

Making Public Policy

Lecture 19

Today's Agenda

- General discussion of making public policy – U.S. centric
 - Constitutional Design: Madison in Federalist #10
 - Lowi on “interest group liberalism”
 - Interest group competition, other processes
- *Clean Coal/Dirty Air/Trading Filth* case – background, first two questions

Review: The market v. the “polis”

- Governments rest on a (near) monopoly of force and, for stability, legitimacy (general acceptance) – Syria has former, not latter.
- Individuals pursue self-interest v. individuals & groups pursue self-interest & (different views of) the public interest; most decisions affect the whole community – collective choice, public goods...
 - Preferences v. Ideologies: different views of how *society* should work & ideal arrangements to make it do so – reflects both values and beliefs
- Competition v. competition & influence, cooperation, and loyalty
- Goals: wealth v. wealth & power (the ability to get others to act against their self-interest, for your interest or your view of the public interest) – rests on influence, cooperation, loyalty, and, sometimes, force
- Without a dictator, no guarantee of collective consistency, so no way to guarantee decisions/policies optimal in any sense...
 - E.g., Condorcet (1785) paradox of voting: 3 voters, 3 alternatives, preferences $A > B > C$, $C > A > B$, $B > C > A$; voting $A > B$, $B > C$, $C > A$...

So, How to Design a Government?

- Not an optimization problem with one objective...
- Faced by U.S. “Founding Fathers” – no contemporary models; Roman republic, Athens fell
 - During the Revolution adopted the Articles of Confederation (1777): no executive branch, central government couldn’t tax
 - Constitution drafted in 1787, but serious, organized opposition in several states including New York; ratification not a slam dunk
 - Hamilton, Madison, and Jay wrote the Federalist Papers under pseudonyms to argue for ratification, esp. in New York
- **What design problem is the focus of Federalist #10?**
 - Faction: “a number of citizens ... who are united and actuated by some common impulse of passion, or of interest, *adverse to the rights of other citizens or to the permanent and aggregate interests of the community*”

Let's Walk Through Madison's Solution

- Could one eliminate the basic causes of factions?
 - Only if eliminate liberty or differences (property); unwise & impractical
- How can one deal with minority factions?
 - Voting should handle this...
- Can one eliminate majority factions in a pure democracy?
- Why does he think a large republic is a good answer to the problem of majority factions?
 - Larger districts \Rightarrow better candidates available, more likely to win...?
 - Diversity & Dispersion: “Extend the sphere, and you take in a greater variety of parties and interests; you make it less probable that a majority of the whole will have a common motive to invade the rights of other citizens; or if such a common motive exists, it will be more difficult for all who feel it to discover their own strength and act in unison with each other.”

Politics as competition among interest groups

- Madison: factions are inevitable, but if they are all small & weak, none can dominate competition among them
- Lowi: such competition among interest groups has become both an accepted description of US politics and, implicitly, an ideal – “interest group liberalism” – K Street
- Lowi: For this to make sense as any sort of (non-rigorous) Adam Smith ideal, need (at least)
 - “Organized interests are homogeneous and easy to define”
 - “Organized interests pretty much fill up and adequately represent most of the sectors of our lives... “ (spanning, always competition)
 - “the role of government is one of ensuring access, particularly to the most effectively organized, and of ratifying the agreements and adjustments worked out among the competing leaders and their claims” (ideology!)
- **Are these sensible as descriptions? As an Ideal?**

Observations on interest group competition

- Empirically, ability to organize is key; helped by
 - Small number of potential members: airlines v. travelers
 - Higher \$\$ stage for each potential member
 - Shorthand: concentrated interests beat diffused interests
- One important mode of competition is \$\$ in elections
 - Less to buy votes than to elect friends, ensure access
 - Many groups contribute to sure winners, both R' s and D' s
 - *Citizens United* decision has removed spending limits; inequality in wealth, income has risen sharply (causes??)
- Another mode is lobbying "(Klein, Ezra. "Our Corrupt Politics: It's Not All Money," *The New York Review of Books*, March 22, 2012.)"
 - NOT mainly about bags of money; a “gift economy”
 - Effective lobbyists provide friends with information
 - Lobbying firms recruit people with powerful friends...

But not all politics is inside baseball (Lowi)

