Promoting Prosperity in Mississippi

EDITED BY
Brandon N. Cline
Russell S. Sobel
Claudia R. Williamson

Promoting Prosperity in Mississippi

EDITORS:

Brandon N. Cline
Mississippi State University

Russell S. Sobel
The Citadel

Claudia R. Williamson
Mississippi State University

Published by the
Institute for Market Studies at Mississippi State University

MISSISSIPPI STATE UNIVERSITY™
INSTITUTE FOR MARKET STUDIES

admin@ims.edu
www.ims.msstate.edu

Published by the
Institute for Market Studies at Mississippi State University

MISSISSIPPI STATE UNIVERSITY™
INSTITUTE FOR MARKET STUDIES

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.

Institute for Market Studies, Mississippi State, MS
admin@ims.edu • www.ims.msstate.edu

Book design by Finney Creative, Inc. © 2018

Printed in the United States of America

ISBN 978-1-7320353-0-0

Promoting Prosperity in Mississippi

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

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!

Brandon N. Cline, Ph.D.
Associate Professor of Finance
Mississippi State University

Russell S. Sobel, Ph.D.
Professor of Economics and Entrepreneurship
The Citadel

Claudia R. Williamson, Ph.D.
Associate Professor of Economics
Mississippi State University

5

Make Business Taxes More Competitive

Brandon N. Cline and Claudia R. Williamson

5

Make Business Taxes More Competitive

Brandon N. Cline and Claudia R. Williamson

State and local taxes represent a significant cost for corporations. Location and employment decisions for companies are influenced by the relative tax burdens across states.[1] To become more competitive, Mississippi recently passed the Taxpayer Pay Raise Act of 2016. This bill has several positive tax changes to Mississippi's tax law, most notably the phasing out of the corporate franchise tax.[2] This tax phase out is expected to increase business expansion and attract new companies to the Magnolia State.

Although this is a move in the right direction, Mississippi's tax system needs additional improvements in order to attract new companies and incentivize in-state business expansion. Recall from Chapter 4, the most pro-growth tax systems are characterized by broad-based, low-rate taxes. Unfortunately, Mississippi's tax system fosters an inequitable allocation of the tax burden by varying tax rates across industries, using industry-specific taxes, and providing tax credits to certain companies, an issue more thoroughly explored in Chapter 6. In this chapter, we outline Mississippi's business tax burden and explore several tax reforms that can make Mississippi's tax law more attractive for business growth.

Specifically, in order to promote prosperity, Mississippi should consider 1) reducing business tax rates and apply them equally to all firms, 2) reducing business property tax rates, 3) eliminating the inventory tax and the intangible property tax, and 4) eliminating business tax credits.

1 See, Helms (1985), Gupta and Hoffman (2003), Bartik (1985), and Papke and Papke (1986).

2 This bill will reduce the income tax rate for corporate and individual taxpayers. By 2022, no tax will be levied on the first $5,000 of taxable income, the tax rate on income between $5,000 and $10,000 will be 4 percent, and the tax rate on income over $10,000 will be 5 percent. This bill also creates a deduction for self-employed individuals, equal to 17 percent of the federal self-employment taxes in the 2017 tax year, increasing to 34 percent in the 2018 tax year, and 50 percent for tax years beginning after 2018. Source: https://www.grantthornton.com/~/media/content-page-files/tax/pdfs/SALT-alerts-states-M-W/MS/2016/MS-franchise-phaseout-05-17-16.ashx.

Business Tax Burden

Tax competition is an unpleasant reality for state revenue and budget officials, but it provides an effective restraint on state and local taxes. When a state imposes higher taxes than its neighboring states, businesses will cross borders.

Figure 5.1 illustrates that the fiscal constraints placed on businesses operating in Mississippi may be an important factor explaining why Mississippi is unsuccessful at generating business growth. In the first column of Figure 5.1, we report the total effective business tax rate as a percent of private-sector Gross State Product (GSP). Private-sector GSP captures all goods and services created in Mississippi by businesses. This measure reflects the tax burden on companies operating in the private sector, the sector that drives entrepreneurship, job growth, and economic opportunity. Mississippi's effective business tax rate is 6.5%, over 2 percentage points higher than any surrounding state, and 1.9 percentage points higher than the national average. This represents more than a 40% tax burden placed on firms in Mississippi.

The second column paints a similar picture. These statistics show that it costs Mississippi business owners, on average, $6,500 per employee to cover state and local taxes. This is $1,800 more per employee compared to a business in Arkansas or Tennessee and $1,500 more per employee than the average U.S. firm. Mississippi tax laws make it costly to hire additional workers, partially explaining lack of job creation in the state.

The last three columns highlight that Mississippi relies more on business tax revenue at both the state and local levels relative to its neighboring states and the average U.S. state. For example, local businesses in Mississippi contribute over 77% of the local tax revenue. This is 50% higher than the national average and neighboring states. Combined, over 52% of total tax revenue in Mississippi is generated from businesses, which is more than most states in the region. For example, business taxes represent 40% of total tax revenue in Arkansas. On average, business bears 45% of the tax burden across the country.

Figure 5.1: Business Tax Burden, 2014

	Business Tax Burden		**Business Share of Total Taxes**		
	Total Effective Business Tax Rate (% of private sector GSP)	**Business taxes ($ per employee)**	**Business taxes (% state taxes)**	**Business taxes (% local taxes)**	**Business taxes (% total state and local taxes)**
Alabama	4.40%	$4,800	42.40%	56.10%	47.30%
Arkansas	4.30%	$4,700	38.70%	46.20%	40.00%
Louisiana	4.00%	$5,500	43.20%	58.00%	49.80%
Mississippi	***6.50%***	***$6,500***	***43.20%***	***77.30%***	***52.50%***
Tennessee	4.20%	$4,700	54.10%	51.20%	52.90%
United States	4.60%	$6,000	40.50%	51.70%	45.00%

Source: Ernst & Young (2015): http://www.ey.com/Publication/vwLUAssets/EY-total-state-and-local-business-taxes-october-2015/$FILE/EY-total-state-and-local-business-taxes-october-2015.pdf.

