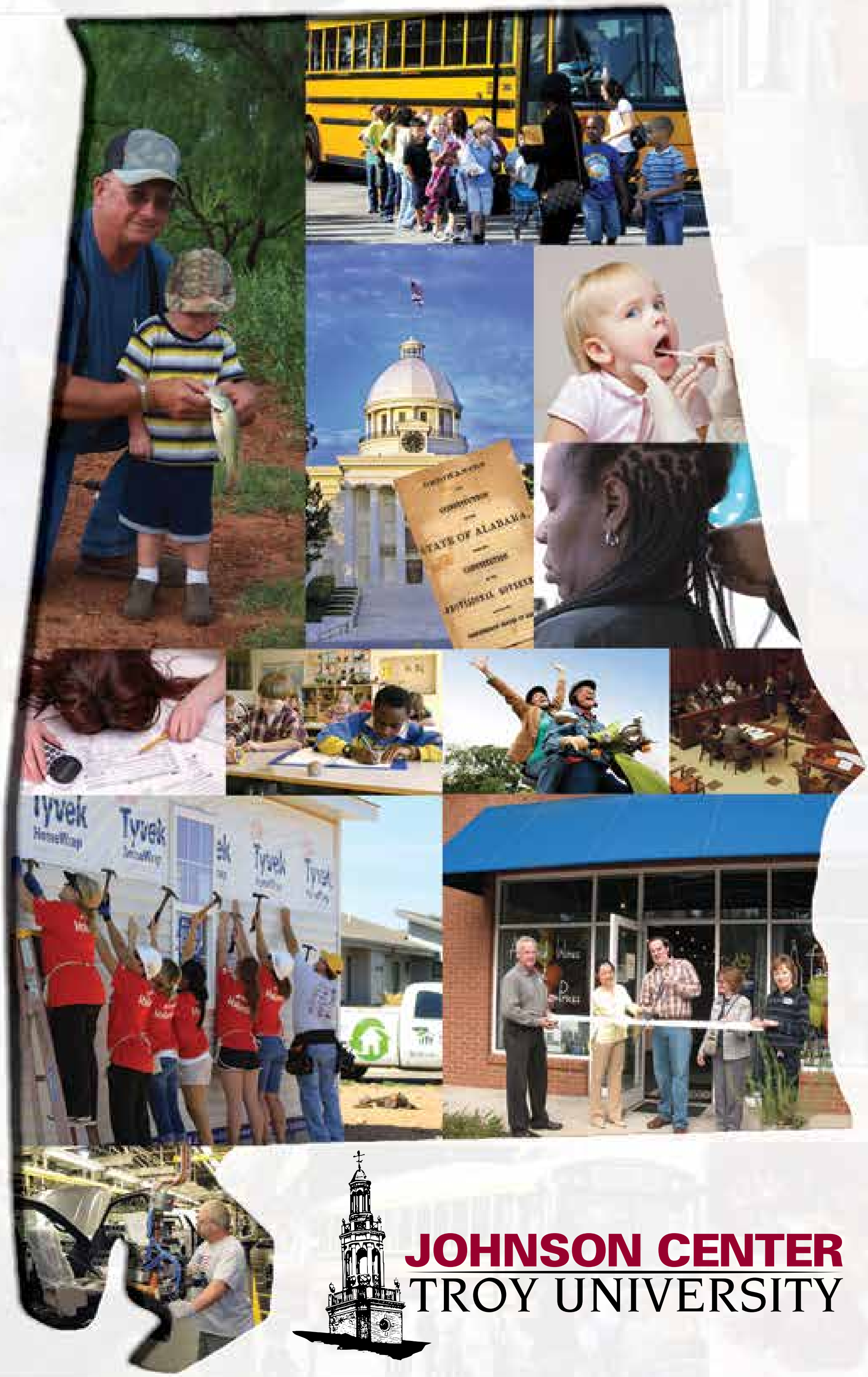
IMPROVING LIVES IN ALABAMA

A Vision for Economic Freedom and Prosperity



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Economic Possibilities for our Grandchildren: Unleashing the Invisible Hand in Alabama

Art Carden

Economic Possibilities for our Grandchildren: Unleashing the Invisible Hand in Alabama[1]

Art Carden

Summary Points

- Economic institutions and a culture that dignifies honor and innovation provide the foundation for growth, prosperity and improving lives in Alabama. With the proper institutions in place – secure property rights, a dependable legal system, political stability, honest government, and open & competitive markets – growth ensues as people search for new and better ways to do things.

