

DEVELOPMENTS *New England*

New England Developments

Policy Issues Shaping the Regional Economy

Fall 2000

Regional Cooperation “Breaks Out” in New England

by Douglas G. Fisher
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Quietly but notably, New England is entering the 21st Century with a new willingness to embrace interstate cooperation to achieve economic development success. This is news—news of the “man bites dog” variety—for no part of the country takes greater pride in its fierce local traditions.

Discover New England, a six-state consortium funded by tourism dollars, led the way when it organized in 1992 for the purpose of promoting the region to prospective travelers from the United Kingdom and Germany. In 1999, international trade representatives from the six states organized a groundbreaking joint trade mission to Germany to advance New England business opportunities. (This group is currently planning joint trade missions to Europe and South Africa.) Earlier this year business recruitment officials from the region cooperated to pitch New England as a business location to corporate real estate executives and national site selection consultants at the IDRC World Congress in New York.

In 1996, the regional economic development organization that serves southeast Connecticut began working with Westerly, Rhode Island, to promote their joint interests. The Southeast Connecticut Economic Region (SECTER) was the first in Connecticut to deliberately skirt the political border between the states. Meanwhile, the northeastern

Connecticut Council of Governments and the Dudley/Webster, Mass., area, just north of the state line, have recently decided to pool their resources to launch a large-scale interpretive tourist center, complete with a viewing tower and nature trails, just off Interstate 395. Taking the lead on the project is the Quinebaug-Shetucket Heritage Corridor, which, with new federal aid, is set to expand to serve towns in both states.

Hartford, Springfield Metros Sign Cooperative Compact

On September 22, perhaps the highest-profile example of this new trend of regional cooperation officially launched with the announcement of the Hartford-Springfield Economic Partnership (HSEP), a group dedicated to increasing cooperative efforts between the four counties that comprise these two metropolitan areas. The initiative won the enthusiastic support of Massachusetts Gov. Paul Cellucci and Connecticut Gov. John Rowland, who announced the partnership with regional economic development, planning, chamber and higher education officials at The Eastern States Exposition, appropriately, during New England’s annual agricultural fair.

The Hartford-Springfield collaboration plans to advance projects with interstate implications and further the economic progress of the region by capitalizing on historic north-south economic, natural and cultural ties. For marketing purposes, the partnership is calling the region, *New England’s Knowledge*

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Saving Our Industrial Base

Area lawmakers continue to demonstrate, in words and deeds, the importance of manufacturing to the regional economy. A consensus seems to have formed that New England must remain a viable manufacturing location and, moreover, that this goal is achievable with attention by legislators to the cost structure and labor force needs of the industry, even in states like Massachusetts and Connecticut, where manufacturing employment has plummeted over the past two decades.

In Connecticut, the 2000 General Assembly approved, at the governor’s behest, a measure extending single-factor apportionment (based on sales) for corporation taxes to manufacturers in order to reduce their tax bills and make them more competitive. A similar measure enacted in Massachusetts in 1995 and phased in over five years has been credited with preserving the industrial base by the president of the Bay State’s leading business association.

However, only in New Hampshire does the manufacturing share of gross state product markedly exceed the national average of 16.4%. Vermont’s manufacturing share remains above average and Connecticut’s is right at the average, but in Maine, Rhode Island and Massachusetts the share has dipped below average. The policy question remains: Can New England manufacturers (at least outside of New Hampshire) continue to compete with firms in lower cost states and especially in developing countries, and, if so, will tax

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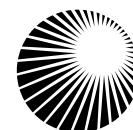
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Corridor: Gateway to Innovation, focusing attention on the area's rich tradition of inventions, research and higher education.

The interstate group believes the region should no longer view the political border between the states as a barrier to cooperation. Instead, the partners say they need to capitalize on regional assets such as Bradley International Airport, superior educational institutions, its highly productive workforce, cultural tourism and the Connecticut River. In addition to a new web site (www.hartfordspringfield.com), the group plans to work together to enhance business attraction and retention, advocate public policy and apply for federal aid, perform economic analysis, promote tourism, support area colleges, attract conventions, address workforce needs, and further develop the area's recreational, cultural and artistic assets.

