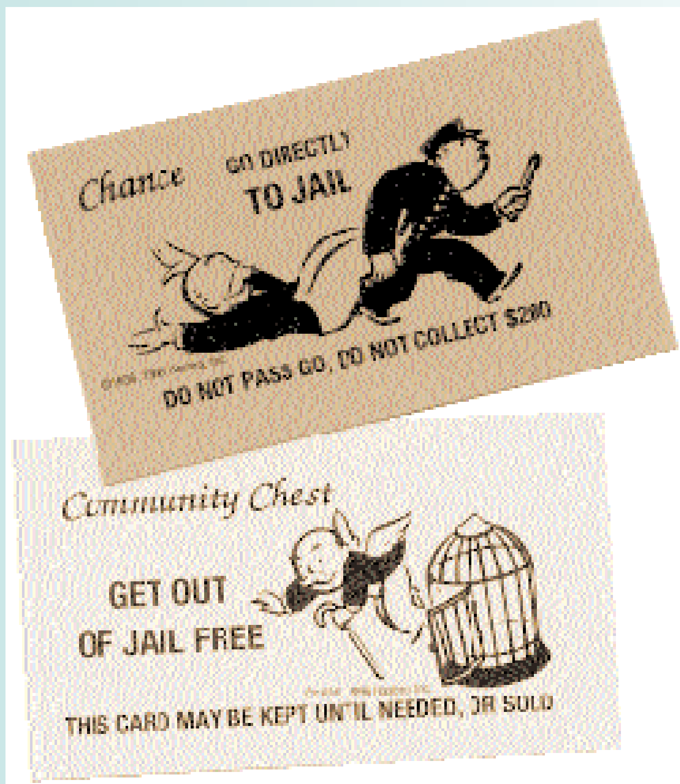
THE CONNECTICUT
Economy
A University of Connecticut Quarterly Review
Summer 1999

Crime Down, Incarceration Up

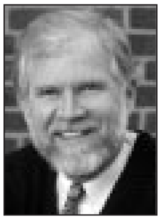
A Better Measure of Crime

Linking Crime and the Economy



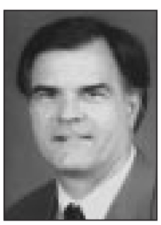
Dealing with Crime: Is Connecticut Ahead of the Game?

The Editors

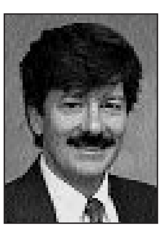


William A. McEachern, Editor in Chief, is a professor of economics at the University of Connecticut, where he has taught since 1973. He has published journal articles and books, including *Managerial Control and Performance* and a textbook, *Economics,* just published in its fifth U.S. edition. Australian 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.



Steven P. Lanza, Managing Editor, is a program specialist at the University of Connecticut, where he coordinates the production, publication and distribution of *The Connecticut Economy*. He has taught courses in economics and in business and government at several universities. His research appears in each issue.

Contents

Summer 1999 - Volume 7 Number 3

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

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, William Wheeler of the Connecticut Department of Correction, Marjorie Petrucci of the Connecticut Office of Policy and Management, the staff of the Connecticut Department of Public Safety, Division of State Police, 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, and Jane Miller of Prudential Connecticut Realty.

CONNECTICUT ECONOMIC INDICATORS

(Percent change: 1998-Q2 to 1999-Q2)

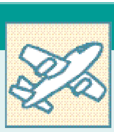
Indicators of Current Economic Activity

Total Nonfarm Jobs	+1.3%
Number Unemployed	+2.6%
Labor Force	+1.4%
Manufacturing	
Jobs	-1.4%
Avg. Weekly Hours	-0.7%
CT Mfg. Prod. Index	+0.8%
Avg. Hourly Earnings	+3.0%
New Auto Registrations	-3.5%
Travel and Tourism Index	+1.4%
Bradley Airport	
Passengers	+10.8%
Freight	+4.3%
State Taxes:	
Sales	+5.1%
Income	+4.0%
Real Estate Conveyance	+13.1%
Normalized Electricity Use	+0.3%
State Exports ('98-Q1 to '99-Q1)	-3.5%
Confidence in Current Economy	+4.4%
Coincident GDI ('99-Q1 to '99-Q2)	+0.3%

Indicators of Future Economic Activity

Help-Wanted Ads	
Hartford Courant	-10.3%
Job Orders	-7.9%
Avg. Initial Unemp. Claims	+2.0%
Housing Permits	-1.3%
Net New Business Starts	+4.2%
Confidence in Future	-12.1%
Leading GDI ('99-Q1 to '99-Q2)	+0.2%

Good news



+10.8%
Bradley Airport Passengers

Bad news

+2.6%
Number Unemployed

Temporary Hiccup or Start of a Slowdown?

After eight strong quarters, job growth in the second quarter slowed to a rate not seen since 1995. If that were the only sign of weakness, we wouldn't make much of it. But the Connecticut economy softened across the board, from slowing tax receipts to declining auto registrations and housing permits. One positive development was the continued expansion of the labor force, even if that growth also swelled the ranks of the unemployed. Here's the story.

One swallow does not a summer make, and one so-so quarter does not a slowdown make. Nonetheless, based on all the figures, the second quarter was forgettable. The Connecticut economy added only 1,930 jobs, seasonally adjusted, between the first and second quarters of 1999, growing only 0.5% at an annual rate. As the chart below shows, that was the slowest growth rate in years. In fact, jobs have not grown by less than 1.0% in over two years, and that occurred only once since late 1995.

All the job growth and then some came from services, such as business services and health services, which increased from the first to second quarter by an estimated 3,770 jobs. Manufacturing fell by 900 jobs as did transportation and public utilities combined. To be sure, jobs totals in the second quarter of 1999 were still 21,900, or 1.3%, above the second quarter of 1998, but nearly all that growth occurred before the second quarter.

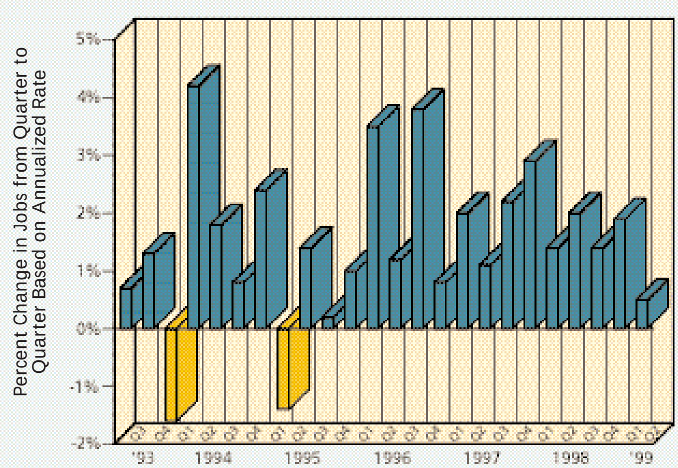
Most indicators in the table to the left look worse than they did in our last issue. Among the more stunning reversals, the number unemployed declined 13.4% in the first quarter, but rose 2.6% in the second quarter. Auto registrations, which increased 29.5% in the first quarter, declined 3.5% in the second quarter. Housing permits also changed course from a rise of 11.3% to a decline of 1.3%. The few improving indicators included initial unemployment claims, our travel and tourism index, our leading GDI and passengers at Bradley (soon to be augmented by Southwest Airlines).

For the first time in a long while, the number unemployed increased. Between the second quarter of 1998 and the second quarter of 1999, the number unemployed increased from 56,100 to 57,600, or by 2.6%. Seven of the ten labor market areas saw a rise in the number unemployed and six experienced higher unemployment rates. The only improvements in the second quarter occurred east of the Connecticut River (see pages 14-17 for the regional figures). What a difference a quarter makes—in the first quarter, unemployment declined in all ten labor market area.

But some good news emerges: The number unemployed increased not because jobs were falling (after all, the number of jobs increased by more than 20,000 since last year). No, unemployment rose because new workers entered the labor force faster than employers could absorb them. New workers often take time to become familiar with the job market and find a suitable position.

We caution that one soft quarter is not necessarily a problem—unless it becomes a trend. As you can see from the chart below, jobs have bounced back from even negative quarters. But there are no guarantees. Connecticut's current expansion, now in its seventh year, may be showing its age.

Connecticut Job Growth in Second Quarter Slowest Since Late 1995



Source: Developed by *The Connecticut Economy* based on seasonally-adjusted job estimates from the Connecticut Department of Labor

Crime and Punishment in Connecticut

By William A. McEachern

Earlier this decade, some criminologists were predicting a national explosion of crime. They argued that a new type of criminal, a so-called superpredator, was about to reach prime crime age. But the predicted crime spree hasn't developed either in Connecticut or in the nation, at least not so far. In fact, crime rates here and in the nation peaked early in the decade and have trended downward since then. Let's look at the numbers—but be forewarned, there are a lot of them. So buckle up.

Crime Declines

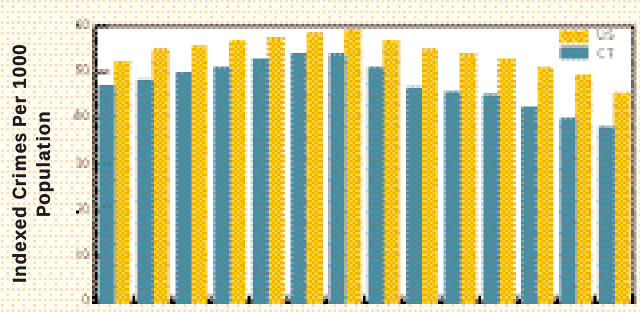
We can track crime in two ways. The FBI's Uniform Crime Reports use police records in each state to compile an index of seven crimes—the violent crimes of murder, rape, robbery, and aggravated assault, plus the property crimes of burglary, larceny, and motor-vehicle theft. Because not all crime is reported to the police, the U.S. Department of Justice carries out a National Crime Victimization Survey, which identifies crime victims based on a large survey of households. But victimization rates are estimated only at the national level. Since our interest is in Connecticut, we rely primarily on the Uniform Crime Reports, but will also reference the victimization surveys.

The chart below compares the index of crime rates for Connecticut and the nation since 1985, about the time when the most recent spike in crime began. After climbing each year from 1985 to 1990, the crime rate in Connecticut dropped each year after 1990. By 1998, Connecticut's rate had fallen 30% below the 1990 level, with violent crime down 33% and property crime down 29%.

Crime rates in the nation followed a similar pattern but peaked in 1991, not 1990, then fell 23% by 1998. Violent crime dropped 26% and property crime, 22%. As a reference point, the victimization survey showed violent crime in the nation falling 24% between 1991 and 1998 and property crime falling 39%. Thus, the drop in violent crime is similar using each measure, while the drop in property crime is larger based on the victimization survey.

The bottom line is that Connecticut's crime rate averaged 10% lower than the nation's between 1985 and 1992, and 17% lower between 1993 and 1998. Each of the seven crimes in the index has declined in Connecticut since 1990. The murder rate fell 20%; rape, 22%; robbery, 43%; aggravated assault, 28%; burglary, 40%; larceny, 18%; and motor-vehicle thefts, 47%. What's more, in 1998, each crime rate was lower in Connecticut than in the nation. Specifically, the murder rate in Connecticut was 34% lower than the national average; rape, 35% lower; robbery, 17% lower; aggravated assault, 40% lower; burglary, 40% lower; larceny, 12% lower, and motor-vehicle theft, 14% lower. Let's turn now to the most feared crime.

Crime Rate Is Falling Faster Here Than in Nation

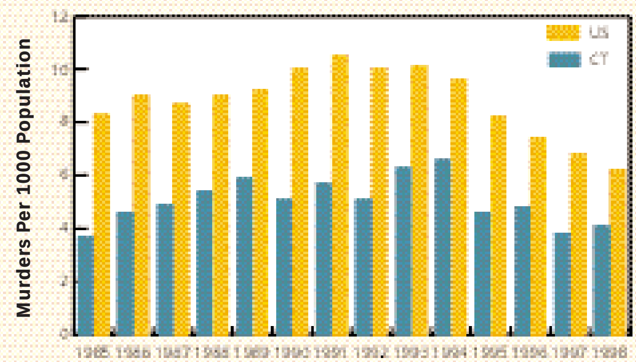


Source: Developed by *The Connecticut Economy* based on figures from the FBI and the Connecticut Department of Public Safety

It's Murder

Murder gets much attention, in the media and thus in our fears. Murder rates are also more reliable than other crime rates since there is not much underreporting. The chart below compares murder rates in Connecticut and in the nation since 1985. Again, Connecticut and the nation show roughly similar patterns, with rates trending upward from 1985 to the early 1990s, then falling.

