

THE CONNECTICUT Economy



A University of Connecticut Quarterly Review

Spring 1999

Connecticut Government:
Cheaper Than You Think?

Public Relief for the
Labor Shortage

Connecticut's Income
Tax: 1990s and Beyond



**Snapshots of Government and
the Connecticut Economy**

The Editors



William A. McEachern, Editor in Chief, is a professor of economics at the University of Connecticut, where he has taught since 1973. He has published journal articles and books, including *Managerial Control and Performance* and a textbook, *Economics*, to be published in its fifth U.S. edition this summer. Australian and Spanish editions have also been published. He is also founding editor of *The Teaching Economist*, a newsletter for college teachers.



Edwin L. Caldwell, Editor, is a research scholar at the University of Connecticut, and was Chief Economist for Connecticut Bank and Trust Co. from 1965 to 1988, when he retired and became a consultant. He has taught at several universities and has also been an economist at the Federal Reserve Bank of New York.



Dennis R. Heffley, Editor, is a professor of economics at the University of Connecticut, and has taught courses in urban, health, and mathematical economics since 1973. His research, published in the *Journal of Health Economics*, *Journal of Urban Economics*, *Journal of Regional Science* and other leading professional journals, uses microeconomics to better understand market behavior and public policy.

Contents



Spring 1999 - Volume 7 Number 2

1999 Off to Good Start	3
More jobs, more housing, and more auto sales laid a base in the first quarter for another strong year.	
Measuring the Public Trough	4
Connecticut ranks 7th in state and local spending per person, but looks lean when adjusted for population, income, and size.	
State Tax Profile for the 90s	5
The state revenue picture changed more in the 1990s than at any time in decades. What does it mean?	
Comparing Prices: CT, Boston and NYC	7
How closely do Boston and New York price indices match up with Connecticut prices? Often, there is no match.	
Latest Revisions Boost GDI	8
New Labor Department figures show that the coincident GDI grew at a more robust pace last year than first believed.	
All Tax Cuts Are Not Equal	8
We all like tax cuts, but it makes a difference for our economic future which taxes we choose to cut.	
So Far, So Good But Look Out	9
Connecticut residents are upbeat about present economic conditions, but wary about the future.	
Income Tax Gains Some Support	9
Though opponents still outnumber supporters, more state residents approve of the income tax today than when it began.	
Centerfold: State Taxes by Town	10-11
Our annual report of the number of returns, the total taxes paid, and the taxes per return by town for 1997.	
Welfare Reform and Labor Shortages	12
Connecticut's welfare-to-work program may be playing a key role in easing the state's tight labor market.	
For State Metros, Costs Count	13
The cost of doing business in Hartford and other Connecticut metros raises a high hurdle to improved economic growth.	
The Regions	14-15
Still a smooth sail for most of Connecticut's Labor Markets.	
Straws in the Wind	18-19
Annual analysis of state income tax returns shows how recent reforms exempt more low-income households.	
Index of Economic Indicators	19
A graphical comparison of U.S. and Connecticut economic performance since 1990.	
Fiscal Management: Just a Start	20
Prudent management of the state's Treasury can also advance the interests of public service, excellence and values.	

The Connecticut Economy gratefully acknowledges the financial support of the following Sustaining Partners:

Connecticut Business & Industry Association
 Connecticut Department of Economic and Community Development
 The Connecticut Hospital Association
 Connecticut Small Business Development Center
 The Connecticut Light and Power Company
 Ernst & Young, LLP
 Fleet Bank
 Foxwoods
 Office of the State Treasurer
 UTC
 The University of Connecticut's:
 Department of Economics
 Center for Survey Research and Analysis
 Provost's Office
 School of Business Administration

Published by the University's Connecticut Center for Economic Analysis.
 Fred V. Carstensen, Director

Editor in Chief William A. McEachern
 Editors Edwin L. Caldwell, Dennis Heffley,
 Raymond R. Beauregard, Emeritus
 Managing Editor Steven P. Lanza
 Research Associates Corinne T. McCue
 Radoslaw Wasiak

Executive Committee Thomas G. Gutteridge, Kenneth J. Dautrich, Susan M. Steele, Stephen M. Miller, Chairman, Dennis R. Gruell, Peter deWilde Shapiro, John P. O'Connor, Emeritus
 Project Development Officer Peter deWilde Shapiro

Copyright © University of Connecticut 1999. All rights reserved. The annual subscription is \$50. Send subscription requests and change of address information to: Circulation Manager, *The Connecticut Economy*, Connecticut Center for Economic Analysis, Department of Economics, U-63C, University of Connecticut, Storrs, CT 06269. The phone number is: (860) 486-0263. Make checks payable to the University of Connecticut/*The Connecticut Economy*. Shaaron Syrene and Becky Aubrey are office administrators. Chris Butler originally designed *The Connecticut Economy*. John DeMarchi is the current designer. The views expressed by authors are theirs alone.

Thanks for the Help
 The editors thank those who provided information for this issue including Mark Prisloe and Kolie Sun Chang of the Department of Economic and Community Development, Robert Damroth of the Connecticut Office of Tourism, Ernie Adamo and Mike Galliher of the Department of Revenue Services, and especially Sal DiPillo and Roger Therrien, and their colleagues at the Department of Labor, who have been most helpful with labor data. We also thank Jeff Blodgett of CERC, Elizabeth Gara of CBIA, and Jane Miller of Prudential Connecticut Realty.

CONNECTICUT ECONOMIC INDICATORS

(Percent change: 1998-Q1 to 1999-Q1)

Indicators of Current Economic Activity

Total Nonfarm Jobs	+1.6%
Number Unemployed	-13.4%
Labor Force	+1.1%
Manufacturing	
Jobs	-1.2%
Avg. Weekly Hours	-1.7%
Output Index	+0.4%
Avg. Hourly Earnings	+2.2%
New Auto Registrations	+29.5%
Travel and Tourism Index	-2.1%
Bradley Airport	
Passengers	+10.7%
Freight (Jan/Feb 98-Jan/Feb 99)	-6.5%
State Taxes:	
Sales	+6.5%
Income	+6.2%
Real Estate Conveyance	+15.1%
Normalized Electricity Use	+3.2%
State Exports ('97-Q4 to '98-Q4)	-4.2%
Confidence in Current Economy	+2.9%
Coincident GDI ('98-Q4 to '99-Q1)	+0.4%

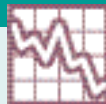
Indicators of Future Economic Activity

Help-Wanted Ads	
<i>Hartford Courant</i>	-6.4%
Job Orders	-13.0%
Avg. Initial Unemp. Claims	+14.2%
Housing Permits	+11.3%
Net New Business Starts	-2.1%
Confidence in Future	-17.4%
Leading GDI ('98-Q4 to '99-Q1)	-0.7%



Good news

+29.5%
New Auto
Registrations



Bad news

-17.4%
Confidence
in Future

At Long Last, More Workers

In the first quarter of 1999, Connecticut residents picked up where they left off in 1998, finding more jobs, building more homes, and buying more cars. But one thing changed: In a most promising development, people began returning to the labor force, swelling totals for the first time in nearly two years. With employers starved for workers, a growth in the labor force could make our strong economy really sing. Granted, not everything is peachy—the Patriots aren't coming and manufacturing looks soft. But there is enough good news around to cheer even the most dismal economist.

Now the details. After being flat or down for nearly two years, the labor force increased by 18,100, or 1.1%, between the first quarter of 1998 and the first quarter of 1999. That growth may promise that new workers can nurture the current expansion. For example, about two-thirds of the 26,100 jobs added in the last year came from new entrants to the labor force; the other one-third came from reductions in the number unemployed.

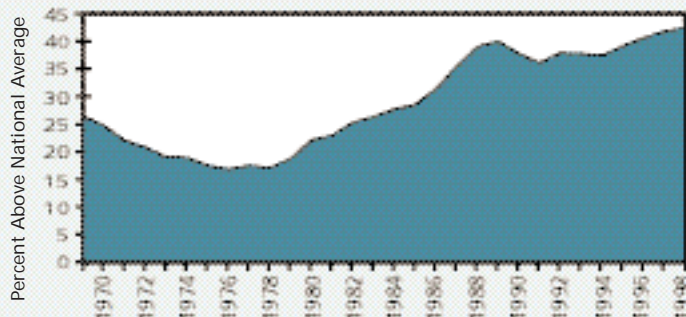
The Connecticut economy added an estimated 7,740 jobs between the final quarter of 1998 and the first quarter of 1999, growing 1.9% at an annual rate. Since the first quarter of 1998, jobs have climbed 26,100, or 1.6%. Services, such as business services and health services, contributed more than half that yearly growth, adding 14,700 jobs, for a gain in the sector of 3.0%. Finance, insurance and real estate added 4,500 jobs, or 3.4%. Wholesale and retail trade picked up 4,100 jobs, or 1.2%. Government, which now includes the casinos, gained 3,700 jobs, or 1.6%. And construction jobs rose 1,800, or 3.4%. Manufacturing, the only sector to lose jobs, dropped 3,400, or 1.2%. The average work week in manufacturing declined by 48 minutes, or 1.7%, but the hourly wage rose 33 cents, or 2.2%.

The number unemployed fell from 69,000 in the first quarter of 1998 to 59,800 in the first quarter of 1999, a decline of 9,200, or 13.4%. Unemployment decreased in all ten labor market areas. Danielson led the parade, down 25.8%, followed by New London-Norwich, down 23.0%. Hartford unemployment rolls dropped by 3,300, or 13.4%—exactly the state average. The unemployment rate slipped from 3.2% in the final quarter of 1998 to 3.1% in the first quarter of 1999, the lowest rate since the final quarter of 1988, and below the national average of 4.3%. The rate declined in all ten labor market areas (see pages 14 to 17 for details).

Connecticut residents continued to spend in the new year. Thanks to a strong showing in March, new housing permits grew 11.3% in the first quarter. The real estate conveyance tax, a broader measure of home purchases, climbed 15.1%. We might expect auto buyers to take a breather after record sales in 1998. But breathless buyers accelerated new auto registrations 29.5% in the first quarter.

Connecticut's per capita income climbed to \$37,598 in 1998—still tops in the country and a record 42.4% above the national average. The chart shows the state's relative standing since 1969. Note that the state has not always held such a lofty perch; state income stood just 16.8% above the national average in 1976. If Connecticut were a country, its per capita income in 1998 would rank it first in the world by a long shot. The state economy should thrive, even without the Patriots.

Connecticut's 1998 Per Capita Income Highest Ever Relative to National Average



Source: Developed by *The Connecticut Economy* based on estimates from the U.S. Department of Commerce.

Just How Deep is Connecticut's Public Trough?

By Dennis Heffley

According to the most recent data, state and local government spending per person ranged from \$3,849 in Arkansas to \$11,886 in Alaska, with a national average of \$5,257. Connecticut's figure of \$6,047 placed it 7th highest among the 50 states, seeming to support the popular image of a "bloated" public sector that drains our pockets and stunts economic growth. But controlling for several factors that influence government spending offers a brighter view of public sector performance in Connecticut relative to other states.

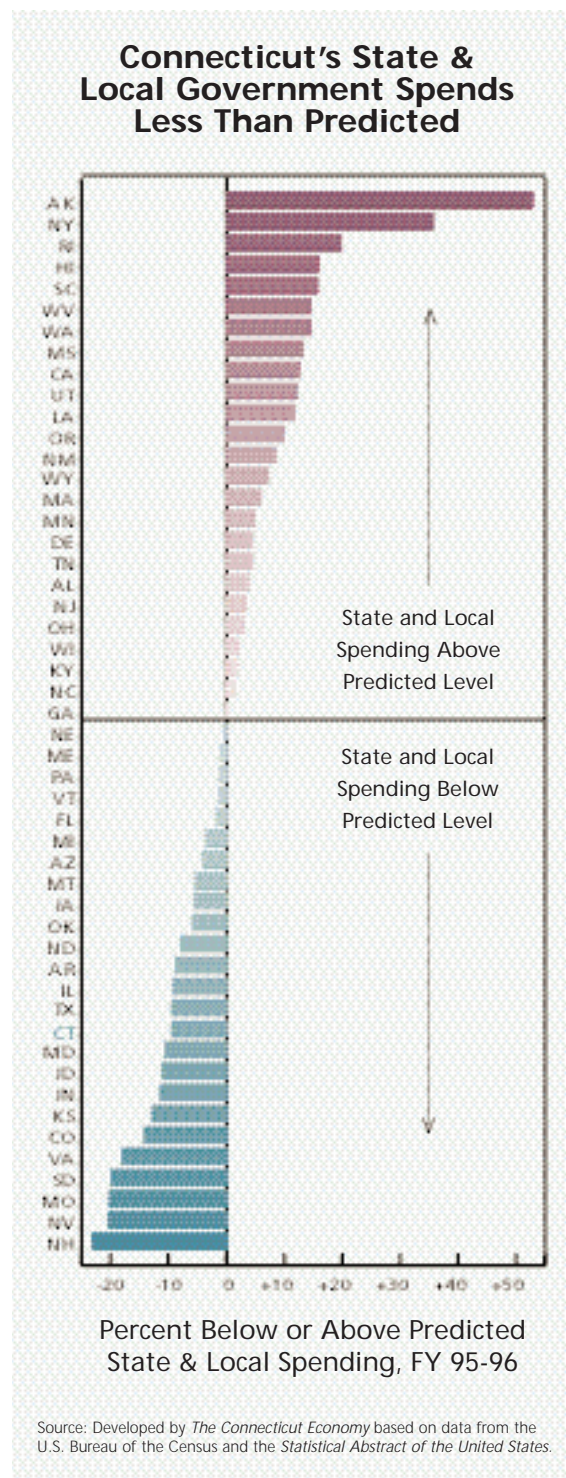
A Simple Model of Public Spending

Economists who specialize in public finance have devised complex models of government spending, but it's easy to imagine that some basic features of a state influence its public outlays. Let me offer three—population, average income, and land area—and let's think about how each might affect a state's total state and local government spending, holding the other two factors constant.

