# Promoting Prosperity in Mississippi

Edited by Brandon N. Cline, Russell S. Sobel, and Claudia R. Williamson

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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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Criminal Justice Reform in Mississippi

Trey Goff
Mississippi perpetually ranks firmly at the bottom of nearly every measure of success, prosperity, and wealth amongst the 50 states. However, Mississippi does hold the distinct honor of being in the top five of one list: incarceration rates. Yes, Mississippi has the 4th highest incarceration rate of any state in the United States, which has the highest incarceration rate of any country in the world by a large margin. This puts Mississippi firmly atop the world rankings of incarceration rates at 609 prisoners per 100,000 population as of 2016.

However, this is not an achievement Mississippians should be proud of. Mississippi’s tendency to imprison more people than almost anywhere else in the world has had a powerful negative impact on the state’s economy, not to mention a violation of the most fundamental of human rights: freedom. Statistics detailing just how severe the impact of the criminal justice system has been on the people of Mississippi will be detailed below. Furthermore, the impact of incarceration on not just the incarcerated individual, but their extended social network is a powerful negative one with far-reaching economic consequences. Even worse, this systemic incarceration contains profound racial disparities that play a significant role in keeping average African-American incomes well below the poverty level in Mississippi, further intensifying the despondent economic conditions of Mississippi’s largest minority group.

Although these facts may seem disheartening, all hope is not lost. There are a number of reforms Mississippi could enact to ameliorate these conditions. These reforms could significantly improve Mississippi’s economic malaise while saving the state government millions of dollars in reduced criminal justice expenditure at the same time. These reforms will be detailed at the end of the chapter.

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1 Criminal Justice Facts, The Sentencing Project, 2017
Mississippi: Land of the Criminals

The magnitude of mass incarceration in Mississippi is staggering. According to the Sentencing Project, Mississippi has 609 prisoners per 100,000 population. This number is meaningless, however, without being nested in the context of the incarceration rate of other states and other wealthy western nations. For example, nearby states such as Tennessee, Arkansas, North Carolina, and South Carolina all have rates below 500 per 100,000 population. Our direct neighbor, Louisiana, has the highest incarceration rate in the world imprisoning 873 per 100,000. Louisiana is also one of the most corrupt states in the union. All states exist under the same federal criminal justice system just as Mississippi does, raising questions as to why states like Mississippi and Louisiana imprison so many additional citizens compared to the national average. ²

An additional comparison with wealthy industrialized countries further highlights the relative severity of Mississippi’s mass incarceration. Canada, Germany, France, Italy, The United Kingdom, and all Scandinavian countries have incarcerations rates at or below 120 per 100,000 population, with most countries imprisoning under 100 per 100,000.³ Thus, Mississippi’s incarceration rate is six times that of almost all other western nations. In fact, Mississippi’s incarceration rate is higher than both Communist Cuba (510 per 100,000) and Communist China (121 per 100,000) (although the numbers for these two regimes may not be accurate). Mississippi even imprisons more citizens than Russia (475 per 100,000), where freedom of the press is nearly nonexistent and political activism is a jailable offense.⁴ Figure 16.1 presents these comparative incarceration rates graphically.

Mississippi’s relatively high incarceration rate is not a result of increased crime either. According to the FBI’s Uniform Crime Report, Mississippi’s rates of both violent and property crime peaked in 1996 and have been steadily declining since, as Figure 16.2 indicates. This is commensurate with the national trend as well.³ This decrease in crime rates cannot be explained by our heightened incarceration rates. As John Pfaff notes in Locked in, “rising crime over the 1970s and 1980s can explain, at most, half of the increase in prison population in those decades. That relationship weakened drastically during the

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² Maine, for example, has the lowest incarceration rate at 132 per 100,000 population. This suggests state policy has a far larger impact on incarceration rates than federal policy.
⁵ FBI Uniform Crime Report 2015
1990s, as prison populations continued to rise even as crime declined.\textsuperscript{6} The disparity between rising incarceration rates and falling crime rates only continues to grow over time. This begs the obvious question: if more crimes aren’t being committed, then why are more people imprisoned?

