How the Interior Design Cartel’s Attack on IJ’s *Designing Cartels* Misses the Mark

July 2008

Dick M. Carpenter II, Ph.D.

THE INSTITUTE FOR JUSTICE
In September 2006, the Institute for Justice released *Designing Cartels: How Industry Insiders Cut Out Competition*, an analysis of titling laws using the interior design industry as a case study. Titling laws are a form of occupational regulation that restrict the use of a phrase, or title, to those who have met legislatively mandated requirements typically associated with education, experience and examination. They do not restrict the practice of the occupation as a license does, but they regulate who may represent themselves to the public by a particular title, in this case “interior designer.” Because titling laws are less restrictive than full licensure, they are often pursued as a first step in an incremental process toward complete licensure.

The justification for regulating the title is often the same as licensure—protecting public health, safety and welfare. We found in *Designing Cartels*, however, no evidence for such justification. In fact, we established:

1. There is no need for regulation of the interior design industry, and consumers do not benefit where the industry is regulated.

2. The push for interior designer regulation comes exclusively from a small faction within the industry itself, as a small subset of current practitioners seek the economic advantages of excluding competitors from the market.

In November 2007, Dr. Caren Martin, an advocate of interior design regulation, released a report purporting to rebut the key claims of *Designing Cartels*. Martin’s work was verbose, yet provided no evidence of the need for or benefits from regulation, while essentially conceding that the push for such regulation comes exclusively from industry insiders. Moreover, her missive is laced with logical and factual errors that severely undermine its conclusions.

In short, Martin’s attack on *Designing Cartels* not only fails to refute its key findings, it
is yet another in a long line of examples of design industry insiders’ complete failure to make a persuasive case for regulation.

This response discusses the key findings from Designing Cartels and demonstrates how Martin’s rebuttal fell far short of disproving those findings. It also highlights key logical and factual errors in her rebuttal.

NO NEED FOR—OR BENEFIT FROM—INTERIOR DESIGN REGULATION

As we document in Designing Cartels, state agencies across the country\(^2\) have looked for evidence of both need and benefit from many sources, including the Better Business Bureau (BBB), state attorneys general offices, state regulatory boards, state consumer affairs offices, governors’ offices, district attorneys’ offices, and even state-based interior design coalitions and the American Society of Interior Designers (ASID). They found...nothing.

We tried, too, by collecting data from BBBs, state interior design regulatory boards and interior design-related lawsuits. Statistical analyses of the data showed no consumer benefit from regulation or threat to public health, safety and welfare by unregulated interior designers. Specifically, we found:

- Interior design companies receive very few consumer complaints—an average of less than one-third of one complaint per company from 2004 to 2006, according to nationwide Better Business Bureau data.
- There are no statistically significant differences in the average number of complaints against companies in highly regulated states, less-regulated states and states with no regulation.
- Consumer complaints about interior designers to state regulatory boards are extremely rare: Since 1998 an average of one designer out of every 289 has received a complaint for any reason. Nearly all of those complaints, 94.7%, concern whether designers are properly licensed—not violations of public health, safety or welfare. Complaints about service and non-licensure crimes are even more rare: an average of one out of every 5,650 designers since 1998.
- Only 52 lawsuits involving interior designers have been filed since 1907. Most dealt with breach of contract issues, while very few addressed safety or code violations.

In response, Martin presents absolutely no systematic, empirical evidence to refute our findings or support the oft-cited justification for regulation. Her report is just another
in a long line of claims from regulation enthusiasts that designers are responsible for public health, safety and welfare without providing any evidence to support the assertion. In fact, the closest Martin comes to citing any evidence of the need for regulation is a wandering discussion of commercial and residential fire statistics, which she suggests relate to interior design qualifications in some way. Yet, the complete lack of systematic data and analysis cannot even support simple correlation, let alone a cause-and-effect relationship.

