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## *An Exchange Theory of Interest Groups*

The exchange theory of interest groups rests initially on a distinction between the entrepreneur or organizer and the customer/member. The argument asserts that group organizers invest in a set of benefits which they offer to potential members at a price—joining the group. Benefits may be material, solidary or expressive. In order for the group to survive a sufficient balance must be maintained in the exchange; members must receive benefits and leaders enough return, conceptualized as “profit,” to warrant continued participation. Implications are drawn for such questions as lobbying and intra-group factionalism as well as for the origins, growth and survival of various types of interest groups.

IN ONE OF those apparently casual passages into which enormous significance may be read David B. Truman remarks that “the origins of interest groups and the circumstances surrounding their orientations toward the institutions of government [are] . . . among the factors most relevant to a description of group politics.”<sup>1</sup> He goes on to suggest or imply some fragments of general theory concerning group formation which remain largely undeveloped, either by Truman or by other students of interest groups. Issues of major theoretical relevance are raised in these fragments, however, and we propose to examine them closely to see whether they, and the data concerning

<sup>1</sup> *The Governmental Process*, New York: Knopf, 1951, p. 66.

interest group formation, may lead to some fuller theoretical understanding of interest group phenomena.

We shall focus much of our attention on the development of American agricultural groups. In part, this focus is the product of convenience and ready accessibility of illustrative data.<sup>2</sup> In part, however, this sector of American group development is especially apt for the testing of extant theories of group formation. In addition to farm groups we shall refer to other types of groups sufficiently often to indicate the range of application of the argument. It should be noted at the outset that the argument presented here has many close links to an intellectual focus now attaining major stature in other social sciences; namely, exchange theory.<sup>3</sup> This paper represents an effort to contribute to that development by applying its terms to, and reinterpreting them in the light of, interest groups in politics.

Briefly, the argument is that interest group origins, growth, death, and associated lobbying activity may all be better explained if we regard them as exchange relationships between entrepreneurs/organizers, who invest capital in a set of benefits, which they offer to prospective members at a price—membership. We shall compare this approach to others in an attempt to explain the data of group origins and elaborate its terms to explore the implications of the argument for other facets of group activity.

One other prefatory note should be entered. Our concern here is with organized interest groups or, in Truman's term, formal associations. We wish to explain how such associations come into being, the conditions affecting their growth or decline, their internal structures of action and their role in the political process. We do not wish to develop an interest group theory of politics, a la Arthur F. Bentley. That is quite a different intellectual enterprise and one that is largely unrelated to the present analysis. This is an effort to develop a theory of interest groups, not an interest group theory of politics,

<sup>2</sup> Professor John P. Heinz and I are engaged in an extended study of U. S. farm policy formation and that inquiry stimulated much of the present analysis as well as providing much illustrative material for it.

<sup>3</sup> The principal works thus far which attempt to develop reasonably general statements of exchange theory include Peter Blau, *Exchange and Power in Social Life*, New York: Wiley, 1964; George Homans, *Social Behavior: Its Elementary Forms*, New York: Harcourt, Brace and World, 1961; James A. Coleman, "Foundations for a Theory of Collective Decisions," *American Journal of Sociology*, Vol. LXX, May, 1966, pp. 615-628; Mancur Olson, Jr., *The Logic of Collective Action*, Cambridge: Harvard University Press, 1965.

and it is hoped that any disputation which might center on the latter issue may be avoided.<sup>4</sup>

### *Theories of Proliferation and Equilibrium*

One fragment of extant group formation theory we may call the proliferation hypothesis.<sup>5</sup> It argues, in effect, that as a consequence of various processes of social differentiation, especially those linked to technological change but including others as well, there is within a given population more and more specialization of function. Increasingly specialized sets of people are observed engaged in a growing range of particular economic activities or specific social roles and from this specialized differentiation of role and function comes greater and greater diversity of interests or values as each newly differentiated set of people desires a somewhat different set of social goals.

For example, it may be argued that American farmers became increasingly specialized in terms of the commodities raised in a particular area or by particular farmers and also in terms of that corollary of specialization—interdependence with other segments of the economy; banks, merchants, railroads, and the like.<sup>6</sup> Ever since the Civil War, it is quite clear farmers have grown more and more differentiated as technological innovations, such as mechanical combines and cotton pickers or refrigerated transport, combined with other factors, such as the increased use of less flexible, arid land, and changing demand patterns in both peace and war, to induce each farmer to concentrate his resources on the commodity he could produce to greatest advantage

<sup>4</sup> It may be noted that, Truman aside, there is remarkably little recent literature which deals, empirically or theoretically, with interest groups as primary units for analysis, as dependent variables, rather than independent variables related to policy outcomes or processes. Among the exceptions may be cited Lester Milbrath, *The Washington Lobbyists*, Chicago: Rand McNally, 1963; Norman Luttbeg and Harmon Zeigler, "Attitude Consensus and Conflict in an Interest Group: An Assessment of Cohesion," *American Political Science Review*, Vol. LX, September, 1966, pp. 655-667; Frank Nall, "National Associations," in W. Lloyd Warner, ed., *The Emergent American Society, Large-Scale Organizations*, New Haven: Yale University Press, 1967, pp. 276-314.

<sup>5</sup> For elements of this argument, see Truman, *op. cit.*, especially pp. 52-62. See also, Robert MacIver, *The Web of Government*, New York: The Macmillan Company, 1947, pp. 52 ff. The formulation is familiar in the standard sociology and anthropology writings also, and Truman cites representative authorities.

<sup>6</sup> The growth of specialized commercial agriculture is traced by a number of agricultural historians. See, for example, Everett E. Edwards, "American Agriculture—the First 300 Years," in *Farmers in a Changing World, The Yearbook*

rather than try to supply himself with a wide range of necessary foods and fibers. In short, the full scale commercialization of agriculture, beginning largely with the Civil War, led to the differentiation of farmers into specialized groups with specialized interests, each increasingly different from the next. These interests had to do with such questions as prices and market shares for the farmers and also for those with whom the farmers dealt in the market place. The interdependence which accompanied the specialization process meant potential conflicts of interests or values both across the bargaining encounter and among the competing farmers themselves as each struggled to secure his own position.

The proliferation hypothesis now simply adds that as a "natural" social response among these conflicting specialized groups formal associations are created, or emerge, to represent the conflicting claims of each differentiated set of interested parties. The association articulates the interest, and by organizing its adherents provides more effective bargaining power vis-a-vis other groups. It may be, as Bentley put it, "mere technique" since the association is seen as a kind of automatic fruit of the process of social differentiation, but it has an independent effect upon the political processes in which the group may be concerned. Thus unorganized groups, i. e., people with differentiated but unarticulated values, are presumed to be weaker than organized groups. The questions of whether truly differentiated interests will actually languish for long in unorganized circumstances is a matter which remains unclear in the theoretical fragments we have to work with.<sup>7</sup> It does seem that, taken over time, such interests are expected to achieve organizational expression even though the specific process by which formal organizations are generated are nowhere examined and seem rather generally to be regarded as inevitable consequences of differentiation itself. In any case, for our purposes, the salient points concerning the proliferation hypothesis are three: (1) associations are products of differentiated sets of values or interests, (2) over time there will appear more and more different, diverse, specialized groups in the political arena as the processes of social

*of Agriculture, 1940*, U. S. Department of Agriculture, 76th Congress, 3rd Session, House Document No. 695, Washington, D. C., 1940, pp. 171-277; Fred A. Shannon, *The Farmers Last Frontier*, New York: Farrar and Rinehart, 1945.

<sup>7</sup> The theoretical uncertainty in which Truman left his concept of the "potential group" is examined in Roy C. Macridis, "Interest Groups in Comparative Analysis," *Journal of Politics*, Vol. XXII, February, 1961, pp. 25-45; and in Mancur Olson, Jr., *op. cit.*, pp. 128-130.

fission continue, and (3) it is to the processes by which values are altered that one must look for an explanation of group formation.

