



Promoting
Prosperity
in

Mississippi

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Published by the
Institute for Market Studies at Mississippi State University



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Published by the
Institute for Market Studies at Mississippi State University



The Institute for Market Studies at Mississippi State University was created in 2015 to support the study of markets in order to provide a deeper understanding regarding the role of markets in creating widely shared prosperity.

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Book design by Finney Creative, Inc. © 2018

Printed in the United States of America

ISBN 978-1-7320353-0-0

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Preface

What creates prosperity? Why are some states rich and others poor? Why does Mississippi consistently rank as one of the poorest states in the nation? Can anything be done to move Mississippi ‘out of last place’? These questions are often raised by our students and fellow Mississippians. This book addresses each of these questions by identifying areas in which Mississippi can improve its economic conditions.

In this book, we identify key areas for Mississippi economic policy reform. Twenty-one scholars, ten of which are from or work in Mississippi, have contributed original policy research. All twenty chapters were written specifically for Mississippi with a shared goal to promote prosperity in the state. While some of the chapters contain complex policy reforms, we have made every effort to present the concepts and ideas in a way that is understandable to the average citizen, the person who can benefit the most from this information.

The first three chapters of the text summarize the basic economic principles necessary to achieve economic prosperity. These three chapters present the principles behind the reforms proposed in the subsequent seventeen chapters. Each chapter was written independently and offers unique insight into different areas of state policy reform. While the topics covered range from tax reform, education reform, healthcare, corporate welfare, occupational licensing and business regulatory reform to criminal justice reform, and natural disaster recovery efforts, there is a clear unifying framework underlying the conclusions reached in each chapter. The theme throughout is that economic growth is best achieved through free market policies, policies which are based on limited government, lower regulations, lower taxes, minimal infringement on contracting and labor markets, secure private property rights, low subsidies, and privatization. Policy based on these principles allows Mississippians to have more rights and more choices in their lives.

We hope that readers come away with a better understanding of capitalism’s true potential to generate the long-run economic growth necessary to make Mississippi more prosperous, as well as ideas for policy reforms that could accomplish it in our lifetimes. This book illustrates that if Mississippi embraces economic freedom, the state will experience more entrepreneurship, increased business and capital formation, higher labor productivity and wages, and overall economic growth. Our main goal is to provide the scholarly, academic research that can inform state policy decisions and open a much needed dialogue on growth-oriented policy reform in Mississippi.

We focus on long-run policy improvements. Thus, the analysis is not an assessment of any particular administration or political party. Instead, this book can be thought of as a blueprint of possible economic reform proposals that use scientific evidence as a guiding principle. We emphasize that our unifying framework, which shapes the conclusions drawn in each chapter, is based on economic science, not politics. All authors address their respective topics by relying on academic research. Topics and policy conclusions were not based on any particular political agenda, political party, or political expediency. Instead, the authors relied on cold, hard facts and data with references to published academic literature to develop policy reform suggestions specific for Mississippi. In fact, many reforms suggested may not be politically possible.

The inspiration for this book came from *Unleashing Capitalism*, a series of books using economic logic to improve state policy in West Virginia, South Carolina, and Tennessee. We owe thanks to more people

than we could possibly list. We are indebted to our colleagues and the Finance and Economics advisory board at Mississippi State University who helped review chapters and provide invaluable feedback. We thank Ken and Randy Kendrick, Earnest W. and Mary Ann Deavenport, and the Pure Water Foundation for the funding necessary to embark on a project of this magnitude. We also thank our friends and family for their support, and for putting up with the long working hours that went into conducting this research. Most importantly, we would like to thank the staff and supporters of the Institute for Market Studies at Mississippi State University for publishing this book. Without their support, this book would not have been possible.

Let's start promoting prosperity in Mississippi!

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Promoting Prosperity in Mississippi through Investing in Communities

Ken B. Cyree and Jon Maynard

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Promoting Prosperity in Mississippi through Investing in Communities

Ken B. Cyree and Jon Maynard

Recent publicity surrounding industrial recruitment in Mississippi gives the impression that industrial recruitment is the key to economic success and prosperity in Mississippi. As discussed in the previous chapter, elected officials and state agencies often use selective tax incentives or other attractive terms to entice employers to enter the state. An Associated Press analysis quoted in the Jackson Free Press newspaper found the incentives package offered to locate Continental Tire in 2016 in Hinds County totaled approximately \$600 million.¹ The State of Mississippi expects the payback for this investment to be roughly \$220 million by the year 2040 – 24 years after the initial pledge of \$600 million to one company. The return on investment being less than the initial incentive package, as well as the lengthy and potentially uncertain time frame for this deal, display in concrete terms some of the dangers of engaging in large-scale industrial recruiting through selective incentives that were discussed in previous chapters.

Mississippi's traditional model of economic development focuses primarily on industrial recruitment. As illustrated in the Continental Tire Case, industrial recruitment such as this often brings with it large costs to the state, local governments, and taxpayers. Further complicating matters, the overall benefits and terms of deals are often private or difficult to disentangle, making efforts to analyze the overall benefits and costs of these investments extremely difficult and costly. This difficulty and uncertainty for determining the return on investment for large-scale industrial recruiting further decreases the probability that such strategies can be effective policies for economic growth in Mississippi. Although

¹ Source: <http://www.jacksonfreepress.com/news/2016/feb/06/ap-analysis-continental-tire-deal-incentives-600-m/> The Associated Press; Saturday, February 6, 2016 8:53 p.m. CST

much about the risks of large-scale industrial recruiting is well established in academic literature, unfortunately the measure of success for Mississippi policy makers still seems to be landing the “big deals.”

Even if industrial recruiting in this manner did not have the associated risks and counterproductive effects on economic growth, it would still be an inappropriate and impractical growth policy strategy for Mississippi for purely logistical reasons. At present, most counties in Mississippi simply cannot afford the cost of industrial recruiting. Lowndes County, MS spent over \$200 million in infrastructural improvements to attract industrial firms, an investment that is simply unfeasible for many of Mississippi’s smaller counties with more limited revenues. What’s more, little of Lowndes County’s investment in infrastructural improvements directly benefitted the general public and taxpayers who paid for these improvements in the first place. Instead, it primarily benefitted only these specific industrial firms rather than the individuals whose incomes it was derived from.

