



Text Size:

Monday, Aug 15, 2011

Posted on Wed, Aug. 10, 2011

Laws help keep those on the outside from getting in

What does it take to be able to own and operate a taxi and earn \$30,000, \$40,000 or more a year?

You need to purchase a used car and liability insurance. Compared with other businesses, the startup cost to become a taxi owner/operator is modest; that's until you have to come up with money for a license. In May 2010, the price of a license, called a medallion, to own one taxi in New York City sold for \$603,000. As referenced in my recent book, "Race and Economics," New York City is not alone. In Chicago, a taxi license costs \$56,000; in Boston, \$285,000, and in Philadelphia, \$75,000. It's not rocket science to understand the effect of laws that produce these prices: They discriminate against anyone getting into the taxi business who lacks tens and hundreds of thousands of dollars or bank credit to be able to get a loan.

Suppose you're a trucker with an interstate license to ship goods but you want to expand to shipping goods within your state. Is it fair for the government to permit your competition to show up at your hearing, with their attorneys, to protest that your services are not needed and therefore you are denied what's called a "certificate of necessity," which would allow you to ship goods within the state? Attorney Timothy Sandefur discusses this despicable process in his recent article "CON Job," published by the Cato Institute. "Certificate of necessity" monopolistic restrictions exist across the country, governing a variety of industries, from moving companies and taxicabs to hospitals and car lots. The intention and the effect of these laws is to protect incumbent practitioners from open market competition, enabling them to charge higher prices as a means to higher income.

Interior designing has almost no startup costs. Not so if you want to practice in Florida. State law mandates that anyone who wants to practice interior designing have six years of education and experience, including graduating from a state-approved interior design program and completing an apprenticeship under a state-licensed interior designer. Then the applicant must pass a state-mandated licensing exam. The sole purpose of the law is to keep the outs out so the ins can charge monopoly prices.

If interior designing is not for you, how about being a tour guide in Philadelphia or Washington, D.C.? Neither city will permit you to be a tour guide without a government-issued license.

In Phoenix, you could earn a living doing something as simple as shaping eyebrows, a safe and common practice known as "eyebrow threading." To do so legally, Phoenix requires you to take hundreds of hours of irrelevant training and spend thousands of dollars on classes. None of those classes actually teaches you how to practice eyebrow threading.

One would think that civil rights organizations, leftists and progressives

would be fighting the battle for people's rights to earn a living. But they are often on the other side, and it's the Washington, D.C.-based Institute for Justice that has been waging war against entrenched incumbents who use government to protect them from competition. In fact, the Institute for Justice has current court battles against restrictions on tour guides, eyebrow threading and interior designing, as well as several more found at its website (ij.org/economicliberty). The Institute for Justice has had remarkable success in lawsuits, breaking many economic barriers, such as those against hair braiding in Arizona, Minnesota, Mississippi, Ohio and California and taxi restrictions in Denver, Minneapolis, Cincinnati and Indianapolis.

Arbitrary licensing and permitting laws foreclose many occupations that are ideally suited to people of modest means, particularly minorities.

Ask any liberal politician, from the president and the Congressional Black Caucus to civil rights organizations and black local politicians, whether he'd take up the fight to eliminate these barriers to upward mobility. You'll get answers, but they won't be a simple yes. The reason is the ins contribute to their campaigns and the outs don't.

Write to Walter E. Williams, a professor of economics, at Department of Economics, MSN 3G4, George Mason University, Fairfax, VA 22030-4444.
Email: wwilliam@gmu.edu