

Perspectives On Collective Action Organizations

by

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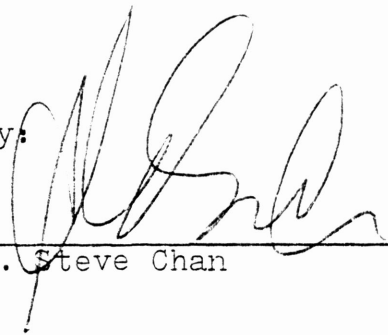
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Abstract

In this study four theoretical perspectives are used to develop seven sets of testable hypotheses about the behavior of collective action organizations. These four perspectives are: (1) Coalition theory, (2) Alliance theory, (3) Collective goods theory, and (4) Cartel theory. The two collective action organizations that the hypotheses derived from this theory will be applied to are OPEC and NATO. Through this method a number of principles were developed about the behavior of collective action organizations.

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Dedication

To Mom and Dad —

— who are always there
when I need them.

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Introduction

Government officials engage in collective action because they perceive it as being in their interest to do so. Through joint action, states seek to accomplish goals that might otherwise be unattainable through unilateral effort. Although collective action can be undertaken in the absence of a formal organizational structure, such a structure is often necessary to effectively and efficiently promote the goals of the states pursuing collective action. Membership in such an organization does not necessarily imply that each state is seeking an identical set of goals. Often, their goals can be quite divergent and sometimes this divergency can set the members in conflict. But as long as the perceived benefits of joining and staying in such an organization exceed the costs, the decision-makers of a state will elect to stay in the organization.

The purpose of this paper is to increase our understanding of collective action organizations. Specifically, we wish to study and discuss those factors that have a substantial impact on the formation, cohesion, and durability of collective action organizations.

The formation of a collective action organization is the result of a conscious decision by the leaders of the various member states to create such an organization. It reflects their judgement

of important environmental pressures such as foreign threats or opportunities.¹ These leaders must also determine the structure for such an organization. The type of structure or organizational framework that is chosen often has a decisive impact on the degree of success that a collective action organization enjoys.

Once a collective action organization is established, it is anyone's guess as to how long it will survive. Over the course of history, there have been organizations that remained strong and viable for decades and even centuries, while others have survived for only a few years.² Why this difference? The key to answering this question is understanding the concept of cohesion and the factors that have an impact upon it. Cohesion is defined as the degree of cooperation that an organization possesses.³ Cohesive organizations usually have high levels of stability. As organizations mature, there is a great need for increased coordination so that the organization will be able to seize new opportunities and overcome new threats.⁴ By studying those factors that have an impact on the cohesion of an organization, we should be able to determine what the key ingredients for a strong and effective collective action organization are.

Naturally, the durability of a collective organization is very much affected by

the cohesion of its members. If a collective action organization is not adaptable, if it is unable to cope with new challenges, if it does not enjoy a unity of purpose among its members, it will be subject to increasing strain and will eventually undergo a decline. Both internal and external pressures acting upon the organization can disrupt its normal operations.⁵ By examining what these pressures are, perhaps we will be able to offer some clues for avoiding them— or at the very least, for coping with them. In short, this paper is an attempt at enhancing our understanding of those factors affecting the formation, cohesion, and durability of collective action organizations.

Two Collective Action Organizations

In order to study collective action organizations, and in order to examine the series of hypotheses that follow in the next section of this paper— we first must choose a few "real-life" examples of collective action organizations upon which we can test our hypotheses and propositions. In determining which of the many different types of collective action organizations to choose from, we sought examples from two of the more common and influential types of international organizations: alliances and cartels.

The alliance that we will focus our attentions on is the North Atlantic Treaty Organization (NATO). NATO was chosen over other alliances because it has been remarkably durable and continues to be one of the two most important contemporary military alliances (the other being the Warsaw Pact). NATO is an excellent choice for the simple reason that there is an abundance of information about it to draw on. An additional advantage of using NATO as our case is that this alliance is in itself sufficiently important to deserve analysis and understanding.

The determination of which international cartel to choose was relatively easy because one such organization stands out from all the others as the most important and successful of its type. That organization, of course, is the Organization of Petroleum Exporting Countries (OPEC). Until recently, OPEC has been quite successful in achieving its goals despite the dismal track record of its fellow international cartels.⁶ OPEC is also an ideal choice for our study because it has been in operation for only a few decades and now appears to be in a state of decline — though whether this decline is merely temporary or permanent is the topic of much hot debate.⁷ Through our study, we hope to gain some insight into the factors causing this decline, as well as the prospect for a rejuvenation of OPEC.

An additional reason for choosing NATO and OPEC is that while they are both collective action organizations, there are more dissimilarities than similarities between them. The former deals with the military questions while the latter is basically an economic organization. NATO is concerned with security whereas OPEC is concerned with commodity prices. NATO consists of developed Western states — OPEC is made up of developing Third World states. The two organizations were not chosen for this study in spite of their differences, but rather, because of them. The primary purpose of this paper is to develop and test several hypotheses about the formation, operations, and durability of collective action organizations. Since there are such vast differences between these two organizations, it seems safe to assume that any hypothesis which applies to both of them probably will also apply to most other collective action organizations.

Four Theoretical Perspectives

To facilitate our understanding of collective action organizations, we will employ four theoretical perspectives: (1) collective goods theory, (2) cartel theory, (3) alliance theory, and (4) coalition theory. These four theories provide us with four distinct conceptual "lenses" through which we can see how collective action organizations operate. Each theory makes different assumptions, uses diff-

erent data, and provides different explanations for the behavior of collective action organizations. Each perspective has substantial limitations and strengths. Our purpose is to compare and contrast the pictures that each supply, and in doing so, determine which "lense" offers a more accurate and useful way to study collective action organizations.

The accuracy and validity of each theory is largely dependent upon the type of situation to which it is applied. Each theory is based on certain assumptions that may or may not be true in each situation to which it is applied. By examining the central assumptions of each theory, we should be able to determine each theories likely utility in any particular situation.

In addition, in every collective action organization, there are some factors that have a greater impact on the behavior of the organization than others. By using our four perspectives, we hope to identify those factors that play an important role in the behavior of collective action organizations and also the relative value of each factor.

