THE CONNECTICUT
Economy

A University of Connecticut Quarterly Review

Spring 2003

Former Editors Revisit Old Haunts

Current Editors Survey Ten-Year Changes in Sectoral Productivity, Inequality and People

Nutmeggers Reveal Familiar Steady Habits in *Webster-UConn Survey*

The Connecticut Economy Celebrates Its Tenth Anniversary

The Editors

Steven P. Lanza, Executive Editor, coordinates the production, publication, and distribution of *The Connecticut Economy.* He has taught at several universities, including the University of Connecticut, in fields that span economics, business, government and history, and has served as an economic consultant. He has appeared on NECN and CPTV, and has been quoted in the *New York Times* and the *Wall Street Journal*.

Dennis R. Heffley 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.

James R. Moor, Jr,. is Associate Professor in Residence in the School of Business and teaches in the University of Connecticut's MBA Programs. He was Chief Economist of The Hartford Financial Services Group, from 1984 to 2000. He has taught at several universities and is actively involved in economic development in the Hartford area.

Arthur W. Wright is Emeritus Professor of Economics at the University of Connecticut, where he was Department Head, 1979-1989, and taught courses in industrial organization and market regulation. He was the department's Honors Advisor and taught the Honors Seminar. His research has appeared in the *American Economic Review, National Tax Journal,* and *Journal of Comparative Economics*, among other professional journals.

Contents

Spring 2003 - Volume 11 Number 2

Correction: The centerfold in the Winter 2003 issue was incorrectly titled "Female Labor Participation Rate". The title should have read "Females as a Percent of the Labor Force".

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

Fleet Bank

Foxwoods

Mohegan Sun

The Office of Policy Management

Office of the State Treasurer

The University of Connecticut's:

- AAUP
- 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

 The annual subscription is $55. Send subscription requests and change of address information to: Circulation Manager, *The Connecticut Economy,* Connecticut Center for Economic Analysis, Department of Economics, Unit 1240, University of Connecticut, Storrs, CT 06269. The phone number is: (860) 486-0263. Make checks payable to the University of Connecticut/*The Connecticut Economy*. David Frith is the 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, Robert Damroth, and Kolie Sun Chang of the Department of Economic and Community Development; Michael Galliher of the Department of Revenue Services; Sue Ferri and Stacey McCall of the Department of Transportation; and especially Sal DiPillo, Roger Therrien, Dan Kennedy, Charles Joo and their colleagues at the Department of Labor, who have been most helpful with labor data. We also thank Jodi Amatulli of the American Automobile Association, Jane Miller of Prudential Connecticut Realty, Cindy Ross at *The Advocate* of Stamford, John Haggerty of Northeast Utilities, Gary Lopez at the Department of Public Safety, and Stan McMillen and the rest of the research staff at CCEA.

CONNECTICUT ECONOMIC INDICATORS

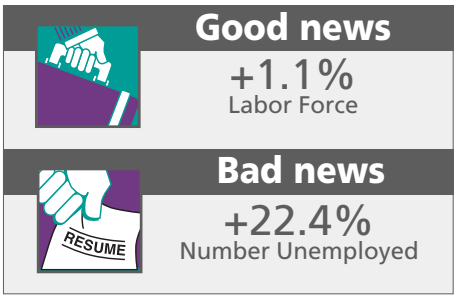
(Percent change: 2002-Q1 to 2003-Q1)

Indicators of Current Economic Activity

Total Nonfarm Jobs	-0.9%
Number Unemployed	+22.4%
Labor Force	+1.1%
Manufacturing	
Jobs	-4.1%
Avg. Weekly Hours	-0.4%
CT Mfg. Prod. Index	+1.6%
Avg. Hourly Earnings	+2.7%
New Auto Registrations	-0.6%
Travel and Tourism Index	-5.3%
Bradley Airport	
Passengers	-2.8%
Freight	-4.8%
State Tax Receipts	
Sales	-1.8%
Income	-0.7%
Real Estate Conveyance	+0.3%
Normalized Electricity Use	+3.8%
State Exports ('01-Q4 to '02-Q4)	-4.4%
Personal Income (est.)	+2.5%
Retail Sales ('01-Q4 to '02-Q4)	+4.2%
Confidence in Current Economy	-43.7%
Coincident GDI	-1.2%

Indicators of Future Economic Activity

Help-Wanted Ads	
Hartford Courant	-29.6%
The Advocate of Stamford	-17.9%
State Job Service Postings	-29.6%
Avg. Initial Unemp. Claims	-1.5%
Housing Permits	-15.7%
Net New Business Starts	-13.5%
Confidence in Future	-17.5%
Leading GDI	-1.2%



Ten Years of the Connecticut Economy

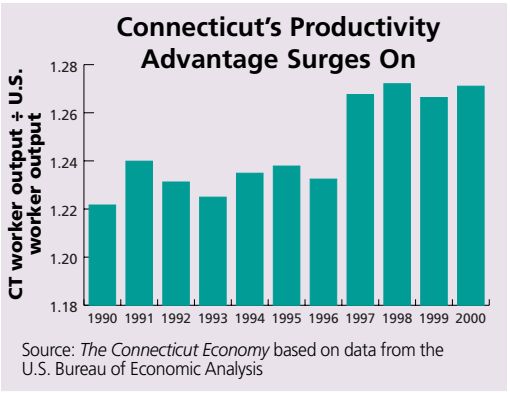
By Steven P. Lanza

With high hopes and a rock-bottom budget, *The Connecticut Economy* launched its inaugural issue ten years ago. Our goal then, as now, was to keep an eye on the state's economy and report what we saw, following Yogi Berra's maxim that "you can observe a lot by watching." We've evolved away from a newsletter towards a newsmagazine format, adding new features along the way. But always we've tried to offer readers sound economic analysis in easy-to-follow prose. To mark our anniversary, we take a break from some of our usual routines (including the quarterly roundup normally featured on this page) to serve up a few reflections, from past and present editors, on where we've been and where we may be heading.

Forty issues (and counting) of *The Connecticut Economy* stacks up to a hefty bundle, so it's fair to ask, "Why shine so much light into such a small corner of the globe?" After all, Connecticut ranks just 29th among U.S. states in population and 3rd from last in land area. Well, it turns out that this tiny state boasts a world-class economy. If Connecticut were a country, it would rank first in per-capita income and 40th in the total size of its economy, ahead of Denmark, Norway, Finland, Israel, and Ireland, ahead even of the oil-rich United Arab Emirates and Kuwait. There's no black gold here—the state's most abundant natural resource is gravel, a heavy though hardly hot commodity—but there's one ingenious population nestled in them thar hills. Connecticut owes its wealth not to natural resources but to the resourcefulness of its people. At the head of the class in education per capita, at the top of the heap in patents per capita, Connecticut is unequalled in worker productivity. And our remarkable inquisitiveness, inventiveness and efficiency, so much a hallmark of the state's history, sustain us still.

Then and Now

When *The Connecticut Economy* premiered, the state's economy was plumbing the depths of recession. Our labor market was literally decimated, having lost one-tenth of its total jobs in just four short years. Unemployment, at 8.2%, was up sharply from 3.1% in 1989. Manufacturing and financial activities—the state's flagship industries—were bearing the brunt. Declining defense spending at the Cold War's denouement walloped the state's manufacturers, to the tune of 68,000 jobs or 18.5% of the total. Bad real estate loans, industry restructuring, and tighter regulations pummeled the finance industry, exacting 11,000 jobs. Real gross state product was still stuck below its 1989 peak. Housing demand evaporated, and home prices tanked as young workers left in search of better prospects in the Sunbelt. Median home prices in Hartford and New Haven, which had doubled inside a few years, sank from more than $175,000 in 1989 to less than $160,000 in 1992.



Source: *The Connecticut Economy* based on data from the U.S. Bureau of Economic Analysis

Fast-forward ten years. The state's economy is buffeted by another, albeit much milder, recession. Even so, the job total in 2002 exceeded that of 1992, the differential reflecting sizeable growth in services. Construction is booming again, thanks partly to a rejuvenated housing market. The value of construction contracts, measured by F.W. Dodge, climbed 86% over the decade, and construction jobs were up by a third. Real estate prices are higher now than ever, and with falling interest rates and rising incomes, they are also more affordable. In 1992, following the last housing boom, an average employee could "afford" just 72% of the monthly mortgage for a median home, using the National Association of Realtors' definition. By 2002, the average worker could afford 107% of the median payment. Slow improvements in the economy attracted enough in-migrants that, by 2000, the state posted a small net population gain over the 1990 level. Still, Connecticut has become *relatively* smaller—as evidenced by its loss of a Congressional

Continued on next page

seat in the latest redistricting. But at $42,377 in 2001, per capita personal income is still tops in the nation.

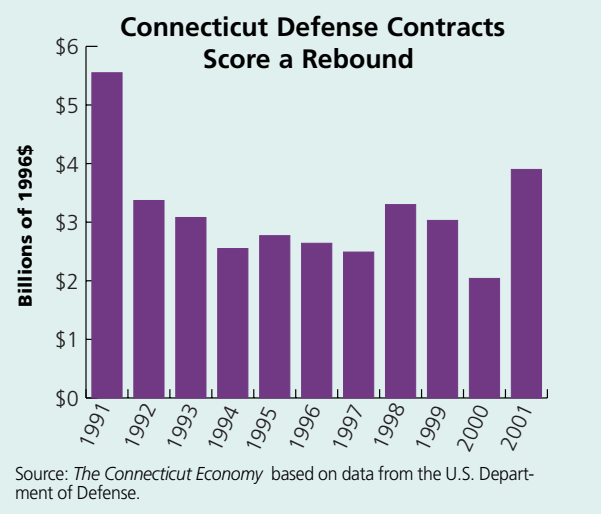
Yankee Ingenuity

After the wrenching recession of the early 1990s, what enabled Connecticut to rebuild its economy so successfully and weather the current storm so well? The answer, in no small part, lies in the remarkable resourcefulness of Connecticut Yankees. Our workers remain among the most productive in the world, and our advantage has only grown wider. In 1990, the productivity of Connecticut workers exceeded the U.S. average by 22%. Over the ensuing decade, Connecticut's productivity grew at a 2.0% annual clip, outstripping that of the U.S., at 1.6%, so by 2000 Connecticut's lead had climbed to 27% (chart p. 3).

The state's edge reflects, in part, the greater experience and better training of Connecticut workers, who grew both older and wiser over the decade. The state's median age, 34.4 years in 1990, reached 37.4 years in 2000. (For more on demographics, see pp. 6-7.) We're better educated today than we were back then: 24.4% of residents age 25+ hold at least a bachelor's degree, up from 20.3% in 1990. But Connecticut's productivity advantage also reflects the state's distinctive mix of industries and developments over the past decade.

Nowhere did the state get more productive than in manufacturing—the sector hardest hit by the Great Recession. Connecticut manufacturing productivity growth averaged 4.8% per year in the 1990s (and 6.4% per year after 1993). By contrast, annual U.S. productivity growth in the sector averaged just 4.2%. In 1990, Connecticut manufacturing workers produced 8% more real output than did their U.S. counterparts. By 2000 their advantage had grown to 11.4%. Unlike *employment*, manufacturing's share of total state *output* is growing again—from 18.2% in 1990, down to 15.9% in 1993 but back to 16.9% in 2000.

A big part of the gains can be traced to improved capital stock. Manufacturers' real capital spending grew at an average annual rate of about 1% in the 1990s, even as jobs shrank by 1.6% per year. And the job cuts, though significant, represented a dramatic slowdown from the previous decade. Between 1992 and 2002, job losses averaged about 400 per month, *versus* 1,000 per month during the previous ten-year period. In the 1990s, every sub-sector within manufacturing lost jobs except for chemicals, up 3.3%, and (an indication of the growing dominance of health care, discussed below) pharmaceuticals, up 47.2%. In absolute and percentage terms, job losses over the period were especially steep in transportation equipment and aerospace—both casualties of defense cutbacks.



Source: *The Connecticut Economy* based on data from the U.S. Department of Defense.

