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TESTIMONY

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LICENSING MODULAR UNIT INSTALLERS IN MISSOURI

By David Stokes

***Testimony Before The House Utilities Committee
Regarding House Bill 828***

“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)

To the Honorable Members of This Committee:

Ladies and gentlemen, thank you for the opportunity to testify today. 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 in general and licensing modular unit installers specifically.

There are few absolute truths in life, but we do have some: death, taxes, gravity. If demand for a good increases and supply remains the same, the price will increase. And, — most germane to this committee meeting — attempts

to license certain occupations will be initiated by the current practitioners of that field. Missouri has fewer of these occupational licensing requirements than other states, and we should be proud of that. This is significant, because fewer licensing regulations means that goods and services are cheaper for consumers, and fewer job seekers have to ask the government’s permission before working in the occupations of their choosing. Missouri, nonetheless, has plenty of examples of unnecessary licenses at the state and local levels.

Nobel Prize winner Milton Friedman dedicated an entire chapter to occupational licensing in his seminal 1962 book “Capitalism and Freedom.” Friedman, and many other economists, believed that occupational licensing harmed the economy.

In Friedman’s book, he identified three classes of occupational licensing:

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registration, certification, and licensure. Registration is simply requiring a person to register with some level of government before they perform a service or trade. Certification is where the government grants an approval to select people in an occupation to identify themselves in some manner. The most prominent example of this is Certified Public Accountants.

The final, most burdensome, and most common, class is licensure. State licensure is what HB 828 intends for the modular unit installer occupation. In 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 get grandfathered in when licensing is enacted. In many cases, the public objective of licensing can be readily met through registration or certification, but full-blown licensing is enacted because that is where current practitioners can get the most personal benefits.

Make no mistake about it. There is no groundswell of public support demanding that modular unit (otherwise known as mobile home) installers 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. **In the end, licensing modular unit installers will limit the number of people who perform that service and increase the cost to purchase a modular home.** The evidence shows that it is highly unlikely there will be any safety improvements to counter the price increase. In fact, generally speaking, as

prices increase for these types of services, you see more “do-it-yourself work” that has the opposite effect of decreasing safety.

Occupational licensing increases costs to consumers, limits competition, and 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.¹

For example, areas with more stringent licensing of electricians have higher rates of electrocution.² The reason for that is 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.³ Similar, though perhaps less drastic, effects can be found in many other licensed occupations.

Licensing laws are virtually always enacted, or made more stringent, because existing practitioners of a profession lobby for the regulations, not because customer complaints or safety concerns necessitate them. Moreover, current practitioners are typically “grandfathered” in so that they do not have to meet the new stricter standards that are imposed on their future competitors. These regulations increase the costs of entering a profession, so existing practitioners can charge higher prices — and earn higher profits — than they otherwise would in a truly free market. Thus, occupational licensing laws are born of special interests, not the public interest. In short, licensure raises prices and harms consumers.

Numerous economic studies have shown that government licensing standards do not improve consumer health and safety. (This testimony cites two, but I would be happy to provide more if requested.) In fact, licensing often causes consumer safety, and the quality of products or services, to decrease. This is because licensing requirements are often arbitrary and not necessarily related to practical job skills or knowledge, and the false sense of security that a license provides can cause customers to be less discriminating.

Conclusion

Having fewer occupational licenses means more opportunity for employment, lower professional entry costs, more competition, and greater choice for consumers. In this distressed 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, 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.

I urge Missouri officials to take these issues into careful consideration each time a group of existing businesses group together to obtain licensing requirements. Even though all the existing members of that group may desire licensure, and even though the issue and request may seem minor, the effects on our economy and our freedoms are not minor. Licensing modular unit home installers will not have positive benefits for Missouri consumers and residents.

NOTES:

¹ Stokes, David. "Occupational Licensing of Massage Therapists in Missouri and Kansas." Show-Me Institute Case Study No. 2, 2008.

² 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.

³ 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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