An Exchange Theory of Representation Within Interest Groups

Kent Lane Oots
A good deal of work has concentrated on constituency linkages in representative bodies and on the process of representation in those bodies. This work is well represented by, among others, Cnudde and McCrone, Miller and Stokes, Hedlund and Friesema, and Fiorina, as well as such normative theorists as Pitkin. Little work has been done which concentrates on the internal representation process of interest groups. This paper will, hopefully, lead in that direction.

Both interest groups and representation have commanded the interest of large numbers of political scientists. Policy making is often portrayed as a conflict among groups, latent or organized, and representation is seen as a defining characteristic of democratic government. There is a significant overlap among these two areas. This overlap takes the form of attempting to define which groups, if any, policy making bodies are responsive to. Such an approach seems to imply a belief that the policy positions of a given interest group are representative of the membership's concerns. Groups are treated as monolithic structures behaving as a single, rational actor pursuing a consistent set of policy goals.

There is, of course, never complete concurrence between group leadership and group membership. Truman explains that the internal life of an interest group is a struggle to maintain a harmonious relationship between leaders and members. This drive for internal cohesion results, in part, from the fact that individuals have belief systems covering a wide range of areas. Only a small proportion of a member's beliefs can be expressed by any one group. A member of one group, therefore, is also likely to be a member of others.

Truman thus sees groups as associations of diverse individuals. The task of the leadership itself is to unify its members to the best of its ability and thereby present an effective front for purposes of obtaining group goals.

In so doing group leadership will revert to a variety of techniques to discern and control the policy positions of its members. Even the referendum, a nominally democratic device, is used to influence the membership in the direction of concurring with the leadership.

If Truman's view can be accepted, the process of representation within interest groups is the reverse of our normal conception of representation. Rather than mass control of elites, we have elites influencing the masses. Communication within the group takes the form of a two-step flow, wherein leaders attempt to make members supportive of given policies and
members then feed back the same views to leaders. Representation, as commonly understood, plays a relatively minor role. Although, given the variety of member interests, we can assume that there are limits to what policy stands leaders can take.

This contrasts with Olson: Even elite influence intended to promote harmony with regard to the purposive goals of an organization is irrelevant in Olson’s formulation. In Olson’s formulation, groups exist in order to fulfill the common interests of group members. This is accomplished by the provision of public, collective goods. But, these goods, when provided, by their nature are nonexclusionary and thus available to all members of the group, whether they participate in the supply of the good or not.⁵

Members must be attracted to the organization by some means other than the provision of collective goods. By Olson’s definition of rationality a rational actor can be induced to join an organization and thus make a material contribution only by means of selective incentives. Selective incentives are negative or positive goods available only to those who join the organization.⁶

These incentives may be economic or social in nature.⁷ Their major importance, however, is that they are available only to members of the organization and not to the group at large.

Large groups attempt to provide collective goods by means of lobbying. Their ability to do so rests on their ability to coerce the members of a latent group into joining the organization and their ability to provide selective incentives. These two factors are what cause members of the organization to support its efforts to obtain collective goods.⁸ Presumably, whether or not the members are truly concerned about the political goals of an organization is not an issue. The organization exists because of its selective incentives. The lobbying efforts of the organization exist as a ‘by-product’ of its incentive structure.⁹

Intra-group representation does not become an issue in Olson’s formulation. Moe takes a broader view of the subject than does Olson. Moe, like Olson, postulates that an individual will join an organization only if it is to his benefit to do so. Participation in an organization, however, may result from a variety of motivations. These may be purposive, solidary or economic.¹⁰ Utility scales differ for each potential member so that any individual’s decision to join will be the result of his own valuation of the benefits made available to him as measured against the costs.¹¹

An individual will make a rational decision to join an organization if the utility of the collective goods plus the selective incentives offered is greater than or equal to the utility of his dues. The organizer, or entrepreneur, for the group must obtain a material surplus from his members. That is, the dues he collects must be greater than the costs of supplying selective incentives and collective goods to the members.¹²