That could change as the U.S. reloads its arsenal. Connecticut will fare well under the recent $400 billion defense authorization bill. Contract awards for 2001, the most recent figure available, totaled $4.3 billion. While still below the $5.0 billion total of ten years ago, it's much improved from the $2.8 billion average in the intervening years (chart below). The state ranks third in contracts per capita, behind Virginia and Alaska. In the worst year, 2000, our ranking slipped to just ninth.

Financial services, the other key pillar of the Connecticut economy, also suffered debilitating job losses in the early 1990s. But here too the productivity gains have been remarkable. Worker output grew 3.6% annually in the decade, second only to manufacturing. And with average U.S. growth for that sector at just 1.3%, Connecticut's productivity advantage soared to 40%—the biggest differential for any state sector.

Financial employment held its own during the 1990s, but the composition of jobs shifted away from older, lower-productivity jobs towards newer, higher-productivity ones. Job losses at depository institutions were partially offset by gains at nondepository institutions. Employment in insurance gave way to employment in commodity and financial investment activity, which (despite the extended bear market) has continued to advance. And a vigorous housing market has helped real estate jobs pick up a bit. Like manufacturing, financial services gained output share in Connecticut, with the percentage climbing from 25.8% in 1990 to 29.5% in 2000.

Where the Jobs Are

Manufacturing and financial activities have been the wellspring of productivity growth for the Connecticut economy, but non-financial services have been the richest source of job growth. Virtually the entire net increase of 140,000 jobs in the state between 1992 and 2002 originated in service-producing sectors. Jobs in services are less productive than in manufacturing or finance: output per worker in 2000 (1996 dollars) averaged approximately $50,000 in services, compared with $94,000 in manufacturing and $191,000 in finance. Connecticut workers still hold a sizeable—though declining—productivity edge in non-financial services. Though output per worker grew at an average 1.0% per year in the 1990s compared with 1.3% for the U.S, in 2000 the state still held a 16.6% productivity advantage.

The rise of services, the relentless decline of manufacturing, and the need to harmonize sectoral descriptions with our trading partners recently prompted a switch from the old Standard Industrial Classification (SIC) to the new North American Industrial Classification System (NAICS). The five SIC service-producing industries—transportation, communication and utilities; trade; finance, insur-

ance, and real estate; services; and government—morphed into eight "supersectors"—information; trade, transportation and utilities (TTU); financial activities; professional and business services; educational and health services; leisure and hospitality; other services; and government. Let's take a brief tour of the new landscape.

The omnibus TTU sector still ranks first in employment, though its relative importance has diminished over time. Despite the addition of 20,000 jobs over the decade, principally in retailing, the sector's share of total jobs slipped from 19.0% in 1992 to 18.6% in 2002. Retail jobs shifted markedly from general toward specialized merchandising, particularly big-box retailing. The emergence of Home Depot and Lowes, for example, coincided with a flurry of new employment in the building material/garden subsector which went from 10,600 to 15,900 jobs. Output per TTU worker increased 2.7% annually in the 1990s, but since sector productivity grew 3.0% per year nationally, Connecticut's productivity advantage declined from 18.1% in 1990 to 15.5% in 2000.

TTU may be the state's biggest employer, but the best sector for job growth has been the old SIC "services" sector, now captured most closely by health-and-education services and professional-and-business services. Job gains in the former came chiefly in health. As more patients were treated in HMOs, jobs in outpatient services climbed 13,400 or 23.7%, while growth in hospital or inpatient care was just 6.7%. Partly due to our aging population, nursing and residential care also posted double-digit job growth (up 29.1%), as did social assistance (up 66.5%). During the 1990s, Connecticut's productivity advantage over the U.S. held steady at an average of 30% in education and 14% in health care.

Professional and business services, however, are a different story. The state's productivity there grew 2.4% annually compared with 2.2% for the U.S., and now stands 35% above the nation's. Between 1992 and 2002, state jobs in the sector climbed by 38,000 or 23.4%. Growth in business services reflects a decade of outsourcing and reclassification of manufacturing tasks as service activities: business services once performed in-house by manufacturing firms are increasingly performed by outside services contractors. Scientific and technical jobs have doubled. Jobs in administrative support services leapt by double digits, as they have in "temp" services, reflecting the shift to just-in-time inventory and production methods.

For glitz and glitter, nothing can match the splash that casino gaming has made in the state. Foxwoods opened its doors in February 1992, and Mohegan Sun followed in October 1996. Today the two establishments account for some 20,000 jobs. Measuring their impact is not easy, because even under NAICS, tribal employment is counted in the state's government sector rather than more sensibly as part of the leisure and hospitality industry.

As for Connecticut's public sector, it only grew leaner during the 1990s. Output per worker inched up 0.2% per year. And by 2000, state and local government activity in Connecticut accounted for 6.3% of total output versus 7.7% ten years earlier. Although many other states also devoted a declining fraction of output to government services over the period, Connecticut managed to preserve its rank as the second most frugal state in the union, after New Hampshire.

Curiously, a look back across the decade through the lens of NAICS reveals that the state's smallest sector, information, showed little job growth. So much for all the hullabaloo about the information economy! And it wasn't just because the new NAICS sector incorporates the "old-economy" function of publishing. Information also includes the "new" telecommunications industry. At its peak in 2000, employment in telecommunications was only 2,700 or 18.5% higher than in 1992, and with the carnage in technology since then, total jobs were back to the 1992 level by 2002. Of course, not all segments of the information economy are classified here. For instance, NAICS sweeps the growing computer services business under the rug of business services.

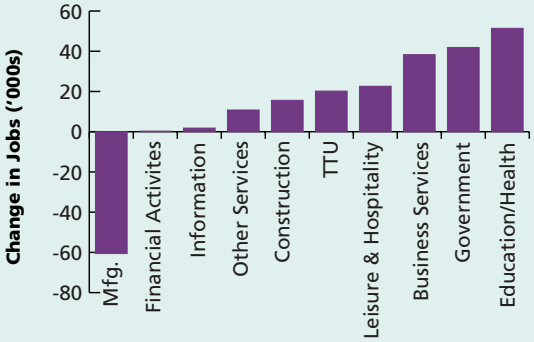
The Challenges Ahead

It's been a challenging decade for Connecticut, but the state has again demonstrated its talent for productively mobilizing human energy. Our state's ability to retain and even widen its productivity advantages means that it continues to boast a world-class economy. No one can do more with less than can Connecticut workers. But there are warning signs to heed.

Productivity growth has largely occurred in sectors where jobs have been flat or falling, while jobs are growing where our productivity advantage is slipping. Demographic changes will also challenge the state's ability to keep its productivity engine humming. The supply of young workers entering the labor force will struggle to keep pace with the number of older workers leaving it (see pp. 6-7). Finally, amid signs that inequalities across the state are widening rather than narrowing (see pp. 7-8), it's clear that Connecticut's success in solving the *production* problem has not been matched in solving the *distribution* problem. Research in these pages and elsewhere suggests that worsening inequalities can hinder economic growth.

The challenges are daunting. But if the past is any guide, Nutmeggers will prove equal to the test.

Job Changes Over a Decade: 1992 to 2002
A Shift from Manufacturing to Professional Services



Source: *The Connecticut Economy* based on data from the U.S. Bureau of Labor Statistics.

Connecticut's People: How Much Difference Has a Decade Made?

By Arthur W. Wright

The population of the Nutmeg State is a bit older, but not much bigger (or wiser?), than it was when the first issue of the *Quarterly* hit the streets in the spring of 1993. A dearth of overall change, though, doesn't mean that nothing much has happened or that changes in our demographic profile don't matter. How many are we, who are we, where do we live and under what arrangements, and how do we compare with other states? In this article, I use data from the 1990 and 2000 U.S. Censuses to answer those questions, and to take a look at what the changes may portend for the state's economic future.

In 2000, the state was officially home to 3.41 million souls, up 3.6% from the 3.29 million reported in 1990. For comparison, the state's population grew nearly 6% during the 1980s, but only by 2.5% in the 1970s. Among the 50 states, we were a paltry fourth from the bottom in population growth during the 1990s. Only North Dakota (0.5%), West Virginia (0.8%) and Pennsylvania (3.4%) trailed us. Our New England and Mid-Atlantic neighbors didn't fare much better; all came in below the U.S. as a whole (Table 1). Fully 11 states, all in the west and south, rang up percentage gains greater than 20%. Small wonder that we were among the states losing a seat in the U.S. House of Representatives for the 2002 election.

Three of Connecticut's 8 counties—Hartford, New Haven, and New London—came in below the statewide average (Table 2). The pattern doubtless owes much to the specific local effects of the double whammy the state took during the 1990s: cuts in military spending (peace is hell) and downsizings among financial institutions.

Among the state's cities and towns (Table 3), the biggest growth was all in smaller towns and suburbs, in which small absolute gains translated into large percentages. The big losers were all cities, where large absolute losses translated into modest-looking percentage decreases. Hartford, New London and Groton were the big losers—that double whammy again—while, New Haven (-5.2%) and Bridgeport (-1.5%) saw only small declines.

The median age of Nutmeggers grew by 3.0 years, from 34.4 to 37.4, in the 1990s (Table 4). "Only" by three years, you say? In 2000, the people of our state were collectively a full 8.7% (about 1/12th) older than in 1990. The proportion of us who were female inched up only 0.1 percentage point over the decade, from 51.5 to 51.6%. (Are we geezers beginning to catch up with the widows in longevity?) Those of us who are over age 65 gained 0.3 points in share, to 13.8%, but those under age 10 also added share by 0.5 points, to 13.8%. So, while the state aged a bit at the middle and the top, we also got slightly younger at the bottom of the age distribution—a straw to grasp at when looking for some improvement in our population growth.

The share of Connecticut's people in the prime-working-age population—those 25-54, a key variable in determining the size of the state's labor force—edged up in the 1990s, showing a gain of 0.4 points to 44.5% of the population. But the share of what we might call the *total*-working-age group, ages 20-64, actually fell by 1.7 points, to 59.1%. Again, though, gains in population share at the bottom portend a future reversal in this trend: the total share of the four age cohorts 19 or younger grew by 1.7 points, to 27.3 percent.

In the middle of the labor force, Connecticut participated all too enthusiastically in the "Gen Xodus" of the 1990s, in which hordes of young people 20-34 years old packed their U-Hauls (today's Conestoga wagons) and moved from the cold northeast to "hot" cities in the south and west. The state's cohort of 20-34-year-olds declined by nearly 200,000, or 23.5%, between 1990 and 2000. If you're looking for good news

Table 1
Population Growth, U.S. And Selected States, 1990-2000

Nevada	66.3%	New Hampshire	11.4%
Arizona	40.0%	New Jersey	8.9%
Colorado	30.6%	Vermont	8.2%
Utah	29.6%	Massachusetts	5.5%
Idaho	28.5%	New York	5.5%
Georgia	26.4%	Rhode Island	4.5%
Florida	23.5%	Maine	3.8%
California	13.8%	Connecticut	3.6%
U.S.	**13.2%**	Pennsylvania	3.4%

Table 2
Population Growth By County, 1990-2000

Middlesex	8.3%
Fairfield	6.6%
Windham	6.4%
Tolland	6.0%
Litchfield	4.7%
New Haven	2.5%
New London	1.6%
Hartford	0.6%

Table 3
Big Gainers And Losers Among Cities And Towns, 1990-2000

Sherman	+36.2%
Colchester	+32.5%
Sterling	+31.5%
New London	-10.1%
Groton	-11.6%
Hartford	-10.1%

Table 4
Selected Demographic Changes, 1990-2000

In Median Age:	+3.0 yrs.	To	37.4 yrs.
In Proportion Female:	+0.1 pct. pt.	To	51.6%
Over age 65:	+0.3 pct. pts.	To	13.8%
Under Age 10:	+0.5 pct. pts.	To	13.8%
"Prime Working Age" (25-54):	+0.4 pct. pts.	To	44.5%
Total Working Age (20-64):	-1.7 pct. pts.	To	59.1%
19 or Younger:	+1.7 pct. pts.	To	27.3%

Table 5
Growing Diversity: Race And Ethnicity

"White":	
1990	2,859,353
2000 ("One Race")	2,780,355 (-2.8%)
2000 ("Alone or in Combination")	2,835,974 (-0.8%)
"Black or African-American"	
1990	274,269
2000 ("One Race")	309,843 (+13.0%)
2000 ("Alone or in Combination")	339,078 (+23.6%)
"Asian"	
1990	50,078
2000 ("One Race")	82,313 (+64.4%)
2000 ("Alone or in Combination")	95,368 (+90.4%)
"Hispanic or Latino (of any race)"	
1990	213,116
2000	320,323 (+50.3%)

Source: *The Connecticut Economy* based on data from the 1990 and 2000 U.S. Censuses.

here, the Hartford metropolitan area lost "only" 5.5%, while Springfield lost 13.5%, according to Census data analyzed by Bill Bishop and Richard Florida (*Hartford Courant*, 3/30/03).