Mississippi places a much higher tax burden on its businesses, particularly at the local level, discouraging entrepreneurship and small business development. As a result, business minded individuals may never open that new coffee shop, clothing boutique, or hair salon. This results in less job employment in the state and a lack of response to the products and services demanded by Mississippians. These unseen costs, the businesses not opened and the jobs left un-created, are more examples of the indirect costs of taxation discussed in Chapter 4.

State Business Tax Rankings

The Tax Foundation's State Business Tax Climate Index provides an indicator of which states' tax systems are the most hospitable to business and economic growth. States with more competitive tax systems score well in the Index, because they are best suited to generate economic growth.

According to the Tax Foundation's 2017 State Business Tax Climate Index, Mississippi ranks 28th nationally in terms of its overall tax system.[3] This is down 7 spots since 2014. This aggregate ranking indicates that Mississippi is doing well by limiting tax burdens in some aspects, but there is still room for improvement.[4] In fact, there are 27 other states that should be more attractive to a company's location decision. The overall ranking, however, masks significant differences across the diverse types of taxes businesses pay.

As shown in Figure 5.2, Mississippi's overall ranking places it above all neighboring states except Tennessee, which ranks 13th. Tennessee's relatively low tax burden is driven, in part, by its low individual income tax ranking. Alabama comes in at 32nd, mainly due the fact that it ranks 48th for sales tax (which averages over 9% once local sales tax is included). Alabama scores much more favorably than Mississippi on property tax burden. Arkansas also ranks better than Mississippi on property tax, but worse on all other tax measures. Louisiana has the lowest overall rank at 41st, and is last in sales tax (almost 10%, on average, when including local sales tax).[5]

Figure 5.2: 2017 State Business Tax Climate Index

	Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Unemployment Insurance Tax Rank	Property Tax Rank
Alabama	32	14	22	48	14	16
Arkansas	38	40	29	44	30	24
Louisiana	41	36	27	50	9	30
Mississippi	***28***	***12***	***20***	***38***	***5***	***35***
Tennessee	13	22	8	46	23	29

Source: 2017 State Business Tax Climate Index: https://taxfoundation.org/2017-state-business-tax-climate-index.

Mississippi ranks higher than its neighbors in the corporate tax category, 12th nationally. This raises an interesting question: if corporate tax rates matter for economic growth, capital accumulation, and entrepreneurship[6], why does Mississippi's economy continue to lag behind nationally and relative to surrounding states? Corporate income tax rates, while important, are only part of the corporate tax burden. Mississippi manages to tax businesses in other ways, discouraging business expansion and deterring new business from locating in the Magnolia State.

3 A rank of 1 is best, 50 is worst. The index shows tax systems as of July 1, 2016 (the beginning of Fiscal Year 2017). Thus, Mississippi's ranking does not reflect the phase out of its capital stock/franchise tax, or the reduction of corporate and individual income tax rates, which start in 2018. These changes will be reflected in subsequent editions of the Index. Mississippi's property tax rank should improve once this is incorporated. For example, a company like C Spire, valued at around $600 million, would have to pay an estimated $1.5 million just for the "privilege" of doing business in Mississippi every year.

4 Mississippi does not conform to federal definitions of corporate income or individual income, decreasing its scores in these categories. Mississippi also does not index to inflation, so companies can increase to higher brackets without increasing real income.

5 Source: https://taxfoundation.org/state-and-local-sales-tax-rates-in-2017/.

6 See, Lee and Gordon (2005).

In addition to the basic corporate tax rate, sales and property taxes are significant components of the overall business tax burden. Businesses may pay sales tax on their inputs, for example. Property taxes can be levied on the value of a business's land, office building, machinery, equipment, fixtures, and inventories. Sales and property taxes are Mississippi's two worst categories.

Mississippi ranks 38th in sales tax burden and 35th for property tax burdens. Mark, McGuire, and Papke (2000) show that property taxes and sales taxes have significant negative effects on employment growth. Bartik (1989) further illustrates that high sales taxes, especially sales taxes levied on equipment, have a negative effect on small business start-ups. Unfortunately, Mississippi taxes many business inputs, disguising the tax and creating economic distortions. This highlights one particular aspect of the corporate tax code where Mississippi can make significant improvements. To boost business development and job growth, Mississippi should consider reducing property taxes, cutting sales taxes, and taxing only final goods.

A manufacturing firm, Nissan for example, pays property taxes on the value of the plant including machinery and equipment.

What are Businesses Paying?

It's becoming clear that Mississippi heavily taxes its businesses. To further explore Mississippi's business tax burden, Figure 5.3 breaks down the share of state and local business taxes into seven categories: property, sales, excise (including public utilities and insurance), corporate income, unemployment insurance, pass-through income, and license and other taxes.

Figure 5.3: Share of State and Local Business Taxes, 2014

	Property	Sales	Excise[1]	Corporate income	Unemployment insurance	Pass-through income	License and other taxes
Alabama	27.20%	21.60%	22.80%	5.70%	5.80%	5.40%	11.50%
Arkansas	24.60%	33.70%	10.60%	8.80%	8.10%	5.80%	8.40%
Louisiana	30.70%	30.80%	10.90%	5.40%	2.80%	4.10%	15.20%
Mississippi	***37.10%***	***23.30%***	***13.50%***	***9.30%***	***4.00%***	***3.80%***	***9.10%***
Tennessee	27.50%	30.10%	13.70%	10.70%	5.20%	0.40%	12.40%
U.S. Average	*36.40%*	*20.70%*	*12.20%*	*9.40%*	*7.10%*	*4.90%*	*9.30%*

Notes: [1] Includes public utilities and insurance.