Across Mississippi, economic indicators such as population growth, total employment growth, manufacturing employment growth, retail sales growth, county assessed value growth, and school ranking are largely stagnant or negative for the most recent 16 year period. Some of these trends are demonstrated in Figure 11.1 for the 82 counties in Mississippi and the State of Mississippi as a whole.

The left end of each spectrum represents positive growth. Unfortunately, very few counties are consistently experiencing high growth across these key economic indicators. The counties that are experiencing growth in these indicators have successfully developed their economy based on the quality of their place rather than the recruitment of large manufacturers into their community. Lafayette and Madison are two of the counties experiencing more success. While both communities have large manufacturers in their local economy, these manufacturers represent a small percentage of total economic activity in these regions, as both counties’ ratios of manufacturing employment to total employment are relatively low. What is clear in these bar charts is that in Mississippi, a few counties are experiencing growth, but the majority of counties are not. This wide discrepancy in county economic success justifies investigation into some of the possible reasons that may account for the difference between Mississippi’s highest and lowest performing counties.

Other Methods to Promote Prosperity in Mississippi

An unbiased evaluation of the economic strength of a community can be located at policom.com. This organization ranks all micropolitan areas and all metropolitan statistical areas (MSA’s) in the United States annually. Micropolitans are defined as communities with at least 10,000 population but less than 50,000. Oxford, MS is ranked by policom.com as one of the highest ranked micropolitans in the US since the study was formed in 2007. These rankings are for economic strength, and Oxford is ranked number 36 out of 551 micropolitans nationwide. Therefore, we use Oxford as an illustration to discuss alternative methods to promote prosperity in Mississippi.

When Oxford is measured against other communities in Mississippi, the economic indicators favor Oxford. The economic development strategy in Oxford has been counterintuitive to the traditional assumptions of large scale industrial recruitment. Oxford has concentrated on the quality of the community and the recruitment of people over large manufacturers. The cost for this has been quite low compared to the cost of most other economic development programs throughout the state. The budget for the Oxford-Lafayette County Economic Development Foundation (EDF) is roughly \$300,000 per year, in contrast with comparably sized communities in Mississippi where the budgets are two to three times higher. The Oxford EDF focuses heavily on creating the ecosystem for business start-ups to thrive in Lafayette County. They have had success with several technology start-ups as well as a proliferation of local small businesses.

**Figure 11.1: County Level Economic Indicators:
2000-2016 Percent Change in Total Employment, All Counties in Mississippi**

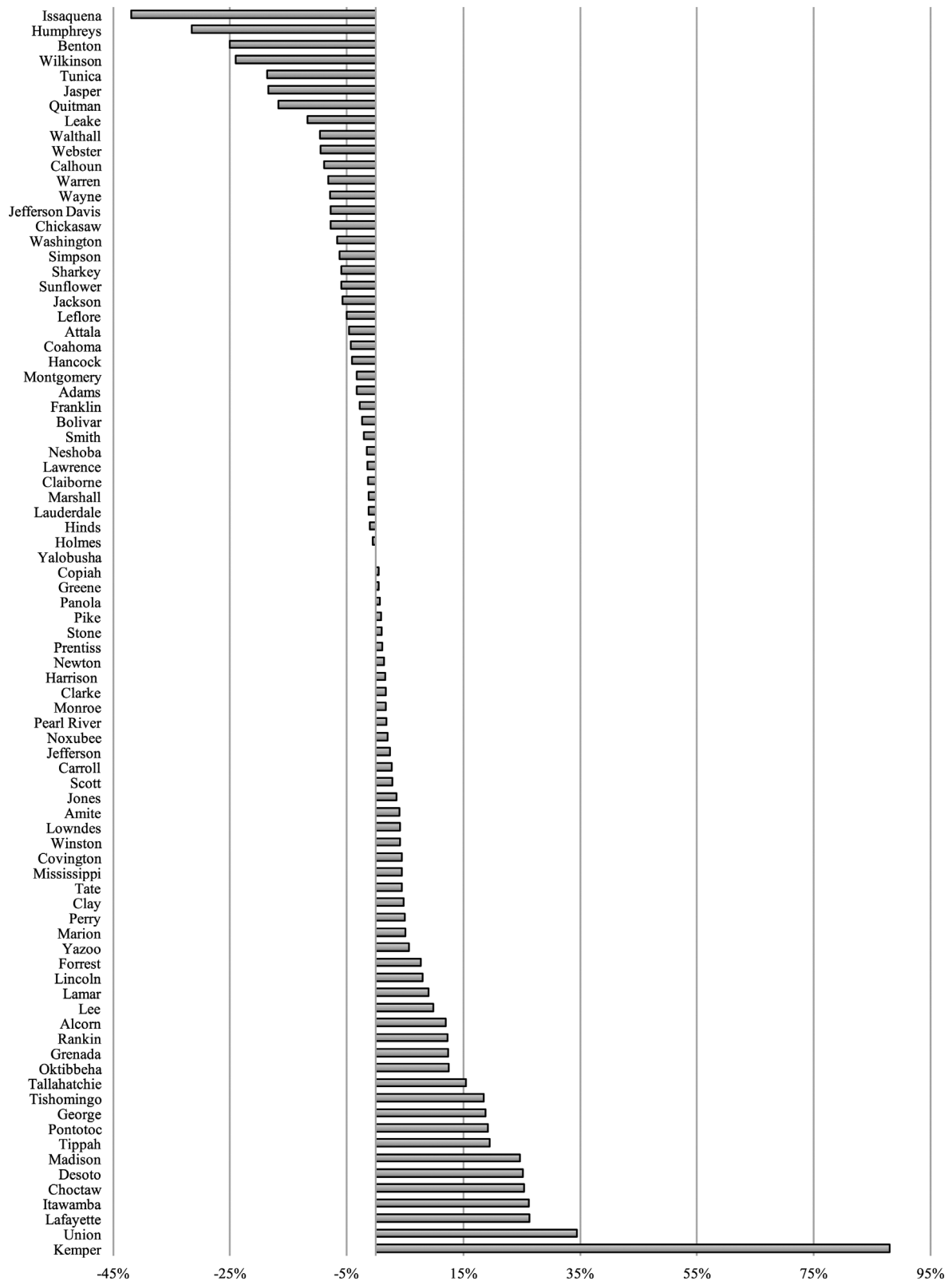


Figure 11.1 continues on the next page

**Figure 11.1: County Level Economic Indicators:
2000-2016 Percent Change in Total Retail Sales, All Counties in Mississippi**

