Connecticut’s Shell Game: A Tortoise With Attitude?

BY DENNIS HEFFLEY

As Chicken Little might have told it, the sky over Connecticut is falling. Our population hardly budged, 1990 to 2000, rising by only 3.6%, compared with 13.2% nationally, 19.7% in the western U.S., and Nevada’s eye-popping 66.3%. Worse, young adults aged 25-34 actually declined by 132,000+, from 584,000 (17.8%) in 1990 to 452,000 (13.3%) in 2000. And job growth?! Connecticut non-farm payrolls are today still 0.7% below their peak in 1989.

Yet for all the doom and gloom, Connecticut still leads the U.S. in per capita personal income ($47,819 in 2005), and the state ranks second in gross state product per capita ($53,102 in 2004). So Connecticut’s economy may not be moving very fast, but it can still boast pretty good results. Is the “Tortoise and the Hare” a better official state fairy tale than “Chicken Little”?

STEPPING BACK

Amid the constant blur of the latest economic data, taking a longer view may afford a clearer perspective. Clarity may also be gained from breaking down Connecticut’s overall performance into smaller geographic units. For instance, not all of the state’s counties have “suffered” equally over the years. Some, in fact, have done exceedingly well.

Take wage and salary payments per employee, call them “W”, available from the U.S. Bureau of Economic Analysis or BEA (www.bea.gov). The first diagram traces an index of W from 1969 (= 1.0) through 2004, for the U.S., Connecticut, and two of the state’s eight counties. The state clearly outpaced the U.S., with an annual average increase half a percentage point higher (5.7% vs. 5.2%). Compounding half a point per year over 35 years gives a 19% larger final outcome. Hartford, along with Middlesex, New London and New Haven Counties all did a bit better than the nation as a whole, but Fairfield County, with a 9-fold increase, for an average yearly rise of 6.5%, was in a class by itself. Compounding the 1.3-point Fairfield County-U.S. differential for 35 years yields a 57% larger final result. Not for nothing is the county known as the “Gold Coast”.

Wages and salaries maybe important to workers, but legislators (and many of their constituents) often pay more attention to job growth. The second diagram shows that, in 1969-2004, Connecticut fared rather poorly in “total wage and salary employment” (E). Tolland and Middlesex were the only Connecticut counties to outpace the U.S. But they are small counties,
and so could not overcome lackluster job performance by their larger brethren. Even Fairfield County—land of economic milk and honey by the W-Index, and a major corporate center—barely nosed out Connecticut as a whole in 2004, and both were well below the U.S. The 0.7-point differential between Connecticut’s average yearly increase of 0.9% and the national figure of 1.6%, when compounded for 35 years, cumulates to 28% greater job growth nationally than in the Nutmeg State.

Our local obsession with job growth of late is rooted in the Big Slowdown, which succeeded the Great Recession of 1989-1993. True, average annual job growth slowed across the nation, from 1.7% in 1979-1990, to 1.5% in 1990-2001. But in Connecticut it screeched to a near-halt: 0.2% a year in 1990-2001, down from 1.4% in 1979-1990. Even Tolland and Middlesex Counties were not immune: their yearly growth rates sank below 1.0% during the 1990s, from 2.5 to 3.0% in the 1980s.

The second diagram also shows interesting changes in “E” for New London County. After more or less tracking the state into the early 1990s, employment growth in the county perked up noticeably in 1993. The upturn coincided with the opening of the Foxwoods Resort Casino, followed in 1996 by that of Mohegan Sun. The 2001 Recession appears to have cooled the casinos’ growth; one imponderable going forward is whether their growth will resume to help offset the impending downsizing of Electric Boat’s submarine maintenance-and-repair work in Groton.

A FULLER MEASURE

A variable such as personal income per capita (“I” for short) combines the effects of both earnings and employment. Again setting the index value for 1969 equal to 1.0, the I-index for Connecticut as a whole stood at 9.37 in 2004. That placed us only 20th in the rate of growth over the 35-year period—but well above some of those much-vaunted western states commonly regarded as “economic leaders,” such as Washington (34th at 8.58), Oregon (38th at 8.34), Arizona (41st at 8.24), California (46th at 7.78), and Nevada (48th at 7.49).

Among Connecticut counties, Fairfield led the way with a 2004 I-index of 10.76, followed closely by New London County at 9.77, just above the statewide figure. The latter showing may surprise some readers, given the much-publicized job losses at Electric Boat. Again, though, we are likely seeing the direct and indirect effects of gaming—the region’s new jobs generator.

THREE CONNECTICUTS?

For years, Nutmeggers have talked about two Connecticuts: Fairfield County and the rest of the state. The behavior of the W-index supports this traditional view.

The E- and I-indexes, however, may suggest that in future we should distinguish three Connecticuts—Fairfield County, New London County, and the rest of the state. To be sure, New London still ranks only sixth among the eight counties in the absolute level of per capita personal income ($37,801 in 2004). But in light of its more recent path, plus expansion plans at the two casinos and the prospect of a Utopia theme park/movie studio complex smack dab between them, New London County may enable the wily old tortoise to stay ahead of its jackrabbit rivals for some years to come.

Source: Developed by The Connecticut Economy, based on data from the Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce.