



Promoting  
Prosperity  
in

# Mississippi

EDITED BY

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The Institute for Market Studies at Mississippi State University was created in 2015 to support the study of markets in order to provide a deeper understanding regarding the role of markets in creating widely shared prosperity.

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Edited by Brandon N. Cline,  
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# Preface

What creates prosperity? Why are some states rich and others poor? Why does Mississippi consistently rank as one of the poorest states in the nation? Can anything be done to move Mississippi ‘out of last place’? These questions are often raised by our students and fellow Mississippians. This book addresses each of these questions by identifying areas in which Mississippi can improve its economic conditions.

In this book, we identify key areas for Mississippi economic policy reform. Twenty-one scholars, ten of which are from or work in Mississippi, have contributed original policy research. All twenty chapters were written specifically for Mississippi with a shared goal to promote prosperity in the state. While some of the chapters contain complex policy reforms, we have made every effort to present the concepts and ideas in a way that is understandable to the average citizen, the person who can benefit the most from this information.

The first three chapters of the text summarize the basic economic principles necessary to achieve economic prosperity. These three chapters present the principles behind the reforms proposed in the subsequent seventeen chapters. Each chapter was written independently and offers unique insight into different areas of state policy reform. While the topics covered range from tax reform, education reform, healthcare, corporate welfare, occupational licensing and business regulatory reform to criminal justice reform, and natural disaster recovery efforts, there is a clear unifying framework underlying the conclusions reached in each chapter. The theme throughout is that economic growth is best achieved through free market policies, policies which are based on limited government, lower regulations, lower taxes, minimal infringement on contracting and labor markets, secure private property rights, low subsidies, and privatization. Policy based on these principles allows Mississippians to have more rights and more choices in their lives.

We hope that readers come away with a better understanding of capitalism’s true potential to generate the long-run economic growth necessary to make Mississippi more prosperous, as well as ideas for policy reforms that could accomplish it in our lifetimes. This book illustrates that if Mississippi embraces economic freedom, the state will experience more entrepreneurship, increased business and capital formation, higher labor productivity and wages, and overall economic growth. Our main goal is to provide the scholarly, academic research that can inform state policy decisions and open a much needed dialogue on growth-oriented policy reform in Mississippi.

We focus on long-run policy improvements. Thus, the analysis is not an assessment of any particular administration or political party. Instead, this book can be thought of as a blueprint of possible economic reform proposals that use scientific evidence as a guiding principle. We emphasize that our unifying framework, which shapes the conclusions drawn in each chapter, is based on economic science, not politics. All authors address their respective topics by relying on academic research. Topics and policy conclusions were not based on any particular political agenda, political party, or political expediency. Instead, the authors relied on cold, hard facts and data with references to published academic literature to develop policy reform suggestions specific for Mississippi. In fact, many reforms suggested may not be politically possible.

The inspiration for this book came from *Unleashing Capitalism*, a series of books using economic logic to improve state policy in West Virginia, South Carolina, and Tennessee. We owe thanks to more people

than we could possibly list. We are indebted to our colleagues and the Finance and Economics advisory board at Mississippi State University who helped review chapters and provide invaluable feedback. We thank Ken and Randy Kendrick, Earnest W. and Mary Ann Deavenport, and the Pure Water Foundation for the funding necessary to embark on a project of this magnitude. We also thank our friends and family for their support, and for putting up with the long working hours that went into conducting this research. Most importantly, we would like to thank the staff and supporters of the Institute for Market Studies at Mississippi State University for publishing this book. Without their support, this book would not have been possible.

Let's start promoting prosperity in Mississippi!

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# 9

## **Occupational Licensing in Mississippi**

Daniel J. Smith





# 9

## Occupational Licensing in Mississippi

Daniel J. Smith

Occupational licensing is the regulation of individual entry to a profession through mandated professional requirements. While these professional requirements vary by industry, they often include registration, educational requirements, exams, and background checks set by industry boards comprised primarily of industry practitioners. Since occupational licensing laws explicitly prohibit an individual from practicing in an industry if they have not met the requirements set forth by the licensing board, these requirements often represent substantial barriers to individuals attempting to enter a profession. Individuals caught practicing in these professions without a license can face cease and desist orders, fines, and even jail time.

The stated purpose of occupational licensing laws is to protect the safety and well-being of consumers, especially when it comes to goods and services with asymmetric information problems. An asymmetric information problem is when one party to an exchange has more information than the other party. For instance, the seller of a good or a service is often much better informed about the good or service they are selling than the buyer. This is particularly the case with credence goods, which are complex goods that consumers find difficult to properly evaluate.

Consumer safety and well-being can be compromised in two primary ways in the presence of information asymmetries. First, consumers can be sold goods or services they don't really need. For instance, most consumers ordered to get an x-ray by a physician, dentist, chiropractor, etc., are unable to judge whether an x-ray is appropriate or not, given their lack of medical training and experience. In addition, they are also often unqualified to read an x-ray to assess whether the subsequent medical recommendation is appropriate or even necessary. Second, consumers' safety could be put at direct risk in the presence of information asymmetries. For instance, in the face of information asymmetries, a consumer may not be able to ascertain whether a tattoo artist is utilizing adequate health and safety precautions.

To supplement overarching fraud, misrepresentation, and false advertising laws already in place to protect consumers, as well as to supplement remedies available through civil courts, occupational licensing is often advanced as a method to protect consumers using goods and services with information asymmetries. Occupational licensing can be implemented to help ensure that practitioners in a profession with information asymmetries are properly qualified, trained, and monitored to mitigate the exploitation of consumer ignorance.

Occupational licensing is often implemented through legislation that creates an industry board composed of industry practitioners, oftentimes with nominal consumer representation, tasked with designing, implementing, and verifying the education, experience, and professional conduct requirements of industry practitioners. To ensure compliance, these boards are given the legal power to mandate these requirements and are tasked with initiating action against practitioners found to be unlicensed, improperly qualified, or engaged in professional misconduct.