The leaders of some 16 organizations currently compose the HSEP steering committee: the Economic Development Council of Western Massachusetts; Capitol Region Growth Council (Conn.); Pioneer Valley Planning Commission (Mass.); Capitol Region Council of Governments (Conn.); MetroHartford Chamber of Commerce; Affiliated Chambers of Commerce of Greater Springfield; Greater Hartford Convention and Visitors Bureau; Greater Springfield Convention and Visitors Bureau; East of the River Chambers of Commerce Association (Conn.); Northeast Utilities, parent company of Western Massachusetts Electric and Connecticut Light and Power; the Bradley International Airport Commission; University of Massachusetts Amherst; University of Connecticut; University of Hartford; Central Connecticut State University; and Springfield Technical Community College. The diverse group has divided into subcommittees to work on specific issues such as marketing, higher education, transportation infrastructure and tourism.

Bigger Is Better

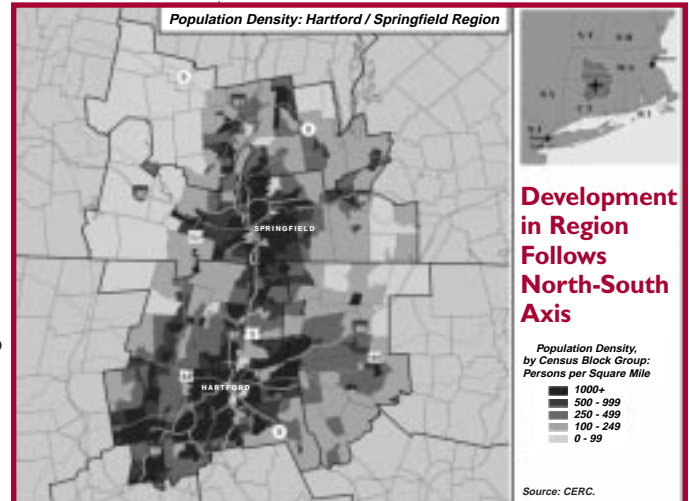
At the news conference, Michael G. Morris, chairman, president and CEO of Northeast Utilities, said the new part-

nership acknowledges the fact that economic regions are now the basic unit of competition in the New Economy. "Very often, from a marketing standpoint, bigger is better in economic development, especially when it comes to positioning and selling the benefits of an area as a business location," he said.

To illustrate that point, a cooperative compact signed by the partnership organizations notes that the Hartford-Springfield interstate region is home to 1.55 million people, a labor force of 783,000 and 40,000 employers; 26 colleges and universities with 108,000 students; and world-class tourist, recreational, arts and cultural attractions. The area is also served by one of the fastest growing airports in the nation, and for more than 300 years has been linked by river, highway and rail.

As global competition makes it more and more difficult to gain an edge, the new partnership recognizes that the subgroups are stronger working together than apart. As stated by Allan W. Blair, president and CEO of the Economic Development Council of Western Massachusetts, HSEP will place the interstate region at the cutting-edge of regional economic development marketing to enhance current and prospective efforts. "For the first time, we now have an interstate forum to more effectively advance the economic progress and livability of the interstate region. We'll be looking for ways to achieve better results more cost effectively by leveraging resources and involving the region's best minds."

No longer, advocates say, should the Hartford and Springfield metros be viewed as medium to smaller cities, dwarfed by powerhouse centers such as New York, Chicago or Los Angeles. As a combined metro, the area can compete on the national and international scene in an altogether different way. One of the most



challenging steps will be to convince those who compile various national economic development rankings to consider this interstate region a single metropolitan area, consistent with how the region now views itself.

The Hartford-Springfield Economic Partnership is the first large-scale interstate initiative of its kind in the northeastern United States, though it is not unique across the nation. Similar interstate efforts are underway in Greater Cincinnati, the Carolinas, Greater Baltimore, Greater Milwaukee and Greater Washington, D.C. What is perhaps most remarkable and heartening is the fact that, for once, a New England region is at the forefront of a promising economic development trend. ■

New England Developments is published quarterly by the Economic & Community Development Department of Northeast Utilities. It is intended to foster dialogue on economic and quality of life issues in the region.

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Letter From ATLANTA

Lessons Learned at the Annual Council for Urban Economic Development (CUED) Conference

NEWS FLASH: There is no "New Economy."

What a funny idea to hear at a recent conference of 1,000 economic development professionals eager to learn about cutting-edge initiatives in the global economy.

