

NEW ENGLAND BUSINESS REVIEW

FEBRUARY
1968



Tax Structure, Tax Competition, and Tax Burdens on Industry

Part 2 . . . comparisons within the state or why the governor is blue.

Northeastern states that rely heavily on local property taxes allow their tax policy to operate perversely. As a result, new firms are often taxed at lower rates in affluent suburbs than in core cities where the need is greater.

The Impact of Imports on a Regional Economy

A study of the Greater Hartford, Connecticut, area shows that most employers there — largely, manufacturers — believe that imports play an important role in promoting the economic well being of the area.



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Tax Structure, Tax Competition, and Tax Burdens on Industry Part 2... comparisons within the state or why the governor is blue

ON the cover of our Review is a picture of a governor of a state in the Northeast. Color him blue. He has just been told that a large national company has decided to locate a \$4 million plant in his state which will employ 275 workers. Why then is he blue? He is blue because the company had narrowed the selection down to two different sites then chose the "wrong" one. The first site, situated in a suburb, had: (1) good access to product transportation, (2) a generous amount of land and, (3) convenient commuting for managerial, engineering and highly skilled help. A major drawback of this site was that the supply of semi-skilled and clerical help would be limited unless wages were high enough to induce such workers to commute a substantial distance from the core city by chartered bus or car pool.

The other possibility, a center city site, would have never been seriously considered had the plant location search been made 5 years earlier. The only reason this second site had been considered at all was that the president of

the company had recently heard a speech and made a determined effort to see if these manufacturing jobs could be brought to a core city ghetto by a profit-seeking company. The site itself consisted of relatively small acreage near a Negro ghetto in the core city. The land was owned by the city but was available at a bargain price to any industrialist willing to (1) create new jobs for core city workers and (2) make an investment in plant and equipment that would contribute to the city's tax base.

This article was written by Edwin C. Gooding. The analysis was developed from a study, *The Impact of State and Local Fiscal Policies on Redevelopment Areas in the Northeast*, originally written as a PhD. dissertation for Clark University by James W. Wightman.

The study was sponsored by the New England Research Foundation and was financed jointly by the Area Redevelopment Administration (predecessor of the Economic Development Administration) of the U. S. Department of Commerce and the Federal Reserve Bank of Boston. Professor Wightman has updated and revised his study, and it will be available soon on request from the Research Department of this Bank. The report contains a full description of the methodology employed and a complete listing of tax bills calculated for three model firms in 83 locations. For some details of the calculations and limitations, see Some Technical Notes on Tax Bill Calculations, New England Business Review, January, 1968, p. 12.

Initially, more training expenses would have been incurred by the company if it located in the city, but the supply of semi-skilled assembly line workers was potentially greater than in the suburban site. At the city site, any car or truck transportation would have to fight traffic congestion, but unlike the suburban site, mass transit was immediately available.

Our governor had wanted to see manufacturing jobs brought to this city's ghetto. That is why he is blue. Upon inquiry he found that the company had found the operating costs roughly equal except for one factor. The local taxes for that \$4 million facility at the central city site were \$50,000 a year greater than the suburban site. The suburban town fathers, with an abundance of undeveloped industrial land, offered a special tax rate for 10 years. Even without concessions the suburban location could offer the corporation a tax bill that was \$25,000 a year less than the city's. Moreover, this advantage was likely to become even larger over time. Hence, the governor lost an excellent opportunity to bring jobs to the core city ghetto.

This governor's hypothetical but all too real dilemma is based on facts documented in a recently completed study of state and local tax bills of model but representative manufacturing plants located in various areas throughout the Northeast.¹ The study concludes that those states which rely very heavily on local property taxes have, by default, let their state tax policy act in a perverse manner. The relatively affluent suburban communities, with a larger per capita property tax base, offer a much lower tax bill to new firms than core

¹The towns and cities included in the study ranged from 2,000 to 200,000 in population. Other evidence indicates that had larger metropolitan areas been included, the data would reinforce the conclusions reached here.

cities. And despite almost identical tax rates for new industries, more prosperous core cities support a much higher level of public services than their depressed counterparts.

