



Groups, growth and trust: Cross-country evidence on the Olson and Putnam hypotheses *

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Abstract. Olson (1982) and Putnam (1993) provide sharply conflicting perspectives on the impact of private associations on economic well-being and social conflict. Olson (1982) emphasized their propensity to act as special interest groups that lobby for preferential policies, imposing disproportionate costs on the rest of society. Putnam (1993) viewed memberships in horizontal associations as a source of generalized trust and social ties conducive to governmental efficiency and economic performance. Using cross-country data, this paper investigates the impact of associational memberships on generalized trust and economic performance, finding little support for Olson's view of the impact of groups, and only mixed support for the Putnam perspective.

1. Background

In two classic works in social science, Olson (1982) and Putnam (1993) provide sharply conflicting perspectives on the impact of private associations on economic well-being and social conflict. Using cross-country data, this paper investigates the impact of associational memberships on generalized trust and economic performance, finding little support for Olson's view of the impact of groups, and only mixed support for the Putnam perspective.

Olson (1982) emphasized the propensity of associations to act as special interest groups that lobby for preferential policies, imposing disproportionate costs on the rest of society. He argued that organizations representing the interests of large groups of persons such as consumers and taxpayers will not emerge, but that organizations representing the interests of smaller groups will often succeed eventually in overcoming difficulties of collective action. These "distributional coalitions" gradually accumulate over time in societies that experience no dramatic disruptions, with adverse consequences for

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economic performance. Labor unions, professional associations, trade associations and other groups lobby government for tariffs, tax breaks, subsidies, or competition-inhibiting regulation that benefit them but at a large cost to society as a whole. These groups have an incentive to lobby for such socially inefficient policies, because each of them is too small to bear more than a small fraction of the social losses associated with such inefficient policies. They often succeed, because the costs (even if collectively very high) tend to be dispersed among tens of millions of consumers or taxpayers who are rationally ignorant (Downs, 1957: Ch. 11–12) about the impact of any one of these inefficient policies on prices or tax rates.¹ The accumulation of special interest laws and regulations reduces investment levels, and distorts the allocation of investment, labor and other resources and slows rates of innovation, reducing growth (Olson, 1982: 61–65).

Putnam (1993) viewed memberships in horizontal associations much more favorably, as a source of generalized trust and social ties conducive to governmental efficiency and economic performance. Associations “instill in their members habits of cooperation, solidarity, and public-spiritedness” and participation in civic organizations creates “a sense of shared responsibility for collective endeavors” (Putnam, 1993: 89–90). Analyzing data across the Italian regions, Putnam (1993) attributes the more effective governments and better economic performance of northern regions largely to their richer associational life. Putnam (1993: 176, 229) is unconvinced by Olson’s (1982) theory, arguing that it is contradicted by evidence from Italy, where “networks of civic engagement have fostered economic growth, not inhibited it.”

The Olson and Putnam perspectives may be somewhat compatible, if applied to different sets of groups. Groups such as trade associations and labor unions may act as distributional coalitions with harmful impacts on social trust and economic performance, but groups that engage in little or no redistributive lobbying – for example, groups involved in youth work or cultural activities – may tend to build trust and cooperative habits. Nevertheless, reconciling the two perspectives via this distinction is somewhat too convenient. The unions and professional and trade groups most discussed by Olson are horizontal associations with positive spillovers on non-members in Putnam’s view. Active industrial associations and other horizontal networks among small firms, their owners, and their workers in the highly-productive small-scale industrial districts of north-central Italy “facilitate flows of information about technological developments, about the creditworthiness of would-be entrepreneurs, about the reliability of individual workers, and so on” (Putnam, 1993: 161). Putnam (2000: 324) similarly attributes the success of California’s Silicon Valley largely to its horizontal networks of informal and formal cooperation among firms: “Although nominally competitors, these

companies' leaders shared information, problem-solving techniques, and, perhaps just as important, beers after work." Olson might generally view groups such as sports clubs and chorale societies as innocuous, but not if the memberships of individual groups coincided with memberships of unions or other producer groups. Social ties strengthened by interaction in sports clubs could form the basis of social sanctions that help enforce strikes and other collusive agreements (Olson, 1965).