The internal political structure of the group in Moe’s formulation is much like that of Olson. Member goals and group goals bear no necessary
relationship to one another. Members may be induced to join and remain in the group by means of selective incentives, economic or social. Leaders of the organization need only concern themselves with representing those members who place a high value on the political goals or collective goods of the group. Even if such members exist they can be effective only as long as they can affect the material surplus of the leadership. 13

Moe's formulation resembles, in many ways, that of Salisbury. Salisbury sees interest groups as organizations for the exchange of benefits. Entrepreneurs develop a package of benefits which they attempt to sell to a market, the latent group. If the benefits are adequate and the return is large enough the organization will form. These benefits may be solidary, material or expressive. 14

Strictly expressive, political groups may form according to Salisbury. They are relatively inexpensive to organize and generally not long-lived. Expressive benefits have little intrinsic value and thus other benefits, economic or social, are often offered to members of an expressive group in order to stabilize its existence. 15

In Moe's formulation it is possible for members to influence the leadership subject to several constraints. Large members, those who value a good most highly and presumably will pay a higher price for it, have more power than other members. Contributions to the supply of a good vary with a member's desire for a good and his information about the behavior of other members. Members who join for selective incentives have no power over the leadership. Finally, subgroups may form which collectivize the resources of several members and thereby increase their leverage over the leadership. 16

Moe puts Truman's pluralist perspective together with Olson's economic theory to explain the maintenance of interest groups. Truman's theory postulated that groups maintain themselves via political cohesiveness. Olson's view holds that selective incentives are the cause for stabilized membership. Moe believes that both political cohesiveness and economic incentives are necessary to maintain the group. Moe is quick to point out that this does not guarantee that leaders will represent the interests of members. Large members still have more power than small members and the group's package of selective incentives aids in the retention of members who are not concerned with political goals. 17

Moe's view does allow for representation. It is, however, a market-based theory of representation. Members must value some purposive benefit highly enough to be willing to pay its price. This price, in turn, must be high enough so that a leader will gain from the exchange of contributions for support on a particular issue.

If this formulation is to be accepted then those among concerned members whose resources are the greatest, i.e., those who may most affect a leader's material position, should be more highly represented than those whose resources are smaller. We would expect the proximity between member views and leader views to increase as member resources increase.
The concept of representation based on exchange is not unique to Moe’s analysis of interest groups. Fenno postulates that for Congressmen the act of representation is inseparable from reelection. Congressmen are responsive to constituency preferences when they believe they will be held to answer at the polls.\(^{18}\)

In Fenno’s formulation another type exchange takes place. In this case constituents exchange their votes for Congressional representation. In effect, the constituents affect the material surplus of their Congressman. Fenno’s concept, however, broadens the view of what constitutes an exchange relationship.

In its simplest form representation takes place by means of a delegate process, i.e., an elite carrying out the will of his constituency. For this process to work two conditions must be met. First, an elite must feel that he has an obligation to do the will of his constituency. Second, the will of the constituency must be clearly expressed.\(^{19}\)

An exchange theory of representation requires that additional conditions be met. An entrepreneurial political leader will change his own views when he can add to his material surplus by so doing. Furthermore, competition will arise when a potential leader believes that he can obtain a surplus by challenging the existing leader.\(^{20}\)

The exchange relationship between leaders and members presented here will be somewhat broader than that presented by Frohlich, Oppenheimer and Young. The testable propositions derived from this treatment will, however, be more narrow than those admitted by exchange theory itself.

Broadly stated, exchange theory holds that “... interaction between persons is an exchange of goods, material and non-material.”\(^{21}\) This interaction is basically a market process in which self-interested actors attempt to increase their power over areas of interest to themselves, i.e., those areas of the greatest potential utility or disutility.\(^{22}\)

Individuals are viewed as profit maximizers. An individual will do an act if, based on past experience, he believes the act will be rewarded. The more frequently the behavior is rewarded the more likely an actor is to emit that particular behavior up to a certain point. Each successive unit of a commodity, material or non-material, has less utility than the previous unit. An actor will cease a given behavior when his demand for a particular commodity has been satisfied.\(^{23}\)

