Biodiversity Conversation as an Interest Group Issue

The government must explicitly consider how to value the welfare of different groups in the society when making interventions in order to correct externalities. The welfare effects of government policies create political tensions, which are especially clearly seen in the formation of forest policy. This is because forests are used for timber production, but they are also valuable for other purposes, such as recreation. These different uses are often in conflict, and the trade-off manifests itself in political struggles over the formation of forest policy.

In order to address the effects of lobbying on the forest policy, I consider a specific policy issue, namely the conservation of biological diversity in the forests. It is an issue on which forest industry, forest owners and forest activists have very different views concerning the role and responsibility of the government. In my Thesis, I concentrate on two main questions on interest group influence in the context of forest policy, namely to what direction groups affected by the policy seek to push the policy, and what welfare implications successful lobbying has.

I analyze the government forest policy in the common agency framework, where an environmental lobby and an industrial lobby simultaneously attempt to influence the decision of the government by offering monetary contributions. To this aim I use the menu auction theory, which I extend to account for the possibility that lobbying is socially costly and that the lobbies are not equally successful in influencing the government. I consider government decision-making in two situations: exported forest product and domestic consumption. The forest industry is represented by a monopoly, and therefore, the conservation affects the price of consumption when the forest product is not exported. The case where the forest industry exports its product thus serves as a useful point of reference when analysing the more diversified case of domestic consumption.

Compared to domestic consumption, the government will always choose higher conservation level when the monopoly exports its product and the foreign consumers bear the cost of conservation. Due to non-competitive production sector, it is also possible to analyze how the market power of the industry, determined by the elasticity of demand, influences the government's decision on conservation.

The analysis explains why the government's forest policy only partly reflects the normative prescriptions. It also makes explicit that the lobbies indeed have an incentive to cast resources into costly lobbying. In the particular case when the monopoly product is exported and the two lobbies are equally efficient in influencing the government, the political equilibrium coincides with the social optimum. In general, however, lobbying distorts conservation from the socially optimal.

**Keywords**
- biodiversity - lobbying
- forest policy - biodiversity

**Additional information**

Muita tietoja-Övriga uppgifter-Additional information