Utility Has An Innovative Plan to Save Coal Power: Force Customers to Buy It," *Vox* September 3 2015 <http://www.vox.com/energy-and-environment/2015/9/3/9254213/ohio-utility-coal-rates>

Examples

Mini-Cases: Policies and Majoritarian Politics

Asteroid Defense – If a sizeable rock from outer space smashed into the Earth, the result would be a global catastrophe. In fact, such an event apparently killed off the dinosaurs. On any given day the probability of such an impact is very small; but if it occurred the consequences could be terrible, perhaps resulting in the extermination of our species. Reasonable calculations suggest that your chance of dying from an asteroid strike is about the same as, say, dying in an airplane crash or a flood and much higher than dying from, say, a wild animal attack.¹²

Some scientists and activists have proposed a U.S. or U.N. effort to map potential planet killers and develop technology to divert them. No group really opposes these plans per se, but no group is well-organized to support them either.¹³ Asteroid defense looks like Majoritarian Politics.

We'll use this as an example when we look at classic collective action problems.

The Creation of Social Security –The politics of creating Social Security in 1935 was very different from that of reforming it today. Arguably, neither the groups favoring a government pension plan nor the groups opposing it were terribly well-organized in the early 1930s. So rather amazingly the creation of Social Security may have approximated Majoritarian Politics. The confluence of Democratic super-majorities in Congress and the Great Depression were likely key events.¹⁴

The Enactment of Anti-Trust Legislation. James Q. Wilson argues that the enactment of the Sherman Anti-Trust Act involved diffuse groups and majoritarian politics.

4. What Tactics to Expect

What tactics should you use if you are a proponent or opponent of a policy? What tactics should you expect your opposition to use on you? The answer depends on the type of politics.

Client Politics

By its nature, client politics is one-sided since proponents have a monopoly on organization. Thus, one might expect proponents to have an easy time of it. This is not entirely true, simply because making anything happen in American politics is so very difficult (we return to *status quo bias* shortly). In addition, the policies favored by a proponent group can be so transparently self-serving and damaging

¹² See Clark Chapman and David Morrison, "Impacts on the Earth from Asteroids and Comets: Assessing the Hazard," *Nature*, January 6 1994

¹³ A Danish group has tried to use crowd-sourcing to fund research, see "Crowdfunding To Save the World: Asteroid Defense Body Seeks \$200K", *The Guardian*, May 13 2015, <http://www.theguardian.com/technology/2015/may/13/asteroid-crowdfunding-save-the-world-defence>

¹⁴ See James Q. Wilson *The Politics of Regulation* p. 367. Does Derthick agree?

to the public that lawmakers may fear retribution from voters if their support for the policy emerges at election time.

Nonetheless, client politics is by far the best situation for program proponents. Tactics for proponents turn on *exploiting* the monopoly advantage and *keeping it*.

Typical proponent tactics include

- **Persuasion:** Providing the key decision makers with reasonably credible information pointing out the public benefits of the proponent's preferred policy measure.¹⁵ The information may actually persuade the decision makers. But congressmen and others can also use the information as justification (a fig leaf) for their support of the program if it becomes controversial later.
- **Speed:** Hurrying the matter to a resolution before the media pays attention to it or potential opposition groups can organize.
- **Stealth** (aka "Flying Under the Radar"): Bury the proposal in a legislative vehicle where it won't be noticed. So for example, piggy-back on an omnibus bills, riders on appropriations bills, or big complex comprehensive reform measures.

Almost by definition, opponents in client politics are in a tough situation due to their lack of organization. Nonetheless, there are opposition tactics that can work. The most important is:

- **Sunshine:** Most citizens find special interest legislation to be distasteful. So, simply pointing out publically and as loudly as possible the selfish greedy dangerous revolting and un-American nature of the proponent's policy may kill it. However, the sunshine tactic usually requires an effective media strategy and this may be beyond the capability of an unorganized group.

Entrepreneurial Politics

Entrepreneurial politics is the mirror-image of client politics, since opponents are organized while proponents are not. This configuration confers an enormous advantage on opponents of the proposal.

In fact, in most cases the only real hope for proponents is **judo politics** – getting organized and thus transforming the interest group configuration from anti-monopoly to competitive. This transformation typically requires a political entrepreneur who is willing to devote long hours and enormous effort into creating an effective group. Absent a policy entrepreneur adept at judo politics, proponents may have to scale back their hopes and aim for a more modest policy change.

Opponents cannot afford to be totally complacent, however. Spectacular events may deliver a galvanic shock to the public, directing the attention of ordinary citizens to an issue. Then, political entrepreneurs may attempt to exploit the boost from the public and press for a policy opposed by the group. For instance, as we saw earlier a high-profile assassination or a shocking gun massacre tends to direct public

¹⁵ We will spend an entire module on persuasion.

attention toward gun control. When that happens, entrepreneurs press for expanded gun control. Similarly, train wrecks, airplane crashes, or bridge collapses often lead to demands for increased spending on safety and improved public infrastructure, demands opposed by fiscal conservatives.

