

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.

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.

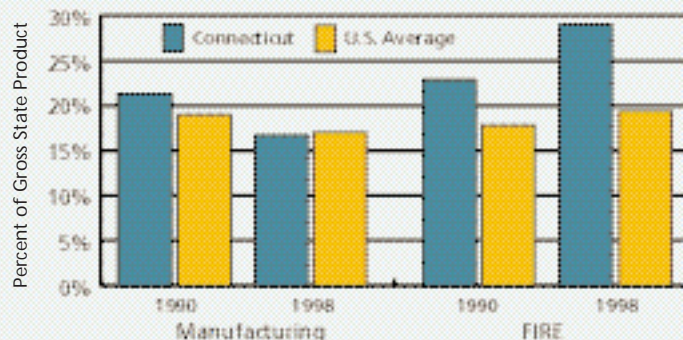
Orient Express

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

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*

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.

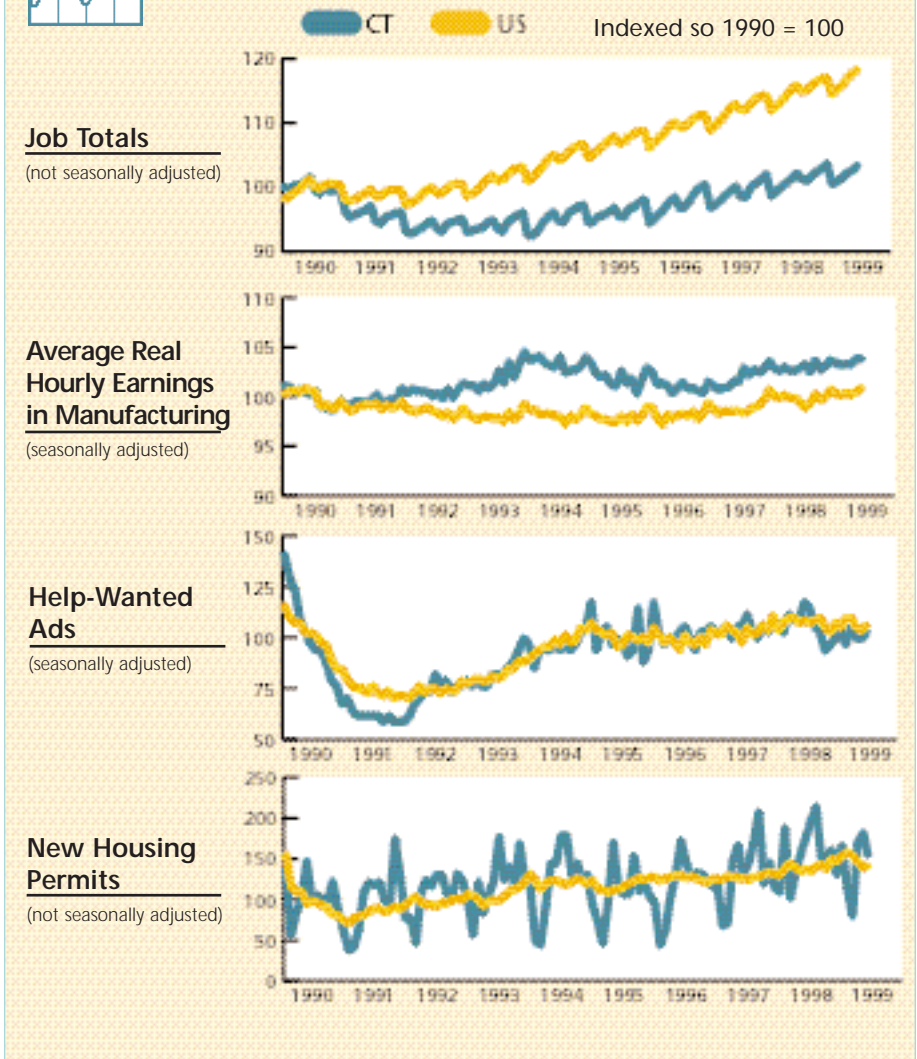
Space, the Final Frontier: The sidewalks of Shanghai are obstacle courses. First, sidewalks serve as parking lots for that city's eight million bicycles. Parked across the sidewalk, bikes fill two thirds of the path. Second, on a rainy day, umbrellas shrink the space even more. Since an open umbrella 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.



INDEX OF ECONOMIC INDICATORS



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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%

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