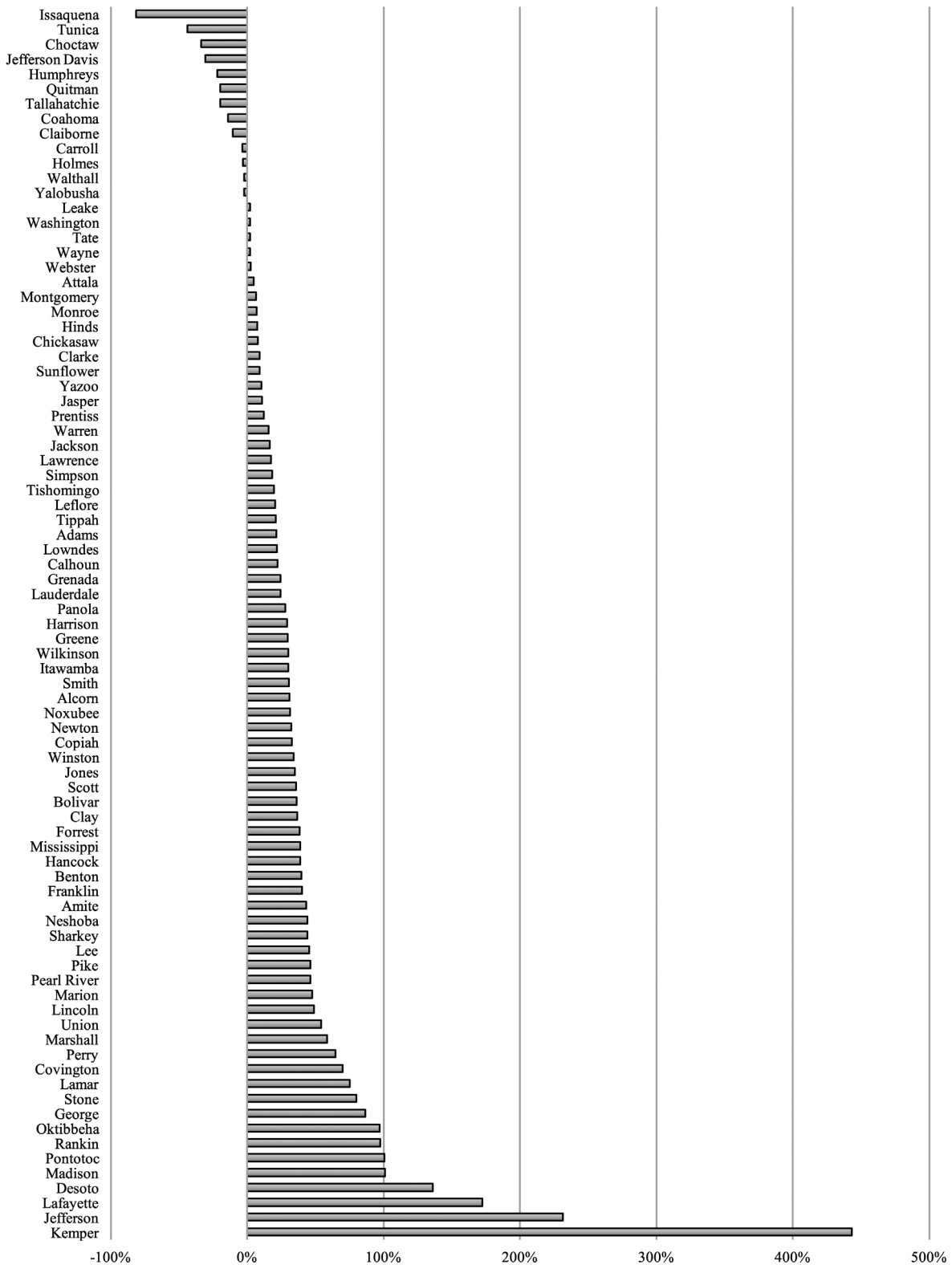
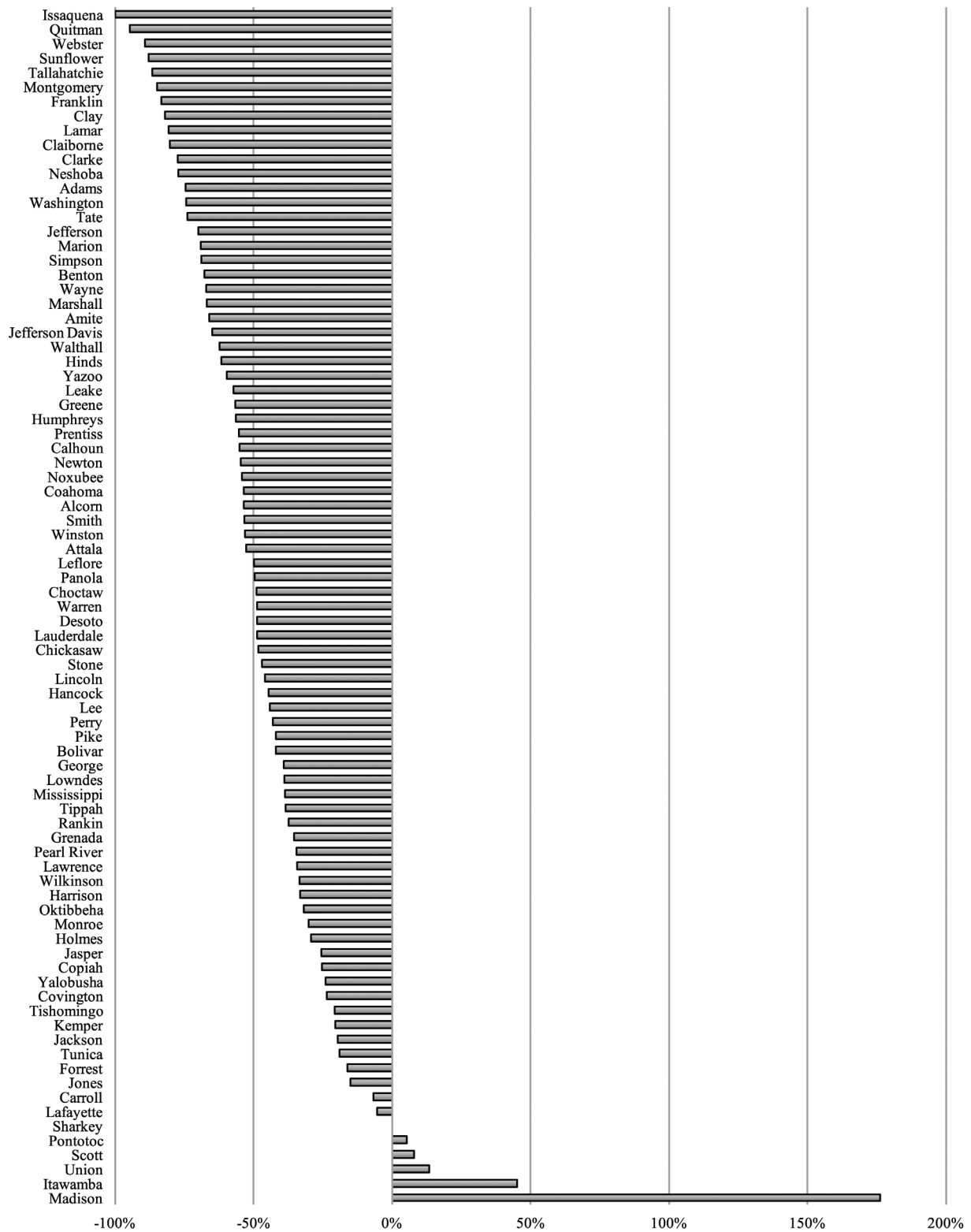