- Alabama's policy makers have erected barriers to this natural progress through occupational licensing, immigration restrictions, and blocking innovative businesses. At the same time, policy makers waste resources in pursuit of government-led economic development plans like sports stadiums, theme parks, and the Alabama Cruise Terminal.

- A culture and civil society which dignifies commerce and innovation provides a foundation for the institutions to support prosperity and growth. Alabama's civil society – churches, clubs, and charitable organizations – can contribute to a culture conducive to growth and flourishing.

Introduction

The *Improving Lives in Alabama* project has considered several weighty and controversial issues. Daniel Smith summarized the research on occupational licensing and showed that it works to the detriment of the least of these among us. George Crowley discussed the opportunity cost of industrial subsidies and explained why Alabamians are not better off because of corporate welfare. John Merrifield and Jesse A. Ortiz, Jr. explored the research on educational choice and argued that expanding opportunities for families to choose how to educate their children would lead to better outcomes. Eileen Norcross explored Alabama's position in the looming discussion over the future of public pensions, and criticism her article elicited notwithstanding many economists agree that public pension liabilities are seriously understated. The chapters in this volume fill in details about specific policy proposals that can improve lives in Alabama. This chapter takes a bird's-eye view of Alabama's economic future. If we preserve liberty and dignity for innovators, entrepreneurs, and average, everyday people, the economic possibilities for our grandchildren are practically unlimited.

Most of what follows will not be very new in spite of the fact that a large part of my job as a professor is to tell or to hear some new thing. We will explore the foundations of economic growth in terms of textbook treatments and classic contributions. To improve lives in Alabama, we should focus our attention on the social, political, and cultural institutions that support and shape production. Observers make a mistake when they focus on distribution per se. Nobel Laureate Robert Lucas (2004) summarizes this nicely in one of my favorite quotes:

> *Of the tendencies that are harmful to sound economics, the most seductive, and in my opinion the most poisonous, is to focus on questions of distribution. In this very minute, a child is being born to an American family and another child, equally valued by God, is being born to a family in India. The resources of all kinds that will be at the disposal of this new American will be on the order of 15 times the resources available to his Indian brother. This seems to us a terrible wrong, justifying direct corrective action, and perhaps some actions of this kind can and should be taken. But of the vast increase in the well-being of hundreds of millions of people that has occurred in the 200-year course of the industrial revolution to date, virtually none of it can be attributed to the direct redistribution of resources from rich to poor. The potential for improving the lives of poor people by finding different ways of distributing current production is nothing compared to the apparently limitless potential of increasing production.*

What unleashes the "apparently limitless potential of increasing production"? We can think about economic growth in the context of an insight from Adam Smith, the man widely considered to be the father of economics. In a 1755 essay that prefigured some of the themes of his *Inquiry into the Nature and Causes of the Wealth of Nations*, Adam Smith wrote:

> *Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism, but peace, easy taxes, and a tolerable administration of justice; all the rest being brought about by the natural course of things.*[2]

"The natural course of things" is a process by which people search for new and better ways to do things. A large body of research suggests that this is the case: when people have the economic freedom that comes with "peace, easy taxes, and a tolerable administration of justice" and when innovation and production are embraced, societies are "carr[ied]…to the highest degree of opulence."[3] Economic freedom and a culture that embraces innovation can carry us higher still and to ever-broader economic possibilities for our grandchildren.

II. Institutions and Economic Growth

Research into why some places are very rich while other places are very poor suggests a way forward for Alabama. These insights appear in textbook treatments familiar to introductory economics students. Cowen and Tabarrok (2013: 125-129) explain five (literal) textbook conditions we might call the "ultimate causes" of economic growth. They are secure property rights, a dependable legal system, political stability, honest government, and open and competitive markets. These are foundational because a society's rules—its institutions—help determine whether societies succeed or stagnate.[4]

According to Gwartney et al. (2010:46-52), property rights are important because they encourage wise stewardship, productive use of resources, activities that create value for others, and the development and conservation of natural resources. When property rights are secure, people have incentives to invest and innovate because they will enjoy the fruits of their labor. When property rights are insecure, people have weaker incentives to produce and trade.