Furthermore, every activity has a cost associated with it. Presumably, to obtain a unit of one good an actor must forego some other good. The activity itself also has a cost in terms of time and resources. Thus, an actor will emit a given behavior when he can profit from it. Profit is understood simply as the reward for minus the cost of a particular action.\(^{24}\)

An exchange can take place only if a given act is preceived by both actors to be to their benefit, i.e., they believe they can both profit from it. In groups this is even more problematic because it is more likely that some in-
individuals will not find the exchange to be beneficial.\textsuperscript{25} Actors can, however, trade their influence over decisions of little interest to themselves for greater influence over decisions of greater interest.\textsuperscript{26}

If a range of decisions, rather than a single decision, is to be made by a group, exchange is possible. Each member will trade support on issues of little importance for support on issues of more importance. This expedites the decision-making process and allows, as well, an expression of preference intensity.\textsuperscript{27}

From exchange theory it is possible to postulate several assumptions about the organization and maintenance of interest groups. First of all, groups must have something of value to offer prospective members. This is what Homans termed "cohesiveness." The greater the cohesiveness, i.e., value to members, of a group the more interaction there will be within the group. Simply, the more value members receive from the group the more they will give.\textsuperscript{28}

Moreover, the higher the level of cohesiveness in a group the more likely are the members to pressure others to conform to the practices of the group.\textsuperscript{29} In this exchange process the higher the value of what a member gives the more he expects in return and the more he receives the more he is expected to give. Thus, the exchange system, by means of mutually beneficial interaction, tends toward an equilibrium point.\textsuperscript{30}

From the point of view of the leader, cohesiveness must be maintained by legitimating his authority. This is done by means of collective approval which is attained by the passing out of rewards.\textsuperscript{31} The support of the group it obtained, then, by an exchange. Support is purchased through a market-like system.

It is apparent that maintaining a relatively cohesive group is a costly process. This cost, along with a broader distribution of limited benefits obtained from a decision, could lead one to believe, as does Riker, that in a group situation only minimum winning coalitions will be formed. That is, a leader will seek to induce members to support him only until he can be assured of maintaining his position.\textsuperscript{32} But, as Riker points out, a lack of perfect information will cause a leader to attempt to form a surplus coalition. Therefore, he is able to lose a few members and still maintain control.\textsuperscript{33} This lack of information will tend to be exaggerated in larger groups, where face-to-face interaction among all members is impossible. The argument here is that despite what is presumed to be the declining utility of adding another member to a winning coalition, leaders of interest groups will seek the largest possible coalition. There are several reasons for this belief.

First, the benefits obtained by the coalition which controls the group are often collective or purposive. Since these are not divisible the addition of other members to the coalition will not reduce the benefits to existing members. Second, imperfect information makes it unlikely that a leader can be certain of when, if ever, he has obtained a minimum winning coalition.
Third, the requirements of group cohesiveness and the need to present a united front when pressing the claims of the organization demand that a leader develop an internal support base that is as broad as possible. Fourth, because a leader seeks to increase his surplus he must have contributions from as many members as possible, although he must "purchase" their support. If, of course, the cost of adding a member by purchasing his support is higher than the new members' contribution he will not be added. However, it is more likely that if the costs of adding members were uniformly higher than their contributions no coalition could be formed at all.

A further consideration mitigates against minimum winning coalitions. That is, the surplus coalition membership offers some policy flexibility to the coalition leader. He can change his views and still maintain a core support sufficient to maintain his own position even though some members of the coalition may defect. Furthermore, broad-based support is at the heart of the organization. Presumably, all members pay some cost for the privilege of joining an organization. If these members are systematically excluded from the winning coalition they may defect from the organization and deprive the leader of their contributions, however small these may be. Only rarely will organizations benefit by losing members.

This will prove to be important in an exchange theory of representation in interest groups. Broad-based support is important because in an exchange system both leaders and members may attempt to obtain two types of surplus, material and non-material. Support from the membership has some utility to the leader and forms the core of his non-material surplus. A leader cannot ignore his membership, or any large portion of it, for very long.