While there are examples of federal occupational licensing, such as an aircraft pilot licensing administered through the Federal Aviation Administration, and local occupational licensing laws, such as barbering in some Alabama counties prior to its state-wide licensing in 2013,<sup>1</sup> most occupational licensing occurs at the state level. Across the United States, over 1,000 different occupational categories are now licensed.<sup>2</sup> While around one in twenty workers needed a license to work in 1950, current estimates suggest that many more U.S. workers, around one in five, must now obtain a license to work.<sup>3</sup>

The requirements set forth by state licensing boards often vary drastically between states. For instance, educational requirements for licensure for an embalmer range from a 12-month mortuary school to a four-year B.S. degree in mortuary science.<sup>4</sup> Not only do occupational licensing requirements vary drastically between states, but even whether an occupation is licensed or not varies widely between states. For instance, the vast preponderance of the over 1,000 occupations licensed across the United States are not licensed in every state.<sup>5</sup>

In practice, industry practitioners themselves, not consumers seeking safety and quality assurance, have been the advocates for occupational licensing. Professional practitioners advocate for occupational licensing in the name of consumer safety, health, and protection, but stand to benefit from the artificially higher wages that often emerge when entry to the profession is restricted and competition is reduced. The information asymmetries enable industry practitioners to potentially impose unnecessarily complicated or costly requirements to restrict entry to the profession.<sup>6</sup> The variety of occupations licensed and the variety of requirements suggests that occupational licensing laws are primarily driven by industry groups seeking professional cartelization, not by consumers concerned about health and safety, as it is difficult to surmise why barbers without licenses would have represented a threat to consumers in Mississippi but not Alabama. Thus, occupational licensing can reduce the choices available to consumers, raise prices for consumers, and may even put low-income consumers at more safety risk if reduced choice and increased prices forces them to home-production or black markets as was highlighted in Chapter 8. The costs of occupational licensing can be substantial. The estimated cost to U.S. consumers ranges from \$127 to \$203 billion.<sup>7</sup> As licensing is extended to increasingly more industries, even in the absence of evidence of

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1 Bureau of Labor Statistics (available at: <https://www.bls.gov/opub/mlr/2015/article/the-de-licensing-of-occupations-in-the-united-states.htm>).

2 See Summers (2007).

3 Bureau of Labor Statistics (available at: <https://www.bls.gov/cps/certifications-and-licenses.htm>).

4 See Smith and Trudeau (2016).

5 See Carpenter, Knepper, Erickson, and Ross (2012).

6 See Gellhorn (1976) and Kleiner (2006).

7 See Furth (2015, November 23) and Kleiner (2011).

information asymmetries that pose real threats to consumers, it gives unlicensed industries the ability and incentive to organize and lobby for professional licensure.<sup>8</sup>

Perhaps even more of a concern, cost prohibitive and unnecessarily complex occupational licensing requirements can reduce occupational choice and mobility for U.S. workers. This is particularly a concern when it comes to occupations that would, without occupational licensing, provide a low-cost professional opportunity for even low-income entrepreneurs. For instance, in the absence of occupational licensing laws, occupations, such as a barber or manicurist, requiring little startup capital, enable access to the American dream. In the absence of overtly stringent and oftentimes unnecessary licensing requirements, low-entry cost occupations often provide important avenues for occupational choice and economic mobility to individuals on the lower rungs of the economic ladder. While most occupational licensing falls on educated workers, such as physicians and lawyers, a total of 8.3 percent of employed people in the United States with less than a high school degree are currently required to obtain a license.<sup>9</sup> This, of course, doesn't capture the individuals who, in the absence of occupational licensing, would have entered these professions as entrepreneurs.

There is substantial evidence to suggest that workers receive artificial wage premiums when they successfully restrict entry to their profession through occupational licensing.<sup>10</sup> Especially in the absence of documented threats to consumer safety and health, this provides an explanation for why occupational licensing has rapidly expanded across the United States. For instance, Edward Timmons and Robert Thornton find that barber licensing provisions may be responsible for a wage premium between 11 and 22 percent.<sup>11</sup> A more general analysis of all occupational licensing laws across the United States, finds that licensing raises industry wages by 11 percent on average.<sup>12</sup>

While often restricting labor market mobility, reducing competition, and raising prices, occupational licensing doesn't necessarily always achieve its stated objective of advancing the public interest in terms of consumer safety and protection.<sup>13</sup> In some occupations, such as K-12 teaching, strict licensure laws may actually discourage quality applicants from even attempting to enter the profession.<sup>14</sup> Even if occupational licensing does perceptibly increase quality, it may produce quality enhancements that exceed a cost-benefit analysis, especially when factoring in the effects of reduced competition.<sup>15</sup> This is because industry practitioners have the incentive to impose unnecessarily complex or costly requirements to restrict entry to the profession. Thus, while licensing requirements may serve to improve quality, the marginal improvements may exceed the benefits produced.

Often, the most harmful and troubling effects of occupational licensing fall on low-income individuals. In addition, while the evidence is mixed, occupational licensing may disproportionately harm minorities.<sup>16</sup> Occupational licensing falls hardest on low-income individuals for five reasons.<sup>17</sup> First, occupational licensing can render what would otherwise be low-cost professions prohibitively expensive

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8 See Maurizi (1974) and McMichael (2017).

9 Bureau of Labor Statistics (available at: <https://www.bls.gov/cps/certifications-and-licenses.htm>).

10 See Adams, Ekelund, Jr., and Jackson (2003), Carroll and Gatson (1983), Hogan (1983), Gross (1986), and Morris (2000).

11 See Timmons and Thornton (2010).

12 Kleiner and Vortotnikov (2017).

13 See Adams, Ekelund, Jr., and Jackson (2003), Angrist and Guryan (2008), Carroll and Gatson (1983), Hogan (1983), Goldhaber and Anthony (2007), Gross (1986), Kleiner (2000), Levine, Oshel, and Wolfe (2011), Svorny (2004), and Wolfe (2000).

