

**Remarks by Cathy E. Minehan
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**before the Symposium on the Contribution
of Services to the Commonwealth's Export Economy**

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Thank you John. As President of the Federal Reserve Bank of Boston, I am pleased to welcome you to this symposium. To me this subject is compelling, and I am sure our well-qualified speakers will ensure the morning yields some fruitful insights.

We are here to consider the contribution of the services sector, ~~especially in~~ ^{to Commonwealth} export markets. This emphasis on the positive aspect of services is rather novel. For a long time, services have been considered the poor cousin of the manufacturing industries. Over the years, as the production mix both regionally and nationally has shifted away from manufacturing and toward services, alarms have been sounded that we are becoming a nation of shopkeepers, hamburger flippers, or launderers who take in each other's washing. The new jobs generated in the services industries have been regarded as inferior to the jobs lost in manufacturing.

While employment in manufacturing has remained fairly constant in recent years, the service-producing industries have demonstrated a remarkable capacity to create new jobs. Since 1991 nearly 8 million more employees have been added by the service-producing industries, a gain of 9 percent. Here in Massachusetts, the percentage gain has been only slightly smaller, roughly 8 percent.

Many of these jobs are not menial. To be sure, hourly earnings in manufacturing do surpass those in services, but the difference is not huge; and in some major services sectors, such as wholesale trade, and transportation and public utilities, average hourly earnings equal or exceed those in manufacturing. Moreover, some of the services industries encompass the highest value-added jobs--consultants, software engineers, financial managers, higher education and so on. These are industries in which Massachusetts, specifically, and New England more generally excel, and our ability to export them likely has been a foundation of our current economic recovery.

But it's difficult to prove this with any certainty. One conundrum from my point of view has been that while we know from the types of businesses being formed, and jobs being created, and from many anecdotal comments that services in New England are highly export-oriented, service export data is not reliably available on a state-by-state basis. Thus when you look at export data, you get the sense that Massachusetts, and New England, are becoming less export-oriented, when I believe the exact opposite to be true. The panelists here today will enhance our ability to understand and thereby expand the Commonwealth's service exports.

You will have noticed that the agenda proceeds from general considerations to specific industries discussed by the panelists. To provide perspective on the big picture, there are few if any more qualified than our keynote speaker, Jeffrey Schaffer.