A second proto-theory, so to speak, of group formation may be referred to as the homeostatic mechanism hypothesis.<sup>8</sup> This argument places much less emphasis on the processes of social differentiation and the generation of "new interests" thereby. Rather it assumes a certain differentiation and suggests the following sequence as typical of group origins. A putative equilibrium among social groups is disturbed as a consequence of such socially disruptive factors as technological innovation, war, transportation or communications changes, and such macro-social processes as major population movements, business cycle fluctuations, and industrialization. The disequilibrium will evolve a response from the disadvantaged sectors as they seek to restore a viable balance. A principal way of doing so is by organizing a formal association because, as Truman points out, this not only improves bargaining power but it also helps to stabilize and strengthen relationships within the group by increasing the mutually supportive interaction among members and thereby the range and salience of their shared values. Notice that the organization is seen as a more active agent in this approach than from the proliferation perspective. Its operations contribute directly, if only marginally, to the changing of member values and it is thus much less dependent on underlying social processes to show the interest direction the group should pursue.

Truman observes that "the formation of associations . . . tends to occur in waves"<sup>9</sup> because once a group organizes in order to reassert a satisfactory equilibrium it may inspire counterorganization among rival groups in a kind of dialectical process. Presumably there is an equilibrating tendency underlying this process, however, so that once a set of social group bargaining encounters has been organized on all sides there is an end to the group formation process and a stability to the associational activities. In this respect the homeostatic mechanism hypothesis differs from the proliferation hypothesis since the latter predicts the continuing development of new interest configurations and hence of new associations.

We may well have read distinctions into remarks which were intended for less intensive exegetical use, but the two theoretical sketches outlined above do occasionally appear in the literature. The

<sup>8</sup> Again, cf., Truman, *op. cit.*, pp. 52 ff.

<sup>9</sup> *Ibid.*, p. 59.

two approaches differ in emphasis and in certain of their assumptions, but they are not mutually exclusive. The critical question is which hypothesis gives the better empirical return, or, if neither is adequate, is there a superior alternative? Attention to the formation of agricultural groups in the United States leads us to find congenial elements in both hypotheses, but there are disquieting elements as well. Let us examine, albeit briefly, the relevant data.

By either of our hypotheses the growth of politically relevant farmer organizations would be expected in the post-civil war period. On the one hand, the spectacular rise of the Grange from 1867 until about 1875 is a sufficiently prominent datum that no theory of group formation would be likely to miss it. At the same time, it is clear that agricultural technology changed dramatically in the direction of mechanization during this period. The dislocations of war and the railroad-assisted post-bellum westward expansion contributed, as did the growth of corporate industrial power, to the transformation of the farmer's circumstances. In large measure, it appears that the proliferation hypothesis has somewhat the better case for the immediate post-war period in its stress upon the generation of new interest and value configurations as a consequence of social differentiation. Clearly, it was not simply a matter of older groups coming into a new situation, for, outside the South, there had never before been large groups of commercial farmers with such dependence on the market and so vulnerable to its vicissitudes.

But it is also clear that for nearly half a century farm groups did not proliferate into more and more organizations, each with its specialized concerns.<sup>10</sup> At least until after 1900 the overwhelming bulk of farm organizations which were formed were aggregated under the comprehensive embrace of few, though often loose, organizational structures.<sup>11</sup> Thus the Grange was followed by the Farmers Alliance in the 1880's, the Populist Party in the 1890's, and the Agricultural

<sup>10</sup> One must distinguish between the politically relevant groups of this period and the older, localized, agricultural improvement societies organized mainly for self-help and the promotion of fairs. See Carl C. Taylor, "Farmers Organizations," in *Encyclopedia of the Social Sciences*, New York, 1931-7, Vol. 6, pp. 129-131.

<sup>11</sup> A particularly valuable discussion of farm group organizations in this period is Theodore Saloutos, *Farmer Movements in the South, 1865-1933*, Berkeley: University of California Press, 1960. For the early twentieth century see Theodore Saloutos and John D. Hicks, *Agricultural Discontent in the Middle West, 1900-1939*, Madison: University of Wisconsin Press, 1951.

Wheel, the Farmers Union and finally the Farm Bureau in the first part of the twentieth century. Although each of these organizations was composed of a large number of local and state units, and in the case of the Farmers Alliance there were several distinct regional components which were partly or wholly autonomous, no real evidence can be found of a fission-like process. Rather a rapid series of local organizational successes was followed by official aggregation under a broad group banner and then, until this century, by the equally rapid demise of the organization, in its power if not, as usually happened, in its very existence.

This sequence of organizations may seem to disconfirm the proliferation hypothesis, but it does not readily fit the homeostatic mechanism theory either.<sup>12</sup> The rapid rise and fall of actual farm associations in a period, 1867-1900, which was one of consistent market disadvantage for most farm groups could hardly be construed as conducive to the reassertion of a viable equilibrium. It may be argued that whether they were successful or not the groups were certainly organized in order to reassert just such an equilibrium, and of this there can be little doubt. The rhetoric of farm protest groups has consistently stressed the postulate that a primeval state of grace had been violated by this industrial revolution and public policy should work toward the restoration of Eden. But rhetoric which evokes Arcadia may be distinguished from empirical social theory, and neither proliferation nor the homeostasis hypotheses seem adequate to explain the succession of organizational failures among people who, it has generally seemed, were in considerable distress and needed political and organizational help. Both our theories seem to assume that under such conditions organized groups will emerge and in some sense succeed. Yet the empirical landscape is cluttered with abandoned farm group vehicles, and effective theory must deal with the relics as well as the survivors.

Another set of data with which extant theories do not satisfactorily cope relates to organizational membership figures. The proliferation hypothesis implies not only that the number of organized groups will increase over time but also that total membership will probably grow. This might follow for such social psychological reasons as that the more groups there are the more opportunities for a given person to

<sup>12</sup> See also Olson's observation that Truman "assumes *organized* (italics his) groups arise because there is dislocation or 'need' for them, and this is neither factually nor theoretically substantiated." *op. cit.*, p. 123, n. 50.



participate actively in one and the more inducement therefore to join. It might also follow from the expectation that the greater the specialization the greater or more wide-reaching the self-consciousness of group involvement and hence the greater the likelihood of formal group membership.

Homeostasis theory, on the other hand, implies a cyclical pattern of membership. If groups are formally organized as a response to bargaining disadvantage, so their membership would be expected to rise in conditions of adversity and, probably, to decline or at least stabilize when adversity was overcome. So long as the organization's existence remained essential to the new equilibrium the membership might not fall off precipitately but it would still follow a kind of cycle over the course of the fluctuating fortunes of the group involved.

Group membership data are generally rather elusive and sometimes a bit suspect too. For some groups, especially those of a professional and technical occupational character, there appears to be a slightly uneven but generally rather steady growth in membership.<sup>13</sup> In some groups there is a rapid surge, often followed by a precipitate decline even to disappearance of the group altogether.<sup>14</sup> In two socio-economic sectors, however, agriculture and labor, the data are reasonably complete and follow similar curves; namely, they show a growth of membership in times of comparative prosperity and a decline during economic recession.<sup>15</sup> For example, in the first decade of the twentieth century, a decade of relatively favorable farm prices and income after thirty-odd years of almost unbroken decline, farm group membership increased five hundred per cent! The Grange, by then politically quiescent, more than doubled. The Farmers Union and the American

<sup>13</sup> In the ABA and AMA membership shows rather a rapid early growth, averaging more than ten per cent per year until up to one-fourth of the potential members were enrolled. Thereafter growth has averaged approximately three per cent per year. There are very few periods of absolute decline, however, with 1933-34 being much the worst. Membership in the NEA, an organization of more ambiguous professional status and with a less well-defined market, has fluctuated much more widely.

<sup>14</sup> The Farmers Alliance is estimated to have gone from one million members in 1890 to near extinction by 1893. See Robert L. Tontz, "Membership of General Farmers' Organization, United States, 1874-1960," *Agricultural History*, Vol. 38, July, 1964, pp. 143-157.

