
UNIT 16 INTEREST GROUPS AND POLICY MAKING

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16.1 INTRODUCTION

At the outset one could define an interest group as 'well organised groups of private interests in contrast to public interest which influence political outcomes to seek benefits for themselves'. From this definition it appears that the arena of public policy is an extremely self-oriented and selfish battle waged by groups in the society. However the paradox of democracy is that the rise of pluralist state and the network of groups protecting interests of society as against the bureaucratised coercive state have become the driving force of democracy and indispensable actors of the policy process. The emergence of special interest groups alongside the political parties and the demand for democratic governance has made interest groups the greatest impetus as well as the greatest threat to the rights of ordinary individuals and to democracy.

What are these interest groups that became potential players in the policy process? An interest group is an organisation which tries to influence the public policy for its own personal and partisan interest without being part of the government. They represent private interests in the public sphere so that the government recognises and notices their special needs and requirements as a community and makes provisions for them in the public policy. They are microsporas of diffused social interests and help in crystallising group specific demands in the political process. As Ian McLean [1987:62] puts it in an empirical observation that Interest groups lobby for public goods, which could be a starting point of our discussion on the interest group politics. What is a public good that they lobby for? It is in this context that the government policy is a public good since it is for all citizens irrespective of their group affiliations. Paul Hirst [1994:44] has studied interest groups as a symptom of associationalist ethics and found it as being based upon the distrust of the centralised state for two reasons, first; that the state is a compulsory community although most genuine communities are freely formed, second; it (state) made omnipotent claims to regulate social life. Various writers from Proudhon, GDH Cole, J.N. Figgis, Laski to Manchur Olsen have considered these associations as

natural appendages of the democratic society. They are constituted of loyal members and so little external or regulatory state effort is required to cement their unity, they tend to demand more freedom for their organic development and thus strive to turn policies in their favour. These groups which are formed of common interests should be justified on two ethical claims:

- In terms of their benefits to the individuals who constitute them. These benefits may be diversely defined such as access to wealth, or increasing the value of their prospective investments, control over resources, religious satisfaction or appeal to ethical beliefs.
- That they are based on choice rather than on fate. It is not incumbent upon the citizen to be a member of any such group. Citizens participate in group activity because they believe in the need to protect certain interests which may be in danger of usurpation by a wrong policy or unjust regulation of the state.

Thus an associationalist society tries to extract as much regulatory and policy support to itself and in turn consolidates democracy by bringing citizens together into greater loyalty and assertion of freedom. This would also mean that this consolidation of society on the basis of the group interests would become dependent upon specific interests. As Hirst puts it 'that highly exclusive interests that are central to the concerns of small groups with substantial resources will be strongly organised, and that inclusive interests of large groups without significant resources will be weakly organised, or not organised at all.' In other words the highly self-interested, rich and resourceful would be supported by the state because it has the electoral value for the state. This would lead to the problem of the public interest vs. the private interest and the natural concomitant to it that the state would be tied down to the fulfilment of the demands of strongly integrated group of the rich and the powerful. Olson [1971] in *The Logic of Collective Action* has found all associations or interest groups as potentially self-interested and constantly striving to gain political and social power. In doing so they set up a rent seeking regime which distorts the market and imposes financial burden upon the society. Olsen has also described in his other work *The Rise and Decline of Nations* [1982] that the rent seeking comes out of protectionist policies and the state under the influence of organised interests continues to devise regulations which further protect and sustain the rent seeking. This leads to the inefficiencies of the state, greater rigidity, inflexibility and bureaucratic pathologies. The state would also tend to support organized interests such as trade unions, industry groups and builders organisations which have greater political constituency rather than the unorganised interests. This ignores or allows little or no space to those few altruistic people forming diffused and loose associations on issues such as gender cruelties, dowry prohibition, cruelties on animals, Vegetarianism, laboratory research, abuse of the old people or land grabbing in a remote village. A very recent example is the support of the Department of Biotechnology in the Ministry of Human Resource Development to the vivisectional experiments in animal research. Despite the fact that the government makes tall claims about animal welfare to the Jain and the Hindu communities it has gone out of its way to provide a strong backing to the scientists who form a consolidated group along with Pharmaceutical lobby as a Delhi Science Forum in contrast to the diffuse and feebly scattered union of the animal rights activists who demanded public scrutiny of the activities within laboratories.

