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RURAL ECONOMIC DEVELOPMENT: THE CASE OF MISSISSIPPI

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Mississippi has always been a poor, rural state. In recent years, however, the state has clearly benefitted from the national trends of sunbelt migration and rural turnaround which have brought to it significant employment and population growth. Nevertheless, the coattail growth that Mississippi has experienced should not guile economic development practitioners into believing the state no longer requires new research and action. Mississippi's persistent low quality of life, underdeveloped areas, and poor economy still warrant viewing the state as an important area of concern and major challenge for the rural development field. The state ranks fiftieth in average hourly manufacturing wages and fifty-first in per capita annual income. Its per capita health expenditures are less than 75% of the national average. It has the largest percent of population with incomes below the poverty level in the nation (23.9%), a figure almost double the U.S. average (12.4%). [*U.S. Statistical Abstract*, 1984]

The population growth Mississippi has experienced in recent years is a major reversal of postwar trends. The state lost population for the twenty years between 1940 and 1960. It showed a slight increase in population (less than 2%) in the 1960-1970 decade, then in the last decade, it experienced a population increase of almost 14%.

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Losses in black population were greater and continued longer than those of the white population throughout the postwar period. The past decade showed the first increase in black population since 1940. Even so, Mississippi's population is steadily becoming more white. Growth rates of the white population have averaged over 10% for every decade since 1930, with the most recent decade's rate being the highest at 15.8%. (See Table 1.) Today, whites make up 64% of the population. (See Table 2.)

The black population of Mississippi is heavily concentrated in 22 (or 27%) of the state's 82 counties. (See Appendix.) All of these counties' populations are over 50%

TABLE 1
Percentage Mississippi Population Growth,
by Race, 1930-1980

Decade	Total	White	Black
1930-1940	8.7	10.8	6.4
1940-1950	-0.2	7.4	- 8.2
1950-1960	-0.03	5.8	- 7.2
1960-1970	1.8	10.9	-10.9
1970-1980	13.7	15.8	8.8
<i>Average Population Growth Rate, 1930-1980</i>			
	4.8	10.4	- 2.2

Source: Derived from 1980 and 1960 *Census of the Population* for Mississippi.

TABLE 2
Mississippi's Population by Race and Urban/Rural,
1960-1980 (000s)

Year	Total	Black	Percent Distribution	White	Percent Distribution	Percent % of Total
1980	2,521	887	100.0	1,616	100.00	64.1
Urban	1,192	418	47.1	764	47.3	64.1
Rural	1,328	469	52.9	852	52.7	53.7
1970	2,217	816	100.0	1,395	100.0	62.9
Urban	987	331	40.6	653	46.8	66.2
Rural	1,229	484	59.4	741	53.2	60.3
1960	2,178	921	100.0	1,258	100.0	57.7
Urban	821	295	32.0	526	41.8	64.1
Rural	1,357	626	68.0	732	58.2	53.9

Source: 1) 1980: U.S. Bureau of the Census; U.S. Census of Population, 1980; v. 1, Characteristics of the Population, Part 26, Mississippi.

2) 1960: U.S. Bureau of the Census; U.S. Census of Population, 1960; v. 1, Characteristics of the Population, Part 26, Mississippi.

black. Seven counties have more than 60% black population, while, in another four counties, the black population exceeds 70%. In contrast to the state's positive growth rate for the last decade, 15 of the 22 black counties lost population at rates ranging from a low of -0.6% to a high of -20.5%.

The Mississippi population is becoming more urbanized. Between 1970 and 1980, urban places increased 20.9%, while rural areas increased 7.9%. (See Table 3.) Even so, over half of the state's population lived in rural areas in 1980.

Jackson, the state's major SMSA and only city with over 50,000 population, experienced the greatest increase in population. The second largest increase occurred in urban places with less than 25,000 population. However, only 19 of the 282 urban places in this category have populations over 10,000. (Mississippi Department of Community Development, 1980 data) Thus, the growth in this category may really be a small town phenomenon.