State Murder Rate, After Peaking in 1994, Moved Lower



Source: Developed by *The Connecticut Economy* based on figures from the FBI and the Connecticut Department of Public Safety

Connecticut murders per 100,000 population nearly doubled from 3.7 in 1985 to 6.6 in the peak year of 1994, before settling back to 4.1 in 1998. The nation followed a similar trend, but peaked earlier, at 10.5 in 1991, then trended down to 6.2 in 1998.

Those arrested in Connecticut for murder in 1998 tended to be male, young, and black. Ninety-four percent were male, 61% were 24 years of age or younger, and 57% were black (41% were white). The profile of murder victims mirrors the arrest records—72% of all murder victims in 1998 were male, 45% of all murder victims were between 15 and 24 years of age, and 53% of all murder victims were black (46% were white).

Although the handgun remains the murder weapon of choice, its grip is slipping. During the peak murder year of 1994, handguns were used in 137 of the 216 murders in the state—63% of the total. Handgun murders dropped to 64 of the 135 murders in 1998, or 47% of the total. While all Connecticut murders declined by 38% between 1994 and 1998, handgun murders fell by 53%.

Of those Connecticut murders in 1998 where the relationship to the victim could be determined, 41% were murdered by an acquaintance, 19% by a family member, and 13% by a "friend." Only 12% were murdered by a stranger.

Perception Versus Reality

Thus, the crime rate in Connecticut, as least as reported to the police, has been declining since 1990 and has consistently been below the national average. In our quarterly survey of households, we asked some questions about crime (see page 8 for more details). First, we asked about crime in Connecticut relative to the national average. Responses were in line with police reports. Twice as many respondents thought crime was lower in Connecticut than thought it was higher. Those with more education were more likely to say lower.

We also asked what happened to the crime rate in Connecticut since 1990. Twice as many males said crime decreased as said it increased. But females saw things differently. Half again as many females said crime increased since 1990 as said it decreased. There may be a logical explanation for the different responses. The victimization survey found that between 1990 and 1998 violent crime in the nation decreased 25% among males but only 5% among females.

Punishment

Although the crime rate in Connecticut has been falling since 1990, the prison population continues to swell. The chart below shows the number incarcerated in Connecticut correctional facilities since 1985. That population nearly tripled between 1985 and 1999, from 5,790 to 16,776, for an average annual growth rate of 7.9%. Nationally, the state prison population grew even more, by 8.4% per year. The higher national growth could be due to the fact that since 1985 the U.S. population as a whole has grown by an average of 1.0% a year compared to a mere 0.2% average in Connecticut.

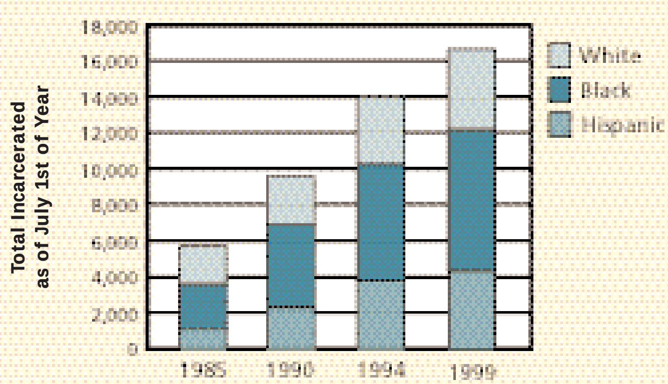
The chart also shows the composition of Connecticut's prisons. The number of Hispanic inmates increased from 1,086 in 1985 to 4,332, in 1999, for an average annual growth rate of 10.4%. Non-Hispanic blacks increased from 2,573 to 7,906, growing an average of 8.4% per year. And non-Hispanic whites increased from 2,116 to 4,441, for an annual growth of 5.4%. (Not shown are Asians, Pacific Islanders, and Native Americans, which together make up only 0.6% of the prison population.)

Blacks and Hispanics make up 72.9% of the state's prison population though they account for only 16.2% of the state's population as a whole. Put another way, Connecticut's correctional facilities hold about 1 of every 40 non-Hispanic black residents of the state, and 1 of every 60 Hispanic residents, but only 1 of every 600 non-Hispanic white residents.

Crime Down, Prisoners Up?

Why has the prison population continued to grow even as the crime rate declines? Is the composition of crime shifting to more serious offenses, leading to more jail time? Not really. In fact, since 1990 violent crime in Connecticut has declined more than property crime.

Connecticut's Prison Population Has Nearly Tripled Since 1985 and Minority Share Has Grown



Source: Developed by *The Connecticut Economy* based on figures compiled by the Connecticut Department of Corrections. Figures for whites are for non-Hispanic whites, and figures for blacks are for non-Hispanic blacks.

Is a larger proportion of crimes getting solved, thus yielding more arrests and more convictions? No. A criminal case is considered solved, or "cleared," when at least one person is arrested, charged with the offense, and turned over to the courts for prosecution. The average clearance rate in Connecticut for crimes in the index has remained about 20% a year since 1985. The clearance rate in 1998 was higher for violent crimes (50%) than property crimes (17%). Murder had the highest clearance rate in 1998, at 71%, and motor-vehicle theft and burglary, the lowest, at 12% each.

What has increased is the likelihood of doing prison time for a given conviction and the likelihood of serving a longer sentence. Public fear of crime has spawned tougher laws and stricter sentencing guidelines. For example, truth-in-sentencing measures require Connecticut convicts to serve at least 50% of their sentence before they can be considered for parole. If the crime involved violence, they must serve 75% of their sentence.

But maybe the question needs to be reversed. Rather than wondering why the prison population has not declined in line with falling crime rates, maybe crime rates have fallen in part because the rate of incarceration has increased. There is some evidence to support this view. A higher rate of incarceration not only gets more bad guys off the street, but makes at least some would-be criminals think twice before committing crimes. A comprehensive study published recently in the Federal Reserve Bank of Altanta's *Economic Review* concludes that "the evidence of imprisonment rates strongly suggests that punishment works to reduce crime." (First Quarter, 1999, p. 51).

Another possible explanation for the falling crime rate stems from the legalization of abortion in the 1970s. Researchers who propose this theory argue that abortion disproportionately reduced the number of unwanted offspring of poor, minority teenagers.

Regardless of the explanation, the prison system is now carrying a lot of water for society. Nationally, the long-term mental hospital population dropped from 560,000 in 1955 to under 70,000 today. Some former patients made successful transitions, but many ended up homeless and on the streets. In the wake of this deinstitutionalization movement, prisons are becoming the nation's mental hospitals. A U.S. Justice Department study found that many emotionally disturbed inmates go from homelessness to prisons and back to the streets with little treatment. Many were arrested for crimes that stemmed from their illnesses. More than half of mentally disturbed inmates had served three or more prior sentences. Once incarcerated, they spent about 15 more months in jail than other prisoners, often because of their mental problems.

Addiction and its consequences is another social problem that washes up to our prisons. Based on intake surveys, about 80% of those entering Connecticut correctional facilities acknowledge drug or alcohol dependence. More than half the Correction Department's pharmaceutical budget goes toward costly medicines to treat HIV and AIDS inmates, a group that constitutes less than one-fifth of the prison population. Hepatitis B and tuberculosis also involve costly remediation. Finally, longer prison terms mean older prisoners, thus escalating the cost of medical care.

Based on the current growth rate, Connecticut must build an 800-bed facility every year to house the growing prison population. There are other possibilities, such as sending prisoners out of state. Plans are in the works to do just that. But, whatever the public policy, we should recognize that, for better or worse, prisons now play a more critical role in society.

Getting Better Numbers on Connecticut Crime

By William Gary Lopez and David Porteous

Most crimes, even serious ones, are not reported to the public. And the costs of crime are barely known at this time. But these secrets will not be buried for long. A revolutionary computer-based crime reporting system is beginning to unearth the hidden cost of crime.

The National Incident-Based Reporting System, or NIBRS, is now being implemented in Connecticut and the nation. Crimes such as fraud, known only through spectacular cases such as the billion-dollar Colonial Realty scandal, will now be recorded and their economic impacts reported.

Other crimes with major economic consequences for businesses, governments and individuals, such as vandalism and embezzlement, will be identified and their costs reported. NIBRS data will paint a clearer picture of the costs of crime throughout Connecticut and the U.S.

Crime Reporting in Connecticut

Since the 1930s, the FBI has tracked crime using the Uniform Crime Reporting (UCR) Program. The UCR Program is a summary-based system that records local, state and national crime counts. Information from local police units is aggregated, then forwarded to states and the FBI. The historical UCR Program consists of seven crimes: murder, rape, robbery, aggravated assault, burglary, larceny, and motor vehicle theft. These crimes were selected for their seriousness and frequency of occurrence.

In the mid-1980s, a law enforcement study called for an incident-based computerized system to collect details on offenses, their victims, property, offenders, and arrestees. The National Incident-Based Reporting System (NIBRS) was unanimously endorsed, and is now being implemented across the country. Nearly 40 Connecticut agencies participate today. Within the next year, over half of the state's police departments and three of the five cities over 100,000 population will adopt NIBRS.

Advantages of NIBRS over UCR

NIBRS covers 22 crime categories and 46 offenses. Up to 53 data elements can be gathered on each incident. NIBRS nearly triples the categories and offenses collected under UCR. The 46 offenses include information on violent and property crime and a new category called "crimes against society," which includes drugs, gambling and prostitution.

The value of NIBRS is that it gives law enforcement a "common language." Every police department in NIBRS collects a comparable data set throughout Connecticut and the United States.

Participation in NIBRS offers the state police and local police departments a comprehensive picture of criminal offenses, clearances, property losses and recoveries, victims, offenders and arrestees. When cross-referenced, the data offer insights on violent and property crimes, gangs, family violence, employee violence, hate crimes, sex crimes, drug offenses, and every major criminal justice-law enforcement issue. Already the FBI is studying NIBRS as a tool for tracking serial killers and rapists. Bank robbery is also a crime for which characteristics and *modus operandi* can be traced across agency and state lines.

Police departments are using NIBRS data for crime analysis, community policing, problem-oriented policing, mapping, and a variety of legislative and administrative purposes. Combining the names and addresses of victims, offenders and arrestees with the 53 NIBRS data elements provides a potent crime data repository.

Businesses and organizations whose products and services are most affected by crime will have unsurpassed new data to refine their focus. The state will start delivering reports to users next year once an extensive report development and verification process is completed.

Costs of Crime

Crime costs can be calculated more accurately and completely with NIBRS. This new system looks at crimes that plague businesses such as arson, embezzlement, forgery, fraud, bad checks, vandalism, and theft, most of which were not reported in UCR. NIBRS collects the value of losses, so the economic loss for previously unreported crimes can now be calculated.

NIBRS will provide good information about property crime, including bank robbery, credit card fraud, ATM fraud, and shoplifting, linking the 39 types of property to specific crimes. For example, NIBRS will provide a detailed analysis of motor vehicle theft: the number of vehicles stolen and recovered, type of motor vehicle, location of the vehicle when stolen, type of victim or owner, and demographics of the offender/arrestee. These data will create a detailed picture of the crimes and the participants.

Since NIBRS distinguishes between types of victims, we can look at crimes against persons, businesses, financial institutions, government and more. The costs of violence against persons can be evaluated by linking the victim with the type of injury to project medical costs and loss of productivity. With NIBRS data, we can develop medical response schemes for those areas where people have suffered as "targets" of violent crime.

Economists, insurance analysts, government officials, policy-makers, and businesses can all benefit from NIBRS data. NIBRS can be a catalyst for proactive collaborations between all parties responding to crime in the 21st century.

The authors are analysts with the Crimes Analysis Unit of the Connecticut State Police

New Focus on Regional Price Differences

By Corinne T. McCue

Each quarter, *The Connecticut Economy* reports the results of our regular survey of prices in Connecticut. The survey includes statewide averages, such as the average price for a gallon of gasoline, as well as prices collected in Hartford and the surrounding area for items such as groceries. In the past, we have conducted this general statewide survey of prices each quarter, and conducted a more specific regional price survey only once per year, in June. This meant that we could look at regional price differences only on an annual basis.

