



Written by [Joe Wolverton, II, J.D.](#) on March 1, 2023

# Occupational Licensing: Giving Government Power Over Prosperity

The state Legislature of Virginia is poised to approve a bill that would grant comity to occupational licenses issued by other states.

This event might not sound particularly newsworthy, but anything that takes prosperity out of the hands of the government and places it back in the hands of the people is good news for liberty and those who cherish it.

In order to qualify under the proposed law, the applicant must have had an out-of-state license for at least three years and be in good standing with that state's board. People who move to Virginia from a state that doesn't license their particular professions would qualify for an occupational license in the Old Dominion after three years of work experience and an examination.



Renata Angerami/iStock/Getty Images Plus

If passed into law, this measure would save many people money by freeing them from jumping through onerous occupational licensing hoops that prevent them from earning income by offering a service without government approval.

In his [statement](#) supporting the legislation, Governor Glenn Youngkin said, "Universal license recognition will assist in resolving worker shortages while at the same time benefiting consumers through reduced costs of goods and services."

Mandating approval by government licensing boards before one can earn a living is unconstitutional at least, and impoverishing at worst.

As [Reason](#) reported:

"Standard economic models imply that the restrictions from occupational licensing can result in up to 2.85 million fewer jobs nationwide, with an annual cost to consumers of \$203 billion," Morris M. Kleiner, a professor at the University of Minnesota, wrote in 2015.

Occupational licensing's economic impacts are due largely to the practice's widespread popularity. In 2021, more than a fifth of U.S. jobs required a license. Policy makers justify licensing regimes as necessary consumer protections, but many of them are purely protectionist measures meant to inflate the wages of already licensed workers and stave off competition. Indeed, in the newly released *Empowering the New American Worker: Market-Based Solutions for Today's Workforce*, Chris Edwards of the Cato Institute argues that "large interstate differences [in which professions require licenses] suggest that rules are



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not based on analyses of health or safety but rather reflect differences in state and local politics.”

Across the country, state and local governments are placing impossibly high hurdles in the path of entrepreneurship, preventing many people from earning a living. Everywhere, it seems, anyone who would hang out a shingle or take a job providing a service has to obtain permission from government, paying sometimes thousands of dollars and taking hundreds of hours of training, placing such employment beyond the reach of those who often are most in need of a job.

In Arizona for example, in order to legally blow-dry someone’s hair in a salon, a person must obtain a state-issued cosmetology license. To get the license, an applicant must receive 1,000 hours of training and pay up to \$18,000!

Denying people the ability to earn a living is a despotic power exercised in some degree by every state in the union.

Ultimately, requiring a license to do anything converts an act that was once a right — providing for oneself — into a privilege to be granted and revoked by rulers according to their whim.

Occupational licensure is an example of this transformation. It artificially inflates prices, prevents people from practicing the livelihood of their choice, and exchanges genuine capitalism for crony capitalism and all the corruption with which that institution is concomitant.

According to a report published by Cato, “The share of U.S. jobs requiring an occupational license increased from 5 percent in the 1950s to 22 percent in 2021.” This is another witness of the “silent and gradual encroachment” on life, liberty, and property by government at all levels.

An article published by the Ludwig von Mises Institute reveals what may be the reason for the regulations and their popularity among those already licensed:

Studies have shown, for example, that more-difficult requirements to earn a dental license (in the form of the pass rate of the required exam) do not lead to improved dental outcomes of patients but do result in higher prices of basic dental services, likely because the requirements result in fewer dentists. Similarly, more-stringent licensing of mortgage brokers has no influence on the number of foreclosures, but does lead to higher prices of mortgages, again likely due to fewer providers of the service.

Other studies have found that occupational licensing improves the employment prospects of licensed workers and can raise their wages by as much as 15 percent and enhance other benefits such as health coverage and pensions. These benefits are similar to those of unions.

However, although licensing does allow licensed service providers to charge more for their services than unlicensed providers, the requirement of an occupational license does not improve the quality of the regulated service. *Reason* continued:

“Licensing, and progressively stricter forms of it, is not associated with greater service quality across any of our nine comparisons,” reads a 2022 [report](#) from the Institute for Justice. “In fact, in eight of the nine comparisons, we find no statistically significant difference in quality at all. In the ninth—our comparison of tree trimmers in licensed



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Maryland and unlicensed Virginia—quality is higher in unlicensed Virginia and statistically significantly so.”

The economic effect is that those who could provide a service but who cannot afford the license are prevented from providing for themselves and their families, regardless of their skill or the willingness of customers to hire them.

Add the occupational-licensure racket to the minimum-wage ruse, and state and local governments have usurped the power to prevent a substantial bloc of the population from working, despite the claim that the regulations are designed to help those people and to prevent the public from harm.

Most Americans do not realize that allowing the government to control who can exercise a trade or offer a service is not only contrary to the principles of good government, but is an act of collectivism, with the effect of keeping many otherwise prosperous people impoverished and living at the mercy of bureaucrats.

I will let Adam Smith have the last word on this issue. He writes in *The Wealth of Nations*:

The property which every man has in his own labour, as it is the original foundation of all other property, so it is the most sacred and inviolable. The patrimony of a poor man lies in the strength and dexterity of his hands; and to hinder him from employing this strength and dexterity of his hands; and to hinder him from employing this strength and dexterity in what manner he thinks proper without injury to his neighbour is a plain violation of this most sacred property. (Book I, Chapter 10)



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