D. The New England Economy

New England's economy and where it's headed can best be interpreted in context with the current national U.S. economic situation, as described by the *Wall Street Journal*:

> People continue to be worried about their jobs. The construction industry is in for prolonged slump, the housing boom is over because the baby-boomer surge in household formations is over, and the glut of office buildings and other commercial real estate won't be absorbed for years. Manufacturers are still announcing layoffs. The military probably will hold down recruiting for years to come. Even worse the current wave of service-industry layoffs is the beginning of a productivity-enhancing spree that will last until the end of the decade and probably beyond.
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> Meanwhile, consumers are still overextended and paying off debt. Expecting high unemployment and seeing the value of their homes declining, they may remain hesitant for years, buying just what they need and raising their savings. This litany of problems, few of which seem likely to go away anytime soon, suggest that the 1990s won't be pleasant.

In February 1993, the Bank of Boston made this assessment of New England's economy:

> Financial markets should respond favorably to the realities of meaningful deficit reduction and stable inflation, causing long-term interest rates to hold steady at close to current level in spite of a moderately paced expansion. Short-term rates, however, will gradually increase as the Federal Reserve remains vigilant in its efforts to maintain a low inflation environment.
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> The New England region's belated recovery is expected to become more firmly established over the next two years, though a return to 1980's-style prosperity is highly unlikely. Labor market indicators suggest that the employment free-fall which began late in 1988 reached bottom during the summer of 1992. Subsequent growth has been slow, and the region has recovered only about 5 percent of the jobs lost during the preceding four year period. Still, at 7 per cent the New England unemployment rate is now equal to the national average.
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> Economic growth in New England will be disparate, and vary from state to state. Nevertheless, a couple of broad generalities can be made. First, job growth is likely to be slowest in Massachusetts, Connecticut and Rhode Island due to their higher cost structures. Despite a slow pace of job gains, however, wages should rise at, or above, the national rate as higher wage industries supplant those which have long been in decline. The northern New England states, conversely, will continue to experience more rapid rates of growth due to their lower costs of living and doing business.