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How Interior Design Insiders Use Government Power To Exclude Minorities & Burden Consumers

February 2009
Institute for Justice

David E. Harrington
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Executive Summary

Americans used to be free to practice interior design work and succeed or fail based solely on their skills. But, to the detriment of consumers and would-be entrepreneurs, that is changing. The American Society of Interior Designers, an industry trade group, would like state governments to define what it means to be an interior designer and then dictate who may perform that work. The group and its allies have successfully lobbied 22 states and the District of Columbia to impose stringent education and training requirements that create a single route to practicing interior design or to using titles associated with interior design work.

Drawing upon national census data, this report finds that interior design regulations not only create serious barriers to entry for entrepreneurs, but also raise costs for consumers.

We find evidence that in states where interior designers are regulated, consumers are paying higher prices for design services, fewer entrepreneurs are able to enter the market, and blacks, Hispanics and those wishing to switch careers later in life are being disproportionately excluded from the field.

Specific findings include:

- Interior design firms in regulated states earn significantly more than those in unregulated states—about $7.2 million in a city with a population of one million. That means higher prices for consumers, as lower-cost competition is simply outlawed by the licensing regulations.
- In regulated states, the number of interior designers fell by an estimated 1,300 between 1990 and 2000, demonstrating that regulation is limiting economic opportunity in interior design.
- Black and Hispanic interior designers are nearly 30 percent less likely to have college degrees than white designers. Thus, regulations with academic requirements disproportionately shut minorities out of the field.
- Similarly, older interior designers are 12 percent less likely to have college degrees in regulated states, indicating that these regulations keep out those who switch to an interior design career later in life.

By creating a single, costly path to entering the interior design market, these regulations also threaten the diversity of services offered—effectively placing government in the role of designing our interiors, rather than leaving the choice of designers up to consumers in an open market.

Occupational licensing laws are ever more pervasive in the U.S. economy, as the percentage of people who need a license from the government to practice their chosen occupation has grown from just 4.5 percent in the 1950s to about 20 percent today. Interior design is just one of the many fields where licensing laws have grown.

Previous research from state agencies and independent groups has demonstrated that interior design regulation has no public benefit. This report shows that such laws also come with serious costs. The negative effects of interior design regulation on consumer freedom and expenses, as well as on entrepreneurs, should give lawmakers reason to pause before adopting more or stricter interior design laws.

Introduction

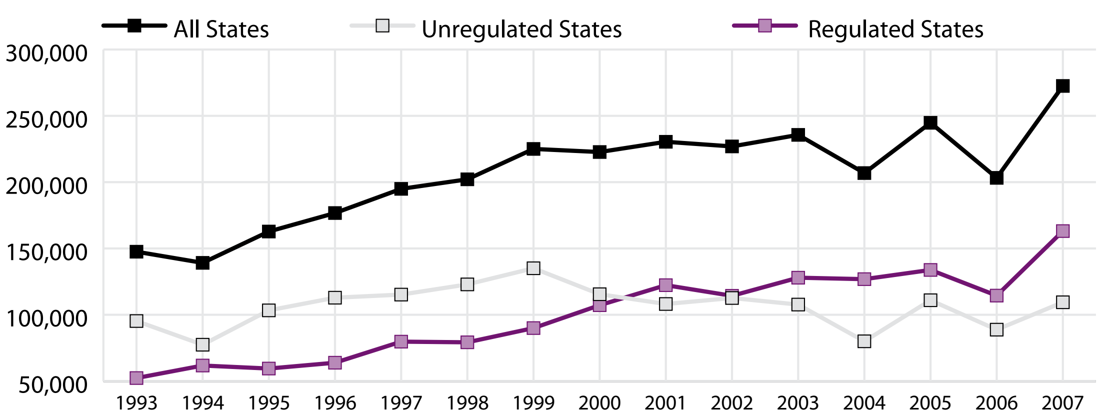
Some interior designers work in paint stores helping people choose between shades of gray; others work in home remodeling centers explaining the advantages of Corian countertops and in furniture stores advising people on pieces that blend well together. At the other end of the spectrum are award-winning interior designers who use their creativity, knowledge and experience to create interior spaces for everything from chic Manhattan lofts to five-star luxury hotels and high-tech office buildings. There are many shades of interior designers between these two extremes, some of whom have graduated from prestigious interior design schools like the Art Center College of Design,[1] while others—including many at the very top of the profession—are entirely self-taught. Interior design is also a popular second career for people from myriad other occupations and life experiences that did not require or include formal training at post-secondary design schools.

The American Society of Interior Designers (ASID) would like state governments to define what it means to be an interior designer and then dictate who may perform that work, changing the shades of gray into black and white categories that would be enforced by the powers of the state. The group and its allies have convinced 22 states to impose stringent education and training requirements that create a single route to practicing interior design or to using various titles associated with that work, a route that passes through post-secondary interior design schools.

Such occupational regulation is increasingly pervasive in the United States, with approximately 20 percent of workers needing a license to practice their occupation, up from only 4.5 percent in the early 1950s.[2] Figure 1 illustrates the growing scope of interior design laws, which now cover more than half of all designers. In 1993, only 36 percent of interior designers were subject to state regulations. By 2007, that number ballooned to 60 percent. ASID continues to lobby aggressively for more and more stringent interior design regulation.

ASID and other proponents of regulating interior designers argue that the laws are necessary to protect vulnerable consumers from unqualified designers who may mislead consumers regarding their professional

Figure 1 *Total Number of Interior Designers*



qualifications or even threaten public health and safety by performing substandard work. In attempting to support those claims, ASID has mostly provided hypothetical stories of how unregulated interior designers *could* harm or bilk consumers, with little or no evidence of *actual* harm. Indeed, several state commissions and Dick Carpenter at the Institute for Justice have searched for consumer complaints against interior designers and have found only a few alleging harm.[3] As part of its "sunrise" review that led to the rejection of a proposed licensing law for interior designers, the Washington State Department of Licensing examined deaths in home fires and could find none that were due to building code violations, much less violations due to errors made by unregulated interior designers.[4] Finding no evidence of harm likewise led Colorado's sunrise commission to conclude that "it is difficult to see a benefit to the public in regulating interior designers."[5]

This paper focuses on a different part of the question of whether interior design regulations are justified: the costs of licensing interior designers that are created as states move from having unregulated markets of interior designers of different shades to regulated ones of a single shade, one chosen by the government. Using data on interior designers from the 1990 and 2000 U.S. censuses, we find evidence that in states that regulate interior designers, design services are more costly for consumers and fewer entrepreneurs are able to enter the market, blocking economic opportunity and leading to a less diverse offering of services available to consumers. Moreover, the regulations disproportionately exclude from the interior design industry blacks, Hispanics and career-switchers.