<sup>15</sup> See Tontz, *passim*, and sources cited therein. Tontz himself argues that membership does go up when farm conditions go down but with a three to five year lag. The data fit as well, however, to a direct and positive relationship between prices and membership.

Society of Equity were formed and each quickly attracted one hundred thousand members. Numerous commodity groups were organized at this time, and finally, still under relatively favorable economic conditions which extended until about 1919, the local and state farm bureaus were organized, to be federated in 1919 in the American Farm Bureau Federation.

Once the happy times for farm prices of World War I were over, prolonged farm depression set in and lasted until about 1926. During this period farm group membership generally declined. In the mid-western heartland of the Farm Bureau membership fell by almost one-fourth between 1920 and 1925. The Farmers Union lost forty percent of its strength between 1915 and 1933. Efforts to organize new farm groups out of the disequilibrium conditions of the early 20's uniformly failed. Decline in membership again was noticeable in the early Depression years of the 1930's, but this was followed by a spectacular recovery and growth between 1940 and 1950. In this decade, which was again one of greatly increased prosperity, the three main general farm organizations, the Grange, the Farmers Union, and the Farm Bureau went from a combined total of 866,224 family memberships to 2,108,849. Since 1950 a slow growth has continued despite the continuing decline in farm population.

Broadly, a similar pattern may be observed in the labor movement with substantial union growth during the prosperous periods of high employment, such as both World Wars, and decline in periods of recession. Additional variation is introduced by such factors as the passage of legislation like the Wagner Act, and changes in industrial technology, but the point remains. In these areas, at least, organized group membership varies directly with the relevant portion of the business cycle, going up with good times and down with bad, and this is exactly the opposite of the expectations derived from the homeostasis hypothesis.

Although the proliferation hypothesis is vague with respect to expected patterns of group membership over time, it clearly does not lead to a cyclical pattern linked to the business cycle. This hypothesis fares much better, however, especially in the period of the last thirty-five years, regarding the number and variety of distinct organizations. More or less paralleling the enormous infusion of science into agriculture has been a very striking growth in the number of specialized commodity associations. Cotton and tobacco organizations like specialization in the production of these crops, are older, dating from

around 1900. But wheat, corn, cranberries, turkey broilers, and several dozen other groups have been formed more recently as an undoubted consequence of the proliferation of farming interests.<sup>16</sup>

Yet as we consider the appearance of, say, the National Corn Growers Association in the mid-1950's one cannot seriously regard it as any kind of an organizational manifestation of the differentiated corn growers partly because corn growers had been differentiated for years and partly because they have not joined the group in appreciable numbers. The NCGA seemed much more a kind of letterhead organization which might, if its founder's dreams materialized, someday speak for a sizable portion of the corn growers but it had hardly yet begun to climb toward such eminence. It was still a small, struggling business enterprise, and the example suggests a very important modification required of the proliferation thesis—to establish some analytical distance between the technological and other social forces, on the one hand, and the emergence of organized interest groups, on the other.

Before we pursue this theme, however, let us again consider the implications of the cyclical pattern of group membership. There appears to be a fairly straightforward, one might almost say simple-minded, explanation for this pattern. It is simply that in times of prosperity potential group members are much more likely to have the dues money and be willing to spend it for membership,<sup>17</sup> while in hard times group membership may be one of the first luxuries to be sacrificed. Thus union membership regularly declines in the face of unemployment, and it is clear that for some portion of the members membership itself is a very marginal investment. At the same time, however, group leaders, faced with declining membership in hard times, may step up the tempo of agitation, both to hold on to their organizational membership and to alleviate the underlying group distress. Farm group leaders undoubtedly increased their public

<sup>16</sup> In 1957 and 1958 some thirty-seven regional and national farm commodity organizations joined the National Conference of Commodity Organizations, an organization attempting to build program agreement among the disparate interests of commodity groups. NCCO had brief success in 1958 but shortly foundered.

<sup>17</sup> Saloutos notes that "The farmers joined the Farmers Union for various reasons. The quest for higher cotton prices naturally was an important factor, but the fact that producers were benefitting from a rising market was equally significant. It was much easier for farmers to pay dues in 1903 when cotton commanded 13 cents a pound than in 1898 when it brought only 6 cents." *op. cit.*, p. 187.

militance in the early 1930's,<sup>18</sup> as did unions, while their organized strength was shrinking. But leadership vigor cannot therefore be treated as an unambiguous indicator of group emergence or strengthening. Again, the point is that group strength, insofar as it implies or involves either weight of numbers or the formation of new groups, is generally greater in prosperity than in times of trouble, and thus a significantly revised theory of group origins is required.

### *Entrepreneurs/Organizers*

We find congenial a conceptualization of interest groups which regards them as benefit exchanges. Let us think of them in the following way. Entrepreneurs/organizers invest capital to create a set of benefits which they offer to a market of potential customers at a price. If, and as long as, enough customers buy, i. e., join, to make a viable organization, the group is in business. If the benefits fail, or are inadequate to warrant the cost of membership, or the leaders get inadequate return, the group collapses. *All* interest groups are conceptualized within this frame; it follows therefore that only "organized" groups, in the sense of entrepreneured exchange relationships, whether formally self-identified as organizations or not, are observable. The frame is inclusive and, it is argued, encompasses all cases without altering its basic terms.

It should immediately be noted that the conceptual scheme employed here is closely akin to an analytical frame which presently is of burgeoning interest to sociologists and represented especially in the work of Peter Blau and George Homans. At the same time, there are major identities of thought as well as language with economic theory where, after all, exchange behavior is the heart of an economists' world. Indeed, a partially parallel argument about interest groups has already been presented by economist Mancur Olson, Jr.

Many of the substantive hypotheses to be suggested here are rather direct transfers from simple economic models, and there is every reason to suppose that more elaborate and complex formulations can also be exchanged among disciplines as clarity increases respecting just how much alike our conceptual apparatuses are. The point should hastily be added, of course, that a significant residue of hypotheses in the present work is derived from distinctively political problems

<sup>18</sup> See, for example, John L. Shover, "Populism in the Nineteen-Thirties: The Battle for the AAA," *Agricultural History*, Vol. 39, No. 1, January, 1965, pp. 17-24.

of types which other social scientists seldom if ever are compelled to face.

Let us now consider the core meaning of our crucial terms. These are four in number; entrepreneur/organizer, benefits, group member, and exchange. In several ways the notion of entrepreneur/organizer is particularly central to the argument. The entrepreneur in any organizational situation is the initiator of the enterprise. Behaviorally, it is always true that he must make the first move if any exchange activity is to occur. Economics is not simply adopting a useful fiction when it singles out capital formation and investment as critical to economic development and entrepreneurs as the behavioral units involved in putting capital to work. In fact, that is what happens. Entrepreneurs use capital to generate goods or services, which, they hope, will be valued enough to be wanted; people desiring to satisfy wants work and save, and a growth spiral is set in motion. And unless the valued goods and services are offered no latent demand can be observed, only postulated. Capital formation processes must, to be sure, come before the entrepreneur can begin to work, but in terms of any specific organized economic exchange the entrepreneur is the starting point.

If we are to apply this analogy to the phenomena of interest groups, it will be necessary for us to identify specific entrepreneurs whose activities constitute the first visible signs of every particular organized group. It will also be necessary to identify some sort of capital which is invested to launch a group enterprise. If we can meet these tests, we will then also wish to inquire concerning such questions as the sources and processes of recruitment of interest group entrepreneurs.