Critically, though, the public is fickle and easily distracted. Hence, a key tactic for opponents in response to a galvanizing shock is **delay**. Opponents should argue that important decisions ought not to be made during a crisis or in the heat of the moment. They should insist that “more study” is needed to identify the best solution. Delay allows public attention to subside and with it the prospects for enacting the proposal.

Interest Group Politics

Interest group politics pits two organized sides against one another. When the conflict between the two sides escalates, interest group politics can be visible, dramatic, and bruising. Typically, each side has special strengths and weaknesses, for example one side may have a mass membership but limited funds, the other may be very wealthy but have few members. So the fight often involves exploiting one’s strengths to best advantage while trying to offset the opponent’s advantages. **Coalition building** and **coalition breaking** becomes critical.

Coalition Politics

In considering coalitions in interest group politics, it is useful to distinguish three types of organized players: business interests, “public interest” groups, and mass membership organizations. Each brings something special to the table but each also has weaknesses.

Type of Group	Money	Votes	Organization Cost
Business Interest	High	Low	Low
Mass Membership	Low	High	High
“Public Interest”	Low	Low (but large latent)	Low

Table 2. What Do You Bring to the Table? Coalitions in Interest Group Politics

As shown in Table 2, business interests tend to have relatively high monetary resources and low costs of organizing. What they don’t have is vote power: in most cases they do not employ or command the loyalty of significant numbers of voters. For example, Apple Corporation had a net income of \$39.5 billion in 2014 but employed less than 100,000 people. Outside of Cupertino California, Apple can’t swing much vote power. Or consider the automobile manufacturers, or the Disney Corporation. They employ enough people to have local vote power, for example, in Michigan or Orlando Florida, but not nationally.

The key problem for business interests is then, *how to turn money into political power?* This may sound like the sort of problem you would like to have! But it can be harder than it seems. Congressmen continually worry about public opinion and votes and here businesses may come up short. Still, raw money is very useful in politics: it buys advertising, lobbyists, experts-for-hire, effective participation in regulation writing and regulatory hearings, and lawyers for litigation. The combination of money and low organizing costs also allows business to subsidize the participation of others, for example, by organizing members of its supply chain (the other firms that sell to or buy from the company).

Mass membership organizations are quite different. Typically, they are not particularly wealthy. But, by definition they do have lots of members. For example, the National Educational Association (NEA) is both the largest professional association and largest trade union in the United States. It has only about 500 employees and a relatively modest budget of \$300 million. But its membership of school teachers numbers over 3.2 million! At least potentially, that is vote power elected politicians will listen to.

The trick for mass membership organizations like the NEA is *mobilizing the members*, particularly in a way that is politically effective. Frequently employed devices include newsletters, mass mailings, email, and (increasingly) social media. The objective of the mobilization is to send a message, especially to key policy makers such as the chair or members of a specific congressional committee, or to regulation writers. The strength of mass membership organizations accords most naturally with legislative politics, but mass comments on regulations or in regulatory proceedings can also have impact. (Recall the comments on the proposed overtime regulation.)

Some business interests are effectively mass membership organizations. An example is the American Hospital Association (AHA), the advocacy group for non-profit (“community”) hospitals. The AHA has about 5000 organizational members, and the hospitals it represents are major employers in most congressional districts. Thus, the AHA can rely on “employment power,” which effectively translates into vote power. The AHA is not a financial powerhouse in politics, though it does have a political action committee. Rather, its impact comes from mobilizing its member hospitals. As a major employer in a congressman’s district, when the local hospital calls, the congressman answers. In order to mobilize its membership, the AHA employs “Action Alerts” which direct hospital participation around specific regulations or legislation. In addition, the AHA forms political alliances with related groups, uses hospital heads during lobbying on Capitol Hill, and has a social media operation.¹⁶

Public interest organizations – typically a non-profit advocacy organization – differ from both business and mass membership organizations. These organizations are now myriad, but were pioneered by the groups created by or associated with the consumer activist Ralph Nader beginning about 1970.¹⁷ Public interest organizations are typically financed by some combination of wealthy individuals, foundations, or membership. (Some are front organizations for firms.) Almost by definition these groups possess neither wealth nor a multitude of members. What they often do have is a young, fanatical group of intelligent hard-working researchers. Critically, the causes they advocate can be very popular with the general public. For instance, most Americans favor clean air and decent drinking water, safe food and medicine, and do not like cruelty toward children, dogs, or cats. In general, these stable public opinions are rarely linked to particular political controversies because (as we will discuss) most Americans simply don’t pay much attention to public affairs. But if a public interest organization can tap into this “latent opinion” then suddenly the organization’s feeble resources are multiplied 10,000-fold. Hence, writing a report that makes snappy headlines and draws public attention to a scandalous situation, thus activating latent

¹⁶ For a brief overview of its political activities – highlighted by the AHA itself in order to attract members – see <http://www.aha.org/about/membership/value-strongvoice.shtml>

¹⁷ A list of more than 40 Nader-related organizations can be found at https://en.wikipedia.org/wiki/Ralph_Nader.

public opinion, is the meat and potatoes of these organizations' work. In some cases, public interest organizations also utilize litigation since some staffers may be lawyers.