Obviously these two basic perspectives on the impact of associations are overly simplified. In later work, Putnam (e.g., 2000: 22) is more careful to note that some social networks facilitating cooperation among their members can have detrimental effects for the wider community. Long ago, Adam Smith noted in *The Wealth of Nations* the potential for social interactions within horizontal associations to produce negative spillovers: when "people of the same trade" meet "even for merriment and diversion" the result is often "a conspiracy against the public" or "some contrivance to raise prices." The impact of group memberships (and other social ties) likely varies with groups' goals and activities, and with the diversity and inclusiveness of their memberships (Stolle and Rochon, 1998; Knack, 2002). Groups segregated by class, occupation, or ethnicity may build cooperation and trust only among group members, perhaps even encouraging distrust between members and nonmembers. In Weimar Germany, civil society organizations were organized along existing cleavages, and "socialists, Catholics, and bourgeois Protestants each joined their own choral societies and bird-watching clubs" (Berman, 1997: 425). Under those circumstances, active associational life worked to reinforce rather than overcome narrow particularistic interests.

Olson's perspective on group memberships must be similarly qualified, for several reasons. First, groups that are sufficiently "encompassing" are not expected to lobby for special-interested favors, because they (by definition) would suffer more from the resulting declines in national income than they would benefit from the wealth transfer (Olson, 1982: 47–53). Second, when inefficiencies associated with special interest lobbying become very large and widely recognized, resistance to reform may be overcome (Olson, 1982: 236–237). Finally, Olson's predictions on growth and groups overlook the fact that professional and trade associations do more than lobby for legal barriers to entry and tax breaks. They may have positive effects on economic performance by establishing ethical codes and standards that build wide-radius trust (Bergsten 1985), or by reducing transactions costs, e.g., by spreading information about the identity of cheaters (Bernstein 1992).

Empirical tests of Olson's (1982) theory have employed several different approaches. Olson (1982, Ch. 4) finds that growth is slower in states with high rates of union membership and in older states (using time since statehood as

a proxy for the accumulation of distributional coalitions); growth is faster in the former Confederate states (in which the structure of interest groups was likely disrupted by defeat and occupation). In contrast, Jennings and Haist (2000) find that growth between 1980–90 was faster in states where more groups were registered to lobby in 1980.

In cross-country tests, Choi (1983) reports that older, more stable nations grew more slowly over the 1950–73 period, but does not control for initial levels of development. Using cross-country data on number of economic interest groups from Murrell (1984), Coates and Heckelman (2002) find that interest groups are associated with lower investment in OECD but not in non-OECD nations. Previously, Heckelman (2000) had found using the Murrell data that interest groups were associated with slower growth over the 1970–80 period, particularly when countries experiencing coups during the decade were excluded.

Household-level and village-level studies have concluded that greater involvement in associational life increases income and wealth (e.g., Narayan and Pritchett, 1999). Putnam (1993) shows that civic involvement (measured for the early 1900s) helps explain differences in socioeconomic development across the Italian regions prevailing in the 1970s. Knack and Keefer (1997) present cross-country evidence that group memberships – aggregated from World Values Survey (WVS) data – have no relationship to growth in per capita income over the 1980–92 period. Group memberships have a marginally significant and negative effect on investment's share of GDP, consistent with Olson's theory. However, when groups are disaggregated by type, it is memberships in the more social Putnam-type groups, rather than professional associations and unions, that are significantly related to (lower) investment rates.