It would be helpful to have a systematic array of group origins data to work from, but for the moment we must be content with illustrative cases to buttress the assertion that in no instance does an entrepreneurial theory of group formation fail to apply. Again the history of American farm groups demonstrates the point. The first big group to be organized was, of course, the Grange. It was initiated by Oliver Hudson Kelley who, by dint of considerable personal sacrifice and some generous friends, managed to survive until his organizational dream began to take hold.<sup>19</sup> Similarly Newton Gresham, having failed as a newspaper publisher, fed his family on credit and neighbors' largesse for more than a year until his Farmers Union began to attract

<sup>19</sup> See Saloutos, *op. cit.*, p. 32. Generally, on the Grange, see Solon J. Buck, *The Granger Movement*, Cambridge: Harvard University Press, 1913.

enough dues-paying members to sustain him.<sup>20</sup> There is evidence of personal investment, though less dramatic, on the part of leading organizers of more recent groups such as the Farmers Holiday Movement, the National Corn Growers Association and the National Farmers Organization.<sup>21</sup> And clearly a great many contemporary interest groups active in such fields as civil rights or foreign policy are headed by persons who have made heavy personal investments in their respective organizations.

Several of the early, large, farm groups were begun by publishers of small newspapers or periodicals serving primarily rural markets.<sup>22</sup> The new organization was partly conceived as a circulation building mechanism and members received an immediate tangible benefit in the form of a subscription. In addition, the publication gave publicity to the group and in various ways capitalized its formation. It should be noted that these publisher-organizers may have had quite diverse *reasons* for establishing their groups. Conceptually, however, the reasons are less significant than the behavioral patterns.

A considerable number of farm groups were subsidized by other, older, groups. In part, of course, the Farm Bureau was organized and long sustained by subsidies, some from federal and state governments and some by local businessmen.<sup>23</sup> The expectation that the Bureau would be a supportive group, economically and perhaps politically, no doubt underlay these subsidies, but similar expectations must usually inform the subsidizing of one group by another. The organizing of sub-units under subsidy from the parent organization may be thought of as a variation on the same theme, though the latter is so "normal "

<sup>20</sup> Saloutos, *op. cit.*, pp. 184-186.

<sup>21</sup> The origins of the National Farmers Organization are described by Charles Walters in "History of the National Farmers Organizations," *Farm Tempo USA*, Vol. 3, November, 1966, pp. 16-20.

<sup>22</sup> Milton George, editor of the *Western Rural*, founded the National Farmers Alliance and the paper advanced the early money and absorbed headquarters costs. Saloutos, *op. cit.*, pp. 77-78. William Hirth did much the same later on in organizing the Missouri Farmers Association. See Ray Derr, *The Missouri Farmer in Action*, Columbia, Missouri: Missouri Farmer Press, 1953.

<sup>23</sup> On the formation of the Farm Bureau see O. M. Kile, *The Farm Bureau Through Three Decades*, Baltimore: The Waverly Press, 1949; and Grand McConnell, *The Decline of Agrarian Democracy*, Berkeley: The University of California Press, 1953. See also the convenient summary in Olson, *op. cit.*, pp. 148-153. The efforts of John L. Lewis and his associates in subsidizing union formation, especially through the Steel Workers Organizing Committee, in the mid-1930's provide other well-known examples.

and "legitimate" an aspect of organizational growth that it occasions no comment from observers. Inter-group subsidy, however, is very often regarded with suspicion by observers who somehow expect someone to be corrupted in the process.

In any case, it is clear that both capital costs and specific entrepreneurs have often come from other, older, organizations. This seems to be particularly significant as a source of enterprenurial recruitment, at least in the case of farm groups, but perhaps for others too. Not now as a form of subsidy but rather as a training ground and example of the possibility of establishing viable organizations of farmers, the early Grange provided the first real organizational experience for an enormous number of people. Many organizers of the Farmers Alliance had had experience in the Grange. In turn, Newton Gresham had been a zealot with the Alliance, allegedly organizing some fifteen hundred sub-alliances, before he attempted to establish the Farmers Union. Contemporaneously, other former Alliance and Grange organizers, such as Isaac McCracken of the Brothers of Freedom and Harvie Jordan of the Southern Cotton Growers' Association, were at work organizing their new enterprises. Saloutos is able already to refer to Jordan as a "professional farm organizer and lobbyist."<sup>24</sup>

What seems to have occurred is that once the Grange had set the example of a viable organization of farmers, a large number of people, especially those with direct experience in the prototype group, were attracted by the prospect of establishing farm groups of their own. One might follow as another collapsed. They might be differentiated by region or by crop or both. They might stress somewhat different combinations of material or political or rhetorical objectives. But in a broader sense they were all in the same line of business, and many of these businessmen came to constitute a rather specialized and self-sustaining subset of farm organizers. It seems warranted to suggest that a large portion of labor organizers have come from backgrounds closely associated with the union movement, or that both right and left wing group organizers tend to have long careers in that kind of activity—as *organizers*, not necessarily as heads of any particular group.

One important point which is suggested by the foregoing discussion is as follows. If groups must be organized by organizers investing capital, and if very often these organizers and this capital are derived, either as a subsidy or a legacy, from older organizations, then the emergence of extensive organized group life in a political system will

<sup>24</sup> *Op. cit.*, p. 156.

tend (a) to be a gradual process, partially dependent on the spread of the organizational experience to socialize and recruit organizers, and (b) will depend upon the accumulation of social capital sufficient to invest in the formation of durable organizations. To the extent that the capital required is material, group formation requires, and must largely wait upon, industrialization. This is in no sense a novel conclusion, of course, but the argument by which it is reached is quite different from most.

### *The Nature of "Benefits"*

We turn now to our second key concept. It should be understood at the outset that we do not attempt to assess "real" or "true" benefits. Rather we assume that people do or pursue those experiences and things which they value, for whatever reasons, and *in this sense only* may be regarded as rational. We assume that people mainly do or seek, subject to periodic evaluation and correction, whatever brings them a positive balance of benefits over costs. (It may be simpler to think only of positive and negative benefits since the latter is really what the notion of costs mean.) Notice that this is a conceptual assumption which is useful in thinking about certain kinds of behavior and of no necessary relevance either to normative theories of behavior or to motivational analysis.

How then shall we conceptualize benefits? A useful beginning point is the threefold distinction suggested by Clark and Wilson with reference to organizational incentives.<sup>25</sup> They distinguish among material, solidary and purposive incentives. By material incentives they mean the tangible rewards of goods or services or the means, such as a job, by which goods and services may be obtained. Material incentives—or, in our terms, benefits—are always extrinsic to the parties involved in the transaction and are typically instrumental toward

<sup>25</sup> See Peter B. Clark and James Q. Wilson, "Incentive Systems: A Theory of Organizations," in *Administrative Science Quarterly*, Vol. 6 (September, 1961), pp. 129-166. Clark and Wilson are concerned more generally with organizations than with interest groups *per se*, but their analysis is generally relevant even when only implicitly so. Some of their hypotheses are similar to those suggested here, some are not. For example, they suggest that organizations will stress purposive incentives in the formative stages. We argue the contrary for farm groups and many others. See especially p. 151. See also the similar typology developed by Amatai Etzioni for discussion of ways by inducing compliance of members of organization with leaders. His typology includes utilitarian, coercive and normative incentives. *Comparative Analysis of Complex Organizations*, New York: The Free Press of Glencoe, 1961.



more fundamental values such as deference or well-being. Solidary benefits, on the other hand, are intrinsic to the parties. They are experienced directly and within the self. Clark and Wilson suggest that solidary values "derive in the main from the acts of associating and include such rewards as socializing, congeniality, the sense of group membership and identification, the status resulting from membership, fun and conviviality, and so on."<sup>26</sup>

Purposive benefits or incentives consist of the realization of suprapersonal goals, goals of the organization or group. Although, of course, the benefits of such achievement may accrue to particular individuals they are not ordinarily divisible into units of value allocated to specific persons or charged against unit costs. Nor can purposive benefits always be confined to the parties seeking them. Thus "good government" or "peace" or "states rights" or "civil liberties" are all desired by individuals and benefit individuals, but the benefits cannot readily be cost analyzed and they accrue to all sorts of people who took no part in the efforts to secure them. Blau employs a related concept when he discusses "expressive" social actions, as distinguished from instrumental actions. Expressive actions are those where the action involved gives expression to the interests or values of a person or group rather than instrumentally pursuing interests or values. Presumably one cannot *express* material values; one must pursue them and achieve them. Similarly, one can only enjoy solidary benefits by having them. But one can often derive benefits from expressing certain kinds of values. Opposition to war on poverty and affirmation of free speech or civil rights are contemporary examples of values many people wish to express and, what is of critical importance for our purposes, they are willing to join groups which provide mechanisms for the public expression of those values. Whether the expression is instrumentally relevant to the achievement of the values in question is, for the moment, not at issue. The point here is that important benefits are derived from the expression itself.

