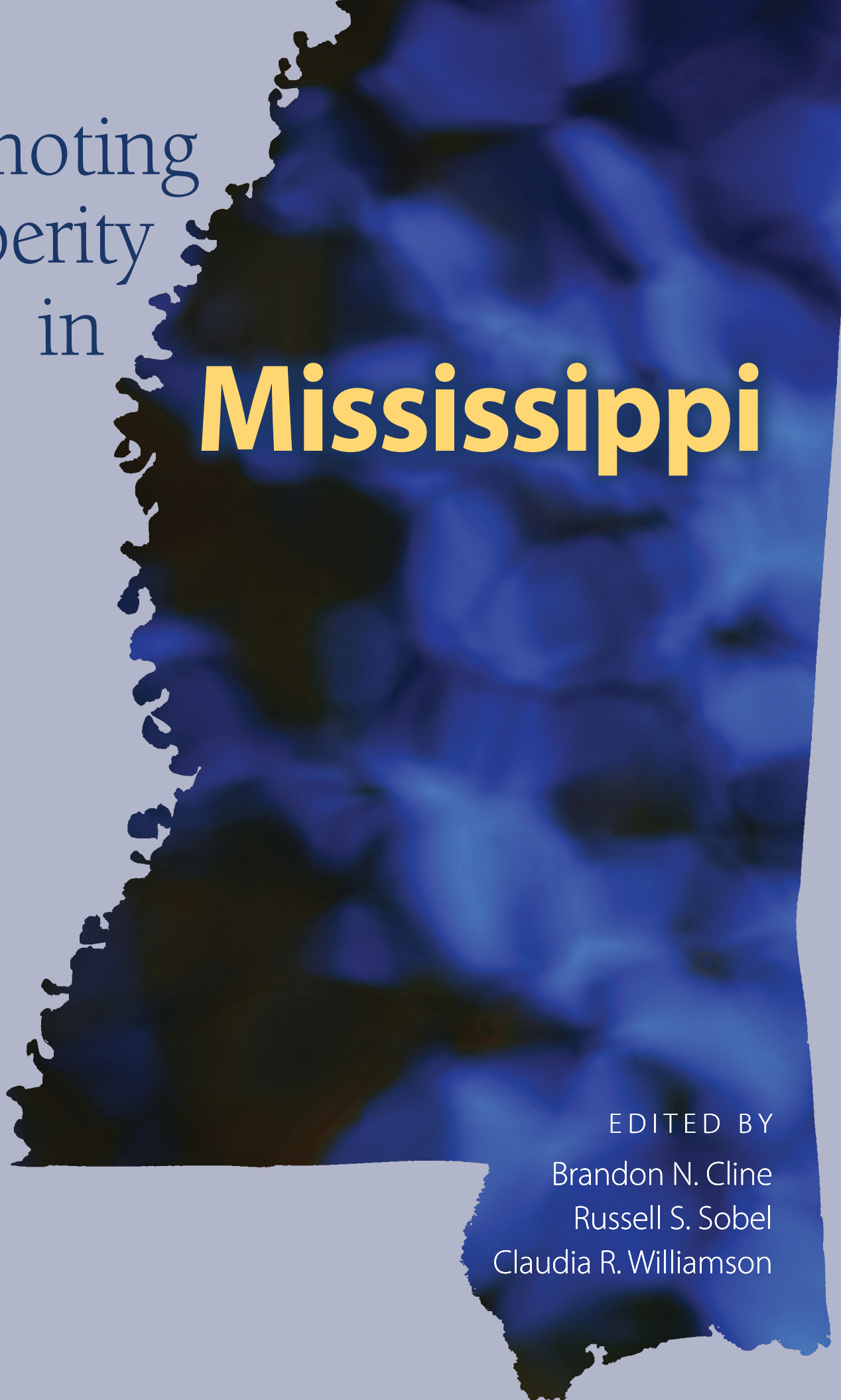
Promoting Prosperity in Mississippi



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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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TABLE OF CONTENTS

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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18

The Small-Dollar Loan Landscape in Mississippi: Products, Regulations, Examples, and Research Findings on Interest Rate Caps

Thomas (Tom) William Miller, Jr.

18

The Small-Dollar Loan Landscape in Mississippi: Products, Regulations, Examples, and Research Findings on Interest Rate Caps

Thomas (Tom) William Miller, Jr.

Free markets promote prosperity by efficiently regulating prices—including the price of money, i.e., interest rates. Nevertheless, state legislatures often choke credit markets with interest rate caps. Despite the goal of improving consumer well-being, interest rate caps often harm the very people legislatures intend to help. Rate caps hit users of small-dollar loan products especially hard. Rate caps shift loans away from subprime borrowers and, because rate caps make the smaller dollar loans unprofitable, rate caps limit the supply of credit to these consumers. The Mississippi legislature can stimulate economic growth and prosperity in Mississippi by eliminating, or even greatly raising, interest rate caps in small-dollar loan markets.