Numerous studies have investigated the effects of group memberships on interpersonal trust. Using General Social Survey data, Brehm and Rahn (1997) find membership in groups and generalized trust are strongly related, with causation running in both directions. Using survey data for the U.S., Sweden and Germany, Stolle and Rochon (1998) conclude that membership in all types of associations is conducive to generalized trust, but they do not correct for potential reverse causation. Using data from the Michigan Socialization Studies, Claibourn and Martin (2000) find lagged trust levels are unrelated to contemporaneous group memberships, and that lagged memberships are only weakly related to contemporaneous levels of trust. All of these studies are conducted at the individual-level, however, and do not capture any external effects – whether positive or negative – of group memberships on non-members. Cross-country analyses by Knack and Keefer (1997), designed to capture external as well as “internal” effects, find no relationship

between group memberships and trust, controlling for per capita income and education rates. Surprisingly, when groups are disaggregated by type, trust is positively (and marginally significantly) related to memberships in the Olson-type interest groups, but not to memberships in groups more identified with Putnam.

Using cross-country survey data (WVS), this paper tests empirically the impact of group memberships on generalized trust and on economic performance, updating and elaborating on the preliminary tests reported in Knack and Keefer (1997). This study improves on Knack and Keefer (1997) in several ways. Country coverage is expanded substantially by using updated data. Economic performance is measured over the 1980–99 period, while the earlier study covered only the shorter 1980–92 period. Greater care is taken in this study to adjust for differences in measurement across survey waves that potentially affect membership rates. Finally, this study investigates the robustness of findings to various changes in specification and sample which are suggested by some interpretations of Olson's or Putnam's theories.

2. Data on associational activity

Data on memberships in associations are aggregated to the country level from individual-level survey data, collected as part of the World Values Surveys (WVS), conducted in several dozen countries. Several survey "waves" have been conducted, in 1981, 1990–91 and 1995–96, although some countries are included in only one or two waves. The number of respondents in each survey ranges from several hundred to several thousand. Respondents were asked whether they belonged to each of the following types of civic organizations. Where noted, the type of organization was included in only some of the survey waves (1, 2, and/or 3).

- a) professional associations
- b) trade unions
- c) political parties or groups
- d) education, arts, music or cultural activities
- e) local community action on issues like poverty, employment, housing, racial equality (1, 2)
- f) youth work, e.g. scouts, guides, youth clubs, etc. (1, 2)
- g) sports or recreation associations (2, 3)
- h) third world development or human rights (1, 2)
- i) conservation, the environment, ecology
- j) social welfare services for elderly, handicapped or deprived people (1, 2)

- k) religious or church organizations
- l) women's groups (2)
- m) peace movement (2)
- n) animal rights (2)
- o) voluntary organizations concerned with health (2)
- p) charitable organizations (3)

Measures of the density of associational activity are calculated as the (weighted) mean number of group types cited per respondent in each country. Empirical tests reported below include only one observation per country, although many countries have been included in multiple survey waves. This decision is made in part because the Olson and Putnam hypotheses apply to medium- and long-term economic performance rather than to short-term fluctuations in economic activity, and in part because variation over time within a country in the WVS data likely reflects primarily sampling error, rather than actual changes. A typical sample size in the WVS is about 1000 persons, with the usual plus-or-minus 3 percentage point error margin for 95-percent confidence intervals for dichotomous variables. "Real" changes over time are likely to be small, particularly over the short 5-year interval separating the last two waves. Although the first-wave surveys were conducted 10 years prior to the second wave, that wave consists primarily of wealthy nations, where the number of group memberships is likely to be fairly stable over time. Therefore, country-level estimates constructed from all available surveys likely produce more accurate estimates.

In averaging over the three survey waves, values were standardized to adjust for differences across survey waves in the number of groups listed in the survey, in the definitions of groups, and in the definition of group membership. The list of group types contained in the second wave was longer than in the other waves, with the predictable effect of producing a larger number of total memberships – although perhaps also tending to produce fewer memberships for a given category. The first two survey waves inquired about membership in "political parties or groups" while the third wave asked more narrowly about "political parties." Finally, while the first two waves asked whether respondents "belong to" each group, the third wave asked instead if they were an "active member," "inactive member," or "not a member." The "active member" variable tends to produce fewer memberships in a given category than the "belong to" variable, while adding up active and inactive memberships produces larger values. Because in some countries the "inactive member" option was unfortunately chosen to indicate non-memberships, only the active member variable is used here.

