

# THE ROBESONIAN

## Still room to improve on regs

John Hood

May 19, 2021

When it comes to our business climate and economic prospects, North Carolinians are used to receiving accolades. Let's add another to the list. The Cato Institute just released a study of regulatory barriers facing entrepreneurs. North Carolina fared well in the analysis, ranking 12th-best in the nation.

No, we weren't in the top-10. More on that in a bit. But first I want to underline the ways in which North Carolina policymakers have made it easier to start and grow businesses in our state.

First and foremost, our lawmakers have not set a minimum wage higher than the federal minimum of \$7.25 an hour. Few workers stay at minimum wage for long, of course, and most jobs have starting salaries well above it.

However, in industries that employ low-skilled workers, setting the minimum wage at \$10 an hour or more, as some states do, requires entrepreneurs either to change their mixture of labor and capital, redesign their business altogether, transfer the financial hit to consumers as higher prices, or some combination thereof. Entrepreneurs adjust to the higher costs, yes, but not always easily. All other things being equal, they'd rather go where states don't substitute political judgments for economic ones.

Speaking of which, North Carolina's politicians also haven't substituted their judgment for that of entrepreneurs when it comes to the optimal mix of wages and benefits. Some states require companies to offer paid sick leave, paid family leave, and short-term disability benefits. Our state, quite properly, does not.

I don't mean to suggest these benefits aren't attractive to workers. Many North Carolina employers already offer them. But a non-wage benefit isn't a gift. It's simply an alternative to cash for paying employees.

Because benefits are often tax-exempt, and there can be economies of scale in designing and administering them, it often makes sense for companies with many employees to offer them in lieu of cash salary. But a very general rule has exceptions. In certain situations, both employers

and employees prefer to deal in cash. It's best to leave the labor market alone to sort out mutually agreeable arrangements here.

Another, narrower area where North Carolina is especially entrepreneur-friendly is the sale of food produced at home. So-called cottage-food regulations often keep start-up businesses from selling their baked or bottled goods in competition with large-scale commercial kitchens and food processors. Our state is less guilty of that than most.

Now, ranking 12th in the nation in barriers for start-up businesses is not quite a top-10 showing. How can North Carolina improve our regulatory climate? Three policy changes would thrust our state into the top tier of states.

First, we should substantially modify or eliminate our certificate-of-need laws, which force health care providers to get a permission slip from state regulators to buy new medical devices or add new services. State leaders have debated the CON issue for years, and even made some welcome, albeit modest, changes. It's time to get bolder.

Similarly, North Carolina should take bolder steps to deregulate the production and sale of alcoholic beverages. It's absurd that state government is still in the warehousing and distribution business. We should get entirely out of it and use asset sales and tax collections to offset the revenue loss to localities.

Finally, our state licenses far too many occupations and makes it far too difficult to complete the process. On average, North Carolinians pay about \$396 to enter a licensed occupation. Georgians pay \$317.

I'm not suggesting that raising our ranking in regulatory climate is an end in itself. Policymakers should do this so more North Carolinians can start and operate their own businesses, which will in turn give more North Carolina workers the opportunity to find meaningful work and build useful job skills.

Economic growth isn't driven primarily by existing companies getting a little more productive every year. It's driven by innovators with new, sometimes disruptive, ideas. Let's invite more of them to do their thing in North Carolina.