Elsewhere in this issue (pp. 12-13), Will McEachern examines the issue of "Household by Type" (in Census argot) in our state. Suffice it here to note that, from 1990 to 2000, the share of "family households" with a "female householder, no husband present" rose by 0.7 percentage points, from 11.4 to 12.1%. The share for the subcategory "with own children under 18 years" rose more, by 1.0 point, from 6.0 to 7.0%—an increase in share of 1/6th. Given the strong correlation of these categories with persistent family poverty, it's clear that there's still work to be done in the Nutmeg State on this front.

Connecticut's population grew more diverse during the 1990s. Changes in Census terminology and categories between 1990 and 2000 make precise comparisons (of inherently imprecise constructs) impossible. In 2000, respondents were given the option of classifying themselves exclusively of "one race" or primarily of one race in combination with others. Table 5 shows both definitions of "race;" the "truth" lies somewhere between the percentage changes for the first three categories.

The share of "whites" (or "pinks", in George Bernard Shaw's apt term) fell from 87.0% in 1990, to either 81.6% or 83.3% in 2000. (A very high proportion of the Gen Xodus were pinks.) The share of African-Americans ticked up from 8.3% in 1990, to either 9.1% or 10.0% in 2000. Asians' share leapt from 1.5% in 1990, to either 2.4% or 2.8% in 2000—a small *absolute* gain, yes, but a whopping *relative*. Finally, the share of Hispanics jumped from 6.5% in 1990 to 9.4% in 2000.

Just for reference and to emphasize the vagaries of the categories used in our self-reporting census system, Connecticut residents listing themselves as "not Hispanic or Latino" lost share from 93.5% in 1990 to 90.6% in 2000—a decline of 3.1 percent. And of the self-reported non-Hispanics, those claiming "[pink] alone" status dropped 6.3 points in share, from 83.8% to 77.5%, or by 7.5 percent.

"[Pink] alone" folks (definitionally consistent, at least, in both years) declined by a net 115,339 souls between censuses. Assuming that everyone else made the state more diverse, Connecticut grew more varied, from one census to the next, to the tune of 233,788 additional souls. Those 234 thousand people could be said to have prevented us from being the only state (not counting the District of Columbia) to lose population during the 1990s. And given nation-wide demographics, they also helped make us a bit younger than we would otherwise have been.

The 1990s: When Yachts Rose Faster Than Dinghies

By Dennis Heffley and MaryJane Lenon

By and large, the last decade has been a good one for *The Connecticut Economy* and the Connecticut economy. The state began the 1990s with an unwelcome lull, but eventually joined the New Economy regatta and finished the decade in winning style. In 2000, Connecticut boasted the nation's highest per capita income ($28,766 by Census definition), highest gross state product per nonfarm worker ($94,081), and lowest unemployment rate (2.2%). But even the sunnier part of the 1990s had a darker underside.

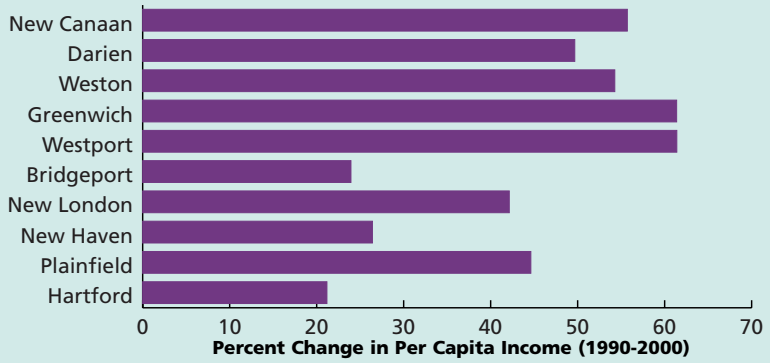
Data show that the benefits and burdens of a decade of change were unevenly shared: the 1990s were kinder to the wealthy than to the poor; inequalities grew rather than shrank; and the effect extended beyond individuals to their communities.

Small State, Big Differences

Connecticut's 169 towns were dissimilar when the decade began. They're even less alike now. Let's see how the five towns with the highest per capita incomes in 1990 fared over the decade, relative to the five poorest towns. According to the 1990 Census, the top five towns were New Canaan, Darien, Weston, Greenwich, and Westport—all in Fairfield County, with per capita incomes ranging from $52,692 down to $45,640. The five poorest towns in that year were Hartford, Plainfield, New Haven, New London, and Bridgeport—scattered about the state in five different counties, with per capita incomes ranging from $11,081 to $13,156.

The bar graph below shows the percentage increase in per capita income for each of the ten towns between 1990 and 2000. Growth in per capita incomes averaged more than 56% in the five richest towns, but less than 32% in the five

Income Growth in Connecticut's Five Richest and Five Poorest Towns (1990-2000)



Source: *The Connecticut Economy* based on data from the 1990 and 2000 U.S. Censuses .

poorest ones, expanding the income gap that existed in 1990. In 2000, the rank order of the top five towns remained exactly the same, with per capita incomes ranging from $82,049 in New Canaan to $73,664 in Westport. The ranking of towns at the bottom changed a bit. Our three largest cities—Hartford, Bridgeport, and New Haven—hugged the bottom in 2000, with incomes ranging from $13,428 to $16,393, while Plainfield ($18,706) and New London ($18,437) climbed out of the bottom five (perhaps due to casino growth in eastern Connecticut) and were replaced by Windham ($16,978) and Waterbury ($17,701).

Growth in the income gap was not limited to a handful of towns at the top and at the bottom. A simple index of dissimilarity between the 169 towns' population and income shares increased by more than 12% over the 1990s.

Other Markers

Income isn't the only economic yardstick. How did these ten towns, from opposite ends of the income spectrum, fare in other respects? For the period 1990 to 2000, the double-bar graph below compares the percent changes in average figures for the richest five towns and the poorest five towns, for seven different town-level measures: median house value, median gross rent, property tax base (equalized net grand list) per capita, school spending per capita, other public spending per capita, the effective property tax rate (equalized mill rate), and state aid per capita.

For most households, the outlay on shelter dominates other spending categories. Rising home prices boost homeowners' assets, but also raise the hurdle for new buyers. During the 1990s, median house values in the top-five towns rose about 52%, from $470,620 to $716,640, increasing the wealth of property owners and adding to an already hefty tax base. Conversely, median house values in the five poorest towns dropped more than 19%, from $133,380 to $107,080.

Of course not everyone owns a home. In 2000, renters occupied 22% of housing units in the five richest towns and 66% in the five poorest towns. Based on 1990 and 2000 Census figures, rents rose almost 30% in the top five towns, from $991 to $1,287, and only about 13% in the bottom five, from $542 to $614. For tenants in the latter towns, the slower growth in rents made the modest growth in income, noted earlier, a bit more tolerable.

In the five poorest towns, the erosion of house values and slow growth in rents led to a decline of almost 21% in equalized net grand list (ENGL) per capita, from $52,752 to $41,780. In stark contrast, ENGL per capita rose nearly 67% in the top five towns, from $203,733 to $340,162. This allowed the richest towns to boost per capita spending on education and "other public services" by almost 66% and 43%, respectively, while the same two spending categories increased by about 55% and 28% in the poorest towns. Because the five poorest towns began with smaller average spending in both categories, their smaller percentage increases widened the absolute public spending gap between the poorest and richest towns. Despite state equalization efforts, per capita school spending in FY 2001 averaged $2,154 in the top five towns—$700 more than the average figure in the bottom five towns. Furthermore, despite the greater need for fire protection, law enforcement, and other public services in larger cities, noneducational spending per capita in FY 2001 averaged $1,538 in the richest five towns but $1,370 in the poorest five.

Note that the richest towns financed their relative gains in public spending with a much smaller increase in the property tax rate than in the poorest towns. The bar graph shows that the average equalized mill rate (taxes per $1000 of market property value) rose less than 12% over the decade for the five richest towns, from 9.4 to 10.5, while the five poorest towns saw their average EMR increase more than 42%, from 18.6 to 26.5.

Finally, on a happier note, one of the few "gains" for the bottom five towns was an increase of more than 62% in state aid per capita, from $880 to $1,427. This increase was financed, in part, by cuts in state aid to some other towns. For the five richest towns, the average state aid per capita fell about 19% over the decade, from $150 to $121.

In the Eye...

Many Connecticut residents will look back on the 1990s and behold an exciting period of innovation and economic growth. But not everyone. Poorer towns, and many of the people who live in those towns, may regard the decade as an economic poke in the eye. Whether the growing gaps between wealthy and poor communities reflect public policy changes or the tide of economic events, they raise questions of both fairness and efficiency. And even if one rejects arguments of fairness or the notion that state and local governments should actively try to redistribute income and consumption, too much inequality could take some of the wind out of our economic sails and ultimately sap Connecticut's quality of life.

For Richer, For Poorer: A Decade of Uneven Change

Source: *The Connecticut Economy* based on data from. the Connecticut Policy and Economic Council (CPEC) and the U.S. Census Bureau.

The More Things Change, The More—Or Is It Less—They Stay The Same?

By Raymond R. Beauregard

1993 the Connecticut economy was struggling to emerge from a severe recession. Ten years later, the state is again mired in an economic downturn—but some things are different this time.

An economist, name of Rip, awoke from a ten-year nap in early 2003. His first thought was to check out the current state of the Connecticut economy and how it had changed over the past decade. He recalled that, in 1993, the Connecticut economy was still suffering from the longest slowdown since the Great Depression. Nonfarm jobs were down 159,000 from February 1989—the biggest job loss in the state since the reconversion following WWII. But, at 6.6%, the unemployment rate in February 1993 was a vast improvement over the previous two years. And, while layoff announcements continued to cast a long shadow over the outlook, there were signs that the "Great Recession" had eased and the economy was recovering. For example, the General Drift Indicator (GDI), a broad measure of economic change in the state, was inching its way toward growth.

Having gotten his bearings, Rip soon realized that he had to update his 1990 desk computer. *Make that*: donate the big old clunker to the Smithsonian and buy a new one—much faster, with capacity rated in gigabytes, not mere megabytes, and all for less than half the price of his old machine. Then, with a quick refresher course in the latest software, Rip was back in business crunching numbers about the Connecticut economy.