16.2 DEMOCRACY AND INTEREST GROUPS

The decade of 1960s demonstrated that democracy did not function through individuals manning the coercive state but through various interest groups. The first development decade declared by the United Nations in the 1960s demonstrated the expanding politics of foreign aid and of the democratic ideals of freedom, rights and need for political participation. It was at the same time that Seymour Martin Lipset [1960:50-85] wrote a piece "Party Systems and the Representation of Social Groups" in the *European Journal of Sociology*. It became more and more apparent that political parties which had by then ruled the aspect of representing society had proved completely different in practice. They were neither the true representatives of people's demands and aspirations nor were they truly able to represent public interest. Phillippe C. Schmitter [1992: 156] characterised this new pluralism in society as 'decidedly unorthodox' in the atmosphere of triumphant 'behaviouralism and functionalism'. It was increasingly evident that the political parties had lost the confidence of people and therefore failed as representatives of people. Contrary to the opinion held by Schmitter and many other later writers like Manchur Olsen, James Buchanan and Nishkanen, Lipset in his seminal essay continued to believe that 'parties are by far the most important part of the representative structure in complex democratic societies'. The general trend of democratic societies was its fragmentation and micro-splitting into socio-economic and religious interest groups which broke the monopoly of political parties over the representation of public interest. For contemporary political science the emerging significant issue of concern became the 'consolidation of democracy in the aftermath of transition from the autocratic rule.' [Schmitter 1992:157] Broadly interest representation came to be split into several intermediaries such as political parties, interest associations and social movements. The political transition of democracy from a colonial world system to a system of a loosely knit and socio-culturally entirely different conglomeration of states also accelerated the disintegration of states from within into a new form of pluralism. This created new structures, social hierarchies and also historically different set of demand groups and lobbies. The rising aspiration level in the post II world was too varied in nature but demand specific which political parties were not geared to represent. Thus political parties tried picking up the characteristics of these groups or created spaces for the accommodation of interest groups in the democratic process. The shift in representative democracy was evident in the study made by Lipset in 1960 and its implications for the policy formulation process was also substantial. Schmitter [1992:157] has made the following observations regarding this change in empirical studies on political processes:

- Political processes cannot be reduced to the preferences or behaviour of individuals, but are conditioned by group actions and interactions.
- These groups—their solidarities and their conflicts—make independent contributions to determining political outcomes.
- "Representation" is the key (but not exclusive) relationship between such groups and the making of authoritative decisions.
- This relationship is increasingly structured through specialised, "legally constituted" organisations with identifiable and reproducible boundaries. Together, they form distinctive subsystems within the polity.

- These representative organisations have a relative autonomy and an operative logic of their own that cannot be reduced either to the preferences of individuals or to the solidarities of the groups that compose them. In Lipset's terms, they were neither just "a means for political adjustment" among conflicting social groups nor merely "an instrument of manipulation" by dominant authorities.
- However the formal institutions of government—their procedures and substantive policies—can have a significant and enduring effect upon groups and organisations that represent them. In other words, public policy is not mere epiphenomenon produced by previously formed group interests, even less by independently established individual preferences.

This study which brought out the importance of interest groups in policy process did not conclude that these groups have the capacity to replace the political parties or that parties are subordinated to these group interests. The problem that emerged for the policy process was the consolidation of democracy in the post independent era.

16.3 INTEREST GROUP THEORY OF GOVERNMENT

Lately the linkages between economic progress and market friendly public policies has growing empirical evidence in its favour. It suggests that wherever institutions prevailed progress and monetary growth came more smoothly than those nations where institutions were weak and the regulatory framework more porous to the individual interceptions they neither could boost growth, generate wealth or attract monetary investments.