Comparing two states of equal area with the same average incomes, for example, we would expect the more populous state to spend more on public services. Similarly, two states with equal populations and identical areas could differ in average incomes. In this case, the wealthier state would almost certainly spend more. Most public expenditure studies find that many services are "normal goods"—voters typically demand more (and better quality) public services as their incomes rise. Finally, two states with the same populations and the same average incomes could differ in area, but the net effect of geographic size on spending is less predictable. Lower population density in the bigger state could boost the cost of providing some services, such as fire protection or sewerage systems. But the less crowded environment also might trim the need for police protection, parks, and some other services. This clouds the overall effect of land area on public spending.

Beyond determining whether population, average income, and land area separately influence state and local spending, it's useful to quantify the impact of each factor. This can be done by statistically relating the most recent state and local spending data (fiscal year 95-96), for all 50 states, to population, average income, and land area in each state. Results suggest that these three items combined account for more than 98% of the interstate

variation in total state and local spending. As expected, both population and average income have strong positive links to public spending. A 10% increase in population is associated with just over a 9% increase in state and local spending, while a 10% increase in average income is associated with more than an 11% spending increase. After controlling for the other two factors, land area has only a small positive impact on spending, probably reflecting the offsetting effects discussed earlier.



How Does Connecticut Fare?

The estimated model fits the data well and provides a useful way to assess each state's tendency to spend more or less than predicted, based on their particular characteristics. Substituting each state's population, average income, and land area into the estimated model provides a predicted level of state and local spending. A state with actual spending above the level predicted for such a state could be wasteful or might simply have special features not accounted for by the model. Similarly, a state that spends less than predicted could be unusually efficient or possess features that the model omits. The graph summarizes this comparison of actual and predicted levels of total state and local government spending in each state.

Alaska's state and local public spending is almost 53% above the amount predicted for a state with its population, average income, and area. At the other extreme, New Hampshire spends about 23% less than the model predicts for such a state. The Granite State is one of only ten states that seem to be relatively more frugal than Connecticut. Our state and local spending in 1995-96 was 9.3% less than predicted for a state with almost 3.3 million residents, a 1995 per capita personal income of nearly \$32,000, and 4,845 square miles of rocky turf. This translates into a total annual estimated "savings" of \$2.03 billion, or about \$620 per person. This outcome is all the more striking in the context of neighboring states' performance. New York, Rhode Island, and Massachusetts exceeded their predicted levels of public spending by about 36%, 20%, and 6%, respectively.

Some Caution

The ranking in the graph—from "overspenders" to "underspenders"—provides only a relative indicator of performance. Slack could remain in even the thriftiest public sector, but the ranking tells us nothing about that. Also, as noted before, a state with unique features that are omitted from the estimated model could be inaccurately ranked. Finally, dollar-based comparisons offer no direct information about the physical quantity and quality of public services—such comparisons would require much more information than is currently available. Yet, despite these and other more technical limitations, the model offers a better way of evaluating popular claims of government waste than simply looking at spending levels.

Criticizing Connecticut's state and local spending of \$6,047 per person, more than 15% above the national average, may seem warranted until someone points out that the bulk of government spending involves direct or indirect payments for labor services, and per capita personal income in Connecticut exceeds the national average by more than 42%. Controlling for income, population size, and land area, Connecticut state and local government looks pretty lean and may be a contributor to the state's economic dominance rather than an economic burden.

State Income Tax Now Biggest Fiscal Horse

By William A. McEachern

As the 1990s began, the sales tax was the biggest fiscal horse in the barn, accounting for about half of all state tax revenue. That changed in 1991 when the new broad-based income tax was introduced. For better or worse, state government in Connecticut has hitched its wagon to the new income tax. As a result, the 1990s could be called the decade of the income tax. What's more, the new tax will likely dominate state finances in the next century. What does this horse-trade mean for Connecticut's future?

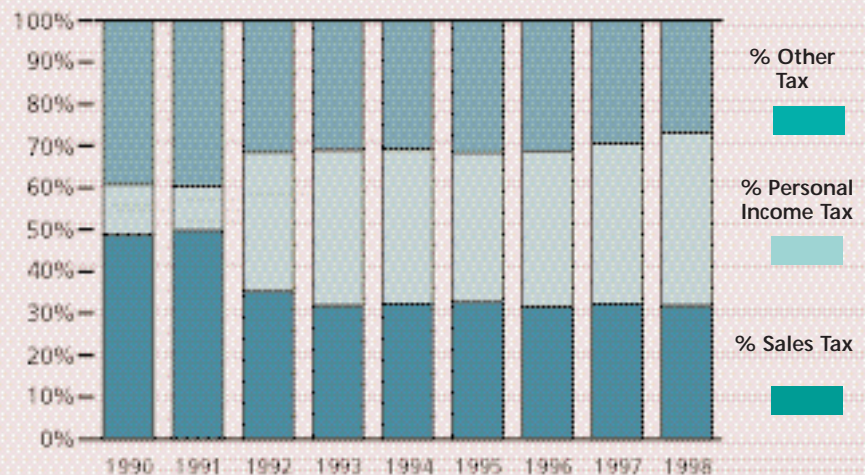
Profile of the 1990s

The accompanying bar chart shows the composition of state taxes in Connecticut by fiscal year during the 1990s. Since the state broadened the base of the income tax, that tax has captured a growing share of tax revenue, increasing from 33.3% in 1992 to 41.2% in 1998. Meanwhile, the sales tax share dropped from 35.1% in 1992 to 31.8% in 1998.

The share of other taxes as a group dwindled from 31.6% of the total in 1992 to 27.0% in 1998. These other taxes declined because of some tax cuts and some unresponsive tax bases. For example, to promote a more competitive, business-friendly climate, lawmakers cut corporate tax rates from 11.5% in 1994 to 7.5% by 2000. And to discourage retirees from moving out of state, lawmakers are phasing out the inheritance tax. Finally, revenues from taxes on cigarettes and motor fuels lag growth in the economy.

What about non-tax sources of revenue? Gambling revenue increased during the 1990s, but only because of the slot-machine agreement with the casinos. Other gambling revenues, such as lottery receipts, have been virtually flat for the last dozen years. Despite the growth of slot revenues, this source still accounts for less than 3% of all state revenue and can hardly be viewed as a revenue engine for the new century. One month's data may not mean much, but slot receipts from Foxwoods in March were virtually unchanged from March 1998, suggesting a possible slowing of this cash machine.

Composition of State Taxes in Connecticut By Fiscal Year



Source: Developed by *The Connecticut Economy* based on data from the Connecticut General Assembly's Office of Fiscal Analysis.

E-Commerce and the Sales Tax

The sales tax, or more officially, the “sales and use tax,” will diminish in importance in the new century as e-commerce grows. The U.S. Supreme Court has ruled that sellers do not have to collect the tax if they do not have a significant “physical presence” in the state. Thus most who sell via mail-order catalogs, telephones, or the Internet are not obliged to collect taxes for the state.

Catalog sales have nagged tax officials for decades, but e-commerce is the real threat to the sales tax base. On-line sellers escape the overhead involved with a physical presence and thus have a competitive price advantage over local merchants from the get-go. The absence of a sales tax boosts this advantage. For example, a Connecticut merchant who sells the video *Titanic* for the list price of \$29.99 will charge \$31.78 after the sales tax. In contrast, Amazon.com sells the video over the Internet for \$17.99 plus \$3.95 shipping, for a total of \$21.94, or about one-third below the in-store list price. A University of Chicago economist argues that the absence of a sales tax accounts for at least one quarter of Internet sales.

Connecticut residents who purchase on-line are still liable for Connecticut’s 6% sales and use tax. Revenue officials try to collect the tax through the only direct contact they have with most state residents—the state income tax return. As you may have noticed, that return includes an “Individual Use Tax Worksheet” warning residents: “If you purchased taxable goods or services for use in Connecticut during the calendar year and a Connecticut or out-of-state merchant failed to collect Connecticut sales tax, you must pay the Connecticut use tax.” Despite the worksheet and the warning, the state collected under \$1 million from the use tax in 1997, implying that residents spent only \$15.4 million on goods subject to the use tax, or just \$12 per filer. In contrast, actual sales tax receipts imply that filers that year spent an average of about \$36,000 per return on taxable items. The tiny use tax number combined with the ubiquity of UPS trucks in the state suggest that many residents are not “fess’n up” to their share of the use tax.

The exploding on-line commerce will erode the sales tax base for years to come, especially in Connecticut, one of the most “wired” states in the country. Residents here have the income and the computer links to lead the nation in on-line shopping. On-line sellers such as eBay and Amazon.com have huge stock market values based on the promise of this sales channel. Ebay, an on-line auction house, has a capitalized value of about \$23 billion—three times the value of K-mart. Amazon.com is also worth \$23 billion—more than ten times that of Barnes & Noble. Granted, most Internet stocks seem to be encased in a speculative stock market bubble, but nobody doubts that on-line sales are going nowhere but up.

Married to the Income Tax

For better or worse, Connecticut has married its public finances to the state income tax. But that

tax base has been narrowed by recent legislation. Because of generous exemptions for low income filers combined with property tax credits, especially for low and middle income groups, a growing share of all filers escape the tax altogether.

Exemptions and credits at the lower end of the income distribution combined with the bull run on Wall Street have boosted the share of the tax paid by the high end. For example, the number of Connecticut filers reporting an adjusted gross income in excess of \$2 million increased from 802 in 1992 to 1,945 in 1997, a jump of 143%. State income taxes paid by this top group climbed from \$144.9 million in 1992 to \$401.9 million in 1997, a growth of 177%. These high rollers, who account for only 1 of every 657 filers, paid more state income taxes in 1997 than the bottom two thirds of all tax filers combined. Thus high-income filers pay the overwhelming share of the tax. (For more on the distribution of the tax burden, see my “Straws in the Wind” on page 18.)

Although most low-income filers pay little or no state income tax, *The Connecticut Economy’s* April poll found the least support for the tax among this low-income group. Among those with incomes below \$30,000, 41% favor the current income tax and 49% oppose it. Among those reporting income above \$100,000, 64% favor the tax and 33% oppose it.

Overall, 46% of the 500 residents polled favor the income tax and 48% oppose it. Time has softened opposition to the tax, however. In 1992, the year when Connecticut residents filed their first state income tax return, 31% of the 500 state residents polled favored the tax and 66% opposed it. So back then, the opposition held a two-to-one edge. Now it’s a toss-up.

Path of Least Resistance

Since 1992 income taxes have grown at an annual rate of 10.5%—more than twice the 4.9% rate for the sales tax and the 3.9% rate for other taxes. If this growth continued, the income tax would account for about 70% of all tax revenue by 2018.

Since the income tax was first introduced, lawmakers have exempted a growing fraction of lower income filers from the tax through a combination of lower rates, broadened exemptions, and property tax credits. There are plans to expand the exemptions and credits. The bottom half of filers based on adjusted gross income paid only 5.8% of all state income taxes collected in 1997 (down from 7.6% in 1995). They will pay even less of this tax in the future.

Given the growing importance of the income tax in the fiscal system, what are the implications of having that tax paid primarily by a small subset of the population? Will voters eventually realize this and be more inclined to support increases in state spending because the burden falls primarily on others? Also, it’s great fun cutting taxes during good times, but will the resulting erosion of the tax base come back to haunt us when the music stops and Wall Street turns bearish?