14 See Boyd, Goldhaber, Lankford, and Wyckoff (2007) and Larson (2015).

15 See Shilling and Sirmann (1988) and Young (1986).

16 See Dorsey (1983), Freeman (1980), Klein, Powell, and Vortotnikov (2012), Law and Marks (2009 & 2012), Wheelock (2005), Williams (1982 & 2011), and Young (1985).

17 See Smith (2017).

for low-income individuals. Second, for those practitioners with the resources to meet the occupational licensing requirements, the costs of occupational licensing can be passed on to consumers in the form of higher prices. Low-income individuals thus must sacrifice a relatively larger portion of their more limited budgets to pay for services from industries with occupational licensing. Third, unreasonably high standards often set by occupational licensing boards restrict the price and quality tradeoff available to consumers. Low-income individuals can either pay top-dollar for premium services (the so-called “Cadillac effect”) or resort to often-dangerous home-production or black-market purchases. Due to this Cadillac effect, occupational licensing for a wide range of industries, including electricians, dentists, medical doctors, optometrists, pharmacists, veterinarians, plumbers, and real estate brokers have actually experienced reductions in quality for low-income individuals in some contexts.<sup>18</sup> Fourth, occupational licensing boards often impose stringent or even prohibitive requirements on rehabilitated prisoners, making it difficult for convicted felons to obtain honest employment after having served their mandatory sentences.<sup>19</sup> Fifth, occupational licensing laws often disproportionately affect the spouses of military service members as well as veterans, already facing the problems associated with transitioning from the military to the civilian section, including PTSD. The frequent inter-state moves required for military service members means those military members with spouses in licensed professions must often go through the licensing process, pass state jurisprudence exams, and pay an assortment of application or reciprocity fees every time they move out-of-state to a new military base.<sup>20</sup> Veterans themselves often face complicated licensing requirements and costs to enter the workforce after their military service despite their extensive training and experience.<sup>21</sup>

It is important, then, to carefully monitor licensed occupations to ensure that licensing requirements serve to protect consumer safety by maintaining only reasonable entry costs and requirements. Especially important, is ensuring that occupational licensing is limited to industries with demonstrated asymmetric information problems and thereby not extended to cover occupations with no demonstrated need for occupational licensure. For instance, licensing for occupations such as florists, casket sellers, auctioneers, and hair braiders have increasingly been challenged, and often successfully removed, due to the lack of consumer safety and health concerns. States, such as Mississippi, concerned with the costs of occupational licensing in terms of higher consumer prices and reduced occupational choice and mobility, can also explore alternative methods to help ensure consumer safety, even in those occupations where asymmetric information problems are found. For instance, private certification, advertising, second opinions, reputation, and consumer reviews are a few possible mechanisms that often operate successfully in markets to ensure consumer safety without imposing occupational licensure.

This chapter provides an in-depth investigation of occupational licensing in Mississippi, including estimates of the extent of occupational licensing, the costs of occupational licensing, and a detailing of some of the more egregious abuses of occupational licensing in Mississippi. I then offer a few possible avenues for reforming occupational licensing in Mississippi.

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18 See Carroll and Gaston (1978 & 1981), Anderson, Halcoussis, Johnston, and Lowenberg (2000), Bond, Kwoka, Jr., Phelan, and Whitten (1980), Friedman (2002), Kleiner and Kudrle (2000), and Svorny (2008).

19 See Bromberger (1971-2), Dale (1976), Lucken and Ponte (2008), May (1995), and Pager (2006).

20 U.S. Department of Treasury and U.S. Department of Defense (available at: [http://www.militaryonesource.mil/footer?content\\_id=279115](http://www.militaryonesource.mil/footer?content_id=279115)).

21 See Kleiner (2015).

## Occupational Licensing in Mississippi

I provide a detailed estimate of the costs imposed by occupational licensing laws in Mississippi, supplementing some national studies looking at certain aspects of Mississippi's occupational licensing regime. Most notably, the Institute for Justice estimated in 2012 that Mississippi licensed 55 low-income occupations, tied fifth worst in the nation with Nevada, substantially suppressing occupational choice and economic mobility for low-income Mississippians.<sup>22</sup> A recent survey by Heritage Institute's Salim Furth estimates that occupational licensing costs the average household in Mississippi over \$800.<sup>23</sup>

The first step in compiling an estimate of the costs of occupational licensing in Mississippi is first identifying what occupations are licensed within the state. While occupational licensing in theory is easy to identify, in practice it is often difficult to detail all the occupations within a state bearing the restrictions necessary to be labeled occupational licensing, especially when it comes to distinguishing between commercial licensing and occupational licensing. For instance, while not considered a traditional licensed occupation, commercial fishing licenses in Mississippi, required for operating, for instance, a commercial fishing boat, require a license obtained through fees, a certificate from the Coast Guard, drug screening, and proof of identification and registration.<sup>24</sup> Child care facilities in Mississippi, while licensed extensively as businesses, do not have official occupational licensing.<sup>25</sup> Since child care facilities are often sole proprietorships, however, the business licensing requirements for child care facilities may create some of the same adverse side effects of occupational licensing.<sup>26</sup> Similarly, while tanning booth operators do not have an occupational license requirement in Mississippi, new tanning facilities must be licensed as a business, which includes a training certification requirement.<sup>27</sup> Some occupations had both individual licenses and business licenses. For instance, technicians, installers, salespersons, and helpers for electronic protection systems all have to be individually licensed (costing \$150 for a license fee, \$50 for a fingerprinting fee, and \$279 to \$299 for examinations required for technicians and installers), each contracting company needs to be also licensed (for a \$450 license fee).

