
The Government Licensing Scam

BY P. GARDNER GOLDSMITH

Last May a man named Mike Fisher, from the town of Newmarket, New Hampshire, performed an act for which he will pay dearly under penalty of law.

He engaged in a consensual commercial transaction with another willing individual.

He performed a manicure.

Mike Fisher, outlaw, enemy of the realm, planted himself outside the state Board of Cosmetology, invited his customer to join him, and committed the unpardonable sin of performing a manicure without a license granted by the very agents who work inside.

The agents didn't remain inside for long.

As Mike lifted his sterile tools to work on his client (certain names have been withheld to protect the innocent), a bureaucrat from the all-powerful Board of Cosmetology emerged to hand him a sheet of paper. On the sheet was information explaining why he was in violation of state law, a fact of which Mike was already aware, since he intended to break the law. He had already been "spoken to" by state Attorney General Kelley Ayotte the week before.

When Ms. Ayotte asked him not to perform his "stunt," Mike nicely said he fully intended to provide the service to anyone who was interested in hiring him. When he kept his word, he was promptly arrested by the Concord, New Hampshire, police.

Mike spent the night in jail, because he was unwilling to pay for either the license or the mandatory "training" required to get it. Instead, he studied and trained himself, advertised to others that he was going to offer his services at a low price, and willingly accepted a customer, under the watchful eyes of agents of the Granite State.

The absurdity of arresting a man for fixing a client's fingernails is obvious. But there are less obvious, though just as important, lessons to be learned about licensing, lessons that can be applied to many other fields of human endeavor.

Call this crazy, but when was a government established to stop us from entering into a peaceful, noncoercive arrangement with someone else?

Certain people watching what happened to Mike Fisher recalled that we supposedly formed governments to stop aggressive behavior directed at others. Was Mike Fisher on the attack? "Look out! Serial manicurist on the loose!" Were those the cries of the people around him?

Not at all. They supported his effort to work free of state interference and to invite others to accept his services for a fee if that was their wish. Mike Fisher was engaged in free enterprise; but evidently that type of activity is unacceptable nowadays.

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Licensing is an act of aggressive exclusion. Such policies supposedly are enacted for the protection of the populace. By creating a government-enforced “permission agency,” the state protects us, the innocent and uninformed customers, from reckless, money-hungry, fly-by-night charlatans who would bilk us of our hard-earned dough while possibly putting our health or property at risk.

The trouble, or one of the many troubles, with this assumption is that government licensing does not actually do what it is ostensibly supposed to do. Government agents cannot be everywhere to watch everyone all the time, and thus the threat of license revocation becomes meaningless when a license-holder rarely sees a state functionary appear to check on his standards and credentials.

Instead, it is the combination of market incentives and punishments that drives entrepreneurs to perform to the best of their abilities. It is the enticement of more profit when one does a good job and the threat of losses when one does not that keep businesses performing at their highest level. Customers enter shops every day and reward businessmen for exemplary performance. Agents of the government do not, and cannot. Thus when it comes to not only keeping a businessman on his best behavior, but also offering him incentives to excel, government coercion is no match for market competition.

The second reason government licensing does not actually do what we are told it is designed to do is that we are not told the truth.

What licensing is actually designed to do is to exclude lower-priced competition, pumping up the incomes of the specially privileged, while providing more money to the state in licensing fees. The exclusion of lower-priced competition is a destructive force all its own. It not only represents the suppression of individual choice by the government, and those using it to gain a

competitive advantage; but it also diverts capital from where consumers would have directed it. Thus even if a handful of incompetents are stopped by licensing laws each year, the vast majority of consumers, in being prevented from shopping among all potential market participants, lose far more in opportunity costs than they gain in supposed security.

As Melvin D. Barger noted in *The Freeman* of April 1975: “Under today’s licensing requirements, Thomas Edison would not have been certified as an engineer, Abraham Lincoln would have been barred from the practice of law, and Albert Einstein could not have been even a high school science teacher.”

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Products and Services Never Appear

Through licensing, customers lose more than the opportunity to buy services at lower prices, allowing them to have money for other known products and services, and expanding an already vibrant economy. They also lose the opportunity to discover the myriad products and services that would appear if unlicensed businessmen were allowed to enter the market.

When Mike Fisher committed his terrible crime in front of the New Hampshire Board of Cosmetology, he not only represented himself and his own interests; he also represented all the abstract benefits consumers have been unable to acquire in the marketplace because of the absurd notion that the state must give permission for individuals to engage in peaceful commerce. Since there has never been a government anywhere that produced a product or provided a service without first taking from someone against his will, the notion of bureaucrats increasing our capacity to operate an economy is truly laughable.

It was not reported if Mike Fisher laughed as they took him away in handcuffs. 