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***David Stokes is a policy  
analyst at the Show-Me  
Institute, which promotes  
market solutions for  
Missouri Public Policy.***

# TESTIMONY

February 8, 2012

## LICENSING HOME INSPECTORS WILL NOT BENEFIT MISSOURIANS

*By David Stokes*

*Testimony Before the Missouri House of Representatives Professional  
Registration and Licensing Committee*

To the Honorable Members of  
the Committee:

My name is David Stokes and I am a policy analyst 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 occupational licensing requirements.

There are few absolute truths in life, but we do have some.

Death, taxes, gravity. If demand increases and supply remains the same, price will increase. The St. Louis Cardinals team will contend for the pennant. And, — most germane to this committee meeting — current practitioners of certain fields will initiate attempts to license their occupations.

Make no mistake about it. There is no groundswell of public support demanding that home inspectors be licensed. There is no brewing public controversy about home inspectors that the legislature needs to address. Some current home inspectors are

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

***Areas with more stringent licensing of electricians have higher rates of electrocution.***

attempting nothing more than to institute licensing that will benefit their own interests by limiting their competition and increasing prices for their service. Like previously unlicensed occupations around the country (interior designers, massage therapists, and many more), the pretexts of consumer protection and professional prestige are being used to sell efforts that will benefit the current inspectors at a cost to future inspectors and homebuyers. 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 \$11 million in the current fiscal year on professional registration. I propose that much of that money is wasted on unnecessary regulations.

Occupational licensing requirements can be difficult to measure across states, but, as best I can tell, Missouri has less occupational licensing requirements than other states. That is something of which to be proud. Occupational licensing increases costs to consumers, limits

competition, and unnecessarily involves the government in the free market.<sup>1</sup> It does not achieve its ostensible goal of improving service quality, and can result in harmful, unintended, yet thoroughly predictable, consequences.<sup>2</sup> For example, areas with more stringent licensing of electricians have higher rates of electrocution.<sup>3</sup> The reason for that is simple. Licensing increases costs. Higher costs lead to more do-it-yourself work, and that leads to more accidents. Similar, though less drastic, effects can be found in many other licensed occupations.

Occupations that wish to voluntarily engage in standards and other types of economic signaling are free to do so of their own accord. The home inspector industry currently has multiple organizations willing to certify professional credentials for members on a voluntary basis. Many other industries, including insurance and information technology, make full use of voluntary certification without any government coercion. That system works well, and improper use of such credentials can be handled

through civil courts. Home inspectors should continue with that practice.

How does one choose a home inspector? Advocates for licensing likely would have us believe that, in the absence of state licensing rules, people just randomly choose an inspector and are regularly subject to fraud and abuse. The same false arguments are made for every occupation seeking market power through coercion.

I recently had a need for a home inspector. We hired ours the same way the large majority of other Missourians do – on a recommendation from our realtor, or other trusted person. The home inspector we used regularly works for many realtors, and if he does a poor job, or charges too much, he knows the realtors will stop recommending him. In a competitive market (and licensing inhibits competition), the inspector's job performance and reputation are what puts bread on his table, not a state license. Licensing home inspectors in Missouri is a totally unnecessary change that will marginally

increase housing costs without any corresponding benefit to Missouri homebuyers. This legislature is currently considering other changes that move in the right direction, such as a proposal to loosen the regulations imposed on nurses.<sup>4</sup> Missouri should have a goal to reduce the licensing it does have, not add more.

The recent Academy-award winning film “The King’s Speech” told the true story of how King George overcame his speech difficulties. All the King’s licensed speech pathologists and licensed clinical audiologists could not correct King George VI’s speech impediment. Only Lionel Logue, an unlicensed therapist, could help the King correct his stammer in time for his famed speech leading his nation at the beginning of World War II.<sup>5</sup> If unlicensed work meets the market demands of the King of England on the eve of a world war, I believe it will meet the market demands for Missouri homebuyers.<sup>6</sup>

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## NOTES

<sup>1</sup> Shepard, Lawrence. "Licensing Restrictions and the Cost of Dental Care." *The Journal of Law and Economics*, vol. 21, no. 1, April 1978: 187-201.

<sup>2</sup> Stokes, David. "Occupational Licensing of Massage Therapists in Missouri and Kansas." Show-Me Institute Case Study No. 2, 2008.

<sup>3</sup> 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: 959-976.

<sup>4</sup> Miller, Melissa. "Two Bills Would Remove Limits On Nurses' Ability to Practice." *Southeast Missourian*, Feb. 1, 2012.

<sup>5</sup> "The King's Speech." The Weinstein Company, 2010.

<sup>6</sup> Be that as it may, the author wishes to be clear that he still prefers a democratic republic like ours to a monarchy.



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