Mississippi has at least 118 different occupational categories with occupational licensing restrictions, and these are listed in Figure 9.1. While this chapter attempted to include every category of occupational licensure found in Mississippi, this list may not be comprehensive due to the inherent difficulties in compiling such a list. For instance, while hair braiders in Mississippi were freed from much stringent licensing requirements, they still maintain minor fee and licensing requirements. I excluded, however, many business licensures, such as those related to childcare facilities and fishing mentioned above, that may also operate, in practice, as a form of occupational licensure. In addition, we excluded some within-industry subcategories. For instance, pest control licensing in Mississippi contains 13 separate licenses, ranging from agricultural to wood destroying insect control. Cosmetologists, estheticians, and manicurists also separately license regular practitioners, master practitioners, and instructors, which are not included separately in this calculation. I also excluded temporary and emergency occupational licensing categories. This included emergency independent adjusters, emergency public adjusters, temporary elevator mechanics, temporary modular home installers/transporters, temporary insurance providers, and temporary limited lines insurance producers.

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22 See Carpenter, Knepper, Erickson, and Ross (2012).

23 See Furth (2016).

24 Mississippi Department of Marine Resources (available at: <http://www.dmr.ms.gov/images/regulations/Licensing/2016-Commerical-License-Requirements.pdf>).

25 Mississippi Department of Health (available at: [http://msdh.ms.gov/msdhsite/\\_static/30,0,183,225.html](http://msdh.ms.gov/msdhsite/_static/30,0,183,225.html)).

26 See Thomas and Gorry (2015).

27 Mississippi Department of Health (available at: [http://msdh.ms.gov/msdhsite/\\_static/30,0,401.html](http://msdh.ms.gov/msdhsite/_static/30,0,401.html)).



**Figure 9.1: Occupational Categories with Licensing Restrictions in Mississippi**

Acupuncturists	Insurance Producer
Architect	K-12 Educator
Art Therapist	Land Surveyor
Athletic Agent	Landscape Architect
Athletic Trainer	Lawyer
Audiologist	Legal Agent
Audiologist Aide	Licensed Clinical Social Worker
Automobile Club Agent	Licensed Master Social Worker
Bail Agent	Licensed Practical Nurse
Bail Enforcement Agent	Licensed Social Worker
Bail Soliciting Agent	Limited Elevator Contractor
Body Piercing Artist	Limited Elevator Mechanic
Broker-Dealer / Investment Adviser	Limited E-Ray Machine Operator
Broker-Dealer Agent / Investment Adviser Representative	Limited Line Credit Insurance Producer
Burial Agent	Limited Lines Insurance Producer
Certified Interior Designer	Managing General Agent (Individual)
Certified Public Accountant	Manicurist
Chiropractic Assistants	Manufacturers of Factory-Built Homes
Chiropractic Radiological Technologist	Marriage and Family Therapist
Chiropractor	Marriage and Family Therapist Assistant
Contracting - Commercial Builder	Massage Therapy
Contracting - Commercial Carpenters	Medical Radiation Technologist
Contracting - Commercial Electricians	Modular Home Contractor
Contracting - Commercial HVAC	Modular Home Installer / Transporter
Contracting - Commercial Masonry	Motor Vehicle Dealer or Representative
Contracting - Commercial Mechanical	Motor Vehicle Salesman
Contracting - Commercial Painters	Nursing Home Administrator
Contracting - Commercial Plumbing	Occupational Therapist
Contracting - Commercial Roofers	Occupational Therapy Assistant
Contracting - Tile and Marble	Pomologist
Contracting - Commercial Welding	Pest Control
Contracting - Residential Builder	Pharmacist
Contracting - Residential Remodeler	Pharmacist Student
Contracting - Residential Roofer	Pharmacist Technician
Cosmetologist	Physical Therapist
Crematory Operator	Physical Therapist Assistant
Dental Hygienists	Physician Assistants
Dentist	Physicians (MD, DO)
Developer of Factory-Built Homes	Podiatrist
Developer of Factory-Built Modular Homes	Polygraph Examiner
Dietitian	Psychologist
Electronic Protection Systems - Class B (System Installer)	Public Adjuster
Electronic Protection Systems - Class B (System Technician)	Radiologist Assistant
Electronic Protection Systems - Class D (System Salesperson)	Real Estate Appraiser
Electronic Protection Systems - Class H (helper)	Real Estate Broker
Elevator Contractor	Real Estate Salesperson
Elevator Inspector	Registered Nurse
Elevator Mechanic	Reinsurance Intermediary Manager or Broker (Individual)
Engineer	Respiratory Care Practitioner
Esthetician	Risk Retention Agent
Eye Enucleator	Speech Language Aide
Foresters	Speech Language Pathologist
Funeral Director	Supervising General Agent (Individual)
Funeral Service Manager (Embalming)	Surplus Lines Insurance Producer
Geologist	Tattoo Artist
Hair Braiding	Tree Surgeon
Hearing Aid Specialist	Veterinarian
Hemodialysis Technicians	Viatical Settlement Representative or Broker (Individual)
Independent Adjuster	Wigologist

I also excluded intern, student, and trainee licensures from this total. Chiropractors, engineers, geologists, funeral services, funeral directors, independent adjusters, nursing home administrators, pharmacists, polygraph examiners, public adjusters, real estate appraisers, and surveyors all required intern, student, or trainee licenses. These licenses came with fees ranging from \$25 (engineer intern) to \$225 (Nursing Home Administrator-in-Training).

Finally, this chapter also excluded occupations such as bus and taxi drivers and gaming workers, that are not officially licensed, but still require a mixture of education, background, and certification requirements.<sup>28</sup> These, and related regulations, often operate effectively as occupational licensing. For instance, regulations prevented some Mississippians from working for ridesharing companies such as Uber and Lyft as discussed in Chapter 8.