But, in fact, the new knowledge-based economy and the old industrial economy are fast becoming one. The use of technology is the meeting point. In the developed world, no company will prosper in the 21st Century unless it has integrated technology in its processes, operations and marketing. This applies equally to manufacturing firms, software businesses, insurance companies and dairy farmers.

The nascent biotechnology industry in Connecticut is a good case in point. Due largely to spin-offs from Yale University research, the New Haven area is becoming a bioscience center. But these quintessential high-technology firms are expected to thrive and expand here largely because of working relationships created with the state's four established drug companies, all located within 60 miles of Yale and New Haven.

Hot Topics

The hottest topic in economic development today is workforce development. As a record economic expansion and essentially full employment continues, most parts of the country are desperate for skilled workers or even unskilled labor that can be trained. There is much emphasis on improving basic education, on welfare to work programs, technical training, creating community college curriculums that meet the needs of employers, and increasingly, on importing

workers from abroad. The host hotel for the convention in Atlanta had staff from Bosnia, Venezuela, Brazil, Pakistan, Japan and several African countries. States with slow population growth, such as Iowa, are forming long-term relationships with Eastern European countries and elsewhere to insure an adequate supply of workers over the next decade.

The other buzzword is regionalism. Conference speakers referred to regionalism as a train roaring down the tracks and any place not on board better do so or get flattened. It is almost universally accepted now that regions are the basic geographic units in global economic competition, not cities, states or even countries. Regions reflect the underlying reality that companies, transportation networks, workforces and tourists do not respect state lines or other political boundaries. Boston's economic sphere incorporates the Providence, Rhode Island metro and southern New Hampshire, but not the Springfield area in its own state. Springfield's economy is more naturally aligned with that of Hartford's, its southern neighbor in Connecticut. The rest of America is attuned to acting regionally in education, transportation and business development and marketing; New England needs to catch up.

Importance of Place

Advances in telecommunications and transportation have made it possible for many companies to locate almost anywhere. These developments create both challenges and opportunities for communities. The challenge is that if your community does not provide an environment conducive to business growth, companies can readily move elsewhere. Traditional advantages, such as being centrally located near major consumer markets, are no longer enough to ensure success. But if you build your civic capacity—by creating and maintaining responsive networks of business/government/educational institutions and by developing modern, ubiquitous fiber optic networks—your community can prosper regardless of its location. With

these foundations, places can thrive by meeting the needs of companies (e.g., in workforce development) and of entrepreneurs (e.g., for venture capital). Motorola's expansion into Scotland is a good example; the primary reason it established its new facility there was the availability of software engineers rather than large financial incentives.

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Moreover, business location decisions are increasingly made on the basis of an area's quality of life, including good schools, recreational opportunities, cultural activities, ease of commutes and the quality of health care. Services are important to the skilled workers businesses seek and to the top executives who make the site selections. In fact, according to the experts, site selection criteria have flip-flopped in recent years. Cost considerations and location have given way to quality of life and workforce availability, two factors that are now inextricably linked. A competitive location must have the amenities and infrastructure to attract and retain today's cutting-edge businesses and the innovators who create them.

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How do regions, cities or inner-city neighborhoods create the environment for attracting private investment and immigrants? Over and over at the CUED conference speakers said the key was creating a strategic vision and plan. The plan helps formalize the ideas and desires of business people, government representatives and neighborhood activists who must join to improve an area. Research is an indispensable part of the planning process; it helps to determine an area's strengths and competitive advantages, current or potential. Most places can't be all things to all people, so finding your particular niche is critical. A simple example from the conference makes the point: Central cities are often successful in attracting smaller firms such as high-tech startups, but they may not have land or buildings suitable for larger firms.

Readers FORUM

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More on Smart Growth

Anthony Francoline's assertion that "Smart Growth is not Good Growth" exemplifies the thinking that kept Connecticut lagging 48 other states (ahead of only Hawaii) in recovering from the 1990 recession. While a homebuilder like Avonridge competes only in local markets, the State of Connecticut competes in a national, even international, marketplace. The 1+ acre houselots Francoline advocates are considered standard only in New England, especially Connecticut. There is virtually unlimited, flat land in Texas—yet brand new "McMansions" are constructed on small lots at urban densities. They are also served by public water and sewers instead of private wells and septic sys-

Importance of Leadership

The pivotal role of enlightened political leadership in the revitalization of places is well documented. Not as celebrated is the increasing importance of economic development organizations in putting together the networks and marshaling the resources necessary for sustained growth. The economic developer is often the catalyst behind the creation of public-private partnerships of business, government and education leaders who then create and implement the strategic plans.

