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OCCUPATIONAL LICENSING OF MASSAGE THERAPISTS IN MISSOURI AND KANSAS

By David Stokes

For many occupations, people who wish to pursue employment are required by various levels of government to obtain varying degrees of licensing as a prerequisite. In order to supervise operations at a nuclear power plant, one needs a license from the federal government's Nuclear Regulatory Commission. In all 50 states, in order to be a surgeon, one needs a license from that state's Board of Healing Arts (or an equivalent, similarly named board). Almost every large city requires those wishing to drive a taxicab to register their vehicles and obtain a license from city hall.

In his 1962 book *Capitalism and Freedom*, Milton Friedman identified three classes of occupational licensing: registration, certification, and licensure.¹

Registration is the class of licensing in which a person is compelled merely to register with some level of government before performing a service or trade. Often, this level adds very little to the cost of an occupation, and serves a reasonable purpose. Federal registration of firearms dealers and local registration of cab drivers are two

examples Friedman cites as serving a reasonable purpose.

Certification is the class of licensing in which the government allows an authorized body to determine which persons engaged in an occupation may identify themselves in a particular manner; those who qualify have typically met certain standard training or educational requirements. Certified Public Accountants are perhaps the best-known example of certified professionals. The law does not prevent anyone who has not been certified as a CPA from working as an accountant. Indeed, many non-CPAs make their living doing bookkeeping and tax returns. In Missouri, interior designers are another example of an occupation that is certified but not licensed. This certification mandates that only those who have earned a certain formal designation (e.g., "John Doe, CPA") may advertise themselves as such. Friedman argues that civil and voluntary organizations can perform such certification services just as well as the government can, and would do so without the coercion that characterizes governmental regulation.

Licensure usually increases the costs of entering an occupation by a significant margin, which reduces competition and so is generally desirable from the perspective of current practitioners.

The final and most burdensome class of licensing is licensure. In licensure, the government — usually in combination with a board or commission that it has created — sets standards and requirements determining who may practice a certain occupation. These can take the form of educational requirements, training hours, practice standards, work documentation, etc. Licensure usually increases the costs of entering an occupation by a significant margin, which reduces competition and so is generally desirable from the perspective of current practitioners — especially those who are grandfathered in when licensure is first enacted. Elected officials create boards to oversee the licensure process, and these usually consist primarily of industry representatives who then have the power to set future rules and requirements for their own industry or occupation. The conflict of interest involved when current practitioners are authorized to decide who may practice their trade in the future is obvious.

Supporters of occupational licensing believe that the requirements for obtaining a license, and the risk of losing it once obtained, help ensure the provision of reliable, high-quality services. After all, wouldn't someone who was about to have brain surgery want some formal way of ensuring that the surgeon is competent? In economic terms, the primary benefit of licensure may be that it reduces search costs, which can be figured as the value of the time one spends selecting a service provider. If one is about to have emergency surgery, it is valuable to know that the state has tested and licensed the doctor who is about to do the cutting, rather than desperately trying to check references while riding in the back of the ambulance.

Furthermore, licensure fosters professional ethics. If the immorality of stealing is not incentive enough to be honest, perhaps someone who has spent three years and thousands of dollars becoming a lawyer will think twice about misappropriating client funds, given the risk of losing his license to practice law and of forfeiting any further return on that long-term investment, should he be caught.

These are legitimate goals — but are there less coercive and conflicted ways to accomplish them?

MASSAGE THERAPY

For many customers, the goal of message therapy is to relieve pain, such as that caused by a sore back. For many others, the goal is simply relaxation. The state of Missouri licenses massage therapists, but the state of Kansas does not.

According to the Reason Foundation, Missouri and Kansas are two of the states with the least occupational licensing; Missouri has the lowest level of overall occupational licensing; Kansas has the third-lowest.² Most of the occupations licensed in both states — such as the medical profession — are licensed in every other state, as well. There are a few differences, however. With so many similarities between the two states, these few differences can provide an interesting test case of the effects of occupational licensing on both the prices and quality of massage therapy in the two states.

Massage therapy is used as the test occupation to be examined in this paper because the business is mobile, with lower start-up costs and capital investment than many businesses, so

practitioners are able to respond to incentives and regulations more fluidly. Massage therapists also generally have a set price list for various services, so it is easier to obtain price quotes over the phone from members of this profession than it would be to obtain them from, for example, doctors.

Massage therapists also serve a wide variety of people, so we can reasonably assume that their bases of operations will be spread out randomly among the general population — in contrast, for example, to: lawyers, which are licensed everywhere, and who might be expected to locate their offices near courthouses; taxidermists, which are licensed in Missouri but not Kansas, and who are more likely to be needed in rural than in urban areas; or, car dealers, which are licensed at the local level in some parts of Missouri, and who need a significant amount of space to operate. Not everyone might choose to purchase a massage session, but it is reasonable to assume that differences in gender, race, location (urban vs. rural residency), etc., do not play a significant role in that decision.