We prefer here to use the notion of expressive benefits rather than Clark and Wilson's term, "purposive." They were dealing only with intra-organizational incentives and consequently were untroubled by whatever complexities might appear regarding transactions between an organization's leaders and other groups. Clearly, however, some interest group leaders lobby for suprapersonal organizational goals—price supports, let us say, or a tax cut—which are purposive in Clark

<sup>26</sup> *Op. cit.*, pp. 134-135.

and Wilson's sense but also material in their explicit anticipated consequences. Material, solidary and expressive benefits would seem to constitute mutually exclusive categories at the conceptual level, though the difficulties of empirical specification and measurement can hardly be exaggerated.

Our argument is that the group entrepreneur invests his capital to create a set of benefits, composed of some combination or mix of the types mentioned, which he offers at a price to a market. The price is group membership, which may cost as little as a supportive signature or as much as the heavy dues attached to some trade association memberships. The market is whatever range of people the entrepreneur chooses to try to attract. This leads us to an examination of the implication of our three-fold typology of benefits for the entrepreneurial activities of group organizers. We then shall consider group members and potential members as sets of markets with demand patterns or preference schedules and see what implications this angle of vision may have.

What benefits are in fact offered by the entrepreneur/organizer to potential members of his group? It is clear that in a high proportion of cases the benefits initially offered are largely material. In the case of the early farm groups, for example, beginning with the Farmers Alliance and continuing through the Farmers Union and the Farm Bureau as well as a host of smaller groups, the initial exchange centered around some form of economic cooperation, for buying or selling or both. Cooperatives were sometimes promoted by stressing their ideological virtues, but in every case they were also expected to return direct economic benefits to those who joined. Obviously the same has been true of labor unions and also of most business trade associations.<sup>27</sup>

To observe the initial stress on material economic benefits in so many groups is to call attention to a closely related phenomenon which any theory of group formation and functioning must take into account. This is the phenomenon of organizational failure. No extant theory of interest groups seems to recognize the evident fact that a

<sup>27</sup> A recent careful history of the development of cotton textile trade associations describes the early importance of exchanging technical information about a rapidly changing technology as a motivating factor inducing cooperation. See Louis Galambos, *Competition and Cooperation: The Emergence of a National Trade Association*, Baltimore: The Johns Hopkins Press, 1966, pp. 11, ff. The list of additional examples among trade associations alone could be enlarged to almost any desired length, limited only by gaps in our information about the specific entrepreneur/organizer.

great many specific organized groups go out of business. Turnover is extremely high. Now if groups are organized through benefit exchange, it follows that they will dissolve whenever the benefits are inadequate to warrant continued support of the group. If the organizer fails to maintain the flow—if, for instance, the cooperative fails—the members will quit. So will they if they can no longer afford the cash dues. And this is precisely what happened to numerous farm groups and sub-groups during the latter nineteenth century. What were essentially small business operations failed; often because of bad management, but in several cases because of the special adversity of recession, as in 1893.

Not every group is organized around material benefits, of course. The early local agricultural societies probably flourished on the basis of the solidary benefits derived from membership, and it has long been standard to attribute much of the success of the Grange to the high solidary benefits resulting from the semi-secret rituals and Grange Hall-centered fraternal activities of the group. From the point of view of an entrepreneur, however, solidary benefits are often difficult to sell unless the market has special characteristics. An organizer can build a clubhouse but he cannot easily guarantee it will be worthwhile to go there. The solidary benefits may develop but the entrepreneur is especially dependent on his customer to help him create his product. Furthermore, it is not clear that for most people sociability is valued highly enough to persuade them to join a new group to get it. They may do so if there are no other alternatives—if the market is genuine virgin territory regarding group association as the post bellum farming frontier largely was. Or people may join solidary benefit groups which provide a generous admixture of other types of benefits too. A typical mix is solidary benefits mixed with rather a specialized type of expressive benefits. For example, cell-based organizations, which certainly have structures conducive to providing solidary benefits, tend also to be linked to extremist ideologies, often fraught with conspiratorial theses. In the small group situation of the cell, “the enemy” can be denounced enthusiastically and thereby maximize both expressive and solidary benefits of membership. Nevertheless, we tend to regard those interest groups which stress solidary benefits as “fringe” groups, unlikely to have much impact on public decisions, perhaps precisely because so much of their membership satisfaction is provided within the group itself.

It is probably the case, however, that we do not concern ourselves

with solidary groups, or, for that matter, with material exchange groups either, unless there is also some kind of politically relevant expressive content to the group's internal exchange. Thus we care about the Grange not because of its fraternal rituals but because of the political relevance of the values and interests expressed by its leaders through its various official mechanisms. Still, it is one thing for, say, a material benefits group to acquire an overlay of expressive benefits and quite another to organize a group around the exchange of expressive values to begin with. The latter is a frequent phenomenon but one of special characteristics.

For the entrepreneur it is comparatively easy to essay establishing an expressive group. It requires little capital to articulate a cause and go about promoting the nascent group as guardian of that cause. On the other hand, this type of group presents especially high risks too. The cause may be a popular one without there being any persuasive reason for people who believe in it to join the particular group whose organizer claims to be the *true* defender of the faith. Moreover, it is likely that expressive groups are especially vulnerable to slight changes in circumstances, including many over which the group has no control. For example, America First and the Committee to Defend America by Aiding the Allies were wiped out organizationally by Pearl Harbor.<sup>28</sup> More broadly, for most people the act of joining an expressive group—contributing dues to ACLU or signing a Viet Nam protest petition—is a marginal act. The benefits derived from value expression are seldom of great intrinsic worth. Consequently, even if civil liberties remain equally endangered, a slight change in the member's resources or social pressures may lead to his failure to renew his membership.<sup>29</sup>

<sup>28</sup> See Wayne S. Cole, *America First*, Madison: University of Wisconsin Press, 1953.

<sup>29</sup> Unfortunately, there are large gaps in our knowledge about membership in most types of voluntary organizations. Most studies have concentrated on characteristics of members compared to non-members or in the grosser aspects of organizational involvement generally in the society. Important reviews of pertinent literature include J. M. Scott, "Membership and Participation in Voluntary Associations," *American Sociological Review*, Vol. 22, 1957, pp. 315-326; Charles R. Wright and Herbert Hyman, "Voluntary Association Memberships of American Adults," *American Sociological Review*, Vol. 23, 1958, pp. 284-294. Lacking a viable typology of groups, few have inquired into differential propensities to join or withdraw from different types of groups. For illuminating case studies, however, see Joseph Gusfield, *Symbolic Crusade*, Urbana: University of Illinois Press, 1963; Raymond E. Wolfinger, Barbara Kaye Wolfinger, Kenneth

Two points of quite general political relevance follow from this line of analysis. On the one hand, expressive groups, being cheap to organize, will abound in a political system to whatever extent there may be entrepreneurs available to organize them, but they will tend to be highly transient. They will be easily established and as easily disappear. They will utilize communications media, especially the mail, more than face-to-face contacts; they may alter their expressed position to meet changing "market conditions." But above all they are unstable organizations. The corollary point is that expressive group organizers may be expected to infuse other types of benefits into the group in order to give it stability. They may attempt to enlarge the solidary benefits, for example, through the use of direct action protests. Whether a group moves from expressive toward solidary or the other way is an empirical question, but our analysis has suggested that a group originally stressing one type will tend to add the other in order to increase its stability as an organization.