A dependable legal system is important because it helps shape people's expectations. Ours is "a nation of laws, not of men," and the fact that the law is supposed to be no respecter of persons means that property rights are more secure and legal outcomes are less arbitrary than they would otherwise be. When the same abstract legal principles apply to everyone, people face less uncertainty and, therefore, they have better incentives to invest. This is one area in which Alabama has considerable room for improvement, as John Dove's contribution to this volume points out. The Mercatus Center's Freedom in the 50 States report notes that "Alabama's court system ranks as one of the worst in the country" according to survey data from the Chamber of Commerce that is used in compiling the report; however, this still represents marked improvement since 2001 (Ruger and Sorens 2013).

Fortunately, Alabamians do not have to worry about the kind of political instability that plagues many societies around the world. Corruption is a bigger and more relevant problem. Cowen and Tabarrok note that "honest government" is important because corruption can be "like a heavy tax" on businesses. In some countries, for example, police officers and government officials regularly solicit bribes in order to discharge their legal duties or to be persuaded not to abuse their regulatory powers. Tragically, there are far too many examples of the same in Alabama. Yet while fighting corruptions is undoubtedly important, perhaps a more valuable task in the long run is rolling back the government interventions creating opportunities for corruption in the first place.

Open and competitive markets are essential to growth because they help direct resources into the right hands. Open and competitive markets ensure that resources are used wisely in that a competitive market in equilibrium is one in which goods are produced by those who have the lowest costs of production, goods go to those who value them most highly, and all mutually-beneficial trades are made.[5] Open and competitive markets also encourage people to innovate: to build cheaper mousetraps, better mousetraps, or whole new ways of catching mice that others may have never considered. While regulatory obstacles have gotten in the way of firms like Uber, a Birmingham-area startup called Shipt has the potential to change the way Alabamians shop.[6] When we give others the gift of liberty, we also give ourselves the gift of prosperity.

III. Embracing Open and Competitive Markets

Alabama policy makers can make genuine progress unleashing the invisible hand as public policy limits access to many Alabama markets. Granted, Alabama is not alone in limiting access to these markets, but just because other states are doing the same thing does not mean it is good public policy. Alabama policy makers can improve lives in Alabama by abandoning occupational licensing rules, repealing "price gouging" laws, and eliminating the hoops that technology innovators must jump through to do business in Alabama.

Occupational Licensing

In his first contribution to this volume, Daniel Smith considered occupational licensing. Asymmetric information problems—specifically, sellers know more about the goods they are offering than buyers—mean that buyers might find themselves cheated by unscrupulous sellers. When quality is difficult to measure, markets might not emerge at all. Hence, regulation might be necessary to protect consumers and to ensure that a market exists.[7] These information problems create an opportunity for firms and organizations that can provide certification services. Examples include the Underwriters' Laboratory and the Good Housekeeping Seal of Approval. Certification solves the information problem without distorting output or without distorting the political incentives.[8]

Licensing, however, can be a barrier to entry that reduces output and raises prices. This makes us worse off as a society because we have fewer athletic trainers, tree trimmers, massage therapists, locksmiths, and so on than we would have without licensing. Licensing also reduces innovation, and it benefits the wealthy (who can pay for quality) at the expense of the poor (who cannot) (Kleiner 2006: 43). Members of the licensed occupations also spend time, energy, and money protecting their privileged positions through lobbying. As Tullock (1968) argued in a seminal article on the economics of politics, this lobbying is pure social waste. The relevant institutional problem, therefore, is to identify ways to prevent special interests from using regulation to restrict access to the market.

These restrictions make it harder for people to climb the economic ladder. Americans extol the virtues of hard work, innovation, and entrepreneurship, but these virtues are punished by laws requiring that people obtain government licenses to practice their chosen trades. Alabama can open access to the economic order, reduce unemployment, and generate economic growth by removing restrictions on entry into occupations that currently require a government license.