Over 250,000 Mississippians—nearly 20 percent of Mississippi's labor force—works in an industry which requires an occupational license.<sup>29</sup> Individuals attempting to enter these occupations with licensing requirements face an assortment of different fees, examination requirements, educational requirements, drug screenings, background checks, and other requirements. The direct costs associated with applying for licensure in these occupations included application, board processing, criminal background, membership (in national professional organizations) verification (not to mention the membership fees for joining that professional organization), examination, fingerprinting, licensure, and certificate fees. For example, an art therapist in Mississippi must pay an application fee of \$100, an examination fee of \$235, and an annual renewal fee of \$75 to practice in Mississippi. In total, based on our estimates of the total number of current active practitioners in these licensed occupations, the total estimated cost of these initial licensing costs in Mississippi totals over \$48 million.<sup>30</sup> Estimated annual renewal costs add up to over \$13.5 million. The occupations with the highest estimated costs of initial occupational licensing in Mississippi included Occupational Therapists (\$765), Occupational Therapist Assistants (\$715), Commercial Contractors (minimum of \$520), and Radiologist Assistant (\$500). Also of note are Acupuncturists (\$400), Athletic Trainers (\$400), Massage Therapists (\$350), Art Therapists (\$335), Auctioneers (\$300), and Tattoo Artists (\$300).

Commercial contracting licensing in Mississippi was particularly difficult to include in the estimates. Per the Mississippi State Board of Contractors, the license and application fees amount to \$400 plus \$100 for each additional specialty area. There are over 180 commercial contracting minor specialty areas in Mississippi, including sign erection, painting, and landscaping, under seven major commercial construction classifications. Over 40 of these specialties indicate that exams were also required, in addition to the Business & Law Management Exam which is required for every specialty. The Builders License and Training Institute lists these exam prices as \$120 per portion, in addition to offering courses to prepare for the exam ranging from \$69 to \$229.<sup>31</sup> In addition, each applicant for a commercial contracting licensing must submit CPA prepared and audited financial statements demonstrating a

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28 Mississippi Department of Motor Vehicles (available at: <http://www.dmv.org/ms-mississippi/special-licenses.php> and Mississippi Gaming Commission (available at: [http://www.msgamingcommission.com/index.php/forms\\_procedures/casino\\_gaming](http://www.msgamingcommission.com/index.php/forms_procedures/casino_gaming)).

29 This is a conservative estimate since, 1) the list of licensed occupations isn't comprehensive, and 2) I was unable to obtain the number of active practitioners in the following licensed occupations: audiologist aide, chiropractic assistants, chiropractic intern, chiropractic radiological technologists, commercial crab trappers, cosmetologist instructors, cosmetologist masters, crematory operators, funeral service trainees, funeral director trainees, geologists in training, hemodialysis technicians, independent adjuster trainees, K-12 educators, limited e-ray machine operators, marriage and family therapist assistants, motor vehicle dealers, motor vehicle salesmen, nursing home administrators-in-training, pharmacist students, polygraph examiner interns, real estate appraiser trainees, speech language aides, surveyor interns, and temporary modular home installers.

30 To be conservative, to the extent possible, I excluded out-of-state practitioners holding licensure in Mississippi to estimate the costs falling on Mississippi residents. It is possible, however, that out-of-state practitioners in Mississippi may pass along these licensing costs to Mississippi consumers, thereby rendering the estimate conservative.

31 Builders License and Training Institute (available at: <https://www.licensetobuild.com/mississippi/>).

minimum of \$50,000 in net worth to obtain a major classification and at least \$20,000 in net worth to obtain a specialty classification. Several commercial contracting licensing requirements also have other occupational licensing requirements issued by other agencies, including the Department of Insurance (alarm systems, access systems, and security equipment, conveyor systems), the Department of Environmental Quality (elevators and escalators, lead base paint abatement, tanks and vessels, demolition, underground storage tanks, well driving), the Bureau of Plant Industry (landscaping, grading and beautification), and the Department of Agriculture (herbicide application). Thus, depending on the specialty area(s) a commercial contractor elects to provide, the total licensing costs ranges upwards from a minimum around \$520.

## Reforming Occupational Licensing in Mississippi

Given the substantial costs of occupational licensing in Mississippi, especially when factoring in the evidence that occupational laws are often used to restrict consumer and occupational choice without enhancing quality along dimensions valued by consumers, policymakers in Mississippi can consider reforming occupational licensing laws along several dimensions to promote prosperity in Mississippi, especially for those Mississippians struggling at the lower ends of the economic ladder.

One possible initial step in reforming occupational licensing laws is setting up uniform standards of transparency to publicly list all licensed occupations in Mississippi to enable policymakers to properly gauge the extent and burden of occupational licensing within the state. These licensed occupations and their requirements and fees can then be compared to other states, especially neighboring states, to judge whether occupational licensing requirements are overly burdensome, costly, or even unnecessary. For instance, some occupations licensed in Mississippi, such as art therapists (licensed directly by only five other states and indirectly by five additional states)<sup>32</sup> and wigologists (licensed by no other state), are not widely licensed across the United States.<sup>33</sup>

Mississippi has recently taken a step in this direction with the passage of the 2017 Occupational Board Compliance Act, which will provide an important legislative vehicle to monitor and rein in excessive and oftentimes unnecessary occupational licensing provisions. Mississippi has also recently overseen the relaxation and even elimination of occupational licensing restrictions considered to be unnecessary in terms of protecting consumer safety and health. For instance, hair braiders, now licensed in only three other states,<sup>34</sup> were recently freed from the more onerous requirements preventing them from practicing in Mississippi. After a 2000 court case, Mississippi was also required to repeal their licensing requirements on casket sellers, an occupation with little apparent need for occupational licensing, demonstrated by the fact that it is licensed in only eight remaining states.<sup>35</sup>

Voluntary certification offers one avenue of reform to help ensure consumer safety. Voluntary certification enables private third-parties to set standards for individuals to voluntarily subscribe providing quality assurance for consumers. This enables unrestricted entry to the profession, within the confines of overarching existing fraud, misrepresentation, and negligence laws, while enabling consumers to determine the appropriate quality/price tradeoff that best meets their budgetary circumstances. Mississippi already has experience with voluntary certification, for example, EMTs, paramedics, EMT drivers,

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32 American Art Therapy Association (available at: [http://myaata.arttherapy.org/Public/Public\\_Policy\\_\\_\\_Advocacy/Licensure\\_by\\_State.aspx?WebsiteKey=6a9efc36-907a-40a4-8509-f336f5815d92](http://myaata.arttherapy.org/Public/Public_Policy___Advocacy/Licensure_by_State.aspx?WebsiteKey=6a9efc36-907a-40a4-8509-f336f5815d92)).