Source: Ernst & Young (2015): http://www.ey.com/Publication/vwLUAssets/EY-total-state-and-local-business-taxes-october-2015/$FILE/EY-total-state-and-local-business-taxes-october-2015.pdf

Mississippi collects over 37% of its business tax revenue from taxing property, making it the category with the largest portion of the tax burden. This is higher than the national average and the highest business property tax burden in the region. This is 12.5 percentage points higher than Arkansas, which means firms in Mississippi pay 50% more in business property taxes compared to firms operating in Arkansas. Mississippi is also 10 points higher than both Alabama and Tennessee and 7 points more than Louisiana.

Sales and excise tax burdens are higher than the national average, but the corporate income tax burden and license and other taxes are slightly lower than the national average. Corporate income, however, has a larger tax share in Mississippi than all neighboring states with the exception of Tennessee. This partially highlights that tax rates can be deceiving as the tax burden can still be high even if the frequently quoted corporate income tax rate appears low.

Business Property Taxes

In order to boost employment and economic growth, Mississippi policymakers should consider reducing business property taxes. But which ones? To help identify business property tax burdens, the Lincoln Institute of Land Policy and Minnesota Center for Fiscal Excellence published a report, *50-State Property Tax Comparison Study*, detailing business property tax burdens. A higher rank represents a higher tax burden.

Based on this study, Figure 5.4 separates business property taxes into commercial property, industrial property, and apartment buildings. Each category specifies the tax rank across all 50 states (higher rank indicates a lower burden), tax rate, and an approximate tax bill.

Figure 5.4: Business Property Taxes, 2015

	Commercial Property			Industrial Property			Apartment Property		
	Tax Rate	Tax Rank	Tax Bill	Tax Rate	Tax Rank	Tax Bill	Tax Rate	Tax Rank	Tax Bill
Alabama	1.45	13	$ 17,400	1.16	12	$ 23,200	1.45	21	$ 9,135
Arkansas	1.436	12	$ 17,231	1.422	24	$ 28,447	1.441	20	$ 9,077
Louisiana	2.106	26	$ 25,274	2.156	41	$ 43,114	1.528	22	$ 9,625
Mississippi	***2.685***	***36***	***$ 32,225***	***2.685***	***48***	***$ 53,709***	***2.685***	***39***	***$ 16,918***
Tennessee	2.838	40	$ 34,061	2.635	47	$ 52,709	2.911	42	$ 18,338
U.S. Average	*2.113*		*$ 25,357*	*1.569*		*$ 31,375*	*1.907*		*$ 12,016*

Notes: Calculated using largest city in each state. To approximate tax bill for commercial and industrial property, land and buildings are valued at $1 million. For apartment property tax bill, the apartment is valued at $600,000.

Source: *50-State Property Tax Comparison Study, June 2016*, http://www.lincolninst.edu/sites/default/files/pubfiles/50-state-property-tax-study-2016-full.pdf.

Mississippi taxes all three categories of business property at a rate that exceeds the national average. Only 14 states tax commercial property, office buildings and hotels, for example, higher than Mississippi, one of which is Tennessee. However, Alabama and Arkansas tax commercial property at much lower rates. For example, Hilton operating a Hampton Inn located in Mississippi with an estimated value of $2 million will pay about $64,450 in property taxes. The same $2 million Hampton Inn located in Alabama will cost Hilton only $34,500 in property taxes. Businesses pay almost double the amount of taxes on commercial property than businesses in Alabama or Arkansas pay.

The story is even grimmer for industrial property taxes, which are levied on manufacturing properties such as machinery and equipment, inventories, and fixtures. Only two states, South Carolina and Michigan, tax industrial property at higher rates than Mississippi. All surrounding states tax manufacturing operations at lower rates, with Alabama and Arkansas taxing below the national average. Mississippi businesses, however, face industrial tax rates that are over 70% more than the national average.

To further illustrate, let's look at a car manufacturing plant located in Alabama, Honda for example. Honda paid a total of $112 million in taxes in 2014[7]; however, if this same car plant were located in Mississippi, its tax bill would increase by over 130%! That means Honda would pay $145.6 million *more* in taxes if it were located in Mississippi. It is no wonder that Honda decided to build their plant in Alabama.

The last three columns highlight Mississippi's tax burden on apartment building owners. Mississippi once again taxes property at a rate higher than the national average (12th highest in the country) and higher than three of four of its neighboring states. For an apartment building valued at $600,000, a Mississippi

7 See, https://www.bcatoday.org/hondas-alabama-assembly-plant-contributes-nearly-7-billion-to-states-economy/.

owner pays almost $17,000 in taxes versus an apartment owner in Arkansas who pays around $9,000. Mississippi has several college towns with lots of apartment rentals. These owners pay a substantially higher rate by owning an apartment building in Oxford, MS, for example, versus, Tuscaloosa, AL. In fact, they will pay 85% more in taxes than Alabama apartment owners will. On average, this tax is passed to lower income families and college students.

What drives Mississippi's high business property taxes? Mississippi taxes land, buildings, equipment, and inventory at higher rates than all surrounding states, and is in the minority of states taxing both intangible property and inventory.[8] In fact, Mississippi is only 1 of 10 states that taxes business inventory. Inventory taxes are highly distortionary, because they force companies to make production decisions that are not entirely based on economic demand but rather on how to pay the least amount of tax on the goods produced. Inventory taxes also create strong incentives for companies to locate inventory in states where they can avoid these harmful taxes. Alabama and Tennessee have no inventory tax. Thus, many businesses considering Mississippi may consider these states as lower cost alternatives from which to maintain their operations.

Mississippi is also only 1 of 9 states that tax intangible property, such as stocks, bonds, and other intangibles like trademarks.[9] This tax can be highly detrimental to businesses that hold large amounts of their own or other companies' stock. Perhaps even more detrimental is the fact that trademark value tends to correlate with larger companies employing more people. Taxes on trademark value deters these large firms from locating in Mississippi. As a result, the state may be missing out on significant employment opportunities.