Our estimates of the costs of licensing interior designers underestimate the long-run costs because these regulations are only in their infancy and are being softened by the grandfathering provisions, which permit current designers to continue practicing or calling themselves interior designers even if they do not meet the law's requirements. For example, licensed interior designers in Florida are only required to have graduated from design school if there was a state-approved program at the time they completed their education. According to the 2000 census, only 60 percent of people working as interior designers in Florida had any sort of college degree, suggesting that many of the designers were practicing under the grandfathering provisions of the law. The effects of interior design regulation will grow as grandfathered interior designers in Florida and elsewhere retire and if more states adopt or expand their licensing laws for interior designers. We hope that the evidence presented in this paper and that produced by sunrise commissions and Carpenter will convince legislators and governments to think twice (or many times) before either adopting new licensing laws or expanding existing ones.

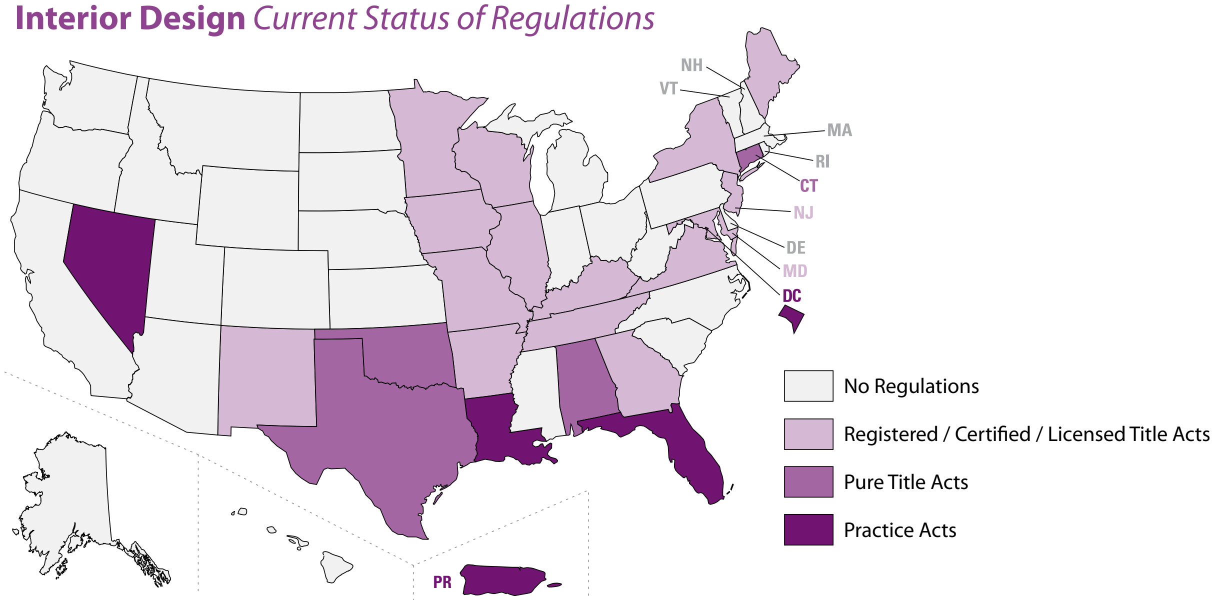
ASID has mostly provided hypothetical stories of how unregulated interior designers *could* harm or bilk consumers, with little or no evidence of *actual* harm.

State Licensing of Interior Designers: Practice Versus Titling Laws

Despite aggressive lobbying efforts by ASID and others during the past 30 years, the majority of states still do not regulate interior design. Alabama was the first state to enact interior design legislation with a 1982 law reserving the use of the title "interior designer" to only those with state-mandated credentials. That law was expanded in 2001 to regulate the actual practice of interior design work. The Alabama Supreme Court declared Alabama's practice act unconstitutional in 2007, leaving just three states—Florida, Louisiana and Nevada—plus the District of Columbia with laws that limit who may practice interior design. These are the most stringent kind of interior design regulations. Three other states (Connecticut, Oklahoma and Texas) have title acts that allow anyone to perform interior design work but require a government-issued license to use the terms "interior design" and/or "interior designer." Sixteen states regulate the use of the terms "licensed interior designer," "certified interior designer" or "registered interior designer."

The requirements these laws establish are similar across all regulated states. Florida, for example, requires interior designers to complete six years of training prior to practicing in the state.[6] At least two years must be spent at a state-approved post-secondary interior design program, and the rest must be in the form of "diversified interior design experience."[7] Florida's interior design statute devotes 180 words to defining what constitutes legally acceptable experience. The bottom line is that working at a furniture store, paint store, apparel company or department store would not count, but working (or being an apprentice) at an interior design company would, thereby setting up a modern-day guild system. New York, the largest of the titling law states, imposes similar requirements for people who want to advertise as "certified interior designers," requiring that they complete seven years of training and spend at least two years in an approved school of design.[8]

Interior Design *Current Status of Regulations*



Methods

We sought to study how interior design regulations affect consumers and those seeking to enter the design occupation, both broadly and based on individual characteristics such as race/ethnicity and age.

To do so, we constructed a national sample of 6,856 and 8,694 interior designers from the 1990 and 2000 censuses, respectively, which allowed us to examine the effects of regulation over time. That states vary in whether they regulate interior designers allowed us to create control and treatment groups. Creating such groupings is very common in empirical work as it allows for straightforward testing of the impacts of the treatment, defined as the regulation of interior design in our study. We categorized each designer as regulated (treatment group) if they lived in one of 16 states (and the District of Columbia) that regulated interior designers before the mid-1990s, and unregulated (control group) if they lived in one of the 32 states that had not regulated them as of 2000.[9] Further details about the sample construction can be found in Appendix A.

We analyzed the data using regression, a technique that enabled us to examine the effect of regulation after controlling for other factors that might muddy the relationship between regulation and our outcomes of interest. It also facilitated analysis based on the background of designers. In the results below, we discuss our major findings, but specific regression results can be found in the tables of Appendix B.

In reading these results, it is important to keep in mind the diluting effect of "grandfathering." A potentially significant number of people measured in the census data work as interior designers but lack the required qualifications due to grandfathering, thereby diluting the apparent effects of the law on wages and/or the number of people practicing. Practically speaking, this means the effects we found are likely understated, and there may even be other differences or effects that we did not discern.

Despite aggressive lobbying efforts by ASID and others during the past 30 years, the majority of states still do not regulate interior design.

Empirical Results

Interior Design Regulation Leads to Higher Costs for Consumers

Interior design regulations make it more time-consuming and more costly to become an interior designer or advertise one's services as interior design. Erecting such barriers to entry into the interior design occupation results in a boost to wages for practitioners, which is borne by consumers paying for their services. This makes sense because the fees set by designers represent their time and expertise—one of the greatest proportions of consumer costs in any service business. Limiting entry restricts competition and enables those who overcome the barriers to charge more.