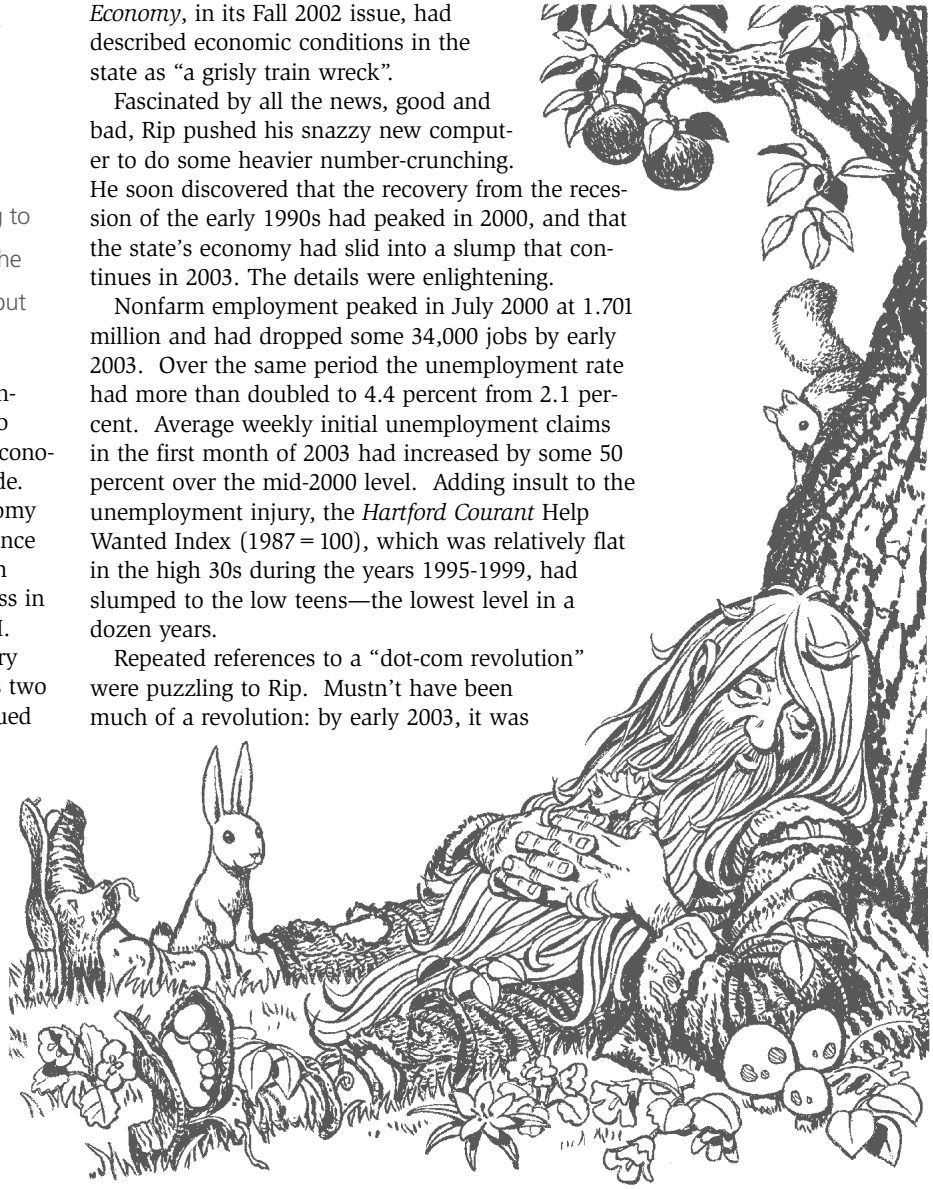
His first discovery, using point-to-point comparisons, January 1993 to January 2003, contained a lot of good news. Total employment was up by 129,000 jobs over the decade, with about a third of the gain occurring in business services. Data on building permits and construction jobs pointed to a boom in construction, and the unemployment rate had dropped by 1.8 points—a full one-third—from its 1993 level of 6.6%. On a personal note, Rip was elated to find that his investment in an S&P 500 index fund had doubled over the decade, despite all the moaning he had heard about a stock market slump.

Alas, Rip also discovered that manufacturing employment, continuing its long-term decline in the state, had lost 63,000 jobs, about 20% of the 1993 base, over the ten years. Average weekly initial unemployment claims of 6,000, some 30% higher than in 1993, took some of the shine off the good news on the unemployment rate. And Rip quickly became aware of widespread concern over the current health of the Connecticut economy. Many analysts were speculating about when a "recovery" would begin or whether a "double-dip" would set in. In fact, Rip's favorite publication, *The Connecticut Economy*, in its Fall 2002 issue, had described economic conditions in the state as "a grisly train wreck".

Fascinated by all the news, good and bad, Rip pushed his snazzy new computer to do some heavier number-crunching. He soon discovered that the recovery from the recession of the early 1990s had peaked in 2000, and that the state's economy had slid into a slump that continues in 2003. The details were enlightening.

Nonfarm employment peaked in July 2000 at 1.701 million and had dropped some 34,000 jobs by early 2003. Over the same period the unemployment rate had more than doubled to 4.4 percent from 2.1 percent. Average weekly initial unemployment claims in the first month of 2003 had increased by some 50 percent over the mid-2000 level. Adding insult to the unemployment injury, the *Hartford Courant* Help Wanted Index (1987 = 100), which was relatively flat in the high 30s during the years 1995-1999, had slumped to the low teens—the lowest level in a dozen years.

Repeated references to a "dot-com revolution" were puzzling to Rip. Mustn't have been much of a revolution: by early 2003, it was scarcely mentioned. On a personal level, Rip discovered that the S&P 500 index had peaked at more than 1400 in the late nineties, almost four times its 1993 level, before sliding to its current range in the low 800s. That last fact let much of the air out of his elation over the doubling of his index fund during his long siesta. He wasn't sure he would ever sleep peacefully again.

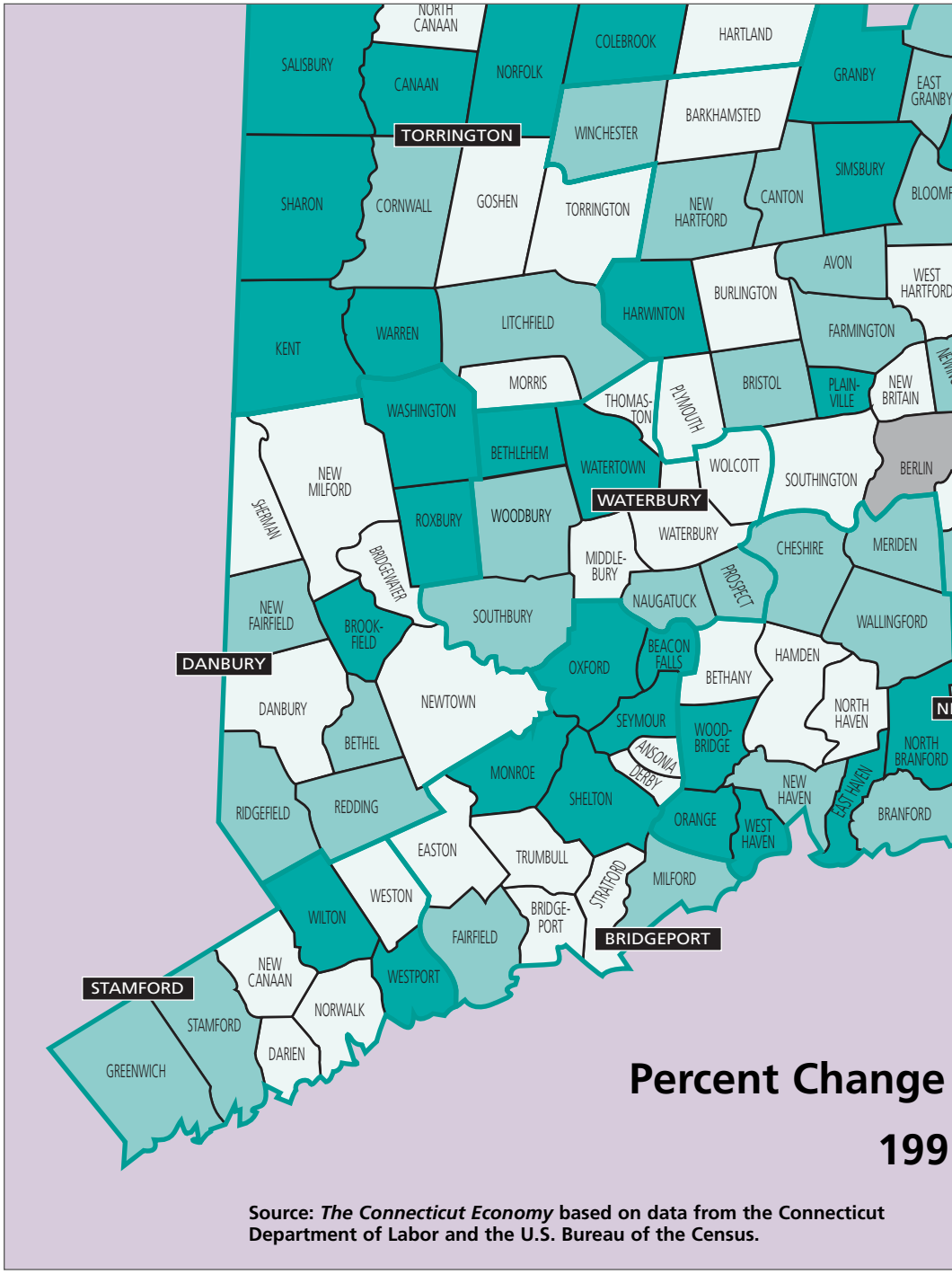


Rip had missed an entire business cycle. The good times had been fueled by major technological innovations, the mysterious dot-com revolution—and, yes, by some creative accounting whose funny numbers turned out not to be very humorous to many people. Rip was reminded of the banking excesses of the early 1990s. Indeed, the excesses of the good times were what mainly triggered the bad times.

Several times, too, Rip experienced a sense of *déjà vu*. Both 1993 and 2003 saw big declines in jobs from previous peaks due in part to downsizing and cost cutting. In both years, while the leading indicators of the GDI pointed to a recovery, employers continued to ax workers. And the price level was proving at least as stable in 2003 as in 1993.

See "The Economy After a Snooze" on page 13

	Jobs Per Capita, 1991	Jobs Per Capita, 2001	Percent Change
Bridgeport LMA			
Ansonia	0.27	0.23	-15.1%
Beacon Falls	0.14	0.18	25.6
Bridgeport	0.40	0.35	-14.1
Derby	0.46	0.39	-14.9
Easton	0.12	0.10	-15.6
Fairfield	0.37	0.40	9.1
Milford	0.55	0.57	3.2
Monroe	0.22	0.33	49.1
Oxford	0.15	0.20	34.0
Seymour	0.25	0.29	13.4
Shelton	0.43	0.57	34.4
Stratford	0.61	0.52	-15.1
Trumbull	0.41	0.41	-2.1
Danbury LMA			
Bethel	0.34	0.34	0.6%
Bridgewater	0.13	0.09	-26.6
Brookfield	0.42	0.48	15.0
Danbury	0.66	0.59	-11.8
New Fairfield	0.10	0.11	10.9
New Milford	0.38	0.33	-14.5
Newtown	0.34	0.30	-13.7
Redding	0.12	0.12	3.9
Ridgefield	0.34	0.37	6.4
Roxbury	0.11	0.13	15.3
Sherman	0.11	0.09	-17.4
Washington	0.35	0.42	21.5
Danielson LMA			
Brooklyn	0.17	0.20	12.4%
Eastford	0.25	0.26	3.4
Hampton	0.10	0.25	146.8
Killingly	0.46	0.49	7.0
Pomfret	0.42	0.42	1.3
Putnam	0.52	0.64	23.3
Scotland	0.07	0.10	56.2
Sterling	0.17	0.12	-29.8
Thompson	0.16	0.17	3.8
Union	0.21	0.14	-32.1
Voluntown	0.09	0.13	48.6
Woodstock	0.21	0.22	6.3
Hartford LMA			
Andover	0.09	0.11	11.6%
Ashford	0.10	0.12	13.1
Avon	0.56	0.56	0.5
Barkhamsted	0.19	0.17	-11.2
Berlin	0.57	N/A	N/A
Bloomfield	0.92	0.94	1.5
Bolton	0.20	0.20	-1.9
Bristol	0.34	0.35	1.8
Burlington	0.14	0.13	-9.1
Canton	0.29	0.30	2.1
Chaplin	0.11	0.13	18.7
Colchester	0.26	0.22	-15.9
Columbia	0.15	0.19	22.7
Coventry	0.10	0.11	10.0
Cromwell	0.36	0.48	33.8
Durham	0.23	0.24	7.0
East Granby	0.79	0.80	2.2
East Haddam	0.22	0.21	-6.4
East Hampton	0.16	0.11	-30.1
East Hartford	0.77	0.62	-20.3%
East Windsor	0.51	0.72	40.8
Ellington	0.18	0.19	6.1
Enfield	0.41	0.40	-2.1
Farmington	1.19	1.27	7.2
Glastonbury	0.43	0.46	9.3
Granby	0.13	0.17	23.9
Haddam	0.23	0.20	-14.0
Hartford	0.99	1.01	1.1
Harwinton	0.07	0.11	48.4
Hebron	0.18	0.19	5.9
Lebanon	0.09	0.11	17.7
Manchester	0.48	0.56	15.8
Mansfield	0.42	0.47	11.9
Marlborough	0.19	0.22	14.5
Middlefield	0.35	0.36	3.0
Middletown	0.72	0.68	-6.1%
New Britain	0.36	0.35	-4.6
New Hartford	0.22	0.23	5.9
Newington	0.55	0.56	3.1
Plainville	0.44	0.54	23.2
Plymouth	0.22	0.20	-8.7
Portland	0.36	0.37	2.4
Rocky Hill	0.64	0.73	14.8
Simsbury	0.41	0.50	21.6
Somers	0.19	0.20	6.4
South Windsor	0.46	0.47	0.6
Southington	0.41	0.39	-4.0
Stafford	0.31	0.34	10.3
Suffield	0.27	0.29	7.2
Tolland	0.23	0.23	0.0
Vernon	0.32	0.33	3.9