In interest group politics, building coalitions can be extremely attractive in order to bring multiple resources into play. For example, a pharmaceutical company (with money) may ally with a patient advocacy organization (votes, plus latent public opinion). A public interest organization (latent opinion) may ally with a union (money, votes). And so on.

Tactics

We will consider coalitions in much more detail later, but one tactic that is helpful both in making and breaking coalitions is **tweaking the objective**. By modifying your political objective, you may be able to bring in additional coalition members, especially an actor who brings something to the table that your coalition presently lacks (money, members, public enthusiasm). Of course, such additions are rarely costless – you have to compromise. Conversely, an adroit tweak may break a group out of the opposition coalition, moving them to a neutral position if not support. Again, compromise is likely necessary.

A good tactic for opponents is (bluntly) **fear-mongering**. The status quo, while imperfect, at least is a known quantity. But change involves trying something new, and what is new is always risky, speculative, and doubtful. Opponents should stoke fear about change. Emphasize what can go wrong with the proposal (costs may explode, side-effects may be terrible), express skepticism about the possible benefits, and underscore what may have to be given up (freedom, dignity, the American Way of Life). Because there are so many choke-points in American politics, fear of change need not affect everyone, just one controller of a single choke-point. That will be enough to kill the proposal.

A somewhat similar logic indicates that opponents should again use **delay**. Proponents may have been able to build a head of steam for a proposal. But that is hard to do in American politics and even harder to maintain. Simple delay may effectively kill the proposal, because some other topic may demand room on the agenda displacing the proposal, a key player may exit and be replaced by someone less supportive of the proposal, or fickle public attention may wander. Again, the idea is to make status quo bias work for you.

Majoritarian Politics

What to do when an issue area has only unorganized, diffuse groups? First, if one is a defender of the status quo, one has little to worry about. Policy change is unlikely absent a change.

But suppose one is an advocate for altering the status quo. For instance, suppose you think asteroid defense is a pretty good idea worth public expenditures comparable to, say, air safety. What to do? The obvious answer is, get organized! But this advice is apt to be useless since in all likelihood there is a good reason why advocates are disorganized and doing nothing (we examine these reasons in the next Chapter). So is there any practical way forward?

The best tactic is: **be prepared**. The politics of (say) asteroid defense will transform overnight in the event of a sizeable asteroid impact yielding large casualties (sorry) and property damage, especially if

the strike zone is accessible to the media. To put it bluntly, pictures of a leveled city and the screams of a hundred thousand vaporized Americans or Europeans, broadcast nightly into homes of survivors, will make an enormous difference in the politics. In the wake of the shock and horror, scientists and activists who have a feasible, well-thought out, turn-key plan will be able to exploit the tragic activating event and move forward dramatically. In addition, activists will easily organize a pro-asteroid defense group and politicians will run to accommodate them. Exactly the same logic applies to a global pandemic. The prepared (assuming they are still alive) will be sitting in the cat bird's seat, politically. I apologize for these gruesome examples, but you get the idea.

5. The Odds of Success

The probability of successfully enacting a proposal surely depends on the kind of politics.

Somewhat embarrassingly, though, I can't give you hard data on how much it matters. A handful of studies have tried to measure the impact of policy advocacy (lobbying, contributing, protesting) on the enactment of legislative proposals. Perhaps the best designed study is reported in Burstein 2014.¹⁸ In this study, the author drew a random sample of policy proposals before the 101st Congress (1989-90), tried to measure public opinion and interest group advocacy for each proposal, and then tracked what happened to the proposals. Unfortunately, Burstein did not characterize the interest group configuration for each proposal (doing so would be difficult). And, he relied on public accounts like newspapers to measure "advocacy." So the advocacy he tabulates is really *public* advocacy like protests or editorials; quiet behind-the-scenes lobbying would have escaped his detection unless it was so notable that it was covered in the press. And quiet lobbying is surely where most of the action is.

That said, several findings stand out. First, in many proposals there was no observed public advocacy at all. This probably suggests the "stealth" politics of Client Politics, or perhaps the initiative of congressmen in Entrepreneurial Politics.

Second, most proposals *failed*. Though many proposals surely came back year after year, Burstein's "failure finding" dramatically confirms the status quo bias in American politics.

Status Quo Bias – The strong tendency in American politics for the present state of affairs to continue.

In American politics, changing the status quo is laborious and always problematic. Policy change is just plain hard.