While statewide price data offer a lot of useful information, regional data give us a more accurate picture of what is really happening to prices in the state. For example, prices in one area of the state may increase, while those in another area decrease, causing the statewide price level to change little, if at all. Having quarterly regional data allows us to uncover differences between regions and track changes on a quarterly basis.

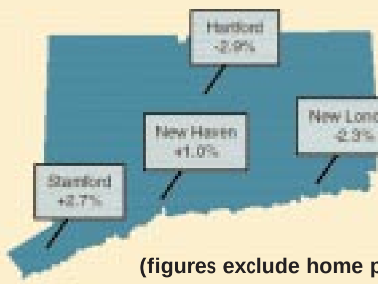
In addition, while Hartford area prices have been found to be a good proxy for average statewide prices (see *The Connecticut Economy*, July 1996), they do not allow us to look at price differences among regions of the state on a regular basis. We may know that the average price of a dental checkup in Connecticut is $109, but without regional data we wouldn't know that the average price ranges from $89 in New London to $131 in Stamford. Also, Hartford prices may not continue to be well correlated with statewide averages in the future.

The Connecticut Economy therefore began collecting regional prices for Connecticut in Hartford, New London, New Haven and Stamford—the four main population areas of the state—on a quarterly, rather than annual basis, starting in June 1998. We now have our first full year of quarterly regional price data, and beginning with this issue we will report each quarter on regional prices in addition to the usual statewide price index. The statewide index, too, has been updated from June 1998 forward to reflect average regional prices in those categories where Hartford was previously used as proxy. So what has happened to prices in Connecticut and its four main regions in the past year?

Regional Price Levels

Including all items in the survey, Stamford's prices in June 1999 were 61.3% higher than the weighted regional average, while New Haven, New London and Hartford prices fell below that same average by 14.6%, 18.3% and 19.1%, respectively. These figures include home prices, however, which can dominate the price survey and mask other relative price differences across regions. It is more useful, then, to look at relative price levels without home prices.

Percent Above or Below Average Price Level



(figures exclude home prices)

As you can see in the map above, Stamford remained Connecticut's high-price leader in June 1999, with a price level 2.7% above the weighted average for the four regions surveyed when home prices were not included. With its price level 2.9% below the four-region average, Hartford regained its lowest-price position after losing it briefly to New London in the June 1998 survey. New Haven came closest to the average at just 1.0% above average prices, and New London's price level was 2.3% below the regional average.

The 5.6% difference between Stamford and Hartford prices represents a stabilization of price differences between the highest and lowest-priced regions. After shrinking for a number of years and then increasing in June 1998 to 5.8%, the percentage difference between the highest and lowest price regions changed little in June 1999.

Mirroring our overall rankings, grocery prices in Hartford were 6.5% lower than the regional average, while in Stamford, they were 4.7% higher than the regional average. New Haven and New London grocery prices fell in step too, at 2.5% above and 1.5% below the regional average, respectively.

Not every product category mirrored our overall rankings, however. Liquor and department store prices, for example, were highest in New London, the second-lowest priced region overall. Highest-priced Stamford, on the other hand, enjoyed relatively cheaper prices in both of these categories. These price relationships are not uncommon. In fact, New London had the highest department store prices, but the lowest discount store prices in the survey, while Stamford's case was nearly opposite—Stamford's department store prices were relatively low, while discount store prices were quite steep.

Regional Price Changes

In the past year, the weighted average of regional prices, including home prices, has increased by 2.2%, though the different regions have not acted uniformly. In Stamford, for example, average prices increased by 3.2% from June 1998 to June 1999, while prices in New London actually decreased by 2.0%. Hartford and New Haven prices also increased, by 2.7% and 1.9% respectively.

Grocery and department store prices fell from June 1998 to June 1999 in all regions surveyed except New London, and fast food prices dropped in every region except New Haven. Discount store prices, on the other hand, increased everywhere except New London, and liquor prices rose in all areas except New Haven.

Statewide Prices

The chart below shows the statewide changes in prices from June 1998 to June 1999. Note that this index is not directly comparable to the regional indices because it includes additional items.

Connecticut Price Changes
Percent Change 1998-Q2 to 1999-Q2

Food	P	4.5%
Housing	H	4.6%
Apparel	P	0.2%
Transportation	QR	0.0%
Medical	H	1.1%
Entertainment	H	3.4%
Miscellaneous	H	4.4%
Overall	H	1.6%

GDI Advances Cautiously

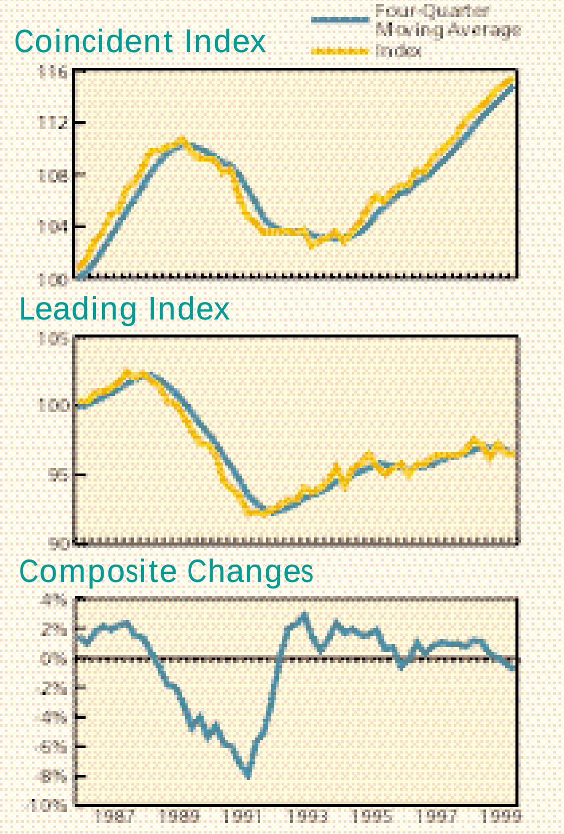
By Steven P Lanza

Gains continue, but the GDI appears to have entered a period of slower growth. The GDI coincident index rose to a new high in 1999-Q2, but grew at a rate much below average for the current expansion.

Since 1996-Q4, the coincident index has posted 11 quarters of uninterrupted gains. For the first nine of these quarters, the advances averaged 0.7%. In 1999-Q1, however, the index budged barely 0.1%. And in 1999-Q2, the index inched up 0.3%, rising from 115.0 in 1999-Q1 to 115.4 in 1999-Q2. The biggest boost came from a 1.4% increase in the Labor Department's Connecticut Manufacturing Production Index (CMPI). This new index combines manufacturing worker hours with industrial electricity sales to estimate a production function for the state's manufacturing sector. The CMPI's rise is the largest quarter-to-quarter increase since 1996-Q4. Seasonally adjusted total employment, however, grew just 0.1% between 1999-Q1 and 1999-Q2 despite a 1.4% year over year expansion. And real personal income declined 0.1% between quarters even though the Bureau of Economic Analysis has revised upward its estimates for the *level* of personal income in Connecticut.

Still, the GDI leading index offers some reason for optimism. After dropping 0.9% between 1998-Q4 and 1999-Q1, the leading index recovered some lost ground in 1999-Q2. Spurred by a 6.0% decline in initial unemployment claims between the quarters, a 1.0% boost in help-wanted advertising, and a 1.0% increase in weekly manufacturing hours, the leading index rose 0.2% between 1999-Q1 and 1999-Q2, reaching 96.5. Housing remains a drag on the leading index. Quickening home sales and rising home prices notwithstanding, new housing permits declined for the second straight quarter in 1999-Q2, dropping 13.4%.

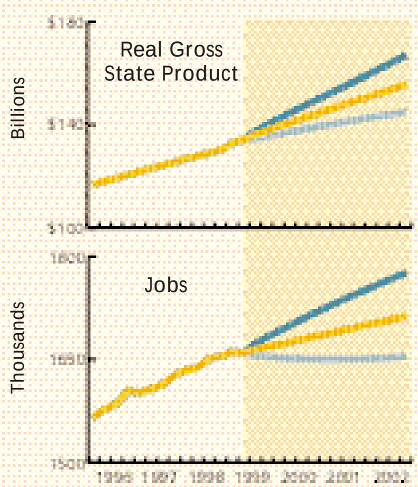
GDI Components



Economic Forecast

We expect the annualized growth rate of real GSP to drop from its current 5% rate to about 4% in 2000. A slowdown in the national economy, however, could bring that growth rate closer to 2%. Job growth will remain modest in the coming year. While economic growth may be slowing, our forecast shows little evidence of recession in the near future.

Where the green lines branch off, the yellow line shows the predicted values for GSP and jobs, and the green lines show the one-standard-deviation margin of error for the prediction.



GSP Growth Shows Signs of Topping

By Fernando Lugo-Camacho and Stan McMillen, Researchers, CCEA

The pace of Connecticut's economic expansion may have peaked in 1999-Q2. Despite a lackluster 1.3% gain in nonfarm jobs this quarter compared to a year ago, the Connecticut Center for Economic Analysis estimates that Connecticut's real gross state product (GSP) grew 5.0% between 1998-Q2 and 1999-Q2. The U.S. economy, by contrast, grew 4.0% over the same period. The 1999-Q2 estimate of GSP combines data on nonfarm jobs and personal income to arrive at an approximation of GSP for the current quarter. Connecticut's high GSP growth rate reflects the state's relatively high worker productivity. Indeed, real personal income, which mirrors in part this productivity, advanced 4.6% between 1998-Q1 and 1999-Q1, the most recent quarter for which data are available.

But the longer range forecast suggests slowing growth. If present trends continue, GSP growth will likely reach just 4% in 2000. The long range forecast of GSP incorporates data on U.S. GDP and Connecticut new housing permits to project GSP several quarters ahead. And the most recent U.S. figures suggest the national economy may be cooling off. Between 1999-Q1 and 1999-Q2, U.S. GDP growth only reached an annualized 2.3%. Meanwhile, Connecticut housing permits, the other key variable in the long-range forecast of GSP, were 1.3% lower in 1999-Q2 than in the same period last year. A less optimistic forecast of GSP, therefore, puts growth closer to the 2% neighborhood next year.

Connecticut's employment picture may already be seeing the effects of an aging expansion. Though jobs are up 1.3% between 1998-Q2 and 1999-Q2, the gain between 1999-Q1 and 1999-Q2 was only 0.5% at an annualized rate. In addition to housing permits and U.S. GDP, the state employment forecast takes into account earnings in manufacturing to arrive at its projection, and earnings were up a slim 0.2% between 1998-Q2 and 1999-Q2. The most likely estimate of employment in 2000 puts job growth at just 0.9%, or about 15,000 additional jobs.

Consumer Confidence Remains High Though Cautious About Future

By Martha L. Gibson
Research Director, Center for Survey Research and Analysis

Consumer confidence in Connecticut remained steady at a high level from the first quarter to the second quarter of 1999. Compared to the national and New England Consumer Confidence Indexes, which showed lowered expectations, consumers in Connecticut remain optimistic about both present and future economic conditions.

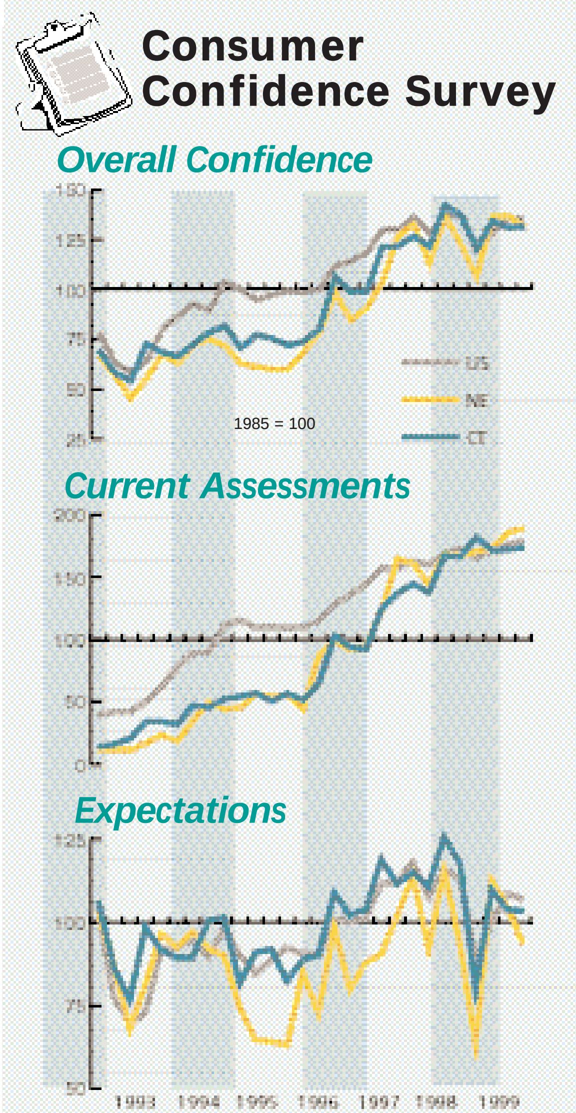
The overall confidence index in Connecticut rose slightly from 131.1 in April to 131.5 in July, mirroring the national trend. Confidence in the current Connecticut economy rose from 172.1 in April to 173.5 in July. Expectations among Connecticut residents dipped only slightly from 103.8 in April to 103.4 in July.