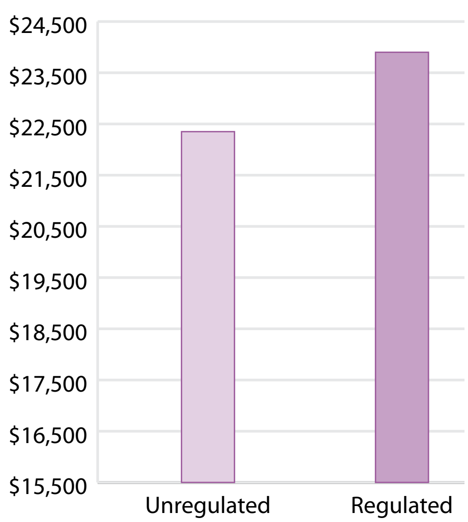
Our data allow us to predict the full-time earnings of a typical interior designer in regulated and unregulated states.[10] As shown in Figure 2, we estimate that interior designers earn $23,991 per year in regulated states and $22,395 per year in unregulated states, a difference of nearly $1,600 per year. However, the fact that the licensing regulations are *correlated* with higher earnings does not prove that they *caused* the higher earnings.[11]

The key to testing whether this difference is caused by the licensing regulations is to think about the consequences of creating a government-sanctioned route to becoming an interior designer, one that elevates educational credentials over work experience. Hence, if licensing regulations are truly responsible for increasing the earnings of designers, then educational credentials should be more valuable in regulated states and work experience should be less valuable. And indeed, our data reveal exactly this pattern.

First, college degrees are more valuable in regulated states. As indicated in Figure 3, designers with bachelor's degrees earn 25 percent more per hour than high school graduates in regulated states, while similarly educated designers earn 21 percent more in unregulated states. Likewise, the premium for having an associate's degree is 2.2 percentage points higher in regulated states. Measured in dollars, these results imply that licensing regulations boost the value of a bachelor's degree by an additional $1,000 and the value of an associate's degree by an additional $600. Second, work experience is less valuable in regulated states: An additional 10 years of experience boosts earnings by 7 percent in states with licensing regulations and 10 percent in states without them.[12]

Figure 2 *Higher Consumer Costs: Interior Designers Earn More in Regulated States*

Predicted earnings for interior designers[13]



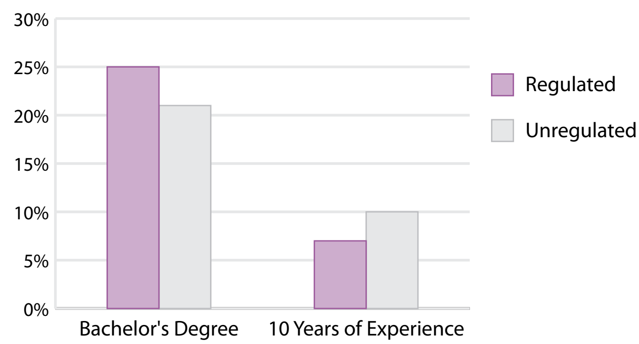
It is well known that greater levels of education commonly translate into higher earnings, but these data show that requiring a higher level of education by state law yields an even greater boost as lower-cost competitors are squeezed from the market. Anointing a particular route to becoming an interior designer also diminishes the value of a common alternative: learning to be an interior designer by working as one. This alternative route is less costly for people lacking the funds or time to go to design school, further explaining why low-cost competitors are being squeezed from the market.

The pattern of the estimated effects of education and experience on the earnings of interior designers exactly matches the expected effects of licensing laws. In other words, they explain the way in which licensing laws raise earnings, convincing us that these laws are responsible for the increase in earnings observed in the data. Hence, the evidence convinces us that the barriers to entry created by licensing regulations are raising the earnings of interior designers by a significant amount, leading to higher prices paid by consumers for design services. In particular, the licensing regulations are raising the earnings of full-time interior designers by as much as $1,600 per year, and their full effects are yet to be felt.

Greater incomes are evident not only for individual designers but also for interior design firms.[14] As Figure 4 indicates, interior design firms are unquestionably benefiting from titling and practice laws. In 1992, interior design firms earned approximately $38,000 more per 10,000 people in regulated states. By 2002, the discrepancy had nearly doubled to $72,000. Stated differently, for a city with a population of one million in 2002, interior design firms would have earned roughly $7.2 million more if the city were located in a regulated state instead of an unregulated state. Given these results, it is not surprising that ASID continues to lobby aggressively for greater regulation of the interior design market.

Figure 3 *State-mandated Credentials Change the Relative Value of Education and Experience*

Value of education and experience to interior designers' earnings



Interior Design Regulations Keep Entrepreneurs Out of the Market

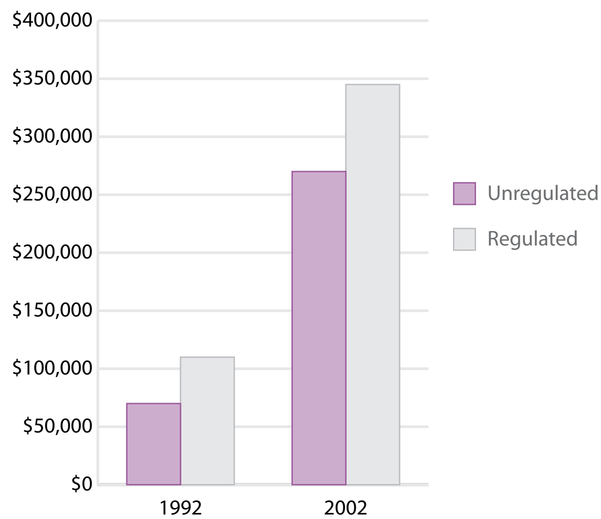
Interior design regulations hurt not only consumers but also entrepreneurs—those seeking to enter the occupation. This was evident in the number of people working as interior designers in regulated versus unregulated states.[15] In regulated states, the proportion of designers working fell by 1.5 percentage points during the 1990s, holding other explanatory variables constant, a result that is statistically and economically significant. This implies that approximately 1,300 more designers would have been working in 2000 but for the licensing regulations. By comparison, unregulated states saw no significant difference in the number of designers working throughout the 1990s.[16]

It is important to emphasize that the 1990s enjoyed a robust economy. Thus, the significant decrease in the number of designers in regulated states was likely not due to poor economic conditions, further pointing to the effect of regulation.[17]

In addition to the overall number of people working in the industry, *self-employed* designers, which could be thought of as a more direct measure of entrepreneurship, are less likely to work in regulated states. While the self-employed are prevalent in regulated and unregulated states, comprising roughly 55 percent of designers in both sets of states, they struggle more to find work in regulated states. Our estimates imply that approximately 765 additional self-employed designers would have been working in 2000 but for the licensing regulations. Also, the proportion of self-employed interior designers finding work is decreasing over time in regulated states.[18]