How Far from Boston and NYC is Connecticut?

By Steven P Lanza

Much as doctors measure vital signs to monitor their patients' health, government collects data on income, output, prices and scores of other economic variables to monitor the health of the economy. Budget cutbacks in years past, however, have curtailed that operation. The U.S. Bureau of Labor Statistics (BLS), for example, no longer collects price information for the Hartford metro area. Instead it relies on two remaining regional indices: Boston and New York. Connecticut may be the richest state in the country and home to three million people, but as far as BLS is concerned, Connecticut is simply that portion of Interstate 95 that keeps Boston a statistically significant distance away from New York City. But that just begs the question: How close do these two indices come to capturing relevant information about Connecticut prices? The answer is, in some important respects, not close at all.

Differing Price Indices

One way to estimate Connecticut prices using the metro indices maintained by BLS would be to take an average of the two. Let's call the average of the Boston and New York indices the BNY index. We can then compare that index to the Connecticut Consumer Price Index (CCPI) developed by *The Connecticut Economy* and designed to fill in the gap left by changes in the BLS price survey.

For some items in the price survey, this BNY index does a fairly good job of capturing the magnitude and direction of Connecticut price changes. In the five-year period between 1993 and 1998, for example, both the BNY index and the CCPI measured an average 1.5% increase per year for transportation prices. The pattern of change was much the same. Transportation prices rose 2% to 3% in the earlier years of the period according to both indices, but fell in the last year by 2% according to the BNY and by 3% according to the CCPI.

For other items in the price survey, the BNY and CCPI diverge from time to time but average out in the long run. In 1994, 1996 and 1998, for example, both the BNY and the CCPI show food prices rising by about 2.5% per year. But in 1995, while food prices rose 2.5% according to the BNY, they fell 1.5% according to the CCPI. And in 1997, food prices rose just

1.9% as measured by the BNY, but rose 4.7% as measured by the CCPI. The five-year average annual inflation rate for food, however, was similar according to the two indices—2.4% for the BNY, 1.9% for the CCPI—even though they twice moved in opposite directions.

But for one set of items in the price survey—housing costs—the BNY bears little relation to the CCPI. Of all the prices in a price index, housing prices are the most important because housing costs make up the biggest part of consumers' budgets. According to the BNY, the annual inflation rate for housing has remained within a narrow range between 2% and 3%. But the CCPI—which uses actual Connecticut data for home prices, rents and utility rates—tells a different story. For four of those five years the CCPI recorded inflation rates well below BNY levels and in three of those four years housing prices actually fell by an average of about 1%.

Falling housing prices have had a big impact on the overall inflation rate in Connecticut. According to the CCPI, overall Connecticut prices have increased by about 1% each year between 1993 and 1998. The BNY, by contrast, has grown by nearly 2.5% per annum. So for some items the BNY gives a close approximation to what is happening in Connecticut. But for the most important items, housing prices, the BNY has overestimated price changes in Connecticut.

Divergent Costs of Living

Examining changes in prices over time leaves unanswered another question: How does the price *level* in Connecticut compare to the price *level* in metro Boston and in New York? A price index, which measures changes in prices over time, is not designed to answer that question. But a cost-of-living index, which simultaneously measures the same market basket of goods in different geographic areas, is. The federal government does not produce a cost-of-living index. But the American Chamber of Commerce Research Association (ACCRA) publishes a quarterly cost-of-living index for hundreds of metropolitan regions across the nation. Since the CCPI is modeled after the ACCRA index, we can use these indices to compare the level of Connecticut prices to the level of prices in Boston and New York.









According to the ACCRA index, the level of prices in Connecticut is well

below the level of prices in Boston and New York. During the period 1994 to 1998, prices in the Boston area, and prices in the suburban counties surrounding New York City averaged 40% higher than the U.S. average. Prices in Manhattan exceeded the U.S. average by a whopping 130%. But prices in Connecticut exceeded the U.S. average by (only) 20%. Predictably, the major force behind these high prices was the high cost of housing in these areas. Boston housing costs exceed the U.S. average by nearly 90%. Suburban New York housing is 70% higher than average, and housing in Manhattan is 350% higher than average. By these measures, Connecticut housing, which is 40% higher than average, looks like a bargain.

Boston and New York might lie at Connecticut's doorstep, but when it comes to prices our neighbors are some distance away. As government has reduced its role in what has always been a classic public function, collecting data about the health of the economy, gaps in information about regional differences have emerged. *The Connecticut Economy* has sought to fill in some of those gaps. Beginning next issue, we'll offer an expanded version of our price index, which will supplement our existing statewide index with an index of regional prices within the state. For this issue, our regular quarterly update on Connecticut appears below.

Connecticut Price Changes

Percent Change 1998-Q1 to 1999-Q1

	Food	H	3.0%
	Housing	H	2.9%
	Apparel	H	4.5%
	Transportation	P	-2.3%
	Medical	H	0.0%
	Entertainment	H	5.3%
	Miscellaneous	H	9.4%
	Overall	H	2.4%

Latest Revisions Boost GDI

By Steven P. Lanza

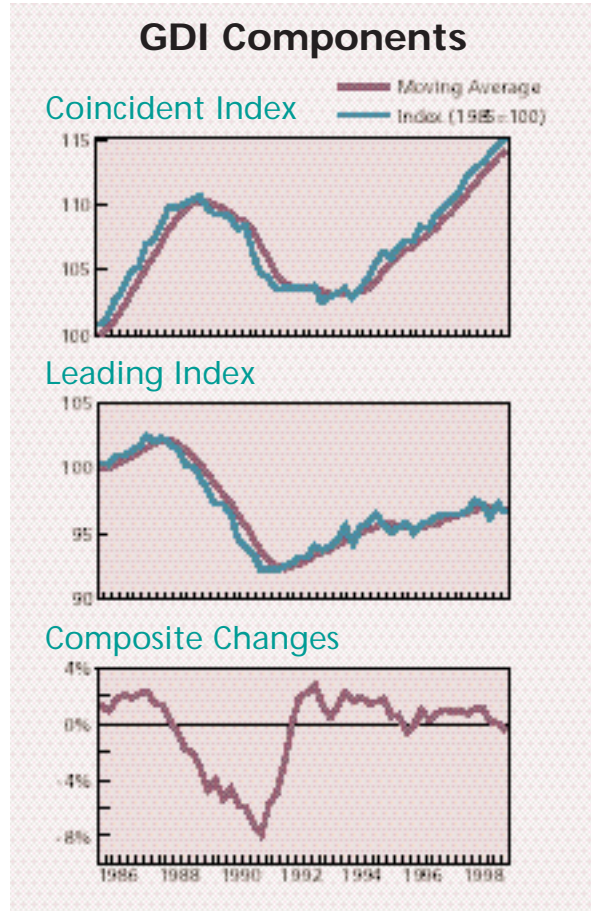
Newly revised figures from the Connecticut Labor Department show that the GDI coincident index grew at a more robust pace last year than first believed. While that growth continues in the first quarter of this year as well, the GDI leading index paints an uncertain picture of what might come. Indexed so 1985= 100, the coincident and leading indices measure quarter-to-quarter changes in seven seasonally-adjusted economic variables.

From a revised 114.6 in 1998-Q4, the coincident GDI advanced to 115.0 in 1999-Q1, an increase of 0.4%. The coincident GDI, a composite index of employment, manufacturing output and real income, is designed to track the state's economy through its cyclical highs and lows. According to initial estimates, the GDI grew at nearly 0.4% each quarter in 1998. The latest data, however, put that figure

at over 0.5%. On an annualized basis the difference is quite significant—1.4% versus 2.2%. This renewed strength reflects upward revisions in growth estimates for each component of the coincident GDI. In 1999-Q1, however, the tempo slowed somewhat.

Employment and output gained 0.3% between 1998-Q4 and 1999-Q1, compared to an average quarterly gain for each of 0.5% in 1998. Income gained 0.6% compared to a quarterly average of 0.7% in 1998.

Though the recent past has been sunny, the future looks a little hazy. The GDI leading index, which has see-sawed between advances and declines for the past year, dropped 0.7% in 1999-Q1 after rising 1.1% in 1998-Q4. A 7.1% advance in new housing permits and a 1.0% increase in help-wanted advertising failed to offset a 2.4% drop in weekly manufacturing hours and an 11% rise in initial unemployment claims. So, for now anyway, the leading index can only manage a partly clouded forecast.

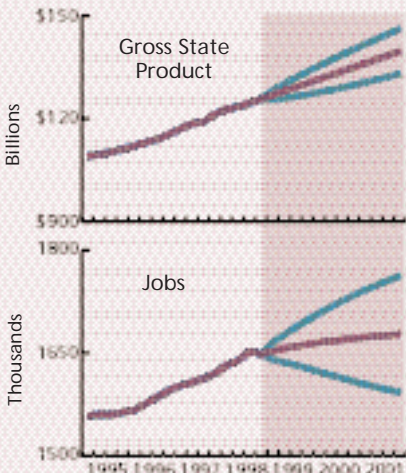


CENTER FOR ECONOMIC ANALYSIS

Economic Forecast

We expect the annualized growth rates of Real GDP to drop from 3.8% to 3.7% between 1999-Q2 and 2000-Q2. Job growth will fluctuate over the coming year hitting a high of 24,980 (at an annual rate) in 1999-Q2 and a low of 18,000 additional jobs in 2000-Q1. While economic growth is slowing, our forecast shows no evidence of a dramatic downturn in the near future.

Where the green lines branch off, the lavender line shows the predicted values for GDP and jobs, and the green lines show the margin of error for the prediction.



All Tax Cuts are Not Equal

By Fred V. Carstensen, Director

Connecticut, like the nation as a whole, is enjoying remarkably good economic vitality and state government is banking a large surplus. But surpluses always invite proposals for tax reductions. In choosing which taxes to cut, policy makers need to consider how such reductions would affect the state's economic performance. Different cuts have very different results for the state's overall economic output, its employment, and its future growth.

Using a dynamic model of the state's economy, the Connecticut Center for Economic Analysis ran a simple analysis of two \$400 million tax cuts—one in income taxes, one in sales taxes. The crucial difference between cutting income and sales taxes is that the state income tax is deductible against the federal income tax (if one itemizes); sales taxes are not. For every dollar reduction in state income taxes, household income goes up only 71 cents because payments to the federal government go up an aver-

age of 29 cents. In contrast, reducing the sales tax does not increase federal tax liabilities, so households capture most of the tax cut through reduced prices for goods and services.

The difference in impact is substantial. The \$400 million sales tax cut increases total employment in Connecticut by an additional 2,600 jobs and Gross State Product by an additional \$148 million (in constant 1992 dollars) compared to the gains from cutting the income tax by exactly the same amount. To give Connecticut approximately the same growth in Gross State Product that it would gain from a \$400 million cut in sales taxes, state income taxes would have to be cut more than twice as much, or by roughly \$850 million.

These results are conservative. Cutting sales taxes would also make buying goods in Connecticut relatively more attractive, and thus would "recapture" some sales now lost to other states or to catalog merchants and would encourage out-of-state visitors to buy more in Connecticut.

The critical point is this: cutting taxes is something we all like, but it makes a substantial difference for our economic future which taxes we choose to cut.

National Consumer Confidence Increases; Regional Confidence High But Unsteady

By Chase Harrison, Center for Survey Research and Analysis

Consumer confidence remained high but wavering in Connecticut and New England in the first quarter of 1999, while national consumer confidence levels climbed. Assessments of current economic conditions increased in Connecticut, in the region, and in the nation. By contrast, future economic expectations decreased in Connecticut and New England.

The overall Connecticut Consumer Confidence Index stands at 131.1, down from 134.5 in January. The New England measure of 136.2 is down only slightly from the January measure, while the national measure of 134.9 is up from a January measure of 128.9. The differences between the nation and the region are driven largely by a decline in statewide and regional expectations. Current economic assessments increased in Connecticut, the region, and the nation, although the Connecticut increase was smaller than those of either the region or the nation. While the regional increase in expectations was relatively large, local and regional expectations dropped in the first quarter of this year, while national expectations climbed.

Despite the slight decline in Connecticut and New England

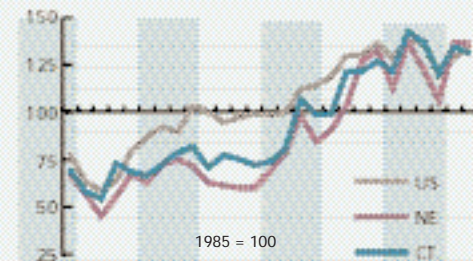
expectations, overall levels of consumer confidence remain quite high. Record low unemployment rates (the current national measure of 4.2% is a 29-year low) and record high stock-market prices provide plenty of evidence to consumers that the economy is currently strong. Accordingly, current assessments remain high.