No longer simply civic boosters or real estate salespeople, today's economic developers must possess a wide variety of skills including the ability to see the big picture. They must understand and communicate the needs of e-business to policymakers, financial institutions and the community at large. They must also

understand broader policy issues that influence economic development, such as educational reform and improving transportation networks. They must wade through buckets of economic, demographic and social data to better market their area's competitive strengths.

The silver lining for practitioners is the fact that most economic development strategies have been tried somewhere and certain communities or regions are especially good at them. One can learn much from these best-practice success stories and adapt solutions to the particular geographic and cultural idiosyncrasies of an area. Like most worthwhile endeavors, it's not easy, but it can be done.

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tems, which is feasible at these higher densities. New residential development in California is similarly done on much smaller building lots.

Francoline notes that "the outflow of people and jobs in the 1980s proved that people follow jobs and that prosperity in Connecticut is not inevitable." (He means "the 1990s," since the bulk of population and job loss in the Springfield to New Haven corridor occurred in the early to mid '90s while the rest of the country was recovering.) Even as population shrank, developers like himself continued to build new premium housing in the suburbs and exurbs. This depleted cities of people and existing housing of value as supply increased while demand declined. These costs have been borne mostly by cities and their lower income residents. *The Hartford Courant* recently reported on the free fall and depressed prices of Hartford condos. Single-family homes have not fared much better in many urban neighborhoods. Too many families who stretched to purchase their first homes in the late '80s are still hampered by negative equity.

Francoline observes that Connecticut is characterized by "entire regions of suburbs with no identifiable core city" and a political system of "169 independent municipalities...[that] makes it next to impossible to impose urban growth boundaries." Rather than continuing with traditional laissez-faire attitudes toward exurban growth at the expense of cities, Connecticut might learn something from a similar suburban state that actually led the national economic recovery from the recession: New Jersey has long advocated "smart growth," and it is finally succeeding in restoring its urban centers from the riots of 1960s. Another difference should be noted—New Jersey has county government with county land use planning. With such competition, can Connecticut really afford to move forward in the "many small, positive and incremental steps" recommended by Francoline, while other states race ahead?

Cedric C. Kam
West Roxbury, MA
(formerly Avon, CT)

Power POINTS

Making the "Honor Roll"

Three New England states made the Corporation for Enterprise Development's "Honor Roll" in its 2000 development report card. Along with six other states, Massachusetts, Connecticut and Rhode Island earned all A's or B's (the honor roll criterion) in the CFED indexes measuring performance, business vitality and development capacity. Massachusetts was one of only three states to earn straight A's, while Rhode Island made the top echelon for the first time. Low scores in development capacity, such as human and financial resources and innovation assets, hurt the rankings of the northern New England states.

A Puzzle

If New England has so many assets, what accounts for its generally slow job and population growth? Perhaps it's as simple as having high business costs. Figures from Economy.com, a regional consulting firm, show that only Rhode Island was below the U.S. average in business costs in 1999. The Boston metro trailed only New York as the most expensive area to do business. All the other major metros in the region also had above average costs, include Hartford, 9th highest nationally, Springfield, MA, 23rd, Portland, ME, 35th, and Providence, RI, 57th.

Connecticut is Number 50

Connecticut reclaimed a dubious distinction in 1999, getting less back in federal expenditures per dollar of federal taxes than any state in the Union, bumping New Jersey from the bottom spot. Connecticut received only 65 cents in federal spending in the state for every dollar in federal taxes paid by state residents. New Hampshire (\$0.69) and Massachusetts (\$0.86) also got back less than they contributed to federal coffers, but Vermont, Rhode Island and especially Maine residents were net

gainers in this income redistribution game, according to the annual Tax Foundation report.

SAT Scores Flat

SAT averages in 2000 in the region are only marginally improved from the mid-1990s, when test scores were recentered. New England states are part of a group of 23 states where a majority of college-bound students take the SAT, rather than the rival ACT test. New Hampshire students rank third in this group of 23, with a combined verbal and math score of 1039. Massachusetts, Vermont and Connecticut rank 5th, 6th and 7th, respectively, with Rhode Island and Maine falling in the middle of the SAT group. New England is notable for the high percentage of students taking the SAT, testament of the region's strong basic educational systems.