Looking at the specific measures of economic performance in Connecticut, confidence in present business conditions and the present and future job market increased slightly. Slight drops were seen in expectations for business conditions and personal finances six months from now.

U.S. consumer confidence increased slightly from the first to the second quarter of 1999, but fell from its cyclical high in June. The U.S. July Consumer Confidence Index of 135.6 represents the first drop after eight months of consecutive gains, off almost 3.5 points from the June high of 139.0. Confidence remains at historically high levels, and the downswing is accounted for by a drop in expectations, despite an increase in current economic assessments. Expectations nationally dropped from 108.8 in April to 107.0 in July, off sharply from 114.9 in June.

Consumer confidence in the New England region, while still high, dropped more sharply from the first to the second quarter than either the national or Connecticut numbers. Overall confidence dropped from 136.9 in April to 131.8 in July. Like the other indexes, the drop was spurred primarily by expectations, which fell from 104.6 in April to 93.7 in July.

Overall, consumers remain upbeat about the economy, if somewhat cautious about its future. Recent moves to cool the economy by increasing the federal funds rate were taken in stride by consumers nationally, though the Conference Board's June survey did show an increase in the number of households believing that interest rates will rise over the next year. Connecticut consumers remain confident about the strength of the economy and the overall prospects for that strength to continue.



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

Connecticut Residents See Crime Rate As Low and Steady

By Martha L. Gibson
Research Director, Center for Survey Research and Analysis

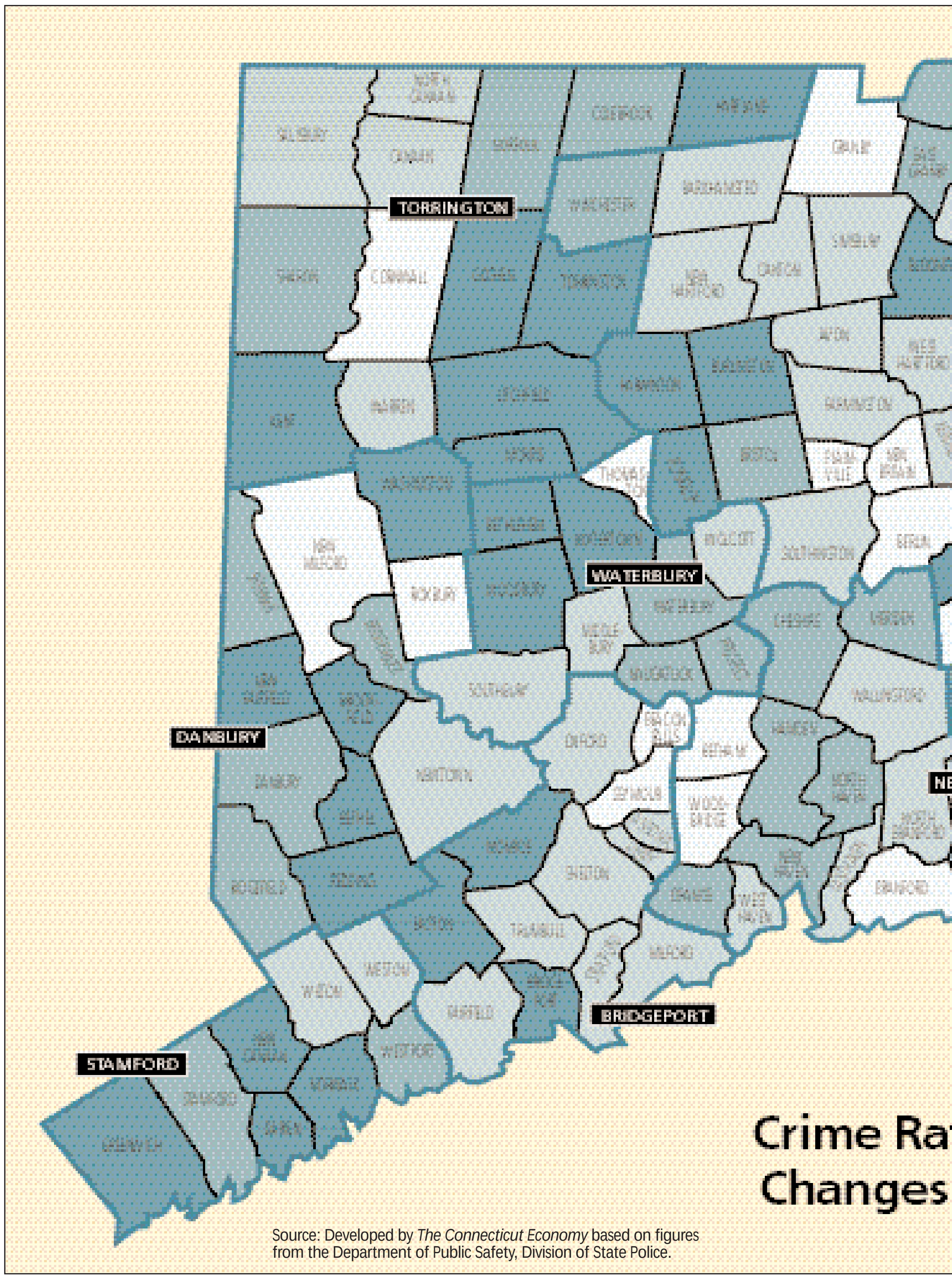
Crime is not a huge source of concern to Connecticut residents, according to a recent survey conducted for *The Connecticut Economy* by the Center for Survey Research and Analysis at the University of Connecticut. Connecticut residents are about evenly split on whether crime has increased (28%), decreased (32%) or stayed the same (30%) in the state. The vast majority feel that the amount of crime in Connecticut is about the same (44%) or lower (31%) than in the nation as a whole, while only 15% feel that there is more crime in Connecticut than in the nation. Despite media attention to the school shootings in Columbine, Colorado, the majority of Connecticut residents (62%) feel that their school district has taken adequate steps to insure students' safety.

The survey sought to gauge whether fear of crime had an impact on economic behavior. When asked whether respondents had decided not to shop or go to a restaurant in a particular area because of fear of being a crime victim, 72% answered no while 27% answered yes. Women were more likely to avoid a shop or restaurant than men, but even among women only one-third (32%) had done so in the past year.

Twenty-three percent of survey respondents had themselves, or someone close to them, been a victim of crime in the past three years. Seventy-seven percent had not. Of these crimes, 62% percent had been property crimes and 30% had been violent crimes. The survey found that males were less likely to report crimes than females, but that large majorities of both males (85%) and females (95%) said they reported the crimes to the police. There was no relationship between the type of crime a victim had experienced (violent or property) and the likelihood of reporting the crime.

The telephone survey was conducted with 510 randomly selected adult Connecticut residents from July 13 through July 21, 1999.

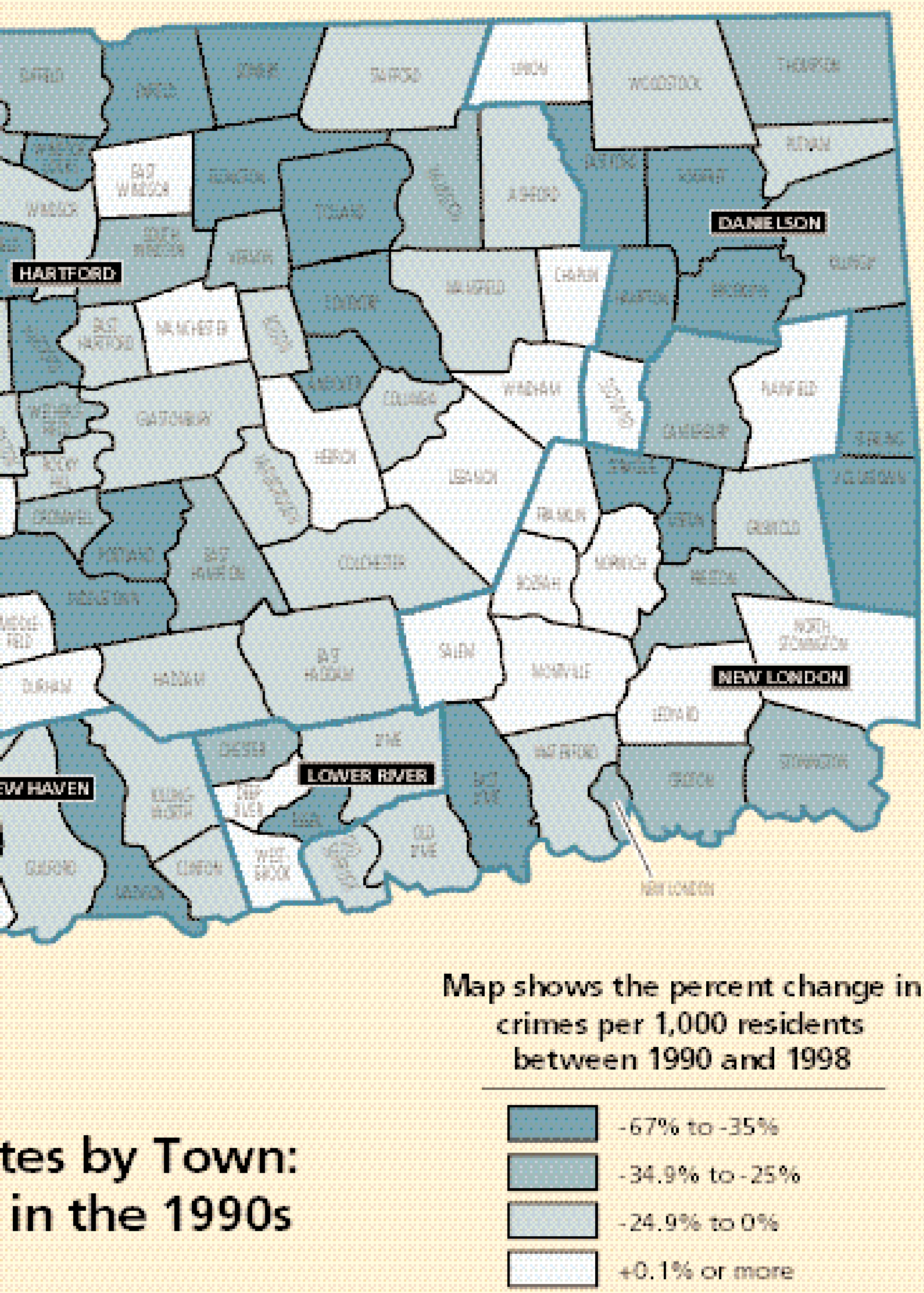
	Crimes per 1,000 residents 1990	1998	Percent change
Bridgeport LMA	**65.2**	**41.6**	**- 36.2%**
Ansonia	38.6	32.0	- 13.2
Beacon Falls	13.4	14.1	+ 5.6
Bridgeport	125.5	66.2	- 47.3
Derby	46.2	39.7	- 14.1
Easton	17.5	9.7	-44.4
Fairfield	44.4	37.4	- 15.7
Milford	53.0	43.4	- 18.2
Monroe	16.9	10.9	- 35.5
Oxford	13.7	12.8	- 6.7
Seymour	24.3	25.3	+ 4.3
Shelton	20.2	18.6	- 8.2
Stratford	39.5	31.2	- 20.9
Trumbull	40.3	34.3	- 15.0
Danbury LMA	**28.1**	**19.7**	**- 30.0%**
Bethel	14.9	9.2	- 37.9
Bridgewater	11.5	8.5	- 25.6
Brookfield	22.6	12.6	- 44.2
Danbury	53.0	36.8	- 30.7
New Fairfield	11.5	5.4	- 53.4
New Milford	19.7	21.1	+ 6.9
Newtown	16.6	12.6	- 23.9
Redding	10.0	5.5	- 44.4
Ridgefield	10.3	7.0	- 32.7
Roxbury	11.0	14.3	+ 30.7
Sherman	11.4	7.7	- 32.6
Washington	16.1	10.0	- 38.0
Danielson LMA	**24.2**	**17.2**	**- 29.2%**
Brooklyn	27.5	13.9	- 49.5
Eastford	27.4	9.0	- 67.0
Hampton	12.7	8.2	- 35.7
Killingly	30.5	22.5	- 26.3
Pomfret	17.4	8.0	- 54.3
Putnam	33.7	29.7	- 11.8
Scotland	13.2	13.9	+ 5.4
Sterling	23.3	13.9	- 40.4
Thompson	16.3	11.8	- 27.2
Union	13.1	16.0	+ 22.7
Voluntown	23.7	12.2	- 48.4
Woodstock	11.2	10.5	- 5.6
Hartford LMA	**51.3**	**37.7**	**- 26.5%**
Andover	22.8	7.8	- 65.8
Ashford	12.5	11.7	- 6.3
Avon	22.1	20.4	- 7.8
Barkhamsted	17.2	15.6	- 9.4
Berlin	22.0	22.9	+ 3.8
Bloomfield	51.0	31.3	- 38.6
Bolton	17.5	13.3	- 23.7
Bristol	37.2	27.8	- 25.3
Burlington	15.7	6.7	- 57.1
Canton	22.0	17.1	- 22.4
Chaplin	22.5	25.0	+ 11.3
Colchester	17.5	13.3	- 23.7
Columbia	22.0	16.6	- 24.2
Coventry	22.6	12.7	- 43.6
Cromwell	37.4	25.9	- 30.8
Durham	12.6	16.8	+ 33.7
East Granby	16.0	11.1	- 30.9
East Haddam	16.9	12.7	- 24.8
East Hampton	22.4	15.5	- 31.1
East Hartford	58.3	49.0	- 16.0
East Windsor	33.2	35.6	+ 7.0
Ellington	15.6	7.3	- 53.5
Enfield	46.0	26.3	- 42.8
Farmington	55.0	45.8	- 16.6
Glastonbury	22.6	18.5	- 18.1
Granby	13.7	20.3	+ 48.5
Haddam	14.0	12.7	- 9.2
Hartford	154.1	91.7	- 40.5
Harwinton	13.6	7.8	- 42.2
Hebron	9.0	11.1	+ 22.7
Lebanon	11.9	12.3	+ 3.4
Manchester	44.2	51.4	+ 16.4
Mansfield	45.6	40.6	- 11.1
Marlborough	11.9	11.9	- 0.1
Middlefield	18.3	18.5	+ 1.1
Middletown	56.4	34.4	- 39.0
New Britain	71.6	74.3	+ 3.8
New Hartford	19.2	15.0	- 22.2
Newington	34.8	33.9	- 2.5
Plainville	33.7	37.6	+ 11.5
Plymouth	33.2	18.0	- 45.8
Portland	27.2	10.2	- 62.6
Rocky Hill	32.7	26.6	- 18.6
Simsbury	14.8	12.8	- 13.9
Somers	21.0	10.1	- 51.8
South Windsor	18.9	12.6	- 33.3
Southington	31.4	30.1	- 4.2
Stafford	18.8	17.5	- 7.1
Suffield	15.9	11.2	- 29.7
Tolland	11.9	6.7	- 43.9
Vernon	29.2	21.4	- 26.6



