

CORE DISCUSSION PAPER
2001/2

LOBBYING IN PUBLIC DECISION MAKING

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January 2001

Abstract

The lobbying process is modelled as an auction with externalities in which lobbies bid to get implemented their most-preferred policy. Furthermore, the government may influence the lobbying process itself by biasing the auction among organized interests. We identify the following trade-off: competition yields a higher transfer to the government, but the outcome of the game tends to be less efficient than what it is when lobbies negotiate. We extend and illustrate the model by means of a public good game involving several regions. Lobbying by regions may yield a quantity of public good that may vastly differ from that chosen by a majority of regions. This is so when the regions with the highest financing shares lie at the extremes of the distribution.

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We should like to thank E. Cantillon, A. Lambert and M. Le Breton for stimulating discussions.

This paper presents research results of the Belgian Program on Interuniversity Poles of Attraction initiated by the Belgian State, Prime Minister's Office, Science Policy Programming. The scientific responsibility is assumed by the authors.