We observed earlier that political scientists take notice of groups only if there is some politically relevant expressive content to the groups' activities. But, we have argued, strictly expressive groups are unstable and transient. At the same time, stable groups such as those based on viable economic benefit exchanges may not have any politically relevant values. Must our concern with groups be only sporadic, incorporating them only when they enter the political arena and ignoring them otherwise? It would appear that, in fact, this is what we have done and it has led us to assume a durability and politicization of interest groups far in excess of reality. The theoretical posture adopted here, which deals with organized groups as generic phenomena, not simply in their politically relevant aspect, leads to the conclusion that most group activity has little to do with efforts to affect public policy decisions but is concerned rather with the internal exchange of benefits by which the group is organized and sustained. But surely, one may argue, some significant fraction of the universe of groups is established *in order to affect* and with the consequence of affecting policy outcomes. To consider this question properly we must also consider the work of Mancur Olson, whose argument is in many ways parallel to this one.<sup>30</sup>

Olson is concerned with the question of why people maintain membership, and Sheila Rosenhack, "America's Radical Right: Politics and Ideology," in David Apter, ed., *Ideology and Discontent*, New York: The Free Press of Glencoe, 1964, pp. 262-293.

<sup>30</sup> *Op. cit.*

bership in interest groups. He demonstrates that in most familiar group situations it is not rational for any member to be part of an interest group in order to support a lobby, even though he genuinely desires the goals toward which the lobbying is directed. The argument hinges primarily on the distinction between what Olson calls *collective benefits*—those which accrue to people in a particular situation or category regardless of their organizational affiliations—and *selective benefits*—those which accrue only to members of the association. Thus the Farmers Union may lobby for price supports; i. e., collective benefits, but its members will receive the benefits of price supports whether they stay in the Union or not. Olson shows that therefore its members would not stay if they rationally balance the cost of membership against its benefits insofar as these benefits are collective. But cooperatives and cheap insurance may be available only to members. They are selective and may be entirely sufficient to induce continued membership.

Thus far Olson's argument differs little from the present one except that it is less clearly couched in exchange terms and thus does not explicitly examine the entrepreneur/organizer as a functionally distinct role from that of group member. Olson does not contend that all group members are rational, but only that to the extent that they are they will not normally join organizations in order to seek collective benefits. Two main exceptions are noted: where the members are philanthropic and seek through group membership to obtain benefits for others; and where membership is coerced, as in union operating under a closed shop agreement. Yet the broadened conception of benefits we have employed, including the notion that costs, *e. g.*, of coercion, are the same as negative benefits, allows us to subsume these exceptions under the same headings as in the central argument. Moreover, as we noted earlier, we can assume that rationality in the sense of purposiveness or goal-orientation is characteristic of such a preponderance of behavior that any observed exceptions will not affect the main contentions.

There are two critical points in Olson's argument, both of them points of omission, with which we must take issue. Olson does not examine how groups are first organized but assumes a going system. As a consequence he does not adequately deal with group development through time.<sup>81</sup> If one looks at group formation, however, one finds

<sup>81</sup> Indeed one might argue that in most interest group studies the two elements most often missing have been individual behavior associated with differentiated

that some organizations such as the Farmers Alliance were indeed organized around the exchange of selective benefits but that others, such as the Grange, were organized initially, at least in significant part, in order to alter public policy; *i. e.*, to secure collective benefits. Granted that many of the groups in the latter category may later have introduced selective benefits in order to hold the members, we must still account for the initial appearance. And Olson's argument does not hold for this situation. Is it relevant for farmers to join together in order to bring about policy change? Does organization improve their bargaining power? Political lore and science agree on the affirmative. How many farmers must join before this power is sufficient to secure any collective benefits through policy change? The answer is, within very broad limits, indeterminate. Accordingly, it may be entirely rational for any potential member to join until the benefit is achieved as long as his costs in joining are exceeded by his anticipated benefit from the collective good. Once the latter is a reality, however, the indeterminacy disappears and Olson's analysis comes into play; the member ought rationally to withdraw unless selective benefits are introduced. Thus a sizable array of organized groups *may* appear on the political scene to lobby for collective good but, lacking selective benefits, their mortality rate is likely to be high.

Olson's second omission is any explanation of the phenomenon of lobbying. We shall deal with this whole subject in greater detail below, but it should here be noted that Olson's argument accounts for the maintenance of groups without regard to their impact on public policy but does not explain why groups lobby or how lobbying is related, if it is, to the dynamics of intra-group relationships. Nevertheless, Olson has performed an important service in destroying the comfortable myth of an interest group behaving in a simple representational way, seeking public policy goals because these goals are desired by the group's members.<sup>82</sup>

### *Group Membership*

We must now consider a very tricky but important component of our conceptual structure, the matter of consumer, or member, preferences and changes over time. Concern with origins forces us to consider interest groups longitudinally and we are led to useful insights in the process.

<sup>82</sup> I do not wish to imply that in stressing any differences with him I have adequately represented everything Olson says in his remarkably suggestive book. Many of the points he stresses are very much like the arguments here, and I am delighted to acknowledge my debt to him.

ences. It seems fair to say that at bottom extant interest group theory assumes that group members have public policy-related interests, values, or preferences which (1) antedate the existence of the organized association, (2) are the rational basis for joining and remaining as members of the association, (3) are articulated and heightened by virtue of the associational interactions, and (4) are represented through the association to the policy-making arenas by virtue of lobbying activities. As we have seen, Olson undermines the logical plausibility of points 2 and 4 and, in a sense, renders point 3 beside the point for explaining interest group phenomena. But there are additional difficulties even in the first item. How do we know that a particular array of interests exists? Conventionally we have approached the issue in two very different ways. We may impute interests to categories of people—workers, farmers, etc.—on the basis of some theory about how individual values are derived and ordered, say Marxism or its variants. Thus we conclude that factory workers desire policies which raise wages, or give authority to unions, or the like. Alternatively, we may infer preferences from observed behavior. Thus some types of workers join unions more readily than others and are presumed therefore to place a different valuation on union membership. Most behaviorally derived preference schedules look far more diverse than do those imputed on the basis of more abstract theories about how values are formed. One might therefore suppose that empirical inquiry into preference schedules ought to be urged to test competing analytic strategies. But here one runs into the problem that inter-subjective comparisons of utility schedules are, in virtually all cases, impossible.<sup>88</sup> Without examining the large body of literature on this point, we may apply this conclusion to our situation in the following manner. Preferences and their orderings may be established for any set of people only on the basis of their behavior. Although he may make a reasonable estimate in advance, say on the basis of some kind of market research, the only way a producer really determines what consumer preference schedules are is by offering a good at a price, or at varying prices, and observing the differential demand schedules. Similarly, the only way empirically to determine the existence of an interest is to articulate a position (expressive benefits) or offer material

<sup>88</sup> See, for example, R. Duncan Luce and Howard Raiffa, *Games and Decisions*, New York: John Wiley and Sons, 1957, pp. 33-34, and Chapter 14; Kenneth J. Arrow, *Social Choice and Individual Values*, 2nd ed., New York: John Wiley and Sons, 1963, especially pp. 109 ff.



or solidary incentives at one or more price levels and to observe the incidence and distribution of support—membership, votes, money, or whatever else is valued political currency. Price, a behaviorally derived result of exchange activity, resolves the dilemma posed by the non-comparability of inter-subjective preferences. And this means that interests of a group or class of people may be observed *only* by examining exchanges between political entrepreneurs and consumer/member/voters.