Source: Developed by *The Connecticut Economy* based on figures from the Department of Public Safety, Division of State Police.

	Crimes per 1,000 residents 1990	1998	Percent change
West Hartford	44.6	37.2	- 16.7
Wethersfield	30.6	21.4	- 30.2
Willington	16.6	11.3	- 31.5
Winchester	20.3	15.1	- 25.7
Windham	62.1	62.3	+ 0.4
Windsor	33.5	25.6	- 23.7
Windsor Locks	35.2	19.4	- 44.9
Lower River LMA	**18.3**	**17.4**	**- 4.9%**
Chester	14.9	10.9	- 26.6
Deep River	18.7	26.7	+ 42.7
Essex	17.1	9.6	- 44.1
Lyme	13.9	11.8	- 15.1
Westbrook	23.1	25.3	+ 9.5

	Crimes per 1,000 residents 1990	1998	Percent change
New Haven LMA	**73.7**	**51.2**	**- 30.4%**
Bethany	10.9	13.3	+ 23.0
Branford	22.8	36.0	+ 58.3
Cheshire	20.4	14.8	- 27.4
Clinton	23.1	21.2	- 8.4
East Haven	39.1	32.9	- 15.8
Guilford	28.7	23.1	- 19.5
Hamden	55.0	39.8	- 27.6
Killingworth	10.6	9.2	- 12.8
Madison	27.2	15.5	- 43.0
Meriden	52.8	35.5	- 32.7
New Haven	172.8	113.9	- 34.1
North Branford	18.5	17.2	- 6.7
North Haven	40.7	30.3	- 25.5
Orange	68.7	49.3	- 28.3
Wallingford	36.9	28.8	- 22.0



Map shows the percent change in crimes per 1,000 residents between 1990 and 1998

tes by Town: in the 1990s

	Crimes per 1,000 residents 1990	1998	Percent change
West Haven	60.3	45.6	- 24.3
Woodbridge	17.2	20.5	+ 19.2
New London LMA	**37.0**	**33.0**	**- 10.8%**
Bozrah	15.2	16.8	+ 10.3
Canterbury	14.1	9.5	- 32.9
East Lyme	22.2	13.6	- 38.7
Franklin	23.8	25.2	+ 6.0
Griswold	21.0	15.8	- 24.9
Groton	40.2	26.6	- 34.0
Ledyard	14.3	62.1	+ 333.1
Lisbon	25.6	10.6	- 58.8
Montville	19.3	31.5	+ 63.2
New London	89.7	63.3	- 29.4
North Stonington	18.4	21.0	+ 14.1
Norwich	42.5	43.4	+ 2.3
Old Lyme	20.7	19.3	- 6.5
Old Saybrook	34.5	31.7	- 8.2
Plainfield	18.5	22.8	+ 23.8
Preston	18.0	12.3	- 31.4
Salem	13.6	13.9	+ 2.3
Sprague	18.0	10.5	- 41.4
Stonington	35.5	25.9	- 26.9
Waterford	44.3	43.3	- 2.4
Stamford LMA	**50.8**	**32.0**	**- 36.9%**
Darien	28.2	18.2	- 35.6
Greenwich	29.4	17.7	- 39.9
New Canaan	19.9	12.9	- 35.0
Norwalk	79.5	46.3	- 41.7
Stamford	61.3	40.5	- 33.9
Weston	13.3	10.2	- 23.6
Westport	41.0	29.4	- 28.2
Wilton	13.0	10.3	- 20.9
Torrington LMA	**30.8**	**16.5**	**- 46.5%**
Canaan	15.1	13.3	- 12.3
Colebrook	14.7	9.8	- 33.0
Cornwall	27.6	33.3	+ 20.8
Goshen	26.6	9.0	- 66.4
Hartland	13.4	6.7	- 50.3
Kent	31.9	14.5	- 54.4
Litchfield	21.4	11.1	- 48.2
Morris	23.5	11.3	- 51.8
Norfolk	18.0	12.8	- 28.8
North Canaan	22.5	20.0	- 11.1
Salisbury	15.4	14.1	- 8.6
Sharon	16.7	12.1	- 27.8
Torrington	41.3	19.7	- 52.3
Warren	16.3	13.0	- 20.2
Waterbury LMA	**57.6**	**41.7**	**-27.6%**
Bethlehem	11.4	5.2	- 54.7
Middlebury	18.1	14.0	- 22.4
Naugatuck	30.5	21.7	- 28.8
Prospect	15.0	9.9	- 34.5
Southbury	16.4	16.2	- 1.3
Thomaston	14.8	21.3	+ 43.5
Waterbury	92.4	68.2	- 26.2
Watertown	30.7	18.3	- 40.6
Wolcott	28.0	22.3	- 20.3
Woodbury	16.7	8.7	- 48.0
Statewide	**53.9**	**37.9**	**-29.7%**

CONNections:
Crime and the Economy

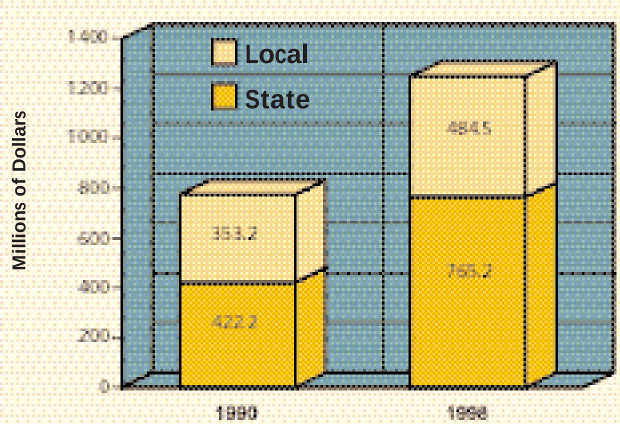
By Dennis R. Heffley and Corinne T. McCue

National debates on school and workplace violence; political battles over gun control; daily doses of Burden-of-Proof, COPS, and a host of prime-time legal dramas—an outsider might reasonably conclude that Americans are obsessed with crime and punishment. Perhaps so, but the fascination, fear, and preoccupation with crime come and go, driven by demographic patterns, sensational events and media coverage. And, as we'll see, public perceptions of crime may conflict with the facts. Yet, despite the ups and downs of crime and public reactions to it, crime and the legal system play ongoing and important roles in Connecticut's economy.

Law and Economics

In the early 1970s, following a turbulent decade of assassination and urban unrest, economists began to study the "economics of crime." This early research focused on causes of crime and deterrent effects of various punishments. By the 1980s, the broader field of "law and economics" had emerged, expanding the scope of research to include the role of legal institutions and the behavior of actors in the legal process—plaintiffs, defendants, lawyers, judges, and juries.

Connecticut Criminal Justice Costs On the Rise, 1990-1998



Source: Developed by *The Connecticut Economy* based on data from the Connecticut Office of Policy and Management and the Connecticut Policy and Economic Council.

Two key lessons of this research are that "legal institutions matter," directly influencing legal outcomes, and that such institutions shape economic behavior. Experiences of Eastern Europe's transitional economies in the 1990s reinforce these ideas. Shifts from a planned to a market economy have been hindered by the lack a legal system that clearly defines and enforces property rights—farming your own plot of land can be a hapless venture if boundaries are unclear or if an idle neighbor can poach your crop without penalty. Widespread corruption, black market trade, and tax evasion further reflect faults of the legal infrastructure. Many believe that legal reform should precede, or at least accompany, economic reform.

The link between performance of the legal system and economic behavior is vital, but a bit hidden. Crime influences the economy, and vice versa, in even more visible ways. For starters, crime imposes direct and indirect costs on its victims and society. Property crime redistributes assets in arbitrary ways, induces spending on private crime prevention—from car alarms to wrought-iron windows—and requires public spending to deter, prosecute, and jail offenders. Violent crime imposes monetary costs too, including lost earnings and medical care, but the psychological damages of violent crime may be even greater and much harder to measure. And what about the reverse link, the economy's impact on crime? High rates of unemployment and poverty spur illegal activities. And even certain economic policies, if seen as unfair or illegitimate, may produce crimes ranging from tax-evasion to ticket-scalping.

Costs of Connecticut Crime

New crime data (see p.6) will allow economists to better estimate the costs of crime, but even current information points to a significant reduction in the burden of crime in Connecticut. After peaking at 177,085 in 1990, total "index crimes" (4 violent and 3 property crimes reported by the FBI) fell to 123,988 in 1998—a 30% drop in crimes per thousand residents, from 53.9 to 37.9. A booming economy and lower unemployment rates help to explain the 29% drop in property crime (burglary, larceny, motor vehicle theft), from 48.3 to 34.2 per thousand. But, perhaps counter to public belief, violent crime (murder, forcible rape, robbery, aggravated assault) fell even more sharply— down a third since 1990, from 5.5 to 3.7 per thousand persons. Like Connecticut, both the New England region and the U.S. have enjoyed reductions in property, violent, and total index crime rates since the early 1990s.