Figure 4 *Higher Consumer Costs: Interior Design Firms Earn More in Regulated States*

Operating profits of interior design firms[19]



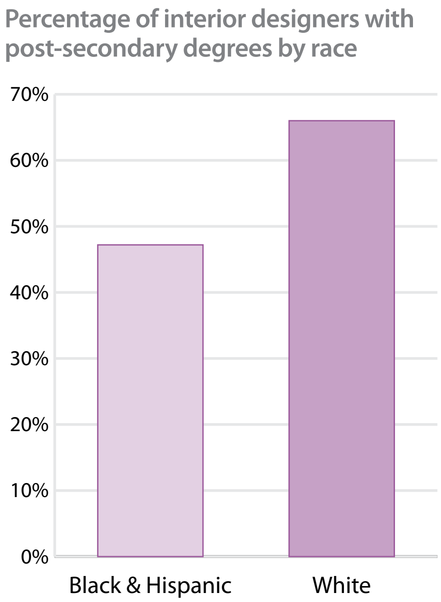
Note: per 10,000 population in 2008 dollars

These findings imply that interior design regulations are nudging designers, especially self-employed ones, out of the market. Our data also find that self-employed designers are willing to work for lower wages, making them an important source of low-cost design services. Hence, pushing these (mostly small) entrepreneurs out of the market reduces the number of low-cost competitors, which increases the power of designers (and larger design firms) to charge consumers more.

Interior Design Regulations Disproportionately Exclude Blacks, Hispanics and Career-Switchers

The effects of interior design regulations are particularly limiting for entrepreneurs of color

Figure 5 *Shutting Out Minority Entrepreneurs: Fewer Minority Interior Designers with Post-Secondary Degrees*



and older workers, and the vehicle for their exclusion is the educational requirement. In general, titling and practice acts are realizing their intended effect of limiting the field to those with post-secondary degrees—regulated states have seen a 9.9 percentage point increase in the number of college-educated designers during the 1990s. Compared to the 8.4 percentage point increase in states without these laws, that means the proportion of interior designers with college degrees was growing 18 percent faster in the states with titling or practice laws.

When looking at the effect based on race/ethnicity, the difference is even more profound. In all states, only 47 percent of black and Hispanic designers have some sort of college degree, compared to 66 percent of white interior designers (see Figure 5). Black interior designers are especially unlikely to have college degrees in regulated states, with only 39 percent of them having college degrees there. Thus, stringently enforcing regulations that limit who may practice or advertise as interior designers to only those with college degrees will reduce the number of blacks and Hispanics practicing as interior designers.

We find a similar effect for age. As Figure 6 indicates, younger interior designers are much more likely than older ones to have college degrees in states with titling or practice laws than in states without these laws. In particular, interior designers under 40 years of age are 12 percentage points more likely than older designers to have college degrees in regulated states and only 2 percentage points more likely to have them in unregulated states. We think that this pattern is principally due to a larger proportion of younger designers having been subject to the licensing requirements when they entered the occupation than older designers. Since only 58 percent of older interior designers in regulated states have some sort of college degree, these regulations should make it much more difficult for older workers to enter the occupation in the future, especially because older workers are less likely to have the time, flexibility and resources necessary to go back to school. Therefore, state-mandated education requirements represent a particularly significant barrier to entry into the occupation for older workers making career transitions or those returning to work after raising a family. The effect of the regulation over time, then, is to disproportionately exclude older workers from the interior design field.

Real-World Consequences of a Single Route to Interior Design

To investigate the consequences of regulations for real-life designers, we examined obituaries of interior designers, which often describe the types of degrees earned by the people who died and other relevant life experiences that shaped their careers, information not available from U.S. census data. For example, Christine Beason died at the age of 56 years in 2005 after first working as a high school English teacher and later as an interior designer in Florida. She had a college degree from Penn State with a double major in education and psychology.[20] A few years later, Margot Kahn died at the age of 71 years after spending the early years of her career buying and selling coal mines and the later years as an interior designer and mayor of South Palm Beach, Fla.[21] Suzanne Schoewe was only 52 years old when she died. She had a B.A. in interior design from the University of Florida and was a member of both the American Society of Interior Designers and the Florida Association of Interior Designers.[22]

Only one of these three women had the educational credentials to fully practice as an interior designer in Florida. Women like Christine Beason and Margot Kahn are barred from fully practicing as interior designers in Florida unless they return to school to earn a design degree. If ASID has its way, the only government-sanctioned route for aspiring interior designers will be the one traveled by Suzanne Schoewe, through a certified post-secondary design degree program. It is not a coincidence that she also became a member of the American Society of Interior Designers, which (again not coincidentally) has the same requirements for professional membership as Florida has for licensure.

A Lexis-Nexis search of major newspapers from 2004 through 2008 yielded 128 obituaries that included either "worked," "employed," "practiced" or "career" within a few words of "interior designer," and also provided information on individuals' educational backgrounds. Only 41 percent of these designers had a post-secondary degree in design. Since all of the states licensing interior designers require a degree in design, these laws would have excluded 59 percent of them from being interior designers without additional education. Given the resource and time costs of obtaining a design degree, it seems likely that many of them would not have become interior designers. A third of the obituaries specifically mentioned that the designer had gained experience in design by working in a furniture, paint or drapery store. These obituaries demonstrate that the single route to interior design promoted by ASID and required in many states would have blocked off the routes taken by many designers in the past.

A second Lexis-Nexis search for obituaries that include either "paint" or "furniture" within a few words of "interior designer" produces hundreds of cases of people like Mary Ellen Dean, who worked at Ethan Allen Furniture Galleries for most of her career, and Shirley Crow, who worked for years at Graves Paint and Paper helping people select colors for their homes.[23] Most of these people did not go to college and were not members of ASID. Strictly enforcing the practice laws endorsed by ASID would have squeezed them out of the profession and probably resulted in a decrease in the services available to Americans seeking interior design advice. Similarly, a Lexis-Nexis search for obituaries that include "second career" within a few words of "interior designer" produces a long list of people who came to interior design after working as teachers, dental hygienists, advertising executives, singers and insurance agents. In regulated states, most of these sorts of people will now have to obtain post-secondary degrees from accredited interior design schools, find something else to do or stick with their initial occupation.