States can utilize two methods of tax relief for core cities and other relatively depressed areas. One is to decrease the dependence of state and local finances on the property tax, particularly that on such tangible personal property, as machinery, equipment and inventories. The second is to distribute state funds with a view to equalizing each community's ability to pay for essential local services.

This study provides strong evidence that legal and extra-legal tax concessions for "desirable" firms are granted in four communities out of five.

While the principal method for making tax concessions is through the use of tax appraisals, there are in addition honest but very substantial differences in the process of appraising property. In fact, these differences are often as important as any other factor in determining an industrialist's tax bill.

Adding to the Core City's Woes

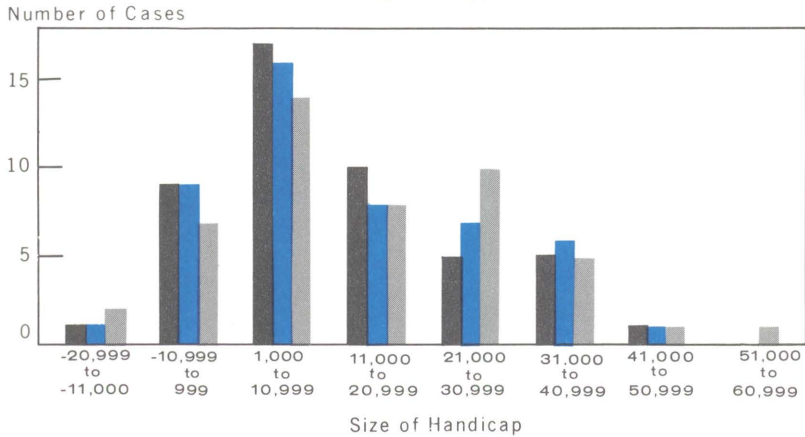
The growth of manufacturing employment in the suburbs at the expense of the core city is a well established fact in the Northeast. All major core cities in this region lost manufacturing employment between 1958 and 1963. The reverse was true for the areas outside the core cities. Of course not all of these employment losses can be attributed to tax disadvantages. Such losses have also occurred in other metropolitan areas of the Nation where there is no city-suburb tax disadvantage, indicating that many other potent forces for urban decentral-

Chart I

A CORE CITY'S TAX HANDICAP IN DOLLARS AS COMPARED WITH A NEIGHBORING SUBURB FOR THREE MODEL FIRMS* — 1967

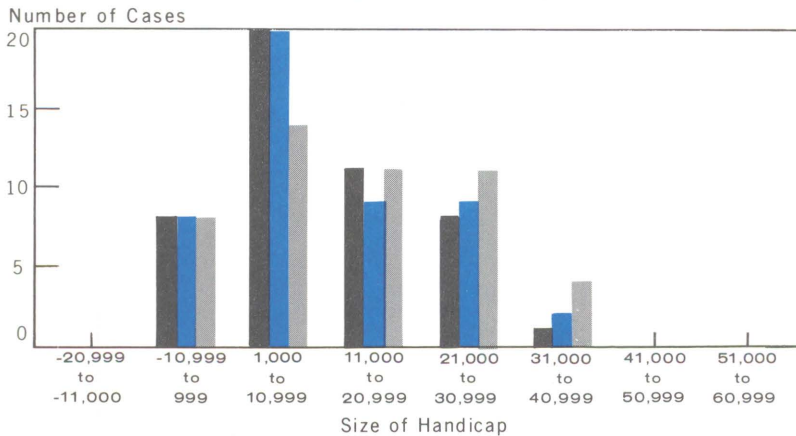
(A)

WHEN BOTH CITY AND SUBURB
GRANT MAXIMUM TAX CONCESSIONS



(B)

WHEN NEITHER CITY NOR SUBURB
GRANT MAXIMUM TAX CONCESSIONS



CHEMICAL FIRM
 NON-ELECTRICAL MACHINERY FIRM
 TEXTILE MILL PRODUCTS FIRM

*EACH FIRM IS ASSUMED TO HAVE ASSETS OF \$4 MILLION

Source: Calculated from data in 'The Impact of State and Local Fiscal Policies on Redevelopment Areas in the Northeast, by James W. Wightman, Research Report No. 40 to the Federal Reserve Bank of Boston.

ization are also at work. Thus, tax disadvantages are only one of the competitive problems of core cities. However, it is one that could be relatively easily solved with improved state tax collection and redistribution policies.