The neo-classical approaches led by A.C. Pigou [1932] tried to solve the policy failures by treating policy formulation as determined exogenously and therefore policy makers as well intentioned and those not motivated by self-interest. From the time of Max Weber the reason for policy failure was due to the inept official handling by a government which was otherwise always a benign, well intentioned and public spirited partner in public policy. The early management and policy experts had focussed upon the rules and procedures that governed organisations and suggested principles like POSDCORB and a reform of personnel and financial structures. These models have bypassed two important issues: first is that of the assessment of the cost of correcting policies. Second is that of evaluating the outcomes achieved. These classical and neo-classical theories have not been able to provide an answer to the constantly occurring market failures which lead to government interventions in policy specific ways by making regulatory arrangements such as taxes, subsidies, price regulations etc.

In sharp contrast to this the public choice theory suggests that policy outcomes are a result of endogenously determined political choices. This takes place under the influence of private interest groups working in connivance with self-interested politicians. 'Examined through the lens of public choice, policy outcomes naively assumed to be 'mistaken' are seen instead as the logical outcomes of a political process that provides policy makers with higher personal payoffs from supporting narrow special interests than from tending to the public interest. As such solving the mystery of growth is not so much a matter of identifying the 'right' model of economic development as it is incorporating into in the 'right' model of government behaviour'. [Shugart 1999:170].

Thus interest group theory provides an insight into governmental institution and their role in economic development. It turns upside down the Pigovian model of a government as a benign but inept external factor in policy sciences which can be traced back to the literature available in the work of Knut Wicksell [1896] which appears in the book written by Musgrave and Peacock [1958]. The interest group theory suggests that the policy makers have behavioural pattern of decision making which resembles the market behaviour of consumers and producers. There is a market for regulations also and public policy is formulated purely on the basis of calculating the politician's very own selfish interest gain. The use of cost-benefit analysis is made to fit into a framework which ensures private gain at public cost. Government goes on a profit maximising spree like a consumer in the market by taking policy decisions which either bring in profits in the form of an electoral gain or increasing the value of one's assets.

The greatest contribution of this theory is in propounding the idea that whenever policies fail one needs to broaden the search for locating factors for failure not in the organisational and procedural weaknesses which are purely external factors but in the outcomes of the persistently failing policies such as who gains and who loses and who bears the cost for failed policies. This brings in the use of the tools of positive economics to the analysis of political choices.

Interest group theory also exposes the fact which was formalised by George Stigler [1971] that the policy maker would be more supportive to interest groups which have a more unified and organised group of interest seekers. The policy maker would calculate the cost of collective action in organising and lobbying for a piece of regulation by interest groups and the ones with diffuse interests and high organising cost would stand to lose to the groups which are small and better organised due to their closely connected common interests. This is the reason that the industrial producer groups always gain the regulatory support of the government because they are small and are better organised in terms of their demands and associated interests about a regulatory policy as compared to the consumer and environmental groups which have difficulty in uniting due to dispersed interests and concerned only with a small area of regulations.

The political representative charges a fee for giving a regulatory gain to a group and for this he charges a fee in the form of rent. 'Rent' is the term coined by Anne Krueger [1974]. It is defined as the expenditure of scarce public resources to capture wealth transfers in the form of regulatory policy for a dominant group in society. This is a social waste because the expenditure of resources is not creating value in the form of the production of goods and services to add to GDP but is leading to a loss of public wealth to the benefit of the few in society. Thus interest group politics leads to protective markets and distorted regulations purely to support dominant groups. The result is a policy failure. Thus the interest group policy supports a contestable stand for free markets which have the minimum of regulatory control and thus the minimum of interest group interference.

Interest group theory can be understood in three steps;

- The distinctions prevailing between public and private interests models of public policy process.

- The process of redistribution of resources from the market of policies in favour of the well organised and consolidated special interest groups.
- The impact of this model on economic regulations and economic development of a nation.

