

# A folk theory of economic regulation:

*Triangulating on How "Normal" People Think About Regulation*

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Pierson (1993) established that policies creates interest groups who use politics to shape policy. While policies do feedback, we underappreciate the complexity of this relationship. Perceptions create preferences long before outcomes breed interests, thus interest groups are first preference groups. In fast-moving sectors where preferences shift before they can become interests, perceptions override outcomes in understanding how policy makers and policy takers co-create policy.

By centering perception, we see that innovators distrust regulation not because they've *had* bad experiences (though they might have) but because they *think* they will (again) in the future. Why do they think this? Why do entrepreneurs see regulators as opponents in fast moving sectors experiencing disruptive innovation? How homogenous are entrepreneurs' and innovators' perceptions of regulators?

Rather than ascribing interests a priori, this paper uses bibliographic methods, text analysis, and elite interviews to triangulate on the expressed preferences of entrepreneurs and innovators about regulation of disruptive technological innovation. This uncovers a folk theory of economic regulation: an everyday understanding that people use in ordinary life to navigate regulatory interactions.

In exploring this folk theory, this paper bounds the antagonistic rhetoric of "move fast and break things." This folk theory arose from Christensen's (1997) simplification of Stigler's (1971) "theory of economic regulation" into the blanket proclamation that innovation only happens when entrepreneurs evade regulators. While this ignores the empirical variation of actually existing regulation, this paper triangulates on how widespread this perception has become among "normal" people like entrepreneurs and innovators involved with disruptive technological innovation.

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