**New Hampshire
has the most equitable
income distribution
in New England,
and is 5th best in the
nation. Maine, Vermont
and Connecticut also have
better than average
income distribution.**

High-Speed Trains Finally Acelarating?

Long awaited high-speed Amtrak service in the northeast, dubbed Acela Express, is expected to begin in December, more than a year behind schedule. This service was supposed to cement Amtrak's com-

petitiveness with air and car travel in the Washington-Boston corridor, as well as prove the viability of high-speed rail in the U.S. (hopefully, putting Amtrak finances in the black in the process). Instead, the constant delays, caused primarily by mechanical and design problems, are undermining Amtrak's credibility with the public and Congress. Even when operational, "high-speed" may be a misnomer, as the New York to Boston trip will be only 35 minutes faster than the best train service in 1956, according to one Amtrak critic.

Surprise! New Hampshire More Equitable

New Hampshire has the most equitable income distribution in New England, CFED findings that are seemingly at odds with the state's conservative image. The gap between the mean family income of the wealthiest 20 percent and the poorest 20 percent of the population in New Hampshire is the smallest in the region and 5th best in the nation. Liberal Massachusetts has a much greater gap and ranks 39th nationally. Maine, Vermont and Connecticut have better than average income distribution, while Rhode Island is more like Massachusetts. Connecticut's income distribution improved since the last report, while income distribution got worse in all other New England states.

Home Work

Putnam Investments, a financial services firm based in Massachusetts, has developed an innovative virtual office strategy in order to overcome a local labor crunch and reduce the cost of expansion. Started eight years ago with 20 Massachusetts employees, by the end of 2000 the work-at-home program will have 600 employees (15% of service company employment) in Massachusetts, Maine and Vermont. Putnam says its home workforce, which performs client services, accounting and systems development, is performing at least as well as its bricks and mortar staff and, of course, with less absenteeism. ■

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breaks and other public subsidies be necessary to ensure continuing success?

Textiles: A Test Case

The current dilemma of the American textile and garment industry is illustrative. Having moved from New England to the South to reduce costs, the industry has been propped up for years by protectionist tariffs and quotas. Under international trade agreements these tariffs will be eliminated by 2005, putting 1.4 million jobs at risk. Will most of these jobs be lost?

The industry believes it can stabilize textile employment by using technological advances to overcome the cost advantages of developing countries. The industry is already more capital intensive with smaller numbers of employees operating high-tech machines. Also, consumers increasingly want products customized to individual tastes and sizes, rather than off the rack clothing, a shift in the market that does not lend itself to bulk production methods.

What this suggests is a natural division of labour: a trouser maker could assemble average-sized khakis in volume in Mexico, but make special sizes such as narrow waists or long inseams in the United States, offering fast turnaround for retailers and less risk of overstocking. As the technology advances, the balance between custom and bulk manufacturing may become quite fine. If this comes to pass, the high-tech firms that remain may wonder why they fought so long to keep trade barriers when innovation worked even better. (*Economist*, 4/29/00)

Productivity Rules

The textile scenario is exactly what many New England economists predict: a manufacturing sector with stable employment but growing output made possible by productivity gains. One recent Massachusetts study showed that the state's manufacturing sector was surprisingly strong (accounting for more than half of the state's "base economy," or companies that sell most of their products and services out of state) and predicted that it would remain so because of its skilled workforce and superior universities supplying world-class engineering, research and design talent.

"High technology processes—for making both high- and low-tech products—have helped Massachusetts' manufacturers set record levels of output ... The moral of this story: We can't compete in the production of goods where efficient production requires low-paid workers, but we can compete where manufacturing requires high-skilled workers engaged in efficient production. As one manufacturer interviewed for this report put it, 'We're in the business of maximizing profits, not minimizing costs.'" ⁽¹⁾



A similar conclusion was drawn by a January, 2000 study done for the Manufacturing Alliance of Connecticut. ⁽²⁾ After a comprehensive examination of trends in manufacturing generally and for specific sectors such as transportation equipment, the authors argue that it is misleading to characterize manufacturing in Connecticut (and, in fact, all of the Northeast) as in decline solely on the basis of falling employment. To the contrary, the number of manufacturing firms is roughly the same as it was 20 years ago (the average firm size is smaller) and the total value of goods produced is 35% higher in real terms. Even declining employment numbers can be misleading since there has been a trend toward outsourcing administrative and support activities, with the result that employees performing these functions are now counted under non-manufacturing codes.