Figure 11.1 continues on the next page

**Figure 11.1: County Level Economic Indicators:
2000-2016 Percent Change in Manufacturing Employment, All Counties in Mississippi**



The goal of this chapter is to study the competing model of economic development by investing in the quality of the community to attract people and impact employment through growth from within the community. Establishing a “growth from within” policy places a priority on growing and expanding those small businesses and entrepreneurs in the communities in which they began. This recruitment of people is both active and passive. Active recruitment involves marketing and other direct interactions that bring in tourists and residents to the community. Examples of active recruitment are a retirement attraction program, tourism marketing, and advertising the community in various publications. Passive recruitment is defined as making noticeable improvements to the quality of the community such as school ranking, local amenities such as retail shopping and restaurants, design and quality guidelines for construction, healthcare and increased affordable housing. We study the effects of passive recruiting by relating the growth in total employment to the local school ranking, the change in wages, the change in retail sales per capita, and the change in assessed property value. If passive recruiting is effective, then there would be some statistical relation to total employment.

Further, this model of economic development could promote prosperity in many more counties in Mississippi than large scale industrial recruitment where most counties find it difficult to compete. Also, the growth is driven by market forces to meet local business needs as they arise organically, without intervention through subsidies or other incentives. For many communities, such as in the Mississippi Delta region, growth from within is the only feasible path to economic success available. Because of the lack of infrastructure and shrinking workforce, areas like the Delta will have little chance at industrial recruitment. For example, having families grow marketable fruits and vegetables in small plots can add to the family income and give them a sustainable economic future. The expertise and ability to get their products to market are offerings that local, regional and state economic developers can deliver with very little cost.

Other areas are embracing a shift to growth from within. For example, Kansas City, MO has publicly announced that they will no longer incentivize large scale economic development projects. Instead they are offering individual entrepreneurs \$50,000 and two years of free rent in a business incubator. The cost to the city is much lower. The Kauffman Foundation, located in Kansas City was instrumental with helping to shape this shift in economic development policy. Similarly, Pittsburgh, PA has elevated access to innovation and quality of place to the top of their current marketing points for economic development. Pittsburgh was known as a manufacturing and steel city for many decades. However, for the past dozen or so years, they have focused heavily on entrepreneurship and placemaking. The website www.pittsburghregion.org has placed the traditional assets of location, workforce and cost of doing business at the bottom of their list of business investment advantages.

Hypotheses and Data

We use total employment as a measure of prosperity. We investigate total employment to see if it is related to new business starts, local school ranking, the change in wages, the change in retail sales per capita, and the change in assessed property value all Mississippi counties with at least 5,000 in total employment from 2007-2016. Thus, our hypothesis is that investing in “growth from within” through schools, retail amenities, and increasing property values and wages impacts the change in total employment, and therefore promotes prosperity.

The data are from publicly available sources. Mississippi Departments of Revenue, Employment Security and Education have all provided the data that we will analyze in our study. School rankings, known as Accountability Results by the Mississippi Department of Education, follow Mississippi’s grading system (A, B, C, D and F), but we use their numerical points assigned where higher points indicates a better performing school system. This system considers a variety of factors including students’ performance on

state tests, improvement from the previous year and whether or not high schoolers are graduating within four years. The aggregated information for all 82 counties and the State of Mississippi as a whole were gathered and analyzed, however the final sample includes 53 counties with at least two yearly observations that meet the 5,000 total employment threshold.² As shown in Figure 11.2, the trend in total employment is largely negative since 2008. And, the bulk of this fall in employment is due to a decline in manufacturing employment.

Figure 11.3 contains the descriptive statistics for the sample of Mississippi counties that have at least 5,000 total employees. Total employment ranges widely with a minimum of 5,000 (by design) and a maximum of over 139,000. Importantly, the change in total employment is -0.19% and the change in manufacturing employment is -2.31%. Thus, the positive change in service employment, defined as total employment minus manufacturing employment, almost offsets the drop in manufacturing employment across the whole sample, but not quite. The average change in new business applications is over 17 percent, indicating lots of new businesses being created during the sample period.³ The changes in wages, per capita retail sales, and assessed property values are all positive, and each show wide ranges of variation. Collectively, these statistics show that our sample is representative and varies widely across Mississippi counties, and that employment in Mississippi has declined over our sample period.