Price Gouging Laws Close Markets

Natural disasters have the capacity to turn people's lives upside down. Governments actually make problems worse by prosecuting "price gougers," those who raise prices for food, water, gasoline, generators, building supplies, and other goods and services in the wake of disasters. These rules restrict market forces that are perhaps most necessary during times of extreme chaos. Prices send signals to people telling them that they need to conserve resources that are suddenly scarcer and more valuable than they were before the storm: think twice about driving, for example, or try to get the whole family into one single hotel room. When governments control prices, they create shortages and actually hinder recovery efforts by unintentionally encouraging people to waste precious resources and discouraging people from outside the disaster-stricken area who would have otherwise been motivated to bring supplies into the area because of higher prices.[9]

Immigration and the Labor Market

Policy makers should work to make the labor market more open and more competitive. In 2011, Alabama passed an immigration law that attracted criticism from commentators and economists. The law targeted undocumented immigrants because they are allegedly a drain on state resources and because they allegedly take the jobs of Alabama workers, but as economists continue to point out, immigrants do not merely raise the supply of labor. They also raise labor demand because they too want goods and services that natives produce. Caplan (2012) points out that immigrants' effects on natives' earnings are either very small or positive. Furthermore, decades of experience with a growing labor force suggests that immigrants do not displace natives in the labor market. The large-scale entry of women into the workforce in the 1960s and 1970s did not cause massive unemployment for men. Immigration also has not caused large-scale displacement of American workers.

Immigration restrictions burden more than the immigrants. They also burden employers, whether they employ immigrants or not, and they create risks for Americans who have been cleared to work in the United States legally. Alabama immigration law will cost Alabamians as Alabama businesses spend more time complying with burdensome regulations and less time focusing on their core business. In short, Alabama companies like Dreamland and Jim & Nick's will be spending more time filling out paperwork and less time cooking barbecue or expanding their operations. Alabama's immigration law makes it costlier to do business in the state and diverts businesses' attention from their core business of serving customers toward the distraction of regulatory compliance. There are legitimate concerns that undocumented immigrants in Alabama may be a net drag on state welfare resources, but it is hardly clear that the proposed "cure" is better than the disease.[10]

Embracing Innovation and Disruptive Business Models: From Uber to Tesla

In Summer 2014, Birmingham officials were trying to figure out what to do about possible entry from ride-sharing app service Uber. As with occupational licensing, there is at least a plausible argument for why regulation might be warranted (consumer protection with asymmetric information), but Uber, Lyft, and other firms solve information problems with their rating systems. They ultimately settled on regulations that did not technically bar UberX's ride-sharing service but created a complex set of bars to clear and hoops to jump through that made the company's low-price business model impractical in the city. Birmingham leaders missed an opportunity to demonstrate their openness to innovation. The same scene was repeated in Tuscaloosa in the Fall, when city leaders again warned Uber that UberX drivers would essentially be regulated like taxicabs. They ultimately threatened to arrest Uber drivers. These endeavors send a bad message to innovators about whether Alabama is or isn't receptive to innovation. I wonder: how many companies like Shipt aren't being started because of regulatory barriers? How much additional innovation are we missing out on because regulation blocks transportation innovation?

In a policy study for the Mercatus Center at George Mason University, economists Stewart Dompe and Adam C. Smith discuss cab drivers' complaints against platform providers like Uber and Lyft. They note that the regulatory complaints being filed by incumbent taxi drivers in cities like "Chicago, Houston, Seattle, and Boston" represent "spending scarce resources on contesting wealth instead of creating it" (Dompe and Smith 2014:1). The debate about the safety of ride-sharing operations often overlooks the fact that firms have valuable brand names that they have incentives to protect. With respect to taxi regulation, Dompe and Smith (2014:2) note that "(t)he rationale for regulating taxicabs is to protect consumers, yet the regulation's main result is to keep prices high and actively discourage services to lower-income customers."

As Tullock (1968) and Krueger (1974) pointed out and as a large body of scholarship continues to verify, resources are consumed in zero-sum battles over the distribution of government favors like subsidies and special tax breaks. Resources are also consumed as people spend more time, money, and energy complying with increasingly-complex taxes. Government action encourages what Baumol (1990) called "unproductive entrepreneurship" as people look for ways not to create new value, but to curry favor with the government.

The Uber controversy is an example showing that there is really nothing new under the regulatory sun. In the early twentieth century, cities like Los Angeles cracked down on private jitney services (Eckert and Hilton 1972). The market for livery services in most cities is very heavily regulated. These artificial supply restrictions raise prices and encourage people to drive when they would otherwise a driver. By lowering the price of hiring someone to take care of the driving, ride-sharing services would, I expect, reduce distracted or drunk driving. While it is too early to tell from systematic study, some evidence is gathering that ride-sharing firms like Uber and Lyft reduce DUI arrests (Badger 2014).