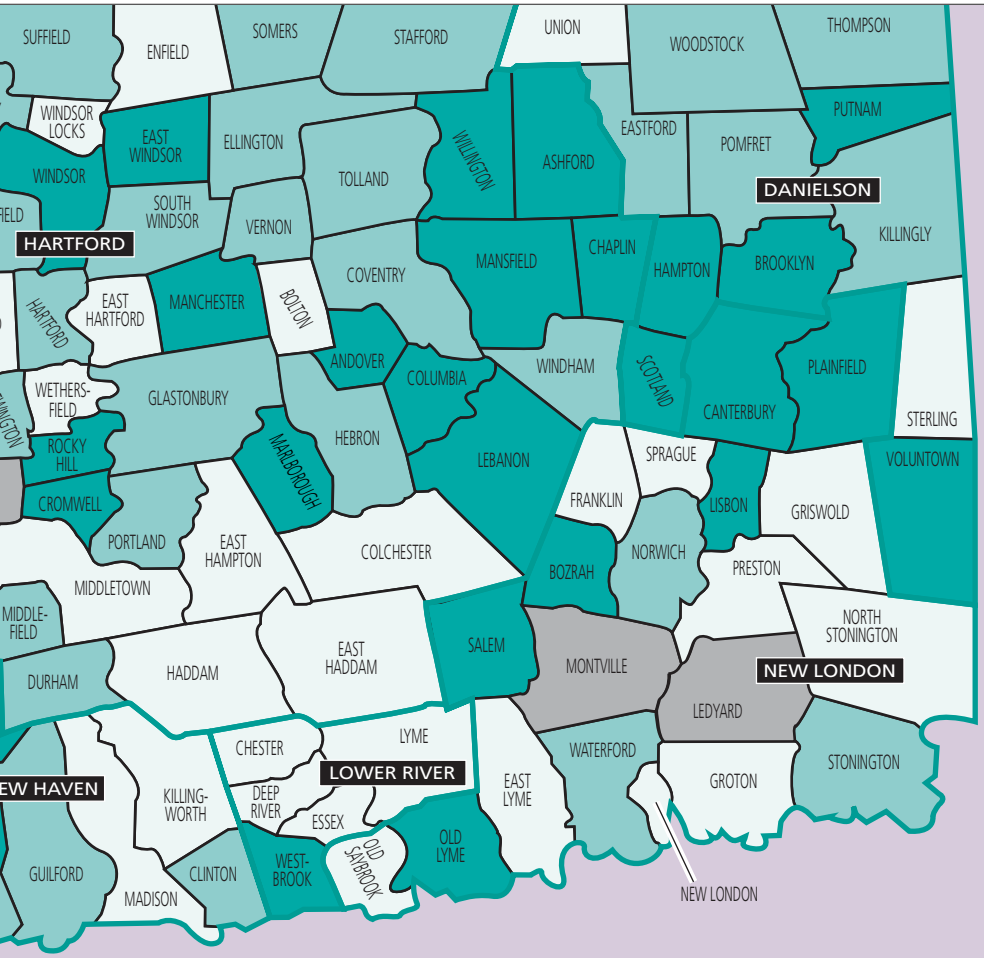


Percent Change

199

Source: *The Connecticut Economy* based on data from the Connecticut Department of Labor and the U.S. Bureau of the Census.

	Jobs Per Capita, 1991	Jobs Per Capita, 2001	Percent Change
West Hartford	0.45	0.42	-8.1%
Wethersfield	0.45	0.40	-10.3
Willington	0.10	0.13	28.3
Winchester	0.37	0.37	0.7
Windham	0.43	0.46	7.2
Windsor	0.66	0.66	0.5
Windsor Locks	1.54	1.21	-21.5
Lower River LMA			
Chester	0.49	0.49	-0.1%
Deep River	0.28	0.28	-1.4
Essex	0.59	0.58	-1.2
Lyme	0.08	0.07	-9.8
Westbrook	0.44	0.50	11.9
New Haven LMA			
Bethany	0.23	0.21	-8.6%
Branford	0.44	0.48	8.3
Cheshire	0.46	0.50	9.7
Clinton	0.31	0.32	2.4
East Haven	0.21	0.24	14.6
Guilford	0.27	0.29	8.5
Hamden	0.38	0.35	-9.0
Killingworth	0.11	0.10	-8.4
Madison	0.30	0.28	-6.9
Meriden	0.42	0.45	8.3
New Haven	0.61	0.63	2.6
North Branford	0.17	0.36	106.7
North Haven	1.01	0.94	-7.6
Orange	0.58	0.72	23.7
Wallingford	0.56	0.59	5.4
West Haven	0.29	0.33	16.2%
Woodbridge	0.31	0.35	14.8
New London LMA			
Bozrah	0.21	0.41	94.9%
Canterbury	0.08	0.10	24.3
East Lyme	0.30	0.27	-10.2
Franklin	0.46	0.35	-23.7
Griswold	0.16	0.15	-5.1
Groton	0.73	0.68	-6.5
Ledyard	0.14	N/A	N/A
Lisbon	0.12	0.18	53.2
Montville	0.20	N/A	N/A
New London	0.64	0.59	-7.4
North Stonington	0.29	0.29	-0.1
Norwich	0.46	0.50	10.4
Old Lyme	0.27	0.31	13.9
Old Saybrook	0.76	0.62	-17.8
Plainfield	0.28	0.32	13.0
Preston	0.33	0.18	-45.6
Salem	0.13	0.22	65.7
Sprague	0.32	0.28	-12.5
Stonington	0.38	0.41	6.3
Waterford	0.55	0.58	3.9
Stamford LMA			
Darien	0.44	0.40	-9.3%
Greenwich	0.56	0.60	6.3
New Canaan	0.32	0.30	-7.3
Norwalk	0.57	0.54	-4.9
Stamford	0.68	0.70	3.6
Weston	0.15	0.15	-1.8
Westport	0.56	0.70	24.0
Wilton	0.48	0.58	21.2
Torrington LMA			
Canaan	0.79	1.09	39.0%
Colebrook	0.07	0.08	23.7
Cornwall	0.27	0.29	6.4
Goshen	0.19	0.15	-21.3
Hartland	0.08	0.06	-13.9
Kent	0.37	0.48	30.5
Litchfield	0.41	0.45	9.1
Morris	0.36	0.13	-62.4
Norfolk	0.19	0.25	30.3
North Canaan	0.56	0.46	-17.9
Salisbury	0.42	0.57	35.5
Sharon	0.30	0.35	15.5
Torrington	0.48	0.46	-3.5
Warren	0.07	0.13	95.5
Waterbury LMA			
Bethlehem	0.11	0.16	45.2%
Middlebury	0.61	0.54	-12.2
Naugatuck	0.24	0.27	11.1
Prospect	0.25	0.27	8.9
Southbury	0.49	0.53	8.1
Thomaston	0.56	0.44	-21.7
Waterbury	0.45	0.40	-11.1
Watertown	0.39	0.47	19.2
Wolcott	0.20	0.18	-6.3
Woodbury	0.26	0.26	0.1
Connecticut	**0.47**	**0.49**	**4.4%**



in Jobs Per Capita, 1-2001

Jobs per capita, the number of nonfarm jobs located in a town divided by the town's resident population, is a measure of employment concentration.

- 11.6% and above
- 0.0% to 11.5%
- -0.1% and below
- Data not available

We Didn't Know How Bad We Had It Back Then

By William A. McEachern

Emerson said, "The years teach us much that the days never know." As *The Connecticut Economy* begins its second decade, we might ask what we learned about the economy during that first decade. What were the most important economic developments in Connecticut? First, a roundup of the usual suspects, and then I will focus on some other developments that could have lasting impacts on Connecticut's standard of living and way of life.

◆ Connecticut's Great Recession of the early 1990s slashed jobs in the state by 9.2%.

◆ State budget gaps bracketed the decade, creating fiscal turmoil both times.

◆ The new State income tax bridged the first budget gap, then became the state's primary revenue engine. But the new tax also fueled revenue instability, as state government became more dependent on the fortunes of the more fortunate.

◆ Two new casinos generated thousands of jobs and hundreds of millions in state revenue.

◆ Connecticut regained the jobs lost during the Great Recession, but the job mix continued to shift away from manufacturing. Still, manufacturing's share of output has held its own due to growing labor productivity in the sector.

◆ The stock market bubble popped, costing state stockholders billions.

Other developments are less straightforward but potentially more significant for the longer term.

Welfare Reform

Nationally and in the state, welfare rolls swelled during the 1980s and first half of the 1990s. The total number of recipients climbed in Connecticut to 170,719 in 1995, accounting for 5.1% of the state's population. Nationally, welfare rolls topped out at 5.5% of the population. Critics of the system felt that welfare had become a way of life rather than a temporary bridge over a rough patch.

Reformers here and in the nation sought to encourage work and reduce welfare dependency. Measures introduced in 1996 imposed time limits on welfare benefits along with work requirements. To encourage work, Connecticut allowed welfare recipients who found jobs to keep all their earnings up to the federal poverty level with no reductions in benefits. Measures were also introduced to promote marriage and discourage unmarried teenagers from having babies. For example, minors who gave birth had to live with a parent or in some other adult-supervised living arrangement.

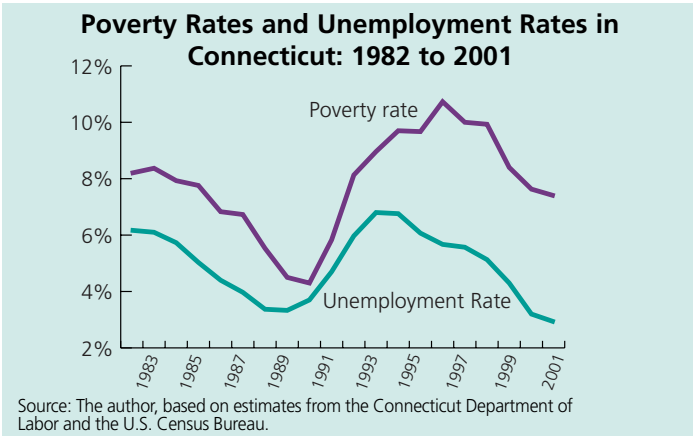
The decline in the welfare rolls has been dramatic. The number of welfare recipients in Connecticut fell to 63,589 by 2000, a 63% drop from the 1995 total. As a share of the state's population, welfare recipients plunged from 5.1% in 1995 to 1.9% in 2000. Put another way, about 1 of 20 state residents were on welfare in 1995, but only about 1 in 50 were on welfare in 2000.

Nationally, the number of welfare recipients fell 60% between 1995 and 2000, and they dropped to 2.1% of the U.S. population. Fortunately, the reforms were introduced during an expanding economy with low unemployment. But welfare rolls declined both in good economies, such as Wisconsin, and in lagging economies, such as New York City.

Poverty Rates

Did welfare reform simply move people off welfare into poverty? What happened to the state's poverty rates during the reform years? Certainly other development besides welfare reform were unfolding, including an economic recovery. To add some perspective, the line graph below shows Connecticut's poverty rate and unemployment rate over the last two decades. As you can see, the poverty rate fell during the 1980s along with the state's unemployment rate. Both bottomed out and began to climb around the turn of the decade.

The unemployment rate peaked in 1993, but the poverty rate continued to rise until 1996, when it reached 10.7%. So poverty in Connecticut peaked the year that welfare reform was introduced, then trended downward during the reform years. The 7.4% figure in 2001 was among the lowest rates in the country. Nationally poverty fell from a high of 15.1% in 1993 to 11.7% in 2001.