What Consumer Credit Markets Do

Consumer credit serves a valuable economic purpose: Using credit, consumers can optimize their consumption of goods by shifting the timing of their cash inflows and outflows. Credit allows consumers to use a good, without having the cash on hand to purchase it. These markets also impose financial discipline on the borrower. To keep enjoying the good, the consumer must keep making payments, and figure out a budget that allows them to discharge the debt.

For well over 100 years, critics of consumer credit charge that credit allows people to "live beyond their means." Such a viewpoint ignores the fact that borrowers cannot increase debt levels indefinitely. Also, lenders will not extend more credit to borrowers with large debt levels because these borrowers are more likely to default. Calder's (1999) history of consumer credit in the United States discusses these points in great detail.

Many people are familiar with the notion of borrowing money to purchase a house, a vehicle, furniture, or household appliances. In these transactions, the consumer takes possession of the good in question, but the lender holds the title to the good. To pay off the debt, the consumer makes a known number of equal monthly payments, and there is no extra payment at the end of these payments. This loan structure is known as an installment loan. For houses and certain other property, we call this installment loan a mortgage. For vehicles, furniture, and household appliances, we call this installment loan sales financing.

Mortgages and sales financing, while important and familiar, are not the focus of this chapter. The focus of this chapter is another set of important, but not as familiar, non-bank supplied cash loans. A cash loan is not tied to the purchase of any good. Borrowers can use the proceeds from a cash loan in any manner they wish.

Prime borrowers, i.e., those with high credit scores, are likely unfamiliar with the variety of non-bank supplied cash loans. The reason is simple: Prime borrowers have access to bank-supplied credit, including credit cards. Consumers without access to bank credit, like sub-prime borrowers, are likely familiar with non-bank supplied cash loans.

Prime borrowers and sub-prime borrowers alike have a demand for consumer credit. Prime borrowers typically use credit products offered by banks—like installment loans and credit cards. Subprime borrowers, due to their limited or poor credit repayment histories, likely have less access to bank loans, but might have access to sub-prime credit cards. As a result, unfilled credit demand by these consumers must be met by other credit products.

The Non-Bank Supplied Small Dollar Credit Landscape

Despite wishes by many to the contrary, many Americans today live "paycheck to paycheck."[1] These households likely do not have a deep pool of cash reserves to meet unexpected bills. They might not have reserves to cover normal bills in the event of an unexpected income disruption, which many hourly workers often experience. So, these households are more likely to rely on some form of non-bank supplied credit. There is an ongoing policy debate around these credit products. Some observers, however, decry the competitive market-clearing interest rates for these loans as "astronomical," "abusive," or "predatory." Other observers explore whether these markets truly harm American consumers.

All along the small-dollar credit landscape, the Bureau of Consumer Financial Protection (i.e., the "CFPB"), keeps layering, or attempts to layer, federal regulations over state regulations. Although the Dodd-Frank Act explicitly prohibits the CFPB from regulating interest rates, the Bureau consults with and assists other entities, such as Congress, that can regulate interest rates.[2] The most notable example is the

1 Lusardi, Schneider, and Tufano (2011) examine the ability of American households to gather $2,000 within 30 days to help weather a financial shock. They document that approximately one-half of American households certainly could not, or probably could not, do so. The Federal Reserve (2015) places the hurdle even lower. In its report on the economic well-being of U.S. households, it finds that 47 percent of respondents "say they either could not cover an emergency expense costing $400, or would cover it by selling something or borrowing money."

2 President Barack Obama signed The Dodd–Frank Wall Street Reform and Consumer Protection Act (Pub.L. 111–203, H.R. 4173) into law on July 21, 2010. The Dodd-Frank Act contained legislation establishing the Bureau of Consumer Financial Protection (CFPB).

Talent-Nelson Military Lending Act of 2006, and its extension enacted in 2016.[3] In addition, State legislatures can, and do, regulate credit markets, often by setting allowable interest rates on loans.

To begin to understand this diverse set of consumer credit products, it is helpful to think of them as lying along a landscape, or forming a "financial ecosystem." Each product exists because it gives its user an assortment of benefits that cannot be exactly replicated by any other product.

Moreover, these products are not complex. The difference in these products lies in their simple terms. The examples given in this chapter clearly show the elementary nature of these loan products. Consumers can weigh the costs and benefits of each product before deciding which one to use. For example, a $40 fee to borrow $200 through a payday loan makes economic sense if the power bill is overdue and it costs $75 to restore the power if it is shut off.

Some consumers with prime credit might not appreciate the breadth and scope of the products that comprise the small-dollar loan landscape. One purpose of this chapter is to provide a brief description of some of the credit products that lie along this landscape in Mississippi.[4] In addition, the chapter contains examples of how each of these credit products work.