Both Moe and Olson postulate a structure wherein some or most members join a group for selective incentives. Others join for solidary benefits and some join for purposive reasons. Still others join for a combination of reasons. The implication of this is that a leader need only concern himself with representing those members who are concerned with the purposive goals of an organization. Those who join for selective incentives can be safely ignored as can those who join for solidary benefits.

The problem with this formulation is that it is static. It assumes that members join a group for a particular reason. A salience dimension is needed for this formulation to operate more realistically. A member may join for one reason, say selective incentives, and as time progresses he may become concerned about an issue or set of issues. He may, from time to time, take a political interest in the organization and at other times be unconcerned. This is a function of the importance of a given issue for the member and not all issues are of the same import to a given member.

Furthermore, a process of socialization takes place within the group. Members may be induced to conform to group norms. Presumably, they can be induced to support the policy positions of the group as well. However, they may, once politicized, also demand a voice in policy deci-
sions and this is where representation becomes an issue for those who join a group for selective incentives. An extension of Homans' model\textsuperscript{36} tends to suggest that the degree of socialization may be, in part, a function of the other values which the group provides. A member could, then, trade political support for something else of value. Likewise, he could trade some other value for support on policy issues of interest to him.

The static formulation of Moe and Olson tends also to ignore the fact that concern for policy goals may be related to dimensions outside of the organization. A member’s time, resources, other commitments and cross-pressures, for example, may influence the degree to which he actively supports or opposes a particular policy goal and the resources he will expend on that activity. Fluctuations in political activity levels of members, however, are difficult to treat empirically.

Before turning to how we can operationalize some propositions of an exchange-based theory of representation in interest groups an examination of some of the problems posed by exchange theory is in order. The assumption that interaction among persons is an exchange of material and non-material goods is problematic. Material goods can be measured in terms of some numeraire. It is fairly easy for a researcher to measure how much of a material good has been exchanged and to derive thereby some measure of the good’s utility to the traders. It is also, relatively speaking, easy for an actor to determine the value to himself of a specific amount of a material good. The difficulty lies with the exchange of non-material goods. Commodities such as affection, friendship and the like, have several properties which render them problematic.

First, they are not easily definable in an operational sense. They are known to exist, e.g., a man usually knows who his friends are; but, they are difficult to define. Moreover, they cannot easily be measured in terms of a numeraire. How many units of friendship there are and their value is difficult for a researcher to measure. Indeed, even the actors themselves may not be able to place a real value on friendship. Such goods may truly be "priceless." Furthermore, it is doubtful that actors perform the kinds of calculations necessary for an exchange of non-material goods to take place in some measurable way. Such exchanges do take place but conscious value calculations by the participants are not part of the process. The difficulties in measuring conscious valuations of non-material goods are magnified when the process takes place at the subconscious level.

Not only do these problems of measurement come into play in terms of value, they also render a theory of motivation for exchange difficult. The broadest definition of exchange simply allows for too many goods and too many motivations. The number of goods, ranging from currency to good will, which can be traded is too numerous for any systematic understanding to take place. Material goods can at least be measured as can a limited number of non-material goods. However, when non-material goods are exchanged the participants themselves may not have a clear idea of exactly
what it is that is being exchanged. How, for example, does one know that he has obtained good will through an exchange? One could develop a list of classes of goods, e.g., one class would contain affection, good will, friendship and kindred commodities. The measurement problems would still remain, however. Such a list would probably not be all inclusive and exchanges of commodities not listed would no doubt take place. Furthermore, errant cases are likely to occur which simply cannot be explained. It is plausible to assume that some people prefer bad will to good will.

In sum, the broadest understanding of exchange theory is difficult to reduce into a testable set of propositions. This does not mean that exchange theory has nothing to offer for the understanding of interest groups. On the contrary, it may advance us a long way toward understanding how groups form and maintain themselves. Specifically, it may offer us an understanding of how representation occurs within interest groups. The major point is that we are limited to empirically testing only a limited number of propositions. To be verifiable an exchange must take place with commodities that are measurable.