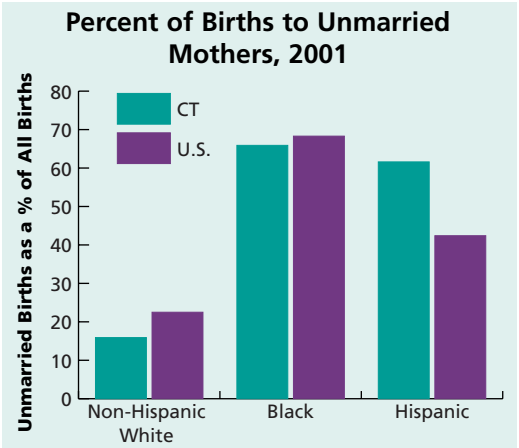
Source: The author, based on estimates from the Connecticut Department of Labor and the U.S. Census Bureau.

Unmarried Mothers

In 1992, births to unmarried mothers accounted for 29% of all Connecticut births. The national average that year was 30%. Connecticut ranked 23rd highest. Both figures had been increasing for decades. No question, there have been many success stories among families headed by unmarried mothers. But the odds are stacked against children born to unmarried mothers, especially those in their teens. Did welfare reform discourage unmarried motherhood?

In 2001, births to unmarried Connecticut mothers remained at 29%, the same as in 1992. In contrast, the national average rose to 33%, up from 30% in 1992. Connecticut ranked 35th from the top in 2001. So in our state, the share of births to unmarried mothers held steady during the last decade, after rising during preceding decades.

Because there are substantial differences in childbearing patterns based on the race and ethnicity of the mother, the government reports birth rates separately for different groups. Births to unmarried women in Connecticut accounted for



Source: The author, based on data from the *National Vital Statistics Reports*, Vol. 51 No.2, December 16 2002, Table 19.

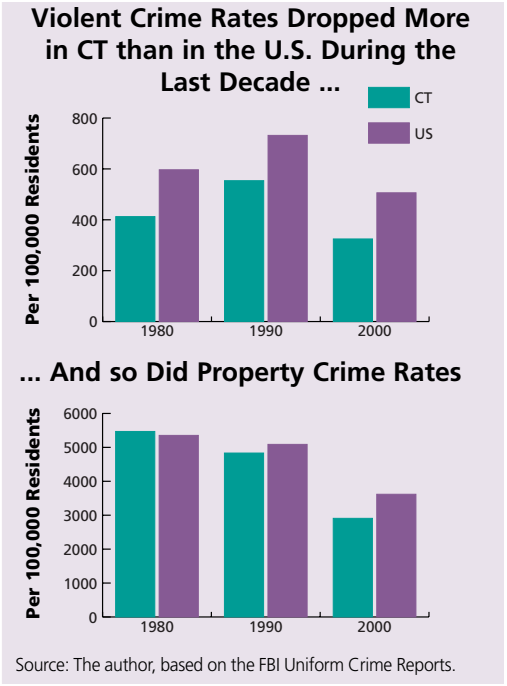
16% of all births to non-Hispanic whites in 2001, 66% of births to blacks, and 62% of births to Hispanics. Nationally, comparable figures were 22% for non-Hispanic whites, 68% for blacks, and 42% for Hispanics (bar chart on facing page). The share of births to unmarried mothers in 2001 ranked Connecticut 48th nationally among non-Hispanic whites, 26th among blacks, but first among Hispanics. Some of these differences are no doubt linked more to income than to race or Hispanic ethnicity, but the government doesn't report figures based on income.

Risks are greatest to children born to unmarried teens. Nationally, four of five teen mothers are unmarried. In 2001, Connecticut's teen birth rate was 36% below the national average and 27% below where it had been a decade earlier. Nationally, the teen birth rate declined 26%. Connecticut ranked 45th in the nation in 2001, the same as in 1991.

No indicator of a community's economic turmoil may be more reliable than the share of births accounted for by teen mothers. The five Connecticut towns with the highest share of births to teens in 1999 were Hartford, New Britain, Bridgeport, New Haven, and Waterbury. Four of these five towns also experienced the greatest drop in median property values between 1990 and 2000 (Bridgeport, the exception, ranked sixth in its property decline). Teen births and births to unmarried mothers of all ages continue to impose severe stress on some Connecticut towns.

Crime Rates

Though not necessarily related to welfare reform, another promising development during the last decade has been the drop in the Connecticut crime rate. Between 1990 and 2000, the violent crime rate (murder, rape, robbery, and aggravated assault) fell 41% in Connecticut, compared with a national drop of 31% (see the top bar chart at right). Connecticut's violent crime rate in 2000 was 36% below the national average. The drop from 1990 to 2000 reversed a jump during the 1980s both in Connecticut and in the nation.



Source: The author, based on the FBI Uniform Crime Reports.

Connecticut's property crime rate (burglary, larceny, and motor vehicle theft) fell 40% between 1990 and 2000, compared with a national drop of 29% (see the bottom bar chart). The state's property crime rate in 2000 was 20% below the national average. The decline during the last decade accelerated a drop that began in the 1980s.

The reduction in crime has been a remarkable development, one that benefits us all directly or indirectly. Your chances of being robbed, having your home burgled, or having your car stolen were only half as great in 2000 as they were a decade earlier. In the average Connecticut town, there was nearly one fewer violent crime committed each week in 2000 than in 1990. And there was nearly one fewer property crime committed each day. That's progress.

William A. McEachern is Editor Emeritus of ***The Connecticut Economy*** *and author of* ***Economics: A Contemporary Introduction****, now in its sixth edition.*

The Economy After a Snooze

Continued from page 9

Yet 1993 differed in fundamental respects from 2003. Then, the country was at peace, and defense spending was being cut, as the significance of the end of the Cold War in 1989-1990 began to sink in. The spike in oil prices from the relatively small conflict in the Persian Gulf had receded. And the long economic boom that Rip had slumbered through was about to kick in, spurred in no small part by stable expectations.

In stark contrast, *now* Rip found economic conditions of the most unpredictable variety. The country was again at war in the Persian Gulf—this time with far fewer partners than in 1991—and (as surely as night follows day) oil prices had spiked again. Even a short war would not remove the longer-term threat of further war driven by terrorism. The resulting uncertainty, ever the enemy of investment, was very high. Even consumer confidence, which had held up well into the slump, had fallen to a ten-year low. Conditions did not look much like the precursors of a sustained economic boom.

Rip was disheartened. He saw the national economy perhaps caught in an internal contradiction of soaring defense spending and ever-larger tax cuts. Could near-deflationary price stability survive in the face of mounting Federal deficits and (in the worst case) high energy prices? When would the uncertainty abate and investment spending resume with anything like the vigor of the 1990s?

How could the Connecticut economy escape the fallout from such national developments? State budget deficits will be with us for a while, as tax revenues continue to fall short of expectations, or even hopes, despite tax increases and spending cuts. In the past, Connecticut benefited from increases in defense spending. Will the benefits to the state's economy from higher spending to restock the nation's arsenal be less this time because of the long-term decline in the manufacturing sector? Employment in this sector is down by more than 140,000 from the level 15 years ago, and the trend continues. Manufacturing jobs sank by 3,400 in 2002-Q4 alone.

Not Nap Time

Rip felt like a nap. During his last one, he missed a decade that saw some really good (if probably too exciting) times. The coming decade promised to be more turbulent (but just as exciting). Clearly the state's economy was being hammered. That the nation's deepening economic problems did not appear to be on the front burner of policy makers troubled him deeply. What was that slogan from the Presidential campaign right before Rip went to sleep? "It's the economy, stupid."

Perhaps, then, it would be more…well, prudent not to take another nap. Yes, he'd stay awake, stick more money in his index fund, and send out his resume, stressing how he had spent the last decade remaining calm in the face of rapid change.

Ray Beauregard is Editor Emeritus of ***The Connecticut Economy*** *and was Corporate Economist for Northeast Utilities until his retirement in 1990.*

A New Look at the Labor Markets

By Steven P. Lanza

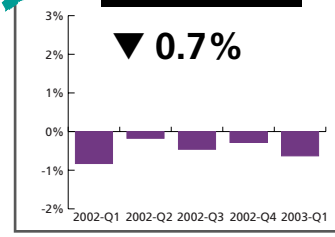
Data for the labor markets has gotten a makeover with the conversion from SIC (Standard Industrial Classification) to NAICS (North American Industry Classification System). The new system should eventually give Connecticut analysts a more detailed look at developments in a growing services economy, but for now at least, the switch is causing its fair share of headaches. Revisions to several data series under NAICS only extend back two years, so our keener vision of the future carries the price tag of a hazier view of the past. Worse still, data for some regions aren't available at all. The sample size for Stamford is too small to generate reliable estimates of weekly hours and hourly earnings in manufacturing. So the Stamford index excludes these two series. And with personnel cuts at the State's Department of Labor, data development for Connecticut's three smallest labor market areas—Danielson, Lower River and Torrington—has been suspended. Thus, of necessity, our tour of the labor markets in this and coming quarters will be somewhat briefer. We will, however, continue to look for ways to make these pages a useful resource for our readers.

The statewide LMI continued to zig-zag through negative territory in 2003-Q1, slipping 0.6%. Labor force growth only added to the number unemployed, while the manufacturing sector logged fewer weekly hours and lower real wages. Employers trimmed payrolls by 14,600 positions, as job gains in leisure, education-and-health and trade-transportation-and-utilites (TTU) failed to offset losses in other sectors, particularly manufacturing. Look for job cuts to continue in 2003-Q2, before slowing or ending in 2003-Q4.

The LMI measures the four-quarter change in a composite index of labor activity for every labor market region for which data are available. The index includes five variables: the labor force, jobs, the number unemployed, weekly manufacturing hours, and real hourly earnings in manufacturing. (Stamford's index excludes the last two variables). The bar graphs show the recent percentage changes in the LMI.

Statewide

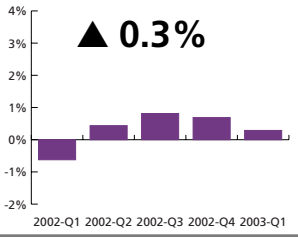
▼ 0.7%



Bridgeport

- Q1's 200-job cut may deepen to 1,000 by mid-year before returning to current levels in Q4.
- Manufacturing, finance, and business services sustained the heaviest losses.
- Labor force growth roughly counterbalanced the rising number unemployed.
- Despite a shorter workweek, higher wages added up to an increase in real weekly earnings.

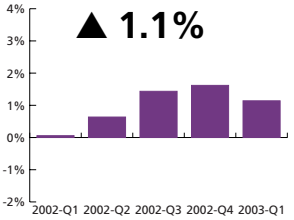
▲ 0.3%



Danbury

- Jobs, up 1,900 in Q1, will keep growing, but this quarter will be a tough act to follow.
- Only business services posted a loss in this, the state's strongest region for jobs.
- The jump in the labor force compensated for the rise in the jobless total.
- Shrinking hours and real wages yielded a 2.0% decrease in real weekly earnings.

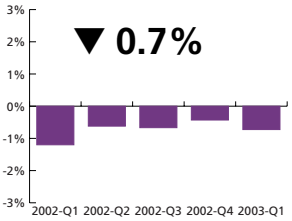
▲ 1.1%



Hartford

- Jobs declined by 5,000, a figure likely to show little improvement this year.
- Manufacturing suffered the biggest losses; health and education enjoyed the biggest gains.
- The labor force grew 4.1%, but the number unemployed climbed 51.7%.
- Longer manufacturing hours and higher wages produced a 3.5% jump in real weekly earnings.

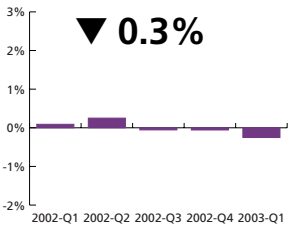
▼ 0.7%



New Haven

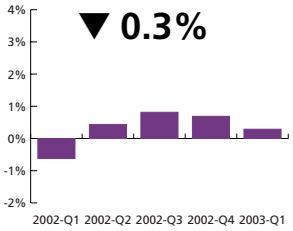
- Job growth of 1,400 in Q1 could slip in Q2 before picking up speed in the second half.
- Education-and-health, finance, business services, and leisure all gained jobs.
- A 4.3% jump in the labor force couldn't offset mushrooming unemployment..
- Falling real wages and a shorter workweek meant an 8.7% decline in real weekly pay.

