

The recent run up to the fiscal cliff and the looming sequester offer evidence that Washington [politicians never want a serious crisis to go to waste](#), because crises provide opportunities to do things they otherwise couldn't achieve.

This “crisis rule” also serves as a useful accessory to a body of theory that seeks to explain the political economy of regulation. I first described the [“Bootleggers & Baptists” theory of regulation](#) in an article in *Regulation* magazine in 1983. The theory's name draws on colorful tales of states' efforts to regulate alcoholic beverages by banning Sunday sales at legal outlets. Baptists fervently endorsed such actions on moral grounds, while bootleggers tolerated the actions gleefully because their effect was to limit competition.

According to the theory, “Baptists” point to the moral high ground and give vital and vocal endorsement of laudable public benefits promised by a desired regulation. Baptists flourish when their moral message forms a visible foundation for political action. “Bootleggers” are much less visible but no less vital. They expect to profit from the very regulatory restrictions desired by Baptists, and thus grease the political machinery with some of their expected proceeds. Bootleggers are simply in it for the money.

When it comes to crises, bootlegger and Baptist coalitions are at their most effective. Consider that the justification for any emergency legislation always has a moralistic veneer. Major crises can provide cover for distributing benefits to targeted special interest groups. The greater the magnitude of a given crisis and the shorter the interval for forming legislation to deal with it, the larger the spread of pork that can be packed into legislation. The crisis rule is also a guarantee that efforts to resolve a deadline-based crisis will go on to the very last minute.

Consider the spending freeze crisis, or sequestration, that will occur by the end of this week if Congress and the President cannot agree on a deficit reduction package. Surprising to many, the sequestration was part of the 2011 budget resolution. Therein were planted the seeds of the major budget crisis that bloomed forth in all its glory at the end of 2012. With uncertainty assumed away for a moment, politicians on both sides knew that a crisis was brewing, since they helped form it, and that ultimately some kind of last-minute legislation would be passed. They also knew they'd be able to pack pork into it as it passed through.

The more serious the crisis, the greater the media outcry; and the tighter the calendar for resolving it, the better the chances that members of Congress can attach special interest promises to a final bill passed at the very last minute. In fact, forcing any resolution to the last minute makes it possible to hang even more meat on the hooks, since few critics would have the time or interest to look for it, much less take it out. Remember: At the zero hour, all eyes are focused elsewhere.



In today's economy, regulation is found at every meaningful margin. Politicians set and rearrange prices for important services and products for consumers nationwide. They open and close market entry and give advantage to favored groups by altering taxes, depreciation schedules, and other regulatory schemes. Doing all this in the full light of day and with full and open debate would be a challenge. But then there are crises to serve the politicians' interests. Some arise spontaneously and some are created or magnified consciously by the politicians themselves. The sequestration element in the fiscal cliff story is an example. The shouts of crisis and the end of western civilization that preceded TARP are another, and the passage of Dodd-Frank in the wake of the financial crisis is a third. In all cases, bootleggers and Baptists can be found working to ensure a good crisis doesn't go to waste.

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