Figure 11.2: Mississippi Total Employment 2000-2016

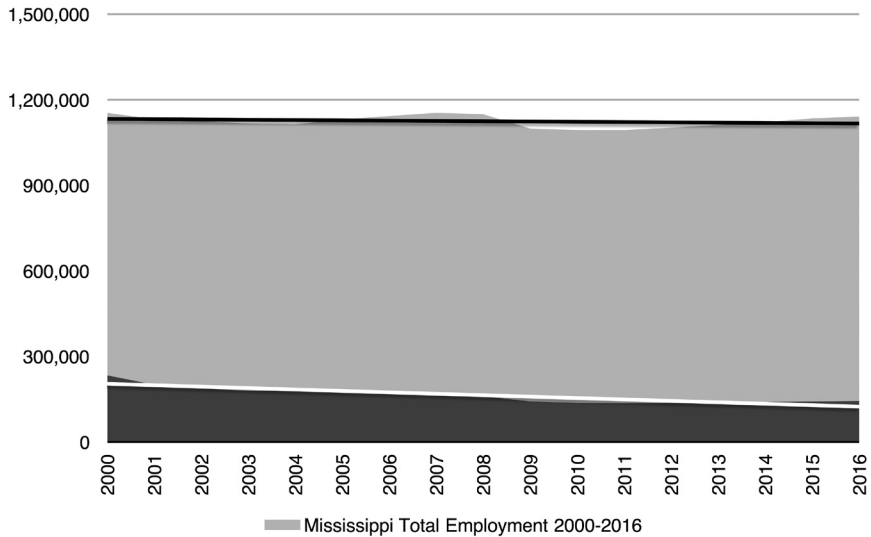


Figure 11.3: Descriptive Statistics

Variable	Mean	Maximum	Minimum	Median	Std Dev
<i>Total Employment (000's)</i>	20.4875	139.9300	5.0000	11.4700	23.7295
<i>Change in Total Employment</i>	-0.0019	0.1443	-0.1249	-0.0007	0.0339
<i>Service Employment (000's)</i>	17.8981	134.5900	3.1300	9.6500	22.4855
<i>Change in Service Employment</i>	0.0012	0.1373	-0.1355	0.0017	0.0285
<i>Change in Manufacturing Empl.</i>	-0.0231	0.4479	-0.5490	-0.0140	0.1006
<i>New Business Applications</i>	0.1727	14.7143	-0.8818	0.0385	0.8608
<i>Wages (\$000's)</i>	31.8834	48.0540	23.9170	31.1770	4.0897
<i>Change in wages</i>	0.0185	0.3138	-0.1943	0.0187	0.0274
<i>Change in Sales per capita</i>	0.0067	0.4709	-0.3257	0.0100	0.0685
<i>Change in Property Assessments</i>	0.0449	10.1664	-0.9002	0.0176	0.4556
<i>School Ranking Points</i>	567.8	694.5	464.0	565.5	57.77

² Only Attala, George, Wayne, and Winston counties are not in the sample every year.

³ Note that these business start statistics contain each application with the Secretary of State, thus a construction project that created 10 LLC's would be counted as 10 new businesses in the database. However, we believe this feature is repeated throughout the sample such that it averages out over time and should not cause any statistical issues.

Regression Model to Estimate Total Employment

To investigate whether total employment is related to livability factors in Mississippi counties with at least 5,000 in total employment we estimate the following model:

$$\Delta \text{TotalEmployment}_{i,t} = \alpha + \sum_{t=08}^{16} \pi_t Y_t + \beta_{i,t} \Delta \text{NewBusinessApplications} + \theta_{i,t} \text{SchoolRankingPoints} + \rho_{i,t} \Delta \text{Wages} + \mu_{i,t} \Delta \text{PerCapitaSales} + \gamma_{i,t} \Delta \text{AssessedValue} + \varepsilon_{i,t}$$

The model estimates the impact on the change in the number of total employees using economic variables at the Mississippi county level. New Business Applications are the number of new business applications for County i in year t . School Rank Points is the rank of the school system(s) in the county in 2016. When there is more than one school system in the district with a ranking, we average them together. Change in Wages is the change in the mean wage in the county for year t . Change in Sales per Capita is the change in per-capita sales for each county in year t . The Change in Assessed Value variable accounts for the changes in local market conditions for property, which has many determinants, but is largely a measure of the desirability to live in the area. All of these variables are used to estimate the relation between the local economic and community conditions and prosperity through total employment.

Our variables of interest as related to total employment are the changes in business starts, school ranking, and the changes in wages, per capita income, sales per capita, and assessed value. If adding new business increases total employment, then we would see a positive and significant coefficient on New Business Applications, all else equal. This variable is an indication of new businesses in the county, but does not account for businesses that exit or fail. The School Ranking Points variable is based on grades given by the Mississippi Department of Education and is an indication of the quality of schools in the system where more points indicate more favorably rated school systems. Thus, if the quality of schools is important to the change in total employment, then we would see a positive and significant sign for School Ranking Points. The Change in Wages, Change in Sales per capita, and Change in assessed value variables are our measures of quality of life in the county, with higher wages and higher retail sales per capita assumed to be positively associated with livability through purchasing power and purchasing options on a relative population basis, and assessed value an indication of desirability of property in the county. If quality of life and livability are important for promoting prosperity, we would see a positive relation between these variables and the change in total employment.

Figure 11.4 contains the results of the OLS regression model estimation with a dependent variable of the change in total employment in each Mississippi county with at least 5,000 in total employment.⁴ The results indicate that the statistically significant factors in this model for the change in total employment in Mississippi counties are school ranking, the change in wages, and the change in retail sales per capita. These estimates indicate that being in a highly ranked school is important; a one standard deviation increase in school ranking (57.77 points) translates into about a 0.80% change in total employment in these Mississippi counties.⁵ If a school system raised their ranking by 100 points, the change in employment would be 1.4%. Similarly, one standard deviation in wages is about 2.74%, thus a one-standard deviation increase in wages would increase employment by 0.57%. Additionally, a one standard deviation increase in retail sales per capita of 6.85% translates into about a 0.44% increase in the change in total employment.

4 For robustness, we also exclude Mississippi counties with less than 2,500 and the main results are similar.

5 We also estimate a model with the change in total employment, and separately change in wages as the dependent variables. Results indicate a strong positive relation between WAGECHG and EMPCHG showing that rising wages and increasing employment are statistically related in these data.

These calculations show the level of school ranking carry the greatest impact for a one standard deviation change.

Our findings support the hypothesis that the quality of life and community is an important factor in promoting prosperity through increased employment, at least for school ranking, and the change in sales per capita. Similarly, the change in wages is likewise a measure of the quality of life in a community, but it could also be caused by increased demand as total employment rises, thus we do not classify it as strictly a quality of life variable. In effect, these results indicate that

employment increases in communities that have growing economic outcomes, although not necessarily through an increase in business starts. In other words, the lack of significance with new business applications indicates there is no relation between business starts and change in total employment. We conjecture that this measure of new business activity is too crude since it does not take into account the size or scope of the business, but rather treats all business starts as equal. Regardless, this coefficient is not significant, indicating no statistical relation with the change in employment for Mississippi counties in our sample.