In order to identify those factors or variables that are important and those which are not; we have used our four perspectives to develop several sets of hypotheses about

the operations of collective action organizations. The logic behind each set of hypotheses comes from our four theoretical perspectives — although in a few cases this connection is rather tenuous. Before looking at these hypotheses however, one must first have at least a cursory understanding about these four perceptual "lenses", and about their respective assumptions.

Collective Goods Theory

Collective goods theory argues that nation-states seek to form collective action organizations when they are unable on their own to purchase or obtain a desired capability in the international marketplace.⁸ The central focus of this theory on the sharing of the costs and benefits among members of a collective action organization, and of how this sharing or allocation might be a source of conflict within this organization. Olson and Zeckhauser were the original formulators of this theory and since their initial study, it has become a widely accepted tool for studying international organizations.⁹

One of the primary assumptions of this theory is rationality. Each actor (nation-state or individual), is expected to act in a rational manner conducive to its best interests.¹⁰ A collective or public good has two

basic qualities: nonexclusiveness and jointness of supply.¹¹ A good is nonexclusive if nonpurchasers cannot feasibly be kept from consuming the good. An example of such a good would be clean air. An individual who does not pay taxes to keep the air clean cannot be feasibly be kept from enjoying the benefits of clean air. The government cannot minimize pollution for only those people who pay taxes; it must minimize it for everyone or no-one. Jointness of supply means that the good is or can be made available to the other members of the organization at little or no marginal cost. Again using the example of air pollution, it is relatively easy to explain this concept. For the government, it is no more expensive to provide clean air for fifty houses than it is to provide it for fifty-one. That last house does not increase the cost of clean air to the government.¹²

The citizen discussed above who refused to pay his taxes is what is known as a free-rider. He receives the benefit of the public good being provided without paying any of the attendant costs.¹³ This theory explains why free-riding occurs and who are the most likely candidates for free-riding. When applying this theory to OPEC and NATO, we need to remember it is the most applicable for organizations that produce pure public goods. It is less applicable in explaining the behavior

of organizations that produce impure public goods or outright private goods.

Collective goods theory is most relevant in systems characterized by a low level of organized or institutionalized coercion.¹⁴ Both OPEC and NATO function by consensus in their decision making processes — neither is characterized by a substantial amount of outright coercion. The public good produced by NATO for its members is deterrence.¹⁵ For OPEC, the "good" produced is a high market price for oil.

The central argument of collective goods theory is that the smaller members of a collective action organization have a tendency of free-riding on the backs of the larger members. In other words, this theory says that the large members of an organization are exploited by the smaller members. Exploited in a sense that they have to pay a disproportionate share of providing the public good that the organization produces.¹⁶ This is because the larger members value each marginal unit of the public good more than the smaller members do. Also, the larger members may have more to lose if an insufficient amount of the public good is produced than the smaller members do. In addition, collective goods theory tells us that collective action organizations will produce suboptimal amounts of public goods. This

means that the amount the good produced is less than that amount which is best for satisfying all members.¹⁷ Mancur Olson tells us that the central insight of the theory is that...

with these goods, unlike others, rational individual behavior normally does not spontaneously lead to rational collective outcome. Only arrangements designed to give individual states an incentive to act in their common interest can bring a collectively sane result.¹⁸

What Olson is basically arguing is that the cohesion of collective action organizations that produce public goods tends to be undercut by the individual self-interest of each member. In other words, Adam Smith's "hidden hand" analogy does not apply to public goods. Because of free-riding on the part of the smaller members of the organization, the cohesion of the organization as a whole is undermined.

This perceptive theory also explains why collective action organizations often have difficulty in performing their assigned functions. This theory tells us that governments have been traditionally unwilling to give international organizations the necessary power to adequately fulfill their functions.¹⁹ For example, potential allies usually decide collectively to form an alliance but individually on how much to pay for it. This leads to disparity of payments referred to earlier because each member of the alliance values

each unit of deterrence produced differently.

Collective goods theory provides us with an excellent explanation of the free-rider concept and how it relates to the behavior of collective action organizations. But it is not the only theory that can enhance our understanding of collective action organizations. Coalition theory can perform perform this task as well.

Coalition Theory

The key assumption of coalition theory, as in collective goods theory is rationality. It is taken for granted that all the players are rational — rational in the sense that they all desire to win or maximize their payoff.²⁰ Since this theory also assumes that power is not all concentrated in the hands of one player, winning necessarily entails not only working with other players, but working with enough of them to be able to defeat any other coalition. The payoffs of victory are considered to be divisible— but only among the victors. Coalition theory assumes that any conflict, both outside or within the organization is a zero-sum conflict. In addition, this theory holds that there must be common agreement among the players as to what the rules of the game are — and also a general consensus to abide by those rules.²¹

Since members of a coalition must work jointly to arrive at a group decision, coalitions inevitably involve mutual adjustment. This adjustment takes the form of bargaining and compromise. William Riker illustrated this process of mutual adjustment by describing the practice of "logrolling" in the United States Congress.²³ The decision-making process described by this theory is very fluid and subject to a great amount of wheeling and dealing among the various players.

The final assumption of this theory is that each player has adequate information: about payoffs, about the other participants, about potential outcomes, and about the necessary requirements for victory.²⁴ Without adequate information the various players will be unable to make rational decisions.

The assumptions of this theory sometimes tend to limit its applicability. These assumptions are for the most part due to the domestic legislative origins of this theory. Obviously, there are a great many differences between the behavior of members of domestic legislatures, and the behavior of nation-states involved in international relations. These differences are crucial in judging the usefulness of this theory and we will examine them closely, but first let us take a look at the central tenet of this very important theory.

The central tenet of this theory is that given the factors described above, there will be a tendency for any coalition that is formed to be as small as possible. In other words, there will be a tendency for only minimum winning coalitions to form. This is a very important concept for our study because it applies not only to collective action organizations themselves, but also to the decision-making groups within these organizations as well. The reason for this tendency is simple; the fewer members there are in the winning coalition or organization, the greater the individual pay-offs for each winner. Coalition theory forcefully argues that decision-making groups within collective action organizations and collective action organizations themselves will have a tendency to be minimum winning coalitions.

Most of the weaknesses of this theory stem from the fact that we are using it to explain governmental behavior in international relations whereas it was developed solely to explain individual behavior in a domestic legislature. The question we had to answer before choosing this theory was whether a theory based on individual behavior in domestic legislative politics would be useful in explaining international relations. Our answer, with certain qualifications, was yes. The main qualification is that when we use this theory we must keep in mind the obvious

differences between the behavior of governments involved in international relations and individuals involved in domestic legislative politics.