16.4 CHARACTERISTICS OF INTEREST GROUPS: NUMBER, DENSITY AND REPRESENTATIONAL DOMAIN

On the basis of its numbers one can classify interest groups into small, medium and large. Olson has mentioned three categories of interest groups on the basis of their political constituency; privileged, intermediate and latent. In a privileged group one member who gains enough privately from public good (policy) to be willing to supply it on its own if necessary. Such groups are generally small but this is not always so. It is constituted of any industry that benefits from a tariff such as Reliance, or a trade union which is part of the political party such as All India Trade Union Congress or the Indian National Trade Union Congress. It may also have professional or occupational groups such as the Mazdoor Kisan Sangharsh Samiti [MKSS] or the Sugar Mill Owners Association. The intermediate group is not privileged but sustains its collective action on the basis of mutual watchfulness over each other's behaviour such as the teachers associations which is divided right from the elementary, higher secondary school levels to the college and the university teachers associations, each functioning in its own small area and with weak participation. Olson finds that collective action is ensured through a process of threats, promises and conditional cooperation. The third type of interest group is neither privileged or intermediate but is more or less non-existent. Olson prefers to call it 'latent' as the interests of this group though being specific and important does not help to consolidate people into a group. This may include the unemployed group of people, consumer associations or Senior Citizen groups like Age Care or Helpage India. One can include groups like People for Animals. This kind of interest group may deliver certain benefits to its own members and thus to prevent freeride they offer these benefits only to those who become members. McLean [1982:95-100] has offered another three-way classification of interest groups. They are Producer groups, Consumer groups and the altruistic groups. Out of these the first category of producer groups may be the strongest since they control the forces of production which if withdrawn from the market may lead to a major problem for people. This includes the factory owners, trade unions and the farmers. If they withdraw their produce which is some or the other form of a tangible commodity like a produce or labour will bring immense pressure on the government. The second group is weaker than the first one since consumers cannot withdraw from the market something that they exclusively control. Altruistic groups may be even weaker since they neither have the spur of self-interest nor the drive for controlling some tangible produce. Thus McLean [1987:64] has observed that they may fit into Olson's 'latent' or some in intermediate groups also. The producer groups of McLean may fit into any of the Olson's category. What is brought out as an empirical observation is that fewer the members in a producer group the more likely it is to be privileged and consolidated. As Offe and Wiesenthal [1980] conclude their interests are more likely to be protected in lobbying.

16.5 HOW ARE THEY DIFFERENT FROM POLITICAL PARTIES?

Parties have been performing the following functions in their main drive for interest articulation: structure the vote, integrate and mobilise mass public, recruit political leaders, organise government, formulate public policy and aggregate interests.[King 1969:120]. Starting in the 1970s but becoming more apparent in the 1980s was the increasing insignificance of the party system in their main task of mobilisation and articulation of interest. In the post independent phase of the developing countries parties were not able to resonate the people's aspirations and were proving to be an alienated and disarticulated group of citizens. Parties had also lost their respect and importance [Ware, 1986:126] The former demarcation in which the parties remained at the centre and the interest groups were placed at the periphery of decisional authority was turned the other way round. The major dent into the strata of political parties came from the rise of the Western European states in which interest articulation became the task associated more with the professional groups rather than the political parties. This rise of new corporatism has tended to undermine the political party system of liberal democracies.[Held and Pollitt 1986:126] The case of West Germany could be understood as somewhat different as the parties have retained their mediating role in policy formulation even in the midst of strong presence of organisational groups. Besides the neo-corporatism of the West European countries the rise of 'cause' groups centred on a single issue or narrow cluster of issues is another threat to parties.[Held and Pollitt 1986:127] Issues like environment, labour, gender, colour and caste cut across the traditional divisions of parties and as a result most parties are not in a position to articulate clear positions on these activities. This pushes the creation of special interest groups in which parties are rather post-facto followers rather than the leaders. Another reason that has contributed to the rise of interest groups is the social life that they have been providing to their members. Earlier time offered these parties as the only place for like minded people to socialise but later on with the rise of affluence and increased choices for quality socialisation members became more associated with the group outside the parties. This development was not sudden but it was an outcome of a long and sustained failure on the part of political parties to divert attention from their petty regional and personal politics to issues of economic development and poverty eradication. This resulted in the complete failure of the first and the second development decade declared by the United Nations. Two developments can be seen as a threat to the position and the central role of the parties. Alan Ware [1986:126] mentions the first as the rise of 'liberal' or 'neo' corporatism in the Western European countries. This brings together channels of interest groups towards a more intimate contact between the government and their own members. This resulted into these groups 'policing' their own members to muster support for agreements they make with the government. The second development has been the rise of the 'cause' groups which have focussed and combined people in support of a single cause. These groups have always been there and have played an important role in the freedom movement of India. In Britain the Anti-Corn League was one such important non-party coalition. A greater part of this development can be attributed to the frustration with the rightist structures of the state in which the elites controlled the party structures. The protest against this centralisation