Figure 11.4: Parameter Estimates for Dependent Variable Change in Total Employment by County

Variable	Parameter Estimate	t Value	Pr > t
Intercept	-0.0815	-6.30	<.0001
Y08	-0.0178	-3.20	0.0015
Y09	-0.0462	-8.19	<.0001
Y10	-0.0049	-0.85	0.3932
Y11	-0.0025	-0.45	0.6542
Y12	-0.0007	-0.13	0.8944
Y13	-0.0011	-0.20	0.8426
Y14	0.0088	1.59	0.1134
Y15	0.0058	1.04	0.2974
Y16	0.0118	2.10	0.0362
New Business Applications	-0.0002	-0.11	0.9108
School Ranking Points	0.00014	6.50	<.0001
Change in wages	0.2093	4.32	<.0001
Change in Sales per capita	0.0638	3.17	0.0016
Change in assessed value	0.0016	0.59	0.5567

Notes: The total number of counties and years is 505. The R^2 of the regression is 33.76%.

Conclusion and Policy Implications

Our anecdotal evidence as well as statistical analysis indicates that promoting prosperity through “growth from within” is a viable alternative to the traditional model of attracting large industrial companies. As shown, manufacturing employment has declined in Mississippi, despite attracting large employers during our sample period. While we do not compare the costs and benefits of incentivizing industrial firms to locate in Mississippi to our “growth from within” model directly, it is clear that creating livability and quality of place is related to more employment in a broad sample.

In particular, our results indicate that having higher ranked schools, larger changes in wages, and higher changes in per capita retail sales increase total employment. These results support our hypothesis of livability being related to promoting prosperity through more employment. We cannot directly link causality of our results to emphatically say that “if you build it they will come,” but regardless of the causality of the growth in employment, having more livable communities reasonably creates places people

want to both live and work, therefore, employment increases. We conjecture that these things quite likely happen at the same time, but it is clear that without quality of place that economic development does not appear to be working. Human nature tells us that people will work where they want to live. Current trends in millennial migration indicate that future generations will choose a location first and a career path second. This trend suggests that creating quality places will be the natural economic growth engine to promote prosperity for the next generation.

Our current economic development practices and expectations are over 70 years old. We are working hard to apply old solutions to new problems. This old formula appears to have declining success rates in the growth of Mississippi's economy. For policy, our suggestions are that legislators and government officials consider more investment in quality of place, which our analysis shows promotes prosperity as measured by larger increases in employment. We acknowledge that this is a change in focus for policymakers. For example, the Mississippi Development Authority (MDA), the lead economic development organization in the state, spends a large proportion of its time and money working on industrial recruitment projects for Mississippi. They do have business retention and expansion, workforce and entrepreneurship in their agency, but these are not funded at the same level as industrial recruitment. If MDA inverted their approach to asset allocation, focusing more on the small and local businesses in Mississippi, and an emphasis on place making, then we might see a shift in the economically burdensome areas such as the Delta region. This policy reform would not be an overnight process. It will take a tremendous amount of collaboration and education to be accepted broadly. Quite likely, this sort of inversion would require large amounts of political capital and influence to convince policymakers that these efforts will yield better long term outcomes than the current approach.

Our findings are consistent with the free market of allocating resources within desirable markets and through entrepreneurship and organic growth. This fosters the creation livable communities by letting the marketplace dictate the growth. Statewide resources that have traditionally gone toward funding large deals could be re-directed to smaller and more numerous business ventures. This will have a cumulative impact on the state as a whole. The role of the economic developer would shift from being an external marketer to an internal agent for quality control at local, regional and state levels. Encouraging local growth with start-up companies, creating quality growth standards that supersede political terms and focusing on educational achievement at the local level would be the new role of economic development. Changing this dynamic would encourage a stronger free-market approach to economic development and give communities in Mississippi that are not competitive under the current practice to promote prosperity again in the future.

Summary of Chapter Conclusions

PART 1. Introduction: The Role of Government and Economic Growth

Chapter 1: The Case for Growth—Russell S. Sobel, The Citadel, and J. Brandon Bolen, Mississippi State University

- Mississippi is the poorest state in the United States in terms of per capita income. Mississippi underperforms economically relative to all of its bordering states.
- Focusing on policies that generate economic growth is the most viable pathway to alleviating Mississippi's weak economic condition.
- Very small changes in economic growth rates may yield vast positive changes in the quality of life for Mississippi residents within as little time as one to two generations.
- Focusing on economic growth does not mean that other important policy goals such as improving health and education and reducing crime are neglected.

Chapter 2: The Sources of Economic Growth—Russell S. Sobel, The Citadel, and J. Brandon Bolen, Mississippi State University

- The economic activity of a state necessarily occurs within that area's institutional context, including the legal, regulatory, and tax environments, as well as the degree of private property rights. The quality of these institutions affects the output of economic activity.
- Capitalism is an economic system based on the private ownership of productive assets within an economy.
- Abundant evidence demonstrates that areas with institutions that allow capitalism to thrive experience much higher levels of prosperity relative to areas that do not rely upon capitalism.

Chapter 3: Why Capitalism Works—Russell S. Sobel, The Citadel, and J. Brandon Bolen, Mississippi State University

- The prosperity of an area is determined by the total quantity of production and quality of goods and services that individuals value. This prosperity is influenced by factors such as the degree of specialization of labor, capital investment, and entrepreneurship.
- Capitalism is an economic system that generates prosperity because its decentralized nature supports the specialization of labor, capital investment, and entrepreneurship.
- Government policies, even when well-intentioned, often create harmful unintended consequences. This is often due to the more centralized nature of government decisions.

PART 2: Promoting Prosperity One Issue at a Time

Chapter 4: Why are Taxes so Taxing? —Brandon N. Cline and Claudia R. Williamson, Mississippi State University

- High taxes can be extremely costly. In addition to the cost of the tax itself, taxes create indirect costs including enforcement costs, administrative costs, and costs incurred from distortions of the market economy.
- Mississippi has a higher tax burden compared to its bordering states. This may negatively affect the location decisions of businesses and individuals, causing them to leave the state.
- Empirical evidence demonstrates that high tax rates significantly dampen rates of economic growth.