Even greater than its population growth was Mississippi's employment growth during the last decade. Total employment increased 27.3%. (*Handbook of Selected Data for Mississippi*, 1981) Manufacturing employment increased as well, but, at a slower rate (15.6%). Further, 20 counties were actually net losers of manufacturing employment.

Close to half of all of Mississippi's employment is found in the rural areas. Substantially more than half of the state's jobs in the natural resource based industries of agriculture, forestry and fishing, and mining are located in rural areas. (See Table 4.) In addition, the rural areas have more than half of the manufacturing and construction jobs. However, the rural areas are substantially underrepresented in industry sectors which account nationally for most job growth today. These sectors include: wholesale and retail trade; finance, insurance, and real estate; services; and public administration.

TABLE 3
Mississippi Population Increase and Total Population (000s)

	Increase 1970-1980	% Change since 1970	1980 Population	% of Total Population
STATE	304	100.0%	2,521	100.0%
Urban places	226	20.9	1,193	47.3
100,000 or more	49	31.8	203	8.1
25,000 or more	8	2.9	299	11.9
less than 25,000	156	30.2	673	26.7
Other Urban*	- 8	- 29.6	17	0.7
Rural	98	7.9	1,328	52.7

*Jackson, the state capitol, is the only city in this category.

Source: *Mississippi Statistical Abstract*, Division of Research, College of Business and Industry, Mississippi State University, 1982.

TABLE 4
1980 Industry Employment in Rural Mississippi

	State	Rural	Rural as % of State
TOTAL	937,206	466,102	49.7%
Agriculture	38,282	31,772	83.0
Forestry and fishing	3,293	2,038	61.9
Mining	15,683	10,537	67.2
Construction	67,680	38,916	57.5
Transportation, Communications and Utilities	64,492	30,795	47.8
Manufacturing	230,108	139,255	60.5
Wholesale Trade	38,285	17,517	45.8
Finance, Insurance and Real Estate	40,252	13,420	33.3
Services	253,762	104,503	41.2
Public Administration	47,361	19,286	40.7

Source: 1980 *Census of Population*, General Social and Economic Characteristics, Mississippi, Chapter C, Part 26, Table 69, U.S. Department of Commerce: Bureau of the Census.

The slower growth in manufacturing employment has important implications for the rural areas of Mississippi whose economies are more dependent on manufacturing activity. Over 60% of all manufacturing employment is located in the rural areas. Over 70% of the employment in the textile and furniture industries is found in the rural areas. (See Table 5.)

Have the population and employment growth improved Mississippi's relative economic position? Even before the recession of the 1980s, the answer appears to be negative, at least, by per capita income measures. The state's per capita income as a percentage of the United States peaked in 1977 at 71.5%. By 1980, it had fallen to 68.8%. (*Handbook of Selected Data for Mississippi*) Throughout the past decade of growth, Mississippi has continued to rank last in per capita income.

TABLE 5
1980 Manufacturing Employment
in Rural Mississippi

	State	Rural	Rural as % of State
TOTAL Manufacturing	230,108	139,255	60.5%
Non-durable Goods	100,623	62,320	62.9
Food & kindred	19,092	10,368	54.3
Textiles	48,600	35,372	72.8
Printing, publishing & allied industries	6,972	2,584	37.1
Chemicals & allied products	9,854	4,384	45.4
Durable Goods	129,485	76,935	59.4
Furniture, lumber & wood products	43,505	31,528	72.5
Primary metals	5,380	3,082	57.3
Fabricated metals	8,859	5,157	58.2
Machinery, except electrical	15,486	9,163	59.2
Electrical machinery, equipment & supplies	16,994	10,518	61.9
Transportation equipment	22,595	8,760	38.8

Source: Same as Table 4.

ECONOMIC DEVELOPMENT IN THE POST-WAR ERA

To what factors should Mississippi's progress be attributed and to what factors should its economic problems be blamed? Neither topic can be discussed outside of the issues of racism. The impact of racism on economic growth is what makes the study of rural development in Mississippi distinct from analyses of non-Southern states' rural development.

Mississippi's economic origins, traceable to the early 1800s, are the cotton plantation economy based on free labor, slaves, and dependent upon external demand for its product. "King Cotton" predominated the economic structure well beyond the Second World War.