▼ 0.3%



New London

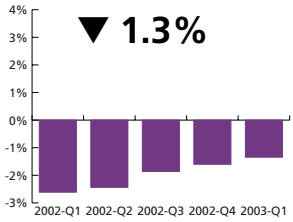
- Up by 800, jobs should keep growing this year, perhaps at double this quarter's rate.
- TTU, education-and-health, and leisure led the sectors in job creation.
- The effects of labor force and unemployment growth cancelled each other out.
- So combined, the drop in hours and real earnings worked to pull the index down 0.3%.



Stamford

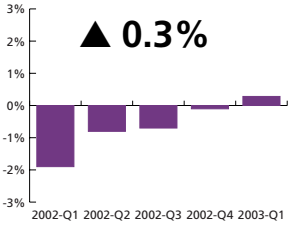
Note: Stamford's index excludes weekly hours and hourly earnings and is not directly comparable with indices for other LMAs.

- Job losses of 3,600 in Q1 should slow in Q2 and Q3 before ending in Q4.
- Payroll cuts in TTU and business services were triple those in manufacturing.
- Financial services, other services, and government all added jobs in the quarter.
- Even as the labor force shrank by 600, the number unemployed swelled by 1,000.



Waterbury

- Payrolls, up by 300 in Q1, could grow two to three times that fast in Q2, Q3 and Q4.
- Gains in TTU, education-and-health, and leisure balanced losses in manufacturing.
- Rising hours offset falling real wages to lift real weekly earnings 1.4%.
- Simultaneous growth in the labor force and the unemployed were a wash in the index.



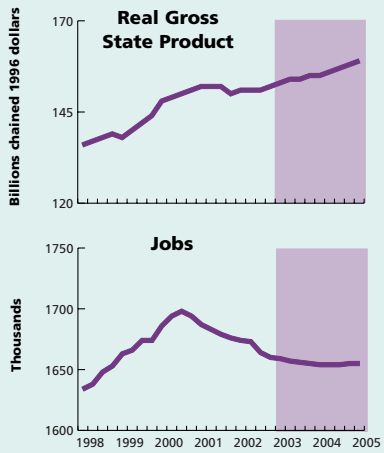
CONNECTICUT CENTER FOR ECONOMIC ANALYSIS

Forecast: Fewer Housing Permits and Weaker Employment

By Peter Gunther

Connecticut's seasonally adjusted employment has declined for each of the last ten quarters. But, as shown in the lower chart, the slide is expected to flatten out by this time next year. From its peak of 1,698,000 in 2000-Q3, jobs fell to 1,659,000 in 2003-Q1. They are likely to bottom out at 1,654,000 in 2004-Q1 and stay close to that level until at least 2005-Q1.

Job losses undermine personal income growth and adversely affect growth in consumer spending and Gross State Product (GSP). So seasonally adjusted GSP will likely grow only by a sluggish 1.3% this year and 1.9% next year. Our forecast of GSP in 2004-Q4 is $1.1 billion lower now than in our previous forecast. As the upper chart shows, we expect GSP to reach $152.9 billion in 2003-Q1 and $158.5 billion in 2005-Q1.

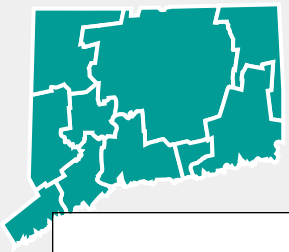


In the shaded area, the line shows the predicted values for Real Gross State Product and jobs.

Compared with the previous forecast, this one is predicated on marginally slower real domestic product (RGDP) growth and considerably lower expectations for Connecticut housing permits. During 2003-Q1, RGDP performed within a billion dollars of expectations, but by 2004-Q4 it will fall $9.9 billion short of the level previously anticipated. Seasonally adjusted housing permits, at 1,921 in 2003-Q1, were more than 400 shy of the expected total. For the remaining quarters of this year, housing permits will likely stay about 400 lower than expected, though the gap should close to less than 300 by 2004-Q4.

Connecticut's decline in housing permits is concentrated in the southern counties. Compared with the same month last year, permits were off by 36.2% in New Haven and 35.0% in Fairfield. In contrast, permits were down by "only" 23.0% in Litchfield and 14.1% in New London. Housing demand in 2003-Q1 was likely undermined by declining equity markets, uncertainties about the war with Iraq, and the status of the state budget.

Recent declines in the U.S. dollar, the SARS scare, and reticence about trading with "the unwilling" may well encourage Americans to stay home, reduce imports and boost exports. The speed of the Iraq campaign, the consequent lowering of energy prices, subdued inflationary expectations and the recent up-tick in equities may leave room for monetary and fiscal stimulus heading into the presidential election. These factors could accelerate RGDP growth and reverse the expected downturn in housing permits, culminating in better-than-anticipated economic performance.



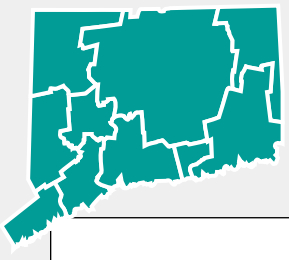
Labor Market Data

Labor Market Area	Labor Force		Nonfarm Jobs		Unemployment Rate (%)	
	2003-Q1 (000)	% Change Year Ago	2003-Q1 (000)	% Change Year Ago	2003-Q1	2002-Q1
Bridgeport	224.2	1.3	183.6	-0.1	6.5	5.6
Danbury	114.8	2.9	89.7	2.2	3.7	3.6
Danielson	36.7	3.1	N/A	N/A	6.0	5.1
Hartford	602.7	0.9	600.0	-0.8	5.9	4.6
Lower River	12.9	2.1	N/A	N/A	4.1	3.2
New Haven-Meriden	286.0	1.7	258.2	0.6	5.0	4.1
New London-Norwich	162.2	0.7	143.7	0.6	4.9	3.6
Stamford	188.3	-1.1	194.1	-1.8	3.5	3.5
Torrington	36.8	-3.6	N/A	N/A	5.6	4.6
Waterbury	117.5	1.8	83.2	0.4	7.4	6.4
Statewide	1,766	1.1	1,636.9	-0.9	5.4	4.5

Labor Market Area	Housing Permits		Housing Prices		Manufacturing Jobs	
	2003-Q1	% Change Year Ago	2003-Q1 (000)	% Change Year Ago	2003-Q1 (000)	% Change Year Ago
Bridgeport	142	-31.1	$ 331.1	12.3	29.0	-6.2
Danbury	112	-48.6	375.2	6.4	14.4	0.9
Danielson	56	-6.7	N/A	N/A	N/A	N/A
Hartford	721	-6.2	192.5	10.2	75.4	-5.3
Lower River	24	0.0	N/A	N/A	N/A	N/A
New Haven-Meriden	154	-41.7	223.5	6.9	32.6	-1.5
New London-Norwich	138	-22.5	169.1	4.4	20.0	0.0
Stamford	217	93.8	780.7	18.7	11.9	-7.5
Torrington	48	-7.7	174.9	9.6	N/A	N/A
Waterbury	71	-37.2	173.0	7.8	12.8	-8.6
Statewide	1,683	-15.7	321.5	9.3	206.9	-4.1

Manufacturing Labor Market Area	Average Weekly Earnings		Average Weekly Hours		Average Hourly Earnings	
	2003-Q1	% Change Year Ago	2003-Q1	% Change Year Ago	2003-Q1	% Change Year Ago
Bridgeport	$737.15	7.9	40.8	-2.2	$18.08	10.3
Danbury	739.12	-1.8	40.9	-1.2	18.06	-0.6
Danielson	N/A	N/A	N/A	N/A	N/A	N/A
Hartford	778.36	6.2	42.6	3.2	18.27	2.9
Lower River	N/A	N/A	N/A	N/A	N/A	N/A
New Haven-Meriden	727.66	-5.4	41.9	-3.6	17.35	-1.9
New London-Norwich	726.40	0.5	41.4	-0.6	17.55	1.1
Stamford	N/A	N/A	N/A	N/A	N/A	N/A
Torrington	N/A	N/A	N/A	N/A	N/A	N/A
Waterbury	640.04	5.9	38.5	3.0	16.62	2.9
Statewide	722.94	2.3	41.4	-0.4	17.48	2.7

Sources: Quarterly figures prepared 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 totals 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.



Labor Market Data

Labor Market Area	Construction* Jobs		TTU** Jobs		Information Jobs	
	2003-Q1 (000)	% Change Year Ago	2003-Q1 (000)	% Change Year Ago	2003-Q1 (000)	% Change Year Ago
Bridgeport	6.3	-5.0	37.4	2.0	5.0	10.2
Danbury	4.0	4.3	18.4	3.2	3.1	0.0
Danielson	N/A	N/A	N/A	N/A	N/A	N/A
Hartford	20.1	-2.9	105.7	-0.2	11.0	-9.1
Lower River	N/A	N/A	N/A	N/A	N/A	N/A
New Haven-Meriden	9.5	0.0	46.2	0.3	9.9	1.0
New London-Norwich	4.1	-13.4	23.9	2.3	2.4	-4.0
Stamford	5.6	-1.2	33.5	-5.6	6.6	-8.3
Torrington	N/A	N/A	N/A	N/A	N/A	N/A
Waterbury	3.4	0.0	15.4	2.0	1.4	0.0
Statewide	56.0	-6.6	306.4	0.1	40.0	-4.8

* Includes Natural Resources & Mining
** Trade, Transportation & Utilities

Labor Market Area	Financial Activities Jobs		Professional* Jobs		Education & Health Jobs	
	2003-Q1 (000)	% Change Year Ago	2003-Q1 (000)	% Change Year Ago	2003-Q1 (000)	% Change Year Ago
Bridgeport	10.8	-7.7	19.4	-5.8	32.4	4.0
Danbury	4.3	2.4	9.8	-6.1	12.9	4.3
Danielson	N/A	N/A	N/A	N/A	N/A	N/A
Hartford	71.9	-1.2	59.4	-3.5	89.5	2.2
Lower River	N/A	N/A	N/A	N/A	N/A	N/A
New Haven-Meriden	14.0	2.9	27.4	1.9	58.8	2.0
New London-Norwich	3.6	-1.8	11.0	1.2	18.9	2.9
Stamford	27.8	2.3	43.4	-2.6	22.0	-0.3
Torrington	N/A	N/A	N/A	N/A	N/A	N/A
Waterbury	3.8	1.8	7.9	-0.8	15.3	2.2
Statewide	140.9	-1.0	195.3	-1.7	262.4	1.9

* Includes Business Services

Labor Market Area	Leisure & Hospitality Jobs		Other Service Jobs		Government Jobs**	
	2003-Q1 (000)	% Change Year Ago	2003-Q1 (000)	% Change Year Ago	2003-Q1 (000)	% Change Year Ago
Bridgeport	12.6	1.9	6.9	1.5	23.8	6.3
Danbury	6.7	6.3	3.8	2.7	12.3	4.8
Danielson	N/A	N/A	N/A	N/A	N/A	N/A
Hartford	38.0	0.5	25.5	5.8	103.6	0.6
Lower River	N/A	N/A	N/A	N/A	N/A	N/A
New Haven-Meriden	15.9	3.0	10.0	0.7	33.9	-2.6
New London-Norwich	13.5	2.5	4.3	1.6	42.1	0.0
Stamford	14.3	-0.9	9.0	1.1	19.9	3.6
Torrington	N/A	N/A	N/A	N/A	N/A	N/A
Waterbury	6.4	9.7	3.4	6.2	13.4	1.0
Statewide	116.3	2.3	62.6	0.8	250.2	-1.2

** Includes Casinos

"It's *Déjà Vu* All Over Again..."

– Yogi Berra

By James R. Moor, Jr.

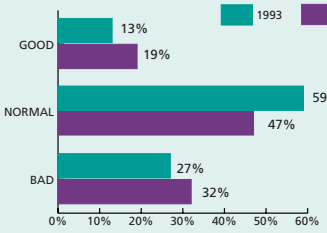
It's uncanny how the major issues and events of ten years ago parallel those of today. In 1993, the Connecticut economy was losing jobs and barely keeping its head above water after a debilitating recession. The State budget was hemorrhaging red ink, taxes had been raised, and State employees had agreed to major concessions. Sound familiar?