Record stock prices, however, may be having a somewhat perverse effect on Connecticut and New England consumers' expectations. The most significant symbolic economic event of the first quarter of this year was the Dow Jones Industrial Average hitting a record 10,000 mark. Although the Dow later climbed past this point, news organizations paid a great deal of attention to the Dow as it approached and passed 10,000. But this attention gave media analysts another opportunity to stress the cyclical nature of the stock market. Consumers were treated to the news of historic market highs while being reminded that the market could decline any time soon. With Connecticut and New England residents so directly affected by the financial services industries, it is little wonder that future expectations in the first quarter of this year were somewhat more shaky here than in other parts of the country.

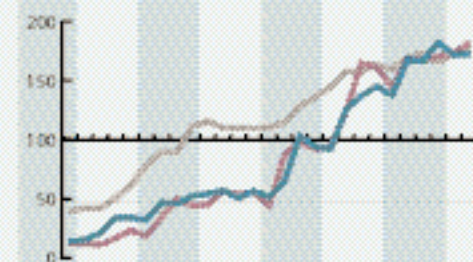


Consumer Confidence Survey

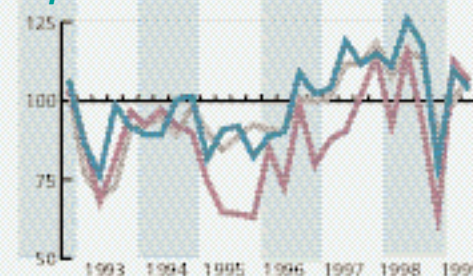
Overall Confidence



Current Assessments



Expectations



Source: National and New England data are from the Conference Board, Inc.

Support for Income Tax Increases Slightly Over Seven Years

By Chase Harrison, Center for Survey Research and Analysis

Seven years ago Connecticut residents first filed a broad-based state income tax. Since then, support for the income tax has increased somewhat, although the percent of residents who would like to see the tax repealed remains about what it was when the tax began. When asked in a recent survey sponsored by *The Connecticut Economy* and conducted by the University of Connecticut Center for Survey Research and Analysis, whether the income tax should be left as it is, modified, or repealed, 45% of Connecticut residents said the state income tax should be repealed. This result does not differ statistically from the response to an identical question asked in April of 1992. In 1999, however, one-in-four Connecticut residents (27%) believe the state's income tax system should be left as it is, compared to only one-in-five (19%) who felt that way in 1992.

Nearly half of Connecticut residents (46%) favor the income tax, while 48 percent oppose it. This compares to November 1991, when only 31% of residents supported the income tax, versus 66% who opposed it. In both cases, however, opponents had stronger feelings about the tax than supporters. Only 10% of state residents strongly favor the income tax, compared to 24% who strongly oppose the tax.

Connecticut residents think that local governments are more effective at providing value for tax dollars than the state or federal governments. Three-in-four state residents think their own town government (75%), as well as town government in general (73%), is at least somewhat effective when it comes to providing value for tax dollars. This compares to only 64% who think the Connecticut state government is at least somewhat effective in providing value for tax dollars, and only 50% who think the federal government in Washington is at least somewhat effective in providing tax-dollar value.

The telephone survey was conducted with 504 randomly selected adult Connecticut residents from April 6 through April 13, 1999.

	# Returns (thousands)	Tax (millions)	Tax per return
Bridgeport LMA	165.4	\$ 288.6	\$ 1745
Ansonia	6.7	6.3	939
Beacon Falls	2.0	2.7	1328
Bridgeport	41.7	28.1	675
Derby	4.9	5.1	1056
Easton	2.9	13.6	4769
Fairfield	21.7	81.4	3748
Milford	21.2	33.1	1562
Monroe	7.2	17.5	2422
Oxford	3.4	6.1	1788
Seymour	6.2	8.4	1353
Shelton	15.2	27.3	1799
Stratford	19.1	26.6	1391
Trumbull	13.3	32.4	2431

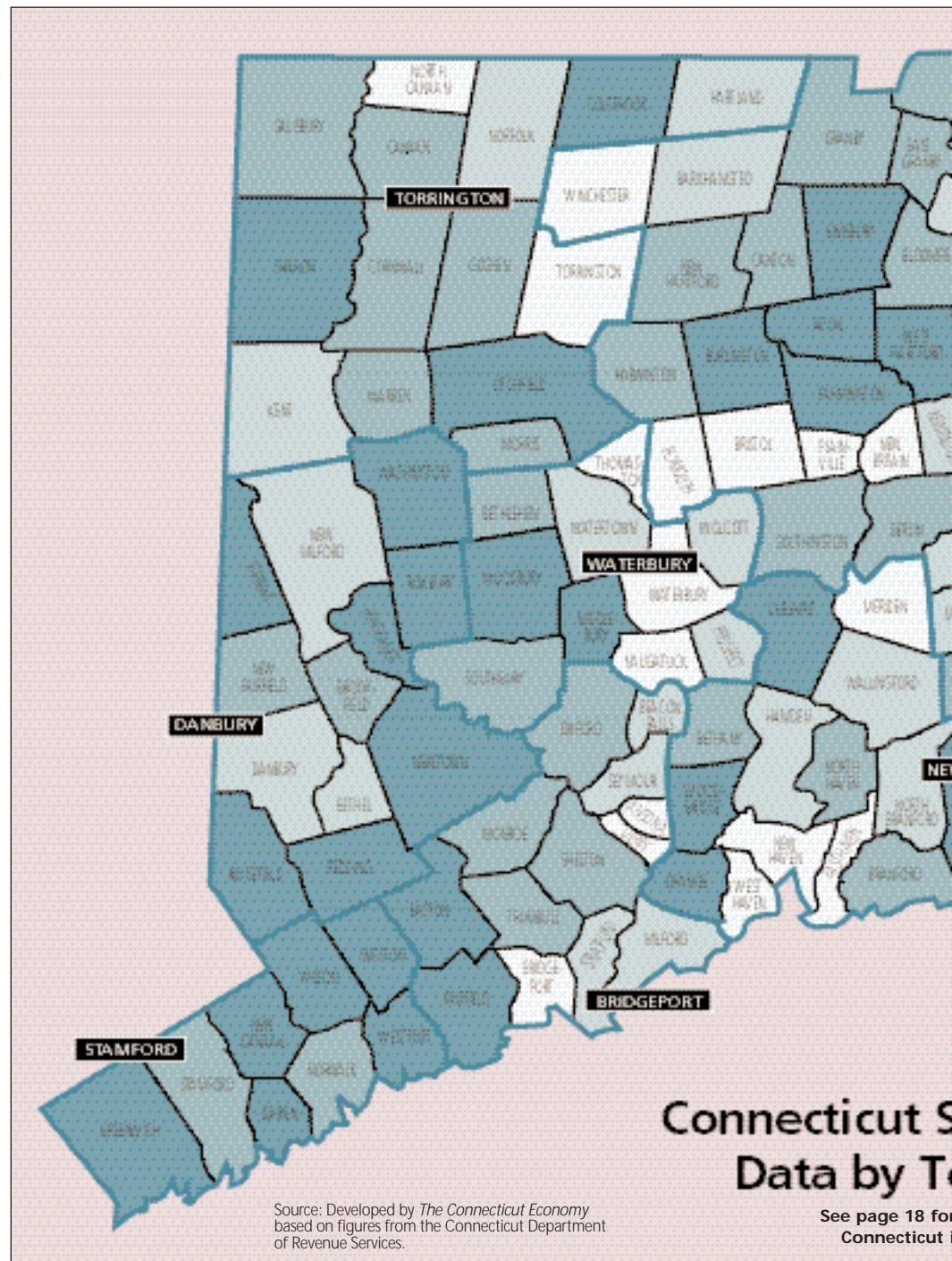
	# Returns (thousands)	Tax (millions)	Tax per return
Danbury LMA	80.0	\$ 182.9	\$ 2287
Bethel	7.1	12.2	1718
Bridgewater	0.8	2.7	3552
Brookfield	6.2	14.7	2356
Danbury	25.8	36.7	1421
New Fairfield	5.2	9.5	1823
New Milford	10.0	15.5	1550
Newtown	8.9	24.9	2799
Redding	3.4	14.4	4284
Ridgefield	8.8	40.7	4633
Roxbury	0.8	2.7	3358
Sherman	1.3	3.2	2525
Washington	1.8	5.9	3257

	# Returns (thousands)	Tax (millions)	Tax per return
Danielson LMA	23.0	\$ 22.6	\$ 985
Brooklyn	1.8	2.4	1299
Eastford	0.5	0.7	1340
Hampton	0.8	1.1	1430
Killingly	6.5	4.8	735
Pomfret	1.4	2.5	1758
Putnam	3.1	2.3	762
Scotland	0.3	0.4	1406
Sterling	0.9	0.7	734
Thompson	3.1	2.2	702
Union	0.7	0.8	1056
Voluntown	1.4	1.6	1122
Woodstock	2.4	3.2	1345

	# Returns (thousands)	Tax (millions)	Tax per return
Hartford LMA	439.1	\$ 736.4	\$ 1677
Andover	1.2	2.0	1641
Ashford	1.5	2.0	1292
Avon	6.4	29.4	4595
Barkhamsted	0.3	0.4	1327
Berlin	7.3	13.6	1863
Bloomfield	8.6	15.3	1784
Bolton	2.0	4.1	2077
Bristol	23.4	29.0	1238
Burlington	3.1	7.9	2523
Canton	4.0	9.3	2317
Chaplin	0.5	0.5	1064
Colchester	5.4	8.8	1631
Columbia	2.0	3.8	1906
Coventry	4.4	6.7	1527
Cromwell	5.3	9.1	1708
Durham	2.6	6.5	2492
East Granby	1.9	3.8	1959
East Haddam	2.8	4.6	1650
East Hampton	4.4	7.7	1735

	# Returns (thousands)	Tax (millions)	Tax per return
East Hartford	19.0	\$ 16.9	\$ 891
East Windsor	4.1	4.8	1178
Ellington	4.9	8.2	1661
Enfield	16.8	18.8	1120
Farmington	9.4	29.4	3136
Glastonbury	12.6	40.9	3240
Granby	4.0	9.9	2465
Haddam	2.9	5.6	1966
Hartford	33.1	22.2	671
Harwinton	2.1	4.3	2087
Hebron	3.1	6.4	2080
Lebanon	2.5	3.5	1370
Manchester	21.4	28.9	1347
Mansfield	4.5	8.5	1898
Marlborough	2.3	5.3	2347
Middlefield	1.7	2.8	1643

	# Returns (thousands)	Tax (millions)	Tax per return
Middletown	16.4	\$ 21.9	\$ 1332
New Britain	23.6	19.1	811
New Hartford	2.6	5.1	1980
Newington	12.7	18.0	1420
Plainville	7.1	8.4	1184
Plymouth	4.5	5.1	1130
Portland	3.5	6.2	1773
Rocky Hill	7.5	12.6	1677
Simsbury	8.9	33.8	3783
Somers	3.3	6.1	1844
South Windsor	9.7	20.4	2103
Southington	15.9	28.1	1761
Stafford	3.8	4.3	1112
Suffield	4.7	9.6	2070
Tolland	4.8	10.7	2221
Vernon	11.4	15.3	1341



	# Returns (thousands)	Tax (millions)	Tax per return
West Hartford	24.6	\$ 70.7	\$2869
Wethersfield	11.3	20.8	1842
Willington	2.1	3.3	1539
Winchester	5.2	5.9	1136
Windham	7.5	6.6	869
Windsor	11.4	18.1	1596
Windsor Locks	5.0	5.6	1110
Lower River LMA	9.4	\$ 19.5	\$ 2076
Chester	1.6	2.8	1828
Deep River	1.9	3.5	1855
Essex	2.7	7.2	2637
Lyme	0.7	2.6	3660
Westbrook	2.5	3.4	1347

	# Returns (thousands)	Tax (millions)	Tax per return
New Haven LMA	193.7	\$ 320.1	\$ 1653
Bethany	1.8	4.1	2312
Branford	12.4	22.4	1810
Cheshire	10.0	27.9	2797
Clinton	5.3	7.8	1492
East Haven	11.4	12.0	1048
Guilford	8.6	24.0	2789
Hamden	20.6	33.2	1609
Killingworth	2.2	5.0	2311
Madison	6.9	23.1	3358
Meriden	21.6	22.9	1058
New Haven	31.6	31.0	982
North Branford	5.9	9.6	1628
North Haven	9.5	18.5	1945
Orange	5.5	14.5	2629
Wallingford	17.3	26.5	1529