After WWII, revolutions are said to have occurred in Mississippi in the areas of "... agriculture, industry, demography, income, and, most important of all, race — revolutions that brought an end to sharecropping and Jim Crowism, to the hegemony of King Cotton, to Mississippi's isolation from the nation [and led to] political and economic opportunity for the black man." (Skates, p. 154)

It was not until the mid-1960s that Mississippi's economy could be considered industrial. It was then that jobs in manufacturing began to outnumber those of agriculture. (Skates, p. 167) Industrialization has changed the kinds of economic opportunities Mississippians -- black and white -- encounter. In 1960, 13% of whites and 35% of blacks were employed in agriculture. Today, less than 4% of whites and 6% of blacks work in agriculture. Almost 20% of blacks were employed in private household services in 1960; today, less than 5% work in this sector. Both blacks and whites appear to have found new job opportunities in the professional services sector. The percentage of whites working in this sector increased almost 9% between 1960 and 1980. During the same period, the percentage of blacks employed in professional services increased more than 16%. An even more important sector of employment for blacks in the last 20 years has been manufacturing. Over 30% of all blacks are manufacturing

employees. The percentage of white employees in this sector has declined slightly. In addition to the shifts in industry sectors in which blacks and whites have found employment, it is significant to note that the black industrial labor force grew by only 5,000 between 1960 and 1980, while the white labor force grew by more than 240,000. (See Table 6.)

Today, even though one considers the Mississippi economy to be industrial, there are sub-economies of the state which are neither industrial nor post-industrial. These economies are, of course, found in the rural areas of the state. They are also found in

TABLE 6
Mississippi's Distribution of Industry Employment,
by Race, 1960 and 1980 (%)

	White		Black	
	1960	1980	1960	1980
TOTAL NUMBER EMPLOYED, 16 years & older	430,724	637,767	252,065	257,565
Agriculture	12.8%	3.6%	34.9%	5.3%
Forestry & fishing	0.7	0.4	0.2	0.3
Mining	1.3	2.1	0.1	0.7
Construction	7.7	7.7	4.6	6.1
Manufacturing	23.3	22.2	12.1	30.7
nondurable	13.8	9.8	4.1	13.2
durable	9.5	12.4	8.0	17.5
Transportation, communications & utilities	6.3	7.5	3.2	5.3
Wholesale trade	3.2	4.6	1.3	2.8
Retail trade	16.9	16.4	8.5	10.2
Finance, Insurance and Real Estate	3.3	5.2	0.5	1.9
Services	17.4	24.9	31.7	32.6
Business	0.5	1.7	--	0.9
Repair	1.6	1.7	0.7	0.9
Private household	1.0	0.3	19.0	4.2
Other personal	2.9	2.1	3.8	2.5
Entertainment and recreation	0.5	0.5	0.4	3.5
Professional	11.0	18.7	7.7	23.8
Public Administration	5.3	5.4	0.7	4.6
Not Reported	1.9	--	2.1	--

Source: U.S. Bureau of the Census, *U.S. Census of Population*; 1980, General Social and Economic Characteristics, Table 79. U.S. Bureau of the Census, *U.S. Census of Population*; 1960, General Social and Economic Characteristics, Table 61.

the predominantly black areas. The "revolution" in agriculture occurring since WWII has reorganized the sector's structure from small- and medium-sized, labor-intensive farms to large-scale, mechanized corporate enterprises. As a result, the agriculture jobs which once predominated the non-industrial local economies are no longer available. Replacement of agriculture jobs with manufacturing jobs has been considerably less than sufficient. As a consequence, many of these sub-economies are welfare economies whose populations are dependent on government transfer payments for subsistence. Transfer payments were the main source of income for 32 (39%) of Mississippi's counties in 1979. (*Handbook of Selected Data for Mississippi*)

Black women are particularly likely to be dependent upon government transfer payments. The unemployment rates among these females in the Black counties are very high. Many are well over 20%, and two counties' rates are more than 30%, exceeding those of white females by 16-20%. (See Appendix.)