Another purpose of this chapter is to investigate the restrictions placed on these products in terms of the allowable interest rate.[5] The chapter also presents a brief overview of the findings from academic studies on the question of what happens to consumers when an interest rate cap exists. Research overwhelmingly shows that interest rate caps negatively affect consumers, which stymies economic growth and prosperity.[6]

Lump Sum Credit Products: Pawn Loans, Vehicle Title Loans, and Payday Loans

The terms of a lump-sum loan are basic. These loans use the simple interest equation, which is:

$$\$\text{Interest} = \$\text{Principal} \times \text{Annual Rate} \times \text{Time} \tag{1}$$

Example 1. Sam borrows $300, at an annual rate of ten percent for six months. How much money must Sam repay at the end of six months? Using the simple interest formula:

$$\$\text{Interest} = \$300 \times .10 \times \frac{6}{12}$$

$$\$\text{Interest} = \$15.$$

In six months, Sam pays $15 of interest, and a total of $315 to repay the loan.

If a periodic rate and time measured in periods are given, the modified simple interest equation is used.

$$\$\text{Interest} = \$\text{Principal} \times \text{Periodic Rate} \times \text{Periods} \tag{2}$$

3 The Talent-Nelson Military Lending Act (MLA) of 2006, 10 U.S.C. § 987, imposes a 36% interest rate cap (and other restrictions) consumer loans made to service members and their dependents. New Department of Defense rules taking effect in October 2016 dramatically expands the MLA's coverage to nearly all forms of credit within the scope of the Truth in Lending Act of 1968.

4 Miller and Witt (2017) present a more detailed discussion of the non-bank supplied small dollar loan landscape, and current public policy issues surrounding these products.

5 Mississippi state law limits many other aspects of these credit markets. These other limitations are not discussed in this chapter, because the focus of this chapter is on interest rate caps.

6 Durkin, Elliehausen, Staten, and Zywicki (2014) contains detailed discussions of theories and research on a wide array of consumer credit topics.

Example 2. Dave borrows $300 for one month, at a monthly rate of twenty percent. How much money must Dave repay at the end of one month? Using the modified simple interest equation

$$\$\text{Interest} = \$300 \times .20 \times 1$$

$$\$\text{Interest} = \$60.$$

Dave pays $60 interest, and a total of $360 to repay the loan.

Pawnbroker Loans and Their Regulation in Mississippi

Pawnbroker loans have existed for thousands of years. In a negotiated pawn transaction, the consumer offers a tangible item to the pawnbroker, who gives cash to the consumer and takes possession of the item. The pawnbroker issues a detailed pawn ticket that contains the terms of the transaction and cost of redemption. Pawn transactions generally have a length of one month. A pawn transaction is not a loan in the traditional sense because the consumer has no obligation to repay the sum obtained in the pawn transaction.

After the pawn transaction, the consumer has three options: 1) Walk away with the cash and abandon the pawned item, 2) Repay the amount extended plus any fees charged for the month, or, 3) Extend the pawn transaction for another month by paying only the fees charged for the month. The pawnbroker has no recourse if the customer abandons the pawned item. The pawnbroker will notify the consumer when, as required by law, the title to the item will change hands.

While the pawn broker is in possession of the item, the consumer must pay charges for interest, storage, and other fees. State law sets the maximum allowable fees. In Mississippi, The Pawn Shop Act § 75-67-313 (2013) states: "A pawnbroker may contract for and receive a pawnshop charge in lieu of interest or other charges for all services, expenses, cost and losses of every nature not to exceed twenty-five percent (25%) of the principal amount, per month, advanced in the pawn transaction."

Example 3. Gene brings a Selmer tenor saxophone, complete with case, to a pawnshop. The pawn dealer assesses the pawn value of this personal treasure as $1,500. If the sax has considerable sentimental value to Gene, say $3,000, Gene is likely to redeem the pawn ticket. Assuming maximum allowable charges, at the end of the month Gene has three choices: 1) abandon the sax, 2) extend the pawn another month by paying $375 (=0.25 times $1,500) or, 3) pay $1,875 (=$1,500 plus $375) and reclaim possession of the sax.

Vehicle Title Loans and Their Regulation in Mississippi

A vehicle title loan is similar to a pawn loan, but with an important difference. In a pawn transaction, the consumer gives possession of the item to the pawnbroker. Under the terms of a vehicle title loan, the borrower retains possession of the pledged collateral. i.e., the vehicle. A basic vehicle title loan is a non-recourse one-month lump sum loan with the principal and interest due at the end of the month.

If, at the end of the month, the borrower cannot repay the principal, some states allow for an interest-only payment. In Mississippi, the title lender cannot allow an interest-only payment to extend the loan over for another month. Instead, the borrower must make the interest payment and a 10% reduction of the principal owed.

Like pawn loans, vehicle title loans are non-recourse: The consumer can walk away with the cash. As in a pawn loan, if the borrower defaults on a vehicle title loan, ownership of the vehicle transfers to the title lender. State laws specify how the lender can repossess the vehicle and begin the process to sell it. If

the vehicle eventually sells for an amount that is less than the amount owed, the borrower does not have to make up the difference. In Mississippi, if the vehicle sells for more than the outstanding amount owed, the consumer receives 85% of the excess sale proceeds.