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{Figure16.2.png}
\caption{Mississippi's Violent Crime Rate, 1960-2012}
\end{figure}

The answer lies with nonviolent criminals. In 2014, Pew Charitable Trusts created a policy brief that provided a detailed overview of Mississippi's criminal justice system (this research was part of a criminal justice reform effort in 2014 which will be discussed later.) In this brief, it is noted that 45% of Mississippi’s incarcerated population are in prison for nonviolent crimes. Figure 16.3 depicts this graphically. According to Pew, nonviolent criminals “accounted for more than two-thirds of the increase in prison admissions between 2002 and 2012.”

These facts indicate that it is not violent criminals in dire need of separation from the general population that are being imprisoned, but rather individuals who have not bodily harmed anyone, having instead broken a nonviolent crime law such as possession or trafficking of an illegal substance. Enforcement of these nonviolent crime laws has a myriad of other negative unintended consequences, from in-

\textsuperscript{6} \textit{Locked In}, John Pfaff, Basic Books, 2017
centivizing an increase in drug potency, to a lack of adequate quality monitoring of the substances, to encouraging violent gangs to increase drug trafficking activity, to an increase in drug prices for highly addictive products with a relatively inelastic demand, to increased corruption in related government agencies.\textsuperscript{7,8}

Mississippi averages over 12,250 drug offense arrests per year.\textsuperscript{9} Mississippi also has one of the highest per capita drug possession arrest rates in the nation.\textsuperscript{10} More inmates are admitted for revocations of supervision than for actual new criminal convictions. Thus, it is plausible that a large majority of individuals being admitted into prison either committed a nonviolent crime or merely violated a technical supervision rule. If so, this requires a reexamining of the justice of their incarceration, an issue that will be discussed below.

Another factor exacerbating Mississippi’s prison population is the ever-lengthening nature of sentencing in Mississippi. According to the aforementioned Pew report, “State data showed that the time inmates spend in prison grew significantly over the past decade...a dramatic lengthening of sentences (28 percent) between fiscal 2002 and 2012.” This is at least in part a direct result of Mississippi’s mandatory minimum sentencing provisions. For example, possession of at least 250 grams of marijuana carries a mandatory minimum of at least one year. These minimums only increase with an increase in the amount of marijuana in the arrested individual’s possession.\textsuperscript{11} Compare that to some of our surrounding states, such as Louisiana, where mandatory minimums don’t kick in until 2.5lbs (1134 grams), or Arkansas, where mandatory minimums don’t begin until 10lbs (4536 grams). Mississippi has disproportionate levels of punishment for marijuana possession, something that is legal elsewhere in the US. The sentences for possession of hash or marijuana concentrates is even higher, with a gram of concentrate carrying a prison sentence of up to three years.\textsuperscript{12} Strict mandatory minimums mean Mississippians are going to prison more often and staying there longer once incarcerated.

The number of Mississippians who have a criminal record has also reached new heights. These criminal records follow Mississippians for the entirety of their lives, and can make life exceedingly difficult for them. From finding a job to renting an apartment, a criminal record can be a lifelong scarlet letter with intense economic ramifications. According to the Bureau of Justice statistics, at least 866,600 Mississippians have a criminal record.

\textsuperscript{7} The Economics of Prohibition, Mark Thorton, Mises Institute, 2014
\textsuperscript{9} Mississippi, Drug Policy Alliance, 2017
\textsuperscript{10} “Every 25 Seconds,” Human Rights Watch, 2016
\textsuperscript{11} Miss. Ann. Code § 41-29-139(c)(2)(B)
\textsuperscript{12} Miss. Ann. Code § 41-29-139(c)
ans have criminal records on file. It should be noted that this figure can include anyone who has been
arrested or taken into custody by police, regardless of whether the charges were ultimately dropped. This
means many people who have never been convicted of a crime still have a lingering criminal history. Con-
sequently, the Sentencing Project notes that nearly 7 percent of the adult voting-age population in Missis-
issippi is disenfranchised because of a felony record. These records are also either difficult or impossible
to have sealed or expunged, a process which will be detailed later.