First among these differences is the assumption that each player has adequate information. While this is usually the case in a legislature, it is often not the case for a nation-state.²⁵ We live in a world of imperfect and oftentimes fragmentary information. Although we are sure in most cases governments have an adequate amount of information to make rational decisions, we are equally certain that there are occasions when government officials do not have sufficient information. In cases such as these it would appear that the explanatory value of this theory is negligible.

When dealing with governments it is also naive to assume that they all agree to, and will abide by the same rules. Agreement on rules to be abided by in international relations is either fragile or completely lacking in most cases.²⁶ The Italians during World War I had a formal agreement with the Central Powers that they would not intervene on the side of the Allies. Despite this agreement, they showed no hesitation whatsoever in renegeing on this promise when the Allies promised certain territorial concessions after the war. The Allies later showed the same lack of hesitation in breaking their agreement

with the Italians when the war was over.²⁷ We use this illustration only to make the point that nations base their policies on interests — not rules. If the interests of a nation coincide with the rules it is supposed to abide by, then the rules are likely to be followed. But if the rules interfere with the pursuit of interests, then one can be sure that it will not be the interests that are transgressed.

An additional problem from applying a theory developed for legislative politics to international relations is the assumption that all organizational members are equal — that each member has the same amount of influence in the decision-making process. In collective action organizations, this is more likely to be the exception rather than the rule.²⁸ It is foolish to assume that in an alliance like NATO, Spain has the same amount of influence that the United States has. In a legislature there is a formally defined decision-making mechanism, each member has one vote. But in the world of international relations, the relative influence of each state can and often does vary vastly.²⁹ Finally, this theory assumes that given adequate information, divisible payoffs, and zero-sum conflict within the organization that a minimum winning coalition will be formed. This may well be the case in some collective action organizations, but at least in the case of alliances it seems not to hold true. This is because alliances have a tendency

to expand beyond what is believed to be the minimum size necessary to win. This is because alliances want to be absolutely sure of victory; they wish to leave nothing to chance. Despite the limitations of this theory, our knowledge and understanding of collective action organizations should be enhanced through the use of this theoretical framework that so neatly encapsulates the decision-making process of collective action organizations — coalition building.

Alliance Theory

Alliance theory is the third perspective that we will use to study collective action organizations. This theory was chosen not only because it provides a superior explanation of the motivations for joining alliances, but also because it provides us with a keen insight into the factors that make up the cohesion of collective action organizations.

An alliance is a security arrangement created by a formal treaty obligating the parties to render aid when a third party attacks any one of the other parties to the treaty.³⁰ According to alliance theory, alliances strive to maximize their size.³¹ This is in direct contrast, the reader will recall — to coalition theory which states that all organizations and decision-making groups strive to be minimum winning coalitions.

An alliance by definition produces only public goods.³² The public goods that an alliance produces are deterrence and, if necessary, defense.³³

Ole Holsti tells us that alliances are matters of expediency. Nations join forces in order to aggregate sufficient capabilities to achieve certain foreign policy goals. External threat plays the key role in alliance theory. Changes in the degree of threat can raise or lower alliance solidarity. External threat also plays an important role in the formation of alliances. Charles Osgood tells us that alliances, although ostensibly or actually directed against an external threat, may additionally or even primarily be intended to restrain a member, limit its options, support its government against an internal threat, or control its foreign policy in some fashion.³⁴ The most obvious example of this phenomenon is the Warsaw Pact, but it also applies to NATO as well because although NATO's primary purpose is to protect Western Europe from the Soviet Union, American leaders are not unmindful of the fact that NATO is a restraining influence on Germany as well. These internal considerations become more and more important as the perception of threat to an alliance decreases.³⁵

Osgood has postulated that there are four basic factors that affect the creation, cont-

inuation, or decline of alliances.³⁶ The first and probably the most important of these factors is the pattern of conflicting and converging interests. The most prevalent type of converging interest is a common enemy. Nations that have traditionally had mutually hostile perceptions of one another often find that when faced with a common enemy, they can form cohesive alliances. The alliance between the United States and the Soviet Union during World War II can be understood in this light. Neither nation had much use for the other but both considered it absolutely vital that Germany be defeated so they both worked together to accomplish this mutual goal. When their common enemy was destroyed, the bond that had held the alliance together was destroyed as well.

Another factor affecting the cohesion of alliances is the global balance of power.³⁷ Nations join alliances to enhance their strategic position vis a vis the rest of the world — not to detract from it. Calculations on the global balance of power always enter into a government's decision making processes about whether to join or stay in an alliance. In a later section of this paper we will examine several hypotheses on the affect that the global balance of power has on collective action organizations.

The third factor entering into a nation's state's calculations about whether or not to join an

alliance is the perception of what Osgood calls "alliance capability". Alliance capability is made up of such things as internal stability, executive authority, economic strength, military strength, and a stable and predictable foreign policy.³⁹ Nations desire alliance partners that they can count upon in a crisis. They do not want partners that fall apart at the first sign of trouble.

The final factor that has an important impact on a government's decision about whether to join an alliance or not is called "alliance mindedness".⁴⁰ Some nations are more predisposed to join alliances than others. During the first century of its existence the United States had what can only be called a phobia about joining alliances. This phobia had its roots in our geopolitical situation at that time and also to a certain extent the "teachings" of our culture. It has only been in the last forty years or so that the United States has become an alliance minded nation. Other nations today still retain a phobia about alliances. A great many third-world nations take the attitude that the less they have to do with the conflict between the superpowers, the better. These nations have often been referred to as the nonaligned nations. Through the use of alliance theory we should be able to determine what factors affect the "alliance mindedness" of a nation.

Alliance theory should enhance our understanding of NATO's behavior. This theory will only be indirectly applicable to OPEC because OPEC is clearly not an alliance. Even so, some of the observations of this theory should have important implications for OPEC. Among these implications is the question as to what makes up the "cartel mindedness" of OPEC. By using this theory in conjunction with cartel theory we hope to gain a better insight into the behavior of collective action organizations.