Since property taxes can place a large burden on business, they can have a significant effect on location decisions. Bartik (1989) provides strong evidence that property taxes have a negative impact on business start-ups. Because property taxes are paid regardless of profit, they have the strongest negative effect on the establishment of small businesses since many new businesses are not profitable in their first few years. Bartik estimated that a 10% cut in business property tax rates would increase business activity by 1 to 5%. He further estimated that a 10% decrease would increase the number of new plants opening by 1 to 2%. Mark, McGuire, and Papke (2000) estimate that a tax decrease on business property of one percentage point increases annual employment growth by 2.44 percentage points.

What do these estimates imply for Mississippi property tax rates and business development? Using the numbers in Figure 5.4, if Mississippi were to lower its commercial and industrial property taxes to the national averages, a 20% reduction in commercial property tax and a 40% reduction for industrial property, Mississippi's business activity can be expected to increase by 4 to 20%, new plant establishments can grow between 2 to 8%, and annual employment growth can increase by 1.22 to 2.44 percentage points per year!

Collectively, this tells us that high property tax based systems like Mississippi's will deter new start-ups, decrease employment, and lower overall business activity. States that keep statewide property taxes low better position themselves to attract business investment. Localities competing for business can put themselves at a greater competitive advantage by keeping personal property taxes low. Mississippi should consider reducing property taxes in order to boost business and job growth.

8 Tax Foundation's *Location Matters 2015*.

9 Alabama, Louisiana, and Tennessee tax intangible property as well.

Location, Location, Location

So far, we've illustrated figures representing different aspects of business tax rates and tax burdens. By most comparisons, Mississippi does not fare well. However, these figures do not tell business owners what they really want to know before choosing where to locate: how much will our company pay in taxes?

The shortcomings of comparing business tax revenue as a percent of total taxes or business tax rates are that many business taxes are collected in one state but paid by companies in other states. Thus, tax collections do not accurately portray the relative tax burden that real-world businesses incur in each state. In addition, different types of businesses receive tax incentives, such as new job tax credits, new investment tax credits, sales tax exemptions, and property tax abatements. All businesses, however, do not enjoy such incentives. As a result, tax burdens not only vary across states, but also across industries and age of the firm, with older firms facing increased tax rates.

The Tax Foundation published a study, *Location Matters 2015*, to directly tackle these issues. They use seven model firms–a corporate headquarters, a research and development facility, an independent retail store, a capital-intensive manufacturer, a labor-intensive manufacturer, a call center, and a distribution center–and calculated each firm's tax bill in each state. This study accounts for all business taxes: corporate income taxes, property taxes, sales taxes, unemployment insurance taxes, capital stock taxes, inventory taxes, and gross receipts taxes. Additionally, tax rates for 2014 are calculated for a new firm eligible for tax incentives and for a mature firm not eligible for such incentives. In this report, a lower rank represents a lower tax burden.

Figure 5.5 reports the tax cost of doing business in each of the seven industries for mature and new firms for Mississippi and for its neighboring states. Despite its modest corporate income tax rate, Mississippi imposes extremely high tax costs on most businesses, particularly capital and labor-intensive manufacturing operations.

In fact, mature, capital intensive manufacturing faces the second highest tax rate in the country, ranking 49th with an effective tax rate of 17.8 percent! This is 7 percentage points higher, over 68% more, than the national average. Alabama and Arkansas' capital-intensive tax rates are much lower than

Figure 5.5: Tax Costs of Doing Business, 2014

	Capital-Intensive Manufact.			Labor-Intensive Manufact.			Corporate Headquarters			R&D Headquarters		
	Rank	Mature Firm	New Firm	Rank	Mature Firm	New Firm	Rank	Mature Firm	New Firm	Rank	Mature Firm	New Firm
Alabama	19	9.30%	7.10%	24	8.50%	6.70%	20	13.00%	13.30%	44	14.50%	15.80%
Arkansas	44	16.20%	8.60%	39	12.50%	7.30%	24	13.60%	8.90%	39	14.10%	8.10%
Louisiana	16	8.50%	0.10%	9	6.30%	-1.90%	27	13.70%	5.20%	3	1.80%	-10.30%
Mississippi	***49***	***17.80%***	***13.80%***	***35***	***11.20%***	***8.80%***	***29***	***14.10%***	***11.30%***	***28***	***12.40%***	***8.90%***
Tennessee	28	11.10%	8.80%	30	10.20%	11.30%	31	14.50%	17.80%	40	14.10%	16.80%
U.S. Average		*10.61%*	*9.72%*		*9.24%*	*9.08%*		*14.26%*	*14.16%*		*11.18%*	*11.20%*

	Distribution Center			Retail Store			Call Center		
	Rank	Mature Firm	New Firm	Rank	Mature Firm	New Firm	Rank	Mature Firm	New Firm
Alabama	3	16.40%	22.30%	8	13.00%	29.00%	7	13.50%	17.20%
Arkansas	17	22.90%	27.90%	21	15.10%	32.20%	30	20.30%	10.90%
Louisiana	34	31.60%	42.40%	25	15.40%	35.40%	26	19.60%	31.20%
Mississippi	***23***	***25.60%***	***20.00%***	***21***	***15.10%***	***34.90%***	***15***	***16.40%***	***11.00%***
Tennessee	27	27.10%	27.00%	30	16.10%	33.70%	24	19.20%	25.50%
U.S. Average		*28.18%*	*34.01%*		*16.00%*	*30.88%*		*19.90%*	*22.00%*

Source: https://files.taxfoundation.org/20170112211359/TF_LocationMatters_2015.pdf

Mississippi's and are below the national average. New firms do receive tax breaks in Mississippi as their effective tax rate is reduced to 13.8%; however, this is still over 4 percentage points higher than the national average (42% increase). Louisiana almost completely eliminates taxes for new, capital-intensive manufacturing firms.