Some of the benefits provided by manufacturing in Connecticut include wages 60% greater than non-manufac-

turing sectors, annual output of \$24 billion (18% of GSP based on available data), 21% of state revenues from corporate and sales taxes, two additional jobs in all other sectors for every manufacturing job, and support for innovation, manifested by high rates of research and development spending by industry and universities, and the highest rate of patents issued per one million residents in 1997 in the U.S.

The report makes a number of policy recommendations to protect manufacturing's position in the economy, such as energizing vocational education and training, investing in the state's transportation and communications infrastructures, providing targeted tax incentives, and examining the effect of state-mandated employment costs on facility location decisions of national companies.

The Post-Industrial Economy

Nobody really challenges the proposition that the manufacturing sector is an important part of the region's economy. The real issue is whether assisting manufacturing firms should continue to be a primary public policy focus, as it has been for two decades. Already one can discern a shift toward high-tech industries in the halls of government, with information technology and telecommunications companies now getting the bulk of lawmakers' attention and support through new tax breaks and other subsidies.

Through cutting-edge industries like biotechnology and photonics the high-technology sector contributes to the new composition of manufacturing in the post-industrial economy. Under the NAICS classification system, manufacturing will pick up some computer-related jobs, although some current manufacturing jobs will be reclassified (publishing is a major example). So it is not inevitable that the decline in manufacturing employment will continue or even accelerate. Certainly, manufacturing output will continue to grow.

But perhaps we are entering an era when the role of government, especially state government, is limited in countering

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Regional Economic TRENDS

Gross State Product 1992-98

In September, the Bureau of Economic Analysis (U.S. Commerce Department) released estimates for gross state product in 1998 and an analysis of GSP trends by industry for 1992-1998. This period was chosen because it represents a time just after the most recent national recession up to the latest year for which data are available. Gross state product is defined by the Bureau as the “value added in production by the labor and property located in a state. GSP for a state is derived as the sum of the GSP originating in all industries in the state.” As such, GSP data serve as the basis for determining the strength of a state’s economy and the productivity of its workforce.

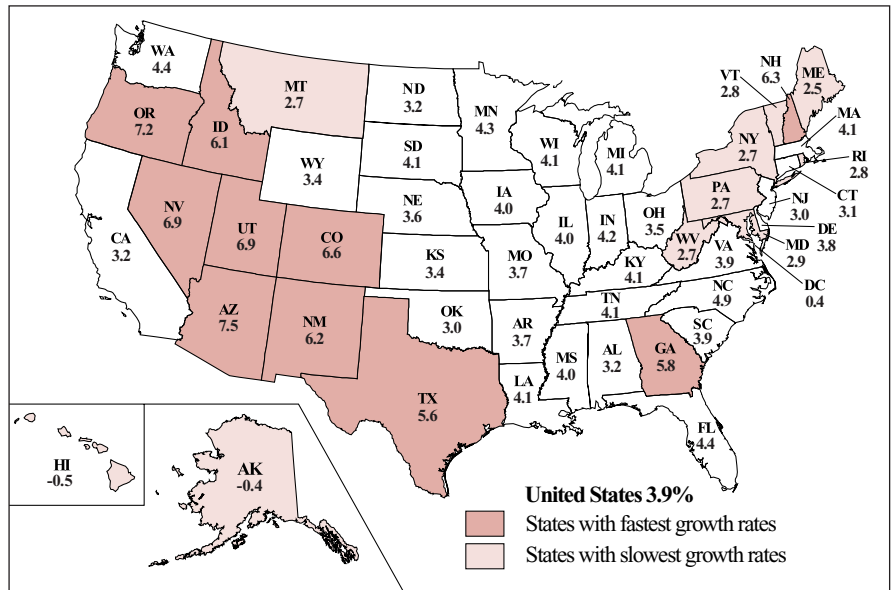
During the 1992-98 period, average annual growth in real GSP in New England was 3.8%, compared to 3.9% for the nation (see map). The Southwest and Rocky Mountain census regions had the fastest growing economies, while the Mideast and Far West (dragged down by recessions in Hawaii and Alaska) regions grew more slowly than New England. New Hampshire had by far the fastest growth in the region—6th best in the U.S.—and only New Hampshire at 6.3% and Massachusetts at 4.1% exceeded the annual growth rate for the nation. Economic growth in the remaining New England states lagged the nation; in fact, Maine, Vermont and Rhode Island were among the ten states with the slowest growth in real GSP.