These women belong to the most disadvantaged of the United State's major population groups -- southern rural black women. They are victims of both racism and sexism. Black women have the highest rates of poverty, unemployment and involuntary part-time employment in the South. When they do work, they are often employed in low-paying, unskilled jobs. (Leigh-Preston, 1984)

While 26% of the white non-metropolitan females in Mississippi were employed in clerical occupations, only 9% of black females worked in this sector. Further, in 1980, 8% of black non-metro females were still employed in household services, a higher percentage than those in sales occupations (5%). (MDC, Inc., 1983)

ECONOMIC DEVELOPMENT STRATEGIES

What economic development strategies have been employed in Mississippi to promote growth and development since WWII? There are two predominant strands of development effort: community economic development and state government economic programs. The community economic development programs are an outgrowth of the Civil Rights era of the 1960s. The origins of the state government level's economic development strategy can be traced back further to the WWII era.

State Economic Development Efforts

The roots of the state of Mississippi's modern development outlook are found in the BAWI program of 1936-1940. Under the "Balance Agriculture With Industry" plan, "... Mississippi was engaged upon a unique experiment in the development of new industries by public subsidy. Under the authority of the state government, cities and counties issued bonds, built or acquired manufacturing facilities and leased them to private enterprises at nominal costs. The immediate purpose of this system was to relieve an emergency of unemployment, serious in Mississippi at the time. The long-range purpose was to 'balance agriculture with industry' in a cotton-producing and lumber-producing area . . ." (Federal Reserve Bank of Atlanta, 1944, p. 1)

This temporary program was initiated prior to WWII as a means to deal with the problems of economic dislocation in small communities across the state stemming from the Depression and the decline in the lumber industry. The emphasis of the program was on the recruitment and expansion of existing enterprise. (p. 23)

Towards the end of the war the Mississippi state legislature passed the Balance Agriculture with Industry Act (1944) continuing the trend of public support for private development begun in 1936 with the BAWI Plan. The act created a general obligations bonds program to institutionalize public financial support for industrial development. Then, in 1960, Mississippi enacted the Industrial Revenue Bond Act. Due to these two legislative actions Mississippi is regarded as the pioneer of bond financing for industrial facilities. What began as a tool for rural economic development eventually was adopted by every state in the union. Today industrial revenue bonds are a tool used by large and small communities primarily for the attraction of new industry instead of

as support for the expansion of existing industry.

Mississippi state development efforts in the post-war period have, like other Southern states, placed heavy emphasis on the attraction of outside industry to the state -- utilizing bond programs as incentives along with tax forgiveness -- to build its industrial base. Even though Mississippi has always been an agricultural state, very little of the processing of agricultural products has occurred within the state boundaries. Consequently, an important opportunity for the creation of homegrown manufacturing jobs has largely been missed. It was not until 1974 that the state opened a department of Agri-Business for the purposes of developing a significant processing industry sector. (Mississippi Economic Growth Programs, 1976, p. 24)

In 1976, hearings by the Congressional subcommittee on Economic Growth were held in Mississippi because the subcommittee wanted to learn more about the "innovative and creative" development programs understood to be underway in the state. (p. 1) Included among the programs examined were the statewide computer job bank, which matched workers with job openings, and the State Office for Minority Business Enterprise (OMBE). Mississippi was the first state in the country to have either of these programs. The subcommittee also examined Mississippi's Economic Development Corporation (MEDC) and another organization it sponsored, INVESAT (a quasi-public small business investment corporation). MEDC was created with matching funds from the Ford Foundation and state appropriations. OMBE was established with a grant from the U.S. Department of Commerce.

In the 1980s, the State of Mississippi's new economic program efforts appear largely to be attempts to follow national trends in order to remain "competitive" with other states. Thus, in 1983, the state legislature authorized two Enterprise Zone bills, while Governor Bill Allain's key proposals in his inaugural speech include expansion of efforts to stimulate exports, small business incubators and capital development, and institutes of technology development. ("Governor Allain's Key Proposals," January 26,

1984)

Aside from Mississippi actually originating the Industrial Revenue Bond concept, it is questionable as to how much of the other state programs are truly homegrown products. Because of its long-term depressed economic conditions, the state appears to have frequently been chosen as a demonstration site for private and public national development efforts. The overall impact of these programs for improving economic conditions is not clear. As noted earlier, Mississippi continues to rank last in indicators of economic well-being. Although the gap between Mississippi and the rest of the nation has been narrowing over the post-war period, during the recent recessionary period there have been signs the gap is increasing.