Our state’s massive incarceration rates are not spread equally among the population. Large racial
disparities exist within the Mississippi criminal justice system. According to the Sentencing Project, Mis-
sissippi’s white incarceration rate is 346 per 100,000 population, while the black incarceration rate is
1052 per 100,000. These figures indicate that the black incarceration rate is over three times that of their
white counterparts in Mississippi. More than 65% of our prison population is black, too, despite the fact
that African Americans are only 37% of our overall population. Even more distressing, 58% of all drug
arrests in 2011 were for black Mississippians, despite the fact that whites use drugs at a slightly higher
rate than blacks (53.4% to 47.7% lifetime use rates, respectively). Such racial disparities in arrests and
sentencing are deeply troubling, and have likely contributed to the continued economic despondence of
African Americans in Mississippi.

However, the human impact of these policies can often be lost in translation. After all, it’s one thing
to discuss per capita personal income, government expenditures, and raw incarceration numbers; it’s
another thing entirely to attach a face, a name, a story to it in order to understand the gross injustice of
the emotional and psychological impacts of these policies. Take the story of Atiba Parker. Atiba, a resi-
dent of Columbus, Mississippi, was diagnosed with schizoaffective disorder. Schizoaffective disorder is
described, according to the Mayo Clinic, as “a person experiences a combination of schizophrenia symp-
toms, such as hallucinations or delusions, and mood disorder symptoms, such as depression or mania.”
This would ordinarily be a debilitating disorder, but Atiba self-medicated with marijuana. He was arrested
and charged with possession of marijuana in 2001, branding him with a criminal record. The combina-
tion of having a criminal record and having a mental illness made it difficult for him to earn money, so
he could no longer afford his self-prescribed medication. He began selling small amounts of crack out of
desperation to afford marijuana. He was soon set up by an informant, and was arrested on two charges of
selling cocaine. He was eventually sentenced to 34 years in prison for selling 0.3 grams of crack-cocaine,
with another 8 years tacked on for a 0.1 gram residue of cocaine found in his mother’s car. A mentally ill
man doing his best to make a life for himself found an effective medicine in marijuana, only to be jailed
for 42 years for selling miniscule amounts of crack-cocaine in a desperate effort to afford it. He is currently
serving his time without access to any psychiatric medication.

Consider the case of Mrs. Ruth Daniels, a 69 year old African-American widow. In 2014, a bureau of
narcotics helicopter spotted what appeared to be marijuana plants growing near her home in Macon. This
led to a raid of her property, where the narcotics agents discovered 85 marijuana plants. After a lengthy
legal battle, Mrs. Daniels entered a plea bargain, where she was sentenced to 10 years in prison.

14 “State-Level Estimates of Felon Disenfranchisement in the United States, 2010,” The Sentencing Project
16 “Results from the 2015 National Survey on Drug Use and Health: Detailed Tables,” Substance Abuse and Mental Health Services Administration
17 “Atiba Parker,” Families Against Mandatory Minimums, 2016
18 “Macon woman, 70, serving decade prison term for pot,” Isabelle Altman, The Dispatch, April 23, 2016

Chapter 16: Criminal Justice Reform in Mississippi
Mrs. Daniels had never received so much as a parking ticket before, and continues to assert that the plants were not hers. The 69-year-old grandmother was known as a paragon of the Macon community; she often handed out the food she grew in her garden to the neediest in the community. Now, she will most likely die sitting in a Rankin County prison cell, away from her beloved family or community.

Such is the brutal reality of the criminal justice system in Mississippi.

