

Entrepreneurship in The Emerald City: Regulations Cloud the Sparkle of Small Businesses

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Seeking to foster the entrepreneurial spirit of frontier settlers, the framers of the Washington Constitution included provisions designed to protect the unalienable natural right to acquire property and pursue economic freedom. Unfortunately, the constitutional provisions have yet to be realized to their true and intended potential and today economic liberty is under attack in Washington state.

Standing between entrepreneurs and their dreams of economic success are innumerable state, county, and municipal regulations. The staggering amount of regulatory red tape amounts to more than 100,000 requirements that a small business owner must adhere to in order to legally run a business in Seattle.

This Policy Note and the accompanying study looks at the effects of regulation on entry into several occupations in Washington state and, specifically, the greater Seattle area. The occupations examined are taxicab and for-hire vehicle transportation, cosmetology, street vending, home-based business and childcare. These particular occupations are important because they are most readily accessible to aspiring entrepreneurs—including many immigrants minorities—who may not have the formal education, money, or experience to start other, more complex and costly businesses.

Barriers to Entry

Entrepreneurs hoping to operate a taxicab are faced with arbitrary limits on the number of vehicle licenses available in Seattle and King County, thereby prohibiting entry into the industry. Further, the monopolistic practices of the Port of Seattle create inefficiency and high costs at the Seattle-Tacoma airport, burdening

consumers and benefiting only a select few taxicab drivers.

The state's regulation of the cosmetology industry severely impedes the ability of African hairbraiders to practice their craft, as virtually none of the required training is relevant to this ancient art. The fact that hairbraiders must spend over one year and thousands of dollars to learn skills that cannot be used in their practice demonstrates the urgent need for reform.

Within Seattle, stringent regulations forbid property owners from making any sort of structural alteration to accommodate a home-based business and prohibit the use of secondary buildings such as a garage, workshop, or shed. Additionally, the City of Seattle restricts home-based entrepreneurs from employing as many individuals as necessary to properly run a small, successful business.

The City of Seattle has created a regulatory structure that severely burdens the ability of entrepreneurs to make a living by selling food or other types of merchandise on city sidewalks. Potential street vendors must first spend thousands of dollars just to gain entry into the market and then must adhere to unreasonably strict rules to comply with Seattle's health codes.

Aspiring childcare providers in Washington face needless rules that do not protect children, but rather serve to limit entry into this occupation. Common sense, patience, and caring are more important qualifications for individuals who will care for children than a specialized associate's degree.

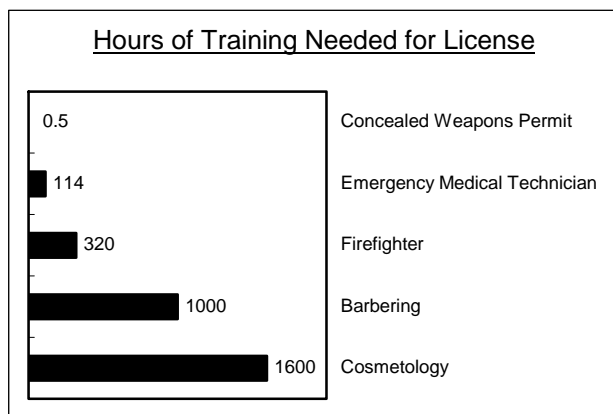
The state has an interest in promulgating rules and regulations that will protect the health and safety of Washington citizens. However, it is

important to identify those regulations and rules that inflict arbitrary or excessive restraints on the freedom of enterprise. Independent research shows such irrational regulations are rampant throughout the state, hampering aspiring entrepreneurs in their pursuit of economic freedom.

Case Study: African Hair Braiding

One such aspiring entrepreneur is Benta Diaw. After immigrating to the United States from Senegal, Africa, Benta Diaw opened Touba African Hair Braiding salon in Seattle's trendy Belltown neighborhood. Over the past six years, Benta has built her successful business the old-fashioned way—working seven days a week to establish a devoted clientele. Along the way, Benta became a U.S. citizen and has been able to support herself and her two children and send her family in Africa some of her earnings.

But the State of Washington is now demanding that Benta obtain a cosmetology license to practice the art she learned as a child in Africa from her grandmother—an art the cosmetology schools are not required to teach and one the licensing examination does not test. The license the state is requiring Benta to obtain requires up to 1,600 hours of needless training that will teach her how to perform pedicures and trim nose hair, but does not include even one hour teaching the type of services Benta actually provides—hairbraiding.



Regulation versus Reality

In the name of protecting public health and safety, the regulatory process licenses people

to braid hair who have no experience in braiding, yet it forbids others who are proficient in braiding—like Benta—from plying their trade. As a result of these irrational regulations, Benta is in danger of being cited or fined by the state and could ultimately have to close her salon.

Regulators within Washington state and the City of Seattle have placed significant barriers between these would-be successful entrepreneurs and their dreams. The regulatory structure strangles small businesses, driving up the cost of entering the market and thereby increasing costs to consumers.

Recommendations for Reform

In the spirit of matching Washington's history of economic opportunity and entrepreneurship with today's regulatory reality, this study offers the following recommendations:

- Review all laws and regulations that impede entrepreneurship;
- Streamline the business-licensing process;
- Deregulate the taxicab and for-hire vehicle industry;
- Measure proficiency, rather than requiring proficiency to be obtained in a particular manner in the cosmetology industry;
- Ease regulations on home-based businesses;
- Relax street vending regulations; and
- Simplify training and zoning requirements for childcare providers.

By reducing barriers to entry for Washington entrepreneurs, state and local policymakers can enhance economic opportunity and ensure a healthy and vibrant business climate for future generations.

Jeanette Petersen is the staff attorney for the Institute for Justice Washington Chapter. Find out more at www.ij.org/washington. Washington Policy Center is a non-profit, 501(c)(3) research and education organization in Seattle, Washington. Access the full study on the web at www.washingtonpolicy.org. Nothing appearing in this document is to be construed as an attempt to aid or hinder the passage of any bill before any legislative body.