ECONOMIC BACKGROUND

The decision of whether to hire a massage therapist is like any other market-based exchange of goods and services — no different in theory from purchasing a cup of coffee or a car. Someone lucky enough to have a spouse who is good at backrubs is less likely to hire a therapist. Those with bad backs or other physical injuries are more likely. In the former case, the gain from exchanging

money for a massage that would be only somewhat better than a spouse's massage might be too marginal to justify hiring a therapist. In the latter case, the benefits of a professional massage (a better back) might justify paying for more massage sessions than a person without a bad back would typically be willing to pay.

A market exists wherever people meet to exchange goods or services. Most market transactions conducted by residents of Springfield, Mo., occur within the general area of Springfield. For the most part, the farther one travels from the city in order to buy a good or service, the higher the costs of doing so. The more valuable a good or service is judged to be, the more likely it is that a buyer will accept the higher costs entailed by traveling far from the city to obtain it. Thus, a Springfield resident will travel farther to get heart surgery or purchase a Picasso than to get a haircut or buy a pair of socks. In light of the value of the purchase to the purchaser, the difference is between trivial transaction costs and prohibitive ones.

Both the therapist and the customer benefit from the exchange of a therapy session. The therapist sets a price for the service based on the cost of providing it and the desired profit margin, and the customer receives a service he has judged to be worth the agreed-upon price. The willingness of some persons in Springfield to provide massages, and of others to obtain massages, make up the essential elements of a market. The possibilities that the recipient will not choose to get any more massages, or will choose a different massage therapist in the future, are also integral to a free

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market. If the law required everybody to get one massage per year, the market would not be free, but coercively restricted — not so different in theory from being robbed outright.

With this context in mind, let us consider the words of economist Murray Rothbard in *The Concise Encyclopedia of Economics*.³ “Taxation is a coerced exchange, and the heavier the burden of taxation on production, the more likely it is that economic growth will falter and decline. Other forms of government coercion (e.g., price controls or restrictions that prevent new competitors from entering a market) hamper and cripple market exchanges, while others (prohibitions on deceptive practices, enforcement of contracts) can facilitate voluntary exchanges.” A license to perform a service, such as a massage, is nothing more than a restriction on who may enter a market. The hardship imposed by the restriction depends on the severity of the rules and regulations. Clearly, though, any kind of licensing requirement that is more than nominal, including such reasonable ones as compelling a taxi to be clearly marked as such (so that people seeking a taxi don’t try to stop every car and ask for a ride), will increase the cost of providing that service. The question, then, is whether the benefits to be gained from requiring a license are sufficient to justify the average increase in cost of the service being licensed.

KANSAS CITY

The Kansas City metropolitan area straddles the Kansas-Missouri border, and for most of the metro area, no major obstacles impede travel between the states. (The Missouri River does prevent

easy access to the north of the metro area, but that is not where most people live.) Massage therapy in the Kansas City area thus serves as an excellent test case of the effects of licensure on prices and costs, for persons can easily cross the political boundaries either to set up a massage therapy business or patronize such a business.

The population of the Kansas City area skews toward Missouri, at 59 percent, while 41 percent lives in Kansas.⁴ The central business district is located in Missouri, as is the most popular shopping and dining district, The Plaza. In both states, the cities in the metro area generally have local licensing requirements for massage therapists, usually requiring registration of the massage business with the police and a background check of the practitioner. These requirements are imposed because of the unfortunate association of the industry with vice. Many would therefore argue that massage therapy is one field in which the lowest of the licensing levels described by Milton Friedman, i.e., simple registration of the business with the government, seems reasonable.

Missouri goes further than local registration, however, by also imposing the statewide licensure requirements of education, apprenticeships, application fees, annual fees, and practice standards — in short, the standard bureaucratic array of rules and procedures for licensed occupations. Massage therapists in Missouri must undergo 500 hours of training and study, either as a student at a massage therapy school or as an apprentice to a licensed therapist. The cost for the educational courses can be substantial.⁵ Prospective massage therapists then must undergo a state

background check and pass a test in order to obtain a license to practice. The fee to apply for the license is \$100. After applying, the actual license to operate a massage therapy business requires another \$50 fee, with an additional \$50 required annually to renew the license. Additional fees are levied for late renewals, a background check, an education review, and even changes of address. These requirements and fees are charged on top of the local fees and background checks generally required by cities in both states. A Missouri massage therapist can either submit to this process, or just relocate to Kansas, which has no statewide licensure of massage therapists.

Before we see whether therapists actually choose locations based on these differing costs of setting up shop, it is important to consider the potential value of licensure to consumers. The value to the consumer of the training for a particular marketed skill will be proportionate to the risk, expense, and importance of the skill. A consumer cares more that a surgeon is properly trained than that a barber is properly trained. The downside of a poorly executed surgery is much more severe than that of a bad haircut. Suffering the latter mishap, one may look silly or unprofessional. Suffering the former, one may die.