The Relation Between Incarceration and Impoverishment

Although there are many compelling ethical arguments against such mass incarceration, I will not be pursuing them here. We shall instead turn our minds towards the economic impact of incarceration on Mississippi. Not only does imprisoning and forever branding 7% of our population with a criminal record have a direct negative economic impact on the individual imprisoned, but also on their extended social networks. These negative impacts can be far reaching, echoing across generations of Mississippians. The effects have been most pronounced in keeping the black community of Mississippi perpetually ensnared in the jaws of poverty.

The negative economic impacts of mass incarceration act through a variety of mechanisms. The first, and most obvious, is simply pulling individuals out of the labor force. People in prison cannot work and cannot meaningfully contribute to society; they cannot produce anything, earn any wages, or start any businesses. As such, every day an individual spends in prison is another day of missed work, missed productivity, and missed prosperity for not only themselves, but the state as a whole. Consider the fact that Mississippi had approximately 22,000 people incarcerated in 2014 (most recent available data). Now, assume that all 22,000 of those people were to have earned the average per capita personal income for the state of Mississippi in 2016-$36,266. Also assume that those 22,000 incarcerated individuals would follow roughly the same labor force participation rate as the rest of the population of Mississippi-54.6%. This leaves 12,012 of the original 22,000 working. If those 12,000 individuals were to earn the state average PCPI, they would have contributed $435.6 million to the state’s economy. Almost half a billion dollars were lost to mass incarceration in 2016 alone. This effect is only compounded for every year, meaning the actual total of wealth lost to the state of Mississippi over time could be a staggering amount.

However, the economic impact of these individual’s removal from society is even worse. The time these individuals spend in prison keeps them from being able to accumulate any human capital while serving time. Thus, when they return to the labor market, their productivity levels are far lower than that of their counterparts who were never incarcerated. This lowered productivity level will persist throughout the remainder of their lifetimes, meaning that incarceration has erected a low ceiling of wealth through which it is nigh impossible for the once-incarcerated to pass.

But the economic misery of the incarcerated isn’t done yet. No, the scarlet letter of a criminal record means they have vastly diminished job opportunities after release from prison. Whether fair or unfair, employers are far less likely to hire someone with a criminal record than someone with a clean one. In fact, a seminal 2003 paper in the American Journal of Sociology demonstrated just that: white job applicants with a criminal record were 17% less likely to receive a callback than ones with no criminal record, while

19 “Prisoners in 2014,” Bureau of Justice Statistics, Ann Carson
20 Federal Reserve Bank of St. Louis Economic Research, 2017
22 12,012*36,266=435,627,192
black job applicants with a criminal record were 9% less likely to receive a callback (it should be noted, however, that the absolute number of black applicants who received a callback was far lower; in fact, whites with criminal records received more callbacks than blacks without criminal records). 23

Recall that black Mississippians comprise over 65% of the prison population and have six times the incarceration rate compared to their white counterparts. 24 These facts, combined with the findings above, paint a segregated picture of modern Mississippi: African Americans in our state are not only six times as likely to be incarcerated, but the negative effects of this incarceration after their release are nearly twice as powerful on them relative to their white counterparts. This could do much to explain why “blacks in Mississippi earn around 69% of what whites earn at the median, among fulltime, year-round workers.” 25

A criminal record is also difficult to shake. Expungement of a criminal record in Mississippi can only occur for select offenses, such as first-time drug offenders who utilize a rehabilitation program through drug court or minors in possession of alcohol. 26 Even these expunctions require a waiting period of anywhere from 1-5 years after conviction, after which time most of the debilitating damage of a criminal record may already done.

Unfortunately, the negative impacts of incarceration go far beyond economics. John Pfaff lays some of these out in vivid detail in Locked In:

Even putting aside the various legal impediments former prisoners face, people who have been released from prison encounter a wide range of costs and risks. They are more likely to overdose on drugs (since drugs outside of prison are cheaper and more potent, and a person’s tolerance declines while incarcerated); they leave prison less healthy than when they went in; their family ties are weakened, if not broken; they find it harder to get jobs; and the jobs they do find provide fewer hours, are less secure, and pay less per hour than the jobs they could have landed without a prison record.