How big is the tax disadvantage of the core city? There are only a few locations where a core city providing generous concessions can actually underbid its suburban competition. However, as can be seen in Chart IA, all of the hypothetical corporations (chemical, non-electrical machinery, and textile mill products*) would have substantial tax savings if they chose most suburban locations over the core city counterpart almost anywhere in the Northeast. The average annual saving when the best offer of the city was compared with the best offer of the suburb was \$17,000 for a chemical company, \$18,000 for a machinery firm and \$20,000 for a textile company. If this were the only cost difference, selecting the suburban location would increase after-tax profits for these firms respectively by 3.2, 3.9 and 5.5 percent. The tax differential was largest for the textile firm because of its relatively greater amount of property subject to real estate taxes. In 7 of 48 city-suburb comparisons, the textile firm could have increased its profitability by 10 percent or more if it chose the suburban location instead of an urban site of otherwise equal cost. The extreme differences in tax bills shown in Chart IA can be explained in part by the fact that the suburban locations typically have much more undeveloped industrial land and give complete tax relief much more often than the core city.

But even when major tax concessions are eliminated, the city-suburb tax differentials are

*These corporations were described in more detail in Part I of this series.

substantial. Chart IB presents the city-suburb tax differentials which would exist even if the model firms did not get favored treatment in both city and suburb as was assumed in constructing Chart IA. In Chart IB the firms were assumed to get simply standard treatment. The standard differentials are the direct result of the extreme dependence on the property tax, particularly that part on machinery, equipment, and inventories. Fifty percent of the variation in taxes between the city and the suburb can be explained by the relative importance of the tangible personal property tax in the corporation's total state and local tax bill. The greater the dependence on taxation of machinery, equipment and inventories, the greater the city-suburb tax differential.

The relationship between the property tax and the city-suburb tax differential is quite simple. The core city has relatively larger per capita expenses for welfare, health, police, and fire. Even if it had the same per capita value of taxable property as the suburbs, the revenue which must be raised from the general property tax would be significantly higher. In addition, many cities have a higher proportion of the possible tax base exempt because of the holdings of non-profit institutions. The city is also handicapped with many older, lower value residences. Consequently, most cities have a relatively smaller property tax base than the suburbs that surround them. With a smaller tax base, the cities' rates must be higher.

State governments partially offset differing taxable property resources in cities and towns by taxing the state as a whole and distributing the funds to both city and suburbs, in part according to relative needs. The smaller the

Table 1
Relative Dependence on Property Taxes and City-Suburb Tax Cost Disadvantage
June, 1967

	Property Taxes As Percent of Total State-Local Taxes	Average Core City Tax** Disadvantage in Dollars
Two states most dependent* on property taxes		
New Jersey	64.6%	\$33,156
New Hampshire	63.3	23,604
Two states least dependent* on property taxes		
Pennsylvania	33.7	2,051
West Virginia	26.1	11,437

*Of the eleven states in the survey.

**For a hypothetical Chemical Corporation with total assets of \$4 million.

Source: Data from *The Impact of State-Local Fiscal Policies on Redevelopment Areas in the Northeast* by James W. Wightman, Research Report No. 40 to the Federal Reserve Bank of Boston.

state's taxing role, the more important is the property tax, the major source of local government revenue. In New Hampshire, for example, property taxes represent 63 percent of total state-local taxes while in West Virginia they amount to only 26 percent.

The relationship between high property tax and high city-suburb differentials is most obvious in the extreme. As illustrated in Table 1, the city-suburb tax disadvantage in the two states with the relatively highest property tax is, on the average, higher than in the two states least dependent on the property tax. In the 11 states surveyed, the general tendency was for those states which depended more heavily on broad base taxes, such as corporate and personal income tax and the sales tax, to have relatively smaller city-suburb tax differentials.

Hard on Depressed Areas too!

Too great a dependence on the property tax puts an added burden on a depressed area's

effort to find new manufacturing employment. Needing desperately to attract new firms, the areas in this study which were classified as redeveloped areas in 1964 did not tax new industry at a particularly high level. Instead, typical tax bills for the core cities of the depressed areas were roughly the same as non-depressed, but by no means affluent, core cities in the same states. However, the per capita level of public services averaged 15 percent below their counterparts' indicating that the trade-off was in the amount of money spent for schools and other vital local services.

