



TESTIMONY

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ELECTRICIAN LICENSING IN MISSOURI

By David Stokes

Testimony Before The Missouri House Local Government Committee on HB 1513

“That is not a just government, . . . where arbitrary restrictions, exemptions, and monopolies deny to part of its citizens . . . free use of their faculties, and free choice of their occupations.” — James Madison (1792)

Honorable Members of the Committee:

Thank you for the opportunity to testify today. My name is David Stokes and I am the director of local government policy for the Show-Me Institute, a nonprofit, nonpartisan Missouri-based think tank that supports free-market solutions for state policy. The ideas presented here are my own. This testimony is intended to summarize research that the Show-Me Institute has conducted and reviewed regarding the imposition of statewide occupational licensing requirements on the electrician trade.

Would it surprise you to know that areas with more stringent electrician licensing actually have higher rates of electrocutions? It is true. Economists Sidney Carroll and Robert Gaston documented it in a very thorough study.¹ While that finding may surprise you, the reasoning is fairly simple. Licensing increases costs. Higher costs lead to more do-it-yourself work, and that leads to

more accidents. States with stricter dental licensing laws have a higher incidence of poor dental hygiene for the same basic reason.² Similar, though perhaps less drastic, effects can be found in many other licensed occupations.

In occupational licensing, the government, usually in combination with a board or commission it establishes, sets standards and requirements as to who can practice a certain occupation. These standards can take the form of educational requirements, training hours, practice standards, continuing education classes, work documentation, background checks, etc. Licensure usually adds significant costs to becoming a member of the occupation, which is generally the whole point of it from the perspective of current practitioners who are grandfathered in when licensing is enacted. In many cases, the public objective of licensing can be readily met through lesser regulations such as registration or certification, but full-blown licensing is enacted because that is

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**ADVANCING LIBERTY WITH RESPONSIBILITY
BY PROMOTING MARKET SOLUTIONS
FOR MISSOURI PUBLIC POLICY**

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Make no mistake about it. There is no groundswell of public support demanding that electricians be licensed. In every case, current practitioners of an occupation will seek occupational licensing under the pretexts of consumer protection and professional prestige in order to limit future competition within their field. It is the classic case of concentrated benefits versus dispersed costs that infects these issues of occupational licensing wherever they are implemented. Missouri is spending more than \$40 million in the current fiscal year on professional registration. I propose that much of that money is wasted on unnecessary regulations.

Occupational licensing unnecessarily involves the government in the free market. It does not achieve its ostensible goal of improving service quality, and can result in harmful unintended, yet thoroughly predictable, consequences. Occupational licensing laws are born of special interests, not the public interest. In short, licensure raises prices and harms consumers.

How does one choose to hire someone from a particular profession, e.g., a plumber or a lawyer? Advocates for licensing would likely have us believe that, in the absence of state licensing rules, people just randomly pick one and are regularly subject to fraud and abuse from those they choose. These arguments are made for every occupation seeking market power through coercion.

I, like most homeowners, have an electrician. We hired ours the same way the large majority of other Missourians do — through a recommendation from a family member, neighbor, or other trusted person. The electrician we use knows that if he does a poor job, or charges too much, his customers will stop recommending him. In a competitive market (and licensing inhibits competition), the electrician's job performance and reputation are what puts bread on his table, not a state license.

Fewer occupational licenses means more opportunity for employment, lower professional entry costs, more competition, and greater choice for consumers. In this difficult economic climate, it is more important than ever to encourage entrepreneurship and remove regulatory barriers to work. State and local officials should refuse future attempts to license other professions, including electricians, and should make every attempt to reduce the number of occupations that are currently licensed. This would lead to even more freedom and prosperity for Missourians.

NOTES

¹ Carroll, Sidney L., and Robert J. Gaston. "Occupational Restrictions and the Quality of Service Received: Some Evidence." *Southern Economic Journal*, vol. 47, no. 4, April 1981, pp. 959-976.

² Shepard, Lawrence. "Licensing Restrictions and the Cost of Dental Care." *The Journal of Law and Economics*, vol. 21, no. 1, April 1978, pp. 187-201.



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