Exchange theory first attempts to explain how groups may come into being. Olson sees group formation as an attempt to sell selective incentives, generally economic benefits, to potential group members. If the value of the selective incentives is greater than the cost a potential member buys into the organization. The real goals of the group are purposive, but, the selective incentives are the key to gaining membership. The purposive goals have little relevance for the membership and in Olson’s formulation one can easily imagine people buying into a group whose policy positions they oppose or which are irrelevant to them.

Olson’s formulation is unable to explain the existence of such organizations as Americans for Democratic Action or the American Conservative Union. These groups offer little to members except for purposive goals and the prospect of collective goods. Members must, presumably, join the groups for purposive reasons. One could argue that for the members of these groups policy activism is itself a selective incentive; but, even the desire to be active requires some specific goal orientation.

Moe presents a formulation which may explain more than Olson is able to explain. An entrepreneur offers a package of benefits, selective incentives, solidary benefits and purposive goals to prospective members. If the sum of these benefits, in terms of personal utility, is greater than the cost of membership a potential member will join the group. For the entrepreneur to obtain a surplus the cost of supplying these benefits must be less than the sum of the contributions he receives. Thus, the entrepreneur receives a material surplus. Once formed the internal life of the group is a bargaining process in which the ability of a member to affect the leader’s material surplus determines how much leverage he has over policy goals. 37

If this exchange formulation does indeed carry over into the maintenance of interest groups it may help to explain how the process of
representation takes place. Representation will be at different levels for different members. These differences may be explainable in terms of exchange. For the time being the formative stage of a group can be disposed of. An ongoing interest group is assumed. Furthermore, it is assumed that members have joined the group for a variety of reasons. Some join for selective incentives, if the group does in fact offer these; others join for solidary reasons and still others join strictly for purposive reasons. Finally, a large number of members will have joined for a combination of reasons, e.g., a concern for policy goals and the desire to socialize with like-minded people.

Once these individuals have become members of the organization a socialization process takes place. They may become more concerned about policy issues via interaction with other group members. Moreover, individual members exhibit differential concern for policy goals based on the nature of the issue and other factors previously discussed.

Implicit in this formulation is the assumption that we are concerned with a voluntary organization. We assume that coercion does not play a role, at least in a formal manner as it does with unions, in affecting an individual’s decision to join or his policy orientation.

On the part of the leaders we assume that they do have a desire to represent the interests of members, i.e., they feel obligated to do the will of their constituents. This obligation may, in part, be a result of the desire of the leader to obtain a surplus from the members.

We also assume a broader definition for the leader’s surplus. A surplus may either be material or non-material. This allows for a better understanding of the motivations of leaders. Members may have a variety of motivations for their behavior and so also may leaders. We will, however, attempt to define only a limited number of those motivations. From these assumptions it follows that, as Dobson, et. al., argue, the determination of policy goals for an organization is an exchange which takes into account the differential bargaining strengths of members.38

We postulate that representation within an interest group will take place via an exchange of both material and non-material goods. For a member to be represented at all, however, requires that two conditions be met. First of all, a member must be concerned about a policy issue if he is to be represented. Indeed, it is hard to imagine an unconcerned member seeking representation. Thus, the group which must be represented, i.e., the group to whom the group’s leaders must be responsive, is limited to those who joined the group for purposive reasons or were politicized after joining the group. Members will seek representation only on issues which are of personal salience. Thus, we expect that the views of leaders will more closely resemble those of group members who are concerned about the goals of the group than those who are not.

The second condition necessary to representation is participation. A concerned member, in order to be represented, must be at least minimally
active within the organization because it is through activity that com-
munication between leaders and members takes place. A minimum condi-
tion of representation, in or outside of a group, is that consituents must
communicate their preferences to leaders. One cannot take into account
member preferences if he does not know what those preferences are.

Participation offers members a second advantage in that challenges to
leadership will generally come from among the active members of the
group. If leaders fail to respond to active members they may find their own
position in jeopardy. It is possible, also, that an organized opposition may
be a part of the group’s active contingent. Such an opposition, however,
seeks not to be represented but rather to overthrow the current leadership
and should thus be distinguished from the active members who will
challenge the leadership only if it is unresponsive.