Why? The principal reason for status quo bias is the *multiple choke-points* built into American government by the Constitution and then incorporated into the operations of state and local governments as well. Any policy proposal must pass through a plethora of legislative choke-points: it must negotiate multiple congressional committees, triumph in floor action in two chambers including one in which minorities have the filibuster power, survive the presidential veto, and weather judicial

¹⁸ Paul Burstein, *American Public Opinion, Advocacy, and Policy in Congress: What the Public Wants and What it Gets*, Cambridge UP 2014.

review. Then, at the regulation state, a regulation must overcome a whole new series of hurdles. At each stage advocates must push, push, push – and then get lucky. A proposal cannot have one, a few, or even a majority of successes: it must conquer at every single stage as it progresses from new idea into policy on the ground. Failure to negotiate even a single choke point kills the proposal dead.¹⁹

Burstein’s third finding is that no particular advocacy tactic is a good predictor of the success of a proposal. Interpreting this finding is difficult because of the confounding impact of counter-tactics and the effect of selection bias – groups choose their own tactics, selecting what seems best to them. This makes detecting the impact of specific tactics very hard.²⁰ Still, it seems clear there isn’t a silver bullet tactic assuring success.

Despite the rudimentary state of the political scientific knowledge, observation and common sense point to something like the patterns displayed in Figure 5, which shows illustrative probabilities of enactment in each of the four cells in the IG Matrix.

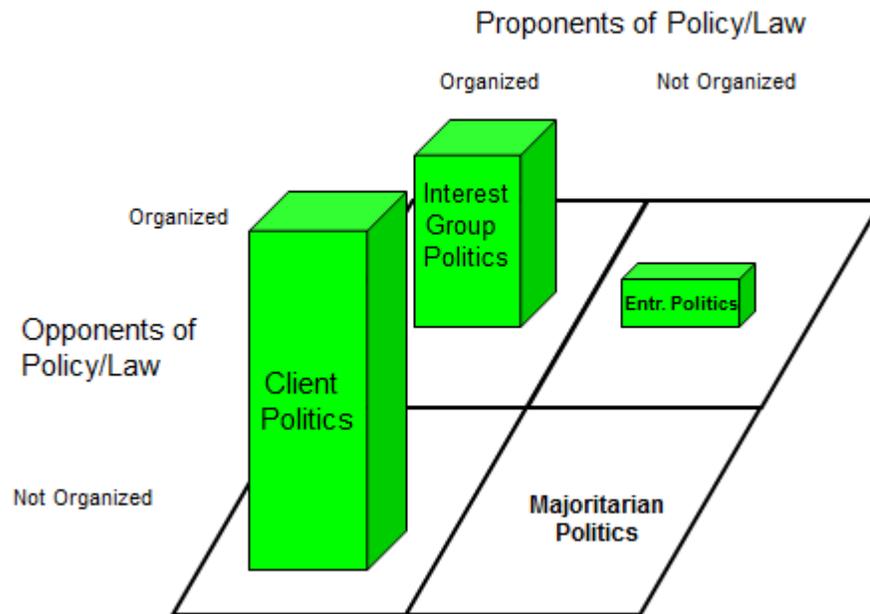


Figure 5. The Probability of Enactment of Policies Depends on the Type of Politics. Success is most likely when proponents are organized. They are much less likely when proponents are not organized. The figure is conceptual; it is not based on actual data.

¹⁹ We will examine exactly how this works in later modules, when we examine “pivotal politics.”

²⁰ Suppose a pitcher selects his pitches according to the weaknesses of each batter. So for one batter he pitches curve balls, another he pitches fast balls, and so on. Would the use of any particular pitch predict strikeouts? No, because the pitcher has already chosen the best pitch to strike-out a given batter. This is an example of “selection bias.” The same problem is apt to confound inferences about the efficacy of observed tactics.

Figure 5 does not have a y-axis labeled to show you the actual heights of the four bars, because we don't know how high those bars really are. But you should understand that the probability of enactment for even the highest bar is far, far below 100%, due to status quo bias.

Despite status quo bias, some interest group configurations are surely more favorable for policy change than others (perhaps "less unfavorable" would be more accurate).

By far the best configuration for policy change is doubtless Client Politics. The reason is obvious: proponents are organized but opponents are in disarray. So, for example, enacting a targeted tax loophole (Client Politics) is much easier than, say, enacting gun control (Interest Group Politics).

The relative ease of enactments under Client Politics has an obvious if uncomfortable implication: a great many enacted policies are apt to involve Client Politics and therefore its kissing cousin, rent-seeking simply because these are the easiest policies to enact. Hence, if one drew a random sample of enactments, one might expect a disproportionate share to involve Client Politics.²¹ And one should expect to find a great deal of rent seeking policies. This argument is speculative; again I cannot back it up with hard numbers. But it seems to make sense.