Chapter 5: Make Business Taxes More Competitive—Brandon N. Cline and Claudia R. Williamson, Mississippi State University

- State and local taxes represent a significant cost for businesses. These tax costs affect the location decisions of businesses and deter them from operating in Mississippi.
- In addition to corporate income taxes, there are a myriad of other taxes businesses pay, such as property taxes and inventory taxes. Some taxes such as the inventory tax and intangible property tax do not exist in the majority of other U.S. states.
- To generate more prosperity within the state, Mississippi should consider reducing its tax burden upon businesses.

**Chapter 6: “Selective Incentives,” Crony Capitalism and Economic Development—
Thomas A. Garrett, University of Mississippi, and William F. Shughart II,
Utah State University**

- This chapter evaluates the costs and benefits of targeted tax incentives designed to lure new private business enterprises to Mississippi.
- Our analysis demonstrates that Mississippi is poorer, not richer, by funding incentive programs.
- Reasons that incentive packages fail include no new employment since many individuals hired were previously employed, the additional tax cost to accommodate the new population growth, and resources allocated to funding the subsidies could have been spent on better schools, roads, or used to finance a reduction in tax rates for all.
- The funds now being spent to benefit a handful of private business owners could be used to finance broad-based reductions in tax rates and lightening the regulatory burden on all Mississippians.

**Chapter 7: Incentive-Based Compensation and Economic Growth—
Brandon N. Cline and Claudia R. Williamson, Mississippi State University**

- Incentive based compensation is a payment method where an individual’s pay is in some way tied to their performance. Economic literatures studying incentive based pay for executives show that use of incentive based pay improves company performance and by extension state economies.
- Empirical data shows that firms in Mississippi use incentive-based compensation less than similar firms in other states.
- Mississippi can help improve its economic position by restructuring parts of its tax code to allow for greater use of incentive based executive compensation.

**Chapter 8: Mississippi Shadow Economies: A Symptom of Over-Regulated
Markets and Measure of Missed Opportunities—Travis Wiseman,
Mississippi State University**

- This chapter discusses Mississippi’s regulatory environment and the state’s cumbersome habit of maintaining outdated and burdensome regulation, far longer than other states.
- Several sensible and low-cost reforms are introduced that can help curtail unwanted shadow economic activity, and promote prosperity in Mississippi.
- A case study of one industry that Mississippi over-regulates – the brewing industry – is discussed.

Chapter 9: Occupational Licensing in Mississippi—Daniel J. Smith, Troy University

- Occupational licensing, the regulation of individual entry to a profession, enables industry practitioners to restrict entry to their profession and raise prices on consumers.
- The effects of occupational licensing fall heaviest on low-income residents who must pay higher prices or resort to lower-quality home-production or black market provision.
- Mississippi has at least 118 different occupational categories with licensing, representing nearly 20 percent of Mississippi's labor force.
- The total estimated initial licensing costs in Mississippi exceed \$48 million and the estimated annual renewal costs add up to over \$13.5 million.
- Mississippi policymakers can promote prosperity in Mississippi by removing unnecessary and overtly burdensome licensing laws.

Chapter 10: Prosperity Districts: A Ladder Out of Last Place—Trey Goff, Out of Last Place Alliance

- Prosperity districts are geographically self-contained areas that reduce or eliminate unnecessary government restrictions on business activity, including regulation, taxation, and private subsidization
- Prosperity districts can be a unique and promising solution to the state's economic woes by allowing specific areas to be exempt from unproductive policies.
- Prosperity districts allow experimentation to determine which policies work best.
- Real world examples of the potential success of prosperity districts can be seen in the closely related concept of special economic zones, which have seen tremendous economic growth and development in places such as Singapore.

Chapter 11: Promoting Prosperity in Mississippi through Investing in Communities—Ken B. Cyree, University of Mississippi, and Jon Maynard, Oxford Economic Development Foundation

- We investigate the impact of investing in community livability and the relation to the change in total employment to promote prosperity in Mississippi.
- We document the decline in Mississippi employment, on average, from 2007-2016, and especially the decline in manufacturing employment.
- Our analysis shows that increased employment is significantly related to better school rankings, higher changes in wages, and higher changes in per capita retail sales. New business creation is not statistically related to employment.
- Our results suggest that in order to promote prosperity in Mississippi, we should invest in quality of life for the community.

Chapter 12: Local Governments Run Amok? A Guide for State Officials Considering Local Preemption—Michael D. Farren, George Mason University, and Adam A. Millsap, Florida State University

- Local governments sometimes implement regulations and ordinances that stifle economic growth.
- Preemption is a legal doctrine asserting that state law takes precedence over local law. In some cases it should be used by state governments to overrule local governments.
- State officials should consider preemption when local rules violate the principles of generality or free exchange. Such policies often involve barriers to entry, price controls, or business practice mandates.
- Violations of generality and free exchange harm economic growth because they inhibit economic activity and the efficient allocation of resources. Conversely, preempting such policies promotes economic growth.

Chapter 13: School Choice: How To Unleash the Market in Education— Brett Kittredge, Empower Mississippi

- The United States has fallen behind other countries in K-12 education. One study found that American students ranked 38th out of 71 countries when tested in math, reading, and science.
- A government monopoly has existed in our delivery of education in the United States. Students are assigned to a school based on their zip code and the year they were born.
- Because students are assigned to a school based on a district line, real estate prices naturally rise in neighborhoods within a desirable school district. This has the effect of pricing out many families and forcing them to live in areas with less desirable schools.
- To improve quality, our education system should be student centered and market based. Parents should have options available to craft a custom education for their child based on their specific learning needs.
- The legislature can adopt a market based education through a universal school choice program that has broad eligibility, autonomy for all schools, and level funding across the various educational sectors.

Chapter 14: Medicaid: A Government Monopoly That Hurts the Poor— Jameson Taylor, MS Center for Public Policy

- State health care policy revolves around Medicaid, which is a government-subsidized insurance program consuming one-third of Mississippi's budget.
- Health outcomes for Medicaid insurance patients are very poor; patients with no insurance at all fare better.
- Medicaid's number one problem, like that of many American insurance plans, is that it incentivizes the over utilization of health care while insulating recipients from the financial consequences of poor lifestyle choices.

- Medicaid is crowding out the development of innovative products and policy ideas.
- Reforms aimed at unleashing the power of health care pricing including large HSAs, direct surgical care, and comparative shopping incentives can begin to disrupt Medicaid's monopoly.

