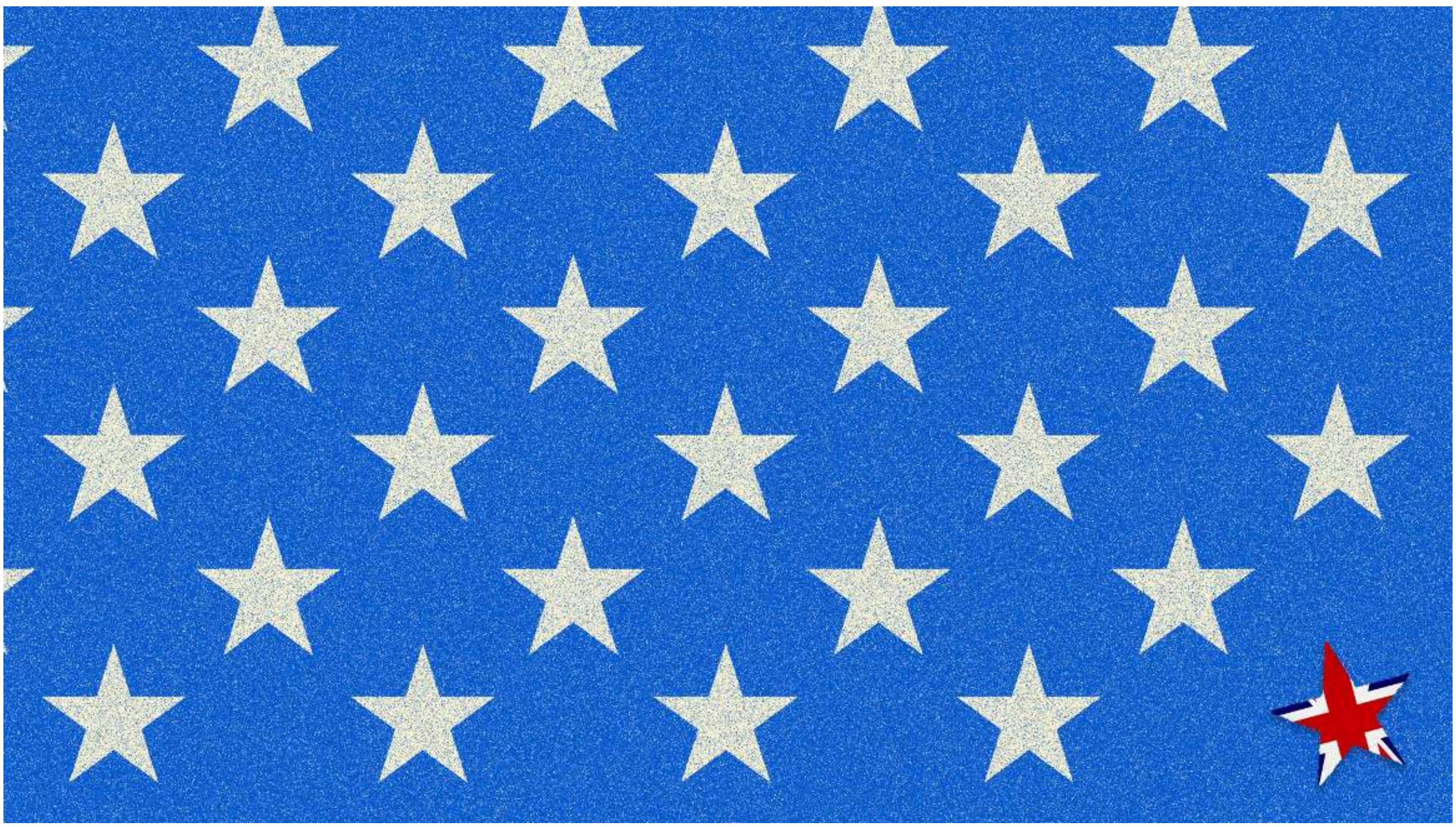
IDEAS

Is Mississippi Really as Poor as Britain?

The question is usually posed the other way around—which is an insult to the dynamic economy of this southern state that is now my home.