To improve comparability across waves, therefore, values for the 1981 and 1995 waves were “deflated” using the 1990 data. For the 19 countries represented in the 1981 and 1990 waves, the mean number of group memberships was 1.37 in 1990 and .80 in 1981. Each country’s value for 1981 was therefore multiplied by $1.37/.8$, producing an adjusted mean for 1981 equal to the 1990 mean. For the (different set of) 19 countries represented in both the 1990 and 1995 waves, mean memberships were 1.13 in 1990 and .7 in 1995, so the 1995 values were multiplied by $1.13/.7$. An overall average for each country was then computed using these adjusted values. Without adjusting in this way, memberships for a country appearing only in the third survey wave (for example) would be underestimated relative to a country appearing only in the second wave, when the questionnaire design tended to produce much larger values.

In addition to the indicator of total group memberships, indicators of membership in “Olson groups” and “Putnam groups” were constructed. Olson groups were defined to include memberships in categories a, b, and c in the above list, while Putnam groups were defined to include categories d, e, f, and g.² Values for Olson and Putnam memberships were adjusted across the three survey waves using a process analogous to that described above for total memberships. Values for total memberships average 1.26, ranging from 0.42 for Romania to 2.67 for Iceland. Olson memberships average 0.41, with a low of .14 (Portugal) and a high of .95 (Dominican Republic). Putnam memberships average 0.43, with a minimum value of .08 (Romania) and a maximum of 0.93 (Iceland). The U.S. ranks high on total (2.64), Olson (0.72) and Putnam (0.83) memberships.³

3. Group memberships and economic performance

Table 1 reports results of standard cross-country investment and growth regressions, in which the WVS group membership variables are included as regressors. Growth is the average annual increase in per capita income (purchasing power parity adjusted) from 1980 to 1998. Investment is gross fixed capital formation as a share of GDP, averaged over 1980–98. Data are from the World Bank’s World Development Indicators (WDI). Regressors include initial per capita income, mean years of schooling completed for the over 25-population, averaged over 1980, 1985, 1990, and 1995 (Barro and Lee, 1993), a property rights index constructed from International Country Risk Guide data averaged over 1982–97 (Knack and Keefer, 1995), and the log of inflation (averaged over 1980–98; data from WDI).

Despite a sample of only 38 countries – constrained mostly by availability of the WVS data – results for the control variables are generally similar to

Table 1. Group memberships and economic performance

Equation	1	2	3	4
Dep. variable	Growth 1980–98		Investment 1980–99	
Constant	–0.686 (1.657)	–0.600 (1.682)	20.852 (4.289)	18.747 (4.058)
GDP per capita, 1980 (000s)	–0.332** (0.104)	–0.347** (0.103)	–0.619* (0.276)	–0.618* (0.289)
Schooling attainment, 1980	–0.008 (0.156)	–0.008 (0.157)	0.802* (0.353)	0.878* (0.349)
Property rights (mean, 1982–97)	0.186** (0.056)	0.182** (0.055)	0.156 (0.158)	0.187 (0.155)
Log of inflation mean, 1980–98	–0.556* (0.216)	–0.544* (0.209)	–0.499 (0.448)	–0.468 (0.455)
Group memberships	0.179 (0.303)		–1.565# (0.811)	
Olson memberships		–0.637 (1.283)		3.117 (3.352)
Putnam memberships		1.649 (1.502)		–6.941# (3.890)
R ²	.54	.55	.35	.36
SEE	1.35	1.35	3.7	3.7
Mean, D.V.	1.17	1.17	22.5	22.5

Notes. N = 38. Standard errors are corrected for potential heteroskedasticity. A #, * or ** respectively indicates significance at .10, .05 or .01 for 2-tailed tests.

results produced in much larger samples. “Conditional convergence” holds, as poorer countries attract more investment and grow more rapidly, controlling for property rights, schooling attainment, etc.