In a profession like massage therapy, most initial therapist selections are based on recommendations. According to the American Massage Therapy Association's 2008 industry fact sheet, 63 percent of all therapists receive some of their customers as a result of referrals from health care professionals.⁶ Clearly, many other referrals come from customers recommending a therapist to friends

or family. In the case of referrals from health care professionals, a patient can reasonably assume that the therapist being recommended is competent to do the job, trusting that the health care provider knows who he is recommending. In the case of referrals from a friend or family member, the selling point is not the number of hours the therapist has spent training, but the reported effectiveness of the massage; "My friend had a massage by this therapist and said it was great." While information about how a license was acquired might be valuable to consumers, it is doubtful that most potential customers would make an effort to seek it out, no matter how easily this can be accomplished online.⁷

Have any massage therapists established their businesses in Kansas specifically to avoid Missouri's licensing requirements? Some therapists appear to have done just that. The 2008 *AT&T Yellow Pages* for the Kansas City area lists 109 businesses providing massage therapy. Of these, 58 firms — or 53 percent — are located in Kansas⁸ — although only 41 percent of the metro-area population lives in Kansas.

How do the licensure requirements affect prices? The cost of required education and annual fees clearly drives up the cost of doing business for massage therapists in Missouri. But is a massage more expensive in Missouri because of these greater costs? Or does the cost of licensure have no noticeable effects on pricing, leading to rates that are similar to those in Kansas because of competitive pressure across the state line? Calls to check prices were made to every member of the American Massage Therapy Association (a national, voluntary

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trade organization) in the Kansas City area. The research shows consistency in the pricing when the modal average is considered. The most common rate in both the Missouri and Kansas sides of the metropolitan area is \$60 per visit, for an appointment that typically lasts one hour.⁹ However, the mean average charges for massage therapy in Missouri are slightly higher than in Kansas. The mean rate in Missouri is \$65.70, while the mean in Kansas is \$62.50. This average is based on a small sample size (see Appendix A for the data), but it does again appear that licensure requirements may have helped produce a minor difference in average cost between the two states.

A sampling of the prices charged by massage businesses advertising in the telephone directory yielded different but similarly inconclusive results. Based on this evidence, the mean average cost of a massage in Kansas was actually higher than in Missouri. The Kansas massage therapists queried in this sample charged an average of \$64.93, and the Missouri massage therapists charged an average of \$60.70. However, the businesses found in the telephone directory in many cases offer much more than just massage therapy, whereas members of the American Massage Therapy Association primarily perform massages. For instance, the Yellow Pages lists many chiropractic offices, full-service spas, and even massage therapy schools.¹⁰ Some of these other services, like chiropractors, are licensed in Kansas. And, unfortunately, despite careful attempts to screen the establishments listed in the Yellow Pages that we called for price checks, some prices might reflect the less reputable part of the industry. When only the results

from members of the massage therapists association are considered, the data indicate slightly lower costs in Kansas, which is a more accurate measure of the differential in massage prices between the two states.

While these differences may be indeed small, it does appear that there are both slightly higher average costs for massages in Missouri, and a higher number of massage therapy businesses than expected in Kansas. The difference in state licensing regulations is a likely factor. The finding that there are more massage therapists in Kansas than the population breakdown would suggest is the stronger indication of this effect. The slightness of the differences in pricing probably results from the easing effects of competition across the state line in unlicensed Kansas, which provides downward pressure on prices in Missouri and keeps rates at a relative equilibrium in the two states. Ultimately, the invisible hand of the market gives the people of Kansas City relaxing massages while holding their rates down at the same time.

SPRINGFIELD AND WICHITA

Springfield, Mo., and Wichita, Kan., provide another opportunity to compare the prices of massage therapists who are subject to differing levels of licensure. Wichita is the larger of the two cities. Neither city, unlike Kansas City or Saint Louis, is particularly close to another state. Massage therapists are licensed at both the state and local level in Springfield, but at only the local level in Wichita. In the Kansas City area, we found a greater percentage of massage

therapists in Kansas than in Missouri, probably as a result of Missouri licensing requirements — but the prices in the two states were largely the same, probably as a result of competition. Does the presence or absence of state licensure requirements have a larger impact on the prices and wages of massage therapists in Springfield and Wichita, where customers have no easy access to competing therapists with different license requirements?

United States Department of Labor statistics certainly indicate a substantial difference in massage prices between the two cities. According to the Bureau of Labor Statistics, the average massage therapist in Springfield makes \$59,260 annually, while the average therapist in Wichita makes just \$22,070.¹¹ The difference in licensing requirements can be reasonably credited as a significant reason for the enormous difference in the average wage, especially given the fact that the average wage for all occupations is higher in Wichita than in Springfield.¹²

Calls to check the prices of members of the American Massage Therapy Association in Springfield and Wichita revealed a significant difference between the most common rate in the two cities — but not as large as the differences in earnings between the two cities might suggest. The modal average rate in Springfield, \$65, is 18 percent higher than the most common rate in Wichita, \$55. The mean average rates are closer, with therapists charging an average of \$58 per massage in Springfield, and \$52 in Wichita — but the inclusion of just one very inexpensive Springfield therapist, who charged only \$30 per massage, is responsible for that gap-tightening.