By Douglas Carswell



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The shame of it! Mississippi has found itself in the humiliating position of being compared disobligingly with the United Kingdom. Just last week, the *Financial Times* ran a column asking, "Is Britain Really as Poor as Mississippi?"

Most Mississippians do not spend much time worrying about comparisons with Britain. The same cannot be said about those on the other side of the Atlantic. For Brits—and I am one, though now based in Jackson, Mississippi—the issue of whether they are more or less prosperous than Mississippi has become a thing. Indeed, the *Financial Times* now calls it "the Mississippi Question."

It was nine years ago when Fraser Nelson, the editor of *The Spectator*, first suggested that the U.K. was poorer than any U.S. state but Mississippi. This came as an uncomfortable shock for many in Britain for whom *Mississippi*, as a byword for backwardness, conjures up clichés about the Deep South. Every time anyone has made the comparison since, there has been an indignant outburst from Britons keen to denounce the data.

In practice, when trying to provide a definitive answer to the Mississippi Question, no uniform, up-to-date set of data exists. But if you take the most recent U.S. figure for Mississippi's GDP and divide it by the state's population, you get a pretty accurate figure for GDP per capita in current dollar values. Make the same calculation for the U.K., with total GDP data divided by the population, and you end up with two comparable numbers.

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Last year, by my math, the U.K.'s output per person was the equivalent of $45,485; Mississippi's was higher, at $47,190. If Britain were invited to join the U.S. as the 51st state, its citizens would be at the bottom of the table for per capita GDP. Some might say that, for Mississippi, that is still disconcertingly close.

"That's not fair!" the critics would counter. "When you compare the wealth of nations, you need to look at how far the money goes. Things cost more in the U.K. than in Mississippi." To adjust the raw numbers, the argument runs, you need to use an economist's tool called "purchasing power parity." Sure enough, when you consider differences in the price of things in Britain and in America, the U.K. does appear richer than Mississippi. Thus, after such PPP adjustments, a *Financial Times* analyst suggested that for 2021, Mississippi's per capita GDP was a mere $46,841 to the U.K.'s $54,590 (though conceding that, without the global city-state effect of London's economy, much of Britain was relatively poorer than the Magnolia State).

"Hold on!" we on Team Mississippi retort. "Why adjust the numbers for our state using U.S. national data?" Here, a dollar goes a lot further than it would in New England or on the West Coast. To produce PPP-adjusted numbers for Mississippi that reflect the buying power of a dollar in places like New York or San Francisco, we say, is absurd. And sure enough, tinkering with the numbers to reflect purchasing power in Mississippi itself puts doubt on the U.K. coming out ahead.

Perhaps more interesting, however, than the way you cut the numbers for any given year is the fact that the gap between Mississippi and Britain seems to be growing. Never mind PPP—just run the numbers for GDP per capita in current dollars for the first part of 2023, rather than 2022, and you can see that Mississippi's output is rising at a faster rate than Britain's.

See: Mississippi—images of the Magnolia State

Over the past 30 years, several southern U.S. states have seen rapid economic growth. Texas and Nashville, for example, have become economic hubs to rival California or Chicago. North Carolina, Georgia, Tennessee, and even Alabama have all flourished. Mississippi was missing out. Until now.

Historically, business in Mississippi was highly regulated. Licenses used to be mandatory in order to practice many of even the most routine professions. The state has now lifted a lot of these restrictions, deregulating the labor market. According to a recent report by the American Legislative Exchange Council, a group representing conservative state legislators, the size of Mississippi's public payroll has been pared back. In 2013, there were 645 public employees out of every 10,000 people in the population; today, the number is down to 607. Last year, Mississippi also passed the largest tax cut in recent history, reducing the income-tax rate to a flat 4 percent.

How did this come about? Policy makers here have drawn inspiration from the State Policy Network, a constellation of state-level think tanks, borrowing ideas that have worked well elsewhere. We got the idea for labor-market deregulation from Arizona and Missouri. Tennessee inspired us to move toward income-tax elimination. Florida's successful liberalization stands as an example of how we could reduce more red tape.

What was once just a trickle of inward investment has turned into a steady flow. Growth is up, visibly: The areas of prosperity along the coast and around the state's thriving university towns are getting larger, even if pockets of deprivation in the Delta remain.

