

Special Interest Politics

Lobbying

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Background and Definitions

Special Interest Politics, Grossman, Helpman

Chapter 4

Definitions:

Special interests: a group that tries to influence the people who run a government in order to help a particular business, cause, industry, etc.

Organized special interest groups (SIG): a body that undertakes political actions on behalf of a number of citizens.

Lobby: an organized group of people who work together to influence government decisions that relate to a particular industry, issue, etc

Lobbying activities: “meetings between representatives of interest groups and policymakers in which the former try to persuade the latter that their preferred positions would also serve the policymakers’ interests and perhaps those of the general public.” The arguments are given thanks to information gathered.

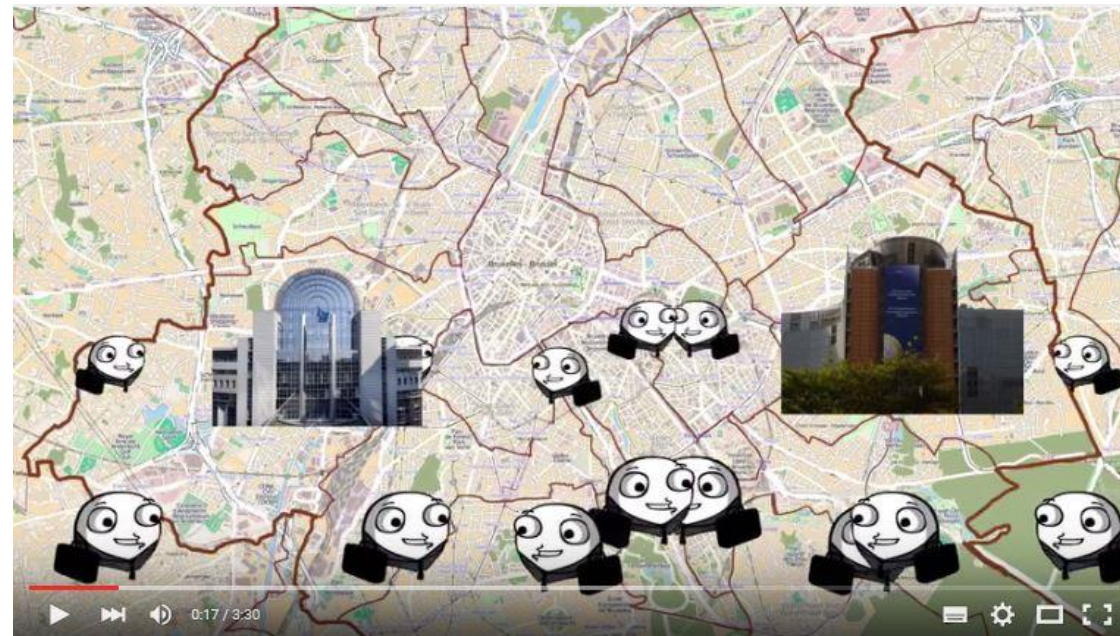
Organized special interest groups

How are they composed?

- Individuals who have **similar policy preferences** pool their resources to pursue common political aims
 - the same research can inform many individuals for little more than it would cost for one such individual to assemble the information and use it herself.
 - Other can benefit from their political efforts
 - Ex: the owners of a textile firm will benefit from a lobby-induced tariff on imported clothing whether or not they bear a portion of the lobbying costs
- One of the most important **activities** is the **gathering of information**
 - Ex: health care policy (hospital and doctors costs)
 - SGI that represent the interests of hospitals, insurance companies and doctors need that kind of information to target and win over policymakers and the general public.
 - interest groups have access to information that in principle could allow the politicians to make better policy decisions.

Video

https://www.youtube.com/watch?v=ei-NrGDFsYk&ebc=ANyPxKrc1rqz3XT4-vypkBbXDGu44004G6G65KXUpsVPud_WtUHoGcJxEifHeFQ7Q5LxOrdVT4YinXbKwOeUfEMJRqJbu_cUQpA



Policymakers vs. SIG

Welfare of the policymaker depends on:

- their idea of the state of the world
- the politician's desire to be reelected
- the tightness of the labor market
- subjective preferences of the SIG (if the members are residents in the politician's district who will vote in the next election)

SIG

- Better information about policy environment and true state of the world
- No doubt about which policy the group members prefer
- The group's ideal policy in any state exceeds the ideal for the policymaker
- A truthful report always results in a policy that is closer to the group's ideal
- As the SIG is searching for the welfare of the members, it could be tempted to alter the information. Then, it is the policymaker's responsibility to decide whether he trusts or not its statements.