Discussion

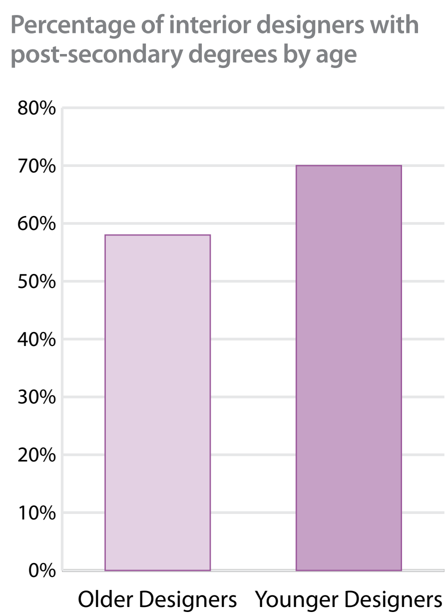
Does the Public Benefit from Interior Design Regulation?

According to ASID, interior designers influence fire safety, ergonomics and overall welfare when planning and furnishing interior spaces.[24] Thus, the group argues that states should exercise their power to "regulate professions that impact the health, safety and welfare of the public" by passing titling and licensing laws for interior designers.[25] The implication is that less-qualified interior designers may reduce public welfare by elevating the risk of fire and failing to reduce workplace injury through the correct implementation of ergonomics. ASID contends that the complexity of some interior design services may make it difficult for consumers to assess quality on their own, and therefore requiring a minimum level of credentialing through education, examination and experience requirements would better enable consumers to choose qualified practitioners who would mitigate these risks to the public.

Yet, ASID and its allies have not demonstrated that unlicensed interior designers have generated significant harm or loss to society. Interior design professor Caren Martin cites studies that have shown interior finish and content to be contributing factors to fires and thus responsible for deaths, injuries and costly property damage.[26] That Martin stops short of assigning blame to unlicensed interior designers suggests a lack of supporting evidence. Indeed, the building occupants themselves may have been responsible for creating interior environments more conducive to the ignition and lethality of fires. Regulating interior designers would do nothing to prevent these unfortunate losses. And even if ASID had successfully demonstrated that unlicensed interior designers posed a significant threat to public welfare, it would still have to show that licensing would be the least costly intervention. In fact, however, mechanisms already exist that alleviate possible threats to public safety, which is presumably part of the reason ASID has been unable to support its health and safety claims with empirical evidence. For example, fire codes mitigate fire safety concerns. And if an interior designer's recommendations fail to pass code inspections, her reputation and business will suffer.

Moreover, using complaint and litigation data, Carpenter demonstrated that the public has not benefited from regulation of interior designers.[27] In rebuttal, Martin vowed to show

Figure 6 *Shutting Out Career-Switchers: Fewer Older Interior Designers with Post-Secondary Degrees*



that eliminating interior design regulation, as recommended by Carpenter and the Institute for Justice, would "compromise the public's health, safety, and welfare."[28] However, Martin failed to provide any empirical evidence in support of this claim.

Overall, the empirical evidence does not support the public safety rationale for licensing interior designers. A plausible alternative explanation is that ASID is simply seeking to protect its members from competition. Indeed there is evidence on the ASID website that this may be the true underlying motivation:

> [G]et involved with your local chapter of ASID or state legislative coalition. They are always eager for volunteers and will be happy to "teach you the ropes." They are fighting for the future of the profession; shouldn't you join them to ensure that there continues to be a profession to fight for?[29]

Clearly, ASID's recruiting pitch appeals to potential personal gains rather than a more noble concern for public safety. Given that there is no evidence that these regulations benefit public safety and are thus being promoted for private gain, it is important to further highlight the costs of licensing interior designers.

What's the Harm in Setting Higher Standards?

Most people think of higher standards as a good thing and, hence, rarely question the cost of trying to attain them. However, the standards proposed for interior designers are not just a little bit higher, they are dramatically higher (in terms of the time and resources needed to meet them) and qualitatively different from an unregulated market where interior designers are free to enter the occupation in any number of ways. Requiring people to graduate from design schools and also spend years accumulating specific design experiences dramatically increases the cost of becoming an interior designer.

Raising the cost of becoming an interior designer is likely to cause fewer people to enter the profession, leading to higher wages for those who become licensed. And that is exactly what our data show. Individual designers earn up to $1,600 more in regulated states and interior design firms in regulated states earn significantly more as well—to the tune of $7.2 million in a city with a population of one million. Higher wages and fewer designers raise the cost of providing those services to consumers, which should lead to higher prices for the services of interior design companies. This logic is the bedrock

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of economics and has been used by the governors of Indiana, New York and Ohio to justify their vetoes of legislation that would have created or strengthened titling laws for interior designers. Economists at the Federal Trade Commission have also used it to oppose the licensing of interior designers.[30]

Proponents of licensing interior designers, such as Martin, have argued that there is no direct empirical evidence that these laws increase the cost of design services and that the markets for interior designers and other related professions are "largely unstudied" when it comes to the potential cost of licensing.[31] This is no longer the case. We now have empirical evidence that interior design regulation raises consumer costs.

Studies of an analogous industry suggest that the increased costs to consumers driven by education requirements will only grow as the effect of grandfathering provisions wanes. One of us has spent years estimating the costs of requiring funeral directors to graduate from mortuary schools.[32] The bottom line is that requiring funeral directors to graduate from mortuary schools increases the cost of funeral services by between $300 and $500 per funeral. While the data have taken years to collect, it is easier to estimate the effect of mortuary school requirements than interior design school requirements because the latter are relatively new, causing their effects to be diluted by grandfathering provisions. Policy-makers can and should look at empirical evidence on the effects of analogous licensing requirements to estimate the likely cost of new licensing regulations, such as those being proposed for interior designers. The evidence from funeral markets implies that requiring interior designers to graduate from design schools will significantly increase the price of those services, especially after the grandfather provisions no longer apply to many designers.

Critics of licensing interior designers usually emphasize only one of the costs of higher educational standards: the likely increase in the price of interior design services. But an even greater—though often overlooked—potential cost of creating a single expensive route to becoming an interior designer is less variety in the interior design market. Interior design schools may attempt to counter this loss of variety by teaching future designers to tailor their recommendations to the preferences of their clients, but this will not be enough to overcome the loss of people with diverse perspectives who are shut out of the market entirely because they are unable or unwilling to attend a design school.

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Flipping through the pages of *Southern Living* and watching episodes of *Trading Spaces* reveals considerable variation in preferences for décor. Preferences also vary across ethnic and racial groups, spawning magazines such as *Homes of Color,* which describes itself as "the magazine of African-American Living and Style," and *Estilos de Vida,* which covers "Diseño Interior" and other lifestyle issues for Hispanics. We found that black and Hispanic designers are nearly 30 percent less likely to have college degrees than white designers, meaning that the creation of a single route to becoming an interior designer that cuts through an approved interior design school will almost surely lead to fewer minority designers.