About seventeen states allow vehicle title lending. The variety in state laws makes for differences in the title loan transaction. In Mississippi, MS Code § 75-67-413 (2013) states "A title pledge lender may contract for and receive a title pledge service charge in lieu of interest or other charges for all services, expenses, cost and losses of every nature not to exceed twenty-five percent (25%) of the principal amount, per month, advanced in the title pledge transaction." States also regulate the loan amount of a title loan. In Mississippi, the maximum amount is $2,500.

The application process for a title loan is straightforward. To secure a title loan, the borrower must have a clear title to the vehicle, and the borrower must allow the title lender to place a lien on the vehicle. The consumer does not need to provide a credit history.

Example 4. Dewey brings a 2003 Chevrolet Tahoe Z71, and its clear title, to a title lender. The title lender can inspect the vehicle, if present, and/or look up values for similarly equipped vehicles. Suppose this Tahoe has a wholesale appraisal of about $4,900 and the lender makes an offer of $2,000. At the end of the month, Dewey has three choices: 1) walk away, and the process begins to transfer possession and ownership of the vehicle to the title lender, 2) extend the loan for another month by paying the title lender $500+$200 (=0.25 times $2,000, plus a required 10% reduction in the principal) or, 3) pay $2,500 (=$2,000 plus $500) to release the lien.

Payday Loans and Their Regulation in Mississippi

Payday loans are also known as cash advance loans, delayed deposit loans, and deferred presentment loans. In a traditional payday loan, a borrower writes a check to a lender in exchange for a short-term cash loan. The lender agrees not to cash the check until a date specified in the loan agreement.

To obtain a payday loan, lenders generally require borrowers to have an active checking account, provide proof of income, show valid identification, and be at least 18 years old. Payday lenders generally do not require a traditional credit report.

Under the *Mississippi Check Cashers Act*, a payday loan agreement must disclose the terms of the loan, including the loan amount and the annual percentage rate (APR). The lender will generally require the borrower to write a personal check for the loan principal plus a loan fee, i.e., interest on the loan. The loan agreement might allow the lender to withdraw (or attempt to withdraw) the sum owed from the borrower's bank account, i.e., cash the check, at the loan due date—regardless of whether the borrower has sufficient funds in the account. If the borrower does not have sufficient funds, the borrower will be subject to Non-Sufficient Funds (NSF) fees charged by their bank.

Under Mississippi law, the largest check a payday loan borrower can write is for $500. The amount of the check must include the loan principal and allowable fees. For a check written for $250 or less, Mississippi law allows a payday lender to charge a fee of up to $20 per $100 advanced to the borrower.

Example 5. Ruby writes a check for $240 to a payday lender who gives $200 to Ruby and keeps the check, which includes $40 in fees. In two weeks, the lender cashes the check, or receives money through an ACH (Automated Clearing House) agreement. If Ruby cannot repay the interest and principal, Ruby can extend the loan for another two weeks by paying, in this case, $40.

Installment Credit Products: Traditional Installment Loans From Finance Companies, Payday Installment Loans, and Vehicle Title Installment Loans

The terms of a fixed-rate installment loan are not complicated. Calculating the monthly payment of an installment loan might seem to be a daunting task to some people, but fortunately, there is a formula, taught in introductory finance classes, that makes this calculation straightforward. The formula used to calculate the monthly payment on a fixed-rate installment loan is:

$$\text{Principal} = \text{Monthly Payment} \times \left[\frac{1 - \frac{1}{(1+r)^n}}{r} \right] \tag{3}$$

There are four unknown amounts in Equation (3): 1) Principal (i.e., the Amount Borrowed), 2) Monthly Payment, 3) Number of months, n, and 4) Monthly interest rate, r, which is the APR divided by 12. Given any three of these unknown amounts, a consumer can easily calculate the fourth amount using a financial calculator.

Here are two other handy equations to help the consumer calculate interest paid, i.e., the dollar cost of a loan. Because

$$\text{Total Interest and Principal} = \text{Monthly Payment} \times \text{Number of Payments} \tag{4}$$

We can calculate

$$\text{Interest Paid} = \text{Total Interest and Principal} - \text{Amount Borrowed.} \tag{5}$$

Traditional Installment Loans and Their Regulation in Mississippi

In the early 1900s, a battle raged against illegal "loan sharks." An alternate new loan source developed through the collaboration of lenders and consumer advocates, notably Arthur H. Ham of the Russell Sage Foundation. What emerged was the Uniform Small Loan Law (USLL) written in 1916. By 1940, all but nine states had adopted some version of this proposed law for cash installment loans.[7]

The striking feature of this law was that it allowed for interest rates higher than allowed under existing usury laws. Of course, illegal "loan sharks," and those who favored low interest rate caps, lobbied long and hard against this legislation. When collaborating on the Uniform Small Loan Law, the parties agreed: 1) Legal installment lenders must be able to earn a reasonable profit. Therefore, the interest rate was initially set at 3 to 3.5 percent per month; 2) Small loans were defined as "up to $300" (in today's dollars, more than $7,000), and; 3) the maximum interest rate would be re-examined periodically to sustain the industry.