Massachusetts had by far New England’s largest economy with a 1998 GSP of almost \$240 billion, or 2.7% of the national total. Connecticut followed with a GSP of \$142 billion, or 1.6% of the U.S. total. GSP shares for the other New England states were 0.5% or less of the U.S. total; at 0.19% (\$16.3 billion) Vermont had the smallest economy in the nation.

Although the region represents a small share of national economic output, it contains some of the most productive economies in the land. Per capita gross state product in Connecticut was \$43,421 in 1998, the second highest level in the U.S. Per capita GSP was \$38,959 in Massachusetts, 5th nationally, and \$34,839, or 11th, in New Hampshire. Rhode Island, Vermont and Maine ranked 23rd, 39th and 43rd, respectively, in per capita GSP, all below the national per capita GSP of \$32,360.

than the nation in nine of the ten sectors. The region’s second fastest growing state, Massachusetts, had faster than average growth in seven of ten sectors. Excluding mining, a tiny industry in the region, the strongest growth in the other New England states was in wholesale and retail trade (all four states); FIRE (Connecticut and Rhode Island); manufacturing (Vermont) and transportation and public utilities (Rhode Island).

Average Annual Growth in Real Gross State Product, 1992-98



Bureau of Economic Analysis, U.S. Department of Commerce

Growth Engines

The Bureau noted that fast growth was generally associated with above average population increases and reflected strength in all industrial sectors, with the fastest growth in wholesale and retail trade, manufacturing, mining and transportation and public utilities. In the industrial sub-categories, growth was especially strong in high-tech manufacturing, business services including software development, and telecommunications.

In New England, average annual growth exceeded the nation’s in FIRE (finance, insurance and real estate), government and mining out of ten broad industrial sectors. The region’s leading growth state, New Hampshire, grew faster

Another way of determining which industrial sectors have been growth engines for New England is to examine the contributions to percent change in real GSP during 1992-98. This information shows not only which industries had the fastest growth but also the relative importance of each sector to the overall economy. Of New England’s 3.8% average annual change in total GSP in this period, .92 percentage points were due to growth in FIRE industries, .78 to services and .74 to manufacturing. Wholesale and retail trade accounted for most of the remainder of the total increase. Not surprisingly, growth in the FIRE sector was strong in all New England states, in particular, Connecticut, Massachusetts, New Hampshire and Rhode Island, all of whom had increases of .91

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percentage points or more. For reference, of the 3.9% average change in total GSP in the United States, .68 percentage points were from FIRE.

On the other hand, growth in manufacturing, though a significant factor in all New England states except Rhode Island, was driven regionally by the extraordinary increase in New Hampshire. Almost half of New Hampshire's average change in gross state product was contributed by

manufacturing industries, compared to one-fifth of the nation's. This is especially notable when we recall the New Hampshire had one of the fastest growing economies in the nation in 1992-98. In the broad services category, Massachusetts was the leader, the only state in New England where services contributed more to total GSP growth than in the nation.

There was an uneven pattern of growth in New England during the mid-

1990s. To some extent this disparity will diminish when more recent data are tallied, as growth has picked up in former laggards such as Maine and Rhode Island. But it remains important for policymakers in slower growing states to isolate and understand the reasons for their under-performance and, equally, the conditions that have resulted in better growth in New Hampshire and Massachusetts. ■

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the effects of global trends. If the major factor in the viability of manufacturing in the 21st Century is the efficient application of technology to the production process, then the main determinants of success will be in the hands of private industry. The crucial public sector role is in technical assistance and workforce development. Most states now have manufacturing extension services to teach lean manufacturing, technology transfer,

and software selection to small manufacturers. In Vermont, the five-school state college system manages education and training programs for several companies, both large and small. There are job openings now in manufacturing as the aging workforce in the region retires, and there are not enough replacements in the pipeline. The states need to promote and encourage students into vocational-technical schools and post-secondary

educational programs for high school grads and dropouts. ■

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SOURCES:

- (1) Mass Insight Corporation, *Made in Massachusetts: Competitive Manufacturing in a High-Skill Location*, Fall 1999.
- (2) Manufacturing Alliance of Connecticut, *The Role of Manufacturing in Connecticut*, January 31, 2000.



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