According to *The Washington Post*, one of the most prominent African-American interior designers in the D.C. area is Darryl Carter, who works "from inherent good taste rather than formal training." Carter was initially trained as a lawyer and began his career providing legal services to his father's waste management company. But he started buying houses and refurbishing them, eventually becoming a "lawyer-turned-designer," which *The Washington Post* characterizes as an "unusual path to design."[33] It doesn't appear that unusual to us. Indeed, a Lexis-Nexis search of major newspapers for the term "turned-interior-designer" found it appearing with teacher, former model, actress, trainee priest, investment banker, sculptor and rapper.

Creating a single, costly route into the occupation of interior design is likely to limit the number of designers who cater to unusual tastes for another reason, one based on economics. In the jargon of economics, design services are differentiated products. While one bushel of wheat looks pretty much like every other bushel of wheat, the portfolios of designers look very different. In fact, that's very much the point, isn't it? There are interior designers that specialize in historic restoration, craftsman homes, African-American artwork, Latin styles and the Chinese technique of feng shui. Such specialization targets small groups of consumers who may not represent enough potential revenue to cover the increased cost of becoming an interior designer in regulated states. In this way, regulation encourages interior designers to cater to tastes with mass appeal rather than niche tastes.[34]

The harm of setting specific standards for entry into industries that produce differentiated goods and services is that such standards are likely to increase price and lower variety. Where the tastes of consumers vary widely, the effect of stricter entry requirements on variety could be even more costly than the effect on price. This assumes that design schools are not the primary arbiters of style and good taste when it comes to interior design and that designers who enter the industry via alternative routes have much to offer to consumers, especially consumers with unusual tastes.

Conclusion

By contrast with unsubstantiated claims from ASID and its allies about the harms of unlicensed interior design and the need for regulation, our results provide evidence of real costs to consumers and entrepreneurs. In states where interior designers are currently regulated, our results indicate that interior designers are earning higher wages and fewer of them are working, causing consumers to pay higher prices for design services. Our results also demonstrate that rigorously enforcing these laws would disproportionately exclude blacks, Hispanics and those wishing to switch careers later in life. Indeed, *The Washington Post* recently noted that a design showcase hosted by the National Symphony Orchestra was "uncomfortably pale," because not one of the designers was African-American.[35]

Moreover, these laws create less variety in the services offered by interior designers, giving consumers fewer options. The education, experience and examination requirements of current licensing laws for interior designers dramatically increase the costs of entering the profession and thereby push towards greater uniformity in the services of interior designers. The greater costs of entering the industry advantage design firms that appeal to large groups of consumers with similar tastes and make it less profitable to provide design services tailored to small groups of consumers whose tastes differ from the majority, which may include racial, ethnic and religious minorities. In this way, licensing laws are placing government in the role of designing our interiors.

As economists, we are convinced by the empirical evidence that interior design licensing laws are imposing substantial costs without any discernable benefits, making them patently inefficient. The costs include higher prices and a likely reduction in the variety of design services offered in the market. As citizens, we think that it is wrong to close off routes to potentially lucrative occupations without empirical evidence that the barriers promote the public interest, because these barriers impose significant costs on consumers and entrepreneurs alike, including a disproportionate impact on minorities as well as people who aspire to do something different (and more creative) with their lives.

Rigorously enforcing these laws would disproportionately exclude blacks, Hispanics and those wishing to switch careers later in life.

Appendices

Appendix A *Identification of interior designers in the 1990 and 2000 censuses*

Selecting interior designers from the census data was not a straightforward process. The U.S. Census Bureau assigned each individual an occupation and industry code based on their responses to employment related questions on the long form. The most relevant occupation code for our purposes was "designers." Unfortunately, this occupation code also included people, for example, who design flower arrangements. To address this issue we used industry codes to identify only those "designers" who worked in either furniture stores or specialized business design services, the two common industries for interior designers.

However, there was insufficient detail in the data to separate interior designers from interior decorators. Proponents of interior design regulation argue that it is as inappropriate to group these occupations together as it would be inappropriate to group paralegals with legal assistants.[36] When examining the impact of regulating interior designers this grouping, while not ideal, is not inappropriate as there are likely to be spillover effects. For example, restricting entry into interior design will likely increase the supply of interior decorators and thus reduce their wages. This is the opposite effect that regulations are expected to have on the wages of interior designers. These two effects would offset each other to some degree when grouping designers with decorators, thus understating the actual impact on the wages of interior designers.

In the 1990 census, we selected individuals who were categorized as working as designers (occupation code 185). This occupational code encompassed numerous occupations including interior designers, floral designers, product designers and others. We used industry classification codes to further pare down the data set in an effort to identify only those designers who worked as interior designers. In the 1990 census, we included designers who worked in either furniture stores (industry code 631) or business services (industry code 741). A similar filtering process was utilized with the 2000 census; however, the U.S. Census Bureau used revised occupation and industry codes that were more narrowly defined than the codes used in 1990. In the 2000 census, we selected designers (occupation code 263) who worked either in furniture stores (industry code 477) or specialized design services (occupation 737). According to a 2003 report published by the U.S. Census Bureau,[37] the 1990 occupation code for designers (185) was allocated across the following occupation codes used in 2000:

260 - Artists and related workers
263 - Designers
775 - Miscellaneous assemblers and fabricators

Given the broader categorization used in the 1990 census, the number of designers identified in the 1990 census would be inflated relative to the number identified in 2000. However, the impact appears to be minimal as the U.S. Census Bureau report indicates that 94 percent of the individuals identified as designers in 1990 using the 1990 census code would have been similarly categorized as designers using the more narrowly defined 2000 census code.

Similar comparative analysis can be done for the 1990 and 2000 industry codes. The 1990 industry code for furniture and home furnishing stores (631) was allocated across the following industry codes used in 2000:

- 389 - Furniture and fixtures
- 477 - Furniture and home furnishing stores
- 528 - Sewing, needlework, and piece goods stores

Approximately 91 percent of the individuals classified as working in furniture and home furnishing stores in 1990 using the 1990 census code would have been similarly categorized using the more narrowly defined 2000 census code. In 1990, we included individuals categorized as working in "business services not elsewhere classified." This classification was allocated across 37 different industry codes in 2000, of which only "specialized design services" (industry code 737) was a likely destination for interior designers. Approximately 14 percent of the individuals categorized in 1990 as working in "business services not elsewhere classified" would have been classified as working in "specialized design services" in the 2000 census. Including designers working in the other 36 industries would have more than doubled the sample in 2000. This analysis indicates that the sample culled from the 1990 census sample overstates the number of interior designers relative to the 2000 census. However, this is not likely to influence our empirical analysis as it would have affected the number of interior designers in a given state regardless of whether the state regulated interior designers.