For 100 years, i.e., until 2016, Mississippi Law set rates lower than the ones recommended by the USLL. As of 2016, Mississippi Law allows finance companies a choice concerning the interest rate on installment loans, either through the *Small Loan Regulatory Law* or *The Mississippi Consumer Alternative Installment Loan Act.*

7 For an excellent set of papers on the Uniform Small Loan Law and its implementation, see the conference proceedings on "Combating the Loan Shark," 1941.

Mississippi Code § 75-17-21 (2013) sets the maximum allowable finance charges by licensees operating under the *Small Loan Regulatory Law*. Mississippi law, like that of many states that impose an interest rate cap, imposes a set of allowable interest rates that change with the amount borrowed. The higher the amount borrowed, the lower the allowable interest rate.

The *Small Loan Regulatory Law* reads: "For an unpaid balance up to $1,000, the maximum annual rate is 36 percent (3 percent per month). For amounts over $1,000 up to $2,500 the maximum rate is 33 percent; for amounts over $2,500 to $5,000 the maximum rate is 24 percent, and; for amounts over $5,000 the maximum allowable annual rate is 14 percent." The resulting interest rate on a $4,000 loan is about 30 percent.

Example 6. Molly borrows $1,000 from a finance company. The lender makes the loan at 36 percent, and Molly will repay the loan in twelve equal installments. Molly does not buy any ancillary products (i.e., credit insurance). Ignoring the allowable closing fee, using Equation (3), with r = .36/12 and n = 12, Molly's monthly payment is $100.46. The total interest and principal she pays is $100.46 × 12 = $1,205.52. The interest is $205.52.

The Mississippi Consumer Alternative Installment Loan Act took effect July 1, 2016. Section 3 of this Act reads: "For any consumer installment loan that a licensee makes, the licensee has the option to either lend at the rates and fees indicated under the *Small Loan Regulatory Law* (§ 75-17-21), or at the rates and charges under Section 4 of this act."

Section 4 states: "In lieu of the interest and charges in §75-17-21, on loans of Four Thousand Dollars ($4,000.00) or less, a licensee may contract and charge a monthly finance charge not to exceed an annual percentage rate, calculated according to the actuarial method, of fifty-nine percent (59%) per annum on the unpaid balance of the amount financed."

Example 7. Violet borrows $2,000 from a finance company. The lender makes the loan at 59 percent, and Violet will repay the loan in twelve equal installments. Violet does not buy any ancillary products (i.e., credit insurance). Ignoring the allowable closing fee, using Equation (3), with r = .59/12 and n = 12, Violet's monthly payment is $224.59. The total interest and principal she pays is $224.59 × 12 = $2,695.08. The interest is $695.08.

Payday Installment Loans and Their Regulation in Mississippi

Under the *Mississippi Credit Availability Act*, payday lenders have a way to make "payday installment loans." Under Section 4(a) of this Act, borrowers can pay back loans up to $500 in four to six fully amortizing installments. For loans up over $500, but no more than $2,500, Section 4(b) states that borrowers can pay back these loans in six to twelve fully amortizing installments. For all loans up to $2,500 under the *Mississippi Credit Availability Act*: "A licensee may charge and collect a monthly handling fee for services, expenses, and costs not to exceed twenty-five percent (25%) of the outstanding principal balance of any credit availability account per month." In addition, Section 2(a) and Section 2(b) state: "The handling fee shall not be deemed interest for any purpose of law." In addition, Section 2(c) also states "...a licensee may also charge and collect an origination fee in the amount of one percent (1%) of the amount disbursed to the account holder or Five Dollars ($5.00), whichever is greater..."

Example 8. Salley borrows $500 from a payday installment lender. The monthly fee is 25 percent per month (equivalent to a 300 percent APR), there is a one percent per $100 origination fee, and Salley will repay the loan in four equal installments. Using Equation (3), with Principal = $505 ($500 plus $5 origination fee), r = 3.00/12 and n = 4, Salley's monthly payment is $213.84. The total interest and principal she pays is $213.84 × 4 = $855.36. The interest is $350.36.

Vehicle Title Installment Loans and Their Regulation in Mississippi

Many consumers are familiar with making a monthly payment to finance the purchase of a vehicle. It is important, however, to distinguish sales financing of a vehicle from a Vehicle Title Installment loan. Sales financing occurs at much lower interest rates, covers a bigger percentage of the vehicle's value, and is longer-term compared to a Vehicle Title Installment loan. In addition, dealers underwrite sales financing contracts by gathering income and expense data from the applicant and reviewing the applicant's credit report. Failure to perform on a sales finance contract lowers the credit score, and timely repayment improves the credit score.