Incarceration carries negative impacts beyond those on the directly incarcerated individual as well. Incarceration plays a large role in explaining why the African-American divorce rate is climbing, marriage rate is at an all-time low, and out-of-wedlock births are at an all-time high (the same is true for white Americans as well, but to a far lesser extent). 27 After all, a man or woman incarcerated cannot be there to interact with and strengthen the bonds amongst their family. This breakdown of the family can have far-reaching economic consequences, as seen in the case of unwed mothers. Unwed mothers enter into poverty more often, become welfare recipients more often, and earn less money than their wed counterparts. 28 These out-of-wedlock births also have an intergenerational effect: children born to single mothers have lower educational attainment and thus lower lifetime earnings and economic performance than their counterparts in two-parent homes. 29 Taken together, this evidence indicates the magnitude of the negative impact mass incarceration can have upon the economic performance of a state, as those who are incarcerated earn less, are employed less, are underemployed more, have poorer children with lower lifetime achievement, and are impoverished more often.

Mass incarceration also imposes steep costs on the state government. Of the $333 million budget of the Mississippi Department of Corrections, 93% of it is spent on prisons, even though only 36% of the correctional population is in prison. 30 It costs the corrections department, on average, $67.95 per day to house an inmate. This averages out to around $24,801 dollars per year per inmate kept in Mississippi correctional facilities. 31 If we combine the value of the labor lost to imprisonment calculated above and the cost to the state of keeping those people imprisoned, a rough estimate of the yearly opportunity cost of mass incarceration emerges. That total comes to over $991 million dollars.32 That’s nearly $1 billion a year of potential economic output lost for the already destitute state of Mississippi.

This means that a reduction in the prison population could go a long way toward reducing the overall cost of the Mississippi criminal justice system, potentially saving taxpayers millions of dollars in expenditures while simultaneously increasing tax revenue via increased economic growth. A reduction in mass incarceration is therefore beneficial not only to the state government, but to all citizens of Mississippi through the economic growth it may help create.

There is one final, grossly unjust way in which the Mississippi criminal justice system negatively impacts Mississippian: civil asset forfeiture. Civil asset forfeiture refers to the ability of policing and enforcement agencies to confiscate the property of an individual upon the mere suspicion of criminal activity—no convictions or charges required. It is a circumnavigation of the judicial system, as well a clear violation of the due process rights of Mississippian. In 2015 alone, nearly $4 million in property were seized by the Bureau of Narcotics in Mississippi.33

Civil asset forfeiture could have far-reaching economic consequences beyond just the value of the seized assets. Civil asset forfeiture is an abrogation of property rights institutions. This institution—that is, the right to own property unmolested by third parties—is the foundation of economic growth and prosperity. It is the protection and guarantee of the right to private ownership of property that creates the incentive to produce, innovate, and exchange goods. As such, a continued and systemic violation of property rights such as civil asset forfeiture could, if utilized on enough of a widespread scale, weaken public faith that the state will continue to protect the private property of its citizens and not plunder them instead. This, in turn, will create an incentive to move away for those already in the state, and will encourage entrepreneurs and producers to avoid the state at all costs. The economic impact of weakening property rights institutions is well established, and by nearly any measure of well-being, stronger property rights institutions are powerfully associated with higher levels of human well-being and prosperity. 34 As such, any weakening of property rights institutions—such as civil asset forfeiture—could become a dire threat to the economic well-being of an area.

A Path Forward

Although the situation may seem bleak, there is much cause for optimism: the Mississippi legislature has shown a willingness to enact reforms. There is much the legislature can do to ameliorate the harm caused by mass incarceration; these additional reforms will be laid out in detail below. However, it may be worth first evaluating the recent criminal justice reform bill the Mississippi legislature passed in 2014.