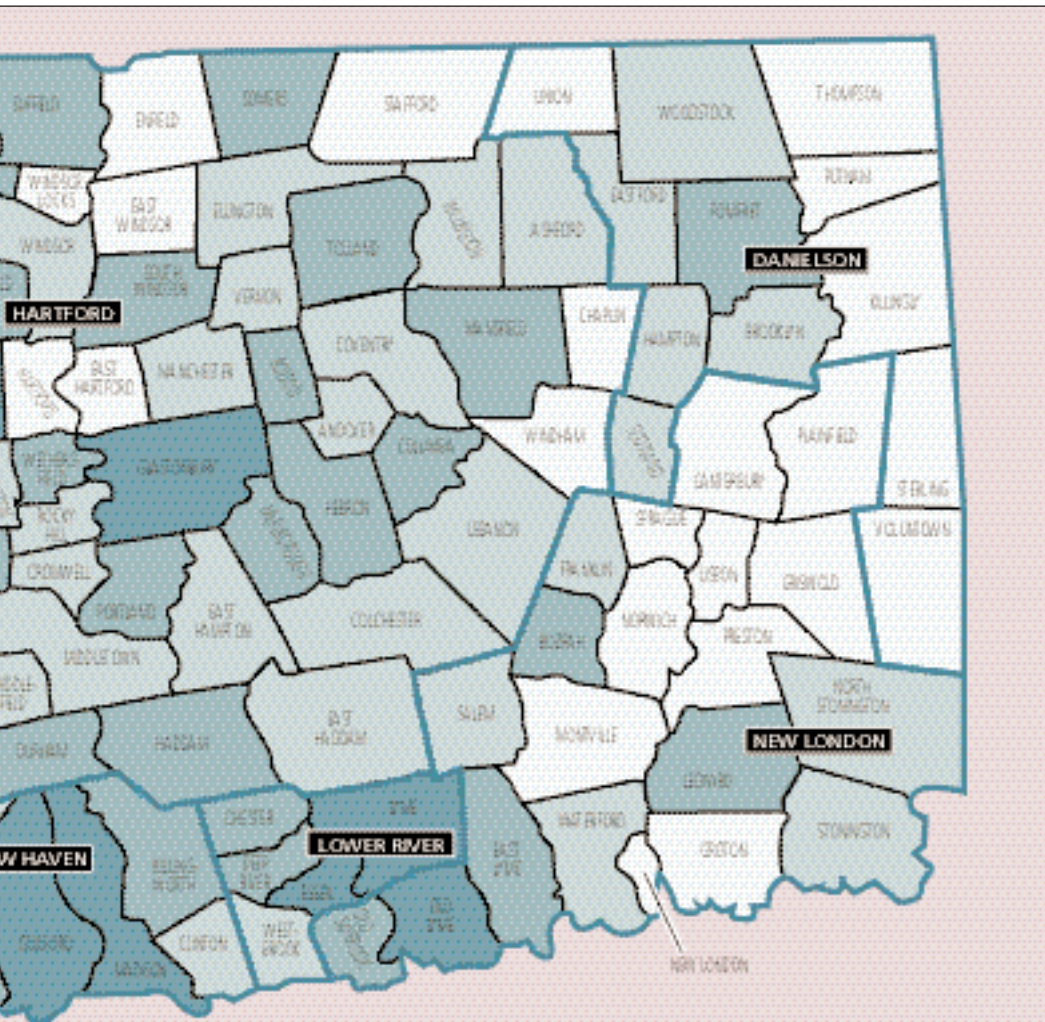
	# Returns (thousands)	Tax (millions)	Tax per return
West Haven	19.3	\$ 18.3	\$ 950
Woodbridge	3.9	19.3	4975
New London LMA	94.2	\$ 133.0	\$ 1412
Bozrah	1.0	1.9	1970
Canterbury	1.9	2.1	1109
East Lyme	6.3	12.3	1954
Franklin	0.8	1.1	1394
Griswold	3.2	2.7	850
Groton	9.0	11.0	1222
Ledyard	5.4	9.7	1771
Lisbon	1.1	1.3	1222
Montville	6.6	7.5	1131
New London	8.0	6.7	834
North Stonington	1.9	2.8	1462
Norwich	13.7	14.9	1088
Old Lyme	3.4	10.2	2980
Old Saybrook	4.3	8.9	2066
Plainfield	5.2	3.9	748
Preston	1.7	2.1	1246
Salem	1.4	2.4	1739
Sprague	1.4	1.4	1006
Stonington	10.2	17.5	1726
Waterford	7.8	12.7	1625

	# Returns (thousands)	Tax (millions)	Tax per return
Stamford LMA	139.7	\$ 638.1	\$ 4568
Darien	7.4	56.4	7570
Greenwich	25.2	223.6	8879
New Canaan	7.7	69.6	9052
Norwalk	32.6	59.2	1815
Stamford	45.7	97.9	2143
Weston	3.6	26.9	7486
Westport	10.8	66.2	6140
Wilton	6.7	38.3	5723

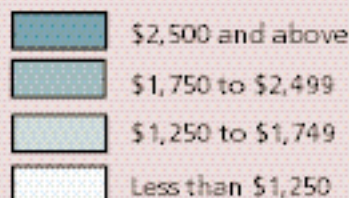
	# Returns (thousands)	Tax (millions)	Tax per return
Torrington LMA	26.2	\$ 42.4	\$ 1618
Canaan	0.5	0.9	1810
Colebrook	0.2	0.7	2959
Cornwall	0.4	0.8	2011
Goshen	1.0	2.2	2229
Hartland	0.6	1.0	1561
Kent	1.2	2.0	1709
Litchfield	3.3	8.5	2538
Morris	0.8	1.7	2176
Norfolk	0.7	1.3	1732
North Canaan	1.3	1.4	1084
Salisbury	1.6	3.8	2404
Sharon	1.0	2.7	2775
Torrington	13.0	14.2	1086
Warren	0.6	1.3	2376

	# Returns (thousands)	Tax (millions)	Tax per return
Waterbury LMA	82.0	\$ 111.9	\$ 1365
Bethlehem	1.4	2.5	1799
Middlebury	2.8	8.6	3061
Naugatuck	11.6	12.8	1106
Prospect	3.2	5.5	1682
Southbury	7.2	16.6	2299
Thomaston	2.9	3.6	1244
Waterbury	34.8	30.1	863
Watertown	8.4	13.4	1594
Wolcott	5.8	8.7	1493
Woodbury	3.8	10.2	2668

Statewide **\$ 1254.6** **\$ 2498.8** **\$ 1992**



Map shows the average tax per return in 1997



State Income Tax Down for 1997

For a discussion of
income taxes.

Public Relief For the Labor Shortage

By Edwin L. Caldwell

After seven years of sustained growth, the Connecticut economy is feeling the pinch of a labor shortage. Employers regularly complain that they have many openings they can't fill. If growth is to continue, ways must be found to ease the pressure. The public sector is making an important contribution to this cause through its welfare-to-work and job-training programs, discussed below.

A Tight Labor Market

By the time the last recession ended in 1992, we had plenty of labor to fuel the recovery. However, by the end of the nineties the long upswing had absorbed most of our surplus labor, as the low current unemployment rate of 3.1% attests. Employment increased an average of 21,200 a year between fiscal year 1993 and fiscal year 1998. That compares with growth of 28,000 a year in the eighties.

Given the favorable outlook for all regions of the national economy, we are unlikely to attract many workers from other states to fill our vacancies. Nobody knows, or will even guess, how many unfilled jobs are out there, but anecdotal evidence suggests they are abundant. So we have to ameliorate our shortage as best we can by maximizing the use of the potential labor supply already here. The two approaches outlined below seem promising.

Welfare To Work

One way to maximize the use of our present resident population is to find work for those welfare recipients who are capable of working. Our robust state economy has accomplished much of this automatically in recent years by providing jobs for those who are equipped to handle them.

Additionally, the Balanced Budget Act of 1997, passed by Congress, created a new program providing for welfare-to-work grants to the states. These funds can be used for a wide array of measures to

help people on welfare get jobs, including training, job search facilities, cash payments, and family support such as baby sitting. States set their own time limits for individuals to receive cash assistance without some employment income. Connecticut set one of the shortest

limits in the nation—21 months. Individuals are also dropped from the rolls before that time if their work income exceeds the federal poverty level of \$1,138 a month. This program is not as Draconian as it might seem since the state provides an additional two years of Medicaid and indefinite child care if a person is dropped under the 21-month provision. So how is the welfare-to-work program working? Not bad. It is estimated that 800-900 recipients a month, or 9,600 to 10,800 a year, find jobs and drop from the welfare rolls due to the program. That compares with the average of 21,200 jobs per year added to the state's payrolls between 1993 and 1998, as noted earlier. Clearly, we need some help beyond welfare-to-work if we are to retain upward momentum.

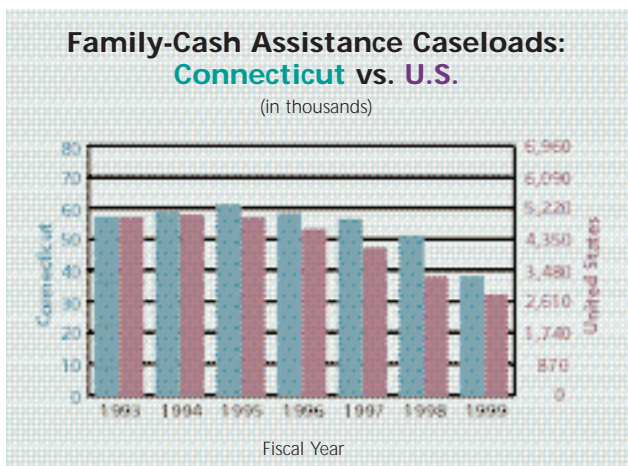
The combination of the welfare-to-work program and the robust economy reduced family cash assistance caseloads from a peak of nearly 61,000 in fiscal 1995 to an estimated 38,000 in fiscal 1999, as shown in the chart. The chart also shows that the nation as a whole has reduced its caseloads relatively more than has the state. We don't know how many jobs were filled by these dropouts, as there are reasons for dropping off welfare rolls other than taking a job.

Improvement of Training Programs

If a region is limited in its ability to attract additional members to its labor force from outside sources, it makes sense to improve the efficiency of its homegrown new entrants as well as those already on the job. That brings up the subject of worker training and how to improve it. That is a hot topic in both government and business circles in the state right now.

The problem is not lack of programs. The state has 58 of them in a large number of fields administered by 16 state agencies with little coordination. Hence the problem is confusion brought on by complexity. Many of the programs provide the same or similar services to the same populations. The multiplicity of programs also gives rise to the complaint that curricula tend to react slowly to changes in technology, thus limiting their usefulness.

Maybe substantial improvement is in the offing. In 1998, Congress passed the Workforce Investment Act requiring states to coordinate job training programs where there is federal money, which is most of them. In March, Governor Rowland appointed a jobs cabinet, headed by his former chief legal counsel and consisting of the commissioners of labor, economic and community development, education, social services, and higher education as well as his budget director and the chancellor of the community-technical colleges. Their job will be to spot shortcomings in job training programs and correct them.



For Connecticut's Metros, Costs Count

By Jim Moor, Chief Economist, The Hartford

Connecticut's metropolitan areas compete among themselves, with their Northeast cousins, and with "comparable" metros across the U.S.—all for an improved position in the economic performance rankings. This competition takes place in many venues: job growth, income, migration, housing affordability, crime rates, and even climate, to name a few. A complex question that economic development analysis and policy must constantly try to answer is how these measures interact to position any given metro relative to its peers.

One critical aspect of metro-area competition is the cost-of-doing-business (CODB). The most appropriate measure of CODB is an index—a weighted combination of the costs of labor, energy, office and factory space, and taxes. Using only one, energy for example, would put Northeast metros at an unfair disadvantage. It seems reasonable that a CODB index above the national average would tend to be associated with below-average economic performance, and vice-versa. The top chart compares Regional Financial Associates' composite cost index, averaged for 1995-1997, (shown on the horizontal axis) with relative job growth during the 1990s (shown on the vertical axis) for all 316 U.S. metros. As expected, there is a strong, but clearly not perfect, negative correlation between the cost-of-doing-business and economic performance. The degree of "scatter" is not a surprise, because there are factors other than comparative CODB that influence metro job growth.