The attributes above do not describe a Vehicle Title Installment loan. The *Mississippi Credit Availability Act* governs these loans. The maximum amount borrowed is $2,500, the allowable monthly fee is 25%, and a loan amount of the maximum amount is paid back over six to twelve months. Generally, these loans are not strenuously underwritten (the vehicle title alone secures the loan). Moreover, performance on these loans does not influence credit scores.

Example 9. Betty borrows $2,500 from a vehicle title installment lender. The monthly fee is 25 percent per month (equivalent to a 300 percent APR), there is a one percent per $100 origination fee, and Betty will repay the loan in six equal installments. Using Equation (3), with Principal = $2,525 ($2,500 plus $25 origination fee), with r = 3.00/12 and n = 6, Betty's monthly payment is $855.52. The total interest and principal she pays is $855.52 × 6 = $5,133.12. The interest is $2,608.12.

The Economics of Interest Rate Caps

Economic theory predicts that an interest rate cap set above the market-clearing interest rate does not restrain borrowing and lending. A binding interest rate cap is one that lies below the market-clearing interest rate. Economic theory also predicts that a binding interest rate cap will interfere with a credit market in three ways: 1) create shortages; 2) destroy gains from trade; 3) give rise to additional search costs.

A binding rate cap creates shortages because, at the rate cap, the amount of money sought by borrowers exceeds the amount of money lenders are willing to provide. Because a binding rate cap does not allow for a free market outcome, borrowers and lenders alike are worse off. There are some borrowers who would be better off getting a loan at a higher rate, as opposed to being shut out of the loan market at the cap rate. Lenders are also better off without a cap because they can profitably lend more money. A binding rate cap forces borrowers to seek out ways to obtain credit in other loan markets, or in other ways. When borrowers search out other ways to obtain credit, they expend time, effort, and money.

Interest Rate Caps Remain, Despite Their Predictably Detrimental Effects

Long before the creation of the model legislation known as the Uniform Small Loan Law of 1916, state legislatures were heavily involved in regulating the small loan market. State legislatures are still heavily involved in passing laws governing small dollar installment loan markets. As of 2016, seventeen states (and the District of Columbia) had *lower* rate caps than they did in 1935, and five states had the same rate cap as they did in 1935.[8]

Advocates of interest rate caps offer many arguments for the "need" for interest rate caps in small-dollar loan markets. One can collectively view these arguments simply as "being in the best interest of con-

8 See Foster (1941); Black and Miller (2016).

sumers." Black and Miller (2016) review the rate cap literature and find four themes that interest rate cap proponents use to support interest rate caps. These themes are: 1) Borrowers are naïve, and simply do not understand the loan terms; 2) Groups thought, by advocates, to be most vulnerable to exploitation by lenders—namely minorities, women, and the poor—need protection from "predatory" lenders; 3) Even if consumers are willing to borrow at high interest rates, society should protect these consumers from themselves because they are making themselves worse off, and; 4) Lenders, especially small dollar lenders, make abnormally high profits from lending at high interest rates because they have considerable market power. Black and Miller (2016) show that rigorous academic research rejects these four themes.

What happens to consumers when legislatures impose binding interest rate caps? Academic research provides strong evidence that imposing interest rate caps harms the very people that the cap is designed to protect. The strongest evidence is that rate caps weigh heaviest on consumers for whom credit is least available, i.e., poor people and/or those consumers who are sub-prime borrowers. Researchers find that imposing interest rate caps hurts financially challenged households by reducing the amount of credit given to high risk borrowers, i.e., the poor.[9]

The Effects on Consumer Welfare from Tightening Restrictions on Payday Lenders

Almost surely, some state legislatures will tighten payday lending laws with future laws. The Bureau of Consumer Financial Protection (CFPB) has drafted a proposed rule that, if enacted, will change the payday lending market drastically, perhaps resulting in a de facto ban on current practices of payday lenders. Some academic studies, however, find that banning payday lending likely reduces consumer welfare.

For example, Morgan and Strain (2008) examine the impact on consumers when legislation in Georgia (2004) and North Carolina (2005) closed payday lending operations in these two states. In general, Morgan and Strain (2008) find that after the ban, Georgia households bounced more checks, had more complaints about debt collectors, and were more likely to file for bankruptcy under Chapter 7. Rather than finding that Georgia and North Carolina households had fewer financial difficulties after banning payday lending, Morgan and Strain (2008) find that residents of these states had more financial difficulties.