33 America Association of Cosmetology Schools (available at: <http://beautyschools.org/licensing-hour-requirements/>).

34 America Association of Cosmetology Schools (available at: <http://beautyschools.org/licensing-hour-requirements/>).

35 See Smith and Trudeau (2016).

nurse aides, and orthotists and prosthetists in Mississippi all use voluntary certification. Additional market mechanisms, including advertising, contracting, liability clauses, insurance, brand names, chain stores, leasing, warranties and guarantees, reputation, pre-purchase inspections, second options, performance or maintenance history reports, and consumer reviews, often emerge successfully in markets with information asymmetry problems to supplement voluntary certification in assuring consumers of quality and protecting consumer safety and health.<sup>36</sup> The Institute for Justice and the American Legislative Exchange Council both provide model legislation for states to better protect consumers and occupational choice.<sup>37</sup>

Occupational licensing reform can also be considered when it comes to the process for extending occupational licensing to new occupations in Mississippi. Reasonable requirements, such as the demonstration of a realistic and verifiable risk to consumer safety that broader civil and criminal codes do not apply to, an analysis that compares all the costs and benefits of the proposed licensing requirements, and a comparison to the licensing regimes of other states, can help curb the expansion of occupational licensing to industries without the apparent need for it. Such a reform can protect Mississippians from the cost and diminished occupational choice associated with the expansion of occupational licensing.

## Conclusion

While often advanced under the pretenses of protecting consumer safety, the evidence suggests that occupational licensing often benefits industry practitioners by helping industry practitioners cartelize their profession. This is a concern in Mississippi for three primary reasons. First, occupational licensing often artificially raises the wages of industry practitioners by raising the prices of goods and services that require occupational licensing. Second, occupational licensing reduces the occupational choice and mobility of low-income Mississippians. Third, occupational licensing reduces consumption choice for Mississippians, sometimes forcing low-income residents, faced with the high prices required for the high “Cadillac” quality mandated by licensing requirements, to home-production or black markets. To the extent that occupational licensing does push low-income residents to home-production or black markets, it can even decrease the quality of the good or service and increase their risk exposure.

These problems are especially harmfully economically when occupational licensing is either unnecessary, due either to the lack of information asymmetries or the availability of private mechanisms such as consumer reviews, or unnecessarily onerous. Higher prices and reduced occupational mobility are a particular concern in Mississippi where the average income is below the national average.

With over 100 occupations licensed in Mississippi, representing over 20 percent of its labor force, reforming occupational licensing laws is an important policy reform necessary to promote prosperity in Mississippi. To promote prosperity in Mississippi, policymakers can explore avenues for reforming occupational licensing laws in Mississippi. First, they can create more transparency when it comes to the extent and full burden of occupational licensing in order to better compare occupational licensing regimes in Mississippi to other states, especially neighboring states. Second, policymakers can remove particularly burdensome and unnecessary occupational licensing requirements, including removing occupational licensing altogether for professions with no apparent need for it. Finally, Mississippi policymakers can put

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36 See Akerlof (1970), Bond, Kwoka, Jr., Phelan, and Whitten (1980), Bonray, Lemarie, and Tropeano (2013), Dulleck, Kerschbamer, and Sutter (2011), Emons (1997), Hahn (2004), Hey and McKenna (1981), Holcombe and Holcombe (1986), Kihlstrom and Riordan (1984), Klein and Leffler (1981), Klein (1998 & 2002), MacLeod (2007), Milgrom and Roberts (1986), Sanford (2013), Schmalensee (1978), and Sultan (2010).

37 The Institute for Justice (available at: <http://ij.org/activism/legislation/model-legislation/model-economic-liberty-law-1/>) and the American Legislative Exchange Council (available at: <https://www.alec.org/model-policy/occupational-board-reform-act/>).

better processes in place to scrutinize legislation that seeks to expand occupational licensing to additional professions in order to curb the extension of occupational licensing to a larger portion of Mississippi's labor force.

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# Summary of Chapter Conclusions

## **PART 1. Introduction: The Role of Government and Economic Growth**

### **Chapter 1: The Case for Growth—Russell S. Sobel, The Citadel, and J. Brandon Bolen, Mississippi State University**

- Mississippi is the poorest state in the United States in terms of per capita income. Mississippi underperforms economically relative to all of its bordering states.
- Focusing on policies that generate economic growth is the most viable pathway to alleviating Mississippi's weak economic condition.
- Very small changes in economic growth rates may yield vast positive changes in the quality of life for Mississippi residents within as little time as one to two generations.
- Focusing on economic growth does not mean that other important policy goals such as improving health and education and reducing crime are neglected.

### **Chapter 2: The Sources of Economic Growth—Russell S. Sobel, The Citadel, and J. Brandon Bolen, Mississippi State University**

- The economic activity of a state necessarily occurs within that area's institutional context, including the legal, regulatory, and tax environments, as well as the degree of private property rights. The quality of these institutions affects the output of economic activity.
- Capitalism is an economic system based on the private ownership of productive assets within an economy.
- Abundant evidence demonstrates that areas with institutions that allow capitalism to thrive experience much higher levels of prosperity relative to areas that do not rely upon capitalism.