Could a cost of living difference do more to explain these prices than licensing restrictions would? Not likely. According to the Missouri Economic Research and Information Center, Missouri has a slightly lower cost of living than does Kansas.¹³ Missouri has the fifth lowest cost of living in the United States, Kansas the sixth lowest. Wichita itself has a ranking of 89.8¹⁴ (100 represents the countrywide

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Table 1: BLS Massage Therapy

Occupation: Massage Therapists (SOC code 319011)

Period: May 2006

Area Name	Employment ⁽¹⁾	Employment Percent Relative Standard Error ⁽³⁾	Hourly Mean Wage	Annual Mean Wage ⁽²⁾
Kansas City, MO-KS	170	24.4	11.61	24150
Wichita, KS	(8)	(8)	10.61	22070
Springfield, MO	(8)	(8)	28.49	59260
Central Missouri Nonmetropolitan Area	(8)	(8)	10.53	21900

(1) Estimates for detailed occupations do not sum to the totals because the totals include occupations not shown separately. Estimates do not include self-employed workers.

(2) Annual wages have been calculated by multiplying the hourly mean wage by 2,080 hours; where an hourly mean wage is not published, the annual wage has been directly calculated from the reported survey data.

(3) The relative standard error (RSE) is a measure of the reliability of a survey statistic. The smaller the relative standard error, the more precise the estimate.

(8) Estimate not released.

SOC code: Standard Occupational code — see <http://www.bls.gov/soc/home.htm>

Data extracted on May 7, 2008

Missouri's statewide requirements increase the burden and the cost of becoming a massage therapist. As a result, without the competition provided by unlicensed massage therapists directly across the state line, massage therapists can charge more for their services in Springfield than the market would otherwise bear.

mean average), while Springfield is slightly less expensive, at 87.9. Wichita is thus a marginally more expensive city, but both are inexpensive by national standards. There seems to be no reason related to cost of living for the most common massage rate to be \$10 cheaper in Wichita than in Springfield. The most likely cause of this price difference is the fact that Missouri has licensure requirements that Kansas lacks. Missouri's statewide requirements increase the burden and the cost of becoming a massage therapist. As a result, without the competition provided by unlicensed massage therapists directly across the state line (as is the case for Kansas City), massage therapists can charge more for their services in Springfield than the market would otherwise bear.

Two further factors need to be considered when analyzing the numbers in Kansas and Missouri. Massage therapists were only recently required to obtain licenses by Missouri, beginning in 1999. Many therapists in the state were exempted from meeting the new licensure requirements by generous grandfathering provisions, and therefore did not experience the mandated costs of becoming a massage therapist that newer therapists have had to take on. If Kansas does not adopt licensing, we can expect the price difference between the two states to increase over time, as the proportion of newly licensed therapists in the Missouri market grows.

A related issue is the fact that the lack of licensure makes it easier to work in an occupation part-time. Indeed, nationwide, more than half (57 percent) of all massage therapists earn income in an additional profession.¹⁵ The cost and effort involved

in becoming licensed by the state make it harder to earn a return on that investment by working only part-time. It is certainly possible that more therapists in Kansas work in massage therapy on a part-time basis than do therapists in Missouri,¹⁶ which would help explain the tremendous difference in wages between Springfield and Wichita. This is another reason to discourage licensure laws: People should be free and able to perform a service only part-time if they wish, and coercively imposed costs making it harder to do so benefit only full-time competitors, rather than customers.

MASSAGE QUALITY

There is no way to compare the relative quality of the massages given in Missouri and Kansas. However, the Better Business Bureau (BBB) has offices in Kansas City, Springfield, and Wichita. While BBB records would not be a direct indication of the quality of massage therapy, they might at least indicate whether there are more complaints and problems associated with unlicensed massage therapists in Kansas than with licensed therapists in Missouri. According to the records, there is indeed a higher percentage of complaints in Kansas than in Missouri. The BBB has records for 20 massage therapy businesses in the Wichita and Kansas City, Kan., areas. During the past three years, it has received a total of 10 complaints about those 20 businesses. By comparison, there were five complaints about the 17 massage businesses tracked by the BBB in the Springfield and Kansas City, Mo., areas. So, there is a higher general rate of complaints for the unlicensed providers

in Kansas than for the licensed providers in Missouri. It should be noted, however, that a single massage therapy business in Wichita accounted for half of the total complaints in Kansas. This proverbial bad apple seems to explain the entire difference.¹⁷ Alternatively, it could be reasonable to conclude that the licensing system in Missouri is holding down the number of complaints by ensuring better services. It is also possible, however, that the complaints to the BBB are fewer in Missouri because consumers can also bring their complaints to the state's Board of Massage Therapy.¹⁸

However, even if licensure does increase the quality of service, as determined by fewer complaints received regarding licensed therapists — and without knowing how many complaints have been filed with the Missouri state board, we cannot assume that licensing results in fewer complaints — would such a finding automatically justify occupational licensing? After all, extensive alternate methods for handling disputes are available, from the arbitration process at the Better Business Bureau to civil court suits and liens.

According to a 2001 report by the Canada Office of Fair Trading regarding 15 different studies that analyzed the affects of licensing on work quality (see Appendix B), five of the 15 studies determined that licensing had a negative effect on quality, seven determined that the effect was neutral, one determined that the effect was mixed, and two determined that the effect was positive.¹⁹ Additionally, as a 2007 report for the Reason Foundation noted, “a 1990 Federal Trade Commission (FTC) report entitled ‘The Costs and Benefits of Occupational Regulation’ found that

occupational regulations frequently increase prices and impose significant costs on consumers without improving the quality of professional services.”²⁰

Thus, although a review of the BBB complaints in Kansas and Missouri does indicate that more complaints have been filed about massage therapists in unlicensed Kansas than in licensed Missouri, it is by no means clear that licensing boards improve quality either generally or in this particular instance.