Appendix B Means and Regression Tables

Table 1 *Sample Means (Standard Deviations in Parentheses)*

	Hourly Earnings?		Worked Last Year?		College Educated?	
	Regulated	**Unregulated**	**Regulated**	**Unregulated**	**Regulated**	**Unregulated**
Earnings ($) in previous year	31457.6 (36661.29)	30346.95 (36626.2)				
Worked in previous year (1=yes)			0.908 (0.289)	0.913 (0.282)		
College (1 if associate degree or higher)					0.644 (0.479)	0.652 (0.476)
Bachelor's degree (1=yes)	0.533 (0.499)	0.515 (0.5)	0.525 (0.499)	0.508 (0.5)		
Associate's degree (1=yes)	0.111 (0.314)	0.137 (0.343)	0.109 (0.312)	0.136 (0.343)		
No high school degree (1=yes)	0.033 (0.18)	0.027 (0.162)	0.036 (0.186)	0.029 (0.168)		
Experience (years)	20.625 (11.865)	20.01 (11.612)	21.082 (12.078)	20.449 (11.792)		
Age (years)					41.338 (11.468)	40.669 (11.318)
Female (1=yes)	0.678 (0.467)	0.674 (0.469)	0.697 (0.46)	0.692 (0.462)	0.682 (0.466)	0.678 (0.467)
Black (1=yes)	0.028 (0.166)	0.017 (0.129)	0.028 (0.165)	0.017 (0.13)	0.028 (0.165)	0.017 (0.127)
Hispanic (1=yes)	0.051 (0.22)	0.044 (0.205)	0.053 (0.225)	0.045 (0.206)	0.05 (0.218)	0.044 (0.204)
Asian (1=yes)	0.029 (0.167)	0.048 (0.214)	0.029 (0.169)	0.049 (0.217)	0.028 (0.165)	0.048 (0.214)
Married (1=yes)	0.601 (0.49)	0.619 (0.486)	0.617 (0.486)	0.636 (0.481)	0.607 (0.488)	0.626 (0.484)
Self-Employed (1=yes)	0.525 (0.499)	0.534 (0.499)	0.538 (0.499)	0.548 (0.498)	0.538 (0.499)	0.547 (0.498)
Furniture store worker (1=yes)	0.153 (0.36)	0.159 (0.366)	0.154 (0.361)	0.157 (0.363)	0.152 (0.359)	0.158 (0.365)
Hours per week in previous year	38.599 (14.181)	38.08 (14.085)				
Weeks worked in previous year	44.037 (13.303)	43.786 (13.569)				
Sample Size	6006	7633	6856	8694	6225	7934

Notes: The sample includes designers from the 5-percent public-use micro-data sample (PUMS) of the 1990 and 2000 censuses. In the 1990 census, we selected observations who worked as designers (occupation code 185) in either furniture stores (industry code 631) or business services (741). In the 2000 census, we selected designers (263) who worked either in furniture stores (477) or specialized design services (737). All three samples include designers only if they were between the ages of 21 and 70 years. We also excluded designers who did not work the previous year in estimating whether designers have college degrees and also excluded designers with non-positive earnings in estimating the determinants of earnings.

Table 2 *Who are Getting Better Wages as Interior Designers?*

	Regulated States	Unregulated States	Difference
Year 2000 (1=yes)	0.319***	0.307***	0.012
	(12.91)	(13.56)	(0.35)
Bachelor's degree (1=yes)	0.253***	0.211***	0.042
	(8.84)	(8.14)	(1.07)
Associate's degree (1=yes)	0.166***	0.144***	0.022
	(3.92)	(4.03)	(0.40)
No high school degree (1=yes)	-0.149**	-0.103	-0.046
	(2.14)	(1.46)	(0.46)
Experience (years)	0.007***	0.010***	-0.003
	(3.94)	(6.01)	(1.17)
Female (1=yes)	-0.167***	-0.170***	0.003
	(3.22)	(3.64)	(0.05)
Interaction Term: **Experience x Female**	-0.004*	-0.006***	0.002
	(1.75)	(2.83)	(0.63)
Black (1=yes)	-0.043	-0.138	0.096
	(0.58)	(1.62)	(0.85)
Hispanic (1=yes)	-0.126**	-0.188***	0.062
	(2.26)	(3.38)	(0.79)
Asian (1=yes)	-0.022	0.002	-0.025
	(0.30)	(0.05)	(0.27)
Married (1=yes)	-0.048*	-0.097***	0.050
	(1.87)	(4.12)	(1.42)
Self-Employed (1=yes)	-0.109***	-0.173***	0.064*
	(4.16)	(7.11)	(1.77)
Furniture store worker (1=yes)	-0.108***	-0.120***	0.012
	(3.03)	(3.74)	(0.26)
Log of hours worked per week in previous year	0.708***	0.810***	-0.102***
	(27.59)	(34.90)	(2.93)
Log of weeks worked in previous year	0.872***	0.851***	0.022
	(37.88)	(42.42)	(0.70)
Observations	6006	7633	
R-squared	0.429	0.449	

Notes: Dependent Variable: log of earnings in previous year. Absolute t-statistics are in parentheses. The regressions also control for regional effects using indicator variables for the nine census regions. Labor market experience is proxied by *age* minus *years of schooling* minus six.

*Statistically significant at the .10 level; **at the .05 level; ***at the .01 level (two-tailed tests).

Table 3 *Who are Getting Jobs as Interior Designers?*

	Regulated States	Unregulated States	Difference
Year 2000 (1=yes)	-0.015**	-0.004	-0.011
	(2.18)	(0.68)	(1.20)
Bachelor's degree (1=yes)	0.024***	0.019***	0.005
	(2.93)	(2.72)	(0.44)
Associate's degree (1=yes)	0.040***	0.018*	0.022
	(3.24)	(1.82)	(1.40)
No high school degree (1=yes)	-0.039**	-0.039**	0.000
	(1.99)	(2.09)	(0.01)
Experience (years)	-0.002***	-0.002***	0.001
	(3.16)	(4.92)	(0.87)
Female (1=yes)	-0.070***	-0.073***	0.003
	(4.64)	(5.64)	(0.14)
Interaction Term: **Experience x Female**	0.000	0.000	-0.000
	(0.47)	(0.85)	(0.21)
Black (1=yes)	-0.003	-0.059**	0.056*
	(0.15)	(2.56)	(1.78)
Hispanic (1=yes)	-0.061***	-0.029*	-0.031
	(3.86)	(1.95)	(1.44)
Asian (1=yes)	-0.066***	-0.045***	-0.020
	(3.15)	(3.17)	(0.81)
Married (1=yes)	-0.024***	-0.028***	0.004
	(3.27)	(4.28)	(0.37)
Self-Employed (1=yes)	0.008	0.016**	-0.008
	(1.09)	(2.45)	(0.80)
Furniture store worker (1=yes)	0.001	0.028***	-0.028**
	(0.09)	(3.23)	(2.05)
Observations	6856	8694	
R-squared	0.028	0.026	

Notes: Dependent Variable: Worked Last Year (1=yes). Absolute t-statistics are in parentheses. The regressions also control for regional effects using indicator variables for the nine census regions. Labor market experience is proxied by *age* minus *years of schooling* minus six.