A similar pattern exists for labor-intensive manufacturing. Mississippi ranks 35th in the nation for mature firms, with a tax rate of 11.2% and 8.8% for new firms. Alabama, Louisiana, and Tennessee all tax less than Mississippi does for mature, labor-intensive manufacturing businesses.

As discussed in the previous section, Mississippi's property tax applies to inventory and equipment as well as buildings and land, thus penalizing capital-intensive businesses. Combined, business property taxes comprise 8.4% of the 17.8% tax rate in capital-intensive manufacturing for a mature firm and 7% (of 13.8%) for new firms. Alabama, by comparison, collects less than 2% from property taxes for mature and new capital-intensive firms. Most states tend to treat manufacturing more favorable, not less advantageous as Mississippi does.[10]

Mississippi comes in with about average tax costs for mature corporate headquarters, R&D headquarters, and retail stores. Mississippi is below the national average for a new corporate or R&D headquarter but above the national average for a new retail store, costing a whopping 35%. Alabama is the most retail friendly state in the region for both mature and new firms. Distribution and call centers face lower tax costs in Mississippi compared to the U.S. average, with new firms receiving substantial tax breaks. As a result, Mississippi has the lowest tax burden in the region in these two areas. Call centers represent Mississippi's best tax ranking of 15, illustrating that mature and new call centers face lower tax burdens than call centers located in surrounding states.

Neighboring state Louisiana offers the lowest overall tax burden in the country to new capital- and labor-intensive manufacturing firms, which have tax rates at or under 0.1% due to some of the most generous property tax incentives and withholding tax incentives in the nation. Louisiana also provides hefty tax incentives to new corporate (5.2%) and R&D (-10%) headquarters coming in well below the national average and surrounding states. Mature R&D firms in Louisiana enjoy an effective tax rate of only 1.8 percent, 84% below the median rate nationally.

We are not advocating that Mississippi follow in the steps of Louisiana and pursue more tax incentives. Mississippi already provide generous tax incentives, including job creation tax credits, withholding rebates, capital investment incentives, and research and development (R&D) incentives to qualifying firms. This reduces the tax burdens for many new firms but shifts the burden to established firms. As further described in Chapter 6, this tax strategy not only increases the cost of taxation significantly, it also distorts market activity.

Conclusion and Policy Suggestions

In order to attract more job creation and business development, Mississippi should simplify its tax system, implementing broad-based uniform low tax rates and reducing the administrative and enforcement costs. Recall from Chapter 4,an efficient tax system is one that relies on low rates and uniform application of taxes–the opposite of providing tax incentives for different types of firms and for new versus older operations. In order to attract businesses to locate in Mississippi and promote prosperity, all tax rates need to be reduced, not only for new firms for a specified amount of time, but for all firms in any industry.

10 Source: https://taxfoundation.org/location-matters-2015/.

A good starting point is to reduce taxes on manufacturing firms, particularly taxes on capital-intensive industries. This includes repealing property taxes on inventory, machinery, and equipment, and intangible property. This repealing or reducing of business taxes will give new businesses a reason to consider moving to Mississippi, foster entrepreneurship, and encourage expansion of existing businesses.

Policymakers often generate tax credit deals under the umbrella of job creation and economic development. If Mississippi officials need to offer such incentive packages to attract new companies, then this tells us that prior lawmakers created an unfavorable business tax climate that is deterring market activity. Tax credits only cover up a bad business climate. Economic development and job creation tax credits complicate the tax system, narrow the tax base, drive up tax rates for companies that do not qualify, distort the free market, and often fail to achieve economic growth.[11] Indeed, many existing business owners and executives have reason to object to the generous tax incentives enjoyed by some of their direct competitors, and even firms looking to relocate may have cause to be wary of the rates that will ultimately rise once economic development incentives are no longer available. A far more effective approach is the systematic improvement of the state's business tax climate for the long term.

In sum, in order to increase business growth and promote prosperity, Mississippi should 1) reduce business tax rates and apply equally to all firms, 2) reduce business property tax rates, including commercial, industrial, and apartment tax rates, 3) eliminate the inventory and intangible property tax, and 4) eliminate business tax credits.

References

Bartik, Timothy. 1985. Business Location Decisions in the United States: Estimates of the Effects of Unionization, Taxes, and Other Characteristics of States, *Journal of Business and Economics Statistics*, Vol. 3, No. 1., pp. 14-28.

Bartik, Timothy J. 1991. *Who Benefits from State and Local Economic Development Policies?* Kalamazoo, MI: W.E. Upjohn Institute for Employment Research.

Bartik, Timothy J. 1989. Small Business Start-Ups in the United States: Estimates of the Effects of Characteristics of States, *Southern Economic Journal*, pp. 1004-1018.

Ernst & Young LLP. 2015. *Total state and local business taxes State-by-state estimates for fiscal year 2014*. [electronic file]. Washington: Ernst & Young. Online: http://www.ey.com/Publication/vwLUAssets/EY-total-state-and-local-business-taxes-october-2015/$-FILE/EY-total-state-and-local-business-taxes-october-2015.pdf. (cited: July 23, 2017).

Fox, William F. & Matthew N. Murray. 2004. Do Economic Effects Justify the Use of Fiscal Incentives? *Southern Economic Journal*, Vol. 71, No. 78.

Gupta, Sanja and Mary Ann Hoffman. 2003. The Effect of State Income Tax Apportionment and Tax Incentives on New Capital Expenditures, *Journal of the American Taxation Association*, Supplement, pp. 1-25.

Helms, L. Jay. 1985. The Effect of State and Local Taxes on Economic Growth: A Time Series – Cross Section Approach, *The Review of Economics and Statistics*, Vol. 67, Issue 4, November 1985, pp. 574-582.