Cartel Theory

Cartel theory is the final perspective which we will use to study collective action organizations. A cartel is a formal arrangement among the suppliers of a good regarding pricing and/or market sharing.⁴¹ An international cartel is made up of nations rather than firms. The primary task of any cartel is to set the market price for its product. At times, in order to maintain this price it is necessary to set market quotas or to divide the market up into shares.⁴² The strength of a cartel depends on a number of things but among the most important are: the percentage of the market controlled by the cartel, the differences in the product among the various members of the cartel, demand elasticity, product substitutability, and the barriers faced by other potential producers in entering the market.⁴³

Cartel theory tells us that each producing unit in the cartel will maximize insofar as possible the present financial value of its activity.⁴⁴ Cartels often seek to prevent new producers from entering the market. Every member of the cartel has an interest in preserving the cartel, but this interest clashes with the individual interest of each to maximize current profits. In every cartel there is an inherent conflict between the individual interest of each member and the collective interest of the cartel as a whole.⁴⁴ The degree of this conflict ultimately determines the stability of the cartel.

The conflict between these two interests often leads to what has been called the "cheating problem" of cartels.⁴⁵ Each member of a cartel has an incentive to cheat by selling more than its allotted share of the market. Like the "free riders" of collective goods theory, these members wish to receive the benefits of being in the organization without paying any of the attendant costs. If too many members cheat on the cartel the market will be flooded with the cartel's product and the cartel's price will collapse. Because of the many strong incentives to cheat (such as a need for cash or slow demand), many cartels have been torn apart after short and stormy histories.⁴⁶

In order for a cartel to be created and to

prosper certain market conditions must be present. First, the market should only have a few number of sellers. The fewer sellers there are, the less cartel partners there will have to be. Also, there should be some agreement on market sharing arrangements. Without such agreement, the "cheating problem" discussed above would probably undermine the cartel. There also needs to be similar perception of demand by the various members of the cartel. If the members cannot agree on what the demand is they are hardly going to come to an agreement on how to meet it. Costs should be the same as well. If they are not, disputes will break out as to who is benefiting most from the cartel's pricing arrangements. Ideally, the buyers of the cartel product should be divided and unorganized. Such division will make it easier for the cartel to successfully impose its demands. Finally, rates of discounting future profits should be the same. This will lessen conflict within the cartel as to what the present market price should be. All of the characteristics described above are what is ideal for the cohesion and strength of a cartel.⁴⁷ As one can see, cartels are at their strongest when the forces of the market system are in their favor. In fact, one author has astutely commented that "cartels are most feasible where they are least needed."⁴⁸

Cartel theory provides an excellent explana-

tion for the behavior of cartels. It was developed to study domestic and multi-national cartels. It is supposed to explain the behavior of firms, not nations. We need to keep this in mind because it points out one of the drawbacks of using cartel theory as we are. Firms usually have but one simple task and that is to maximize profits. Nations, on the other hand, have more complex and varied goals than just simple profit maximization.⁴⁹ As long as we keep this drawback in mind, cartel theory should be an excellent tool which we can use to understand the dynamics of OPEC.

Throughout much of the 1970's OPEC was very fortunate because the international oil market was characterized by many of the conditions that favor cartels. There were a limited number of nations producing significant amounts of petroleum, there was really no need to establish market shares because demand was high and increasing, risk was negligible, and demand was for the most part relatively inelastic.⁵⁰ The 1970's were the best of times for OPEC because it could set the market price for petroleum without imposing market quotas on its members. In other words, the members of OPEC received great benefits from being part of the cartel but they really did not have to pay any significant costs. There was a large and ever increasing "pie" for the members of OPEC.

For the members of OPEC this pleasant situation started to come to an end in 1979. For it was in that year that demand for petroleum began falling at the rate of 13% a year.⁵¹ The very factors that enhanced the strength of OPEC in the 1970's are now combining to undermine that strength.

Cartel theory explains why this is happening, and what the chief causes of the present oil-glut are. For instance, it tells us that a reduction in a cartel's market share will lead to reduced cohesion within a cartel. Since during the last ten years OPEC's overall market share has consistently shrunk, we would logically expect that OPEC's cohesion has decreased as well. Also, this theory tells us that the creation of a cartel will eventually lead to increased production outside of the cartel (if possible) because these outside producers wish to take advantage of the high price created by the cartel. These new producers will be "free riders" in a sense because they will not be members of the cartel and as a result they will feel no compulsion to follow any market quotas that are imposed by the cartel. Such "free riding" behavior has been characteristic of non-OPEC oil producers in the last few years. By using cartel theory to study what has happened to OPEC in the last ten years, and more import-

antly what is happening today — we hope to enhance our understanding of the behavior of collective action organizations.

Some Theoretical Hypotheses

As stated previously, the primary purpose of using these four theoretical perspectives is to enhance our understanding of collective action organizations. These theories often suggest various contradictory explanations of why collective action organizations function as they do. Our job is to determine which theory gives a better portrait of reality — and why. By developing testable hypotheses that are drawn from these four theories, we should be able to at least make a start on this important task.

Using these four theories as the base, we have developed seven sets of hypotheses that we can apply to OPEC and NATO. Let us now turn to these hypotheses and report the finding of our research.

I. Adequacy of Information

1a. The more adequate the information, the more specific the collective goal, and the more divisible the payoffs — the greater the possibility that decision-making in a collective action organization will be based on minimum winning coalitions.

1b. Conversely, the more ambiguous the information, the less specific the collective

goal, the less divisible the payoffs — the greater the tendency for decision-making in a collective action organization to deviate from a minimum winning coalition.

1c. The more adequate the information, the more specific the collective goal, and the more divisible the payoffs — the more likely it is that a collective action organization will be a minimum winning coalition.

1d. Conversely, the more ambiguous the information, the less specific the collective goal, the less divisible the payoffs — the more likely it is that a collective action organization will deviate from being a minimum winning coalition.

When discussing the importance of minimum winning coalitions in relation to collective action organizations, one must keep in mind that we are discussing two distinct and separate situations. First, we are referring to the size of the decision-making group within the collective action organization. Secondly, we are referring to the size of the organization as a whole in relation to the rest of the world. The basic thrust of these hypotheses is that given appropriate conditions, both the size of the organization as a whole and the size of the decision-making coalition within the organization will be at the smallest necessary size to "win".

The primary source of these hypotheses is coalition theory. This theory essentially argues that every decision within an organization produces two groups: winners and losers. The

losers gain nothing from a decision while the winners divide up the spoils of their victory. The fewer the number of winners, the greater the "take" of the victory for each specific winner. Therefore, the winners of a decision-making group will try to limit their members in such a way that their individual "profits" from victory will be maximized. In other word, they will attempt to form a minimum winning coalition.