The analytic problem is thus, *a fortiori*, resolved by conceptualizing interests and interest groups in terms of exchanges of benefits between entrepreneurs/leaders and consumer/followers. This point does not, however, affect the relevance of individual preferences or of questions concerning how those preferences are formed or changed. Thus one may still argue that technological changes affecting the structure of economic activity may alter the preference schedules of many persons. These new schedules may constitute a promising potential market for political entrepreneurs, or, indeed, they may adversely affect a particular entrepreneur's market. Variables affecting market potential are relevant to an understanding of group formation and development. But, as we have stressed, they are never a sufficient explanation of interest activity and their aggregate structure cannot be more than guessed at in the absence of group organizing activities.<sup>34</sup>

### *The Exchange*

It follows from what we have said that the "potential group" or market is a matter of great uncertainty from the point of view of the group organizer. The latter, having invested his capital in an array of benefits, offers these benefits at a price—membership in the group—which he hopes will attract members and also maintain a viable organization. Entrepreneurs/organizers generally appear to select their markets on the basis of their own experiences and contacts or by emulating other, similar, organizational efforts, as when they purchase or borrow mailing lists of similarly inclined groups or publications. Farm organizers are closely affiliated with farmers, labor organizers with workers, rightists with rightists, and so on, and seldom do group

<sup>34</sup> The discussion here of potential markets, a familiar enough notion in economic analysis, would seem to incorporate the principal meaning of Truman's oft maligned concept of potential group. Truman imputed a political impact to potential groups, however, which is quite absent from any understanding one might have of potential markets. Again, the latter are truly fallow until cultivated by entrepreneurs.

entrepreneurs seem to cross over from one field to another. Thus, they have some expectation concerning the probable demand curves of the market they seek to reach, but they must be unsure whether the response will be sufficient to sustain the organization. And in order to sustain a group organization, it is necessary to maintain an adequate flow of benefits both to members *and* to the organizers themselves. In short, there must be a mutually satisfactory *exchange*.

Now what kinds of benefits are derived from these group organization exchanges by the entrepreneurs? The economists have no difficulty with this question, which they assert is answered by the notion of profits. If, in addition to profits, an entrepreneur derives other types of job satisfactions, profits remain the key requirement for continuation of the enterprise, and in abstract economic models of entrepreneurial activity the profit must approach some optimal return on the capital investment or the investment will be transferred to some other, more promising, enterprise.

It may be that many kinds of group organizing capital are not as easily transferred as straight money capital; a prosperous labor union probably will not subsidize other enterprises randomly nor will a farm organizer equally well defer his spending in order to organize in the urban ghetto. The *tendencies* would surely be for investment to go toward expressively supportive organizations, cognate markets and relatively familiar territories, geographical and functional. Yet we can cite numerous examples to show that even this capital is transferred from one enterprise to another within quite broad limits. Let us, therefore, consider what is implied by the notion of profit in respect to political entrepreneurs.

As a minimum we may assume that, so long as the entrepreneur desires to maintain the organization as a going enterprise, he must get a sufficient return in the form of membership support to enable him to continue to provide the benefits which attract members. Over some initial period of time the benefits may be more costly than membership will pay for, but, unless the enterprise is permanently subsidized, the returns must ultimately match the cost of providing the benefits. Where the benefits to members are material, of course, the membership must also provide material rewards in exchange. But even in solidary and expressive groups the entrepreneur must derive enough material return to pay the overhead costs *and* keep him sufficiently satisfied so as not to shift his energies to some other enterprise. Conceptually, the entrepreneur's reward may be viewed as profit. Thus: Entrepreneurs provide benefits to members whose membership must entail

a return sufficient to pay the costs of the benefits received plus some profit to the entrepreneur.

What form does group organizer profit take empirically? A common form is that of the salaried executive. In some groups the organizer may be chosen president of the group he develops and paid a salary. In other cases he may occupy the position of executive secretary or its equivalent. In either situation he must maintain an adequate flow of benefits to members or lose his position, either because the enterprise goes bankrupt or because he is dismissed somewhere short of organizational catastrophe. If the organizer does not desire or cannot obtain a paid position from his entrepreneurial activities, he may nevertheless persist in them if they have sufficient expressive value for him, and many expressive groups probably are developed in this fashion as avocational or philanthropic concerns substitute for entrepreneurial "profit motives." Even here, however, organizing is costly, and there must be subsidies drawn from other extra-group sources to sustain the activity or the group will shortly be bankrupt. The great difficulty experienced by many civil rights groups in keeping their leadership afloat illustrates the point.

I do not wish to argue that group organizers are classic "economic men" whose conscious motives are to secure the largest possible financial return. Indeed, although there surely are examples of such motivation among extant interest group entrepreneurs, taken as a whole their conscious intentions are undoubtedly very diverse. The point is rather that "profit" to the leadership is a necessary part of the exchange with the members and without it the leaders cannot continue.

One implication of the foregoing discussion is that any *election* of leaders by members, or of representatives by constituents, may be regarded in terms familiar to economic analysis of the firm.<sup>35</sup> Thus the minimum return required on investment is reelection to office, and office must provide sufficient resources to motivate and to maintain the flow of benefits to members/constituents. Dissatisfied members of a voluntary group may quit or switch to a rival group; dissatisfied constituents may be expected to switch to a rival candidate. But the

<sup>35</sup> I do not wish here to offer more than the mere suggestion that the conceptual orientation employed here has extremely general application to politically relevant phenomena and that, if pursued, it may yield enormous returns in terms which subsume many types of representative relationships under the headings of exchange theory.

logical and conceptual relationship is the same. It is an exchange which must satisfy both parties.

Now, let us go an additional step. It may be observed that large numbers of organized interest groups do go bankrupt in some sense. They fail as enterprises. Their organizers/leaders must find some other line. But large numbers of groups survive over long periods of time. Moreover, it is characteristic of many relatively stable groups, especially those involving primarily material benefits exchanges, to exhibit great stability in their paid leadership personnel. Further, it may be suggested that the "profits" accruing to this leadership from providing members with selective benefits, available only to group members, very often exceed by a comfortable margin the minimum requirements of sustaining the enterprise. How may we think about this "surplus"?

From the standpoint of the entrepreneurs, whose decision it is to dispose of his "surplus profits," there may be a number of options. He may, for example, enlarge the benefits available to members in order to restore the balance between his costs and his profits. Or he may spend his profits in various private, but personal, activities—higher salary, extra-group activities, or whatever. Perhaps he builds a fancy new building as an organizational headquarters. But, if his enterprise is internally prosperous, he may spend some of his "profits" in public activity. He may, for example, lobby for legislation which *he* thinks desirable and do so quite independent of any views his members have on the question.<sup>86</sup> When he does so, he cannot expect his members to agree with him, but, as long as his organization survives and he with it, it does not really matter. He takes his policy positions and invests what he has in the way of profit in promoting them not because his membership demands that he do so but only because his membership makes it possible for him to pursue his private desires by providing him a profitable exchange. Now it may be that his desires are not incongruent with those of his members. It may also be that he seeks legitimation and support for his desires by asserting that they conform to those of his members. But it may also be that those

<sup>86</sup> Olson also notes that group leaders may employ "profits" to lobby for objectives other than those desired by the members. He suggests that these "profits" are often a consequence of some degree of monopoly power vis-a-vis the potential membership market and would be absent if there were perfect competition among groups. As we have said earlier, however, Olson does not clearly differentiate the role of the entrepreneur and so does not emphasize the personal choice he may exercise in lobbying as we have done. *Op. cit.*, pp. 133-134, n. 2.

whom he attempts to persuade to his views are unimpressed by his claims of membership support, and his success must then be achieved by other bargaining tactics. Applying this same conception to a legislator we often say that he has a considerable number of "free votes" on which constituency demands are absent or conflicting or vague and which he casts according to bargaining criteria which he derives independent of constituency pressure. Yet unless he satisfies the minimum constituency expectations of benefits he will not survive in office long enough to spend his profits in his "free votes."

It is not argued that "profit consumption" is the sole explanation of lobbying or influencing activity or that all such activity is equally well explained this way. It is contended, however, that a significant portion of what we observe to be lobbying activity by group leaders may result not from a mandate derived from membership demands but from the personal choices and values of the group leaders. This conception would fit and make sense of a broad spectrum of data which show group spokesmen taking public policy positions at variance with the apparent views of their members and still suffering no reprisals. Indeed, as Milbrath among others has pointed out, a major focus of lobbying is not the policy-makers at all but the group members themselves.<sup>37</sup> If lobbyists were simply reflecting membership demands, they would not spend so much time "farming the membership."