Probably the next most favorable configuration for policy change is Interest Group Politics, for the same reason: policy proponents are organized. However, because opponents are organized as well, it seems likely that the probability of successful policy change is somewhat lower than under Client Politics.

Now consider the right-hand side of Figure 5. In the right-hand columns, proponents of policy change are *not* organized. As a result, the columns on the right-hand side of the figure are much lower than those on the left-hand side. Which column ought to be higher, that for Entrepreneurial Politics or that for Majoritarian Politics? The answer is by no means clear. However, casual observation seems to find some cases of policies enacted under Entrepreneurial Politics (though many often involve judo politics, and perhaps should be accredited to Interest Group Politics). So perhaps the Entrepreneurial probability is somewhat higher than the Majoritarian probability – who knows? But surely both are much, much lower than in the "organized proponent" half of the IG Matrix.

6. Judo Politics: Changing the Politics You Have Into the Politics You Want

At several points already I alluded to a more advanced use of the IG Matrix, looking for opportunities to use "judo politics."

Judo Politics: Deliberately altering the interest group configuration from a less favorable one to a more favorable one. This may involve organizing an unorganized group, or breaking an organized

²¹ The percentage of Client Politics enactments relative to other kinds of politics would also depend on the relative percentage of Client Politics proposals. There is no reason to believe these proposals are rare.

coalition to create a degree of disorganization.

Opponent Strategy

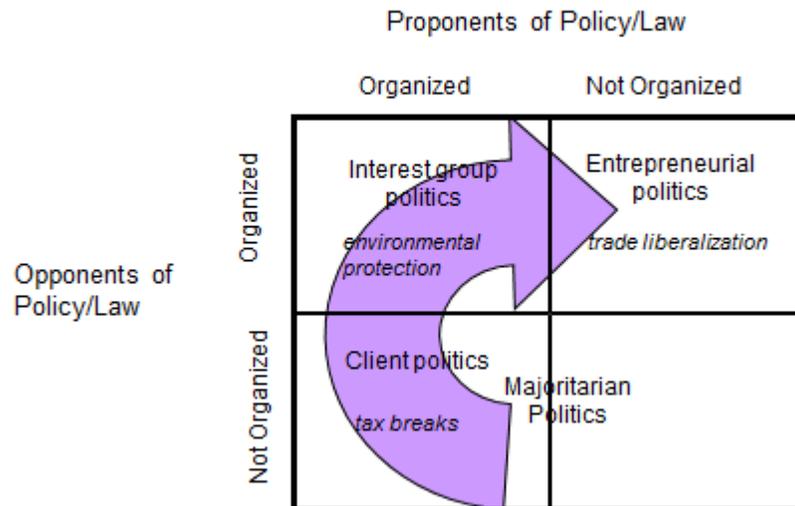


Figure 6. Judo Politics for Opponents of a New Policy. The “swoopy arrow” shows the direction of a desirable move. If proponents are organized (as would be the usual case) and the opponent group is unorganized, the opponent must get organized (moving from Client Politics to Interest Group Politics). Then, if possible, the opponent group should try to break the proponents’ coalition or otherwise demotivate them.

Earlier examples of judo politics were:

- Representative Henry Waxman helping to organize sufferers of rare diseases, to make them effective advocates of orphan drugs (switching from Majoritarian to Client Politics, or Entrepreneurial to Interest Group, depending on how one scores the pharmaceutical companies)
- The U.S. Special Trade Representative structuring trade legislation to create organized winning interests to offset the losers from trade legislation (switching from Entrepreneurial to Interest Group Politics)
- The Tax Reform Act of 1986, which created a class of powerful supporters of tax simplification – beneficiaries of lower marginal rates – to offset the massive opposition from firms and groups who lost their pet tax loophole (switching from Entrepreneurial to Interest Group Politics)
- Nader-style public interest groups publicizing a policy reflecting regulatory capture (e.g., public utilities proposing to limit solar power access to the power grid) or proposed rent-

seeking legislation, trying to activate the public who will approximate for a time an organized group (switching from Client Politics to Interest Group Politics).²²

In a later module, we will examine another example of judo politics: Presidents “going public” in support of their legislative agenda. Here, the president tries to use speeches and public events to awaken public opinion in support of a proposal. As we will explore, this type of judo is rather difficult to pull off.

Figures 6 and 7 graphically portray the logic of judo politics, first for opponents of a new policy (Figure 6) and then for proponents of a new policy (Figure 7).

Without a doubt, the most important move for opponents of a proposed policy is: Get organized! If the proponents are organized (for instance, a rent-seeking firm or group), organizing the opposition moves the politics from Client, where success for the rent seekers is probable, to Interest Group, where success for the anti-rent seekers is much more probable. This move is shown in Figure 6.

For proponents of a new policy, the lesson from Figure 7 is exactly the same: Get organized!