Lee, Young and Roger H. Gordon. 2005. Tax Structure and Economic Growth. *Journal of Public Economics* 89(5-6): 1027-1043.

Lincoln Institute of Land Policy and Minnesota Center for Fiscal Excellence. 2016. *50-State Property Tax Comparison Study*. [electronic file]. Cambridge: Lincoln Institute of Land Policy and Saint Paul: Minnesota Center for Fiscal Excellence. Online: http://www.lincolninst.edu/sites/default/files/pubfiles/50-state-property-tax-study-2016-full.pdf. (cited: July 23, 2017).

Mark, Stephen T., Therese J. Mc Quire, & Leslie E. Papke. 2000. The Influence of Taxes on Employment and Population Growth: Evidence from the Washington, D.C. Metropolitan Area, *National Tax Journal*, Vol. 53, March 2000, pp.105-123

Papke, James and Lesie Papke. 1986. Measuring Differential State-Local Tax Liabilities and Their Implications for Business Investment Location, *National Tax Journal*, Vol. 39, No. 3, pp. 357-366.

Peters, Alan & Peter Fisher. 2004. The Failure of Economic Development Incentives, *Journal of the American Planning Association*, Vol. 70, No. 27.

Tax Foundation. 2015. *Location Matters: The State Tax Costs of Doing Business* [electronic file]. Washington: Tax Foundation. Online: https://files.taxfoundation.org/20170112211359/TF_LocationMatters_2015.pdf. (cited: July 23, 2017).

Tax Foundation. 2017. *State Business Tax Climate Index*. [electronic file]. Washington: Tax Foundation. Online: https://taxfoundation.org/2017-state-business-tax-climate-index. (cited: July 23, 2017).

Tax Foundation. 2017. *State and Local Sales Tax Rates*. [electronic file]. Washington: Tax Foundation. Online: https://taxfoundation.org/state-and-local-sales-tax-rates-in-2017/. (cited: July 23, 2017).

11 See, Peters and Fisher (2004) and Fox and Murray (2004).

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.

About the Authors

Editors:

Brandon N. Cline, Ph.D., is the John "Nutie" and Edie Dowdle Associate Professor of Finance. His research focuses on insider trading, executive compensation, equity offerings, and corporate governance. His work has been published in numerous finance journals, including: *Journal of Financial Economics, Financial Management, Journal of Corporate Finance, Journal of Banking and Finance, Journal of Empirical Finance, The Journal of Financial Research, and The Financial Review*. Dr. Cline has received invitations to present his work at prestigious conferences such as the American Finance Association. He has also received various research awards including the 2014 Wharton School-WRDS Outstanding Paper in Empirical Research, the 2012 Journal of Financial Research Outstanding Article Award, the 2010 Eastern Finance Association Outstanding Paper Award, the 2009 Eastern Finance Association Outstanding Paper Award, the 2008 Southern Finance Association's Outstanding Paper Award in Corporate Finance, and the 2017 Mississippi State College of Business Faculty Research Award. His research has also been the subject of feature stories in *Fortune*, *The Wall Street Journal*, *Harvard Business Review*, *Bloomberg Radio*, *FoxBusiness*, *CNNMoney*, *RealClearMarkets*, and the *Harvard Law School Forum on Corporate Governance and Financial Regulation*. Prior to joining Mississippi State, Dr. Cline taught both graduate and undergraduate courses in corporate finance and financial derivatives at Clemson University. In 2006, Dr. Cline received the Outstanding Finance Faculty Award at The University of Alabama. Dr. Cline has served on the faculty of the Graduate School of Banking at LSU since 2016 and is currently the Vice President – Program for the Southern Finance Association.

Russell S. Sobel, Ph.D., is a native of Charleston, South Carolina. He earned his Bachelor's degree in business economics from Francis Marion College in 1990, and his Ph.D. in economics from Florida State University in 1994. Dr. Sobel has authored or co-authored over 200 books and articles, including a nationally-best-selling college Principles of Economics textbook. His research has been featured in the *New York Times, Wall Street Journal, Washington Post, US News and World Report, Investor's Business Daily, and The Economist Magazine*, and he has appeared on CNBC, Fox News, CSPAN, NPR, and the CBS Evening News. He serves on the editorial board for three academic journals, and on the advisory board for four university centers. He has won numerous awards for both his teaching and his research, including the 2008 Sir Anthony Fisher Award for best state policy publication of the year. His recent research focuses on economic policy and entrepreneurship. Dr. Sobel is a Professor of Economics & Entrepreneurship in the Baker School of Business at The Citadel, and a Visiting Fellow at the South Carolina Policy Council.

Claudia R. Williamson, Ph.D., is an Associate Professor of Economics and the Drew Allen Endowed Fellow at Mississippi State University. She is also Co-Director of the Institute for Market Studies at Mississippi State University. Her research focuses on applied microeconomics, the role of culture in development, and the political economy of development policies, such as foreign aid. She has authored over 30 articles in refereed journals including the *Journal of Law and Economics, World Development, Journal of Comparative Economics, Public Choice, Journal of Corporate Finance, Journal of Institutional Economics, European Journal of Political Economy, Defense and Peace Economics,* and *the Southern Economic Journal*. She has also contributed multiple chapters to edited books, written book reviews, and policy briefs. Her research has appeared in popular press outlets, such as *The Economist* and the BBC. She currently serves on the editorial board for *Public Choice* and the Executive Board for the Association of Private Enterprise Education. Claudia is a native of West Virginia. She earned her B.B.A. in economics from Marshall University in 2000, and she completed her Ph.D. in economics at West Virginia University in 2008. She spent the 2007-2008 year at George Mason University as the F.A. Hayek Visiting Scholar in Philosophy, Politics, and Economics. She was a post-doctoral fellow at the Development Research Institute of New York University from 2009-2012, and she spent the 2008-2009 year as an assistant professor of economics at Appalachian State University. During the summer of 2007, she performed fieldwork on land titling in rural Peru. Additional information can be found at www.claudiawilliamson.com.