What happens to consumer access to credit when a state lowers an interest rate cap on payday lenders? Oregon instituted an APR cap of 150 percent in 2007. Zinman (2010) estimates loan production costs result in a break-even APR rate of 390 percent for payday lenders. Not surprisingly, after Oregon imposed the interest rate cap, the number of payday lenders in Oregon dropped from 346 to 82 by September 2008. Zinman (2010) also finds that this reduction in the supply of credit for payday borrowers worsened their financial condition. In addition, borrowers who would have been payday customers shifted into what Zinman (2010) refers to as "plausibly inferior substitutes," such as pawnbrokers and internet lenders.[10]

Despite the intention to enhance consumer welfare, these studies show that banning payday lending or lowering interest rate caps on payday loans can harm consumers. In addition, Morse (2011) documents a causal relation between welfare and access to payday loan credit and concludes that payday lending is welfare enhancing and that "a move to ban payday lending is ill advised." Unfortunately, as of 2015, Black and Miller (2016) document that 13 states and the District of Columbia ban the payday lending product, and four more impose interest rate caps that result in a *de facto* ban on payday lending.

9 See the research studies by Bowsher (1974), Benmelech and Moskowitz (2010), and Rigbi (2013).

10 For borrowers who prefer pawn loans and internet loans, payday loans are the inferior substitute.

The Effects on Consumer Welfare from Interest Rate Caps on Traditional Installment Loans

Although traditional installment loans from finance companies have existed for a century, there is little academic research on this market. Recently, however, two studies show that differences in interest rate cap levels create differences in installment loan markets.

Durkin, Elliehausen, Hwang (2017) compare the small-dollar loan markets in Texas and Pennsylvania—with a lower allowable rate than Texas. They find a lower number of loans in Pennsylvania. In addition, they find that the size of the loans in Pennsylvania are larger than those made in Texas. Higher allowable rates in Texas mean that smaller loan sizes are profitable in Texas, but not in Pennsylvania. Durkin, Elliehausen, and Hwang (2017) also find empirical evidence consistent with Juster and Shay's (1964) theory of credit rationing. This theory predicts that borrowers who use small-dollar installment loans, are "rationed borrowers," that is, these borrowers are unable to borrow all they need at low rates from banks.

Arkansas has a 17 percent constitutionally imposed interest rate cap. There are no installment lenders who operate within the state of Arkansas, but there are installment lenders who operate in all six states that border Arkansas. Lukongo and Miller (2017) find that Arkansas residents obtain installment loans from lenders in these six other states. They also find that Arkansas residents living in perimeter counties hold 96.8 percent of these loans—an indication of a small-dollar installment loan "credit desert" in the interior counties of Arkansas.

The Effects of Interest Rate Caps on Subprime Borrowers

In a free market, the interest rate attached to a loan reflects the risk of the borrower. The greater the chance that the borrower will default, the higher the interest rate charged to the borrower. In a free market, lower risk borrowers pay lower interest rates, and higher risk borrowers pay higher interest rates. In a free market, all borrowers get credit. Prime borrowers will borrow from lenders who specialize in lending to prime borrowers. Sub-prime borrowers will borrow from lenders who specialize in lending to sub-prime borrowers.

When an interest rate cap is imposed, borrowers who are judged by a free market to have to pay a rate higher than the cap will not receive credit. Lenders will not extend credit because they are not compensated for the risk that these borrowers represent. The rate cap does not affect prime borrowers—their risk level lies below the interest rate cap.

What is the result? A greater share of the available loan funds flows to lower risk applicants—thereby increasing the volume of credit flowing to relatively wealthier borrowers. Relatively poorer borrowers and sub-prime borrowers, therefore, have a reduced access to credit.

Because rate caps make some small dollar installment loan sizes unprofitable, rate caps limit the supply of credit to small dollar borrowers. When the Uniform Small Loan Law of 1916 was written, lenders could profitably make installment loans under $100 at the interest rates suggested by this model law, i.e., an APR of 36 to 42 percent. The Uniform Small Loan Law of 1916 states that a rate established by legislators "should be reconsidered after a reasonable period of experience with it." Clearly, 100-plus years exceeds "a reasonable period." Nevertheless, Black and Miller (2016) show that 38 states had interest rate caps less than or equal to 36 percent APR, as of 2015.[11]

11 Source: Black and Miller (2016).

How to Create a Loan Desert With An Interest Rate Cap

These outdated interest rate caps create legal loan deserts in the small-dollar loan landscape. There is demand, but no supply. For example, in Table 1, the first column contains the revenue and cost numbers when an installment lender could profitably make a $100 loan, i.e., earn ten percent on equity ($2.00 of Net Income divided by $20 of Equity). So, the first column shows the market conditions in 1916. Since 1916, loan production costs increase because wages, benefits, rent, taxes, and other costs increase.

The second column in Table 1 represents a case where costs have doubled. In this case, to have $2.00 of Net Income which yields 10 percent on Equity, the loan size must increase to $190.25. The third column represents a case where loan production costs are ten times the base cost case. In this case, to earn ten percent on Equity, the loan size must be $912.19.

To provide some sense of a timeline, the Consumer Price Index (CPI) was 10.9 in 1916. The CPI was approximately twice as high, 22.3, in 1947 and about ten times higher, 103.9, in 1986. The CPI in 2016 was 240.0, more than twenty times the level in 1916.[12] In Figure 18.1, as loan production costs increase, so does the size of the loan needed to be profitable—defined as a ten percent ROE.