Apples-to-Apples

Even more interesting, though, is how Connecticut's metros fare when compared only to their most direct competitors. We've chosen two groups for that purpose. The first nine metros are Northeast cousins (in green on the bottom chart), including Hartford, New London-Norwich, and Connecticut's Southwestern metro complex (New Haven-Bridgeport-Stamford-Danbury-Waterbury). Second (in violet) are fourteen so-called "Hartford-Comparable" metros from across the country, such as Charlotte, NC and Indianapolis, IN. These were chosen from remaining metros in the U.S., based on physical and economic characteristics that put them on a level playing field with Hartford. For example, it is not fair to compare Hartford (or its Northeast cousins) to Boston, Atlanta, or New York, because of economic size alone. Nor is it fair to choose Jacksonville (warm water port) or Tucson (desert climate), even though they're of comparable size. Most important, because Connecticut's metros all have high per capita income, each competitor chosen also ranks among the top-65 metros in that regard. This controls for the justifiable argument that a high CODB is, in part, market-determined; that is, that a metro's

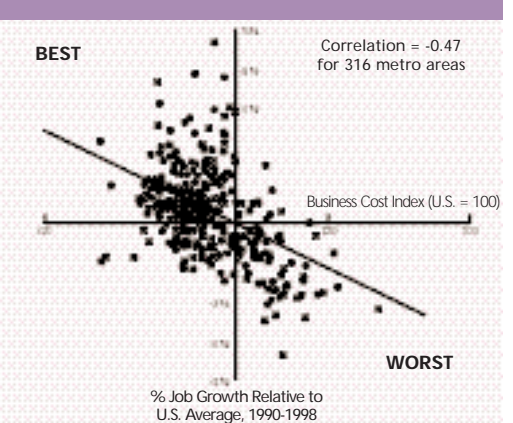
businesses are getting what they pay for—more valuable labor skills, amenities, public services, and other local advantages.

The bottom chart makes the same comparison as the top chart, but for these two groups of "apples-to-apples" competitors alone, and with the same result. Indeed, an above-average CODB is even more highly correlated with sub-par economic performance (see lower right quadrant: WORST of both worlds) and vice versa (upper left: BEST). In this context, Hartford ranks among the worst, closely flanked by the other Connecticut metros and it's sister city to the north, Springfield. Correlation does not prove causality, but given the bottom chart, it should be no surprise that metros like Omaha, Indianapolis, and Charlotte have gained financial services activity in the 1990s at the expense of places like Hartford. And Raleigh, Denver, and Portland OR have developed large, high-technology sectors while the other metros shown have not; so they are doing even better than their relatively low CODB indexes would predict. Most importantly, the high cost of doing business in Hartford and other Connecticut metros appears to raise a significant hurdle to improved economic growth. Connecticut's metro regions can't and don't have to beat everyone, but they must find ways to compete more effectively with these close rivals.

Tomorrow's Successes

What might be done? First, it's important to remember that factors other than CODB, particularly the quality and availability of labor, also affect competitiveness. Moreover, the charts depict the recent past, not necessarily the current or future situations. Connecticut continues to cut some business taxes and could (and probably should) cut them further to ensure a relative gain on places like Omaha, Indianapolis, and Richmond. Connecticut's metros now offer very competitive residential and commercial space costs—a direct consequence of their collective 1990s real estate malaise. And, our competitor metros' very success at capturing above-average growth to date promises to push their future tax, wage, and space costs higher, helping to improve relative CODB here. In Connecticut, we can't do much about our average annual temperature, but relative improvements in the costs of doing business may well be the stuff of tomorrow's economic success.

Jobs Grow Faster Where Costs Are Lower



...And the Relationship Gets Stronger Among Hartford-Comparable Metros



The Regions: It's Still Smooth Sailing

By Edwin L. Caldwell

Only one of the state's labor market areas posted a year-to-year loss in non-farm employment in the first quarter, compared with the year earlier. That was a better performance than during the previous quarter, when two regions suffered small year-to-year losses in employment. Year-to-year reductions again occurred in the unemployment rates in all the regions, with three of them posting rates below 3%. New housing permits abated somewhat in the first quarter, with three regions registering decreases in the number of permits granted compared with the same period last year. In the previous quarter, all ten regions posted year-to-year gains.

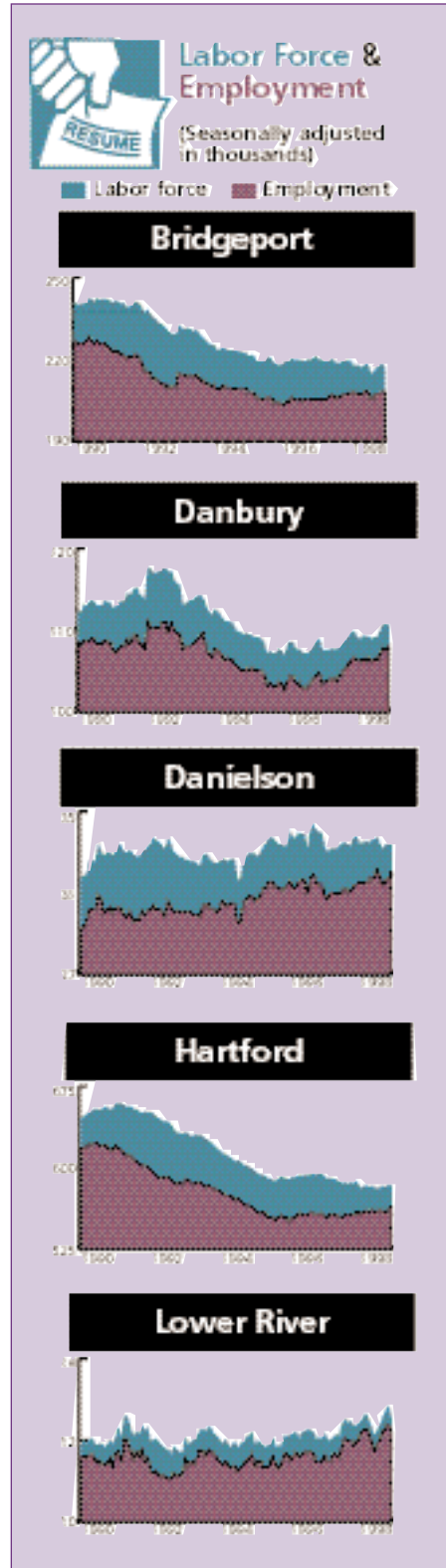
BRIDGEPORT

Bridgeport's stock of nonfarm jobs remained the same as during the first quarter of last year. However, the accompanying chart indicates that Bridgeport has made some progress in adding jobs since the low point in the mid-1990s. Construction, FIRE¹, and the services added jobs in the first quarter; TCU² and trade held steady; and manufacturing and government lost jobs. The unemployment rate dropped to 4.3% from 4.7% a year earlier. But this was not enough to allow Bridgeport to exit the trio of regions (Bridgeport, Danielson, Waterbury) with rates above 4%. However, the region posted strong results in new housing permits. They rose 17% above the same period last year, with Milford, Seymour, and Stratford showing particular strength.

DANBURY

Danbury added 600 jobs to its nonfarm total in the first quarter for a gain of 0.7%. Construction, TCU², trade, FIRE¹, and the services contributed to the increase while manufacturing suffered a loss and government held steady. The accompanying chart indicates that Danbury added many jobs since the low point in the mid-1990s. These recent gains dropped the unemployment rate to 2.7% in the first quarter, compared with 2.8% the year earlier. That makes Danbury the second tightest labor market in the state, only somewhat easier than Stamford at 2.4%. Perhaps the job market will ease a bit in the days ahead. Danbury posted 67% fewer job orders in the first quarter than during the same

period last year. Housing permits kept moving up in the first quarter, increasing 24% over the same period last year. Brookfield and New Milford led the pack, but Newtown was close behind. Altogether, nine of the region's 12 towns posted gains in permits over the previous year while one held steady and two sustained losses.



DANIELSON

Danielson was the only region to register a loss in jobs between 1998-Q1 and 1999-Q1—some 200 of them, or 0.8%. However, as shown in the accompanying chart, the region has done well in adding jobs since the low point in the mid-1990s. In this latest period, trade and the services added jobs over a year ago; construction, manufacturing, and government lost some; and TCU² and FIRE¹ held steady. This latest loss of jobs did not stop the region's unemployment rate from falling to 4.8% this year from 6.3% last year. But that still leaves Danielson with the highest unemployment rate among the regions. New housing permits came on fairly strong in the first quarter, increasing more than 32% over the same period last year. Pomfret, Sterling, and Voluntown contributed most of the strength.

HARTFORD

Hartford added 5,400 jobs in the first quarter, compared to a year ago, to bring its total to 601,300. The accompanying chart shows that Hartford has made steady gains in employment since the mid-1990s but still has a long way to go to reach the level of the early 1990s. Construction and manufacturing sustained small losses compared to last year while the other sectors moved up. TCU² posted the largest percentage gain, 2.9%, with government not far behind. The other sectors made gains of close to 1%. The unemployment rate dropped below 4% for the first time in this cycle, falling to 3.7% from 4.3% a year ago. New housing permits fell 8% below 1998-Q1, but several towns posted sharp gains. Leaders were Canton, Coventry, Enfield, Glastonbury, Lebanon, Middletown, Plymouth, and Tolland.

Hartford is the largest of the ten regions, comprised of 58 towns, so there is usually a lot going on. The Mall at Bristol Centre has been sold to a developer who plans to restore the deteriorating retail complex, making it into an attractive downtown shopping destination. In East Hartford, Pratt & Whitney was awarded a \$3 billion order by UPS for aircraft engines and maintenance services, the largest order in two years. In Manchester, Guitar Center has opened a 17,000 square foot music store that is five times the size of the average music store. Guitar Center, based in California, is the nation's leading retailer of guitars, drums, keyboards, and audio and recording equipment. In Enfield, the Planning and Zoning Commission approved applica-

tions for the construction of 60 one-family homes in four subdivisions.



LOWER RIVER

Lower River remains on a roll. It added 500 jobs between 1998-Q1 and 1999-Q1 for a gain of 5.5%. That was, by far, the largest percentage gain among the regions. All of the sectors contributed to the increase except manufacturing, which lost a small number. Trade and FIRE¹ were the leaders. As the accompanying chart shows, Lower River has added jobs in fits and starts since the mid-1990s, with particularly strong additions since late 1996. The unemployment rate dropped from 3.4% in 1998-Q1 to 2.8% this year. Only Stamford and Danielson have lower rates. New housing permits jumped a sizable 41% over the year. Chester, Essex, Lyme, and Westbrook contributed to the increase, and Deep River held steady.



NEW HAVEN

New Haven added 4,300 jobs from 1998-Q1 to 1999-Q1, a gain of 1.7%. That was the largest percentage gain among the major labor markets. All of the sectors except government contributed to the growth. New Haven was the only labor market to experience growth in manufacturing, adding 600 jobs in the year. Growth was especially noteworthy in construction and the services. The unemployment rate dropped from 3.9% to 3.3% over the year. New housing permits increased by a substantial 39% from 1998-Q1 to the same period this year. New Haven, North Haven, and Wallingford accounted for much of the strength. The Castle Bank and Trust Co. opened in Meriden in late April as a new, community-based bank—the only such institution in town. The other banks are branches of big banks. Ground-breaking will occur in September on a huge \$92 million mall in the Long Wharf section of New Haven. It is scheduled to open in 2001 unless a coalition of downtown merchants holds it up.



NEW LONDON

New London added 1,600 jobs in the first quarter, compared with the same period last year, to bring its total to 136,600. All sectors except manufacturing and TCU² contributed to the growth. The services were especially strong. A glance at the accompanying chart shows that New London weathered the downturn of the 1990s better than any other region. This was quite a surprise, as defense cuts were widely expected to take a heavy toll. Of course, the casinos

saved the day. The unemployment rate dropped from 4.7% to 3.6% over the year. New housing permits took a tumble in the first quarter, falling 17% from the same period last year. Most of the 20 towns of the region contributed to the weakness. In early March, the Mohegans raised \$500 million on Wall Street to partially finance a \$750 million expansion of

their casino complex. The plans include a 1,500-room, high-rise hotel and a 10,000-seat convention center, the state's largest. In Old Saybrook, new developers bought the River Landing Marina, a large complex which includes dock slips, boat storage, office space, a swimming pool, and a restaurant.



STAMFORD

Stamford created 1,300 new jobs between 1998-Q1 and 1999-Q1, a gain of 0.6% that brought its total to 203,400. Manufacturing and TCU² took substantial hits over the year, and trade and government experienced small losses. The other sectors did well. The unemployment rate dropped from 2.6% to 2.4% over the year to retain its spot as the lowest among the regions. New housing permits took the largest absolute and percentage jump among the regions during the first quarter over the same period last year—an increase of 115 units, or 74%. Darien, Greenwich, New Canaan, and Stamford were responsible.