For example, Mississippi's employment growth did not keep pace with the nation's during the first 12 months of the recovery from January to December of 1983. Non-durable goods manufacturing employment grew at a rate of 2.2% compared to 4.3% for the nation while durable goods employment slightly outperformed the U.S. (9.5% versus 8.1%). Of greater significance for the prospects of achieving a more diversified Mississippi economy, was the 1.6% growth rate in non-manufacturing employment compared to a 4.8% national growth rate. (Mississippi's Econometric Forecast, 1984)

In addition, population, personal income, and consumer spending growth have all been at lower rates than those for the nation and region. The state's ability to act as a positive force for economic recovery is hampered because the public sector is threatened with a deficit due to tax collections falling short of projections. (*Economic Review*, 1984)

Mississippi's slowness in recovering from the recent nationwide recession may be largely due to its predominant development strategy in the postwar period. The state has concentrated on attracting industry to locate within its borders. Because of the "low quality" of its labor force, the emphasis and success in industry recruitment has been on labor intensive production. Textiles and furniture making have been two

sectors most attracted to the state, often locating from other southern states to the north of Mississippi. These industries and other low technology sectors have proven to be more susceptible to recessionary economic trends and to industrial restructuring in terms of production processes (with moves to more automated methods) and to location choice (overseas or across the border to third world, low-wage labor markets). As a result, the industrial base Mississippi has concentrated on building in the post-war period is proving to be rather vulnerable. The state's economic recovery is seeing an influx of forestry firms which should prove important for rural areas, particularly in southeast Mississippi. (*Economic Review*, 1984) However, the new, more capital-intensive processes being adopted by this industry mean lower expectations of the number of jobs created than one would have had in the past. (Healey, 1984)

Although the state claims more recent successes in being able to attract "Blue Chip" industries which pay higher wages and have more sophisticated labor demands, this industry location (with the exception of those based on natural resources) can be viewed primarily as resulting from the decentralization of manufacturing out of the north and midwest to the Sunbelt. To what extent this industry will make Mississippi its permanent home and to what extent it will generate spin-off industries is an important issue for the state's long-term outlook.

While much of Mississippi's economic development emphasis has been on the recruitment of outside industry, it would by no means be fair to say this was the only emphasis -- even before recent efforts to replicate the emphasis of other state programs on small business and incubator development. A long-standing concern has been one of stemming the "brain drain" of what the state considers to be its most talented and educated citizens. The state's growth in the 1970s appears to have been a positive factor in stemming the brain drain. In the economic development field throughout the state, educated and sophisticated Mississippians are working for improvement.

COMMUNITY DEVELOPMENT EFFORTS

The second major development strand in Mississippi has been at the community level. Some of the country's earliest and most well-recognized community development corporations were started in the state. These corporations have been established in the predominantly black populated areas of the state for the purpose of helping the low-income population. They grew out of the Civil Rights era of the 1960s and have been dependent to a significant extent on funding from private foundations and federal agency programs such as the Community Action Program.

These organizations have been involved in food development, job creation, education and training, housing development, and community development in the most basic sense of the term. They have engaged in town incorporation, infrastructure building, and the attainment of basic public services such as water, electricity, police and fire protection. It has been estimated that half of the 26 all-black communities in Mississippi do not have basic services. Of the other half, one-third have only recently attained such services. (Bannerman, March 1984) To combat malnutrition, local development groups in the last two decades have started cooperative gardening and livestock raising projects.

The Delta Foundation, a community development corporation located in the Mississippi River town of Greenville, is perhaps best known for its efforts to create jobs on a large-scale with the development of manufacturing plants through its for-profit-arm, Delta Enterprises. The Delta Foundation is located in a predominantly black section of the state where cotton plantations once flourished. Agricultural labor was increasingly displaced in the post-war era to the extent that, today, transfer payments are the major source of many counties' income in the region. Delta Enterprises has concentrated on developing labor-intensive manufacturing enterprises to provide many of its workers with their first industrial job experiences. Its manufacturing enterprises have been engaged in the production of apparel, bicycles, metal stamping, housing

products, and electronics.