Proponent Strategy

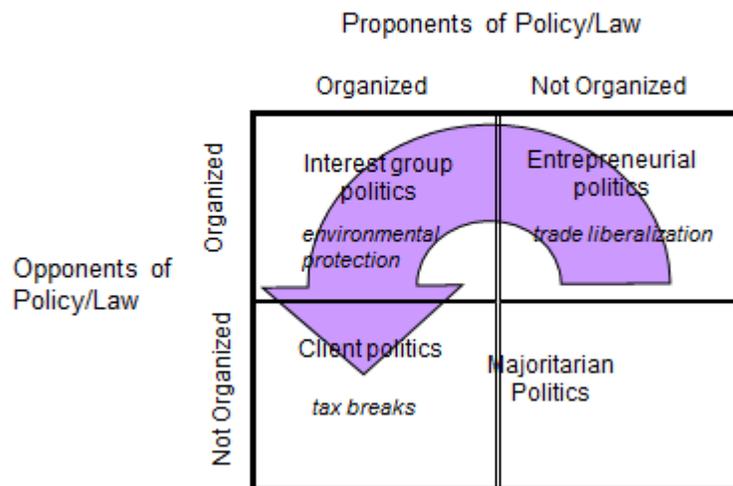


Figure 7. Judo Politics for Proponents of a New Policy. The “swoopy arrow” again shows the direction of desirable moves. If the opponents are organized, the first step is to organize the proponents as well, thereby moving from Entrepreneurial Politics to Interest Group Politics. Then breaking the opposition’s coalition (if possible) moves proponents into the most favorable position. If both sides are diffuse and unorganized,

²² Note that if the public interest group attacks an existing policy rather than a proposed one, the move would be from Entrepreneurial Politics to Interest Group Politics.

then organizing the proponents moves from Majoritarian Politics (a weak position) to Client Politics (a much stronger position).

Advanced Judo Politics: New Policies Can Create New Politics

The examples of judo politics we have considered so far all were rather short-term in focus. For example, organize or mobilize a group in order to enact a specific policy. An advanced use of judo politics is much more long-term much more subtle: enact a program *that will itself change the interest group configuration so as to assure the political sustainability of the program*. In other words, use a new program to create new politics.

An example may clarify the idea.

Example

The Payroll Tax and Social Security

In designing the original Social Security program, President Roosevelt insisted that it be financed with an individual payroll tax rather than some other tax, like the income tax or a new federal sales tax. Why? In 1941, FDR explained his reasoning to public administration guru Lester Gulick:

“We put those pay roll contributions there so as to give the contributors a legal, moral, and political right to collect their pensions and their unemployment benefits. *With those taxes in there, no damn politician can ever scrap my social security program*. Those taxes aren’t a matter of economics, they’re straight politics.”²³ (emphasis added)

In other words, the intended psychological effect of a payroll deduction – a payment that you see on each and every one of your pay checks, with your name attached – was to create the

impression that you gradually pay into your Social Security “account,” which you are then entitled to collect upon retirement. Once you have made many payments into “your” account, you will not tolerate someone grabbing it or siphoning money from it.

In reality, the payroll tax funds Social Security pretty much the way the income tax would (but without the progressivity) – it creates a flow of money into the program from current workers, which then immediately flows out to current retirees. One can argue whether voters should perceive their payments via the payroll tax as actually any different from their well-loved income tax payments to the government in April of each year. But in practice using the payroll tax to fund Social Security seems to have help armor-plate the program politically – exactly the effect FDR intended.

The payroll tax was long-term judo politics because it effectively created a group (payees into the program, not just current program recipients) that would mobilize to defend Social Security.

²³ Luther Gulick, “Memorandum on Conference with FDR Concerning Social Security Taxation, Summer 1941” available online at <http://www.ssa.gov/history/Gulick.html>

Proponents of the Affordable Care Act hoped that advanced judo politics will preserve the Obama Administration's most notable legislative achievement, and opponents have feared the same. In particular, the new recipients of health insurance under the ACA were not very well organized politically (almost by definition – otherwise, they would already have used government to help them get health insurance, just like retirees have with Medicare or upper-middle class workers have with the tax loophole for health insurance payments). But, once this population receives government subsidized health insurance, taking it away from them could lead to their noisy mobilization, as well as many heart-breaking stories in the press. The new program may thus have created new politics. Or, maybe not – the new beneficiaries will have become organized, and that remains to be seen.

Two more examples – the first a clever success, the second a terrible failure – illustrate the possibilities and limits of advanced judo politics.

Example

Acid Rain and Tradeable Emissions Permits

Have you ever heard of acid rain? Not that long ago, it was one of the U.S.'s biggest environmental problems. Today, one never hears the phrase mentioned. Why? Because clever judo politics created a politically sustainable policy success.

