

NATIONAL REVIEW

‘Bootleggers’ and ‘Baptists’ Agree on Energy

Producers of dirty coal celebrate Obama’s Clean Power Plan.

By Adam C. Smith & Bruce Yandle

November 14, 2014

In June of this year, EPA administrator Gina McCarthy announced the Obama administration’s far-reaching, anti-coal-burning [Clean Power Plan](#). It drew wide support from the environmental community for its promise to reduce carbon emissions and mitigate climate change.

Speaking for environmentalists worldwide, McCarthy said: “This plan will clean the air we breathe while helping slow climate change so we can leave a safe and healthy future for our kids.” Put another way: Those who love their children and the environment would surely leap on President Obama’s anti-coal bandwagon.

And, by the way, so would natural-gas producers, nuclear-power plants, manufacturers of solar cells and wind generation equipment, and, get this, producers of dirty coal. As we see it, McCarthy was speaking on behalf of the “Baptists” in a bootlegger–Baptist effort to obtain a much-valued set of command-and-control regulations. Let us explain.

Both bootleggers and Baptists have historically supported laws that shuttered corner liquor stores one day a week. The Baptists felt better knowing that the corner liquor stores were closed on the Sabbath. Meanwhile, the bootleggers loved having the Sunday market to themselves.

Our bootlegger–Baptist theory of regulation claims that politically successful command-and-control regulation, like the newly proposed Clean Power Plan, will be supported by two disparate special-interest groups. The “Baptists” give the politician moral justification for the action being taken. The “bootleggers,” on the other hand, are in it for the money, aiming for monopolization of the market, but happily share some of the regulatory gains with politicians when campaign time rolls around. Meanwhile, rank-and-file voters have no idea why their electricity bills are heading northward.

Producers of natural gas love it when regulators sock it to coal producers, their rivals, and so do manufacturers of nuclear reactors, solar cells, and wind generators. These producers might even take the opportunity to sing a few environmental hymns themselves.

But what about producers of dirty coal? How are they benefiting from Obama’s anti-coal plan? Explaining this is a bit complicated, but here’s the basic logic. The administration’s rules call for coal-fired electricity plants to use costly scrubbers to satisfy the stricter clean-air standards.

Before the imposition of the new requirements, producers of clean coal, which comes mainly from Wyoming and Montana, were in the catbird seat because their clean coal met high air-quality standards without the use of expensive technology. But now, with the new technology required, coal-burning plants can burn cheaper, dirty coal. Sellers of dirty coal see their business growing faster while the pace for clean-coal shippers is weakening.

All this gets more interesting when it turns out that dirty-coal producers in Obama's home state of Illinois are chief among the bootleggers laughing [all the way to the bank](#) as they ship trainloads of coal to generators far and wide.

The Obama administration's Clean Power Plan has made lots of people happy — environmentalists, producers of clean-power technologies, and producers of dirty coal. We think the plan should receive a medal for bringing together such a disparate set of bootlegger–Baptist interests, provided it can clean the dirt off, of course.

— *Adam Smith is assistant professor of economics at Johnson & Wales University. Bruce Yandle is Alumni Distinguished Professor of Economics Emeritus at Clemson University. They are authors of [Bootleggers and Baptists: How Economic Forces and Moral Persuasion Interact to Shape Regulatory Politics](#).*