**PUSHING FOR REGULATION FROM THE INSIDE**

*Designing Cartels* presented in detail how demand for regulation comes exclusively from certain industry leaders. Because these occupational regulations are so rarely examined and little known, *Designing Cartels* provided a unique discussion of what they are and how they are pursued by occupational leaders in order to regulate who may enter and pursue that occupation, much to the benefit of those already practicing.

National design associations, led by ASID, along with ASID-affiliated state design organizations and their political action committees, have pressed a legislative agenda of increased regulation through concerted and well-funded efforts. As we show through an analysis of state legislative records, there is no public demand for these regulations. In fact, state licensing officials often testify against interior design regulations, citing the lack of threat to public health, safety and welfare, the likely increased cost to consumers and the unnecessary erection of barriers to entry into the profession.

Martin’s response is to concede the point, albeit in a long-winded explanation of how the regulation of interior design is just another example of the “normal” evolutionary experience of various occupations that began as collections of unregulated practitioners.

One of the standard claims made by regulation enthusiasts is the relationship between interior design and fire statistics, and a favorite illustration of the need for regulation is the November 21, 1980, MGM Grand Hotel fire in Las Vegas, Nev., which killed 87 people. When writing about the need for regulation, apologists like Michael Alin, Executive Director of the American Society of Interior Designers, and others continually drop the MGM Grand fire into the discussion, asserting, “Because some interior finish and furnishing selections [in the MGM] were not appropriate for commercial use,” designers need to be regulated. What Alin and others conveniently leave out of the story are the results from investigations of the fire. They indicate that the primary reasons why the fire spread include: (a) inadequate sprinklers; (b) rampant code violations; and (c) the defective flammable adhesive used to attach ceiling tiles. In fact, among the 1,327 lawsuits that resulted against 118 companies, MGM settled for $105 million; Simpson Timber Co. settled for $14.4 million for providing below-grade ceiling tiles and flammable adhesive; and millions more were paid out by architects, contractors, subcontractors and those who provided the materials that enhanced the smoke damage. Noticeably absent from the list are any interior designers.
and developed into organized, recognized and (in some cases) regulated professions, typically at the behest of leaders within the industries who convinced legislators of the “need” for regulation. Purportedly this “normal” process is all for the good, but, yet again, Martin fails to substantiate that claim, particularly given evidence to the contrary.

Martin conveniently glosses over the fact that positive effects of regulation are highly disputed by researchers. In fact, it has become a cottage industry among economists to study the effects of occupational regulation, and the overwhelming consensus indicates regulation falls far short of the promised benefits, while increasing costs to consumers (through artificially inflated wages for those working in the regulated sector) and restricting employment and entrepreneurial opportunities in the regulated industry.

Researchers are not alone in recognizing how regulation falls short of expectations. In 2007, Indiana Gov. Mitch Daniels vetoed an interior design title act, saying:

I can find no compelling public interest that is served by the establishment of new registration requirements for interior designers as contained in SEA 490, nor in the bill’s effective “criminalization” of violations of such registration requirements. Indeed, it seems to me that the principal effect of SEA 490 will be to restrain competition and limit new entrants into the occupation by requiring that they meet new educational and experience qualifications previously not necessary to practice their trade.

Legislatures in other states are also skeptical. In 2007, legislators in at least 12 states considered titling and/or practice acts for interior designers. Only one of those bills passed and was vetoed by Gov. Daniels. Courts, too, are doubtful. The Alabama Supreme Court struck down the state’s licensing scheme as unconstitutional in 2007, declaring:

We conclude, therefore, that the Act imposes restrictions that are unnecessary and unreasonable upon the pursuit of useful activities and that those restrictions do not bear some substantial relation to the public health, safety, or morals, or to the general welfare, the public convenience, or to the general prosperity.

MARTIN’S ILLLOGICAL AND INACCURATE CLAIMS

While Martin’s rebuttal is short on evidence supporting the need for regulation, it is rich in illogical and inaccurate claims that undermine its own credibility. Here are just a few.

1. Martin naively and inaccurately claims that the very existence of interior design laws demonstrates the need for them.