and monopolisation of public interest by political parties began with the demand for the democratisation of the labour party structure in 1970s. Much of the agenda for change came from the left of the centre groups composed of poor communities, aborigines, subalterns and the environmentally affected groups. The increasing public frustration of people about political parties not disclosing their clear position on several developmental and economic policies has encouraged them to form groups to pursue their interests. In India the rise of several farmers and fishermen groups against the globalisation of agriculture and coastal fisheries respectively is directly linked to the slimy politics played by the political parties. The example of the well known and almost a legendary group Narmada Bachao Andolan and later the National Alliance for Peoples Movement is an indication about the disenchantment built around most of the emerging single cause groups. These groups focus on the issue of mega-projects and rehabilitation of displaced communities. There are two direct consequences to their action. While the first factor resulted in the consolidation of the rightist structures or corporate lobbies for staking a claim in the share of the public policy the second factor led to the rise of people's movements to protect the people affected by anti-environmental and anti-people policies and hold the government accountable for it. One interesting example is the rise of a strongly consolidated group of industrialists and miners under Pinchot in USA called 'People's First' to counter the claims of those environmental lobbies demanding the state to adopt the 'environmental laws' to protect and conserve species and their habitat. These single issue group activities mostly cut across party lines as the animal rights activism, abortion law and environmental conservation. Thus collective action becomes more complicated than what it was under the truly party regime and even weakens party agendas and organisational unity. Beginning from the Pacifist Movement against the first World War of Bertrand Russell in which none of the political parties supported him to the Campaign for Nuclear Disarmament [CND] during the 1950s and 1960s in which political parties had to join the movement to make themselves effective for electoral victories. To sustain themselves in power parties found it more appropriate to use a fully ripe movement or hijack a challenging group protest for its own personal gains of sustaining in power. Single issue groups have come to 'occupy territory' which parties might have occupied' [Held and Pollitt 1986:129].

McLean [1987:127] has mentioned another factor that has led to the weakening of the party agenda. This is the merging of the political idealism with the social activity. In earlier times party organisations provided a good meeting and socialising opportunity to the party workers and like minded people. With the rise of alternative recreational means coupled with the increase of affluence and shorter work hours the parties were unable to provide for the kind of freedom which its members wanted to have. McLean has also pointed out the 'Campaign for Nuclear Disarmament' as an example of the change occurring in the society which widely displaced the rigid party loyalty amongst workers.

One cannot deny the interaction between the vote power and the lobby power. Parties have successfully utilised the consolidated unity of the cause groups for its own benefit. Thus as Olson formulated in his *Calculus of Consent* parties seek electoral support from these groups and in return represent their agendas and policy. Decisions hereby taken provide favourable policies to groups which send representatives in the parliament.

This study of the linkages between the vote power and the lobby power suggests two outcomes; first, consumer interests are never adequately represented. Second, the number of members in a group is no assurance for the pressures which the group may bring upon the parties. For example a small group of telecommunication firms can press regulatory reforms and liberalisation of services upon the otherwise conservative government whereas a large number of University teachers may just not have any impact upon the insolent liberal government. Sometimes rational choice takes over the public choice like in the study of 'The Regulation of Railways Act' 1844 pushed through Parliament by W.E.Gladstone, President of the Board of Trade despite opposition from the railway companies. It was described as 'not a normal politics' [McLean and Foster 1992:329] because normal politics is the politics of distributional coalitions in which producer groups secure monopoly privileges from governments at the expense of consumers. As regulations happen to be the testbed for the success of public administration, it may safely be concluded that interest groups have remained successful in hijacking policies and distorting regulatory norms of the state.