The same basic principle applies to the organization as a whole facing the external world. This world is made up of a great many other organizations; some of whom are competing directly with other organizations for "victory". The collective action organization competing in the external world will attempt to form a minimum winning coalition so that the individual "profits" of each member will be maximized.

Coalition theory assumes of course that the prospective winners have adequate information to estimate the chances of victory and determine the divisibility of the rewards. If such information is not available, then a minimum winning coalition or organization will not be formed. The prospective winning coalition or organization will hedge its bets if there is not enough information available to make a rational decision about the exact number of partners needed for victory. The

winning coalition will expand beyond its minimum to make up for its informational deficiency.⁵² Moreover, the reward going to the winning coalition must be both finite and zero-sum. If these conditions are not met, then a minimum winning coalition is unlikely to be formed.

Both alliance theory and collective goods theory would tend to argue against the validity of these hypotheses. Both of these theories argue that by expanding the membership of an organization, the strength and cohesion of the organization as a whole will increase. Thus, according to these two theories we would not expect minimum winning coalitions to be formed for an organization as a whole.

The logic of cartel theory also clashes with the conclusions of coalition theory about the likelihood that minimum winning coalitions will be formed. According to this theory, a successful cartel by definition has to be cohesive because if it is not massive cheating will take place. As a result, cartels must make decisions on the basis of consensus — and not on the basis of a simple majority. Therefore decision-making within cartels is usually not based on formal coalitions. Of course, this does not preclude informal coalitions from forming from time to time.

Cartel theory also argues that cartels as a whole seek larger than minimum winning coalitions. One of the key ingredients of any cartel is market power. Market power is the percentage of the market that is controlled by a cartel. A cartel with a very large percentage of the market will usually be very powerful. On the other hand, a cartel with a declining share of the market will be a weak cartel. According to cartel theory, cartels seek to control as large a portion of their market as reasonably possible so that they will have enough market power to dictate their preferred market price. This large portion can only be acquired by a cartel seeking expansion wherever and whenever it is both prudent and possible. Cartel theory argues that most cartels are not minimum winning coalitions, rather they are organizations that seek to include all producers whenever it is feasible and practical to do so.

The conclusions of our theories about the validity of these four hypotheses is mixed. Coalition theory cogently argues that they are all valid; that minimum winning coalitions play an important role in collective action organizations. Our other three perspectives come to the opposite conclusion. They argue that all of these hypotheses are false; that minimum winning coalitions play little or no role in collective action organizations. Which conclusion is correct?

We have the experiences of OPEC and NATO to provide us with the answer.⁵³

The experiences of both NATO and OPEC reject the hypotheses that we have developed. Both of these two organizations have historically sought consensus in their internal decision-making. Each is sensitive to the charge that organizational policy rides roughshod over individual national interest. Each has also been subject to threats of withdrawal from its individual members. In order to promote the cohesion of the organization as a whole, both OPEC and NATO have sought unanimity in their decision-making processes whenever possible. In fact, both organization formally require unanimity in their decision-making.⁵⁴

In both organizations, each member nation understands that the strength of the organization as a whole would be seriously undermined by the withdrawal of any individual nation. Therefore the policies of both organizations are usually constructed in such a manner that if everyone is not completely satisfied at least no one is completely dissatisfied. Both NATO and OPEC are characterized by a striving for consensus in their decision-making processes. Minimum winning coalitions rarely play an important role in the internal decision-making processes of OPEC and NATO. Our hypotheses in this section appear to be false when we are referring to the internal

decision-making of these two important organizations.

These hypotheses also appear to be false when related to the behavior of NATO and OPEC as a whole to the outside world. Neither of these two organizations seek to be minimum winning coalitions. Both want to be as strong as possible. Both would welcome new members with open arms. Finally, both have over the past few years accepted new members when they already had strong organizations. Once again, minimum winning coalitions appear not to play an important role in determining the overall size of collective action organizations.

Not only have the hypotheses of this section been found to be false, but also the theoretical base from which they were derived has also been called into question. Coalition theory appears not to be valid in the case of either OPEC or NATO. Perhaps this is because several of the scope conditions of this theory are not present when we apply it to international relations. Decisions are usually not made by voting, some members have more influence than others, rewards are not finite, and conflict is rarely zero-sum. As a result, it should not be surprising that most of the conclusions of coalition theory appear invalid when applied to the experiences of OPEC and NATO.

II. Balance of Power

2a. The closer the balance of power between two competing blocs, the greater the relative power of the smaller nations of each bloc vis-a-vis the large nations within each bloc.

2b. The greater the balance of power between two competing blocs, or the greater the external threat, the greater the authority for the leading state within each bloc.

2c. The closer the balance of power between two competing blocs, the greater the cohesiveness of each bloc.

2d. The closer the balance of power between two competing blocs, the less the cohesiveness of each bloc.

The two hypotheses of this section deal with the relative influence of large and small nations in collective action organizations that face a rough balance of power with an opposing organization. Coalition theory argues that such a balance of power enhances the relative influence of the marginal states within the organization. Coalition theory says that in any coalition each "vote" has a certain specific value. When two competing blocs achieve a rough balance of power the relative value of the last vote increases because the transfer of just a few votes from one bloc to the other can mean the difference between winning and losing. Therefore, the relative influence of the marginal states increases because their membership within the bloc is

is absolutely vital to keep the bloc from losing.⁵⁵

Alliance theory, on the other hand argues that a rough balance of power increases the relative influence of the larger members of a power bloc. Such a balance according to alliance theory produces a high level of threat. Threat in turn enhances the cohesion of an organization. During periods of extreme threat, it is the larger nations of a collective action organization that are looked to for the necessary leadership to weather the crisis. The smaller states look to the larger states for protection from the threat. According to alliance theory, when there is a balance of power between two blocs the influence of the larger members of each bloc increases because it is to them that the other states look to for protection and guidance.⁵⁶

The experience of OPEC, however, appears not to confirm the predictions of alliance theory. OPEC is part of the producer's bloc and it competes against the consumer's bloc. Since 1974 the producing bloc has been dominant, but the pendulum now appears to be swinging in the opposite direction. There can be no doubt that the relative strength of the consuming bloc has increased substantially in the last few years. The market situation today more closely approximates a balance than it did ten years ago although most knowledgeable observers

argue that this balance is tilted in favor of the consuming bloc. What has been the result of this increased equality of influence between the two blocs? One of the results has been a dramatic increase in the relative influence of the marginal nations of OPEC to determine cartel policy. This increase has come because the continued membership of these marginal nations is valued more now than it was previously. Before the present oil glut, it was widely conceded that only Saudi Arabia and perhaps one or two other members of OPEC had enough productive capacity to wreck the cartel price. But now, with the market situation clearly more favorable for the consumers than it was, all members of OPEC have this power. In fact, by just refusing to agree to production cuts, they can seriously undercut the cartel price.⁵⁷ As a result, the influence of the marginal states of OPEC has increased because their ability to inflict damage on the cartel as a whole has increased. Before the oil glut only Saudi Arabia had this power, now all members of OPEC have it. The case of OPEC confirms the prediction of alliance theory that as the equality of power between two competing blocs increases — so too does the relative influence of the marginal states within each bloc.