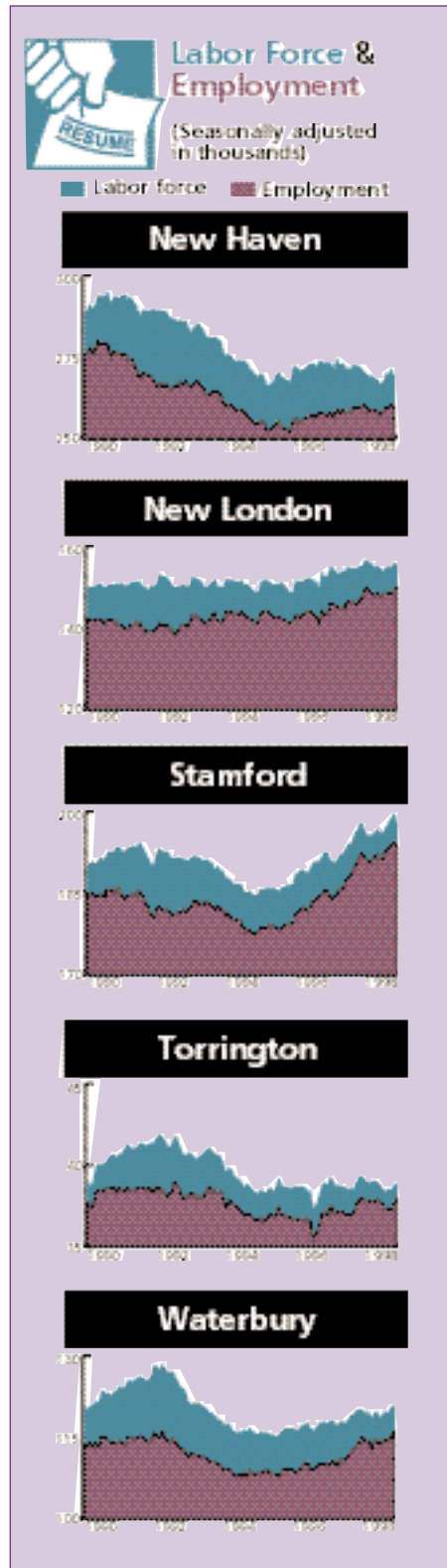
TORRINGTON

Torrington created 300 new jobs over the past year, bringing its total to 28,900. Construction, manufacturing, and FIRE¹ suffered losses while all the other sectors advanced. The gain in TCU² was substantial. The unemployment rate dropped from 3.7% in 1998-Q1 to 3.0% in 1999-Q1. New housing permits rose 56% over this time last year, led by strong activity in the town of Torrington. Downtown Torrington will get a boost with the opening of a 6,000 square-foot retail outlet by Better Bedding sometime before Memorial Day.

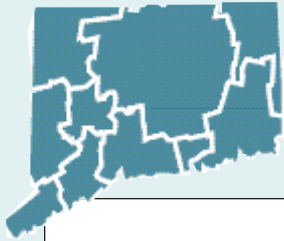


WATERBURY

Waterbury also added 300 jobs over the year to bring its total to 85,100. Manufacturing, TCU², and government dropped a little and the rest of the sectors moved up. Trade and construction were the leaders. The accompanying chart shows that Waterbury added steadily to its stock of jobs since the mid-1990s. The unemployment rate dropped from 4.9% to 4.4% over this latest period but remains second highest among the regions. Housing permits weakened over the past year even though the towns of Bethlehem, Middlebury, and Thomaston showed some strength. Brass Mill Commons, the big new mall in downtown Waterbury, welcomed the opening of a \$13 million Shaw's Supermarket, which provided 210 additional jobs.



1. FIRE - Finance, Insurance, and Real Estate
2. TCU - Transportation, Communication, and Utilities



Labor Market Data

Labor Market Area	Labor Force		Nonfarm Jobs		Manufacturing Jobs	
	1999-Q1 (000)	% Change Year Ago	1999-Q1 (000)	% Change Year Ago	1999-Q1 (000)	% Change Year Ago
Bridgeport	217.7	0.3	185.3	0.0	38.5	-2.9
Danbury	108.7	1.1	87.2	0.7	19.0	-3.4
Danielson	32.1	-1.6	20.0	-0.8	5.7	-2.3
Hartford	580.6	1.1	601.3	0.9	95.1	-0.7
Lower River	12.1	4.0	9.6	5.5	2.9	-1.1
New Haven-Meriden	272.1	2.0	254.3	1.7	40.3	1.6
New London-Norwich	151.1	0.9	136.8	1.2	23.8	-2.7
Stamford	191.2	1.1	202.8	0.6	26.5	-5.5
Torrington	38.5	1.4	28.9	1.2	6.1	-2.2
Waterbury	114.8	0.7	85.1	0.4	18.4	-2.5
Statewide	1703.0	1.1	1639.7	1.6	275.8	-1.2

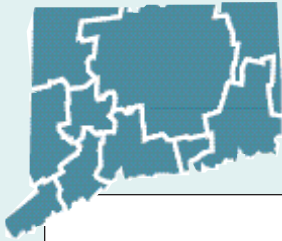
Labor Market Area	Construction Jobs		Trade Jobs		FIRE* Jobs	
	1999-Q1 (000)	% Change Year Ago	1999-Q1 (000)	% Change Year Ago	1999-Q1 (000)	% Change Year Ago
Bridgeport	5.9	3.5	41.7	0.0	10.6	1.9
Danbury	3.6	4.9	21.4	0.2	4.9	7.2
Danielson	0.7	-12.5	4.9	2.8	0.6	0.0
Hartford	17.9	-0.7	123.4	1.0	70.5	1.1
Lower River	0.4	33.3	2.1	10.5	0.3	11.1
New Haven-Meriden	9.0	3.8	52.9	0.9	13.6	1.5
New London-Norwich	4.4	2.3	27.3	1.6	3.8	1.8
Stamford	5.5	1.2	43.1	-0.8	25.3	2.8
Torrington	1.8	-3.6	6.3	2.7	0.8	-11.1
Waterbury	3.1	4.5	18.1	2.3	3.6	1.9
Statewide	55.1	3.4	352.0	1.2	137.8	3.4

* Finance, Insurance & Real Estate

Labor Market Area	Service Jobs		Government Jobs		TCU* Jobs	
	1999-Q1 (000)	% Change Year Ago	1999-Q1 (000)	% Change Year Ago	1999-Q1 (000)	% Change Year Ago
Bridgeport	60.6	2.0	21.2	-2.2	7.0	0.0
Danbury	25.2	2.9	10.3	0.0	2.7	1.3
Danielson	4.7	3.7	3.0	-7.2	0.5	0.0
Hartford	172.8	1.0	94.6	1.7	27.0	2.9
Lower River	2.6	4.0	0.8	0.0	0.4	33.3
New Haven-Meriden	90.9	2.8	30.9	-0.8	16.6	2.7
New London-Norwich	34.9	2.5	36.1	2.6	6.5	-0.5
Stamford	74.7	4.1	17.6	-0.8	10.1	-3.5
Torrington	9.6	2.8	3.4	3.0	0.9	12.5
Waterbury	26.3	1.3	11.9	-1.1	3.7	-0.9
Statewide	511.8	3.0	231.5	1.6	75.7	1.1

*Transportation, Communications, and Utilities

Sources: Quarterly figures developed by *The Connecticut Economy* based on monthly estimates from the Connecticut Department of Labor. Figures are not seasonally adjusted. Statewide totals are not necessarily the sums of individual labor market areas.



L a b o r M a r k e t D a t a

Labor Market Area	Number Unemployed		Unemployment Rate (%)		Initial Unemployment Claims	
	1999-Q1 (000)	% Change Year Ago	1999-Q1	1998-Q1	1999-Q1	% Change Year Ago
Bridgeport	9.3	-9.7	4.3	4.7	1,971	14.6
Danbury	2.9	-2.2	2.7	2.8	662	14.7
Danielson	1.5	-25.8	4.8	6.3	410	28.0
Hartford	21.3	-13.4	3.7	4.3	4,818	21.3
Lower River	0.3	-16.7	2.8	3.4	*	*
New Haven-Meriden	8.9	-14.4	3.3	3.9	1,802	5.7
New London-Norwich	5.5	-23.0	3.6	4.7	961	3.0
Stamford	4.6	-8.7	2.4	2.6	875	15.1
Torrington	1.2	-16.7	3.0	3.7	522	2.6
Waterbury	5.1	-10.1	4.4	4.9	1,293	11.6
Statewide	59.8	-13.4	3.5	4.1	13,314	14.2

* Lower River included in Hartford LMA.

Labor Market Area	Average Weekly Earnings		Average Weekly Hours		Average Hourly Earnings	
	1999-Q1	% Change Year Ago	1999-Q1	% Change Year Ago	1999-Q1	% Change Year Ago
Bridgeport	\$631.72	-2.5	41.3	-3.4	\$15.28	0.9
Danbury	610.74	-2.8	40.9	-4.2	14.93	1.4
Danielson	481.53	1.8	39.8	-1.5	12.11	3.4
Hartford	677.49	-1.1	42.5	-2.7	15.95	1.6
Lower River	535.10	5.4	41.0	2.9	13.04	2.4
New Haven-Meriden	616.62	0.7	41.9	-0.5	14.70	1.1
New London-Norwich	666.34	4.1	42.4	0.6	15.70	3.4
Stamford	536.91	-2.5	38.7	-2.6	13.87	0.1
Torrington	559.54	2.0	41.8	-2.0	13.40	4.0
Waterbury	633.13	3.6	44.1	-0.7	14.36	4.3
Statewide	\$631.63	0.4	42.0	-1.7	\$15.03	2.2

Labor Market Area	State Job Service Postings		Housing Prices		Housing Permits	
	1999-Q1	% Change Year Ago	1999-Q1 (000)	% Change Year Ago	1999-Q1	% Change Year Ago
Bridgeport	878	-35.0	213.1	5.7	315	17.1
Danbury	375	-67.2	262.8	7.7	204	24.4
Danielson	145	-47.7	*	*	45	32.4
Hartford	3,243	-29.0	122.9	7.0	818	-8.0
Lower River	*	*	*	*	31	40.9
New Haven-Meriden	2,090	81.6	133.7	7.5	417	38.5
New London-Norwich	797	76.7	164.5	12.8	142	-17.0
Stamford	433	-32.1	495.6	10.3	271	73.7
Torrington	387	11.8	129.0	24.0	42	55.6
Waterbury	1,120	6.8	164.3	8.5	87	-11.2
Statewide	9,468	-13.0	\$208.0	7.3	2372	11.3

* Lower River included in Hartford LMA. * Markets are too small for reliable estimates.

Sources: Quarterly figures developed by *The Connecticut Economy* based on monthly estimates from the Connecticut Department of Labor. Figures are not seasonally adjusted. Statewide totals are not necessarily the sums of individual labor market areas. Housing permits are quarterly averages based on monthly figures from the Connecticut Department of Economic and Community Development and are not seasonally adjusted. Housing prices, from UConn's Center for Real Estate and Urban Economic Studies, are preliminary.



Some State Income Tax Snapshots

Each spring we report on the most recent Connecticut income tax returns. We do this not because the income tax is so significant in itself, though it grows more important each year (see page 5), but because reliable income data, particularly town level data, are hard to come by in Connecticut. Unlike employment numbers, which are mere estimates (and especially crude ones at the town level), income tax figures come from the 1.3 million returns filed by state residents each year. These data provide reliable snapshots of economic activity across towns and over time. Let's view the final tallies for 1997.

State Income Taxes in 1997

Fueled by a bull market that would not quit and a state economy in its fifth year of expansion, state income tax revenue roared ahead in 1997. The number of returns from year-round residents increased by 3.0%, and adjusted gross income (AGI) jumped by 13.5%. Despite tax rate cuts and expanded tax credits, income tax receipts still climbed 11.0% in 1997, the fastest growth so far.

The median AGI for the 1.28 million Connecticut filers was about \$40,000, up from \$38,000 in 1996. The half of filers who reported an AGI below the median paid an average of \$230 in Connecticut income taxes, or \$4.43 per week, a drop of one-fifth from the previous year. Their state income tax in 1997 averaged 1.1% of their AGI, down from 1.3% in 1996. Taxes paid by the bottom half fell because the new, lower, tax rate of 3.0% was applied to a broader range of taxable income and because the property tax credit increased.

The half of filers reporting an AGI above the median paid an average of \$3,540 in Connecticut income taxes, or about \$68 per week. Their state income tax amounted to 3.2% of their AGI. Filers above the median AGI contributed 94.2% of the \$2.6 billion collected from Connecticut filers in 1997. This was up slightly from the 93.9% share for 1996 and 92.4% in 1995. Put another way, those below the median contributed only 5.8% of the total in 1997, down slightly from 6.1% in 1996 and 7.6% in 1995.