State and local policymakers have an opportunity to avoid the same mistake with respect to direct sales of Tesla's electric cars. Some states (like Michigan) have passed laws and made rules effectively banning direct-to-consumer sales and mandating that people buy cars through dealerships. This introduces unnecessary costs, makes car-buying more expensive, helps keep depreciated, environmentally-unfriendly cars on the road longer, and restricts residents' access to innovative new products.

By obstructing companies that are trying to do new and innovative things, state and local officials are effectively saying "disruptive innovators need not apply" and protecting special interests. Instead, Alabama leaders should work to capitalize on other states' mistakes. Instead of blocking companies like Uber, Lyft, Airbnb, Tesla, and others, Alabama's leaders should be eliminating the barriers preventing people from bringing innovative new products and technologies into the state—or developing them here.

Opening the Market for Banking Services: Institutional Change in Alabama

An example from Alabama's history illustrates. The CEO of First Alabama Bank described Birmingham in the 1960s as "feudal" (Gamble 1987: 27).[11] For many years, banks were not allowed to operate branches across county lines, or in some cases even across city lines. Nor were many banks allowed to hold portfolios that included banks in different regions. This made the banking sector extremely inefficient as banks did not provide customers with the levels of service demanded and were limited to carrying portfolios of highly geographically concentrated loans. While banks were able to diversify by holding deposits of state funds and by holding US Treasury securities, Alabama's financial system—and therefore, the state's economy—was not as dynamic as it could have been.

That changed when Central Bank of Alabama, under the leadership of Harry Brock (for whom the Brock School of Business at Samford University is named) worked to change the law throughout the 1960s and 1970s, first to allow bank holding companies and then eventually to allow statewide branch banking. This made banking in Alabama more competitive, ultimately benefiting customers across the state. While Mr. Brock and others were ultimately successful, they had to expend considerable resources simply securing permission to compete with other banks as opposed to actually competing and providing better services to Alabamians. The institutional change led to greater productivity, but Alabamians would have enjoyed greater wealth without the restrictions in the first place.[12] In part, this would have happened because the banking sector would have been more competitive, but it also would have happened because the political entrepreneurs who were able to change Alabama banking would have spent less time and energy trying to get permission to offer banking services and more time and energy actually offering banking services. As in medieval Europe and as in many countries with dysfunctional institutions around the world today, Alabama regulators were careful to make life difficult for innovators who wanted to upset the status quo.

IV. White Elephants: Stadiums, Convention Centers, and Amusement Parks

I was born in Alabama but grew up near Columbus, Ohio. The first time I ever voted, I voted *for* a subsidy that would have built a hockey arena and a soccer stadium. Fortunately, the measure was defeated. As I learned more about economics I came to understand the error of my ways. Resources are scarce, they have alternative uses, and it is hardly clear even in theory that stadiums, convention centers, and large public works are wise uses of resources. The empirical literature suggests that at best stadiums are an economic wash for a metropolitan area (Coates and Humphreys 2008).

Stadium and Convention Center deals are deceptively attractive for voters and politicians. We're told that if we build a stadium or a new convention center, then we will get an increase in tourism and, therefore, an increase in economic activity. It's a story for which I fell the first time I voted, but the evidence suggests governments should no more build stadiums than they should build pizza places or subsidize Big Box retailers. Bad development policy does not require bad intentions, only a combination of bad ideas and bad incentives.

Stadium and convention center proponents base their arguments on projections of large economic impacts that, as Sanders (2014) shows, do not materialize. Sanders offers a comprehensive survey of convention center debates, how they fail to meet consultants' rosy projections, why the projections are so rosy in the first place, and why coalitions of downtown property owners succeed in getting convention centers built and expanded. This leaves states and cities on the hook for stadiums and convention centers that must be paid for but that are not generating enough revenue to cover both their costs of operation and their debt service. Stadiums are not net generators of new economic activity; rather, they are redistributors of existing economic activity (Coates and Humphreys 2008)—and expensive ones at that.