Color Our Governor a Darker Shade of Blue!

Our Governor is blue because he was unable to bring manufacturing jobs to the core city. But color him even a darker shade of blue for the communities of his state are frittering away part of their taxable industrial base. Poor appraisal practices are partially to blame. But more significant is the frantic tax competition between communities for new industry.

Problems of Tax Appraisals

The local industrial property tax cost estimates used here on state and local taxes were made only after several interviews with town appraisers and other knowledgeable individuals in each of the 83 locations in 11 different states. The estimating was done in this time-consuming manner because with any other approach it would be difficult, if not impossible, to accurately determine local taxes on industry. Published tax rates per \$1,000 of appraised value are useless unless the correct fraction of true market value that the appraised value represents is also known.

Appraising industrial property is a hard job to do well. In most states the law requires that industrial property be appraised on the same basis as commercial and residential property so that each class of property will pay its fair share of taxes. But industrial property, unlike residential property, is highly specialized and rarely sold. Thus, appraisers have to resort to complex, indirect techniques to arrive at appraised value of industrial property. In several cases in this study, appraisers of smaller towns were unable to relate how they assessed a particular manufacturing plant for they had no standard procedure. In one case, the town fathers had accepted a firm's estimate of the depreciated value of the property because "we are farmers and know nothing about complicated machinery." Even when the most competent and objective appraisers were found, differences of opinion about the local tax cost of this carefully described new plant remained.

Even though it is difficult, a community should provide some form of continuing and reasonably consistent appraisal policy for

industry. One New England town was found to change appraisal practices arbitrarily with each local election. Most towns in the Northeast, however, did have definite appraisal policies, but were not consistent in their application among firms.

Industrial Development Fever

Communities throughout the Northeast gave every indication that they were suffering from what could be called industrial development fever. The desire to attract new industry to "our town" was the most striking element of this survey. In fact, four out of five communities included in this sample indicated willingness to give tax concessions and possibly other forms of subsidy to attract an industrial plant it considers desirable. Most of these concessions are extra-legal for in only 3 of 11 states surveyed are such tax "deals" permitted by state statute. The motivation for these concessions is the real or imagined threat of losing a firm to a neighboring community. Competition is intense. One case was found where two neighboring communities were offering identical "off-the-record" concession formulas. Obviously, one community in the past had decided "to meet the competition."

Communities have two basic motives for enticing new industry with tax cuts. Ironically, one objective is to build a tax base to meet rapidly rising local costs. They feel that "half a loaf is better than none." The other motive is to increase local economic activity, particularly in towns with a significant amount of unemployment.

Tax concessions are provided for by law in Rhode Island, Vermont, and Maryland, allowing for either full or partial tax abatement for periods up to 10 years. Their laws also permit

tax stabilization, that is, the community can guarantee the same tax bill for a firm for some extended time period, typically 10 years. Despite a seemingly permissive environment, at least one community has gone beyond its state's law to grant special tax consideration to a plant relocating within the state, the only type of concession prohibited. Given this intense tax competition, it was quite surprising to find many industrial firms paying local taxes on new plant locations that were obviously higher than what they could have bargained for. This would indicate that many industrialists were either ignorant of their bargaining power when they located their new plant, or that they did not wish to use this power, preferring instead to offer greater support to the community of their choice.

Varying Forms of Concessions

Tax concessions take many different forms. One of the most common in states with a tangible personal property tax on business is to underestimate the value of machinery, equipment, and inventories. Full valuation, combined with a high local property tax rate, might make the firm seek a new location where either tangible personal property is exempt or at least the appraisal practices are "more realistic." In addition, machinery and equipment are less visible to other local taxpayers than land and buildings and, therefore, the appraised value is less likely to be challenged by a fellow-taxpayer.

Another commonly practiced form of concession is taxing unused industrial land at a low rate. This is done because a major reason many firms move is the lack of space for expansion at the existing site. Thus, the town

encourages the firm to buy enough so it will not be forced to move. One town did not tax any building area not in use, presumably for similar reasons.

