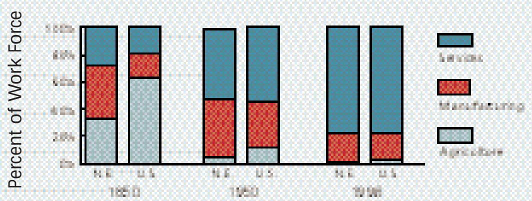
New England Check-Up

The Long View

In the 19th century, agriculture was the primary industry, manufacturing the secondary, and services the tertiary. In 1850, well over half, 63%, of the U.S. work force was in agriculture, growing enough food to feed the nation. Remaining workers split between manufacturing with 18%, and services with 19%. In New England, only 34% of the work force in 1850 was in agriculture, with 38% in manufacturing and 28% in services. So manufacturing's share was twice as large in New England as in the nation. Because water power was the primary energy source used in manufacturing, New England's many rivers, streams, and waterfalls offered the region a comparative advantage, while rocky soil put agriculture here at a disadvantage.

The chart below shows the distribution of labor between 1850 and 1998, dividing the work force into: (1) agriculture, which also includes forestry and fishing; (2) manufacturing, which also includes construction and mining; and (3) services, which includes everything else. As the economy developed, two forces increased the demand for service workers. First, rising productivity in both agriculture and manufacturing stimulated demand for transportation, communication, financial services, wholesale and retail trade, and the other business services needed to support a growing economy. Second, the higher personal income that resulted from enhanced productivity stimulated the demand for dentists, lawyers, entertainers, cooks, and others workers in services. Historically, those nations with the highest income per capita also had the highest share of workers in the service occupations. Thus, as far back as 1850, New England led the nation in economic development.

Work Force Share in New England and U.S. in 1850, 1950, and 1998



Based on estimates for 1850 and 1950 from *The Economic State of New England*, Committee of New England (Yale University Press, 1954); figures for 1998 are from U.S. Labor Dept. and staff estimates.

Employment Shares Converge

Between 1850 and 1950, agriculture's share of U.S. employment dropped from 63% to 12%; in New England the share plunged from 34% to 4%. The relative share of manufacturing employment nearly doubled nationally from 18% in 1850 to 34% in 1950. Manufacturing expanded in New England, but more modestly from 38% to 44%. The service sector in the nation more than doubled as a share of employment from 19% to 54%; in New England it nearly doubled from 28% to 52%. Service growth occurred primarily in trade, financial, and professional services. By 1998, U.S. employment consisted of 3% in agriculture, 19% in manufacturing, and 78% in services. New England's distribution was 2% in agriculture, 20% in manufacturing, and 78% in services.

Though not shown in the bar chart, Connecticut's employment distribution in 1950 was 3% in agriculture, 49% in manufacturing, and 48% in services. By 1998 Connecticut's distribution converged further toward the U.S. and New England distributions, with 1% in agriculture, 21% in manufacturing, and 78% in services.

New England Income Differences

The nation is divided into eight census regions. New England led the nation in per capita income in 1997, 20.0% above average. Connecticut was the top state, exceeding the national average by 42.2%, one of the largest leads any state ever had. At the same time, Maine ranked 36th nationally at 13.7% below the national average. Vermont ranked 30th nationally at 8.6% below the national average. Put another way, Connecticut's per capita income was 55.0% above Vermont's average and 64.2% above Maine's average. The income disparity among New England states was the greatest of any census region in the country.

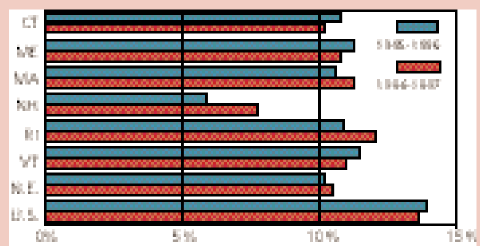
New England's per capita income in 1950 was only 6.7% above the national average, ranking the region fourth highest among the census regions. Connecticut's per capita income was 23.2% above the national average, fifth highest in the nation. Was per capita income more evenly distributed among the New England states back then? Not really. Connecticut's per capita income was 59.4% above that of the poorest New England state, Vermont, and 54.3% above the second poorest state, Maine. Vermont and Maine ranked 40th and 37th in the nation. The income disparity among New England states was the greatest among the eight census regions in 1950.

Although New England states are often viewed as relatively homogeneous, cross-state income differences have been, and still are, greater in New England than any other part of the country. The difference in per capita income between Connecticut and Maine in 1997 was comparable to the difference between New Jersey and Arkansas or between New York and Mississippi.