Over time, what happens to consumers who want to borrow $300? In the first two column of Figure 18.1 (i.e., representative of 1916 and 1947), these consumers can borrow $300, because lenders can make these loans profitably. If production costs in 1986 are approximated by the third column in Figure 18.1, then consumers cannot borrow only $300. At the 36% interest rate cap, the break-even loan size is over $900. Borrowers who want to borrow only $300 cannot obtain a traditional installment loan. If their financial situation does not allow them to repay a $900 loan, these consumers must find another source of credit. The persistence of the 36% rate cap in the face of ever-increasing loan production costs, creates a loan desert below the breakeven loan amount.

Focus on column three of Figure 18.1. A monthly payment of $91.64 means that the total interest received on a loan of $912.19 is $187.50. To make a $300 loan profitable, it must also generate interest of $187.50. At an interest rate cap of 36%, however, it generates only $61.68 of interest from monthly payments of $30.14. To generate $187.50 of interest, the monthly payment must increase by $10.49 to $40.63. In this case, the APR must increase from 36% to about 100%. Given the price levels of 2016, the APR would have to be even higher.

Figure 18.1: At a 36% APR, Loan Size Increases as Costs Increase

Item	Base Costs	Double Base Costs	Ten Times Base Costs
Amount Lent	$100.00	$190.25	$912.19
Monthly Payment	$10.05	$19.11	$91.64
Total of Payments	$120.55	$229.35	$1,099.69
Interest Received	$20.55	$39.10	$187.50
All Costs	$18.55	$37.10	$185.50
Net Income	$2.00	$2.00	$2.00
Equity	$20.00	$20.00	$20.00
Return on Equity	10.0%	10.0%	10.0%

12 Source: Minneapolis Federal Reserve. www.minneapolisfed.org/community/teaching-aids/cpi-calculator-information/consumer-price-index-and-inflation-rates-1913.

The National Commission on Consumer Finance (1972) contains a detailed study of breakeven interest rates when the loan amount does not change. Durkin, Elliehausen, and Hwang (2017) provide supporting evidence on the National Commission's (1972) findings that the production cost of making small-dollar installment loans, as well as their risk, means that suppliers of smaller dollar loans need a relatively higher interest rate to supply these loans. If there is no rate cap, then the market will determine which interest rates are profitable for a given loan size.

Conclusion

Unfettered access to credit is an economic freedom that fuels prosperity. The best way to foster economic growth and prosperity in Mississippi is to create laws where honest businesses thrive, and dishonest business perish. Setting good rules governing how legitimate businesses provide access to consumer credit is important for everyone living in Mississippi. Consumers know their cash inflow and cash outflows. If Mississippians have unfettered access to consumer credit, they can choose when and how to fix an imbalance between income and expenses.

The Overview of the Report of the National Commission on Consumer Finance (1972) contains a statement that is still relevant 45 years later: "Underlying the Commission's belief that competition is the best regulator of the consumer credit marketplace is its belief that a competitive system cannot be 'half-free.' If there is to be competition, then it follows that such competition should also be the governor of *rates* as well as other aspects of credit granting (amount, type, and so forth). It would be inconsistent to turn to the industry and attempt to regulate and eliminate practices which affect operating costs but at the same time limit the rate by fiat so that it cannot seek its own level. And yet this is precisely what legislators have done."

Mississippi consumers have access to as many small-dollar loan products as residents in any other state. Unlike some other states, Mississippi imposes rate caps (and other restrictions) on all small-dollar loan products available to Mississippi consumers. For lump sum loans, these caps are found under: *The Pawn Shop Act § 75-67-313* (Pawn Loans), MS Code § 75-67-413 (Vehicle Title Loans), and the *Mississippi Check Cashers Act* (Payday Loans). For installment loans, these caps are found under: *Mississippi Code § 75-17-21, The Small Loan Regulatory Law* or, recently, *The Mississippi Consumer Alternative Installment Loan Act* (Traditional installment loans from finance companies) and *The Mississippi Credit Availability Act* (for installment loans from payday and vehicle title lenders).

Economic theory predicts that free markets are the best regulator of prices—including interest rates. Nevertheless, the Mississippi state legislature fetters small-dollar credit markets with interest rate caps. They are not alone. Many state legislatures impose laws that impede prices in credit markets from seeking their market-clearing levels.

The recently enacted *Mississippi Consumer Alternative Installment Loan Act* nearly doubles the allowable interest rate on loans up to $4,000. This law is a move toward letting the free market determine the interest rate on any possible loan size. There is no economic reason to limit the loan size to $4,000. Given the predictions of economic theory and the findings by researchers, the Mississippi state legislature can greatly help Mississippi consumers by eliminating, or greatly raising, interest rate caps on all small-dollar loan markets.

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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 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.

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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