

Consider the following hypothetical scenario developed by CSU economics professors Paul Huszlar and David Seckle:

A measure is placed on the ballot for a public vote. The result of approving the measure will be a cost of \$100,000 and a benefit of \$50,000. The costs will be distributed across 10,000 people while the benefits will be divided among only 10 people. The measure creates twice as much cost as benefit, and is therefore clearly undesirable. Yet, it is likely to pass! Why?

Each of the 10,000 people who incur a cost pay on average only \$10. But the ten beneficiaries of such a ballot measure will receive an average of \$5,000 each. The benefits of such a ballot measure are typically sufficient to motivate these recipients to band together, hire an attorney, and launch a publicity campaign in its favor.

The situation is quite different for the 10,000 people incurring the cost. Since their individual loss is only \$10, they will not be highly motivated to expend personal time and effort to oppose the measure. Also, since they are widely dispersed, they will have a harder time organizing and pooling resources.