Legislators, according to Martin, “are keenly aware of their charge to protect the health, safety, and welfare of the public, their constituents, and being blindly swayed by lobbyists
without regard to that charge would be a violation of the public’s trust” (p. 28). In other words, legislation only ever gets passed because it is needed. This naive view of the legislative process is utterly implausible. Indeed, if lobbying were truly so ineffective, then why would interior design coalitions devote so many resources to it, as we indicate in our report? Moreover, as we document in Designing Cartels, interior design regulation is often sponsored by legislators who know little or nothing about their bills, relying instead on industry lobbyists for information. Regulation is often adopted after legislative strong-arming that has little to do with protecting the public’s trust.

Martin also points to sunrise reviews as a check on needless regulation. These are legislatively mandated processes whereby a state agency reviews and reports to the legislature on the need for new regulation prior to a bill’s adoption. Theoretically, such reviews are designed to limit unnecessary regulation. Martin accurately says 14 states have such provisions in place, then mentions the 20 or so states that enacted interior design regulation from 1988 to 2005, suggesting that those bills must have cleared the hurdle of sunrise review. However, of the 22 states with some form of regulation, only six have sunrise laws, some of which were adopted after interior design regulations were enacted. Moreover, just having a sunrise law does not guarantee its use. As Martin acknowledges, such laws are not widely enforced, and as a Minnesota state auditor’s report on sunrise laws across the country concluded, “even states with . . . sunrise provisions experience frustrations with professional groups that are able to circumvent the process.”

Finally, Martin fails to acknowledge that every sunrise review conducted to date has recommended against the very kind of interior design regulation she supports. State agencies in Colorado, Georgia, South Carolina, Washington and Virginia all examined the need for regulation of interior designers—and concluded there was none.
2. **Martin erroneously claims building codes require the regulation of interior design.**

Martin writes:

The design of the built environment, including interior space, is regulated by the building code, as adopted by the local jurisdiction, as prescribed in the state’s statutes and rules. Overwhelmingly, in all U.S. states and jurisdictions and Canadian provinces, spaces used by or serving the public must be designed by registered design professionals. (p. 20)

How she arrives at the conclusion in the second sentence after the latter section of the first sentence is puzzling. As her first sentence concludes, building codes do not require that states regulate interior design; rather, they refer to the respective states’ regulations and require they be followed accordingly in the design of a project. Thus, if interior design is unregulated in a state, any design practitioner can complete the work.

This same justification Martin posits has also been used by other regulation enthusiasts seeking to cartelize interior designers in their states. An example comes from California, where designers can seek voluntary registration or certification through a non-state entity. Regulation proponents cited building codes in their argument that the lack of a state licensing scheme would impinge upon the ability of designers to submit official design plans as part of a project.

The Legislative Council of California, however, found otherwise. They wrote, “The IBC [International Building Code] further provides that construction documents are required to be prepared by a registered design professional **where required by the statute of the**...
jurisdiction in which the project is to be constructed (Sec. 106.1, IBC)” (emphasis in original). As a result, the Legislative Council concluded there would be “no conflict” between the building codes and the practices and policies of California. Building codes do not require the regulation of interior designers through state licensing schemes.

3. Martin wrongly claims that if a profession is not regulated, it is legally impossible to report violations against a professional outside of court.

In fact, reports can be filed with several outlets. First, consumers can turn to a local law enforcement agency if the designer’s violation represents a criminal act. Second, many county district attorney offices have divisions dedicated to consumer affairs, which would be appropriate for violations such as fraud. Finally, like county district attorney offices, state attorney general offices take complaints about and investigate economic crime. These were among the agencies contacted during interior design sunrise reviews in numerous states, and none provided evidence of threats to public health, safety and welfare from unregulated interior designers.

4. Martin falsely claims the term “cartel” is inappropriately applied in our report, calling it “inflammatory” and “libelous.”