Possible outcomes of lobbyist work

- **Informative lobbying:** (requires a sufficient degree of alignment between the interests of policymaker and the interest group): lobbyist educates the policymaker about the state of the world.
 - Ex: information about costs: The lobbyist cannot credibly distinguish between cost figures that are close to one another, it may be possible for him to advise the policymaker about ranges of costs.
- **Babbling equilibrium:** Policymaker distrusts the lobbyist: invoke the policy planned no matter what report she heard.
- In some cases, the lobbyist could be tempted to slightly exaggerate his report in order to reach at least a certain common objective with the policymaker.
- With a large divergence in interests between the policymaker and the lobbyist, the lobbyist is unable to share any of his knowledge.

Ex Ante Welfare

More than one equilibrium may exist in the lobbying game.

- Always a babbling equilibrium
- An informative equilibrium in which the lobbyist issues one of two possible reports.
- A 3-partition equilibrium also exists giving the conditions for the existence of equilibria with larger numbers of alternative reports.
- In some circumstances, the policymaker and the lobbyist coordinate on a particular equilibrium. More probable if the two sides agree on their rankings of the alternative equilibria.

For the policymaker, an ex ante perspective means that she evaluates her expected welfare using her prior beliefs. As for the interest group, we assume that it knows or learns the true value.

Thus, both sides would agree, ex ante, that the equilibrium using the greatest number of different reports is the best among all equilibrium outcomes.

General Lobbying Game

Before the game begins, the lobbyist communicates with the policymaker.

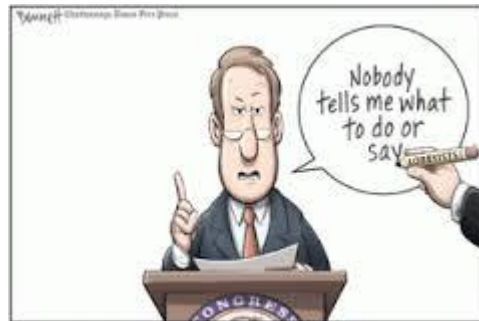
The policymaker interprets the message according to her beliefs about the lobbyist strategy, and thus updates her beliefs.

The lobbyist knows how the policymaker will interpret his message and knows the policymaker's preferences. He can therefore forecast the outcome of his message. That is why the message is very important and should be chosen considering how he thinks the policymaker will react.

If the lobbyist exaggerates his message, he can expect the policymaker to respond by setting a policy more to the group's liking.

Two Lobbies

- Single interest group lobbies the policymaker \neq Policymakers are lobbied by more than one party.
- Several groups may have information about the policy environment, and each may try to persuade the policymaker to take decisions that it considers best.



Two Lobbies

We follow them in distinguishing two different situations.

- In one, which they call the case of “like bias,” the preferences of the two groups are biased in the same direction relative to those of the policymaker.

The issue here is whether the two lobbyists jointly can communicate more information to the policymaker than either could convey on his own.



Two Lobbies

- The second case is one of “opposite bias.”
- In this setting, the groups’ ideal points for a given state of the world lie on opposite sides of the policymaker’s ideal. One group prefers a higher policy level than the politician, while the other prefers a smaller level. This puts the lobby groups against one another, to the potential advantage of the policymaker.



Outcome of these several Lobbies

- The outcome of the lobbying game may depend on the order in which the lobbyists meet with the policymaker and on what each knows about the advice given by the other.
- Secret : each informant is ignorant of the fact that the policymaker has an alternative information source.
- Private: a lobbyist will know that another has offered advice (or will offer advice) but not the content of the discussion.
- Public : subsequent advisers can condition their reports on the information that the policymaker already has.

M.C.Q

In a situation of « like bias », we can say that:

- The lobbyist and the policymaker have preferences biased in the same direction.
- Both lobbyist have preferences biased in opposite direction.
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