Evaluation of the State Action Doctrine

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Outline

• State Action Doctrine

• Effect of Divorcement Legislation

• Effect of Occupational Licensing

• Possible Improvements to Policy
State Action Doctrine

• Parker v Brown

• Justifications for broad immunity

• Flaws in reasoning

• Corruption
Divorcelement

• Divorcelement: An oil company cannot own a gas station.

• Effects have been studied. General finding is that the legislation harms consumers.

• Prices are higher and hours of operation fall.
## Divorcement

### Prices (full serve) & Weekly Hours

<table>
<thead>
<tr>
<th></th>
<th>Prices (full serve)</th>
<th>Weekly Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>pre</td>
<td>post</td>
</tr>
<tr>
<td>Affected</td>
<td>$1.27</td>
<td>$1.33</td>
</tr>
<tr>
<td>Unaffected</td>
<td>$1.36</td>
<td>$1.37</td>
</tr>
</tbody>
</table>

*Not statistically different from pre.*

- Source: Barron Umbeck (1984) Table 1
### Divorcement

<table>
<thead>
<tr>
<th></th>
<th>Investment in New Stations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>low volume</td>
</tr>
<tr>
<td>Co-op</td>
<td>78</td>
</tr>
<tr>
<td>Leasee</td>
<td>30</td>
</tr>
<tr>
<td>Dealer</td>
<td>30</td>
</tr>
</tbody>
</table>

- Source: Blass and Carlton (2001) Table 1
Occupational Licensing

• Occupational licensing has grown from 5% of the work force in 1950 to over 25% today.

• 1100 occupations are licensed across the various states with wide variations in which occupations are licensed and how they are licensed.
Occupational Licensing

• Lots of studies of benefits versus costs.

• General findings (with exceptions):
  Wages rise by about 5-15% with little if any quality effect.

• Certification is an alternative to licensing.
Improvements to Policy

• Alter the legal doctrine of state action.
• Restrict its application.
• Restrict Noerr immunity for making false statements.
• Educate.
• Study the incidence of term limits, campaign finance laws, and corruption on the amount of special interest legislation.