At first glance, the experience of NATO would appear to confirm this prediction as well. In fact, some have made the argument

that the marginal nations of NATO have had increasing influence in NATO because NATO's balance of power with the Warsaw Pact is closer now than ever before. There can be no doubt that the relative influence of these marginal states has increased substantially over the last thirty years. In determining NATO's policy today, the United States must be much more sensitive to European opinion and preferences than it was thirty years ago. There can also be no doubt that the Warsaw Pact is stronger relative to NATO than it was thirty years ago. The key question that we must answer is whether these two important trends are related. If they are, then the predictions of coalition theory will be confirmed. If they are not, then we must discover other reasons for the increasing influence of NATO's marginal states.

It is our judgement that the logic of coalition theory is invalid in the case of NATO. Although the facts fit the theory, the assumption of causality (i.e. that the balance of power caused an increase in the relative power of the marginal states.) is flawed. The increase in the relative influence of the marginal members of NATO over the last thirty-five years is due to the fact that these members were more or less helpless after World War II and were completely dependent on the United States for political, economic and military support. Today, the marginal mem-

bers of NATO are largely self-sufficient in both an economic and political sense. While they still depend greatly upon the United States for military support, this dependency is not as great as it once was because the threat that created it is not considered by the Europeans to be as imminent as it once was. This increased self-sufficiency on the part of the marginal members of NATO naturally increased their influence within NATO. This increase in influence has little or nothing to do with the geopolitical balance of power in Europe, rather, it is due to the difference between the devastated continent that existed at the end of World War II and the economically dynamic one that exists today.

The case of OPEC suggests that the influence of the marginal states within an organization is increased when that organization faces a balance of power situation. The case of NATO however, does not suggest this. In fact, some have suggested that the experience of NATO demonstrates that larger leading nations gain the most influence in this type of situation. We cannot be sure whether this is true or not. In some cases of NATO it appears to be true, but in others it does not. We will maintain a position of neutrality on the validity of this proposition until our discussion of external threat.

The remaining two hypotheses of this section deal with the impact that a rough balance of power situation has on the cohesion of a power bloc. One hypothesis argues that such a situation has a positive impact on cohesion while another argues that it has a negative impact. Both cartel theory and coalition theory argue that such a balance of power will have a negative impact on the cohesion of a collective action organization. Cartel theory argues that cartels are basically the creations of certain market forces. When these forces are in effect, then a cartel is likely to be strong. But when the market power of the consuming bloc increases, then this likely to undermine the cohesion of the cartel. According to cartel theory, a decline in demand means there will be a smaller market in which the cartel members will each individually scramble to maintain their previous profits. Thus, the market will be more competitive and the cohesion of the cartel will dramatically decrease. In other words, according to this theory any increase in the balance of power between the consuming bloc and the producing bloc will lead to a decrease in the cohesion of the cartel.⁵⁸

Coalition theory arrives at the same basic conclusions but uses different logic to get there. This theory argues that as the balance of power increases between two blocs, the value of each "vote" within each bloc in-

creases. Each bloc knows that the addition of just a few more "votes" or members might mean the difference between winning and losing. As a result, there is a tremendous amount of external pressure on the marginal states of each bloc to jump ship and join the other bloc. In addition to this external pressure, there is also internal pressure within these states to switch sides for fear of being on the losing side. As a result, the cohesion of each bloc is reduced because of the increased pressure on the marginal states to switch sides. These states will only switch sides when they can gain some advantage (i.e. more payoffs). Coalition theory, like cartel theory, argues that any increase in the balance of power between two blocs will have a negative impact on the cohesion of each bloc.⁵⁹

As usual, alliance theory differs with the conclusions offered by these two theories. Alliance theory argues that an increase in the balance of power between two blocs will lead to an increase in the cohesion of each bloc. During periods of such balance this theory argues, the perceptions of overall threat from the other bloc increases due to the other bloc's increased capabilities. In facing this threat, the members of an alliance draw together and unite in order

to give the appearance of strength to their opponents. As a result of this unity, the cohesion of each bloc increases during periods in which the balance of power increases. This is the logic of alliance theory.⁶⁰

This logic appears to be correct in the case of NATO. Studies have repeatedly shown that during periods of increased threat, the cohesion of NATO increases.⁶¹ Since any alliance would view the increase of capabilities by their opponents as a threat, we must conclude that in the case of NATO, an increase in the balance of power with the Warsaw Pact probably leads to an increase in the cohesion of NATO. Since the cohesion of NATO at the present time appears to be decreasing, we should probably attribute this decrease to factors other than the balance of power with the Warsaw Pact. In the case of NATO, the predictions of alliance theory appear to hold true.

They do not appear to hold true, however, in the case of OPEC. The recent decline in the cohesion of OPEC is due to the increasing power of the consuming nations vis-a-vis the producing nations.⁶² As stated previously, cartels are the creation of favorable market forces. The term "favorable" in this case means forces that are strongly in the favor of the producing segment of the market. When these forces become more balanced, the inner

cohesion of the cartel declines rapidly. This is what happened to OPEC. As the forces that gave OPEC its strength decline (such as stable and inelastic demand, a strong economy, few substitutes, and little immediate need for revenue), so too did the cohesion of OPEC. Today OPEC has little of the vitality that it possessed in the years when the market forces were in its favor. The increasing balance of economic power between the producing and consuming nations in the last few years has led to a marked drop in the cohesion of OPEC. The recent experience of OPEC confirms the prediction of cartel theory that an increase in the balance of power between two blocs leads to a decrease in the cohesion of a bloc.