### **Chapter 3: Why Capitalism Works—Russell S. Sobel, The Citadel, and J. Brandon Bolen, Mississippi State University**

- The prosperity of an area is determined by the total quantity of production and quality of goods and services that individuals value. This prosperity is influenced by factors such as the degree of specialization of labor, capital investment, and entrepreneurship.
- Capitalism is an economic system that generates prosperity because its decentralized nature supports the specialization of labor, capital investment, and entrepreneurship.
- Government policies, even when well-intentioned, often create harmful unintended consequences. This is often due to the more centralized nature of government decisions.

## **PART 2: Promoting Prosperity One Issue at a Time**

### **Chapter 4: Why are Taxes so Taxing? —Brandon N. Cline and Claudia R. Williamson, Mississippi State University**

- High taxes can be extremely costly. In addition to the cost of the tax itself, taxes create indirect costs including enforcement costs, administrative costs, and costs incurred from distortions of the market economy.
- Mississippi has a higher tax burden compared to its bordering states. This may negatively affect the location decisions of businesses and individuals, causing them to leave the state.
- Empirical evidence demonstrates that high tax rates significantly dampen rates of economic growth.

### **Chapter 5: Make Business Taxes More Competitive—Brandon N. Cline and Claudia R. Williamson, Mississippi State University**

- State and local taxes represent a significant cost for businesses. These tax costs affect the location decisions of businesses and deter them from operating in Mississippi.
- In addition to corporate income taxes, there are a myriad of other taxes businesses pay, such as property taxes and inventory taxes. Some taxes such as the inventory tax and intangible property tax do not exist in the majority of other U.S. states.
- To generate more prosperity within the state, Mississippi should consider reducing its tax burden upon businesses.

**Chapter 6: “Selective Incentives,” Crony Capitalism and Economic Development—  
Thomas A. Garrett, University of Mississippi, and William F. Shughart II,  
Utah State University**

- This chapter evaluates the costs and benefits of targeted tax incentives designed to lure new private business enterprises to Mississippi.
- Our analysis demonstrates that Mississippi is poorer, not richer, by funding incentive programs.
- Reasons that incentive packages fail include no new employment since many individuals hired were previously employed, the additional tax cost to accommodate the new population growth, and resources allocated to funding the subsidies could have been spent on better schools, roads, or used to finance a reduction in tax rates for all.
- The funds now being spent to benefit a handful of private business owners could be used to finance broad-based reductions in tax rates and lightening the regulatory burden on all Mississippians.

**Chapter 7: Incentive-Based Compensation and Economic Growth—  
Brandon N. Cline and Claudia R. Williamson, Mississippi State University**

- Incentive based compensation is a payment method where an individual’s pay is in some way tied to their performance. Economic literatures studying incentive based pay for executives show that use of incentive based pay improves company performance and by extension state economies.
- Empirical data shows that firms in Mississippi use incentive-based compensation less than similar firms in other states.
- Mississippi can help improve its economic position by restructuring parts of its tax code to allow for greater use of incentive based executive compensation.

**Chapter 8: Mississippi Shadow Economies: A Symptom of Over-Regulated  
Markets and Measure of Missed Opportunities—Travis Wiseman,  
Mississippi State University**

- This chapter discusses Mississippi’s regulatory environment and the state’s cumbersome habit of maintaining outdated and burdensome regulation, far longer than other states.
- Several sensible and low-cost reforms are introduced that can help curtail unwanted shadow economic activity, and promote prosperity in Mississippi.
- A case study of one industry that Mississippi over-regulates – the brewing industry – is discussed.

## **Chapter 9: Occupational Licensing in Mississippi—Daniel J. Smith, Troy University**

- Occupational licensing, the regulation of individual entry to a profession, enables industry practitioners to restrict entry to their profession and raise prices on consumers.
- The effects of occupational licensing fall heaviest on low-income residents who must pay higher prices or resort to lower-quality home-production or black market provision.
- Mississippi has at least 118 different occupational categories with licensing, representing nearly 20 percent of Mississippi's labor force.
- The total estimated initial licensing costs in Mississippi exceed \$48 million and the estimated annual renewal costs add up to over \$13.5 million.
- Mississippi policymakers can promote prosperity in Mississippi by removing unnecessary and overly burdensome licensing laws.

## **Chapter 10: Prosperity Districts: A Ladder Out of Last Place—Trey Goff, Out of Last Place Alliance**

- Prosperity districts are geographically self-contained areas that reduce or eliminate unnecessary government restrictions on business activity, including regulation, taxation, and private subsidization
- Prosperity districts can be a unique and promising solution to the state's economic woes by allowing specific areas to be exempt from unproductive policies.
- Prosperity districts allow experimentation to determine which policies work best.
- Real world examples of the potential success of prosperity districts can be seen in the closely related concept of special economic zones, which have seen tremendous economic growth and development in places such as Singapore.

## **Chapter 11: Promoting Prosperity in Mississippi through Investing in Communities—Ken B. Cyree, University of Mississippi, and Jon Maynard, Oxford Economic Development Foundation**

- We investigate the impact of investing in community livability and the relation to the change in total employment to promote prosperity in Mississippi.
- We document the decline in Mississippi employment, on average, from 2007-2016, and especially the decline in manufacturing employment.
- Our analysis shows that increased employment is significantly related to better school rankings, higher changes in wages, and higher changes in per capita retail sales. New business creation is not statistically related to employment.
- Our results suggest that in order to promote prosperity in Mississippi, we should invest in quality of life for the community.

## **Chapter 12: Local Governments Run Amok? A Guide for State Officials Considering Local Preemption—Michael D. Farren, George Mason University, and Adam A. Millsap, Florida State University**

- Local governments sometimes implement regulations and ordinances that stifle economic growth.
- Preemption is a legal doctrine asserting that state law takes precedence over local law. In some cases it should be used by state governments to overrule local governments.
- State officials should consider preemption when local rules violate the principles of generality or free exchange. Such policies often involve barriers to entry, price controls, or business practice mandates.
- Violations of generality and free exchange harm economic growth because they inhibit economic activity and the efficient allocation of resources. Conversely, preempting such policies promotes economic growth.