The Connecticut economy incurs other crime-related costs that have not fallen, notably the costs of operating the criminal justice system. In 1998, local police services in the state's 169 towns cost more than $484 million dollars, or 6.6% of all local public spending in Connecticut, about the same percentage as in 1990. Additionally, state government spent $91 million for state police, $392 million for corrections facilities, and another $282 million for the judicial department, public defenders, prosecutors and special deputy sheriffs. The stacked bar graph shows that, in 1998, Connecticut state and local outlays summed to almost $1,250 million, or $382 per person. Comparable figures back in 1990 were about $775 million, or $236 per person. General inflation accounts for less than half of the 62% rise in per capita spending. The commitment of more resources, especially to corrections, may be partly responsible for the drop in crime noted earlier. But a robust economy and smaller share of the population in the 18-24 age group—down from 10.3% in 1990 to an estimated 8.6% in 1998—are also instrumental.

> *..in 1998, Connecticut state and local outlays [on criminal justice] summed to almost $1,250 million, or $382 per person.*

Economic Conditions Affect Crime

Crime clearly has economic consequences, but the economy also affects crime. Besides a stack of research documenting the influence of socioeconomic conditions on crime, common sense tells us that the economic environment affects the amount of crime. Connecticut is small, but economic conditions vary widely across its 169 towns—so do local crime rates. Our centerfold (pp.10-11) shows that the total index crime rate ranges from 5.2 per thousand residents in Bethlehem to 113.9 per thousand in New Haven. Much of this variation reflects differences in the property crime rate—from 3.9 in New Fairfield to 96.8 in New Haven—but the violent crime rate also ranges from zero in several small towns to 17.1 per thousand in New Haven.

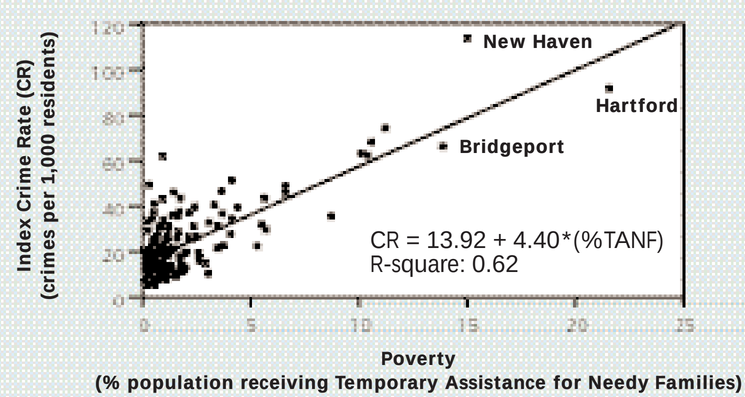
Our scatter diagram shows that this variation in crime rates is pretty closely linked to uneven economic conditions. High crime rates generally accompany high rates of poverty—measured here by the percent of the local population receiving Temporary Assistance for Needy Families (%TANF), the state's reformed welfare program. The slope of the fitted regression line indicates that each one percentage point rise in the poverty rate is typically associated with an extra 4.4 index crimes per thousand, and that differences in local poverty rates account for more than three-fifths of the variation in crime rates. The diagram also identifies Connecticut's three largest cities: Bridgeport, Hartford, and New Haven.

The Real Costs of Crime

Harvard economist Richard Freeman estimates that the total cost of crime in America averages about 4% of gross domestic product. Half reflects the direct cost of crime, some of which entails a redistribution of goods, and half involves the resources devoted to crime prevention and control. Two percent of Connecticut's 1998 gross state product amounts to $2.84 billion, or about $870 per person. Our earlier calculation of about $382 per person falls short of this figure but includes only state and local public expenditures. If we add federal (about $90 per person) and private expenditures on crime prevention and control to our $382, the $870 figure derived from Freeman's estimate looks plausible.

Despite impressive reductions in crime rates, we continue to spend substantial amounts to prevent, contain, and punish crime. Whatever the dollar estimates might be, the real costs of crime are lost opportunities—useful goods and services that might have been produced and consumed; activities foregone due to fear or insecurity; and the human resources wasted by crime and incarceration. What's more, the fact that economic conditions affect levels of crime ensures that these costs will continue to vary over time and across communities.

Poverty and Crime Go Hand-in-Hand in Connecticut's 169 Towns, 1998



Source: Developed by *The Connecticut Economy* based on data from the Connecticut Department of Public Safety, the Department of Community and Economic Development, and the Connecticut Policy and Economic Council.

The Regions: Growth Slows in the Second Quarter

By Edwin L. Caldwell

Half of the state's ten labor market areas posted decreases in nonfarm employment in the second quarter compared with the same period last year. In the previous quarter, only one region showed a decline from the previous year. Nevertheless, nonfarm employment in the state increased by 1.3% in this latest period. But the unemployment rate of six regions rose over last year. Only Danielson, Lower River, and New London posted lower rates while New Haven held steady. Housing permits granted in six of the regions fell, compared with the second quarter of 1998, as shown in the charts. The shortfalls were sufficient to drag the state total down slightly.

BRIDGEPORT

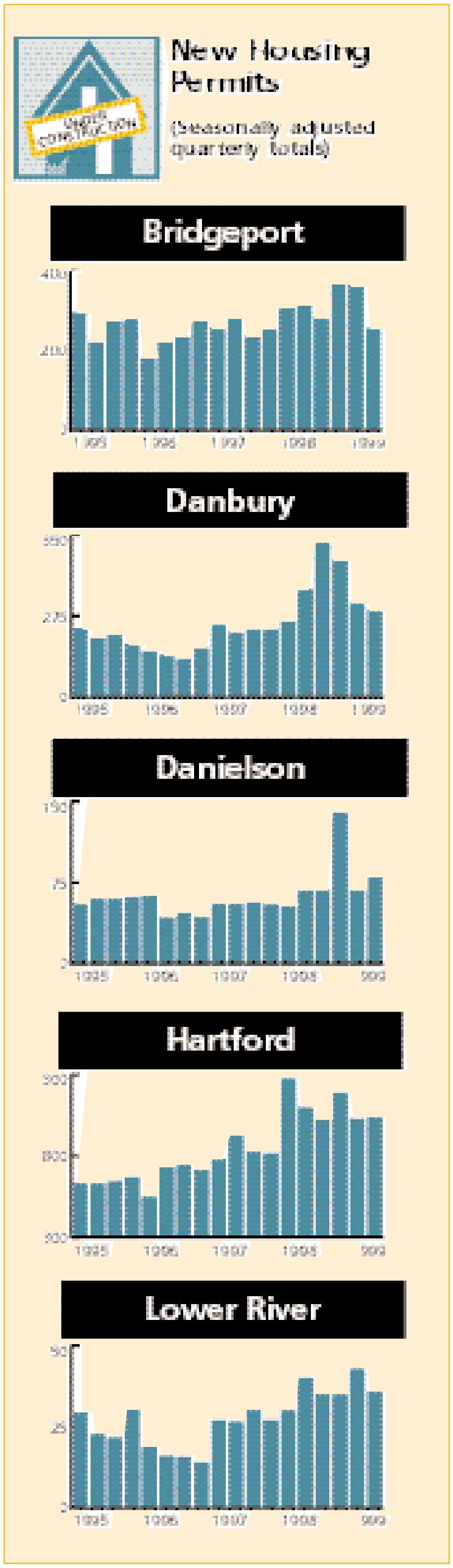
Bridgeport was one of the five regions to increase employment slightly over the past year. Construction, FIRE[1], the services, and government contributed to the increase. The other sectors posted small losses. The unemployment rate moved to 4.1% from 3.9% the year earlier. Bridgeport is tied with Danielson and Waterbury for the highest rates among the regions. Housing permits fell nearly 20% over the last year, as indicated in the chart. Weakness was widespread throughout this 13-town region, but Ansonia, Beacon Falls, and Milford showed some strength. A House Defense Subcommitte voted in mid-July to fund the purchase of 36 Black Hawk helicopters from Sikorsky Aircraft in the 2000 budget. Sikorsky needs to build that many each year to avoid cutbacks in its production lines.

DANBURY

Danbury lost 400 employees over the year, or 0.5%, due to a rather sharp drop in the manufacturing sector and a small decrease in government employment. The other sectors gained jobs, with a good increase in FIRE[1]. The unemployment rate moved from 2.2% in 1998-Q2 to 2.5% this year. But that still leaves it with one of the lowest rates among the regions. Housing permits were a drag, falling 24% from the second quarter last year.

DANIELSON

Danielson suffered the largest percentage drop in employment among the regions, 3% or 600 jobs. Large percentage decreases occurred in construction, manufacturing, and government. FIRE[1], trade, and TCU[2] held steady, while the services dropped moderately. The unemployment rate was 4.1% in this latest quarter. While lower than a year ago, this rate ranks with Bridgeport and Waterbury as the highest among the regions. But housing permits were a bright spot. They increased more than 22% over a year ago. Strength was spread among many of the 12 towns of the region, with Brooklyn and Thompson leading the pack.



HARTFORD

Hartford added 2,300 jobs between 1998-Q2 and 1999-Q2, a gain of 0.4%. The gain was spread among TCU[2], FIRE[1], the services, and government. The losses in the other sectors were rather small. The unemployment rate moved up from 3.3% a year ago to 3.4% this year, just above the state average rate of 3.3%. Housing permits, shown in the chart, fell nearly 6% in the second quarter compared with the same period last year. But 28 of the region's 58 towns posted gains in permits granted over the second quarter of last year. East Hampton, Hartford, Plymouth, and Vernon generated the most steam.

Much is happening on the retail scene in the region. Ames Department Stores, headquartered in Rocky Hill, is recruiting up to 700 employees to staff seven former Caldor stores it plans to open in several state regions in September. Buckland Hills in Manchester welcomes a new Ocean State Job Lot store and Hops Grill and Bar, which features beer brewed on the premises. Again in Rocky Hill, Wal-Mart Stores will start operations in the former Caldor outlet in Town Line Plaza. The Berlin Turnpike retail area in Newington is also active. Jo-Ann Fabrics and Crafts will open a new store in the vacant Lechmere building. Lowe's Home Improvement Warehouse recently opened a giant installation on the Turnpike. And Office Depot will open a store in the area in the fall to compete with nearby Office Max and Staples. It is undoubtedly a matter of local pride that Mystic Seaport Pale Ale is now being brewed in Willimantic by the Old Windham Brewery. It had been brewed for many years in Maine.

Apart from the retail scene, probably the most dramatic economic news of the quarter for the Hartford region was the announcement by Southwest Airlines that it will begin service out of Bradley International on October 31 with two gates and 12 daily flights. The Center for Economic Analysis at the University of Connecticut estimates the near-term effect of this operation will generate 2,300 new jobs and $92 million of economic activity.

Also in Windsor Locks, permits were granted for the completion of the 85-unit Dibble Hollow condominium complex. In nearby Windsor, Leipold Inc., an international manufacturer of precision brass and stainless steel components, is establishing its first U.S. manufacturing operation, creating 25 new jobs.

LOWER RIVER

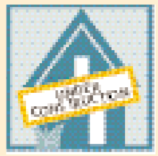
Jobs in Lower River remained the same in 1999-Q2 as in the same quarter a year ago—9,600. They increased in construction, TCU[2], and trade, held steady in FIRE[1], and fell in manufacturing, services, and government. Lower River's unemployment rate fell from 2.5% in 1998-Q2 to 2.4% this year to join Danielson and New London as the only regions to show a reduction over the year. The rate was only a hair higher than Stamford's 2.3%, the lowest in the state. Housing permits fell almost 6% from a year ago due to a rather sharp drop in Westbrook.

NEW HAVEN

New Haven added 2,500 jobs over the year for a gain of 1.0%. All sectors except government increased employment. Construction, TCU[2], and services set the pace. The unemployment rate remained unchanged from the second quarter of last year at 3.3%, the same as the state average. Housing permits rose 37% over 1998-Q2, second among the regions only to Torrington. Hamden granted permits for 130 new units in the second quarter this year, compared with 15 a year ago, and North Haven rose from 62 to 109 permits over the same period. An unexpected piece of good news was provided by SNET when it announced that it has 300 job openings. This was contrary to most predictions that many SNET jobs would move to Texas after the firm's merger with SBC. Wallingford-based Novametrix Medical Systems has expanded by acquiring Childrens Medical Ventures of South Weymouth, Massachusetts and will move that firm's manufacturing and accounting functions to Wallingford.