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31 “Mississippi Department of Corrections Fiscal Year 2014 Cost Per Inmate Per Day,” Joint Legislative Committee on Performance Evaluation and Expenditure Review, Mississippi Department of Corrections, January 2015
32 \((\text{prison population} \times \text{cost per inmate per year}) + \text{(value of lost economic activity of prisoners)} = (22,400 \times \$24,801.75) + (\$435,627,192) = \$991,186,392\)
33 “Mississippi finally brings some transparency to asset forfeiture,” C. J. Ciaramella, Reason, Mar. 14, 2017
In 2014, Mississippi adopted a host of criminal just reform statutes under HB 585, adopted at the behest of a task force. The Corrections and Criminal Justice Task Force was a “bipartisan, interbranch group of state and local officials” which included “legislators, judges, prosecutors, law enforcement officials, defense attorneys, civil rights advocates, a county supervisor, and other criminal justice stakeholders” who were convened for the express purpose of developing a reform package.

HB 585 contained a number of meaningful, albeit small, reforms:

- Established time-served baselines to normalize early releases
- Improved parole release processes
- Allowed judges to utilize more alternative sentences such as probation and drug court
- Revised penalties for simple possession of drugs & reorganized drug tier statutes
- Raised felony theft threshold from $500 to $1000
- Implemented presumptive probation for crimes under $1000
- Expanded parole eligibility to many nonviolent offenders
- Developed risk assessment tools for probation concerns
- Reduced jail time for technical violations of probation (i.e. missed probation officer meeting, late to meeting, etc.)
- Required 10-year fiscal impact statements of future criminal justice legislation

Mississippi took a step in the right direction with this bill, especially insofar as it reduced penalties, increased alternative sentencing options, and expanded the availability and reliability of parole.

These reforms are small and incremental steps toward far greater goals. However, they do little to address some of the more overarching economic impacts of mass incarceration laid out above. Although they will marginally reduce prison populations over time, these reforms do nothing to address the deep-seated problems of nonviolent offense incarceration, relatively disproportionate sentence lengths for some violent crimes, racial disparity in the criminal justice system, and the sheer volume of Mississippians with criminal records. There are several more radical criminal justice reforms Mississippi could undertake to have a far more powerful impact on the Mississippi economy.

The first and most radical reform is a simple one: the decriminalization of all drugs at the state level. As radical as this may initially sound, it is the most logical reform to make to end the injustice of mass incarceration. In fact, both the Human Rights Watch and the American Civil Liberties Union endorsed this approach to reform in a massive 2016 report titled “Every 25 Seconds.”35 The reason a growing number of reputable organizations advocate this massive reform is simple: the war on drugs has been an abject failure. Federal, state, and local governments have spent more than $1.5 trillion on the war on drugs since its inception in 1970, yet the rate of drug addictions in the United States has remained unchanged. 36 Figure 16.4 shows both drug enforcement spending and drug addiction rates over time.

Furthermore, individuals addicted to drugs are not helped or “cured” by incarceration—they need medical rehabilitation, not jail time.

36 “A Chart That Says the War on Drugs Isn't Working,” The Atlantic, October 12, 2012
Ending the war on drugs in Mississippi would put thousands of people back into the labor force, causing a boom in economic activity. It would have disproportionately positive effects on the poorest minority in Mississippi—African Americans. It would massively reduce the costs borne by the State government in both corrections and health spending, as drug addicts could finally obtain the help they need without fear of recrimination. Most importantly, it would allow addicts to be guided back to full health and rejoin the labor force.