III. Optimal Size

3a. The greater the number of members of a collective action organization, the greater the opportunities for conflict about goals within that organization and the less cohesive that organization is likely to be.

3b. The greater the number of members of a collective action organization, the stronger that organization is likely to be and ~~the~~ more cohesive it will be.

The theoretical support for the first hypothesis of this section is provided by coalition theory. This theory argues that all collective action organizations seek to be minimum winning coalitions.⁶³ An organization that is a minimum winning coalition has maxi-

mized the payoffs of its members. Any additional members will lead to suboptimal payoffs, and hence dissatisfaction with the organization as a whole. This dissatisfaction will lead to a decrease in the cohesion of the organization. Therefore, an increase in the number of members of a collective action organization past the minimum number necessary to achieve victory will lead to a decrease in the cohesion of the organization. This is what coalition theory argues.

The logic of alliance theory, however, sharply clashes with that provided by coalition theory. Alliance theory cogently argues that strength deters aggression. The stronger an organization is, the less exposed to danger and defeat it is, and therefore the more cohesive it is. Alliance theory says that any increase in the membership of an organization has a positive affect on the cohesion of that organization because it increases the strength of that organization.⁶⁴

Cartel theory comes to this conclusion as well. Cartel theory argues that cartels can only be strong and cohesive if they have substantial market power. Without such market power, their cohesion will be minimal. Therefore, it is to the advantage of every cartel to recruit additional members who will substantially increase the market power of the cartel as a whole.⁶⁵ Both cartel theory and alliance theory argue that an increase in the

number of members of a collective action organization results in a parallel increase in the strength and cohesion of that organization.

The experiences of both NATO and OPEC tend to confirm the predictions of alliance theory and cartel theory. This should not be surprising since alliance theory was designed to explain the behavior of organizations such as NATO and cartel theory was designed to explain the behavior of organizations like OPEC.

NATO has two primary purposes. The first purpose is deterrence. NATO is supposed to deter the Soviet Union and its allies from invading Western Europe. The second purpose comes into play only if it fails to achieve its first purpose. This second purpose is to successfully defend Western Europe in case of a Soviet attack.⁶⁶ Obviously, both of these tasks are easier to achieve if NATO consists of many strong nations rather than just a few. That is why NATO has constantly sought to increase its membership wherever and whenever feasible. The recent induction of Spain into the ranks of NATO is an example of this phenomenon. The experience of NATO suggests that increases in the membership of collective action organizations results in increases in the vitality, strength, and cohesion of such organizations.

The experience of OPEC suggests this as well. The recent decline in the cohesion of

OPEC is due in large measure to its declining market power. This decline has been caused partially by the addition of new oil-exporting nations. Countries such as Norway, Britain, and Mexico now produce substantial amounts of exportable oil, yet they are not members of OPEC.⁶⁷ These countries have in effect been "free-riders"; they have been reaping the advantages of OPEC's policies without paying any of the attendant costs, such as a reduction in production. OPEC's declining cohesion is due in large part to its inability to bring these new oil exporters into the OPEC fold. The induction of these nations into OPEC would increase both the market power and the cohesion of OPEC.

In fact, it now appears that the members of OPEC are facing up to this reality. The recent decisions by OPEC to reduce its price to \$29.00 a barrel came only after extensive discussions with other oil-exporting nations who are not currently OPEC members. If OPEC is to survive as a viable force during the present oil glut, then discussions such as these will have to continue. OPEC, like NATO, becomes more cohesive when the number of its members is increased. This is because new members such as these add to its market power. Although the addition of new members to collective action organizations increases coordination requirements and the heterogeneity of the organization, the cases of both OPEC and NATO clearly

demonstrate that the addition of such members usually increases — rather than decreases — the cohesion of these organizations.

IV. Shared Experiences

4a. The fewer the number of shared experiences, similiar characteristics, and interaction opportunities between members of a collective action organization, the greater the cohesion of that organization.

4b. The greater the number of shared experiences, similiar characteristics, and interaction opportunities between members of a collective action organization, the greater the cohesion of that organization.

None of our four perspectives provides an adequate background for these two hypotheses. In fact, only cartel theory and alliance theory even faintly touch on the issues of shared experiences, similiar characteristics, and interaction opportunities. Cartel theory tells us that if nations share similiar characteristics then they are more likely to become cartel partners than they otherwise would. For example, the members of OPEC all have one similiar characteristic in common: they all have substantial quantities of exportable petroleum which they would like to sell at a high price. This similiar characteristic was the catalyst for the creation of OPEC.

Alliance theory also holds that the sharing

of similiar characteristics can increase the cohesion of a collective action organization. This important theory tells us that if two countries face a common enemy, or have a common history or culture, then it is likely that any alliance they are both in will be more cohesive than it otherwise would be because of these shared experiences.

Although the first hypothesis of this section of our research paper has no theoretical support from any of our four perspectives, we are going to examine it anyway because there are some observers who argue that it is valid nonetheless. These observers argue that the more similiar two states are, the more likely it is that they will conflict over mutual interests. For example, the arguement is made that if two states are both strong and neighbors, then they are likely to be arch rivals if they are both members of the same collective action organization. Thus, the cohesion of the organization will decline because of the shared characteristics of its members.

The experience of NATO appears to reject this arguement. The members of NATO have had many shared experiences, they each have many similiar characteristics, and there are a plethora of fields in which they can interact, yet the cohesion of this alliance over the last three decades has been quite high. Most of the members of NATO **are** capitalist democracies that share

a common European tradition and heritage. All of the members were in one fashion or another deeply affected by the dual cataclysms of World War I and World War II. In observing the recent history of NATO, we are forced to conclude that similiar characteristics, shared experiences, and interaction opportunities have an important and lasting impact on the cohesion of alliances.

The experience of OPEC, however, does not bear this principle out. To begin with, it is very difficult to test this principle on OPEC because it is one of the most diverse and heterogeneous collective action organizations that has ever existed. About the only thing that ties these nations together is a mutual supply of exportable oil. Beyond this important link, the ties between the various members of OPEC are very thin indeed. It is true that many of the members of OPEC are of Arab origin, but it is equally true that many are not of such origin. Also, those members that are of Arab origin are more often than not bitterly divided against one another. Sometimes, this division leads to the outbreak of war among the members. Currently, the OPEC nations of Iraq and Iran are in a bitter and prolonged war with one another. In the case of OPEC, we were unable to come to any conclusion about the validity of the hypotheses of this section for the simple reason that the heterogeneity of OPEC makes it impossible to apply these hypotheses to OPEC.

