



## How Bad State Laws Are Still Good for U.S. Economic Freedom

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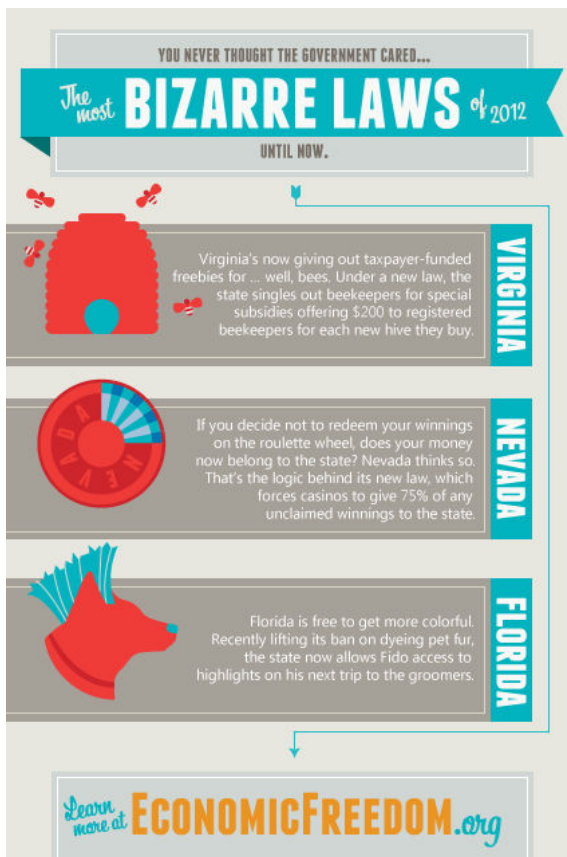
July is the month for new laws to take effect in many states. This year's crop is a mixed bag of reductions of and enhancements to economic freedom. Some examples:

- With the ban on goose liver paté, Californians now find it harder to order a good appetizer than to buy marijuana.
- Saggy pants are now banned in Tennessee schools, not because they can conceal weapons but because the Tennessee legislature felt disrespected.
- Want to practice music therapy in Georgia? You now need a license. Requirements for obtaining one to be decided by existing music therapists—you know, the ones with whom you'll be competing for business. Good luck with that.
- In Connecticut, if a bar code scanner rings up a price that is higher than advertised, the store must now give you the item for free. Expect no effect beyond retailers adding the words "or higher" to all advertised prices.
- The Constitution State also now requires interior designers to be licensed. Interior design isn't rocket science. And if you don't need a license to practice rocket science, you probably don't need one to select upholstery.



The state of California recently banned goose liver paté.

[[See a collection of political cartoons on the economy.](#)]



As a free market economist, the imposition and relaxation of regulations by state governments delights me as much as the imposition of regulations by the federal government appalls me. Massachusetts's mandatory health insurance I cheer, and Washington, D.C.'s I jeer. Hypocrite much? Not at all.

Americans understand the benefits of competition in the private sector. Competition keeps prices low. Is a McDonald's hamburger getting too expensive? Just wait until a Burger King opens up across the street. Competition forces businesses to innovate. The iPhone was better than the Blackberry. The Android was better than the iPhone. Whatever comes out next will be better than that. When you have the economic freedom to buy or not to buy, businesses are forced to compete for your hard earned dollars.

Competition is just as valuable in the public sector. When each state can set its own economic policies, we get competition among 50 separate governments.

[See a collection of political cartoons on healthcare.]

Our government was designed to be a set of experiments in self-government. In the game of governing, our founders intended the federal government's role to be that of a referee enforcing fair play. The states were supposed to be the players. Mandatory healthcare? Welfare? Recreational drugs? Each state was to decide for itself. Some states would enact good policies. Some states would enact bad policies.

When businesses make bad decisions, people punish them by shopping elsewhere. When states enact bad policies, people punish them by taking their businesses and homes elsewhere. Consider California. With the state's business environment growing increasingly hostile, Apple isn't expanding in its home town but elsewhere—planning to invest \$1 billion in new facilities in Nevada over the next decade.

But when the federal government imposes uniform policies that could otherwise be set individually at the state level, we short-circuit the power of competition. Certainly, there are some things that should not be subject to the trial and error of competition. Murder is wrong. Slavery is wrong. Theft is wrong. When we declare something to be a "right," we remove it from policy experiments.

[See Photos as the New iPad Brings Out Enthusiasts.]

Where we've gone wrong in the game of governing is that, in expanding the federal government's power, we've allowed the federal government to take the field and push the states to the sidelines. Rather than fostering public policy competition among 50 states, we have allowed the federal government to become a public policy monopoly. We were supposed to have eBay but instead have Standard Oil.

Freedom and competition made America's private sector the greatest in human history. Allowing states to form their own public policies—with the federal government insuring that those policies do not violate people's rights—will bring the same competition to our public sector. Will some states still enact stupid policies? Absolutely, but they'll be forced to compete with states that don't.

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