Contributing Authors

J. Brandon Bolen is a Ph.D. candidate in Applied Economics at Mississippi State University. His main research interests lie at the intersection of applied economic development and political economy. He has also published in the Journal of Sports Economics highlighting the importance of evaluating college athletic programs on the basis of both athletic and academic achievement. Brandon is originally from Madison, MS and has been teaching economics to Mississippi students for six years.

Ken B. Cyree, Ph.D, is Dean, the Frank R. Day/Mississippi Bankers Association Chair of Banking, and Professor of Finance at the University of Mississippi School of Business Administration. Dr. Cyree received his doctorate and MBA from the University of Tennessee. His research interests are in banking and financial markets. His published works have appeared in the *Journal of Business, Journal of Banking and Finance, Financial Management, Journal of Financial Research, the Journal of Financial Services Research, the Journal of Financial Markets, and Financial Review* among many others. He is currently an associate editor at the *Journal of Financial Research*. Cyree has conducted numerous media interviews including National Public Radio, Mississippi Public Broadcasting, View Point television, the Marshall Ramsey Radio Show and the Dave Foster Radio Show. He has been quoted in the *Clarion Ledger, the Hattiesburg American, the Mississippi Business Journal, the Tupelo Daily Journal*, along with online news sites such as Bloomberg and Fox Business. He has spoken to the Conference of Bank State Supervisors, the St. Louis Federal Reserve, the Mississippi Bankers Association, and testified before the Mississippi State Legislature Banking Committee. He is a board member of the Mississippi Young Bankers Association.

Michael D. Farren, Ph.D., is a Research Fellow at the Mercatus Center at George Mason University. His research focuses on the effects of government favoritism, specializing in labor markets, economic development, and transportation policy. His research and commentary have been featured in numerous media outlets, including the *Washington Post, Los Angeles Times, the Miami Herald, The Dallas Morning News,* and *NPR*. He blogs about economic policy at Concentrated Benefits.

Thomas A. Garrett, Ph.D., is Associate Professor of Economics at the University of Mississippi, where he has been employed since 2012. Prior to joining the University of Mississippi, he was an economist in the Research Division at the Federal Reserve Bank of St. Louis for 10 years and an assistant professor at Kansas State University for 3 years. He graduated from West Virginia University with a Ph.D. in Economics in 1998. His primary areas of interest are state and local public finance, state lotteries, public choice, and applied microeconomics. He has published over 30 articles in scholarly economics journals, and has written numerous policy briefs on various subjects including casino gaming, state lotteries, income inequality, personal bankruptcy, social security reform, and state budgeting.

Trey Goff is a recent graduate of Mississippi State University, where he obtained a bachelor's degree in Economics and Political Science. He is an Alumni of the Charles Koch Institute's Summer Fellows program, and has been published at the Foundation for Economic Education. Trey was heavily involved in the student liberty movement throughout college, and is now a leading voice in the free societies movement. Trey is currently actively involved in a variety of ongoing free society projects, as well as the Mississippi-focused Out of Last Place Institute

Stefanie Haeffele, Ph.D., is the Deputy Director of Academic and Student Programs, and a Senior Fellow for the F. A. Hayek Program for Advanced Study in Philosophy, Politics and Economics at the Mercatus Center at George Mason University. She earned her Ph.D. in economics at George Mason University. After receiving an MA in economics at George Mason University in 2010, she completed a Presidential Management Fellowship where she worked in emergency and disaster management at both the Federal Emergency Management Agency and then the U.S. Forest Service. She is the coauthor of *Community Revival in the Wake of Disaster: Lessons in Local Entrepreneurship* (Palgrave, 2015), along with Virgil Henry Storr and Laura E. Grube.

Carrie B. Kerekes, Ph.D, is an Associate Professor of Economics at Florida Gulf Coast University. She received her Ph.D. in Economics from West Virginia University in 2008. Her research interests are in the areas of applied microeconomics; public economics; and economic development, with an emphasis on institutions and private property rights. Dr. Kerekes has published several articles in refereed journals including the *Journal of Law and Economics, the American Law and Economics Review, The American Journal of Economics and Sociology, the Cato Journal, and the Review of Law and Economics*. Dr. Kerekes conducted field research on land titling in rural Peru in 2007. Dr. Kerekes regularly attends the meetings of the Association of Private Enterprise Education (APEE) and the Southern Economic Association (SEA), and she has served on the APEE Executive Board. Dr. Kerekes serves on the Board of Directors and is the Treasurer of the Freedom and Virtue Institute (FVI), a nonprofit organization that promotes individual liberty, self-reliance, and human dignity.

Brett Kittredge is Director of External Relations for Empower Mississippi, a Mississippi-based public policy organization that promotes school choice in the state. In his position, Kittredge oversees all communications and outreach for Empower. Kittredge has authored two reports for Empower, *The Special Needs ESA: What Families Enrolled In The Program Are Saying After One Year* and *Exploring Mississippi's Private Education Sector: The Mississippi Private School Survey*. Previously, Kittredge served as Communications Director for the Office of the State Auditor under State Auditor Stacey Pickering. Prior to that, he was the Communications Director for the Mississippi Republican Party. Kittredge received his Bachelor's Degree from the University of Mississippi in 2007 and his Master's Degree from Abilene Christian University in 2010.

Raymond J. March, Ph.D., is Assistant Professor of Economics at San Jose State University. He earned his Ph.D. From Texas Tech University in 2017. His research examines the public and private provision and governance of healthcare in the United States, particularly in pharmaceutical markets. Dr. March's research has appeared in the *Journal of Institutional Economics, the Journal of Entrepreneurship and Public Policy,* and *the International Review of Economics.*

Jon Maynard is President and CEO of the Oxford-Lafayette County Economic Development Foundation and Chamber of Commerce. Mr. Maynard holds a Bachelor of Science degree in Business Administration from Northwestern State University of Louisiana. He is a graduate of the University of Oklahoma Economic Development Institute. Has been in professional economic development for 11 years. He began his economic development career as a volunteer board member in 1991 in Natchitoches, LA. In 2006, he was hired for his first professional position in Minden, LA working for the Northwest Louisiana Economic Development Foundation (now NLEP). He was recruited to work in Starkville, MS in 2008 and then in Oxford, MS in 2012. He has a varied employment background that includes running a small movie theatre business and an officer at a bank in Louisiana where he ran two branches.