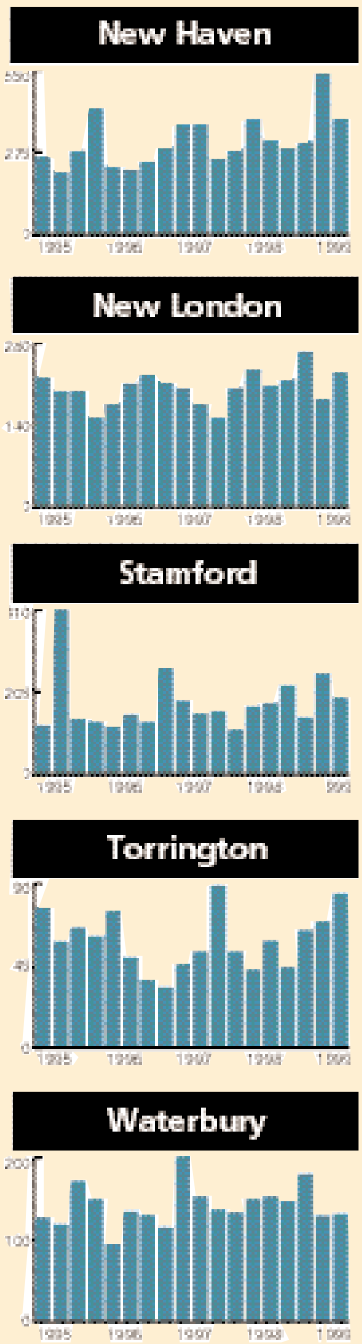
NEW LONDON

New London has the distinction of posting the highest rate of growth of employment among the regions over the past year—1.4% or 1,900 jobs. Construction was especially strong. Growth also occurred in TCU[2], trade, FIRE[1], services, and government. Only manufacturing registered a loss—200 jobs. The unemployment rate fell sharply to 3.3% from 3.9% a year ago. And housing permits added to the generally positive picture by increasing nearly 12% over a year ago. Groton and Stonington were the leaders. The Navy announced that it will spend $12.5 million to modernize most of the piers at the submarine base in Groton. The Navy also made available a "wish list" that includes building two more submarines than currently planned over the next five years, if it can find the money. The Mashantucket Pequots have announced that they have up to 400 job openings. They have instituted a new welfare-to-work program, known as Work Etc., which provides transportation, child care, and training for people who want to get off state assistance.



New Housing Permits

(Seasonally adjusted quarterly totals)



STAMFORD

Stamford lost 700 jobs over the year, dropping from 207,500 in 1998-Q2 to 206,800 in 1999-Q2. That was a 0.3% drop. Construction, manufacturing, TCU[2], trade, and government posted year-to-year losses while FIRE[1] added 600 jobs and services jumped 2,200. Stamford's tight labor market eased a bit over the year with the unemployment rate moving from 2.1% in 1998-Q2 to 2.3% a year later. New housing permits issued this year fell 3% below the second quarter of 1998. Norwalk was the only town to post a sizable gain in permits.

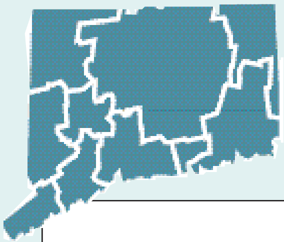
TORRINGTON

Torrington had a minimal loss of 100 jobs over the year—from 29,600 a year ago to 29,500 in 1999-Q2. TCU[2], trade, services, and government added jobs while construction, manufacturing and FIRE[1] contributed to the loss. The unemployment rate rose from 2.5% a year ago to 2.6% this year. As low as that is, Danbury, Lower River, and Stamford have lower rates. Torrington has the distinction of posting the largest percentage increase in new housing permits among the regions in 1999-Q2 over the same period last year—almost 51%. Most of that increase came from the towns of Goshen, Litchfield, and Torrington.

WATERBURY

Waterbury lost 600 jobs over the year, dropping from 87,000 in 1998-Q2 to 86,400 in the same period this year. Construction and trade were the only sectors to record advances. The other sectors posted very small losses. The unemployment rate moved up from 3.9% in 1998-Q2 to 4.1% in the same period this year. Waterbury ties Bridgeport and Danielson for the highest unemployment rate among the regions. Housing permits fell 13% over the year. But Bethlehem, Thomaston, and Wolcott reported small increases. To provide a little relief from these gloomy statistics, the Wild Strawberry Salon & Day Spa in Waterbury is spending $160,000 on the expansion of its facilities from 5,000 to 7,000 square feet

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-Q2 (000)	% Change Year Ago	1999-Q2 (000)	% Change Year Ago	1999-Q2 (000)	% Change Year Ago
Bridgeport	220.7	1.3	187.6	0.1	38.2	-2.5
Danbury	110.4	0.5	88.2	-0.5	18.8	-5.4
Danielson	32.6	-0.7	20.2	-3.0	5.6	-4.0
Hartford	588.1	1.5	608.4	0.4	95.2	-0.7
Lower River	12.4	1.9	9.6	0.3	2.9	-1.1
New Haven-Meriden	276.3	2.3	257.4	1.0	40.4	0.9
New London-Norwich	154.0	1.9	139.7	1.4	24.1	-0.7
Stamford	195.3	0.9	206.8	-0.3	26.6	-4.2
Torrington	39.4	0.3	29.5	-0.3	6.0	-3.8
Waterbury	116.5	0.7	86.4	-0.7	18.7	-1.6
Statewide	1729.6	1.4	1669.1	1.3	275.7	-1.4

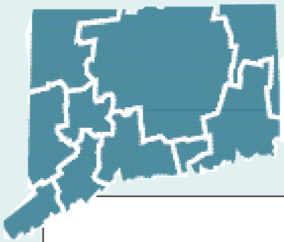
Labor Market Area	Construction Jobs		Trade Jobs		FIRE* Jobs	
	1999-Q2 (000)	% Change Year Ago	1999-Q2 (000)	% Change Year Ago	1999-Q2 (000)	% Change Year Ago
Bridgeport	6.8	5.2	41.4	-0.9	10.7	1.9
Danbury	3.9	1.7	22.0	0.5	5.0	6.4
Danielson	0.8	-11.1	5.0	0.0	0.6	0.0
Hartford	20.1	-0.5	123.5	-0.2	70.2	0.1
Lower River	0.5	25.0	2.1	1.6	0.3	0.0
New Haven-Meriden	10.0	1.7	54.3	0.4	13.7	0.5
New London-Norwich	4.8	2.8	27.8	0.4	3.8	4.5
Stamford	5.9	-1.7	43.0	-2.9	25.5	2.1
Torrington	2.0	-9.1	6.6	2.6	0.8	-4.0
Waterbury	3.5	2.9	18.0	0.4	3.6	-1.8
Statewide	62.1	3.8	357.0	0.6	139.0	3.2

* Finance, Insurance & Real Estate

Labor Market Area	Service Jobs		Government Jobs		TCU* Jobs	
	1999-Q2 (000)	% Change Year Ago	1999-Q2 (000)	% Change Year Ago	1999-Q2 (000)	% Change Year Ago
Bridgeport	61.9	1.6	21.6	0.5	7.0	-2.3
Danbury	25.6	0.7	10.2	-0.6	2.8	1.2
Danielson	4.7	-1.4	3.0	-7.2	0.5	0.0
Hartford	177.0	0.3	95.6	2.5	26.9	1.5
Lower River	2.6	-1.3	0.8	-7.7	0.4	9.1
New Haven-Meriden	91.5	1.9	30.8	-0.9	16.8	2.2
New London-Norwich	36.1	1.9	36.2	2.7	6.9	1.5
Stamford	78.0	3.0	17.8	-1.5	10.0	-6.2
Torrington	9.9	0.3	3.4	2.0	0.9	12.5
Waterbury	26.8	-0.7	12.1	-1.6	3.7	-0.9
Statewide	526.5	2.5	232.8	1.9	76.1	-0.2

*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.



Labor Market Data

Labor Market Area	Number Unemployed		Unemployment Rate (%)		Initial Unemployment Claims	
	1999-Q2 (000)	% Change Year Ago	1999-Q2	1998-Q2	1999-Q2	% Change Year Ago
Bridgeport	9.1	7.9	4.1	3.9	1323	6.2
Danbury	2.7	10.8	2.5	2.2	283	-31.6
Danielson	1.3	-16.7	4.1	4.9	241	11.4
Hartford	19.9	2.6	3.4	3.3	3,388	1.8
Lower River	0.3	0.0	2.4	2.5	*	*
New Haven-Meriden	9.1	3.4	3.3	3.3	1,211	-3.0
New London-Norwich	5.1	-14.1	3.3	3.9	709	-4.2
Stamford	4.4	7.3	2.3	2.1	565	-32.0
Torrington	1.0	6.9	2.6	2.5	424	61.3
Waterbury	4.8	5.8	4.1	3.9	714	18.0
Statewide	57.6	2.6	3.3	3.3	8,857	4.0

* Lower River included in Hartford LMA.

Labor Market Area	Average Weekly Earnings		Average Weekly Hours		Average Hourly Earnings	
	1999-Q2	% Change Year Ago	1999-Q2	% Change Year Ago	1999-Q2	% Change Year Ago
Bridgeport	$633.92	-0.8	41.4	-1.5	$15.30	0.8
Danbury	617.19	-3.3	41.5	-3.5	14.86	0.2
Danielson	501.78	7.8	41.2	2.2	12.17	5.4
Hartford	688.97	4.5	42.8	0.3	16.11	4.2
Lower River	559.70	5.8	42.0	3.0	13.34	2.7
New Haven-Meriden	629.84	3.0	42.6	1.4	14.80	1.5
New London-Norwich	667.66	4.5	42.4	1.8	15.75	2.7
Stamford	536.11	-1.7	39.4	-1.6	13.61	-0.1
Torrington	573.84	4.2	41.9	-1.3	13.71	5.5
Waterbury	629.93	4.6	44.1	2.2	14.27	2.3
Statewide	$646.2	2.3	42.5	-0.7	$15.22	3.0

Labor Market Area	State Job Service Postings		Housing Prices*		Housing Permits	
	1999-Q2	% Change Year Ago	1999-Q2 (000)	% Change Year Ago	1999-Q2	% Change Year Ago
Bridgeport	1,177	3.8	210.6	7.4	277	-19.0
Danbury	420	-28.9	279.0	7.8	319	-23.5
Danielson	256	35.4	★	★	99	22.2
Hartford	4,166	-35.0	128.9	5.5	1189	-5.6
Lower River	F	F	★	★	49	-5.8
New Haven-Meriden	1,927	39.3	131.9	9.1	522	37.4
New London-Norwich	868	51.0	149.3	-1.7	249	12.2
Stamford	720	72.2	510.6	7.0	171	-3.4
Torrington	384	-0.3	110.8	8.2	107	50.7
Waterbury	1,374	20.5	164.3	9.5	160	-13.0
Statewide	11,383	-7.9	$210.4	6.9	3142	-1.3

* Current period's housing prices are a four-quarter moving average of the selling price of a typical home.

F 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.

Connecticut's FIREd Up!

Just-released figures from the U.S. Commerce Department estimate our gross state product at $134.6 billion in 1997, up an inflation-adjusted 5.3%. Growth nationally averaged 4.3%. Connecticut ranked among the top ten fastest growing states, quite a feat given our flat population.

Finance, insurance, and real estate accounted for a third of Connecticut's growth in 1997. Manufacturing and services tied for second in importance—each accounting for one-fifth of state growth.

Let's take a longer view: In 1990, manufacturing contributed 21.3% to Connecticut's gross state product (GSP). In the nation, manufacturing was less important, contributing 19.0% to GSP. But by 1997, Connecticut manufacturing slipped to 16.7% of total output, falling below the national average of 17.0%. Thus, we should no longer think of Connecticut as a manufacturing state.

