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Captive capitalists

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No one should really be surprised by Wal-Mart's recent declaration of support for a government health insurance mandate. History provides a long list of examples where individual businesses have jumped at the opportunity to use the power of government at the expense of competitors and, ultimately, consumers.

As part of his compelling defense of liberty in *Free to Choose*, Milton Friedman described both the origins of the Interstate Commerce Commission and its eventual co-opting by industry leaders. Targeted by a group of reformers in the late 19th century, some railroad men realized it was in their interest to support government regulation. After the ICC was created, the reformers moved on to their next cause, leaving nothing but industry insiders to influence the commission. The railroaders decision to embrace government interference payed off, as they were then able to use the ICC to raise prices and later protect themselves from competition from truckers.

Friedman described this process, also known as regulatory capture, as the "natural history of government intervention." The first stage is the emergence of a coalition of high-minded reformers and interested parties. Next, a law is passed to grant government oversight of the targeted industry. Finally, the reformers turn their attention to new causes, and the interested parties begin molding the new government power to their benefit.

There are plenty of more recent examples of collusion between government and industry. Philip Morris has long been a supporter of granting regulatory authority over cigarettes to the FDA, a desire which just recently has been fulfilled. The U.S. Climate Action Partnership consists of a number of businesses, ranging from General Electric to PepsiCo, calling for regulation of greenhouse gas emissions. The partnership is one part public relations and nine parts naked self-interest, as being in the driver's seat of a government intervention will give these companies a competitive advantage over their rivals and an opportunity, unparalleled in the free market, to fleece consumers.

Although there is no regulatory agency at issue in Wal-Mart's case, the retail giant's backing of a government health mandate is motivated by the same desire to utilize the unique force of government for the company's own advancement. As an established and massively successful business, Wal-Mart can easily absorb any additional costs it might incur from a government health mandate - one that might not even be higher than it is already paying out. Small businesses that might want to challenge Wal-Mart would not so easily be able to cover those costs.

Though it might not just be small businesses that Wal-Mart has in its sights. Michael Cannon of The Cato Institute has recounted a chance meeting with a Wal-Mart lobbyist where it was made known that the retailer's chief rival, Target, may have been - forgive me - a primary target. When asked why Wal-Mart was supporting an employer mandate, the lobbyist confessed that, "Target's health-benefits costs are lower." A mandate would thus add greater additional costs for Target than for Wal-Mart.

It is difficult for businesses to resist the alluring power of government, as the ability of government to decide the rules of the economic game make it an attractive target for big business. Capturing that ability can bring vast riches, and without all the hassle of having to keep customers happy. Wal-Mart has given us a timely reminder of the dangers of having a government in the interventionist mood: there are always big businesses ready to ditch capitalism and jump in bed. Only, when that happens, consumers aren't invited under the covers.

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