16.6 DEMOCRACY AND INTEREST GROUPS

Political parties found themselves ostracised and constrained in the decade of 1960s by the rising control and capture of their political constituencies by the special interest groups. Instead of the issues originating from within the parties they were sparked by these groups and parties found themselves as followers of interest groups. The institutional structures of the society provided limited opportunity for the expansion of the base of party activities. Thus even the parties created their own interest groups to promote their agenda of politics. Thus the emerging fear has been that political parties are getting distanced from people and getting more occupied with the gains coming from the interest groups. Thus the greatest fear for democracy comes from the fact that political parties are central to the development and expansion of democratic consolidation but which may now not be in a position to represent the wishes and aspirations of the people. Thus this situation is a rejection of the widespread notion that democracy was a functional requisite of an ethical imperative.

However, this forms the core dilemma of the debate on governance. Democracy is still possible and all this depends upon the way strategic interactions with all actors in the society is undertaken. The solution to this perplexing debate on democratisation lies in the creation of a set of institutions which have been agreed upon by the political parties and citizens. Thus modern democracies which may look like compromises may also lead to paradoxical regimes of interests but as Schmitter cautions, 'one does not have to be a strict devotee of Manchur Olsen's *Logic of Collective Action* [1965] to recognise that once the "uncalculated" enthusiasm of participating in the mobilisational phase of regime change is over, the temptation to free ride on the efforts of others is likely to settle in.' [1992:165-166].

16.7 CONCLUSION

It is not a logical conclusion that political parties have lost their representative character in policy process and are now groping in to win the support of interest groups. They

are still the most accepted, widely dispersed and territorially represented structures of democracy which continue to be in an advantageous position as frontline representatives of people. Thus despite the rise of interest groups in power and number 'democracy by interest groups' can never be replaced by 'democracy by political parties'. Public Policy process can not in times to come depend on interest groups as core functionalities since their own internal democracy is much in question and is not likely to be supported in electoral politics beyond a point. A thorough institutional build up may ensure that parties are able to retain their central role in performing their major role in present society. To conclude 'Interest groups and civic organisations cannot substitute for coherent political parties with broad and relatively enduring bases of popular support for interest groups cannot aggregate interests as broadly across social groups and political issues as political parties can.' [Diamond 1999:258-259]

16.8 SUMMARY

An interest group is an organisation which tries to influence public policy for its own personal and partisan interest without being part of the government. This unit examines the role of interest groups in the functioning of democracy and the Interest Group Theory of Government. This theory suggests that policies are made on the basis of the politicians own selfish interest gain. It propounds the idea that the causes for the failure of policies should be sought in its outcomes—as to who gains and who bears the losses for the failed policies. The calculation would be the cost of collective action in organising and lobbying for a piece of regulation by interest groups and the ones with a high organisation cost would lose. The ones who win are dominant groups who are smaller and better organized in their demands and also pay a fee for the gains of their group. This is a social waste and results in policy failure. Interest groups have been classified variously as privileged, intermediate and latent or as producer groups, consumer groups and altruistic groups.

There has been an increase in the insignificance of the role political parties are playing in mobilization and interest articulation. Interest articulation has become associated more with professional groups. The inability of political parties to divert attention from their petty regional and personal politics to issues of development and poverty eradication, rise of neo-corporatism and 'cause' groups with single issues in Western Europe are all partly responsible for this. Parties utilise the consolidated unity of the cause groups for its own benefit seeking their electoral support and representing their agenda in return and the number of members in a group is not related to the pressure which the groups can bring on the party. The emerging fear is that political parties are getting distanced from people and occupied with gains from the interest groups. This is the greatest fear for democracy as parties are central to development and democratic consolidation and do not represent aspirations of the people. However, parties have not lost their representative character and are still the most accepted structures of democracy. Interest groups cannot aggregate interests as broadly across social groups and political issues as political parties can.

16.9 EXERCISES

- 1) Define an interest group. How and why are they formed?
- 2) How did interest groups gain importance in the functioning of democracy *vis-à-vis* political parties?
- 3) Explain the Interest Group Theory of Government.
- 4) What are the characteristics of interest groups?
- 5) How are political parties different from interest groups?