However, Delta's strategy of developing labor intensive industry in the predominantly black region has suffered setbacks just as the same strategy has at the state level for primarily non-black areas. The recent recession, along with changing production technologies and foreign competition, have forced Delta Enterprises to close down its metal stamping operation and to scale down its apparel operations.

Evaluating its labor-intensive strategy in light of these setbacks, the Delta Foundation chief executive judges it a failure from a pure business, profit-making perspective, but a success from a community development perspective in that it created the first work experience for many people and provided training and technical skills in production as well as clerical and administrative occupations.

The Delta Foundation, and another community development organization, MACE (Mississippi Alliance for Community Education), have also generated construction employment as they build or rehabilitate housing and manufacturing plants. This source of job creation is vulnerable as well without a long-term, viable regional economy.

Besides job and business development, MACE is trying to preserve an important cultural heritage of the Delta region. Indigeneous to the Delta is the "Blues" music tradition that is the foundation of much of rock and jazz music throughout the world. Its roots lie in the work chants sung by plantation slaves. MACE has, for the past several years, sponsored a Blues Festival in the region that steadily attracts more visitors each year. The estimated 35,000 who attended last year brought recognition for the "grandfathers and grandmothers" of the Blues who have lived their lives in poverty in the Delta region. It has also been able to attract back to the region successful contemporary performers who got their start in the Delta, or, who came to the Delta to learn from its indigeneous musicians and left to become successful and well-paid performers in other parts of the country and the world.

Women have had, and continue to have, an important but little recognized role in Mississippi's community economic development. They were key figures in starting MACE and the Delta Foundation. Several have been vital to the town development activities of the community economic development corporations. As of 1983, three had gone on to break political color and sex barriers by becoming black women mayors.

The National Council of Negro Women in the 1960s began food and livestock raising projects to combat hunger in Mississippi's poorest counties. Fannie Lou Hamer provided the inspiration for these projects. (Height, 1983) Although she is no longer alive, Hamer is a nationally recognized heroine of the Civil Rights movement.

The fact that women's role in today's community economic development and the earlier civil rights movement has not been adequately credited has led to the development of the Southern Rural Women's Network. This organization began less than three years ago in Mississippi. It has spread to neighboring states and hopes to organize rural women in all of the southern states. The organization is intent upon helping its members and their communities overcome the persistent rural poverty of the south. It provides programs and support for women to take the leadership in becoming economically self-sufficient. Further, the organization is intent upon ensuring that its members gain recognition for their accomplishments and contributions to the community.

BARRIERS TO DEVELOPMENT

Both state and community economic developers in Mississippi have cited the labor force as a major impediment to industrial development. The labor force has been described in terms ranging from low-skilled to non-skilled and untrainable. Workers are said to lack the necessary experience and attitudes for industrial work.

Education and Skill Levels

Whether it is necessary to have large-scale industrial employment to achieve a skilled workforce, or, whether it is possible to train workers first in vocational programs and hope to attract industry is a matter of debate in the economic development literature. Whichever is the case, it is still necessary for the labor force to have basic levels of literacy in order to perform industrial work. It is to a lack of literacy and the most fundamental of educational skills that much of Mississippi's labor force inadequacies have been attributed.

In 1980, Mississippi's rate of illiteracy was twice the national average. It and two other Southern states had the lowest median school years completed. Thirty-five percent of Mississippians wanting to join the army could not pass the intelligence test. This rate was 26% higher than the national rate and the highest in the country. Mississippi's public education expenditures were \$600 less per pupil than the national average. According to a special report on education prepared for the state's governor in 1982, Mississippi's "[o]verall expenditures for education are not competitive either within the Southeast or the nation." (*Technical Report*, October 1982, p. viii)

The poor state of Mississippi's primary and secondary educational system is part of the legacy of racism. In reaction to the Supreme Court's 1954 *Brown* decision outlawing the segregation of public schools, Mississippi added to its state code laws permitting the abolition of public schools and allowing tuition grants to students attending private schools. Further, voters subsequently repealed the constitutional provision requiring public schools. Finally, Mississippi removed from the state code the compulsory school attendance law. (Skates, pp. 157-158)

The link between education and economic development is well documented. There is a positive relationship between education and income, labor force participation, productivity, and mobility. The signs that a lack of basic educational opportunities for all of its citizens has cost Mississippi dearly are evident in income levels,

occupational distributions, and growth rates.