Rectifying such powerful injustices as those faced by Abita Parker or Ruth Daniels will necessarily require the decriminalization of drugs. This isn’t just a theoretical assumption, either: we have an empirical example of how well drug decriminalization works. In 2001, Portugal decriminalized all drugs and diverted the money required for drug enforcement to rehabilitation programs. The results were persuasive. Year-on-year drug use among adults has fallen, as have HIV rates. Portugal now has the second-lowest drug overdose death rate in the entire European Union. Although studies regarding the pure economic impact of this are scant, one can deduce that the addition of healthy, productive laborers into the economy could only have a net positive impact on Portugal’s economy. Just as importantly, Glenn Greenwald has pointed

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out that “none of the nightmare scenarios touted by pre-enactment decriminalization opponents—from rampant increases in drug usage among the young to the transformation of Lisbon into a haven for “drug tourists”—has occurred.” Total drug decriminalization is an effective reform that Mississippi would do well to emulate.

Although this simple and radical reform would solve most of the negative economic outcomes associated with mass incarceration, it is highly unlikely to be enacted anytime soon. It is simply too politically costly within the current political climate. However, it should not be forgotten as the most effective potential reform.

A less radical and more politically feasible reform goal is marijuana legalization. It has already been legalized for recreational use in Colorado, Alaska, Washington, Washington, D.C., California, Maine, Massachusetts, Nevada, and Oregon. Colorado was the first to legalize marijuana back in 2012, so a study of Colorado would be more informative than that of the other states who have joined more recently. According to a comprehensive Colorado Department of Public Safety report, marijuana use has marginally increased amongst adults; however, it has not increased amongst school-age children, nor have marijuana-related DUI’s increased. Importantly, both property crime and violent crime rates have also decreased in Colorado.

Although its beneficial impact on marijuana use and crime were small, the economic impact of marijuana legalization in Colorado was magnitudinous. According to a study by the Marijuana Policy Group, "legal marijuana activities generated $2.39 billion in state output, and created 18,005 new FullTime-Equivalent (FTE) positions in 2015...marijuana was the second largest excise revenue source, with $121 million in combined sales and excise tax revenues."

This economic impact is a result of not only those who would have otherwise been incarcerated joining the labor force, but also the massive industry that has cropped up around the cultivation, production, and sale of marijuana in the state. This potent economic impact coupled with a few other criminal justice reforms could go a long way toward moving Mississippi out of last place economically while creating a more just society for all.

There are also a number of other policy reforms Mississippi could introduce to attenuate the problem of mass incarceration. Recall the discussion of mandatory minimums in Mississippi—potentially years in prison for a drug that is legal within other parts of the country. Obviously, either drug decriminalization or marijuana legalization would abolish those laws. However, the other half of the prison population is, of course, violent criminals. Although there is no question that these people should certainly be separated from society and punished for violating someone else’s safety or property, their incarceration does bear costs. It is at least worth considering that perhaps lengthy sentences for violent criminals may not be the most efficient, cost effective method of punishment, and that society may benefit more from differing punishment regimes. For instance, the criminology literature indicates that people age into and out of crime; that is, offending patterns move in a predictable way over the course of people’s lives. Generally speak-

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38 “Drug Decriminalization in Portugal,” Glenn Greenwald, Cato Institute, 2009
39 “here’s where you can legally smoke weed now,” Mela Robinson, Business Insider, Jan. 8, 2017
40 “Marijuana Legalization in Colorado: Early Findings,” Colorado Department of Public Safety, March 2016
41 “The Economic Impact of Marijuana Legalization in Colorado,” Marijuana Policy Group, October 2016
42 Miss. Ann. Code § 41-29-139
ing, younger men are far more likely to commit a crime than older men; as such, it is worth considering that it may not be beneficial to keep offenders in jail beyond age 40 or 50. Further, the evidence to date suggests that increasing sentence length has zero deterrent effect on future crime—rather, the probability of apprehension in the first place is the true source of deterrence.44

Thus, if it is expensive for state governments to keep individuals in prison for excessively long sentences with no benefit to society in any meaningful sense, then why are violent offenders being imprisoned for so long? Of course, these arguments admittedly do not address philosophical justifications for longer punishment, such as retributivism. It is merely worth considering that some sort of scientifically-backed sentencing protocol may be a more rational and effective reform for violent offenders than simply locking them up and throwing away the key.