Designing Cartels demonstrates how ASID, its state chapters and like-minded national interior design associations coordinate efforts and resources to persuade legislators to adopt laws that limit who may enter the occupation. For example, ASID trains state chapter members on grassroots campaigning and provides money for legislative efforts. To fund such efforts, ASID last year imposed a mandatory $15 assessment in addition to membership dues payment to support pro-regulation lobbying efforts, money it is already spending on an unprecedented effort around the country.

State interior design associations also rally their members for efforts in state capitals. For example, after the Institute for Justice filed suit against Texas’s titling act, the head of the Texas ASID chapter, Marilyn Roberts, sent an email to her membership asking them to contact all the interior designers they knew and to send her examples of “cases of harm in Texas” resulting from unlicensed interior design. The goal was to give the information to the Texas Board of Architectural Examiners (TBAE), which regulates interior designers and is defending the law in court. As Roberts noted, “They [the TBAE] are fighting for us and we need to give them ammunition!” Notably, no “cases of harm in Texas” resulting from substandard interior design activities have come to light in the Texas litigation as of this writing, nor does it seem likely that any will, if history is any indication.
Finally, interior design association websites provide letter templates for members to contact legislators about the alleged need for regulation. And in all of it the goal is the same—to choke off competition through title and practice acts.

This is a description of activity that most certainly comports with what many scholars have written on the topic of occupational licensing and aligns with definitions of the term “cartel” taken from any standard dictionary, like this one from *Webster’s New Collegiate Dictionary*:

**cartel** 2: a combination of independent commercial enterprises designed to limit competition 3: a combination of political groups for common action.

5. Martin wrongly attempts to decouple title legislation from practice legislation.

*Designing Cartels* clearly shows how interior design “cartelizers” use titling acts as a first step in an incremental process toward full licensure. For example:

- Of the four states that have had licensure at one time, three began with titling laws that evolved into licensing.
- Interior design associations are actively working to transform title acts into licensure in other states.
- In just the past three years, interior design coalitions lobbied for titling or licensure in 13 states currently without any regulation.

Martin weakly rebuts this by claiming that titling laws and practice acts are not pursued or adopted contiguously. However, at no time do we state the titling-to-licensure process of regulation of interior designers is “necessarily” contiguous, just that titling laws are used as a first step toward licensure, an assertion unambiguously supported by the evidence.

The most recent example comes from New Hampshire, where the pro-regulation New Hampshire Interior Design Coalition (NHIDC) pushed for licensure during the 2007 legislative session in the form of HB 881. Despite vigorous support from the NHIDC, the legislative committee voted 12-4 that the bill was “inexpedient to legislate.”

Just as *Designing Cartels* discusses, the NHIDC plans to return to the legislature with a titling act as a first step toward full licensure. In a March 25, 2007, letter to NHIDC members, NHIDC President Maria P. Perron wrote:

Most at the meeting agreed that a practice act as our bill is written is the one to pursue. However, since NH isn’t the most agreeable state toward licensure, it was added that we may want to begin with a title act and move inconspicuously toward a practice act within a few years.
CONCLUSION

The Perron letter neatly represents the thesis of Designing Cartels, a thesis Martin fails to refute: Absent any authentic, empirical evidence of the need for regulation, those practicing an occupation who wish to regulate away free-market competition are left with strategies of inconspicuous incrementalism through the use of titling laws as a first step toward licensure and the creation of a de facto cartel. If there is a genuine need for regulation of interior designers, or any occupation for that matter, to protect the public health, safety and welfare, the message of Designing Cartels is simply, prove it.