Perhaps many in Britain find it hard to accept that Mississippi has overtaken them economically, because they still think of Mississippi as cotton fields and impoverished backwoods, peopled by folk who subsist on God, guns, and grits. But what if Britons' reluctance to face changing economic realities comes from an outdated perception of themselves?

Most of my fellow Brits like to think that they live in a prosperous free-market society. They have not fully grasped the way in which their country has been sleepwalking toward regulatory regimentation. Stringent new regulations on landlords have seen thousands of owners pull out of the market, resulting in a dire shortage of rental accommodations. New corporate-diversity requirements have imposed additional costs across the financial-services sector, with little evidence that bank customers are getting a better deal.

Matthew Goodwin: Britons' growing buyer's remorse for Brexit

Individually, none of these restrictions matters all that much. But together, this relentless micromanagement inhibits innovation and growth. And Brits have become so accustomed to government red tape that they no longer seem to see the crimson blizzard that blankets so many aspects of their economic, and even social, lives.

To be fair to them, for many years it did not seem to matter that taxes rose and the regulatory burden grew heavier. Thanks to the use of monetary stimuli in place of supply-side reform since the late 1990s, the country's economy seemed to defy gravity, engineering the sort of growth that high taxes and tight regulation might otherwise preclude. Few in the U.K. seemed to notice as ever more aggressive doses of monetary stimuli were required to stave off a downturn. Only now that the option of further stimuli has been exhausted are the cumulative consequences of 30 years of folly becoming apparent.

To recognize that one's country has been run on a false premise for three decades is difficult. To have to acknowledge that Britain is now poorer than the poorest state in the Union could prompt a moment of self-reckoning that many Brits seem determined to postpone.

Britain's recurrent fixation with the Mississippi Question tells us as much about the country's state of mind as it does about GDP. Rather than confront uncomfortable truths, my countrymen dispute the data. Instead of facing up to the consequences of bad public policy in Britain, many blame Brexit, or Ukraine.

Vladimir Putin's war on Ukraine might have caused higher energy prices, but it alone does little to explain Britain's poor economic performance. As for Brexit, though commentators who originally opposed it love to blame the country's woes on it now, they never seem to ask why, if leaving the European Union was the cause of Britain's lack of growth, the country has still managed to outperform much of Europe.

Since Britain voted to leave the EU in 2016, the U.K. economy has grown by 5.9 percent; German GDP has increased by only 5 percent. Unlike Germany, the U.K. has so far also managed to avoid recession. Far from a reduction in trade, Britain has seen a boom in exports, especially in the service sector, since withdrawing from the EU trade block. Service exports grew by nearly 23 percent in real terms from 2018 to 2022—the strongest growth in this sector among the G7 countries, according to data from the Organization for Economic Cooperation and Development, and far more than in neighbors such as Italy, Germany, and France.

Derek Thompson: How the U.K. became one of the poorest countries in Western Europe

In any case, Nelson posed the Mississippi Question nearly two years before Britain voted to leave the EU. The country's lackluster output, productivity, and growth were apparent well before Brexit. Leaving the EU should have been a perfect opportunity to correct course, but little has been done to address the problem. In fact, after leaving the EU, Britain has been hit by a succession of disastrous policy choices.

Having rushed to impose a lockdown in the early stages of the coronavirus pandemic, British ministers insisted on more and more draconian measures long after it was apparent that such steps were disproportionate, as well as ruinously expensive. Then, in the name of achieving net-zero targets on "decarbonizing" the U.K. economy by 2050, successive governments have made rash commitments to move to renewables. Higher energy costs have helped price British industry out of world markets.

Instead of changing course, ministers have stuck stubbornly to their dogma—even though the latest moves to outlaw the internal combustion engine and new emissions regulations are making car ownership unaffordable for millions.

Mississippi has managed to borrow good ideas that have proved to work elsewhere. Britain, by contrast, has preferred to pioneer its own bad ideas. The former approach helps explain why Mississippi is emerging as part of a wider southern success story. The latter approach accounts for why a once-successful country is really struggling.

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