Recognizing this cost, the need for educational reform was made a priority by Governor Winter whose term ended in 1983. National attention was focused on Mississippi when, under the Governor's leadership, it passed the Education Reform Act in 1983. Among other things, this Act makes school attendance compulsory once more and requires public kindergartens for the first time. The Act's passage is widely viewed as a step in the right direction for Mississippi's progress in general, and economic development in particular. The success of the Education Reform Act, however, lies in its implementation. Substantial increases in educational spending must be forthcoming in order to do so.

Public Finance

Increased fiscal resources are the key to educational reform in Mississippi. But Mississippi is a poor state. New tax revenues have to be raised and where those revenues will come from has been a major political debate. The property tax generally finances the local portion of school expenses across the country. In comparison to other states, Mississippi places higher than average reliance upon the sales tax and lower than average reliance upon the property tax. This higher reliance upon the sales tax, plus the fact that the sale of food is taxed, has led to the state's tax system being labeled regressive.

While some in Mississippi strongly advocated that the Education Reform Act be paid for out of an increase in the severance tax levied on oil and natural gas, to date it has been decided that the additional revenue for education will be provided for with an increase in the sales tax from 5% to 5-1/2%. Thus while Mississippi is taking a progressive step in providing for educational reform, it is paying for the reform in a manner that will increase the regressivity of its tax system.

The choices that Mississippi has made to date in the manner in which it generates the public fisc, and in the levels of tax effort required by various sectors to fill the fisc, represent another barrier to economic development which the state must overcome if it hopes to change its position relative to the nation. While Mississippi's overall tax effort is comparable to that of other states in the U.S., its tax collections are considerably lower because its income levels are lower. This is especially problematic because the lower income levels lead to a higher need for public services.

Mississippi collects more in sales tax revenues in relation to its population than all but two states. However, its aggregate property taxes were only 70% of what they would have been if the taxes had been levied at national average levels. For 1980, this meant that Mississippi governments could have had approximately \$153 million additional dollars by which to finance the provision of local services. (*Tax Policy Analysis*, October 1982)

The percentage of state tax paid by business was less than 20% in Mississippi in 1980 compared to a national average of almost 25%. Business tax percentages in states bordering Mississippi ranged from almost 23% to over 46%. Personal income tax rates were substantially below the national average (Mississippi ranked 35th in the percentage of personal income collected by this tax), and corporate tax rates were less than the national average (Mississippi — 4% compared to 6.29% — U.S., Louisiana — 8% and Tennessee — 6%). (*Tax Policy Analysis*)

CONCLUSION

Mississippi is not a resource-rich state in many senses of the term. Its natural resources are primarily limited to timber, water, and some oil and natural gas. Severance taxes are levied on the non-renewable oil and gas resources, but, again at rates lower than the national average. Its human resources are underdeveloped and require

substantial educational investment. Physical resources in the way of basic infrastructure are lacking in portions of its rural areas and preclude any possibilities of economic development for these areas. While the state has always relied more heavily than average on federal resources, these have been declining significantly.

It is true that Mississippi is located within one of the fastest growing regions in the country and has experienced growth associated with the rural turnaround. Further, it has benefitted from the decentralization of the nation's manufacturing belt. However, it is doubtful that Mississippi's absolute quality of life will change enough to shift its relative position without dramatic changes in economic development policy and efforts. The emphasis on developing a labor-intensive industrial base has shown its flaws most clearly in the early 1980's recession. However, if Mississippi is to have anything other than a low-technology, labor-intensive industrial base, it must first follow through in education reform, and then provide a higher than average level of public support for economic development programs in all of its regions. For rural communities to be able to develop healthy local economies, they must first have basic infrastructure. In the past, small and large communities throughout the country have relied heavily on federal funds for the development of their infrastructure. Declines in these funding sources leave a gap that small, rural communities cannot fill on their own. For more balanced growth across the state, state government efforts will need to try to fill these gaps, perhaps applying some of the newer, small-scale technologies for infrastructure provision.