Many communities are quite sympathetic to the growth needs of a company and structure their concessions accordingly. One city varies the assessment from 35 to 45 percent of market value, depending on the number of employees. In addition, it negotiates a gentleman's agreement that the assessment will be gradually raised to 45 percent as the firm becomes established. Another community has a plan which would, for example, increase a \$7,000 assessment by \$7,000 each year until the final appraised value of \$70,000 is reached in the tenth year. Still another community taxes only land until the firm has had one full year of operation.

One documented case of wide discrepancy was found in a small town in Pennsylvania. Of three separately owned, reasonably comparable, and newly constructed industrial buildings, two were assessed at \$.30 per square foot, while the other one was assessed at \$.175 per square foot. The lower rate was also guaranteed for 10 years while no such indication of tax stability was given to the other two buildings.

The crucial difference in this appraisal discrepancy arose from connections with a community-supported industrial development effort. The building with the most favorable rate was part of such an effort, while the other two were not. In general, community-promoted or community-financed projects received more concessions than conventionally financed projects not brought in under the banner of industrial development.

Providing Facilities Instead

Not all local subsidies are in the form of tax abatements. New developing areas in more affluent communities prefer to offer supporting facilities to industry rather than tax concessions. Many communities provide free access roads and water and sewer lines for new industrial parks and plants. They feel the aid will provide further benefits by attracting other firms in the future. Many communities have well developed policies specifying the amount of aid that can be granted to a new firm. One community will spend up to \$10,000 from general revenue to extend water mains to the edge of the new plant's property. Another municipality will pay 50 percent of the cost of construction of all roads in an industrial park. A third town will pay for roads, water lines, and sewerage connections if the first 5 years' tax revenue from the plant will return the public investment. Another town will give away land to a firm employing 300 people or more.

Which Firm Gets the Concession?

Because of varying circumstances, communities differ drastically in their selectivity. A few communities want almost any industrial firm. In contrast, many rich suburban communities only negotiate if the firm wants to locate a research laboratory employing primarily professional help. Still other towns will deal with a firm which would employ surplus labor, particularly if its payroll was to be predominantly male. If unemployment is not a problem for the town, then a firm is more likely to be successful in gaining concessions if its wage level will raise the community's average.

It was also found that the less financially

secure employers, offering less stable and lower paying jobs, were those who sought tax relief most aggressively. These firms are not always a bargain. For example, a suburb in Rhode Island indicated that though it is willing to grant concessions permitted by law, it would first undertake a detailed investigation of the firm's management. This investigation procedure was established after an unfortunate experience with a marginal firm which took advantage of a tax concession and then relocated as soon as the exemption period was over.

Once a firm commits itself to a location by building a plant, it loses part of its bargaining power. Nonetheless, the study found that once implemented, most tax concessions not limited by a definite time period tend to be perpetuated almost indefinitely.

What is the reaction of established firms paying a much higher effective rate than the new firm? It is rarely favorable, particularly if the new firm happens to be a competitor. Many established industrialists, who were interviewed in this survey, criticized public officials for ignoring legitimate needs of existing firms and putting their major efforts on attracting new industry. For most areas, growth is based more on the expansion of existing industry than the attraction of new firms.

Decreasing Tax Competition?

Is there any hope for a decrease in the pressure which leads to such widespread tax competition? Communities which have little free land and a booming local economy are much less prone to provide substantial concessions. Certainly if the national economy

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continues to prosper, communities will have less pressure put on them to find jobs for the unemployed. But competition for industry between communities will continue as long as industry remains one of the prime sources of new tax revenue for skyrocketing local expenses. Intrastate tax competition can be further reduced if local property taxes become a less important source of revenue.

If all corporations were to pay in a state corporate income tax what they now pay in local personal property taxes and if the money were distributed to the communities according to need, not only would a major basis of inter-community tax competition be eliminated within the state, but also the city-suburb industrial tax bill differential would be significantly narrowed. With lower tax bills less affluent communities would also compare more favorably across state lines. If the state prefers

to increase or introduce a sales or personal income tax instead of a corporate income tax, then all communities in the state, not just the less affluent ones, would improve their industrial tax positions relative to neighboring states.