ECONOMIC THEORY AND RESULTS

In 1962, economist Simon Rottenberg created two occupational licensing price/demand graphs for a paper analyzing the subject for the National Bureau of Economic Research;²¹ see Figures 1 and 2 on the next pages. Following is a liberal series of quotations from Rottenberg's description of his graphs, interspersed with my own commentary about how these graphs apply to licensed occupations in Missouri:

Are there too few people in the licensed trades? Would the economy gain if more were in these trades and fewer in unlicensed trades? In other contexts—as where a maximum price is put on the services of some class of labor which is below the competitive price—insufficiency of resources in the relevant trade is manifested by the failure of the market to clear and the formation of queues on the demand side of the market. Alternatively, if a floor is placed under prices at higher than the

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There are no price limits or ceilings, or limits imposed on the number of practitioners, for massage therapy in Missouri, so the market should still clear without queues forming on either the supply or demand sides.

competitive price, the market will not clear and queues will form on the supply side. This may be manifested by work sharing through short workweek schedules and by higher relative hourly wages than weekly or annual earnings.

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If, however, the license restricts entry by imposing higher entry costs, the market clears and queues do not form, since the numbers entering will cause the return to effort, adjusted for different quantities of entry-investment in licensed and unlicensed trades, to be the same for both. The price of services in the licensed trades will be higher than they would have been if entry into them were free, and it will be higher than the price of services in comparable unlicensed trades; but it will be a price that will clear the market.

This is the situation with respect to massage therapy in Missouri. The entry costs increase both the price for Missouri consumers and the incentive for practitioners to locate in Kansas. The market for massage services still clears in Missouri, but at a higher cost to consumers.

Thus in Figure 1, if entry is checked only by increasing entry costs, the supply schedule falls from S to S'; the number employed falls

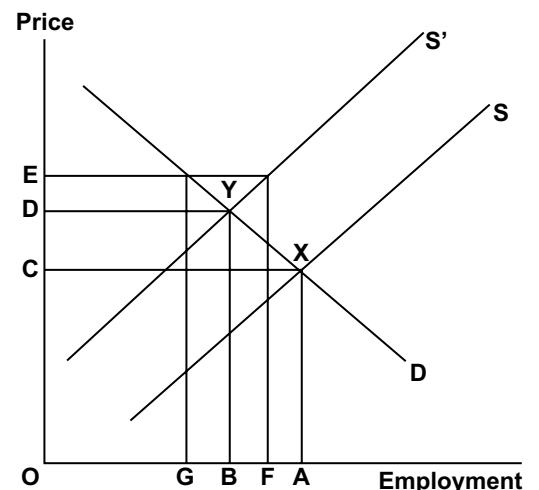
from OA to OB; and the price rises from OC to OD. The market cleared at X before licensing, and clears at Y after licensing.

S' is the cost of statewide licensing for massage therapists in Missouri, as opposed to S, which would have been the cost before licensing was instituted in 1999. The increased cost of becoming a therapist results in fewer persons entering the occupation in Missouri than otherwise might. This results in a higher market clearing point of Y in the Kansas City, Mo., and Springfield markets considered in this study.

If entry is checked only by increasing entry costs, and, in addition, a floor (E in Figure 1) is put under prices at higher than the new equilibrium rate, queues will form and work will be nonprice rationed among those who have entered, since supply OF will exceed demand OG, at that price.

There is no set minimum price for a massage in Missouri, so the effect of

Figure 1



guaranteed prices is not seen here. The analysis does apply to an occupation that is both licensed and heavily unionized, where one would see both high entry costs and more set pricing. For example, pipefitters in Saint Louis County may fit the criterion of OF over OG.

If entry is checked not only by increasing entry costs but also by absolutely limiting the number who may enter, there will also be queueing and rationing, but only if the number to which entry is limited is smaller than the number at which the market will clear; here entry will be rationed among those who aspire to enter.

This example does not apply to massage therapists, either, because the law sets no absolute limit on the number of therapists. It would better apply to taxicab drivers in cities like Saint Louis, where the market is restricted both by entry costs and by a limit on the number of people allowed to operate a cab.