Stadium proponents argue that a new stadium will generate tourist revenue as people visit town for a Big Event, but the evidence shows that even Big Events are not growth creators. Baade and Matheson (2001) use data from 1973-1997 to estimate the effect of the MLB All-Star game on local economies. They actually find a negative relationship between employment growth and hosting the All-Star game, and using data on California cities they find that the All-Star Game is actually associated with a reduction in taxable sales. Calling MLB's impact estimates "a wild pitch" rather than "a home run," they summarize their results (p. 322):

> *"Instead of an expected gain of around 1,000 jobs in the year a city hosts an All-Star Game, employment numbers in host cities have actually fallen more than 8,000 jobs below what would have been expected even without the promised $60 million All-Star boost.*
>
> *"In analyzing the impact of All-Star Games in San Diego, Oakland, and Anaheim, an examination of taxable sales data reveals that taxable sales in host cities have not only failed to increase during All-Star Games, but have on average fallen nearly $30 million below what would have normally been expected in these host cities."*

Furthermore, Baade et al. (2008:194) argue that "New stadiums, arenas, and franchises, as well as mega-events, appear to be as likely to reduce taxable sales as increase them."

Why don't stadiums and convention centers produce game-changing economic growth? As Baade et al. (2008) and Coates and Humphreys (2008) explain, stadiums simply alter patterns of economic activity but not necessarily the total amount. First, sports and stadium events compete for entertainment dollars within the city. The money spent by fans at and around the stadium is not being spent elsewhere. A Big Game at a domed stadium in downtown Birmingham would cannibalize economic activity that would otherwise take place in other parts of the city. Second, big events create traffic and congestion, crowding out activities by other people. When we lived in Memphis, we were once unable to get a table at a restaurant that was filled with people who were in town for the Liberty Bowl. The very visible spending they were doing at a Memphis restaurant was crowding out spending we would have done.

Finally, sports might reallocate activity across time. People might not make more trips to visit Birmingham. Instead, they simply change their travel plans in order to be there for (or in order to avoid) the Big Game. Two examples illustrate. In Summer 2013, I planned a trip to Atlanta in order to avoid higher hotel prices on the night of a Braves home game. In 2014, economist Edward J. Lopez spoke at Samford. Snow and ice prevented Dr. Lopez's originally scheduled visit in January. As Dr. Lopez did his undergraduate work at Texas A&M and as I did mine at the University of Alabama, we decided to schedule his visit during the week of the Alabama-Texas A&M game in Tuscaloosa. Sports, in this case, did not affect whether Dr. Lopez visited but when Dr. Lopez visited. There is nothing wrong with stadiums, arenas, and convention centers, and officials should do nothing to stop anyone who wishes to build a stadium, an arena, or a convention center with their own money. Officials should not, however, commit government funds to such endeavors.

Governments have a less-than-stellar track record when it comes to picking winning projects. We can learn an important development lesson from the VisionLand amusement park failure in the early 2000s. VisionLand was the brainchild of the now-imprisoned Larry Langford, and it was built by a coalition of Birmingham-area communities using bonds on which they defaulted very quickly. After changing hands a few times, the park finally ended up in private hands for a fraction of the amount borrowed to build the park. Rosy projections about the economic impact of VisionLand failed to materialize, and the project ended up being an expensive boondoggle that underscores the importance of keeping large decisions removed from politics. On January 11, 1996, *The Bond Buyer* carried the headline "Alabama Cities Hope Theme Parks Will Be a Godsend" and quoted local Birmingham-area leaders who were optimistic about VisionLand's potential for increasing tourism. Five and a half years later, on June 6, 2001, *The Bond Buyer* carried the headline "Alabama Theme Park Depletes Reserve Fund, Defaults on Bonds" (Sigo 2001:35).

The Alabama Cruise Terminal in Mobile provides another example of a public investment that failed to create economic development. The Cruise Terminal was built in the 2000s to attract a cruise ship. Carnival Cruise Lines stopped operating from the port in 2011, leaving local officials "shocked, saddled with cruise terminal debt."[13] Specifically, they were left with $20 million in debt and $1.8 million in annual payments.[14]

The failures of VisionLand and the Alabama Cruise Terminal as well as the results of the research on stadiums and convention centers suggest that some policy changes might be appropriate. Specifically, Alabama legislators should not use state money for local development projects. While a stadium, amusement park, or Hall of Fame promises to be a catalyst for spending from out-of-state visitors, but most of the spending comes from state residents. Taxing residents of Huntsville to build a Hall of Fame in Birmingham redistributes resources and makes little economic sense. It might make political sense in that it might be part of a log-roll in which one legislator trades support for a pork project to another legislator in anticipation of a *quid pro quo*.