Thus, our findings on the validity of the hypotheses of this section are mixed. In the case of NATO, it appears that similiar characteristics, shared experiences, and interaction opportunities have a positive effect on the cohesion of collective action organizations. But in the case of OPEC we can draw no such conclusion. So what is the truth? It appears likely that although these three factors do have some impact on the cohesion of collective action organizations, external threat and mutuality of interests probably have a greater impact. If there are alot of similiar characteristics between two nations this may lead to a mutuality of interests which in turn leads to the formation of a cohesive collective action organization. But similiar characteristics without a mutuality of interests rarely leads to the formation of a cohesive collective action organization. Thus we are forced to conclude that external threat and mutuality of interests play a larger role in the cohesion of collective action organizations than do similiar characteristics, shared experiences, and interaction opportunities.

There is, however, one cautionary note that we should add about this last sentence. Research has been done that suggests that alliances that are pluralistic (alliances that provide interaction opportunities in other spheres of national life) are more cohesive than alliances that are not pluralistic. If

this is true, then there is a possibility that interaction opportunities play a far more important role in the level of cohesion that a collective action organization possesses than we have attributed to it.⁶⁸

V. External Threat

5a. The greater the perceived threat to a collective action organization, the greater the cohesion within that organization.

5b. The greater the perceived threat to a collective action organization, the less the cohesion within that organization.

5c. The level of threat that a collective action organization faces has a positive effect on the cohesiveness of the organization up to but not beyond a certain point.

Of all various factors affecting the cohesion of alliances, none is as important as external threat, according to alliance theory. Alliance theory argues that as the level of perceived threat to an alliance arises, so too does the cohesion of that alliance. Put more simply, the greater the level of perceived threat to an organization, the greater the cohesiveness of that organization. This is the argument that alliance theory makes.⁶⁹

Once again though, the conclusions of alliance theory do not mesh well with those offered by coalition theory and cartel theory. Cartel theory tells us that cartels are largely

the creation of external market forces. If these forces change, if the strength of the consumer bloc is increased at the expense of the producing bloc, the internal cohesion of the cartel will decline sharply. This is especially true if its members are hard-pressed for cash. The external threat that a cartel faces is not a hostile military threat, rather it is the threat that the cartel will lose its ability to control the market that it regulates.

Coalition theory also argues that external threat has a negative impact on the cohesion of a collective action organization. This impact is due to the various calculations that coalition partners make when faced with a high level of threat. The goal of these partners, according to coalition theory, is to be on the "winning" side of a confrontation. As threat increases, doubt creeps into the calculus of these partners about the validity of their original decision to join a coalition. As the horrendous costs of being on the "losing" side are made increasingly clear by the proximity of an external threat, these partners re-evaluate their original decision and sometimes come to different conclusions about which coalition they should be in. This internal pressure to re-evaluate basic decisions decreases the cohesion of a collective action organization according to coalition theory. The external pressure on these partners increases as well. Both the opposing coalition and their coalition partners increase the pressure on these other partners either to reject their original choice

of coalition or to re-evaluate their choice. The combination of both this internal and external pressure causes the cohesion of the overall organization to decrease, according to coalition theory.⁷⁰

The third hypothesis of this section of the paper is not supported by any of the four theoretical perspectives that we are using. Rather, it was devised for analysis because it seemed like a very plausible though uncommon explanation for the effect that external threat has on a collective action organization. After all, it seems only natural that some increases in threat would increase the cohesion of a collective action organization. One has only to recall the response of NATO nations to the Cuban Missile Crisis to see that this is probably true.⁷¹ But one can also perceive as well that certain levels of threat may have a negative impact on the cohesion of collective action organizations. One need only think of the threat of total annihilation posed by nuclear weapons to realize that for some nations, the cohesion of a collective action organization is a small price to pay in order to eliminate such a threat. This third hypothesis that we have developed appears to be conceptually valid, but we will have to apply it to the experiences of OPEC and NATO before we can justifiably accept it.

The experience of NATO seems to confirm the proposition that external threat has a positive effect on the internal cohesion of a collective action organization. Research has shown that during

periods of increased external threat such as during the invasion of South Korea and the Cuban Missile Crisis the cohesion of the NATO alliance increased dramatically.⁷² The reaction of NATO to increased levels of threat confirms the prediction of alliance theory that the cohesion of alliances increases during periods of high threat.

The experience of OPEC, however, does not confirm the prediction of alliance theory. On the contrary, the experience of OPEC soundly rejects this prediction and validates the predictions of coalition and cartel theory. Under levels of high threat to the market price of petroleum, OPEC has proven largely unable to unite and respond to this threat.⁷³ The primary reason for this inability to deal with this very serious threat is due to the inherent clash in any cartel between individual interest and collective interest. As the market forces have slowly turned against them, the OPEC nations have realized that the individual sacrifices necessary in order to be collectively effective were too great for many of them to bear. The main sacrifice is the necessity to reduce production. Many nations in OPEC have been unwilling to do this, even though they realize that it is the only way to keep OPEC a viable organization. Each member is all too willing to let the other members carry the burden of making production cuts.⁷⁴ This is because they are being asked to make private sacrifices for the good of the collective organization. As a result, all have

suffered. The experience of OPEC suggests that external threat has a negative impact on the cohesion of collective action organizations.

The experience of OPEC seems to reject the assertion of the third hypothesis of this section. This hypothesis asserts that the external threat has a positive effect on the cohesion of a collective action organization up to but not beyond a certain point. After this point has been passed, the cohesion of the organization declines. In OPEC, any increase in the level of threat faced by that cartel has been shown to have a negative impact upon the cohesion of the cartel.⁷⁵ Therefore we can tentatively conclude that his hypothesis does not apply to OPEC.

In NATO, an increase in the level of threat faced by that organization has been shown to have a positive effect on the cohesion of the alliance. However, we could find no evidence that beyond a certain high level any increase in the threat faced by NATO has a negative impact on the alliance's cohesion. Perhaps this is only because NATO has never reached such a high level of threat—we cannot be sure. Although in our own minds this proposition appears conceptually valid, we cannot declare it so because we have no credible evidence from the experience of NATO to support it.