//Explain the problem of acid rain.//

President George H.W. Bush devised a novel program, using tradeable emissions permits. In the program, power plants in the Midwest using dirty high Sulphur coal could buy a "license to pollute" from a clean producer using low sulphur coal. In essence, the program taxed dirty producers and rewarded clean producers, creating exactly the right economic incentives to clean up emissions in an efficient way. In fact, the program brilliantly succeeded in ending the acid rain crisis. More than that, the regulatory regime proved extremely durable politically. Why?

The greatest beneficiary of the regulatory regime was the general public; but the public doesn't even know the program exists and has played no role in preventing regulatory capture. Rather, the key to the durability was the way the trading regime created huge windfalls for power companies producing clean power. These utilities have not hesitated to mobilize to support the regulatory regime from assaults from the dirty producers.

In other words, the program was enacted while public attention was strong. The normal waning of public interest would naturally have led to client politics and regulatory capture. But the program hard-wired Interest Group Politics into the regulatory regime, by pitting the clean producers against the dirty ones. This interest group configuration has preserved a notably successful program.

Example

Community Mental Health Centers and Deinstitutionalization

By the 1950s, treatment for the mentally ill in the United States consisted in large part of warehousing chronically ill people in huge state hospitals, often located in remote rural locations. At that time, mental illness was poorly understood and few treatments offered much success. Hence, by the mid- to late- 1950s some 560,000 people were housed in state mental hospitals.

In the early 1960s, a few effective medications began to become available. In addition a series of scandals at large mental hospitals received extensive coverage in the media.

In response to the new treatments and the scandals, reformers hit upon a new idea: close the notorious mental hospitals and shift care of the mentally ill to communities (“deinstitutionalization”). There, the mentally ill would receive housing and care in more humane community mental health centers (CMHCs). To kick-start the process, the federal government would fund the construction and initial operation of the CMHCs; then, the states could take over the long-term funding of the centers.

A part of the reform strategy involved judo politics: the idea was that families of the mentally ill, as well the afflicted themselves, would form an effective advocacy group that would suck money out of the emptying old state hospitals into the clearly superior new community centers, at least once they were built. In 1963 President Kennedy signed into law the Community Mental Health Construction Act providing short-lived seed money to construct CMHCs.

Unfortunately, things did not go as the reformers had hoped. First, removing mentally ill people from the big hospitals proceeded apace. So the

big hospitals emptied out, or at least partly. But unions and rural communities strongly opposed closing the hospitals which after all were sources of employment. Though costs associated with the hospitals decreased somewhat, they did not plummet. Relatively little money was freed up for the new CMHCs.

Second, the families of mentally ill people did not cohere into a powerhouse interest group in most states. And (not surprisingly) it turns out that poor dazed and often delusional people are not easy to organize politically. As a result, strong political advocates for new or redirected funding did not emerge at the state level.

Third, reformers had vastly under-estimated the resistance to building community facilities to house mentally ill people, an excellent example of NIMBY politics (“not in my back yard”). So CMHCs were very slow to open. (Ultimately, most were located in poor communities that could not organize effectively to block them).

By the late 1970s, the net result of the reform efforts was to move many mentally ill people from state hospitals into flop houses and single-room-occupancy (SRO) hotels in slums and poor neighborhoods, while adding few new treatment resources in the communities. But the worst was yet to come. After 1980, the Reagan Administration substantially reduced funding for housing for poor people. At this point, many deinstitutionalized mentally ill people found themselves out on the street, living under bridges or over heating grates in the winter, begging for food, acting out psychotic breakdowns on street corners, and victimized by crime. Anyone who spent time in a large urban area like Manhattan during the mid- to late-1980s is apt to have vivid memories of extraordinary pathetic, and often quite

threatening, individuals living on city streets with no treatment.

The subsequent enactment of new sources of funding, court decisions affording some rights to the mentally ill, new housing legislation, and the development of better psychotropic drugs have

reduced the incidence of poor untreated mentally ill people living on city streets in the United States. But the failure of the judo politics strategy of the early reformers came at a horrific cost in human misery. Bad political analysis has consequences.²⁴

A final, speculative example about judo politics concerns the new regulatory regime imposed on financial institutions by the Dodd-Frank Act.

Briefly: contributing to the 2008 recession was a financial crisis that occurred partly because of a massive failure in the regulatory regime tasked with assuring the stability of financial institutions.²⁵ Many would attribute this failure to regulatory capture, that is, the tremendous political power of financial institutions relative to any other opposing interest group.²⁶ On this account, the regulatory regime failed not because it lacked adequate powers to alter bank behavior but because regulators lacked the political will to do so.

Public outrage helped propel the enactment of the Dodd-Frank Act in 2010, aimed at reforming the financial regulatory system. The Act is extremely complicated, but broadly speaking it somewhat modified the structure of the previous regulatory regime while adding a plethora of new powers enabling regulators to micro-manage many aspects of banking. What the bill did *not* do was break up the large banks in order to decrease their political power (there was insufficient political support in Congress for that option). Nor did it take other steps that might reduce their political influence. There is some judo politics in the bill with respect to the new Bureau of Consumer Financial Protection (for example, how it is financed) but essentially none when it comes to the big banks themselves.