Chapter 15: Tipping the Scales: Curbing Mississippi's Obesity Problem— Raymond J. March, San Jose State University

- Widespread obesity has serious health and financial consequences in Mississippi.
- Government policy, although well intended, is associated with increased levels of obesity especially for lower-income households.
- State-led efforts to reduce obesity are costly and unlikely to succeed because they fail to address the underlying causes of why less healthy food options are consumed.
- Private and local solutions are more effective in promoting health and reducing obesity.
- The most effective way to combat widespread obesity is the market, not the government.

Chapter 16: Criminal Justice Reform in Mississippi—Trey Goff, Out of Last Place Alliance

- Despite decreasing rates of both violent and property crime since 1996, Mississippi incarceration rates have steadily increased.
- Mississippi has an incarceration rate that is among the highest in the world, most due to incarcerating non-violent crimes.
- The economic drain from this level of mass incarceration is extremely detrimental for the state economy in terms of both the cost of maintaining incarceration and the negative effects of incarceration upon individuals in the labor market.
- Reevaluating and restructuring the criminal justice system in Mississippi to reduce incarceration rates would be an extremely effective tool to increase the economic strength and wellbeing of the state.

Chapter 17: Property Takings: Eminent Domain and Civil Asset Forfeiture— Carrie B. Kerekes, Florida Gulf Coast University

- Secure private property rights provide incentives for individuals to undertake investments and make capital improvements to their property and businesses. To promote prosperity, Mississippi policy makers should continue to improve laws and policies to restrict property takings.
- Following reforms passed in 2011 to protect against development takings, property owners in Mississippi are reasonably protected from eminent domain takings.
- Citizens are significantly less protected in the case of civil asset forfeiture. Civil asset forfeiture laws in Mississippi provide incentives for law enforcement agencies to seize private property.

Chapter 18: The Small-Dollar Loan Landscape in Mississippi: Products, Regulations, Examples, and Research Findings on Interest Rate Caps—Thomas (Tom) William Miller, Jr., Mississippi State University

- The best fuel for economic growth and prosperity is free market prices, including interest rates.
- Despite the goal of improving consumer welfare, interest rate caps often harm the very people legislatures intend to help—especially users of small-dollar loan products.
- Despite their well-known harmful effects on consumers, laws continue to fetter consumer credit markets with interest rate caps.
- Setting good rules governing how legitimate businesses provide access to consumer credit is important for everyone living in Mississippi.
- The Mississippi legislature can greatly help consumers by eliminating, or greatly raising, interest rate caps in all small-dollar loan markets.

Chapter 19: Natural Disasters and Prosperity in Mississippi—Daniel Sutter, Troy University

- Extreme weather poses a severe financial risk for a state economy. Mississippi is particularly exposed to the threat of damage from natural disasters.
- Free market practices often perform better at meeting the challenges posed by natural disasters rather than government policies. Removal of harmful policies such as occupational licensing and building codes during disaster may better allow the market to speed disaster recovery.
- Some government policies such as flood and wind insurance may exacerbate exposure to natural disasters. Other policies slow recovery time by creating uncertainty after the occurrence of a natural disaster.

Chapter 20: Learning from Disasters in Mississippi—Stefanie Haeffele and Virgil Henry Storr, George Mason University

- This chapter examines disaster recovery in Mississippi and how policies that foster entrepreneurship might help spur disaster recovery going forward.
- Entrepreneurs can spur disaster recovery by providing needed goods and services, restoring disrupted social networks, and acting as focal points around which other residents can coordinate their recovery efforts.
- To promote prosperity in Mississippi, officials should develop policies that ensure that entrepreneurs have the space to act in the wake of disaster.

About the Institute for Market Studies at Mississippi State University

The Institute for Market Studies (IMS) at Mississippi State University, created in 2015, is a nonprofit research and educational organization conducting scholarly research and providing educational opportunities to advance the study of free enterprise.

The IMS's mission is to support the study of markets and provide a deeper understanding regarding the role of markets in creating widely shared prosperity. This includes advancing sound policies based on the principles of free enterprise, individual liberty, and limited government. The IMS pursues its mission by bringing together leading scholars to conduct timely research on current economic and financial issues.

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"Promoting Prosperity in Mississippi contains transformative ideas for Mississippi on virtually every page. If Ideas have consequences, I hope the consequences of these ideas spread like wildfire across Mississippi, spurring economic prosperity, entrepreneurship, and human flourishing. Every policymaker and citizen should read this book."

— **GRANT CALLEN**, President of Empower Mississippi

"Individual initiative is an infinitely more powerful and productive economic force than government action.

In some ways, it is easy to see how people would think government is a good source for building wealth in a community or state. It's easier to grasp the concept of expanding a government program than it is to comprehend how the private sector could piece together a cohesive economy. And yet, it's that wonderful mystery of private sector initiative that has made ours the most productive and resilient economy the world has ever known!

The authors of this book understand that truth and have written, in easy-to-comprehend language, not only how to sharpen our concept of free markets, but how to implement policies which will allow them to thrive.

This book is not just for policy wonks. It is for anyone who believes — or who is willing to consider — that economic freedom is an essential but threatened component of political freedom that today requires our active engagement if it is to survive."

— **FOREST THIGPEN**, Former President & CEO,
Mississippi Center for Public Policy

"This book is an excellent contribution to the policy debate that could give Mississippi the ammunition it truly needs to finally move out of last place. It is only through unleashing the ingenuity and entrepreneurship of Mississippians that true economic growth and prosperity can finally be realized. This book contains the blueprint to do just that, and is a valuable read for every Mississippian, not just legislators and policy experts. If you want to truly understand how Mississippi can finally climb up the economic ladder, then this is the book for you!"

— **JOEL BOMGAR**, Founder of Bomgar Corporation
and Mississippi State Representative

*"Economic freedom has been the greatest catalyst of innovation, prosperity and wellbeing in human history. People free to use their gifts and pursue their passions have created endless value and improved countless lives. *Promoting Prosperity in Mississippi* is a clarion call to all who love Mississippi, and her people, to embrace the transformative policies of free enterprise and reject a rigged economy that limits our potential. The compilation articulates a practical path forward—one of hope and opportunity for all Mississippians."*

— **RUSSELL LATINO**, MS State Director
of Americans for Prosperity

PUBLISHED BY



MISSISSIPPI STATE UNIVERSITY™
INSTITUTE FOR MARKET STUDIES

\$29.95
ISBN 978-1-7320353-0-0
5 2 9 9 5 >



9 781732 035300