At the local level, VisionLand and the Alabama Cruise Terminal show the dangers of using government to promote "economic development" beyond what could reasonably be considered the provision of local public goods like quality schools and law enforcement. Constitutional provisions prohibiting government from giving special breaks to firms or building edifices to encourage economic development would make it more costly for special interests to seek privileges. While the proponents might devise new ways to justify these projects through approved channels (e.g., making a museum, Hall of Fame, or stadium part of an approved school), raising the cost of wasting resources will result in fewer wasted resources.

We get wasteful policies in part because they provide concentrated benefits to special interests while spreading the costs among a large population. We also get these policies because they are popular among even those who actually stand to lose from them. Caplan (2007) calls this "rational irrationality." Many people hold irrational beliefs about economics; for instance, they claim to want prosperity but support policies that impoverish them. People do not update their beliefs because doing so is costly (it requires economics training, for example) and the benefits are very small. For an individual voter, taking the time and energy to understand an issue like international trade is very costly, but that voter's actions are unlikely to influence public policy. Therefore, people go on indulging the systematic biases on economic issues Caplan documents.

Voters' incentives to remain uninformed or irrational combined with politicians' incentives to focus on their own short-run gains even at long-run expense to their constituents provides a rationale for limiting political involvement in economic development. While voters have turned down initiatives aimed at building larger convention facilities and stadiums in the past, Birmingham residents have been told that they will get a stadium whether they like it or not. Policymakers should explore state, county, and city-level provisions that would make it more difficult for governments to "encourage" economic development by picking winners and losers.

V. Thinking about Work and Charity in the 21st Century

Public policy is only one element of a prosperous, flourishing society, and there is only so much we can accomplish by telling people with power what they should and should not do. There is more to a robust civil society than the political and commercial sectors; there is a valuable social and cultural sector comprised of clubs, organizations, churches, and other groups. Organizations in this sector help define the cultural constraints that influence political and commercial action, and the way we think about work is an important cultural constraint.[15]

McCloskey (2010, forthcoming) traces what she calls "The Great Enrichment" of the West to the development of a culture that prized innovation and dignified commerce.[16] She attributes our prosperity today to liberty that allowed people to buy, sell, and trade without government interference and a culture that esteemed them for doing so. This was evident in the way we used language. McCloskey notes that "innovation" and "novelty," for example, were feared, not celebrated, and the terms were not complimentary. To be "honest," as with Shakespeare's "honest, honest Iago" in *Othello* meant not "keeping one's promises" or letting one's yes be yes and one's no be no. It meant being a noble and aristocratic person with high social standing. A rhetorical change came when we started to identify it with truth-telling and is today manifested in phrases like "honest work."

Put simply, coming up with new ideas and testing them in the market came to be seen as a dignified and honorable thing to do. Dealing extensively with literary and documentary sources, McCloskey (forthcoming) argues that a combination of "reformations, revolts, and reading increased the dignity of ordinary Europeans" and made them rich during the eighteenth and nineteenth centuries. Imitating these new ideas helped to propel the Asian Tigers forward in the middle of the twentieth century and China and India forward toward the end of the century.

Changes in how we think about work created the fertile soil out of which the Great Enrichment grew. For the better part of history, people disdained productive work. Work was something to be done by women and slaves. This started to change in the medieval monasteries. Sunshine (2014:26) describes the change:

> *St. Benedict of Nursia, whose rules for monastic life were the foundation for nearly all Western monasticism, mandated that his monks take a vow of poverty and at the same time be engaged in work—understood primarily in agricultural terms as production of goods. There were two reasons for this: first, in the ancient world, work was seen as demeaning, and thus having the monks work promoted humility; second, Benedict recognized that God gave Adam work to do in the Garden before the Fall, and so work was good no matter what society thought of it.*

Over time, work became honest, meaning honorable. Whelchel (2012) seeks to reclaim this tradition. He argues that people need to fulfill the Bible's cultural mandate and suggests that Christians seek to "reweave Shalom" (pp. 91ff)— usher in the peace of God—by "restor(ing) the Biblical doctrine of work" (p. 106) and recovering the "cultural mandate" to "fill the Earth and subdue it" (p. 95). In a state that is overwhelmingly Christian, a renewed dignity for work and a blurring of the lines between the sacred and the secular can be an important source of innovation and prosperity going forward.[17]

Churches, clubs, and civic organizations can take important steps toward encouraging a culture of innovation and production by recognizing that working as a banker, barista, or business owner and moving resources from low-value to high-value uses is a ministry just like volunteering in a soup kitchen or as a missionary. These organizations can also think differently about how we try to help those who are less fortunate than we are. Corbett and Fikkert (2009) and Lupton (2011) explain how well-meaning but poorly-executed charitable endeavors can actually make things worse for the people we are trying to help. This is the case both domestically and globally, and Corbett and

Fikkert and Lupton make the case that churches and charitable organizations should rethink the way they try to help people. Alabamians, as residents of a state where there are great needs but also great hearts overflowing with generosity, would be wise to consider these lessons carefully.