Tax competition between communities would be reduced even further if state or Federal governments provide an increasing share of the funds needed to defray the spiraling costs of education and other vital local functions. Given the fact of interstate tax competition, states alone will probably not use the broad based sales, corporate and personal income taxes extensively enough to relieve the continuing pressure on the property tax in all cities and towns. Unless the Federal government develops a revenue sharing program for state and perhaps local government, tax competition for industry may well grow more intense.

The Impact of Imports on a Regional Economy

IN the past few months, various industries have expressed the need for increased protection from imports. A number of bills have been introduced in the Congress that would impose quotas on products ranging from raw materials to finished goods. Is this protectionist attitude prevalent throughout the country?

A study of the Greater Hartford, Connecticut, area suggests that most employers — largely manufacturers — in that area do not share this view. In general, Hartford employers believe that the net effect of imports on employment and profits in the area has been favorable. Moreover, imports have often induced or permitted firms located there to maintain lower prices. In short, imports seem to play a dynamic role in promoting the economic well-being of the area.

The Study

The study was conducted in 1966 in Greater Hartford, Connecticut, an area encompassing 29 towns comprising one of the Nation's principal centers for the manufacture of aircraft parts and specialized machinery and

equipment. In addition, the area is an important financial, insurance and distribution center. Its economic status is reflected in its high per capita income, its above average proportion of skilled to total workers, and its high value added per manufacturing worker. Although not typical of metropolitan areas in the country, it is a good example of a highly skilled and specialized manufacturing and financial center.

The firms studied were randomly selected to include those from manufacturing, retail, wholesale, and service industries. The sample included more than 150 firms of which about 70 percent were engaged in manufacturing. Altogether these firms employed about 79,000 workers and had gross sales of almost \$3 billion. Personal interviews were conducted with appropriate officers and with the aid of a questionnaire. Firms were classified as "involved with imports" I) if they reported the use of imported goods or services or produced goods or services complementary with imports, and II) if they competed with imports. Firms not involved in either of these two categories were classified as "import immune".

Of the 152 sampled firms, 86 indicated that they were involved with imports. These firms were among the largest studied since they represented 87 percent of the sample employment and 81 percent of the sample sales volume.

This article was based on a Ph. D. dissertation, *The Impact of Imports on a Regional Economy: A Case Study of Greater Hartford, Connecticut*, written by Mark G. Bender for the University of Connecticut in 1967. Mr. Bender is now an Assistant Professor of Economics at the College of the Holy Cross.

Firms Using Imports or Producing Related Goods

The sample was divided into two groups: I — using imports or producing complementary goods or services and II — competing with imports. Sixteen firms were engaged in some aspects of both groups and filled out appropriate questionnaires for each. The result is that although only 86 firms were involved with imports, 67 questionnaires were available for Group I and 35 for Group II.

Slightly more than half the Group I respondents were involved with imports classified as intermediate goods presumably to be used in manufacturing.

When the firms were asked what sector of the economy would be the ultimate user of the imported goods, about two-thirds indicated that the industrial-business sector would use them primarily. A little over one-third stated that their imports would go to the consumer market.

In the majority of cases the firms using imports described them as standard items without any significant differentiating characteristics from similar domestic products. The imports contained no scarce or unusual elements nor did they require any unavailable production processes. The outstanding characteristics of most of these imports were their high quality and their low prices as compared with domestic products.

Not all the imports, however, were directly comparable with domestic products. About two-fifths of the respondents indicated that their imports were unique or at least substantially different from domestic goods of similar types. This finding was supported by a

like proportion of firms who stated that their demand for imports was insensitive to price changes. Thus, a relatively large number of Hartford area firms using imports or providing complementary goods or services would continue to do so in spite of price increases.

As might be expected, Europe was the most frequently cited geographic source for the Hartford area's imports. Almost three-fourths of the firms were involved with European produced goods. The next most frequently named source was Japan, with more than a fourth of the firms acquiring goods there. South America was a source for 17 percent of the respondents, while almost as many indicated involvement with various other countries of origin.

The firms using imports or producing complementary goods were questioned about the impact of their imports on their employment, prices, and other economic variables. About seven-tenths of the respondents indicated that their imports had no effect on their levels of employment. However, some three-tenths stated that their import involvement had increased or stimulated their employment. Not a single one of these firms believed that its imports had an unfavorable effect on employment.