Filers with an AGI of at least \$100,000 accounted for only 11.8% of all returns, but contributed 60.2% of all state income taxes in 1997, up from 53.3% of the total in 1996. Finally, the 1% of all filers reporting an AGI in excess of \$500,000 paid 26.7% of all state income taxes in 1997, up from 20.6% in 1996.

Property Tax Credit Expanded

The share paid by low income filers declined because of (1) a cut in the tax rate from 4.5% to 3.0% at low income levels and (2) the credit offered for property taxes against income tax liability. That credit increased to \$215 for the 1997 tax year. The accompanying bar chart shows the average tax credit taken on 1997 returns based on adjusted gross income. For example, the bottom bracket, those with an AGI between \$0 and \$20,000, had an average property tax credit of \$39. That doesn't seem like much, but it cut the average 1997 income tax liability in that group from \$50 to \$11, or by 78%. This bottom group's pre-credit income tax liability was too low to take full advantage of the credit, thus, explaining why the property tax credit is not higher.

The bar chart shows that the property tax credit increased with AGI, peaking at \$194 for filers with an AGI between \$75,000 and \$100,000. The value of the credit declined

after that because the state denies high income filers all but \$100 of the credit.

The lower tax rate of 3.0% and the higher property tax credit erased the income tax for about 143 thousand low-income filers in 1997 who would have otherwise paid state income taxes. The property tax credit increased to \$350 in 1998 and will probably jump again for 1999. Also the taxable income subject to a 3.0% instead of 4.5% rate rises this year as well. All of this means that more lower-income Connecticut filers will pay no income tax and high income filers will pay an even greater share of the total.

Although higher-income filers pay the overwhelming share of Connecticut's income tax burden, a share that increased in recent years, our April poll of 500 Connecticut residents indicates that support for the tax is weaker at low income levels than at high income levels. Go figure. (For details, see page 5 and page 8).

Rich Towns, Poor Towns

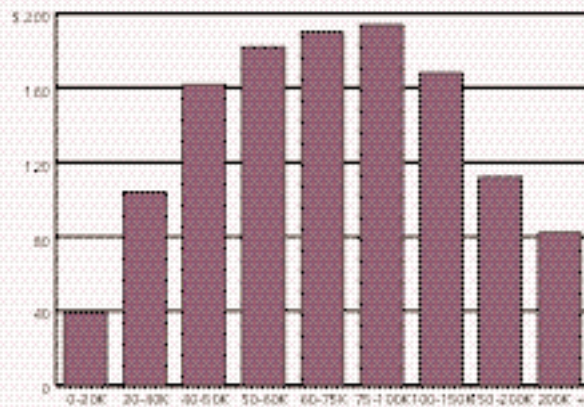
Our centerfold (pages 10-11) reports Connecticut income taxes by town for 1997, the most recent year available. The state's five poorest towns, in terms of average tax payments per return in 1997, were Hartford, Bridgeport, Thompson, Sterling, and Killingly. Four of the five also ranked among the bottom five in 1992, the first full year of the income tax. Bridgeport, the exception, ranked sixth in 1992.

The top five towns in income taxes paid per return in 1997 were New Canaan, Greenwich, Darien, Weston, and Westport. These wealthy towns also topped the list in 1992. In fact, New Canaan has been number one every year since the tax was introduced; its average climbed 18.6% between 1996 and 1997.

Thus the town rankings have been remarkably stable during the 1990s, at least at the extremes of the distribution. But the lead of the top towns has grown. In 1992 income tax payments by filers from the top five towns averaged 6.7 times those made by filers in the bottom five towns. An increase in AGI at the top combined with tax cuts at the lower end of the distribution stretched this multiple to 11.1 by 1997.

Geography plays an obvious roll in the average tax liability by town. The five towns with the largest average tax liability are in the southwest corner of the state; the five towns with the lowest average liability divide between the two largest central cities and three towns bordering Rhode Island.

Average Property Tax Credit on 1997 Connecticut Income Tax Returns Based on Adjusted Gross Income



Filers' Adjusted Gross Income

Source: Developed by *The Connecticut Economy* based on figures from the Connecticut Department of Revenue Services

Tax History By Town

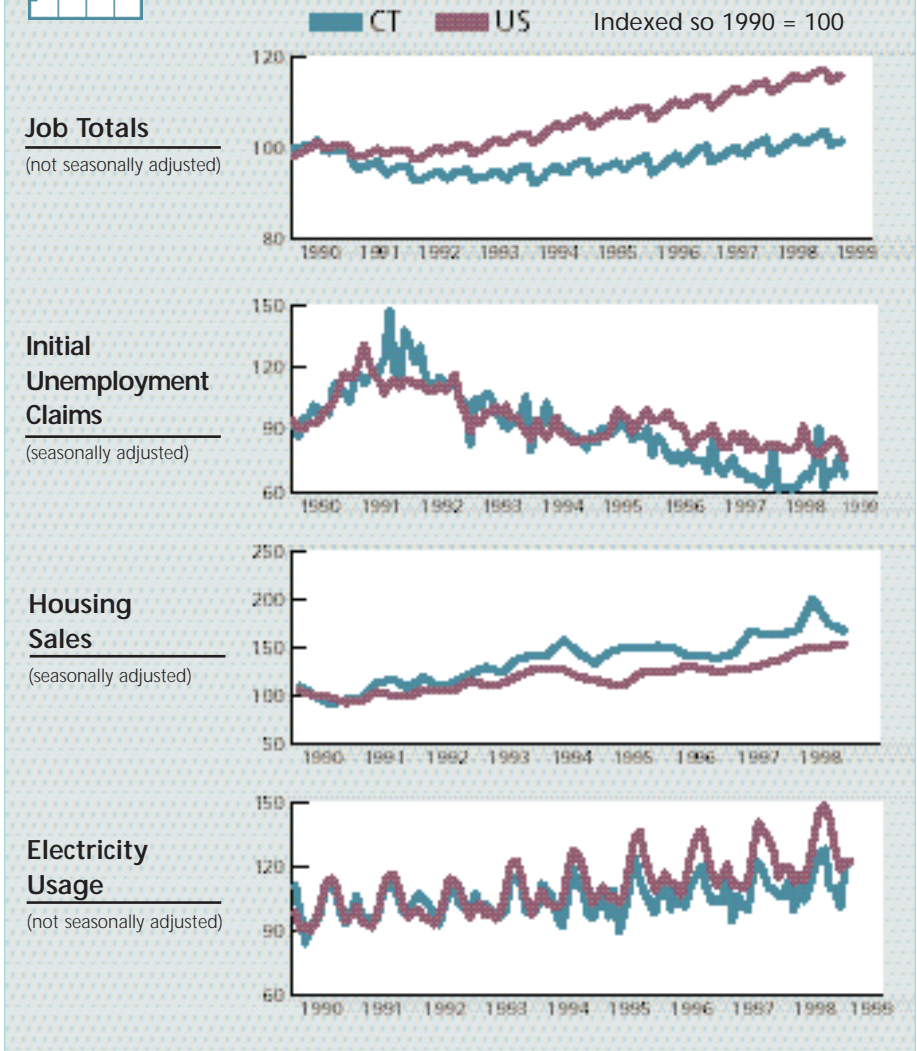
Consider the brief history of the income tax in Connecticut. The average tax per return declined in ten towns between 1992 and 1997: Bridgeport (-10.5%), Hartford (-9.8%), New London (-9.2%), Union (-6.6%), East Hartford (-4.3%), Sprague (-1.5%), Brooklyn (-1.4%), Waterbury (-1.4%), Windham (-1.4%), and New Haven (-1.3%). Half are troubled central cities; the rest are East of the River. Three towns in the state saw a decline in the number of income tax filers between 1992 and 1997: Stafford (-5.0%), Vernon (-3.9%), and Hartford (-1.8). All three are in the Hartford labor market area.

The ten fastest growing towns in average tax payments per return between 1992 and 1997 were Greenwich (104.2%), Colebrook (86.9%), Darien (83.0%), Sharon (82.8%), Warren (78.2%), Weston (64.5%), Ridgefield (61.2%), New Canaan (59.5%), Washington (55.3%), and Wilton (55.1%). All these super-achievers either border New York State or lie within 15 miles of that border.

Here's one final point to consider: filers from the fastest growing town, Greenwich, collectively paid \$223.6 million in state income taxes in 1997. This exceeded the total paid by all residents of Bridgeport, Bristol, East Hartford, Hartford, Meriden, New Britain, New London, New Haven, Norwich, and Waterbury put together. Greenwich had 25,200 filers and the other towns had a total of 250,500 filers



INDEX OF ECONOMIC INDICATORS



Don't Forget to Visit Us On The Internet - <http://www.lib.uconn.edu/ccea/quarterly.htm>

Connecticut Travel and Tourism Index

The overall index decreased 2.1% in the first quarter compared to the same quarter the year before. The index consists of hotel-motel revenues, hotel-motel occupancy rates, attendance at six major tourist attractions, and traffic on five tourist roads.

Hotel/Motel Rev.	H	11.6%
Occupancy Rate	H	0.9%
Attendance	P	-18.8%
Traffic	P	-2.1%
Overall	P	-2.1%

FRS # 430032



NO POSTAGE
NECESSARY
IF MAILED
IN THE
UNITED STATES

BUSINESS REPLY MAIL

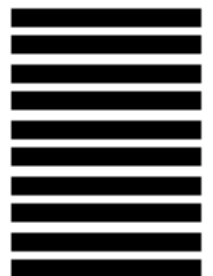
FIRST-CLASS PERMIT NO. 10 STORRS CT

POSTAGE WILL BE PAID BY ADDRESSEE

University of Connecticut

THE CONNECTICUT
Economy
A University of Connecticut Quarterly Review

Connecticut Center for Economic Analysis
Department of Economics, U-63C
341 Mansfield Road
Storrs, CT 06268





Sound Fiscal Management is Just the Beginning

By Denise L. Nappier
State Treasurer



Connecticut's economy has certainly seen good times, but we have also witnessed a widening economic gap between the wealthy and the working poor families of our communities. Government's responsibility is to all of its citizens. As Treasurer, my first priority is to manage the pensions, debt and cash of our state prudently and professionally, achieving solid returns and ensuring security for our assets. That's just the beginning, however, not the bottom line, of what can be achieved.

First, we must make certain that the Treasurer has the statutory flexibility to make decisions that are in the best financial interest of our state. The legislature is now considering two proposals I have offered to achieve this.

One would permit the use of surplus money in the state's Transportation Fund to pay for authorized capital expenditures on a "pay as you go" or cash basis, rather than issuing bonds. Why increase our debt for these projects when the cash is available? The other would enable the Treasurer to determine, based on current market conditions, whether it would be more cost effective to reduce bonded debt or pension liability. This bill also emphasizes the need to move to a fully funded pension fund—we are now underfunded by nearly \$4 billion, one of the the largest gaps among similar funds in the country.

Second, we must use the state's financial resources, whenever and wherever prudent, to improve economic development and the quality of life across the state, especially in our cities and rural communities. The dozen or so public commissions that offer grants and loans to businesses can have an enormous impact on local economic opportunity. We need to strengthen their resolve to do just that. In addition, we should expand

educational opportunities for students with the Connecticut Higher Education Trust (CHET) and provide low income families trying to save money for their future with greater access to Individual Development Accounts.

Third, we should carefully assess the firms that are selected to do business with government. As part of that process, we should:

- Hire qualified Connecticut firms, wherever prudent, to grow our financial services capacity here and help retain Connecticut jobs.
- Consider a firm's commitment to being a good corporate citizen as evidenced in their policies, for example, on wages, workers, community involvement, and the procurement of goods and services. This holds firms accountable for both how and with whom they do business within our communities.
- Offer real opportunity to small and mid-size businesses, including women and minority-owned businesses, especially within the financial industry. The survival of those firms hinge on many factors, but the willingness of government to do business with them matters a great deal.

Government policies regarding Connecticut businesses across the board, and small businesses and women- and minority-owned firms in particular, can make a real difference in reducing the prosperity gap. For them—and ultimately for us as a state—it may truly be a matter of economic survival.

My aim is to build a Connecticut State Treasury that can contribute to and promote the vibrancy of Connecticut's economy and the breadth of opportunities and rewards that it offers to businesses and citizens throughout our state.

Please bill me \$50.00 for 4 quarterly issues of *The Connecticut Economy*.

I have marked address corrections, if any, on the label below.

My telephone number is _____ Signature _____

If you have not yet
subscribed to

The Connecticut Economy
tear out, sign and
mail this convenient
reply postcard.

Please make any address
changes or corrections
before mailing.

Connecticut Center for Economic Analysis
Department of Economics, U-63C
341 Mansfield Road
Storrs, CT 06268



Printed on recycled paper
using soy-based ink.