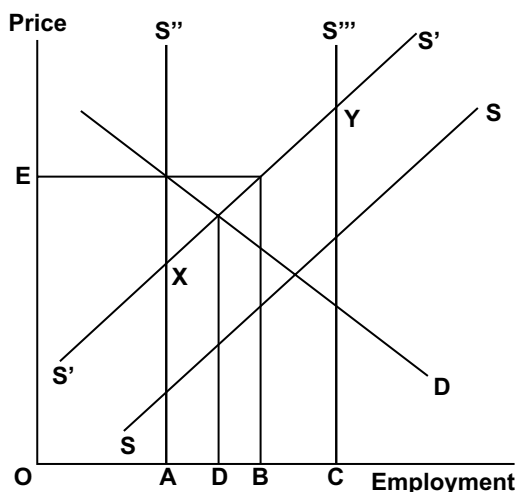
For a period around 2002, Saint Louis County removed the cap on the number of airport taxi operators, which had been limited beneath the market clearing level for decades. This had a dramatic effect, because the demand queue for obtaining a license had grown so long that a large number of new drivers entered the industry almost immediately (represented by OC in Figure 2), resulting in a substantial oversupply beyond the market clearing level. Because other regulatory interventions continued, such as set fares and the rule that a passenger must take the first cab in line, the normal economic responses to an increased supply were not allowed to take effect. Prices could

not be lowered to increase demand for taxicabs and thereby provide more work for the new drivers, and customer choice continued to be limited. The result was that demand and price remained constant even as the supply of employed drivers greatly increased. Predictably, wages dropped as drivers were unable to secure enough fares to earn a living. Instead of allowing the situation to reach eventual equilibrium through voluntarily reduced employment or reduced fares that increase the demand for taxi services, the government responded to driver complaints by reinstituting a set number of airport cabs.

Thus in Figure 2, the supply schedule would be SS if entry were perfectly free and license entry costs were not imposed; S'S', if license entry costs were imposed; S'XS'', if they were imposed and, in addition, an absolute numerical check is made effective at the number OA. The price OE will prevail and, at that price, OB would enter, if the numerical check had

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Figure 2



Occupational licensing of massage therapists hurts business revenues and the tax base in Missouri. The same effect is likely to be found in many other licensed occupations, as well.

not been set at OA. AB, therefore, is the number excluded by the entry rationing rule. If, of course, the numerical limit were established at OC (or any other number larger than OD), the numerical check would be irrelevant, and there would again be neither queues nor any other form of nonprice rationing.

This description again applies to taxicabs in regulated areas better than to massage therapy. S'XS" is what happened at the Saint Louis airport. In fact, OE would likely have been higher if not for the price ceiling set by law.

Rottenberg has clearly shown the effects of licensing on supply and demand. With no massage price floors or ceilings, and no established number of massage therapists, the changes described in Figure 1, where the clearing price moves to Y from X, is the true picture of the consequences of massage therapy licensing in Missouri. Many factors, including the relatively recent enactment of licensing legislation in Missouri and the large number of grandfathered practitioners, the competition across the state line in Kansas, and the admittedly low entry costs when compared to occupations like the building trades, lead to the higher Y clearing point being close to X in Missouri. The practical evidence of this is the small difference in pricing between the states. However, Missouri costs and prices are higher than they would have been without licensure of massage therapy.

CONCLUSION

Missouri's statewide licensure of massage therapists makes getting a

massage in the state more expensive. It also gives an incentive to massage therapy businesses in the Kansas City area to locate in Kansas instead of in Missouri. This licensure may reduce the frequency of complaints, but alternative systems for handling complaints can lead to this outcome just as well. For example, of the 10 complaints filed with the Better Business Bureau in Kansas, at least five were resolved in accordance with the bureau's arbitration system.

Occupational licensing of massage therapists hurts business revenues and the tax base in Missouri. The same effect is likely to be found in many other licensed occupations, as well. The uncertain benefits of this licensure for the people of Missouri do not justify its costs. The same conclusion likely applies to many other, but not necessarily all, licensed occupations.

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ACKNOWLEDGEMENTS

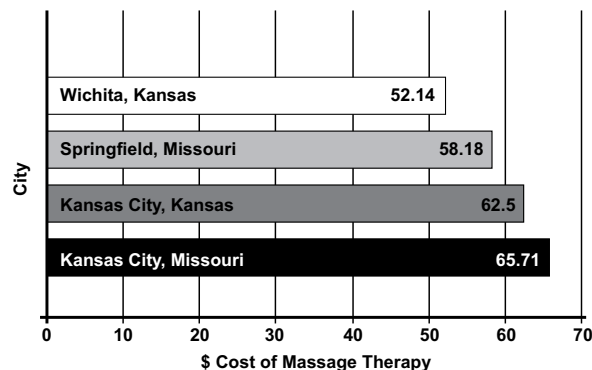
The author wishes to thank Nick Loyal, Patrick Eckelkamp, Dan Grana, Matt Simpson, and Charles Martin for their assistance in gathering data.