These two factors, concern and activity, can be understood in terms of
exchange. Concerned members may increase or decrease their contributions
or defect from the group if the leadership is unresponsive. In this way the
material surplus of the leadership is affected. Activity, on the other hand,
carries with it the implicit or explicit threat of a challenge to existing leader-
ship. In this way both the material and non-material surplusses of the leader
may be affected. A leader who has been dislodged has no surplus of any
type.

Assuming that a group of members exists which is both concerned and
active, we must develop a theory which can account for differential
representation among this sub-group. This is necessary because to assume
that they are personally concerned and active is not to assume that they all
have the same views. This differential representation can be accounted for
in terms of exchange as well. We postulate that the leadership of the group
will be more responsive to those concerned and active members who have
the largest potential impact on its material and non-material surplusses.

We refer to the non-material surplus as support. Leaders will be more
responsive to members who are supportive of them than to those who are
not. The reasons for this are two-fold. First, it makes little sense to be
responsive to concerned, active members who are unsupportive of the
leadership because they are, most likely, part of the active opposition and
little can be gained from such an exchange. Although, a leader may from
time to time seek to selectively ‘buy out’ members of the opposition by
bringing them into the leader’s coalition. Secondly, we assume that a leader
controls an existing winning coalition. His goal is to maintain that coalition.
Those who are concerned and active members of the coalition may defect if
a leader is not responsive to them. Thus, a leader must be responsive to his
own coalition members and may respond to those outside of the coalition
only when he believes that such a move will not cause members of the ex-
sting coalition to defect. In simple terms, the leader will prefer to maintain
the largest coalition possible in order to keep his position secure.

Finally, we turn to the material surplus of the leader. We assume that
the leader wishes to develop as large a surplus as he can in order to achieve
the political goals of the group. Thus, we hypothesize, leaders will be most responsive to those members who have the largest economic resources which form the base for potential material contributions to the group. Ideally, a leader would prefer to know how much each member contributes or is willing to contribute and under what circumstances contributions will be increased or decreased. Such perfect information is unlikely. Therefore, it is reasonable to assume that leaders will use socioeconomic status as an easy screening device. A leader may not know precisely how much Member A has and how much Member B has but he may know that A has more than B. Thus, he will be more responsive to A on the assumption that A has, potentially, the largest impact on his material surplus.

In sum, we hypothesize that for a member to be represented he must be concerned about a policy and active, at least minimally. If these two conditions are met, the degree to which he commands a response from the leadership will depend on his ability to effect the material and non-material surpluses of the leadership. Dobson, et. al., have tested some similar propositions with limited success. The propositions themselves, however, appear to be sound. The next step is, of course, to attempt to fully test exchange theory as a framework for representation within interest groups.

This paper has attempted to define a preliminary explanation for representation in interest groups. We have laid out several propositions in the hope of determining whom, among the membership of a group, leaders will be responsive to. In doing so we have accepted the basic premises of social exchange theory. At the same time we have attempted to reduce these premises to a limited number of definable and measurable concepts. The effort presented here offers a broader model of exchange than Olson's presentation of an economic model. It is also narrower than the broadest formulations of social exchange theory.

One of the major virtues of the propositions presented here is that they are testable. They may be verified empirically. The next stage of the process is, of course, the testing of these propositions.
NOTES


'Ibid., pp. 181ff.

'Ibid., p. 199.


'Ibid., p. 51.

'Ibid., p. 60.

'Ibid., pp. 132-34.

'Ibid., p. 132.


'Ibid., Chapter 2.

'Ibid., Chapter 3.

'Ibid., Chapter 4.


'Ibid., pp. 19-20.

'Moe, Organization, Chapter 4.


'Ibid., pp. 60-61.


'Ibid., p. 600.

'Ibid., p. 606.


'Ibid., pp. 88-89.

'Moe, Organization, Chapter 4.

'Truman, Governmental Process, p. 21.


'Moe, Organization, Chapter 4.


'Ibid.