Moreover, we may in this way more easily make sense of the reported disregard of lobbyists, or at least extremely uneven response to them, by policy makers.<sup>38</sup> And, finally, we may thus square the lack of logical necessity for lobbying by group spokesmen, which Olson shows, with the obvious fact of extensive lobbying in the observable world.

There remains a significant portion of lobbying activity which may be regarded as instrumental to the benefit flow and exchange of the group and it would be wrong to ignore this portion. As we noted in criticizing Olson's argument, the problematic but presumably positive relationship between group strength and activity and the achievement of public decisions providing collective good makes it rational, within broad limits for individuals who value the good to join a group which proposes to lobby for it. Moreover, many collective goods are provided in discontinuous or, at least, recurrently renegotiable

<sup>37</sup> *The Washington Lobbyists*, p. 205.

<sup>38</sup> Cf., for example, Raymond A. Bauer, Ithiel de Sola Pool, and Lewis A. Dexter, *American Business and Public Policy*, New York: Atherton Press, 1963.

form so that simply because an act is passed providing a given level of farm subsidies for three years does not guarantee it will be renewed or, if renewed, maintained at the same level. Group lobbying may often, therefore, be instrumental in securing or maintaining the flow of collective benefits, and, while not all those affected by the benefits will join the group, or join for that reason, some may do so and press the entrepreneurs to act accordingly.

In addition, for some groups potential public policy decisions constitute a significant source of the selective benefits by which the group's internal exchange is sustained. This would be true, for example, of a significant portion of the licensing regulations applicable to professional groups who secure the legal authority to control entry to the profession, and, having such authority, make it attractive thereby for prospective practitioners to join the association. Or for a labor union, policy decisions involving picketing, antitrust applications to union activities, yellow-dog contracts, and the like directly affect the ability of the union leadership to provide selective benefits to its members through favorable contracts. Whenever this is the case, it is obvious that lobbying by the entrepreneur leaders requires no additional conceptual trappings for satisfactory explanation.

#### *Continuity of Group Leadership*

In the analysis we have presented the focus has been mainly on the initial organizer/entrepreneurs of the group. There are good reasons for this emphasis. It reminds us that existing organizations such as unions or major farm groups, which sometimes seem to be permanent features of the political landscape, have quite specific origins and originators. Moreover, it has been useful to examine those origins and the individuals who played the key entrepreneurial roles in establishing the groups. But one need not rely on state of nature assumptions in the analysis of contemporary groups. A large proportion of the extant roster of politically relevant groups are durable enterprises with origins which may or may not shed light on their present affairs. Implicit in our argument, however, is the view that all groups may be approached in the same terms. If the entrepreneur/organizer is easier to identify through examining group origins, his role is conceptually identical with that of the leader of a going group concern. It is, therefore, group leadership generally that we are discussing in a framework of benefit exchange. The entrepreneurial role is generically identical with that of leader; the leader is perforce an entrepreneur.

We will not repeat what has already been said of the entrepreneur in order to make clear its application to leadership generally. Nor is it possible here to do more than assert that the argument may be transferred *in toto* to the consideration of leadership generally, not simply group leadership. Suffice to say that although we begin with an attempt to develop an empirically valid and logically secure theory of interest groups we find ourselves with a formulation of truly general proportions.

Let us here add only one additional point of substance derived from our general argument. We have already noted that among material benefit groups leadership tenure has generally been very secure. There are, of course, some notable exceptions, but most union or farm or business group leaders have had long careers, seldom challenged. On the other hand, what we have referred to as expressive groups are frequently characterized by bitter schisms. Does our formulation contribute to an explanation of this phenomenon? We indicated earlier that expressive groups are cheap to organize but fragile. If they are cheap to organize, they are also cheap to factionalize. A rival to the leadership needs only a membership list and a better line to support a factional fight. The fruits of victory may be great or small, depending on what the faction leaders value and how prosperous or prestigious the group is. What are the potential costs of attempting a factional fight? The ultimate cost is expulsion. But seldom is an expressive group the sole guardian of expression of a value. If one is kicked out of CORE or the John Birch Society one is not thereby denied the opportunity to express one's position but probably only of whatever solidary values the group conferred on its members.

On the other hand, consider a comparable situation in a union or a farm organization. In order to mount a serious effort to unhorse the leadership, factional leaders must, in effect, assemble enough capital, perhaps from anticipated profits, to promise enough increased benefits to attract support for themselves and away from their rivals. This is typically very difficult to do partly because the capital to organize a factional drive is hard to assemble, partly because the existing leadership faced with factional opposition may often reinvest more of their profit into membership benefits, and sometimes may simply coopt potential factional leaders into the existing leadership cadre. Moreover, uncompromising factional rivals may be met with exclusion from the group which in turn may mean exclusion from a substantial array of material benefits available only to group members. For all these reasons

then factional efforts in established material benefits groups are comparatively rare and often came to grief.<sup>39</sup> And this is true even though the profits available to material benefit group leaders are often substantial and hence might be expected to attract rival entrepreneurs. But the capital requirements to capture control of the UAW or set up a rival union in the same employment markets would surely not be much less difficult to manage than capturing control of, or establishing a rival to, General Motors. Finally, material benefit interest groups have been successful as have business firms in coopting potential factional leadership into an orderly hierarchy with sufficient profits derived from the group's exchange structure to sustain the full cadre.

### *Conclusion*

In concluding a paper of this kind one is tempted simply to restate the core of the argument, recognizing that for the most part the usefulness of the kind of conceptual orientation presented here depends upon its plausibility and suggestiveness as a heuristic model. In the main it is neither true nor false but to be tested by its intellectual utility. Nevertheless, the utility of such a scheme must ultimately rest on whether one can imagine ways by which to derive reasonable empirical applications which are amenable to testing against data. One such application has been illustrated here in the discussion of farm group origins, and our conclusion was that an entrepreneurial exchange hypothesis both fits and explains the data better than alternative hypotheses. It has also been suggested that this formulation accounts for the high incidence of schism among ideological or expressive groups and the low incidence of severe factionalism among material benefit groups. One must recognize, however, that in the latter explanation the data are largely impressionistic since they assume more knowledge than we have of the kind of benefits exchanged in the two categories of groups. In principle, however, such data could be obtained by inquiring of group members, and of people solicited to join who decline, what benefits they derive from membership and determining the points at which, under various conditions, marginal costs equate with marginal benefits or utility.

<sup>39</sup> It may be observed that the argument here and throughout this paper has major implications for discussion more commonly framed in terms of oligarchy or, in Truman's terms, the active minority. What we are saying, in effect, is not that such formulations are wrong, but that by employing an exchange schema we can account for a much wider variety and range of data, including oligarchy data, within the same theoretical framework.



Another empirical test might be undertaken by examining closely and systematically the behavior of group leaders over time. It was argued that much lobbying activity by group leaders may be understood as a form of personal consumption of profit derived from their intragroup exchanges. If this is correct, it would follow that when their membership declines or is threatened with decline such profit is reduced and the lobbying for policies that are non-instrumental to the group's exchange structure would also decline. If, that is, UAW membership declines, Walter Reuther should spend more time on contract bargaining and union-related instrumental lobbying and less time on policy issues of a more personally expressive character. Without gainsaying the difficulties of making such observations, one may suppose that they are possible and would constitute an empirical test of the theory.

Finally, and whatever the empirical outcomes of the specific inquiries proposed or of others which might be imagined, we must assert the crucial importance of developing systematic empirical theory, of interest groups as of other politically relevant phenomena, to bring greater order and clarity to the extant array of literary theory. Nearly two decades ago David Truman demonstrated extraordinary imagination in assembling a vast array of fragments into a richly suggestive fabric of commentary and insight. Ironically, his accomplishment was so complete that remarkably few political scientists have worked ahead with the tools he sought to fashion. By employing a more generic conceptual orientation to examine interest group phenomena, perhaps we may at least hope to revive the substantive investigation into their characteristic properties and more systematically relate them to other facets of the political system.