## **Chapter 13: School Choice: How To Unleash the Market in Education— Brett Kittredge, Empower Mississippi**

- The United States has fallen behind other countries in K-12 education. One study found that American students ranked 38th out of 71 countries when tested in math, reading, and science.
- A government monopoly has existed in our delivery of education in the United States. Students are assigned to a school based on their zip code and the year they were born.
- Because students are assigned to a school based on a district line, real estate prices naturally rise in neighborhoods within a desirable school district. This has the effect of pricing out many families and forcing them to live in areas with less desirable schools.
- To improve quality, our education system should be student centered and market based. Parents should have options available to craft a custom education for their child based on their specific learning needs.
- The legislature can adopt a market based education through a universal school choice program that has broad eligibility, autonomy for all schools, and level funding across the various educational sectors.

## **Chapter 14: Medicaid: A Government Monopoly That Hurts the Poor— Jameson Taylor, MS Center for Public Policy**

- State health care policy revolves around Medicaid, which is a government-subsidized insurance program consuming one-third of Mississippi's budget.
- Health outcomes for Medicaid insurance patients are very poor; patients with no insurance at all fare better.
- Medicaid's number one problem, like that of many American insurance plans, is that it incentivizes the over utilization of health care while insulating recipients from the financial consequences of poor lifestyle choices.



- Medicaid is crowding out the development of innovative products and policy ideas.
- Reforms aimed at unleashing the power of health care pricing including large HSAs, direct surgical care, and comparative shopping incentives can begin to disrupt Medicaid's monopoly.

## **Chapter 15: Tipping the Scales: Curbing Mississippi's Obesity Problem— Raymond J. March, San Jose State University**

- Widespread obesity has serious health and financial consequences in Mississippi.
- Government policy, although well intended, is associated with increased levels of obesity especially for lower-income households.
- State-led efforts to reduce obesity are costly and unlikely to succeed because they fail to address the underlying causes of why less healthy food options are consumed.
- Private and local solutions are more effective in promoting health and reducing obesity.
- The most effective way to combat widespread obesity is the market, not the government.

## **Chapter 16: Criminal Justice Reform in Mississippi—Trey Goff, Out of Last Place Alliance**

- Despite decreasing rates of both violent and property crime since 1996, Mississippi incarceration rates have steadily increased.
- Mississippi has an incarceration rate that is among the highest in the world, most due to incarcerating non-violent crimes.
- The economic drain from this level of mass incarceration is extremely detrimental for the state economy in terms of both the cost of maintaining incarceration and the negative effects of incarceration upon individuals in the labor market.
- Reevaluating and restructuring the criminal justice system in Mississippi to reduce incarceration rates would be an extremely effective tool to increase the economic strength and wellbeing of the state.

## **Chapter 17: Property Takings: Eminent Domain and Civil Asset Forfeiture— Carrie B. Kerekes, Florida Gulf Coast University**

- Secure private property rights provide incentives for individuals to undertake investments and make capital improvements to their property and businesses. To promote prosperity, Mississippi policy makers should continue to improve laws and policies to restrict property takings.
- Following reforms passed in 2011 to protect against development takings, property owners in Mississippi are reasonably protected from eminent domain takings.
- Citizens are significantly less protected in the case of civil asset forfeiture. Civil asset forfeiture laws in Mississippi provide incentives for law enforcement agencies to seize private property.

**Chapter 18: The Small-Dollar Loan Landscape in Mississippi: Products, Regulations, Examples, and Research Findings on Interest Rate Caps—Thomas (Tom) William Miller, Jr., Mississippi State University**

- The best fuel for economic growth and prosperity is free market prices, including interest rates.
- Despite the goal of improving consumer welfare, interest rate caps often harm the very people legislatures intend to help—especially users of small-dollar loan products.
- Despite their well-known harmful effects on consumers, laws continue to fetter consumer credit markets with interest rate caps.
- Setting good rules governing how legitimate businesses provide access to consumer credit is important for everyone living in Mississippi.
- The Mississippi legislature can greatly help consumers by eliminating, or greatly raising, interest rate caps in all small-dollar loan markets.

**Chapter 19: Natural Disasters and Prosperity in Mississippi—Daniel Sutter, Troy University**

- Extreme weather poses a severe financial risk for a state economy. Mississippi is particularly exposed to the threat of damage from natural disasters.
- Free market practices often perform better at meeting the challenges posed by natural disasters rather than government policies. Removal of harmful policies such as occupational licensing and building codes during disaster may better allow the market to speed disaster recovery.
- Some government policies such as flood and wind insurance may exacerbate exposure to natural disasters. Other policies slow recovery time by creating uncertainty after the occurrence of a natural disaster.

**Chapter 20: Learning from Disasters in Mississippi—Stefanie Haeffele and Virgil Henry Storr, George Mason University**

- This chapter examines disaster recovery in Mississippi and how policies that foster entrepreneurship might help spur disaster recovery going forward.
- Entrepreneurs can spur disaster recovery by providing needed goods and services, restoring disrupted social networks, and acting as focal points around which other residents can coordinate their recovery efforts.
- To promote prosperity in Mississippi, officials should develop policies that ensure that entrepreneurs have the space to act in the wake of disaster.



# About the Institute for Market Studies at Mississippi State University

The Institute for Market Studies (IMS) at Mississippi State University, created in 2015, is a nonprofit research and educational organization conducting scholarly research and providing educational opportunities to advance the study of free enterprise.

The IMS's mission is to support the study of markets and provide a deeper understanding regarding the role of markets in creating widely shared prosperity. This includes advancing sound policies based on the principles of free enterprise, individual liberty, and limited government. The IMS pursues its mission by bringing together leading scholars to conduct timely research on current economic and financial issues.

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— **JOEL BOMGAR**, Founder of Bomgar Corporation  
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