

An unlikely coalition behind well-intentioned regulations

Revisiting Bootleggers and Baptists

In the May/June 1983 issue of *Regulation* magazine, the economist Bruce Yandle set forth a new theory of government intervention. At the time Yandle was executive director of the Federal Trade Commission, and, as an economist, he had recently become interested in the demand for and supply of social regulations. Where exactly do these regulations come from?

As he read about historical efforts to control alcohol by banning Sunday sales, Yandle found the answer in an unlikely coalition. Churchgoing teetotalers endorsed the prohibition on moral grounds, while bootleggers supported the restrictions in order to limit competition. As Yandle discovered more and more examples of this alliance—from environmental policy to interstate trucking—he concluded that “durable social regulation evolves when it is demanded by both of two distinctly different groups.” He referred to these groups as “Bootleggers,” who have an economic interest in the regulation, and “Baptists,” who have a moral argument.

In a new book called *Bootleggers & Baptists*, Yandle—along with Adam Smith, director of the Center for Free Market Studies at Johnson and Wales—revisits an old theory with new perspective. The book explores a political dynamic connecting interest groups who, for very different reasons, spend time and resources seeking government favors. “At its very root, it is a story about the demand for and supply of politically provided pork,” Smith and Yandle write.

The authors begin by surveying the explosive growth in federal regulation during the 1970s and 1980s—when the theory was germinating—presenting an array of Bootlegger and Baptist stories stretching from Magna Carta to today’s energy industry. This thick layer of rules is at the center of the narrative. “When the pace of regula-

tion accelerates,” they write, “Bootleggers and Baptists are sure to barbecue while the political fire pits are hot.”

Smith and Yandle then spend time deconstructing the two groups. They show how the ultimate results of noble-minded efforts to effect change in the public interest prove to be neither noble nor in the public interest. Instead, a public-spirited group wraps a self-interested lobbying effort in a cloak of respectability. As a result, “once Bootleggers and Baptists are locked into a successful coalition, their structural incentives change, making political wealth extraction more attractive than private wealth generation—to society’s detriment.”

Consider, for instance, Obamacare. The implementation of health care reform provided some amount of access to a larger share of the population. Yet, it also cartelized 17 percent of the U.S. economy, guaranteeing an expanded market for the country’s biggest political players. “In each of these efforts, a vast Baptist choir sang the praises of government-assisted health care,” the authors write. “But lurking in the background—and sometimes in the back row of the choir—were pharmaceutical, insurance, and other health care Bootleggers ready to expand sales to the regulated sector.” As Smith and Yandle detail in full, the story behind the rise of Obamacare is more complex than it seems—and much more interesting.

In one example after another—from the

HOW ECONOMIC
FORCES AND MORAL
PERSUASION INTERACT
TO SHAPE REGULATORY
POLITICS

BOOTLEGGERS
&
BAPTISTS

ADAM SMITH AND BRUCE YANDLE

Troubled Asset Relief Program to climate change—the two economists reveal the interaction of lofty values with narrow self-interest. In short, politicians who deliver pork to Bootleggers can justify their actions by appealing to higher “Baptist” morality. This phenomenon is driven by forces deeply rooted in our DNA, they explain. What, then, is the endgame? Is this marriage of strange bedfellows here to stay? “We are all at least a little bit Bootlegger, a little bit Baptist,” Smith and Yandle conclude, “which means as long as we remain human, the story of Bootleggers and Baptists will continue.” ■

VISIT WWW.CATO.ORG/STORE OR CALL
800-767-1241 TO GET YOUR COPY OF
BOOTLEGGERS & BAPTISTS TODAY; \$24.95
HARDBACK, \$12.99 EBOOK.