Efforts to create state policy which is supportive of the existing community development capacity in predominantly black areas of the state may also prove to be a fruitful direction. Dedicated community development corporations appear to have an extensive history in the state. However, these corporations have been supported more by national policy and programs than by those at the state level. For whatever reasons this may have been the case in the past, providing more supportive linkages may

be an important step to resolving some of the state's most persistent economic problems.

Finally, it is clear that increased public financial support for economic development can only come from reform of the state's system of taxation. The state's lowest income persons, who must spend the bulk of their incomes on goods and services providing the basic necessities of life, are already overtaxed by the sales tax. The other types of state taxpayers are undertaxed. For increased public revenues to promote economic development, the tax efforts of all but the sales tax should be increased. For economic development that minimizes regressivity, the rate and the base of the sales tax should be decreased.

Reform of Mississippi's education and taxation systems, heretofore untried, may be the economic development solutions uniquely suited to the long-term development of the state. Further, they may be the solutions most likely to render successful efforts to change Mississippi's economic position relative to the rest of the nation.

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APPENDIX

Mississippi Counties With 50% and More Black Population

County	1981 % Black	1981 Unemployment		1981 Female Population		Change 1970-1980	Per Capita Income, 1979	Major Source of Personal Income
		Black	White	Black	White			
Bolivar	62.1	17.6	4.4	20.3	3.8	- 7.0	\$4,929	transfers
Claiborne	74.5	10.1	3.4	12.2	4.9	21.7	6,684	construction
Clay	50.0	10.1	4.6	13.8	6.4	11.9	6,213	manufacturing
Coahoma	64.0	16.0	5.4	18.6	8.7	- 8.7	5,034	transfers
Holmes	71.1	16.2	6.6	23.1	4.9	- 0.6	4,387	transfers
Humphreys	65.6	12.1	6.1	12.0	3.3	- 4.6	5,060	farm
Issaquena	55.6	6.7	2.0	14.3	0.0	- 8.2	7,539	farm
Jefferson	81.9	21.7	5.1	24.2	8.6	- 1.2	5,304	transfers
Jefferson Davis	53.8	20.5	8.3	22.6	12.1	7.0	4,515	transfers
Kemper	54.3	17.6	7.0	31.3	10.5	- 0.8	4,258	transfers
Leflore	59.1	14.7	5.5	17.5	9.9	- 1.4	5,798	transfers
Madison	55.9	16.6	3.9	23.8	3.4	39.9	5,643	transfers
Marshall	53.2	15.8	10.1	25.1	14.4	21.9	4,419	transfers
Noxubee	64.6	18.1	2.8	22.2	2.6	- 7.5	4,924	transfers
Quitman	56.0	20.0	4.6	24.0	3.5	-20.5	4,515	transfers
Sharkey	65.7	19.7	5.6	31.0	6.8	-10.9	5,012	transfers
Sunflower	62.0	16.8	4.8	21.6	5.6	- 5.9	4,507	transfers
Tallahatchie	57.3	15.6	6.4	18.2	6.4	-11.3	4,458	transfers
Tunica	73.0	17.9	3.7	14.5	1.9	-18.6	5,397	farm
Washington	55.6	18.0	4.9	20.4	6.2	2.5	6,102	manufacturing
Wilkinson	66.9	13.4	1.8	18.1	1.6	- 9.7	5,102	transfers
Yazoo	51.4	17.8	4.3	26.1	7.1	0.1	6,353	farm
State	35.9	14.2	5.8	17.3	7.1	13.7	\$6,200	

Source: Derived from Mississippi Statistical Abstract, 1982, Division of Research, College of Business and Industry, Mississippi State University and Handbook of Selected Data for Mississippi, Mississippi Research and Development Center, Jackson, Mississippi, September 1981.