Group memberships is not a significant determinant of growth in equation 1. A possible explanation for this result is that the harmful effects of groups as rent-seeking organizations theorized by Olson (1982) are roughly offset by the positive effects posited by Putnam (1993). Equation 2 investigates this possibility by substituting the Olson and Putnam group measures for total memberships. Each coefficient has the “correct” sign, with Olson and Putnam groups respectively associated with lower and higher growth, but neither coefficient is significant.

Total group memberships are significantly (.10 level) associated with lower rates of investment in equation 3, consistent with the Olson hypothesis. When groups are disaggregated in equation 4, however, a counterintuitive finding emerges: the coefficient on Olson groups is positive (although insignificant), and that for Putnam groups is negative (and marginally significant).

Table 2 examines how the results for the group memberships variables change when the sample and specification vary from those used in Table 1. Each cell (or pair of cells, where Olson and Putnam groups are used instead of total memberships) in Table 2 corresponds to a separate regression, but only the coefficients and standard errors for the groups variables are reported.

The top panel deletes the three ex-Soviet bloc nations in the sample, Bulgaria, Hungary, and Romania, which may be atypical cases, as economic performance was affected by the transition to market economies, and memberships as measured in the early 1990s still reflects suppression of civic organizations that might have competed with the Communist Party.⁴ Results change little from Table 1, although the two marginally-significant coefficients from that table are no longer significant. The second panel of Table 2 retains all 38 countries from Table 1, but omits the ICRG index and log of inflation as regressors. Because Olson's thesis is that associations damage economic performance largely through their impact on policy, any negative impacts of redistributive coalitions may be captured by policy variables in the regression. By this reasoning, when the policy variables are omitted, the coefficient on Olson memberships should become more negative (i.e. larger in absolute value). However, the Olson coefficient remains insignificant, and the major change relative to Table 1 is that Putnam memberships are now significantly and positively related to growth, consistent with Putnam's thesis about how associations generate positive externalities for non-members. This result is driven primarily by the change in sample, as dropping the ICRG index from the model allows (slow-growing) Estonia and Latvia to enter the sample. Holding the sample constant, the Putnam groups coefficient rises from 1.65 in Table 1 to 2.84, but remains insignificant when the policy variables are excluded. The Olson coefficient rises in absolute value from -0.64 in Table 1 to -2.35 , but rises only to -1.16 when the sample is held constant.

The fourth panel measures group memberships using only the first two survey waves, to reduce the possibility of reverse causation from economic performance to associational activity.⁵ The bottom panel measures memberships using only the first survey wave, i.e. data collected at the outset of the 1980–99 period for which economic performance is measured. In comparing these results, one must keep in mind that country coverage diminishes to 28 nations when the first two waves of data are used, and to 20 nations when only the first wave is used. Results in these tests are particularly counterintuitive

Table 2. Group memberships and economic performance alternative samples and specifications

	Growth 1980–98	Investment 1980–99	
Ex-Communist nations (Bulgaria, Hungary, Romania) deleted (N = 35)			
Group memberships	0.086 (0.287)	-1.068 (0.817)	
Olson memberships		-0.485 (1.218)	1.843 (3.252)
Putnam memberships		0.956 (1.556)	-5.147 (3.919)
ICRG Index, inflation omitted (N=40; Estonia, Latvia enter sample)			
Group memberships	0.416 (0.332)	-1.563* (0.775)	
Olson memberships		-2.348 (1.533)	3.269 (3.078)
Putnam memberships		4.186* (1.960)	-6.652# (3.468)
Memberships from 1981 and 1990 only (N = 28)			
Group memberships	0.647 (0.567)	-0.667 (1.575)	
Olson memberships		1.218 (1.915)	10.456* (4.228)
Putnam memberships		1.420 (1.984)	-7.322# (3.873)
Memberships from 1981 only (N = 20)			
Group memberships	0.451 (0.835)	-2.013 (2.385)	
Olson memberships		2.065 (2.059)	11.739# (6.473)
Putnam memberships		-0.366 (3.382)	-16.425# (7.934)