Thomas (Tom) William Miller, Jr., Ph.D., is Professor of Finance and inaugural holder of the Jack R. Lee Chair in Financial and Consumer Finance at Mississippi State University. Professor Miller is also a Senior Affiliated Scholar at the Mercatus Center at George Mason University. His current research concerns various aspects of consumer credit and, specifically, small dollar installment loans. Professor Miller is a frequent speaker on consumer credit issues at national conferences. Professor Miller has been honored with many research and teaching awards. Professor Miller is co-author (with Bradford D. Jordan and Steve Dolvin) of *Fundamentals of Investments: Valuation and Management*, 8th ed. (McGraw-Hill/Irwin. Professor Miller enjoys playing blues and jazz on his tenor saxophone.

Adam A. Millsap, Ph.D., is the Assistant Director of the Hilton Center at Florida State University and a Senior Affiliated Scholar at the Mercatus Center at George Mason University. His research focuses on urban development, population trends, labor markets, and federal and local urban public policy. His commentary has appeared in national outlets such as *US News and World Report, USA Today,* and *The Hill*, as well as regional outlets such as the *Detroit Free Press, Cincinnati Enquirer, and Orange County Register*, among others. He is also a *Forbes* contributor. In addition to his research and writing he has taught economics at Clemson University and George Mason University.

William F. Shughart II, Ph.D., research director of the Independent Institute (Oakland, Calif.), is J. Fish Smith Professor in Public Choice at Utah State University's Jon M. Huntsman School of Business. He is a past president of the Southern Economic Association, has been editor in chief of *Public Choice*, a peer-reviewed academic journal, since 2005, and was on the economics faculty at Ole Miss from 1988 to 2011.

Daniel J. Smith, Ph.D., is an Associate Professor of Economics at Troy University and the Associate Director of the Manuel H. Johnson Center for Political Economy. He also serves as the Book Review Editor for *The Review of Austrian Economics*. Daniel received his Ph.D. in economics from George Mason University. Dr. Smith's academic research uses both Austrian and public choice economics to analyze market and governmental institutions, including social and economic cooperation, monetary policy and institutions, and public pensions. His public policy work primarily uses Austrian and public choice economics to address barriers to economic mobility and prosperity. He has published op-eds in newspapers across the nation, including the *Wall Street Journal, CNBC,* and *Investor's Business Daily*.

Virgil Henry Storr, Ph.D., is the Senior Director of Academic and Student Programs at the Mercatus Center, and the Don C. Lavoie Senior Fellow in the F.A. Hayek Program in Philosophy, Politics and Economics, Mercatus Center, George Mason University. He is also a Research Associate Professor of Economics in the Department of Economics, George Mason University. He holds a Ph.D. in Economics from George Mason University. He is the author of *Enterprising Slaves and Master Pirates* (Peter Lang, 2004), *Understanding the Culture of Markets* (Routledge, 2012), and the coauthor of *Community Revival in the Wake of Disaster: Lessons in Local Entrepreneurship* (Palgrave, 2015), along with Stefanie Haeffele and Laura E. Grube.

Daniel Sutter, Ph.D., is the Charles G. Koch Professor of Economics and Interim Director of the Manuel H. Johnson Center for Political Economy at Troy University and is a Ph.D. graduate of George Mason University. His research interests include the societal impacts of extreme weather and disasters, the economics of the news media, the markets for economists and economic research, environmental regulation, and constitutional economics. He hosts Econversations on Troy University's Trojan Vision channel, which discusses economics, markets, and policy, and writes a weekly column in the *Troy Messenger*. Dr. Sutter is a Senior Affiliated Scholar with the Mercatus Center at George Mason University and a Policy Advisor with the Heartland Institute.

Jameson Taylor, Ph.D., is vice president for policy at the Mississippi Center for Public Policy. He has spent most of his public policy career working at the state level, with a focus on health care, constitutional rights, life and family issues, and regulatory issues. He is a three-time Earhart Fellow, a Publius Fellow with the Claremont Institute, and an E.A. Morris Fellow. In 2017, he was appointed to the Mississippi Governor's Faith-Based Council. Dr. Taylor holds an A.B. in government from Bowdoin College and a Ph.D. in politics from the University of Dallas. He has written numerous policy guides, briefs and op-eds, and his work has appeared in *Citizen, Clements' International Report, Commentary, Logos, This Rock, and The Review of Metaphysics.*

Travis Wiseman, Ph.D., is Director and Clinical Assistant Professor of International Business at Mississippi State University. He earned his Ph.D. from West Virginia University in 2013. His applied research focuses on relationships between institutions – both formal and cultural – entrepreneurship, and shadow economies, and has been published in the *Southern Economic Journal, the Journal of Institutional Economics, Constitutional Political Economy, the Journal of Entrepreneurship and Public Policy, Contemporary Economic Policy, Public Finance Review, the Review of Law & Economics, the Journal of Regional Analysis & Policy, and the American Journal of Entrepreneurship*. His work has also been featured in several popular news outlets, including *New York Magazine, Inc. Magazine, Reason Magazine and Pacific Standard*.

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

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

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

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

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

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

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

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

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

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

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

PUBLISHED BY

MISSISSIPPI STATE UNIVERSITY™
INSTITUTE FOR MARKET STUDIES

$29.95
ISBN 978-1-7320353-0-0
52995>
9 781732 035300