While a substantial majority of these respondents felt that imports had no effect on prices of their product lines, more than a fifth indicated that their imports had enabled them to reduce or at least avoid raising their prices. Similarly, a little more than a fifth believed that imports had a positive influence on research and development. Increases in specialization and diversification of product lines also resulted from imports according to a very substantial third of the firms.

The one attribute indicated by a vast majority — 82 percent — of the firms was that imports significantly enhanced their competitive positions. This indication was confirmed by the large number who felt that imports had a positive impact on their current profits and by the even larger number who anticipated more future income. A majority of the firms expected to increase their import involvement in the next 3–5 years.

Firms Competing with Imports

Of the 86 firms involved with imports, 19 were solely competitors while 16 were engaged both in using imports and in competing with them. Thus in total, Group II included 35 firms. Most of these respondents reinforced the views of the import using firms that competitive imports had no detrimental effect on employment levels. One-fifth of these firms, however, did believe that imports had a negative effect on employment. About 70 percent indicated that imports had given them noticeable price competition, thus leading them to reduce or at least avoid price increases. The firms were almost equally divided between those who felt imports had a positive impact on research and development and those who believed they had no effect. Almost two-thirds of the respondents, however, stated that imports served to upgrade the quality of competing goods and services.

Import Immune Firms

Of the 152 sampled firms, 66 stated that to their knowledge they were not involved with

imports in any way. The most frequently cited reason for this immunity was that the respondents were engaged in producing custom services with no relevance to imports or competition from them. Other firms cited the nature of the market, technology, or the uniqueness of their product as reasons for lack of import involvement. The replies all reflected the large number of Hartford area “job shops” — engineering firms that make specialized machinery components. These firms are clearly not involved in mass production items which are perhaps more susceptible to import competition.

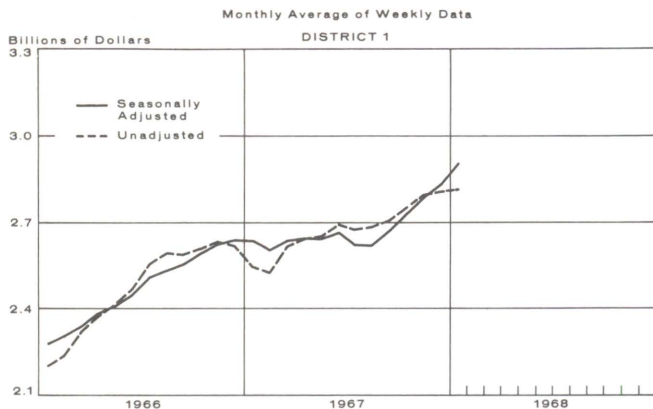
Conclusion

Imports appear to play an important role in the Greater Hartford economy, according to a cross-section of import-involved business — particularly manufacturers — in the area. As might be expected, imports had a favorable impact on profits and anticipated future incomes of most of these firms. Another attribute of imports, according to the majority, was that they upgraded the quality of domestic products.

Most of the respondents felt that imports had no direct effect either on their employment or their price levels. However, 42 percent did believe that imports had been instrumental in helping firms reduce — or at least refrain from raising — prices.

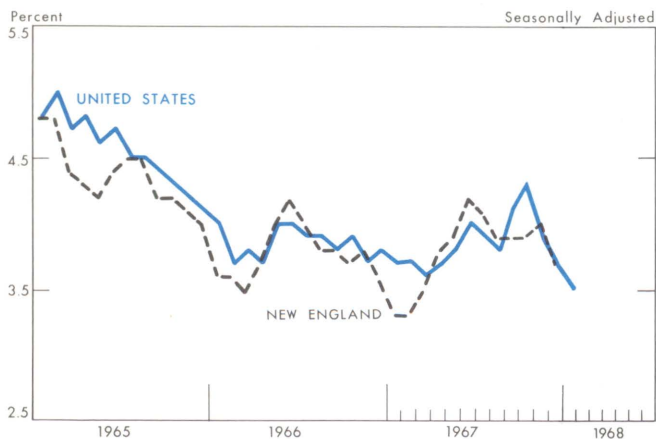
On the whole then these firms appeared to feel little need for protectionist help. On the contrary they believed that imports contributed significantly to the economy.