Notes. Shown are coefficients and standard errors for groups variables only, from regressions similar to those in Table 1. Standard errors are corrected for potential heteroskedasticity. A #, * or ** respectively indicates significance at .10, .05 or .01 for 2-tailed tests.

from the Olson (1982) and Putnam (1993) perspectives: the Olson coefficients are significant and positive in the investment regressions, while the Putnam coefficients are significant and negative.

Results from several other tests are not included in tables for space reasons. First, results change little when Sweden and Norway – identified by Olson (1982: 90) as nations having interest groups that are unusually encompassing – are dropped from the sample. Second, distributional coalitions may do less damage where legal and political institutions are more transparent and effective and do not encourage rent-seeking behavior. Accordingly, the group memberships variables were interacted with the ICRG property rights index. These interactions were not significant, however, providing no evidence that Olson groups are more damaging to economic performance where government institutions fail to protect property rights and enforce contracts. Finally, Olson's theory was originally formulated with the developed democracies in mind (Olson, 1982: Ch. 4), and may be less applicable to poorer societies. However, the group membership variables are not significant when interacted with an OECD dummy; neither are any of them significant in OECD-only regressions.

4. Group memberships and trust

Table 3 reports results for trust regressions. Trust values for each country are calculated as the percentage of respondents who agree with the statement that “most people can be trusted” rather than with the alternative that “you can't be too careful in dealing with people.” Values were averaged for 1990 and 1995 where data from both waves are available. Data for 1981 are not included, to reduce possible reverse causation from trust to group membership. Values average 32.5%, ranging from a low of 5.1% (Brazil) to 65.3% (Norway).

Coefficients for the control variables per capita income, schooling attainment, and ethnic homogeneity are positively but not significantly related to trust, while income inequality is strongly associated with lower trust levels.

Group memberships are positively and significantly related to trust, consistent with Putnam's view of horizontal associations. Each additional group is associated, on average, with an increase of 12 percentage points in trust. Disaggregating groups by type, Putnam memberships have a particularly strong connection to trust levels. The coefficient on Olson groups is only one third as large, and not statistically significant.⁶ This difference in coefficients might reflect in part reverse causation, if trust is more likely to affect membership in Putnam than in Olson groups. The selective incentives for membership in unions and professional associations may be primarily economic or non-social in nature, so a low-trust individual may be as likely to

Table 3. Group memberships and trust

Equation	1	2
Dep. variable	Trust 1990–95	
Constant	28.109 (17.924)	27.057 (19.588)
GDP per capita, 1980 (000s)	0.445 (0.417)	0.257 (0.479)
Schooling attainment, attainment, 1980	0.268 (1.227)	0.232 (1.314)
Ethnic homogeneity	0.164 (0.126)	0.165 (0.129)
Gini income inequality 1985–95	–0.858** (0.277)	–0.841* (0.267)
Group memberships	12.064** (2.970)	
Olson memberships		10.351 (8.708)
Putnam memberships memberships		32.815** (11.550)
R ²	.62	.65
Mean, D.V.	32.5	32.5

Notes. N = 39. Standard errors are corrected for potential heteroskedasticity. A #, * or ** respectively indicates significance at .10, .05 or .01 for 2-tailed tests.

join as a high-trust individual. For groups where the benefits of membership are primarily social, low-trust individuals may refrain from joining. On the other hand, the trust variable reflects generalized trust, and individuals with low generalized trust may nevertheless trust and participate in groups with people they already know well, or who are similar with respect to occupation, age, gender, ethnicity, etc.