VI. Conclusion

Alabama's economic history has seen more success than failure. Even the moral (and economic) abominations of slavery and Jim Crow were insufficient to prevent Alabama's development as a very wealthy region by historical and global standards. There is room for improvement. State leaders wasted valuable human capital by protecting slavery in the early 19th century and by protecting institutionalized racism in the early 20th. These were visible manifestations of policies that made us poorer. More seductive (and less abominable) but still wasteful policies include industrial policies and development projects that throw good money after bad and laws that interfere with the working of prices.

We cannot plan prosperity. The best thing a government can do is nurture the institutional soil out of which prosperity grows by protecting private property rights, by refraining from enacting policies that limit access to the marketplace, and by refusing to give away taxpayer money to special interests in the name of "economic development." Adam Smith was right over two centuries ago: when people enjoy peace, easy taxes, and a tolerable administration of justice, they prosper.

Notes

1. "Economic Possibilities for our Grandchildren" is also the title of a 1930 essay by John Maynard Keynes. This essay was completed in part with the assistance of a Summer Research Grant from Samford University in Summer 2013. Research assistance from Hamilton Spivey was supported by a generous grant from the Charles G. Koch Charitable Foundation.
2. Smith is quoted by Dugald Stewart, who is in turn quoted in Edwin Cannan's preface to Smith's *An Inquiry into the Nature and Causes of the Wealth of Nations*, available here: http://www.econlib.org/library/Smith/smWN0.html. Last accessed January 3, 2014.
3. See Stansel and McMahon (2013) and Hall and Lawson (2014) for summaries of this literature. In a similar volume exploring public policy in Tennessee, Sobel, Clark and Leguizamon (2012), Sobel, Clark, and Hall (2012), and Sobel, Clark, and Leeson (2012) discuss how and why economic freedom leads to growth. Many well-researched volumes have tried to explain why The West grew rich while The Rest did not. These include Clark (2007), North and Thomas (1973), North (1981), Rosenberg and Birdzell (1986), McCloskey (2006, 2010, Forthcoming), North, Wallis, and Weingast (2009), Mokyr (2009), Acemoglu and Robinson (2012), Deaton (2013), and many others.
4. This is a key insight in the research agenda of 1993 Nobel Laureate Douglass C. North. See expecially North (1981, 1990, and 2005) as well as North, Wallis, and Weingast (2009).
5. See chapter 4 of Cowen and Tabarrok (2013) for an easy and accessible discussion of competitive equilibrium.
6. While reviewing the penultimate version of this chapter, the author bought a one-year "MemberShipt" for grocery delivery.
7. See Law and Kim (2005) for an empirical analysis of this during the Progressive Era.
8. See Friedman (1962 [2002]: 137-160) for a classic discussion of occupational licensing.
9. Giberson (2011) discusses the negative effects of "Price Gouging" laws.
10. Recent and comprehensive literature on the economics immigration can be found in the Winter 2012 issue of the *Cato Journal* and a series of papers prepared by the Free Market Institute at Texas Tech University that will appear in a book published by Oxford University Press.
11. Information in this paragraph and the next is also drawn from a personal conversation with Mr. Brock in 2013.
12. See Gamble (1987) for a history of Central Bank and for more information on changes in the way banks were regulated.
13. Murtaugh (2011).
14. Dugan (2013).
15. See Leighton and Lopez (2013) and Rodrik (2014) for discussions of the relationship between ideas and institutional change.
16. The information in this paragraph is drawn from a collaborative project between McCloskey and Carden that in turn relies on McCloskey (forthcoming, particularly chapter 16).
17. This topic is far too broad to treat completely here. I refer the reader to Whelchel (2012), Richards (2010), Schneider (2002), and Carden (2014).

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