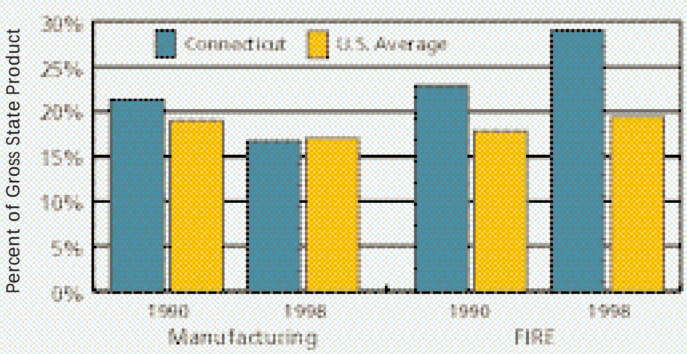
Does the decline of manufacturing spell trouble for Connecticut? Not necessarily. Picking up the slack, and then some, has been finance, insurance, and real estate, or FIRE, which climbed in Connecticut from 22.9% of GSP in 1990 to 29.0% in 1997. Nationally, FIRE also increased but by much less—from 17.8% in 1990 to 19.4% in 1997 (the accompanying bar chart summarizes these developments).

For years, conventional wisdom held that a state's fortunes were tied directly to its manufacturing base. Observers lament the loss of manufacturing jobs and rue the growth of service jobs, typically dismissed as "hamburger flipping."

If manufacturing is so critical to economic progress, then the extent of manufacturing in a state should predict success, as measured, say, by per capita income. In 1997, manufacturing's share of GSP was highest in Indiana, Wisconsin, and Kentucky, states that ranked 29th, 22nd, and 39th, respectively, in terms of per capita income—certainly not an impressive performance.

So how does finance, insurance, and real estate stack up using that criterion? As a percent of GSP in 1997, FIRE was highest in Delaware, New York, and Connecticut, states that ranked sixth, fourth, and first, respectively, in terms of per capita income. Thus, the top three FIRE states averaged fourth in per capita income but the top three manufacturing states averaged a mere 30th in the nation.

For Connecticut More Than Nation, GSP Gains in FIRE Outweigh Losses in Manufacturing



Source: Developed by *The Connecticut Economy* based on estimates from the U.S. Commerce Department. as published in *Survey of Current*

The *Courant* 100

Each June, the *Hartford Courant* identifies the 100 largest corporations headquartered in Connecticut based on total revenue. Fairfield-based General Electric topped the 1999 list with about $100 billion in revenue. Of the top ten firms, half came from Fairfield County and half from the Hartford area. Among the second ten, eight came from Fairfield County and two from the Hartford area. And among the third ten, nine were from Fairfield County and only one from the Hartford area.

So 22 of the top 30 firms were headquartered in Fairfield County and eight were in the Hartford region. You must drop to 49th to find a firm from east of the Connecticut River—United Natural Foods of Killingly. Only three other east-of-the-river firms made the list.

Among the top 50 firms on the 1998 list, 16 either disappeared from the 1999 list altogether or will soon depart, a 32% dropout rate in little more than a year. Nine were acquired, five consolidated headquarters out of state, two merged into one state firm, and one—Caldor—went bankrupt.

Consider the three most recently announced departures: Dow component Union Carbide, which ranked 10th on the 1999 list, will be acquired by Dow Chemical, headquartered in Michigan. World Color Press of Greenwich, which ranked 19th on the 1999 list, will be acquired by Quebecor Printing of Montreal. And Orion Capital of Farmington, ranked 26th in 1999, will be acquired by Royal & Sun Alliance of London.

Information about the revenue of state-based corporations offers some insight into Connecticut's role in the wider economy. More relevant still would be corporate rankings based on Connecticut employment. The number of jobs a company creates in the state is more important than whether or not its corporate headquarters happen to be located here. For example, because Citigroup is headquartered in New York, it didn't make the *Courant* list, but its 8,200 jobs in Connecticut top that of GE as well as most other firms on the *Courant* list. Unfortunately, information about company jobs by state is not as readily available as data on world-wide corporate revenue.

Orient Express

I spent part of May and all of June traveling in Asia, visiting a half-dozen cities in Japan, China, and Taiwan. This doesn't make me an expert, but sometimes an outsider can see things an old hand may miss. Here are some observations:

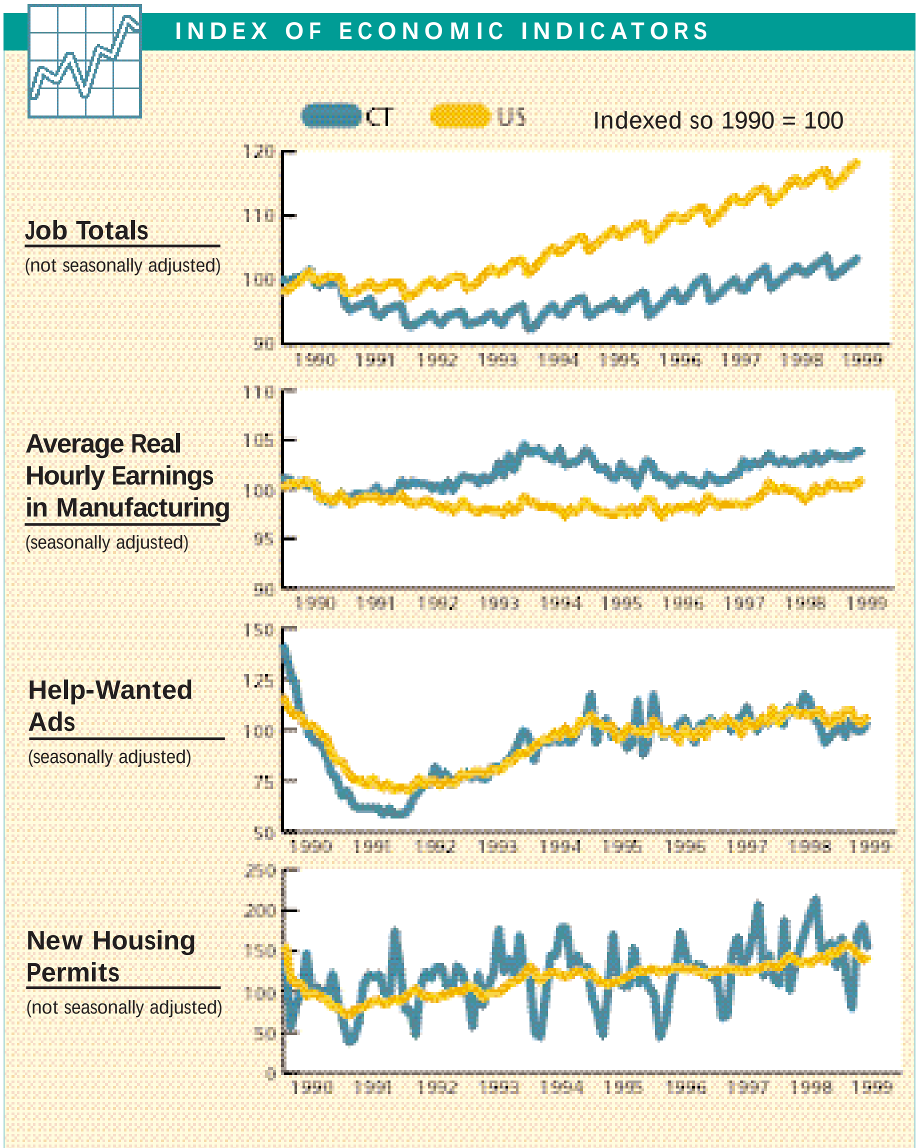
Seeing Red: I visited a stock exchange in Shanghai and watched hundreds of investors track their holdings on the big board. There were as many women as men, as many young as old. A huge color display tracked the ups and downs of the Shanghai composite index, with increases expressed in red and decreases in green (the opposite of everywhere else in the world). Red is the official color of China—the dominant color of the flag and of official sites such as the Forbidden City. Red is also considered a lucky color, and luck seems particularly important to many people in Asia—the land of *feng shui* and fortune cookies. As the trading day closed, the atmosphere at the exchange was similar to that at a race track, as horses come down the stretch. There are now over 40 million stockholders in China, with 10,000 new accounts added each day, according to the *China Daily*.

Law and Order in Japan: Japan is extremely orderly. In Tokyo and Kyoto, I noticed no litter on the streets or sidewalks, even though trash cans were scarce. Pedestrians waited patiently at crosswalks for the "walk" sign to appear even when there was no traffic. The automobile theft rate in Japan is only one-twentieth the U.S. rate. Even parking tickets are serious business in Tokyo: a parking fine amounts to $250, but that's not the worst of it. Each violation costs two points on a driver's license. The license is revoked when 15 points are accumulated.

Space, the Final Frontier: The sidewalks of Shanghai are obstacle courses. First, sidewalks serve as parking lots for that city's eight million bicycles. Parked across the sidewalk, bikes fill two thirds of the path. Second, on a rainy day, umbrellas shrink the space even more. Since an open umbrella takes about three times as much space as the person under it, walking on a rainy day becomes a nerve-wracking and dangerous exercise. Ditto for the sidewalks of Taipei, but there, motor scooters are the culprits.

Sticker Shock: Land prices in densely packed Hong Kong are incredible. A half acre of residential land on tony Victoria Peak sold for $34 million in June (the ultimate status symbol in Hong Kong is a lawn mower). A permanent parking space in the city can cost $200,000, which helps explain why few drive to work.

How's That, Again? Many public signs throughout Asia also offer English translations, though the results were sometimes amusing. A road sign in Hong Kong read: "Beware of Children." A sign at the Imperial Winter Palace in Kyoto, Japan, read: "Tours for individuals and groupsiduals." And a sign posted outside a small, glassed-in room at Beijing Airport read: "Smoking Room, Mother and Baby." Go figure.



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 increased 1.4% in the second 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	7.6%
Occupancy Rate	P	2.3%
Attendance	P	3.3%
Traffic	H	3.7%
Overall	H	1.4%

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

Current Jury Selection Wastes Time and Money

By John M. Bailey
Chief State's Attorney

The administration of justice is not just another business deal, but the highest function of government. As Supreme Court Justice Learned Hand observed, "There must be one commandment of democracy: Thou shalt not ration justice." With that ideal in mind, we must examine our state's criminal justice system for ways in which to achieve the highest and best use of available time, money, facilities and staff.

Connecticut's present method of jury selection wastes precious resources and is long overdue for reform. In our state, juries are assembled through the process of individual *voir dire*, which gives parties the right to question potential jurors individually and outside the presence of other prospective jurors. The procedure is inherently slow and repetitious. Potential jurors can spend hours waiting to be summoned to the courtroom. The parties' lawyers repeat essentially the same set of questions to each potential juror, while the judge remains mostly a passive observer. Consequently, the *voir dire* process can consume the bulk of the time and resources devoted to each trial. Jury selection in a serious felony case can take weeks or even months.

Individual *voir dire* is a unique Connecticut phenomenon, provided for in our state's constitution and statutes. No other state uses it, nor does the federal government, or for that matter, any other system in the world. In other courts, potential jurors are questioned as a group, and juries are usually selected in less than a day.

Because it costs as much as $5,000 per day to operate a single courtroom, individual *voir dire* requires a substantial expenditure of taxpayer dollars. Courtrooms, judges, prosecutors and defense lawyers involved in lengthy *voir dire* are obviously unavailable for other trials, which means that less business is done. And criminal cases are not like fine wines—they don't improve with age.

The wasteful effect is not limited to our courthouses. Individual jury selection imposes an unreasonable cost on businesses that continue to pay the salaries of employees who are called for jury duty. Employers are also inconvenienced by the loss of their employees' services, who may spend their entire day waiting for individual questioning. Citizens subjected to this experience may lose confidence in the administration of justice or develop negative perceptions of our courts.

Why Connecticut persists in its adherence to this costly system is a mystery. Perhaps it's because change requires a constitutional amendment. But neither society's interests nor a defendant's right to a fair trial before an impartial jury are protected by this protracted selection process. No one claims that justice is better served in Hartford's state courthouse at 101 Lafayette Street than in the federal courthouse over at 450 Main, where jury selection takes hours, not days. There is no evidence that Connecticut's individual *voir dire* is more effective than other states' selection procedures in weeding out biased, prejudiced, or incompetent individuals from the jury pool. "It's the way it's always been done" is a poor excuse for perpetuating this pointless and expensive indulgence.

I believe that a more streamlined jury selection procedure will yield a swifter resolution of cases without detracting from the fairness that is essential to any system of justice. The anticipated savings and more efficient use of resources should prompt the business community to join in the call for this overdue reform.

❑ 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 ________________

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

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.

Printed on recycled paper using soy-based ink.