APPENDIX A

Source Data Collected by Author and Assistants

Location	Source	\$	Location	Source	\$	
1 Kansas City, Mo.	AMTA	75	1 Kansas City, Kan.	Yellow Pages	69	
2 Kansas City, Mo.	AMTA	60	2 Kansas City, Kan.	Yellow Pages	75	
3 Kansas City, Mo.	AMTA	75	3 Kansas City, Kan.	Yellow Pages	70	
4 Kansas City, Mo.	AMTA	65	4 Kansas City, Kan.	Yellow Pages	65	
5 Kansas City, Mo.	AMTA	65	5 Kansas City, Kan.	Yellow Pages	60	
6 Kansas City, Mo.	AMTA	60	6 Kansas City, Kan.	Yellow Pages	65	
7 Kansas City, Mo.	AMTA	60	7 Kansas City, Kan.	Yellow Pages	45	
		Average	8 Kansas City, Kan.	Yellow Pages	55	
		65.71	9 Kansas City, Kan.	Yellow Pages	75	
Location	Source	\$	10 Kansas City, Kan.	Yellow Pages	70	
1 Kansas City, Kan.	AMTA	60	11 Kansas City, Kan.	Yellow Pages	75	
2 Kansas City, Kan.	AMTA	60	12 Kansas City, Kan.	Yellow Pages	65	
3 Kansas City, Kan.	AMTA	60	13 Kansas City, Kan.	Yellow Pages	70	
4 Kansas City, Kan.	AMTA	60	14 Kansas City, Kan.	Yellow Pages	50	
5 Kansas City, Kan.	AMTA	70			Average	
6 Kansas City, Kan.	AMTA	65			64.93	
7 Kansas City, Kan.	AMTA	65	Location	Source	\$	
8 Kansas City, Kan.	AMTA	60	1 Springfield, Mo.	AMTA	30	
		Average	2 Springfield, Mo.	AMTA	50	
		62.5	3 Springfield, Mo.	AMTA	55	
Location	Source	\$	4 Springfield, Mo.	AMTA	55	
1 Kansas City, Mo.	Yellow Pages	60	5 Springfield, Mo.	AMTA	60	
2 Kansas City, Mo.	Yellow Pages	25	6 Springfield, Mo.	AMTA	65	
3 Kansas City, Mo.	Yellow Pages	70	7 Springfield, Mo.	AMTA	65	
4 Kansas City, Mo.	Yellow Pages	60	8 Springfield, Mo.	AMTA	65	
5 Kansas City, Mo.	Yellow Pages	37	9 Springfield, Mo.	AMTA	65	
6 Kansas City, Mo.	Yellow Pages	60	10 Springfield, Mo.	AMTA	65	
7 Kansas City, Mo.	Yellow Pages	65	11 Springfield, Mo.	AMTA	65	
8 Kansas City, Mo.	Yellow Pages	30			Average	
9 Kansas City, Mo.	Yellow Pages	79			58.18	
10 Kansas City, Mo.	Yellow Pages	60	Location	Source	\$	
11 Kansas City, Mo.	Yellow Pages	60	1 Wichita, Kan.	AMTA	40	
12 Kansas City, Mo.	Yellow Pages	72	2 Wichita, Kan.	AMTA	50	
13 Kansas City, Mo.	Yellow Pages	75	3 Wichita, Kan.	AMTA	55	
14 Kansas City, Mo.	Yellow Pages	70	4 Wichita, Kan.	AMTA	55	
15 Kansas City, Mo.	Yellow Pages	75	5 Wichita, Kan.	AMTA	55	
16 Kansas City, Mo.	Yellow Pages	75	6 Wichita, Kan.	AMTA	55	
17 Kansas City, Mo.	Yellow Pages	60	7 Wichita, Kan.	AMTA	55	
18 Kansas City, Mo.	Yellow Pages	50			Average	
19 Kansas City, Mo.	Yellow Pages	60			52.14	
20 Kansas City, Mo.	Yellow Pages	75				
21 Kansas City, Mo.	Yellow Pages	60				
22 Kansas City, Mo.	Yellow Pages	60				
23 Kansas City, Mo.	Yellow Pages	65				
24 Kansas City, Mo.	Yellow Pages	75				
25 Kansas City, Mo.	Yellow Pages	40				
26 Kansas City, Mo.	Yellow Pages	60				
		Average	Kansas City, Mo. (AMTA)	Median	Average	Mode
		60.69	Kansas City, Kan. (AMTA)	65	66	60
			Kansas City, Mo. (Yellow Pages)	60	63	60
			Kansas City, Kan. (Yellow Pages)	60	61	60
			Springfield (AMTA)	67	65	65
			Wichita (AMTA)	65	58	65
				55	52	55

Average Cost of an AMTM Massage



APPENDIX B

AUTHOR	DATE	COUNTRY	OCCUPATION	RESTRICTION	IMPACT ON QUALITY
Holen ²²	1978	USA	Dentist	Direct entry	Positive
Feldman & Begun ²³	1985	USA	Optometrist	Commercial practice, Advertising, Continuing education	Positive
Healey ²⁴	1973	USA	Laboratory Personnel	Licensing	Neutral
Cady ²⁵	1976	USA	Pharmacist	Advertising	Neutral
Bond, et al. ²⁶	1980	USA	Optometrist	Advertising, Commercial practice	Neutral
Jacobs, et al. ²⁷	1984	USA	Lawyer	Advertising	Neutral
Paul ²⁸	1984	USA	Physician	Licensing	Neutral
Young ²⁹	1986	USA	Accountant	Licensing	Neutral
Muris & McChesney ³⁰	1978	USA	Lawyer	Advertising	Negative
Trebilcock, et al. ³¹	1979	Canada	4, including Accountant, Architect, Engineer, and Lawyer	Price advertising	Negative
McChesney & Muris ³²	1979	USA	Lawyer	Advertising	Negative
Carroll & Gaston ³³	1981	USA	7, including Dentist, Electrician, Optometrist, Plumber, Real Estate Agent, Sanitarian, and Veterinarian	Direct entry	Negative
Kwoka ³⁴	1984	USA	Optometrist	Advertising	Negative
Cebula ³⁵	1998	USA	Lawyer	Advertising	Negative
Martin ³⁶	1982	USA	Pharmacist	Direct entry, Reciprocity	Mixed

Thanks to Adam Summers of the Reason Foundation for providing us with this data.