ENDNOTES

1 Dr. Caren Martin is a faculty member at the University of Minnesota's College of Design, a former interior design practitioner who is a member of various interior design associations, an appointee to the Minnesota Board of Architecture, Engineering, Land Surveying, Landscape Architecture, Geoscience, and Interior Design (which oversees Minnesota's interior design titling law) and a past recipient of research funds from interior design associations committed to increased regulation of their industry, including American Society of Interior Designers (ASID), Foundation for Interior Design Education Research, Interior Designers of Canada, International Interior Design Association, and the National Council for Interior Design Qualification. Her work has also been featured by the leading interior design association—ASID (see http://www.asid.org/NewsRoom/031006+Release.htm). The rebuttal was presented to leaders of various interior design associations during a September 30, 2007, “Issues Forum” meeting, sent to the Texas Attorney General (IJ filed a lawsuit against Texas's titling law, Byrum v. Landreth, No. A07CA344LY (W.D. Tex. filed May 9, 2007), made available online and publicized in a November 19, 2007, listserv email from the president of the Interior Design Educators Council (IDeC), which is on file with the Institute for Justice.


3 See, for example, pp. 10, 24, 27, 44.


8 See Kleiner, 2006 for an excellent synthesis of research and conclusions.


11 Id. at *10 (internal quotations and citations omitted).

12 See http://www.clearhq.org/sunset.htm for a list of states with sunrise provisions.

13 Florida, Georgia, Illinois, Maine, Minnesota and Virginia.
For example, Florida adopted a titling law in 1988 and a sunrise provision in 1991.

Long, E., Helmstetter, C., & Martell, L. (1999). *Occupational regulation*. St. Paul, MN: Office of the Legislative Auditor, State of Minnesota, p. 85. Martin further points to two states (not three, as she inaccurately says) that adopted interior design regulation after sunrise reviews indicated no need for it. Allegedly this is evidence that legislators recognized the prevailing need for regulation to protect public health, safety and welfare despite the sunrise reports. It is just as likely, indeed more probable, that legislation was enacted as a result of interior design coalitions “circumvent[ing] the process,” as the Minnesota report concluded.

See *Designing Cartels*, p. 10.


Email sent June 6, 2007, on file with the Institute for Justice. In the email, Roberts instructed her members to, “Send all information to ME, Marilyn Roberts at asidtxmr@flash.net, NOT to the TBAE. If information goes directly to TBAE, it becomes public knowledge rather than client/lawyer privileged info.” Despite such attempts, however, no evidence of harm was presented during the June 22 hearing.


Historically, such a bill would enjoy vigorous and one-sided support from pro-regulation interior design associations who would lobby legislators with the health, safety and welfare justification. But not this time. For HB 881, the pro-regulation coalition shared the floor with an even more vigorous anti-regulation alliance called Live Free and Design. The legislative committee hearing saw unprecedented involvement from more than 150 interior designers engaged in making their diverse positions known to committee members.

Letter on file with the Institute for Justice.
ABOUT THE AUTHOR

Dick M. Carpenter II, Ph.D.

Dr. Carpenter serves as the director of strategic research for the Institute for Justice. He works with IJ staff and attorneys to define, implement and manage social science research related to the Institute’s mission.

As an experienced researcher, Carpenter has presented and published on a variety of topics ranging from educational policy to the dynamics of presidential elections. His work has appeared in academic journals, such as the *Journal of Special Education, The Forum, Education and Urban Society* and the *Journal of School Choice*, and practitioner publications, such as *Phi Delta Kappan* and the *American School Board Journal*. Moreover, the results of his research are used by state education officials in accountability reporting and have been quoted in newspapers such as the *Chronicle of Higher Education, Education Week* and the *Rocky Mountain News*.

Before working with IJ, Carpenter worked as a high school teacher, elementary school principal, public policy analyst and professor at the University of Colorado, Colorado Springs. He holds a Ph.D. from the University of Colorado.
The Institute for Justice is a non-profit, public interest law firm that litigates to secure economic liberty, school choice, private property rights, freedom of speech and other vital individual liberties and to restore constitutional limits on the power of government. Founded in 1991, IJ is the nation’s only libertarian public interest law firm, pursuing cutting-edge litigation in the courts of law and in the court of public opinion on behalf of individuals whose most basic rights are denied by the government. The Institute’s strategic research program produces high-quality research to inform public policy debates on issues central to IJ’s mission.