Another possible reform for Mississippi’s criminal justice system would be to expand and streamline options for the expungement of a criminal record. As was detailed above, expungement is often not an option for many of the formerly incarcerated, and for those who are eligible, it involves a lengthy waiting period during which they still bear the marring of a record. Based upon the evidence presented above, it would be economically beneficial if Mississippi were to expand expungement options to all nonviolent misdemeanors with a reduced wait time—or ideally, with no wait time at all. Elimination of the waiting period for those convicted of misdemeanor, nonviolent crimes would allow them to re-enter the workforce immediately, rather than having an incubation period of several years before they may resume a normal life.

Along these lines, it would also be rational for the state to expand the scope of those eligible for expungement even to those who have committed low-level felony offenses like simple assault or drug trafficking. Expungement options should be vastly broadened and streamlined to allow more of the formerly incarcerated to return to the workforce more quickly. This could have the added benefit of reducing recidivism rates. If the formerly incarcerated were able to rapidly expunge their record and rejoin the labor force, they would be far less likely to fall into the trap of poverty as a result of the reduced job opportunities a criminal record causes, and as such would be less likely to return to criminal behavior out of economic desperation.

Luckily, some reform-minded Mississippi legislators are making attempts to chip away at the criminal justice leviathan. In the 2017 legislative session, HB 1033 was introduced to provide for a number of incremental reforms to the criminal justice system in Mississippi.45 Most importantly, the bill ended the practice of jailing people for unpaid parking tickets in what has been referred to as modern-day debtor’s prisons: “Incarceration shall not automatically follow the nonpayment of a fine, restitution, or court costs. Incarceration may be employed only after the court has conducted a hearing and examined the reasons for nonpayment and finds, on the record, that the defendant was indigent or could have made payment but refused to do so.” The bill also contained a number of other provisions, including the removal of driver’s license suspensions for controlled substance violations, expanded drug court usage in order to avoid incarcerating more nonviolent offenders, and an expansion of parole eligibility for those who have “not been convicted of committing a crime of violence, drug trafficking or as a habitual offender and he or she has served at least 25% of his or her sentence.” These reforms could soften the heavy blow of drug policies in Mississippi but have not yet been enacted into law.

Before 2016, Mississippi did not track civil asset forfeitures. However, after the passage of HB 812, “the Mississippi Bureau of Narcotics will maintain a website showing descriptions and values of seized

45 HB 1033, 2017 Legislative Session

and Social Science 602: 12-45.
property, which police department seized it, and any court petitions challenging the seizures.\(^{46}\) This is an excellent step toward rectifying the injustice of asset forfeiture. More importantly, the bill requires law enforcement to obtain a seizure warrant within 72 hours of the seizure, effectively placing a procedural hurdle in front of the activity of law enforcement. This, combined with the detailed publication of seizures, should provide a powerful disincentive to deter law enforcement from attempting these kinds of seizures in the future.

**Conclusion**

Mass incarceration is a massive disadvantage for the Mississippi economy. The wholesale criminalization of the state effectively reduces employment, income, and productivity for a state already mired in economic malaise.

Recently, legislators have shown a willingness to work together toward reform. This momentum should be capitalized upon in order to enact some of the more radical reforms outlined above.

It is only through radical change that the gross injustice of mass incarceration, with all its concomitant negative economic consequences and racial disparities, can be permanently corrected. The prospects of progress in this area look bright, indeed.

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\(^{46}\) “Mississippi Finally Brings Some Transparency to Asset Forfeiture,” C. J. Ciaramella, Reason, Mar. 14, 2017


Joint Legislative Committee on Performance Evaluation and Expenditure Review. 2015. *Mississippi Department of Corrections’ FY 2014 Cost Per Inmate Per Day*. Jackson, MS: Joint Legislative Committee on Performance Evaluation and Expenditure Review.


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 damper 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.
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.
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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