*Statistically significant at the .10 level; **at the .05 level; ***at the .01 level (two-tailed tests).

Table 4 *Are Regulations Promoting College-Educated Designers?*

	Regulated States	Unregulated States	Difference
Year 2000 (1=yes)	0.099***	0.084***	0.020
	(8.33)	(7.83)	(1.21)
Age (years)	-0.007***	-0.005***	-0.001**
	(12.28)	(10.61)	(2.02)
Female (1=yes)	0.092***	0.051***	0.042**
	(7.16)	(4.47)	(2.46)
Black (1=yes)	-0.276***	-0.157***	-0.127**
	(7.76)	(3.82)	(2.33)
Hispanic (1=yes)	-0.174***	-0.219***	0.045
	(6.43)	(8.39)	(1.19)
Asian (1=yes)	0.059	0.085***	-0.027
	(1.63)	(3.36)	(0.60)
Married (1=yes)	-0.015	-0.005	-0.008
	(1.21)	(0.49)	(0.45)
Self-employed (1=yes)	0.008	0.019	-0.009
	(0.63)	(1.62)	(0.50)
Furniture store worker (1=yes)	-0.155***	-0.118***	-0.038
	(9.01)	(7.74)	(1.64)
Observations	6225	7934	
R-squared	0.081	0.052	

Notes: Dependent Variable: Associate Degree or Higher (1=yes). Absolute t-statistics are in parentheses. The regressions also control for regional effects using indicator variables for the nine census regions.

*Statistically significant at the .10 level; **at the .05 level; ***at the .01 level (two-tailed tests).

Endnotes

1 The Art Center College of Design was the top-ranked undergraduate program in industrial design in 2007, followed by the University of Cincinnati, Rhode Island School of Design, Carnegie Mellon University, Pratt Institute and Auburn University. See Sivak, C. (2006). Design school rankings. Retrieved December 23, 2008, from http://www.designschools.com/guidance/design-school-rankings.html.

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9 The states that had either titling regulations or practice regulations in 1995 were Arkansas, Alabama, Connecticut, Florida, Georgia, Illinois, Louisiana, Maine, Maryland, Minnesota, Nevada, New Mexico, New York, Tennessee, Texas and Virginia. Only the District of Columbia, Florida and Nevada had practice regulations in place by 1995. Given the difficulty of obtaining reliable estimates from a small sample, in our empirical analysis states with practice regulations were treated the same as states with titling regulations. Given the grandfathering provisions included in interior design regulations, it may take several years for the regulations to generate discernable effects in the data. Thus, it was unclear how to categorize interior designers living in Missouri and Wisconsin, as those states did not begin regulating interior designers until the latter half of the 1990s. To avoid contaminating either the treatment or control group, interior designers from these two states were excluded from the sample. This is unlikely to affect our estimates, as these two states only account for 156 observations in the 1990 sample and 287 observations in the 2000 sample.

10 We estimate the difference in earnings for a typical interior designer because the characteristics of designers differ between regulated and unregulated states. Defining the typical interior designer as having the average characteristics of our entire sample of designers allows us to predict the difference in earnings due to the regulations holding the composition of designers constant.

11 For example, it is possible that some unobserved factor is responsible for increasing both the earnings of designers and the likelihood of licensing regulations, leading to a spurious correlation between licensing regulations and earnings.

12 For this analysis, we, like many other labor economists, used age as a proxy for experience, since the census does not provide a direct measure of the number of years that someone has been working in the labor market. Estimating the return to labor market experience also requires separating male designers from female designers. Age is a better proxy for men than women, because many women leave the labor market for extended periods to raise their families. Adding the interaction term between age and female allows us to interpret the estimated coefficient on age as the return to experience garnered by (male) interior designers.

13 The $15,500 baseline used in the graph is the weighted average earnings of high school graduates in the 5% sample of the 2000 census.

14 Data are from the 1992 and 2002 U.S. Economic Census. Interior design firms are listed under SIC code 7389 in the 1992 Economic Census and NAICS code 541410 in the 2002 Economic Census.

15 The Worked variable was set equal to one if the designer reported working in the previous year and zero if he or she did not. For example, a designer in the 1990 census would be classified as working if he or she reported working in calendar year 1989.

16 This estimate was obtained using census weights. The Census Bureau assigns a weight to each person included in the sample. The sample weight is intended to reflect the number of people in the United States represented by each person included in the sample. Using these sample weights, there were 87,096 interior designers in the regulated states. Applying the 1.5% reduction in the proportion of designers working yielded an estimate of 1,300.

17 The regression results also imply that interior designers with the educational credentials targeted by the titling and practice regulations are more likely to find jobs in states with these regulations. In particular, the advantage of having an associate's degree (over a high school degree) is more than twice as great in the regulated states than in the unregulated ones. While the difference is not statistically significant at conventional levels of significance, it is close to being statistically significant, which is impressive given the grandfathering provisions, which dilute the advantages of having an associate's degree. The effect of having a college degree has the same pattern but is too small a difference to infer that it is due to the regulations.

18 The interaction term between Self-Employed and Year2000 is negative and statistically significant when added to the regression that explains whether interior designers in regulated states worked in the previous year. The corresponding coefficient in the regression for unregulated states is smaller (in absolute value) and statistically insignificant.

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ABOUT THE AUTHORS

David E. Harrington, Ph.D.
Robert J. Himmelright Professor of Economics at Kenyon College
Visiting Professor of Economics at Ohio State University

Dr. Harrington's research expertise is in the economics of occupational licensing, the regulation of funeral markets and the effect of immigrants on labor markets. Harrington has testified at the Federal Trade Commission and his work has been published in leading scholarly journals, such as the *American Economic Review*, the *Journal of Economic Perspectives*, the *Journal of Law and Economics,* the *Industrial and Labor Relations Review* and *Regulation*. His research has been cited by *The New York Times* and *BusinessWeek*, and his op-eds have appeared in *washingtonpost*.com, *The Atlanta Journal-Constitution*, *The Baltimore Sun* and *The Columbus Dispatch*. He holds a Ph.D. from the University of Wisconsin, Madison.

Jaret Treber, Ph.D.
Assistant Professor of Economics at Kenyon College

Dr. Treber's research has focused primarily on economic issues of a historical nature. Much of his work has involved examining the impacts of the professionalization of medicine in the United States in the early 20^{th} century. Treber has presented at several conferences and his work was recently published in *Explorations in Economic History*, a leading field journal. He obtained a Ph.D. in Economics from the University of Arizona in 2005. Before pursuing a career in economics, Treber worked as a financial analyst for a health insurance company.

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Institute for Justice
901 N. Glebe Road
Suite 900
Arlington, VA 22203

www.ij.org

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f 703.682.9321