Then, as now, the economic downturn was driven by a financial collapse—widespread bank failures then, a stock market swoon this time. There had been a war with Iraq, led by a President named George Bush. And in mid-1993, the confidence of the state's citizens, as measured by *The Connecticut Economy*'s then-brand-new Consumer Confidence Index, was 54.2—still a record low. April 2003's reading of 82.3 hasn't budged much from January's 70.1, which was the lowest for the current business cycle.

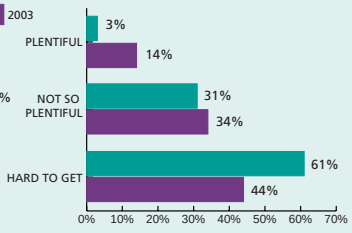
The Connecticut Economy's tenth anniversary celebration is an appropriate time to compare how state residents were thinking a decade ago versus today, on a range of questions. The results of April's *Webster-UConn Survey* and those of the latest UConn Poll, both conducted by the Center for Survey Research and Analysis, allow us to do just that. The bottom line: none of today's results differ significantly from those of a decade ago. They don't call us the Land of Steady Habits for nothing!

The Health of the State's Economy

Current Business Conditions



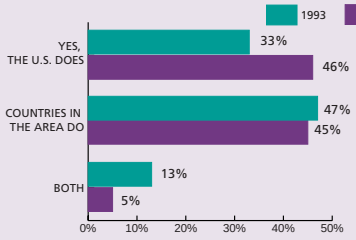
Current Availability of Jobs



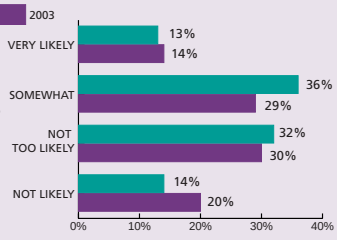
In both cases, respondents clearly thought that times were "bad" as opposed to "good". But they saw job availability as markedly worse ten years ago, during Connecticut's Great Recession.

The Situation in Iraq

The U.S. Has a Special Responsibility for a Lasting Middle East Peace



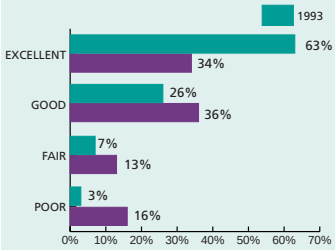
How Likely Is It That Iraq Will Again Become a Threat to its Neighbors?



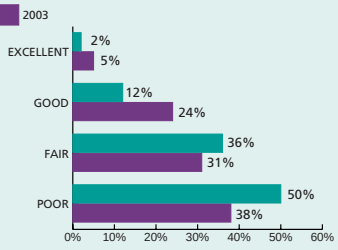
Today we think our nation has an even greater responsibility for bringing a lasting peace in the Middle East, but now we see Iraq as only somewhat less of a threat to that peace than after the Gulf War.

The Performance of a President Named Bush

Rate President Bush's Handling of Iraq



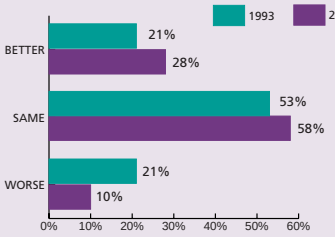
Rate President Bush's Handling of the Economy



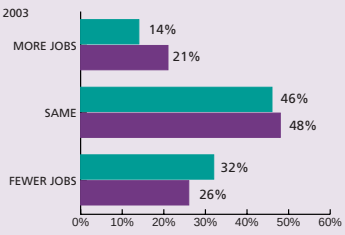
As victorious troops returned home, respondents gave George H. W. Bush higher marks for handling the situation in Iraq than they did George W. But the younger Bush did quite a bit better than his father on the economy. Still, George W.'s negative/positive ratio is 69/29.

The Likelihood of Better Economic Times Ahead

Business Conditions in Six Months



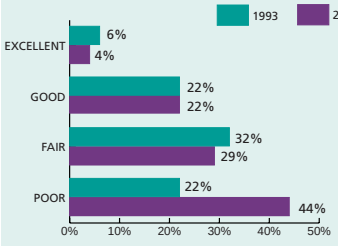
Availability of Jobs in Six Months



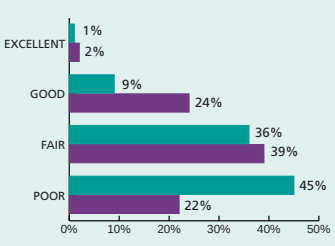
Today, Nutmeggers see a somewhat brighter picture six months down the road than they did a decade ago. If Connecticut residents are as savvy as we think they are, this forecast of an incipient recovery bodes marginally better for the prospects of today's President Bush than his father's turned out to be.

The Performance of Connecticut's Politicians

Rate How Well the Governor is Doing



Rate How Well the State Legislature is Doing



Respondents give John Rowland worse marks than they did Lowell Weicker, perhaps because he's been in office for a longer time and most of those times were much more prosperous than now. On the other hand, the State Legislature's typically low grades are less negative today than a decade ago.

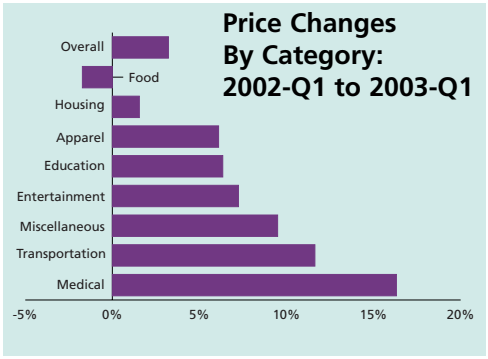
Connecticut Prices: Medical Prices Surge, but Weightier Food and Housing Prices Are More Stable

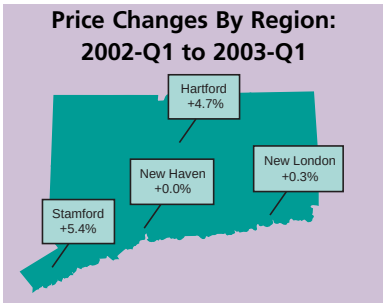
By Madhuri Saripalle

Connecticut prices increased by 3.2% in 2003-Q1 compared with the same quarter last year. Prices rose fastest in the medical (16.4%), transportation (11.6%) and miscellaneous categories (9.5%). Entertainment saw an increase of 7.2%, education 6.3%, and apparel 6.1%. And while housing prices picked up, the increase was limited to just 1.6%. Food prices actually fell by 1.7%.

Most of the medical price rise was due to higher charges for hospital rooms and dental visits. Gasoline prices accounted for the major share of the price rise in transportation, while bowling and newspaper subscription rates drove increases in entertainment. Within the food group, prices for food at home and fast food declined by 1.8% and 0.9% respectively, while beverage and alcohol prices rose at 0.9% and 0.1% rates. Most housing components, including utilities and rent, showed increases. Mortgage prices, however, fell 1.1% over the four quarters, holding the rise in the overall housing index to 1.6%. Most of the rise in the miscellaneous category is linked to cigarette prices.

Turning to the four regions in Connecticut, prices in Hartford and Stamford increased by 4.7% and 5.4% respectively, while New Haven and New London posted much lower or no gains (0.0% and 0.3% respectively). Food prices fell by 1.1% in Hartford and 7.7% in New Haven, but increased by 1.7% in New London and 3.4% in Stamford. The regional housing index ticked up by 4.1% in both Hartford and Stamford, but registered a further decline of 3.4% in New Haven and 7.1% in New London. Apparel prices rose 10-30%, everywhere except for Stamford, where they fell 13.6%. Medical prices increased modestly in New London (2.2%), but jumped 10-25% in the other three regions. Entertainment prices were up only slightly in Stamford (1.8%), compared with large increases in the other regions (7.6-18.2%). Prices of miscellaneous items increased 10-15% in all regions except Hartford, which showed an increase of only 5.3%.





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

The Connecticut Travel and Tourism Index

The overall index decreased 5.3% in 2003-Q1 compared with the same quarter the year before. The index consists of hotel-motel revenues, slot machine revenues, attendance at six major tourist attractions, and traffic on five tourist roads.

Hotel/Motel Rev.	▼	3.5%
Slot Machine Rev.	▲	2.1%
Attendance	▼	18.6%
Traffic	▼	1.2%
Overall	▼	5.3%

FRS # 430032

NO POSTAGE NECESSARY IF MAILED IN THE UNITED STATES

BUSINESS REPLY MAIL
FIRST-CLASS MAIL 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
341 Mansfield Road Unit 1240
Storrs, CT 06268

CCEA: Better Information for Policy Pilots

By Fred Carstensen
Director, Connecticut Center for Economic Analysis

Connecticut
a forward look...

In 1992, the State of Connecticut was flying blind. Facing the nation's worst economic contraction, and the state's worst since the Depression, the State lacked both instruments and a flight plan. Then-Commissioner of Economic Development Joe McGee and his senior staffer Jeff Blodgett turned to UConn, proposing a center that could provide arms-length analyses to their department. At about the same time, Peter Shapiro saw a unique opportunity to start an independent quarterly about the Connecticut economy by bringing together two just-retired corporate economists—Ed Caldwell and Ray Beauregard—who had each written a regular newsletter in their jobs. Shapiro persuaded UConn President Harry Hartley of the value of this enterprise. Steve Miller, Head of the Economics Department, seized the moment by freeing up faculty time to establish the Connecticut Center for Economic Analysis (CCEA) to house both the research capability that Joe McGee wanted and the new quarterly, *The Connecticut Economy*.

Ten years on, *The Connecticut Economy* is a unique publication: no other state has one quite like it. The *Quarterly* provides Connecticut decision-makers both in-depth analyses of the state economy and an array of indices and forecasts on state economic performance. Founding Editor (now emeritus) Will McEachern and current Executive Editor Steve Lanza devised a set of indices that give readers regular insight into labor market activity, tourism, the cost of living, and general economic activity. The *Quarterly* also provides citizens with a monthly coincident and leading indicator, now also published in the State's *Economic Digest* and available on-line from CCEA. In the process, the *Quarterly* has helped raise the level of discussion about critical policy choices.

CCEA made a significant contribution with its very first analysis: projecting the economic loss to the state's economy, had the Groton submarine base been closed. In the years since, CCEA has helped DED (now DECD) evaluate the benefits from specific projects and whether those benefits would justify the State's costs in the form tax credits or other devices. CCEA also has helped analyze proposed changes in business taxes, weighing the net benefits from changing specific tax credits or carry-forward provisions.

As the work of CCEA expanded, it became increasingly clear that the State lacked the data required for solid analysis. In response, CCEA organized a series of State Data Conferences to address the challenge of generating, and even preserving, data for purposes of policy analysis. Those conferences (the fourth is planned for late 2003) have highlighted "best practices" in other states and regions, and laid the groundwork for the State of Connecticut to meet its critical data needs.

As CCEA and the *The Connecticut Economy* begin their second decade, our goals remain to shed light on the state's economic performance, and to improve decision making. Provision of sound commentary and economic analysis is but one element in that process, but a key one. The *Quarterly* has studied the origins of the current fiscal crisis and compared Connecticut with other states, while CCEA has urged lawmakers to examine aggregate household and business tax burdens, the better to minimize total taxes while also maximizing revenues. Stronger State decision-making is essential to sustaining and enhancing Connecticut's long-term economic vitality and quality of life. In the next decade, we will continue to encourage and assist informed, timely decision making. The current fiscal crisis illustrates the need both for better flight instruments—so we could have seen it coming—and for developing better flight plans through the sorts of small but critical investments the State made in 1992.

❑ Please bill me $55.00 for 4 quarterly issues of *The Connecticut Economy.*
I have marked address corrections, if any, on the label below.
My telephone number is _____ Signature _____
❑ Please send me more information on the UConn Alumni Association.

THE CONNECTICUT Economy
A University of Connecticut Quarterly Review
Connecticut Center for Economic Analysis
Department of Economics
341 Mansfield Road Unit 1240
Storrs, CT 06269-1240

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.