



Regulatory Roadblocks Hurt the Poor

By Jarrett Skorup

(Editor's Note: This article was originally posted as a "CapCon Commentary" on August 13, 2013.)

Summary

Regulations are often the greatest roadblock to poorer people increasing their earning power. In Michigan, entrepreneurs who are just starting out face an increasing amount of regulations. If Michigan wants to make it easier for the poor, they ought to take a look at their licensing apparatus for jobs such as barbers, painters and landscape architects.

Main text word count: 555

When people hear the terms "capitalism" or "free markets," often their first thought is that these are systems mostly benefiting the wealthy.

In fact, the evidence suggests that it is actually the poor who gain the most from economic freedom.

It is abundantly clear that living in countries with lower taxes, fewer regulations, a rule of law and generally limited government makes all citizens better off. One interesting statistic: Those reading this article are likely among the wealthiest — earning \$34,000 per year puts people among the top 1 percent in the world, and half of the world's "1 percenters" on Earth live in the United States.

And when you break it down, the poor are significantly better off in free market systems. In countries with the most economic freedom, the rich earn eight times as much compared to the rich in the countries with the least economic freedom. But the poor in the nations with the most economic freedom actually earn 10 times as much as the poor in the countries with the least.

Arthur Brooks, president of the American Enterprise Institute, frequently makes the case for why free market solutions and economic freedom are not just for people who are rich. His recent piece in *The Wall Street Journal* is a good example.

He noted that to the extent that the country has recovered from the most recent recession, it has been concentrated at the top. He wrote: "Census Bureau data show that in 2006-11, real annual income for the top 20% (quintile) of Americans fell by about 5% but rose almost 2% in 2010-11 — and shows signs of continuing an upswing. For the bottom quintile, income fell by over 11%, and there was no upswing."

Brooks is concerned that there is declining opportunity for people to move up the income ladder in America. He noted that current proposals focus on things like freezing student loans, increasing the minimum wage, and providing "stimulus" money for high-tech jobs, biofuels and electric

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Arthur Brooks, president of the American Enterprise Institute, recently wrote an article for *The Wall Street Journal* about how the free market positively influences the poor. Read it online at goo.gl/zi0rsw.

vehicles. But each of those “solutions” (with trade-offs that likely would make things worse overall) favor high-skill workers — not those at the bottom.

The key to helping the poor is first to allow them to move up. In Michigan, entrepreneurs who are just starting out face an increasing amount of regulations. One recent survey shows that this is the largest obstacle business owners face, more than taxes, zoning or environmental rules.

Brooks put it this way: “As a pro-poor rule of thumb, I suggest this: If you want to start a landscaping business, all you should need is a lawn mower, not an accountant and a lawyer to help you hack through all the red tape before setting up shop.”

Michigan requires a web of burdensome rules to hold certain jobs: 2,000 hours of training to be a barber, a host of classes and fees to be allowed to paint or put up gutters and lay down tile, or work as a landscape architect, thanks to Michigan’s licensing apparatus.

While the Legislature is making some progress where the state House has repealed some rules that the Senate has not taken up, few meaningful rules have been eliminated from the state licensing apparatus.

Have pity on the poor who simply are trying to work their way up? Get rid of some rules standing in the way.

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