Economic Indicators



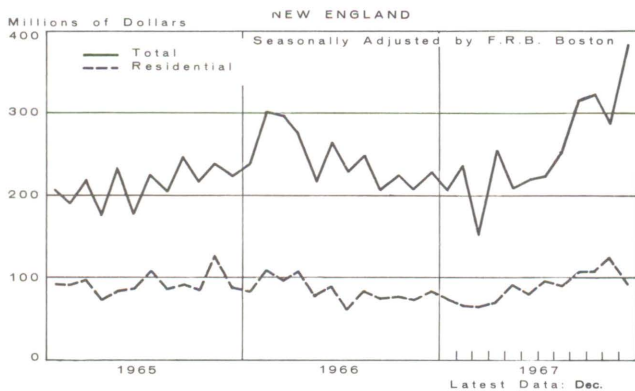
Commercial and Industrial Loans at Reporting Banks.

The data show a sharp rise since the middle of 1967.



Unemployment Rates

Unemployment rate has been dropping steadily and sharply since October 1967.



Construction Contract Awards

The general trend of total and residential construction activity in the region continues upward.

Here's New England -

MANUFACTURING INDEXES (seasonally adjusted) 1957-59 = 100	NEW ENGLAND			UNITED STATES		
	pDec. '67	Nov. '67	Dec. '66	Dec. '67	Nov. '67	Dec. '66
All Manufacturing	147	149	150	164	161	162
Nonelectrical Machinery	157	162	174	180	181	190
Electrical Machinery	176	179	166	186	186	190
Transportation Equipment	166	162	169	177	166	169
<i>Textiles, Apparel, Leather</i>	111	111	108	146	143	142
Textiles	107	104	101	153	147	142
Apparel	124	123	121	n.a.	149	152
Leather and Shoes	106	111	107	n.a.	113	111
Paper	142	141	139	158	156	148
	Percent Change From:			Percent Change From:		
	Dec. '67	Nov. '67	Dec. '66	Dec. '67	Nov. '67	Dec. '66
BANKING AND CREDIT						
Commercial and Industrial Loans (\$ millions) (Weekly Reporting Member Banks)	2,809	0	+ 7	64,892	+ 1	+ 8
Deposits (\$ millions) (Weekly Reporting Member Banks)	8,291	+ 2	+18	198,799	+ 2	+11
Check Payments (\$ billions) (Selected Metropolitan Areas)*	265.2	- 1	+14	3,897.3	0	+ 9
Consumer Installment Credit Outstanding (index, seas. adj. 1957-59 = 100)	185.6	+ 1	+ 4	228.3	+ 1	+ 4
DEPARTMENT STORE SALES (index, seas. adj. 1957-59 = 100)	143	+ 1	+ 6	n.a.	n.a.	n.a.
EMPLOYMENT, PRICES, MAN-HOURS & EARNINGS						
Nonagricultural Employment (thousands)	4,343	+ 1	+ 1	68,004	+ 1	+ 3
Insured Unemployment (thousands) (excl. R.R. and temporary programs)	94	+27	+ 7	1,055	+ 6	-15
Consumer Prices (index, 1957-59 = 100) (Mass.)	117.9	0	+ 2	118.2	0	+ 3
Production-Worker Man-Hours (index, 1957-59 = 100)	105.9	0	- 3	117.5	0	- 1
Weekly Earnings in Manufacturing (\$) (Mass.)	113.99	+ 3	+ 6	119.19	+ 2	+ 4
OTHER INDICATORS						
Total Construction Contract Awards** (\$ thous.)	288,864	- 4	+47	4,435,748	- 5	+24
Residential	96,984	-12	+41	1,669,107	- 6	+56
Nonresidential	130,095	- 7	+45	1,670,010	- 5	+ 9
Public Works and Utilities	61,785	+24	+64	1,096,631	- 4	+11
Electrical Energy Production (4 weeks ending Dec. 30) (index, seas. adj. 1957-59 = 100)	185	- 3	+ 7	191	- 3	+ 7
Business Failures (number)	78	+44	+18	831	- 6	-21
New Business Incorporations (number)	1,124	- 1	+26	17,525	- 7	+16
*Seasonally adjusted annual rate						
**3-mos. moving averages — Oct., Nov., Dec.						
	p = preliminary			n.a. = not available		