Comparing Poverty Rates

Although Connecticut has high per capita income, the state still has its share of poverty. The chart below compares recent poverty rates for Connecticut, other New England states, and the nation. Because state samples are small, the Census Bureau reports a two-year moving average. In 1996-1997, an estimated 10.1% of Connecticut's population was in poverty, down slightly from 10.7% in 1995-1996, lowering the number in poverty by about 20,000 people. Connecticut's rate was second lowest among New England states. New Hampshire had the lowest poverty rate in New England and in the nation. The national average was 13.5% in 1996-1997, down a bit from 13.8% in 1995-1996.

Poverty Rates in New England



Percent in Poverty

Developed by *The Connecticut Economy* based on estimates of poverty rates published in *Poverty in the United States: 1997*, Current Pop. Reports P60-201 (September 1998), U.S. Bureau of Census.

Two States Dominate New England

Few realize how much Connecticut and Massachusetts dominate New England's economy. Connecticut accounts for 24.4% of New England's population, 24.2% of the labor force, and 28.9% of its personal income. Massachusetts accounts for 45.7% of New England's population, 45.8% of the labor force, and 46.9% of the personal income. The two states combined make up 70.1% of the population, 70.0% of the labor force, and 75.8% of the personal income.

The four other New England states together account for only 29.9% of the population, 30.0% of the labor force, and 24.2% of the personal income. Connecticut's population falls below the combined populations of Maine, New Hampshire, Rhode Island, and Vermont, but its total personal income exceeds by one fifth the total for those four states.

Job and Labor Force Growth

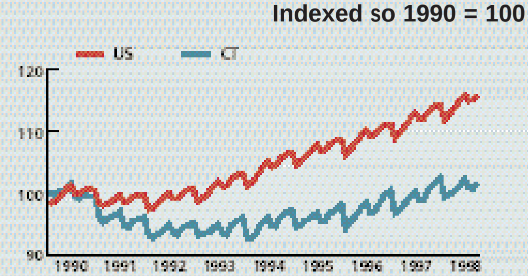
Recent issues of *The Connecticut Economy* have underscored problems that a flat labor force create for continued job growth. The chart below compares Connecticut's job growth and labor force growth with other New England states and with the U.S. average. Between 1995 and the middle of 1998, jobs in Connecticut grew a total of 5.4% but the labor force grew only 0.4%. For New England, jobs grew 6.4% and the labor force 2.2%. Connecticut ranked third among New England states in job growth and last in labor force growth. Massachusetts experienced the highest job growth and Vermont, the highest labor force growth. National job growth was 7.3%; labor force growth was 3.9%. Hence, for Connecticut, New England, and the nation, the growth rate in jobs exceeded the growth rate in the labor force, though the difference was greatest in Connecticut.

Growth Rate in Jobs and Labor Force Between 1995 and 1998

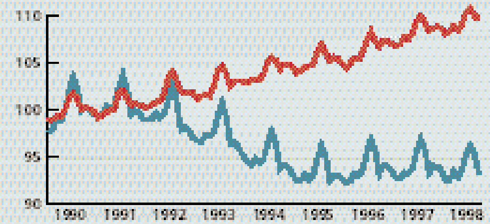
Developed by *The Connecticut Economy* based on U.S. Bureau of Labor Statistics estimates published in *New England Economic Indicators*.

ECONOMIC SCORECARD

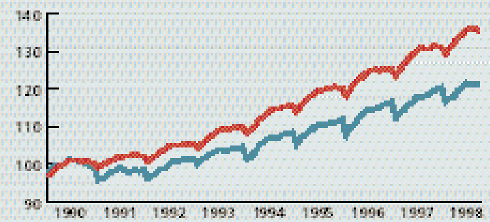
Job Totals
(not seasonally adjusted)



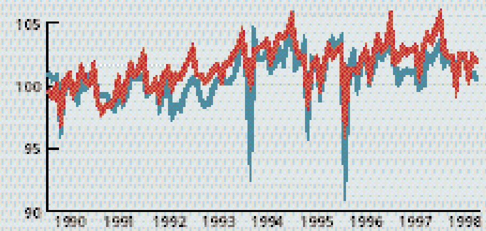
Labor Force
(not seasonally adjusted)



Service Jobs
(not seasonally adjusted)



Weekly Manufacturing Hours
(not seasonally adjusted)



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Connecticut Travel and Tourism Index

The overall index increased 8.6% in the third 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	16.1%
Occupancy Rate	H	0.9%
Attendance	H	16.1%
Traffic	H	2.6%
Overall	H	8.8%

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University of Connecticut
THE CONNECTICUT **Economy**
A University of Connecticut Quarterly Review

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