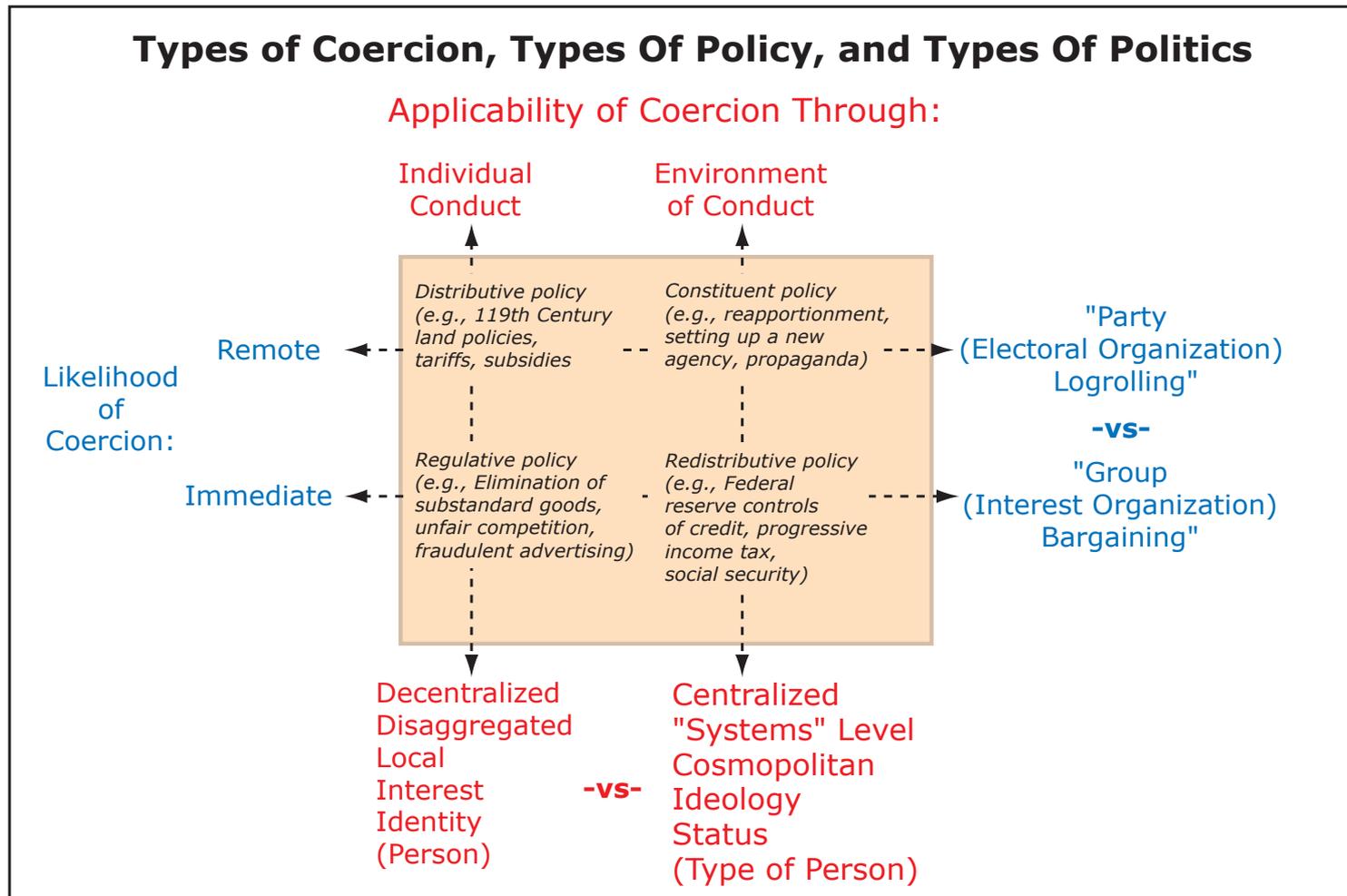


Image by MIT OpenCourseWare.

And there are alternative models, which may be more useful in some settings (Whitt, a Marxist)

Variable	Pluralistic	Elite	Class-Dialectic
Basic units of analysis	Interest groups	Institutional elites	Social institutions; social classes
Essential processes	Interest group competition	Hierarchical dominance by elites	Imperatives of social institutions; class domination and conflict
Basis of group power (resources)	Many bases; organizational, governmental, social, personal	Institutional position, common social background, convergent interests	Class position; degree of class consciousness and organization
Distribution of power	Dispersed among competing, heterogeneous groups	Concentrated in relatively homogenous elites	Held by dominant class, but potentially available to subordinate classes
Limits and stability of groups' power	Unstable; limited by democratic value consensus, shifting strength among organized interests and by cross-cutting allegiances	Stable, no identifiable limits to elite domination	Historically contingent; generally stable, but limited by class conflict and contradictions within and among social institutions
Conception of role of the state	State is a broker, able to preserve some autonomy by balancing competing interests	State has little, if any, autonomy, captive of elite interests	

Image by MIT OpenCourseWare.

Source: Whitt, J. A., *Urban Elites and Mass Transportation*. Princeton: Princeton University Press, 1982.

Federal Regulation: Background

- Laws typically give US state/federal agencies architecture, discretion, vague mandates like “just & reasonable,” “protect human health”
- Broadly, agencies are either “independent” (e.g., FERC, PUCs) or part of the executive branch (e.g., EPA)
 - Independent agencies an invention of the Progressive era (1910s); to have expertise, be “immune” to politics
 - Really only partly immune (appointment), may be captured by regulated interests; exec branch agencies to be “responsible”
 - Status affects extent, kind of executive oversight; federal executive branch agencies’ rules reviewed by OIRA in OMB
- All Federal agencies’ decisions reviewable by the courts under the APA of 1946; similar laws in most states
 - Courts reject if “arbitrary and capricious, an abuse of discretion, or otherwise not in accordance with the law”
 - Usually must seek and take into account “public comment” – usually from organized interest groups

EPA Regulation of SO₂ from power plants

- Was the 1970 Clean Air Act (signed by Nixon!) the result of interest group competition?
- In 1971 and later years, what interest groups affected the decisions described in the case?
 - Eastern and Western coal producers
 - Electric utilities
 - Western states
 - Environmental groups
- What interests (if any) were not represented in this process?
- What basic architecture did the 1970 Act set up as regards coal-fired power plants? What roles were assigned to the states? To EPA?
- What was the basic rationale for the different treatment of new and existing power plants?

Next two sessions:

- Social movements – which got the 1970 Act, civil rights legislation, and much else passed
- U.S. environmental regulation – which is a major component of U.S. energy policy
 - EPA regulation in general
 - Back to the case: the politics of the 1971 NSPS, the 1977 Amendments, and the 1979 NSPS
 - The acid rain impasse and the emergence of emissions trading, later developments

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