5. Discussion

This study tests the relationship of group memberships to generalized trust and economic performance, in the framework of two conflicting views identified with Olson (1982) and Putnam (1993). Findings provide little support

for Olson's (1982) view of groups as distributional coalitions with harmful effects on economic performance. There is some support for Putnam's view that civic engagement has positive spillovers on generalized trust, but less evidence of favorable effects on economic performance.

The weak relationship between total group memberships and economic performance across countries suggests initially that positive externalities generated by "Putnam groups" roughly counterbalance negative externalities generated by "Olson groups." However, disaggregating by group categories produces little support for this idea. The absence of any strong pattern whereby Olson groups have harmful effects and Putnam groups have beneficial effects may be attributable to the multiple functions of associations within either of these broad categories, with some inflicting negative and others producing positive externalities for non-members.

These tests of course do not provide a full and fair test of Olson's theory. A complete test would require testing three separate links in his argument: (1) special-interest organizations accumulate over time in stable societies with unchanged boundaries, (2) greater density of such organizations increases redistributive lobbying, producing more inefficient regulatory and economic policy, and (3) policies resulting from redistributive lobbying slow growth. The analyses in this paper do not investigate the first link, and collapse the second and third links together, directly testing the impact of groups on growth. Moreover, the density of group memberships variables used here is only one possible measure of special-interest organizations – although one that is consistent with Olson's own work using union memberships. "Encompassingness" of groups is not measured. The categories of groups in the WVS questionnaires are overly broad, making it difficult to distinguish confidently rent-seeking from purely social groups, and the depth of commitment to groups is unmeasured.

However, it is also possible that results of this analysis reflect a more complex reality about the impact of interest groups than depicted by Olson. Informational flows facilitated by unions and professional and trade associations may often reduce transactions costs in socially efficient ways. Similarly, ethical standards established and enforced by professional associations are likely to be efficiency-enhancing in general. Moreover, producer interests in developed nations in recent years have had at best only modest success in restricting trade and immigration. Nevertheless, Olson's insights that there will be some tendency toward accumulation of interest groups in stable societies, that these groups will rarely have "encompassing" interests, and that many of them will lobby actively for socially-inefficient policies, are now part of conventional wisdom. One of Olson's goals in *The Rise and Decline of Nations* was to limit the losses from special interests by increas-

ing awareness of these processes, and he deserves some credit for partially achieving this goal.

Notes

1. "Special-interest groups best serve their interests by pushing for measures that are easily misunderstood or unlikely to be widely noticed." Rationally-ignorant voters "can be persuaded by superficially plausible arguments that a given policy is in the interest of ... society as a whole, when it really only serves some special interest" (Olson, 2000: 94–95). Some special interests limit the social losses caused by others, for example when auto manufacturers lobby against tariffs favored by the steel industry, but Olson (1982: 46–47) argues such cases are relatively rare.
2. Even Putnam groups sometimes lobby policymakers, but with relatively few economic implications. In some countries, political parties may be relatively encompassing; however, results reported below differ little if party memberships are omitted from the Olson groups category.
3. Data tables and summary statistics can be obtained from the author at sknack@worldbank.org
4. Although Olson extended his theory of "institutional sclerosis" to Soviet-type economies (see Murrell and Olson, 1991), the distributional coalitions in those societies did not take the form of unions or professional associations.
5. Reverse causation could bias coefficients either upward or downward. Rapid growth can disrupt social structures (Olson, 1963), either reducing associational activity or increasing it as a substitute for weakened family ties. Growth might increase leisure time which could be devoted in part to associational life, or it might reflect a hard-working population that takes little leisure. Growth could also increase memberships in unions or professional associations.
6. Although Olson, unlike Putnam, never explicitly hypothesized a link between groups and trust, he argued that special-interest group lobbying could generate resentment and make political life more divisive (Olson, 1982: 47).

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