Source: LECG Ltd., Restrictions on Competition in the Provision of Professional Services: A Report for the [Canada] Office of Fair Trading, Dec. 2000, p. 22.

Online here: http://www.oft.gov.uk/shared_oftr/reports/professional_bodies/oft328.pdf

Secondary citations included in endnotes.

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¹ Friedman, Milton, *Capitalism and Freedom, 40th Anniversary Edition*, The University of Chicago Press, 2002, pp. 144–149.

² Summers, Adam B., “Occupational Licensing: Ranking the States and Exploring Alternatives,” Reason Foundation, Aug. 2007, p. 6. Online here: reason.org/ps361.pdf

³ Rothbard, Murray N., “Free Market,” in: Henderson, David R., ed., *The Concise Encyclopedia of Economics*, Liberty Fund, 2007, p. 201. Online here: tinyurl.com/5sbm3m

⁴ “Population Estimates for States, Counties and Cities,” *Mid-America Regional Council Metro Dataline*, July 15, 2008. Online here: tinyurl.com/5ubajg

⁵ According to a Nov. 2006 article in the *Kansas City Business Journal*, the High-Tech Institute in Kansas City offers a 74-week program in massage therapy for a tuition of \$22,000. The article stated that 74 students were enrolled in the program at the time. See: Roberts, Rob, “Area’s oldest massage school opens second site in Topeka,” *Kansas City Business Journal*, Nov. 24, 2006.

⁶ American Massage Therapy Association’s

- 2008 industry fact sheet. Online here: tinyurl.com/6elqg8
- ⁷ An examination of how the Internet reduces search costs would constitute a valuable economic study on its own.
- ⁸ As determined by the area code of each listed phone number. We recognize that area codes and physical addresses no longer automatically coincide. Analysis of the phone numbers for AMTA members and their addresses showed that the area codes generally do coincide with physical location, and the exceptions are equally distributed between states. So, most Kansas area codes are indeed in Kansas, and it is just as likely for a Kansas address to have a Missouri area code as the reverse, so the data is still accurate. It is possible that some Missouri massage therapists may have obtained Kansas area code phone numbers precisely to avoid licensing.
- ⁹ This \$60 figure is also the average rate nationally, according to AMTA's fact sheet.
- ¹⁰ In fact, including the data from just a few Missouri businesses found in the Yellow Pages — including one from a massage school that charged \$25, one from a chiropractic office that charged \$37, and one from a "wellness clinic" that charged \$30 — is responsible for the difference in pricing.
- ¹¹ It should be noted that there is not enough data collected in these markets for the Bureau of Labor Statistics to compute a relative standard error, so these numbers are not considered statistically significant.
- ¹² U.S. Department of Labor. Wichita's annual mean wage is \$35,760; Springfield's annual mean wage is \$31,300.
- ¹³ As reported in The Council for Community and Economic Research's (formerly the American Chamber of Commerce Research Association, or ACCRA) annual national cost of living index, in: "Cost of Living Data Series: 3rd Quarter 2008," Missouri Economic Research and Information Center. Online here: tinyurl.com/5ch2au
- ¹⁴ Also from the ACCRA data. Online here: tinyurl.com/5erzj8
- ¹⁵ American Massage Therapy Association's 2008 industry fact sheet. Online here: tinyurl.com/6elqg8
- ¹⁶ If anything, the AMTA's estimate is low, as it is taken from an industry survey; part-time therapists in states that do not require licensing have less incentive to join groups like AMTA and respond to their surveys.
- ¹⁷ No other therapists had more than one complaint.
- ¹⁸ The author tried to obtain complaint data from the Missouri Board of Therapeutic Massage, but was informed that the board does not track the total number of complaints filed.
- ¹⁹ Canada Office of Fair Trading, "Competition in Professions," March 2001, p.22. As printed in: Summers, p. 10.
- ²⁰ Summers, p. 9.
- ²¹ Rottenberg, Simon, "The Economics of Occupational Licensing," Aspects of Labor Economics, Princeton, Princeton University Press, 1962, pp. 3–20. Online here: nber.org/chapters/c0601.pdf
- ²² Results summarized in: Cox, Carolyn, and Susan Foster, The Costs and Benefits of Occupational Regulation, U.S. Federal Trade Commission, Bureau of Economics, Oct. 1990, pp. 26–27. Online here: tinyurl.com/5lz4et
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- ²⁶ Bond, Ronald S., John E. Kwoka, Jr., John J. Phelan, and Ira Taylor Whitten, Effects of Restrictions on Advertising and Commercial Practice in the Professions: The Case of Optometry, U.S. Federal Trade Commission, Bureau of Economics, Sept. 1980. Online here: tinyurl.com/5j58mx
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