Two possible futures thus suggest themselves. In the first, the regulators will have the profound technical skills and iron political will to micro-manage vast financial entities, thereby stabilizing the financial system for the indefinite future. This is the “happy” scenario. In the second, fading public interest and relentless political pressure from enormously powerful firms will gradually recreate the captured regulatory regime that failed before. In this, the “grim” scenario, a financial failure along the lines of 2008 is almost inevitable at some point in the future.

²⁴ Chris Koyanagi, “Learning from History: Deinstitutionalization of People with Mental Illness as a Precursor to Long-Term Care Reform,” Henry J. Kaiser Family Foundation, 2007 http://www2.nami.org/template.cfm?Section=about_the_issue&template=/contentmanagement/contentdisplay.cfm&contentid=137545. Add MMFQ article.

²⁵ There are many accounts but see Martin Wolf *The Shifts and the Shocks* (2014).

²⁶ For a representative sample of analysis with this flavor, see Simon Johnson and James Kwack *13 Bankers: The Wall Street Take Over and the Next Financial Meltdown* (2011). Many books, both popular and scholarly, explore the background to the financial crisis. A political analysis with deep historical and comparative sensitivity is Charles Colomiris and Stephen Haber, *Fragile By Design: The Political Origins of Banking Crises and Scarce Credit* 2014.

Time will tell which view is correct. Applying the ideas from the IG Matrix may suggest to you which scenario is more probable.

7. Nutshell Review

1. The IG Matrix is a simple but powerful tool that directs your attention to the overall lay of the political land or (switching metaphors) to the net direction of the political winds and tides.
2. A key concept in the IG Matrix is effective political organization.
 - a. To be “organized” means: a group knows its interests, can articulate a feasible political program, can mobilize its members in support of this program, and create incentives that politicians pay attention to.
 - b. Organization makes a group a potentially effective player in politics; lack of organization generally precludes effectiveness.
 - c. Organization requires someone to accept the burden of leadership, and others to accept the discipline of followership.
3. The IG Matrix has beginner, intermediate, and advanced uses. The beginner use is: a) characterize the prevailing IG configuration, b) anticipate the probable politics, and c) identify the likely tactics that will be employed under each type of politics by both sides.
4. There are 4 (stylized) interest group configurations and each tends to give rise to a distinctive kind of politics:
 - a. The Monopoly-pro configuration ... usually yields ... Client Politics
 - b. The Monopoly-con configuration ... usually yields ... Entrepreneurial Politics
 - c. The Competitive configuration ... usually yields ... Interest Group Politics
 - d. The Diffuse configuration ... usually yields ... Majoritarian Politics
5. Client Politics strongly favors the supporters of a new policy (but they still have to overcome the huge status quo bias of American politics, arising from multiple choke-points)
 - a. In Client Politics, proponents of a new policy typically employ persuasion, speed, and stealth.
 - b. Opponents need to get organized. But a good tactic is also sunshine, trying to fight speed and stealth.
 - c. Client politics is conducive to rent-seeking – using government to reduce competition, enforce price-fixing and cartels, or otherwise enrich Peter by picking Paul’s pocket.
6. Entrepreneurial politics strongly favors the status quo.
 - a. In Entrepreneurial politics, proponents of a new policy need to become organized. Finding a political entrepreneur who is willing to do the work of organizing and devising strategy is usually essential.
 - b. For opponents, a key tactic is delay since delay is often equivalent to victory.
7. Interest group politics is not as biased toward the status quo as entrepreneurial politics but not as conducive to enactments as client politics.
 - a. In interest group politics, a key tactic for both sides is coalition-building for oneself, and coalition breaking with respect to the other side.

- b. Good coalitions marry groups with diverse resources: firms, wealthy individuals, or foundation that have money, mass membership organizations that have vote power, and public interest organization that have hard-working researchers and litigators and often some degree of latent public support.
 - c. A good tactic for opponents of a proposal is sowing fear and doubt about change.
- 8. Majoritarian politics rarely results in policy change.
 - a. Diffuse groups need to get organized.
 - b. Catastrophes, scandals or high visibility events may boost the salience of the proposal, so a good tactic is to be prepared to move when such an event occurs.
- 9. An intermediate use of the IG Matrix involves judo politics: moving from a "bad" interest group configuration to a better one.
- 10. An advanced use of the IG Matrix is to use a new policy to permanently hard-wire a favorable interest group configuration into place.
 - a. Using long-term judo politics, new policies can create new politics.
 - b. The point of creating the favorable configuration is to ensure the long-term political sustainability of the program.
 - c. Failure to hard-wire a new policy means reverting to the earlier interest group configuration and the earlier kind of politics.

Charles Cameron
Tokyo Japan
Wednesday, August 31, 2016