CONNECTICUT ECONOMIC ACTIVITY REPORT

Winter 2019

University of New Haven
COLLEGE OF BUSINESS

Prepared by the

New Haven Economic Performance Laboratory

Online at
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in association with the

Department of Economics and Business Analytics

College of Business

University of New Haven

This report is generously underwritten by the College of Business Advisory Board.

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COLLEGE OF BUSINESS

November, 2018

The Winter 2019 edition of the Economic Activity Report, published by the *New Haven Economic Performance Laboratory*, represents a collaborative and pedagogical effort by faculty and students of the Department of Economics and Business Analytics. It contains economic analyses that focus on the economic conditions of the New Haven Region and Connecticut. This Winter 2019 report (and previous reports) can also be found on the laboratory's website (**www.universityofnewhaveneconlab.org**). The purpose of this report and future reports is to provide insights and guidance so as to foster economic development and growth and a revitalization of the region's and the state's economy, such as the need to spur entrepreneurship and innovation.

This issue specifically contains certain economic data series analyzed by Department of Economics and Business Analytics capstone students. This examination is intended to further student understanding of the regional economic climate and conditions while providing clear, understandable interpretations of its economic climate and conditions. The University of New Haven student analysts of today are our future analysts. Their names and email addresses are included. Please do not hesitate to contact them.

Also included in this report are short pieces jointly prepared by faculty and students, as well as from Editorial Board invited contributors. Especially noteworthy is a new initiative underway that seeks to provide clarity on the Connecticut state budgetary process.

In addition to visiting the Laboratory's website, I invite you to visit another student initiative that involves posts, commentary, and noteworthy contributions from students, faculty, alumni, and members of the broader community: The Economics Collective (**http://unheconomicscollective.ning.com**). The Collective, as it is affectionately known, is a thought-leadership and learning space that fosters the integration of theory, technical competencies, real-life learning, and communication skills.

Kind regards,

Brian T. Kench, Ph.D.
Dean, College of Business

EXECUTIVE SUMMARY

The State of Connecticut just elected its next Governor, Ned Lamont. Governor-elect Lamont will confront a state of affairs far from healthy that was decades in the making. General Electric Corporation departed the state. Alexion also departed. Notwithstanding its announced departure, AETNA remains in Connecticut; CVS reversed the decision after acquiring AETNA. National economic performance continues to improve, as evidenced by the latest published unemployment rate of 3.7%. Connecticut's unemployment rate also declined, some of which is related to manufacturing requirements due to increased demand for submarines and aerospace technology. Nonetheless, Connecticut, as reported in the last issue, continues to lag in its recovery vis-à-vis its New England brethren. This weakness raises warning flags for the state and Governor-elect Lamont. A fundamental question for Governor-Elect Lamont, how to build upon Stanley Black & Decker's December, 2017 announced new advanced manufacturing center?

Students and faculty within the Department of Economics and Business Analytics continue to explore the disparity between Connecticut and other states in its recovery from the Great Recession. The once-storied history of innovation and entrepreneurship continues to be tarnished. According to the forecast of the Connecticut and the New Haven Region Economic Performance Index, the near-term prediction suggests a modest, albeit temporary, improvement, followed by a decline.

This report also contains three invited contributions, each focusing on examining identifying factors associated with Connecticut's anemic economic performance. The first contribution from Professor A.E. Rodriguez and Dean Brian T. Kench examines Connecticut's ranking vis-à-vis other states for purposes of identifying how it could become a "best" state for business. The next contribution, building upon that of Rodriguez and Kench, from Carol Platt Liebau, President, and Scott Shepard, Policy Director, both of the Yankee Institute of Policy, outlines a proposal for saving Connecticut and, in particular, noting the need to address taxes and the state regulatory environment. Continuing with the theme, the final contribution, from Andy Greenawalt, a new member of the Department of Economics and Business Analytics Advisory Board, calls attention to the state budgetary process — a kabuki dance that few understand. The broad message: It is not rocket science, but a careful and comprehensive examination of taxes and, importantly, the regulatory environment is crucial to address the systemic problems confronted by the state and its continued underperformance. As a result, the laboratory is launching a new initiative related to such examination; its first initiative: Tax Transparency Project.

Connecticut Performance at a Glance

KPI	STATUS	COMMENTARY
Connecticut Employment	🟢	Improving; still lagging U.S.
Real GDP	🟡	Improving, but evidence of weakness; ranks 23rd among the states
Housing Starts	🟡	Improving, but evidence of weakness; yet to return to 2010 levels
CPI — Energy	🔴	Rising; ranked 4th highest in the U.S.
Economic Performance Index	🔴	Declining; wages improved, but building permits dropped from prior year

Key

GOOD	WARNING	NEEDS IMPROVEMENT
🟢	🟡	🔴

NEW HAVEN REGION ECONOMIC PERFORMANCE INDEX

Comments should be directed to: Esin Cakan at **ecakan@newhaven.edu***; Michael Kandolin at* **mkand2@unh.newhaven.edu***; and A.E. Rodriguez at* **arodriguez@newhaven.edu***.*

The New Haven Region Economic Performance Index (NHREP Index), recently updated to July 2018, measures the performance and strength of the economy in southeastern Connecticut, specifically the New Haven Region. *Figure 1* reflects the data from January 2012 to August 2018. When we compare the performance of the index to the past month, we can see that it is down 2.02%; in addition, when compared to August 2017, the index is up 1.24%.

The NHREP Index is comprised of five (5) separate components. These include: Education and health services for all employees in New Haven, CT; Building Permits CT; Average Weekly Hours in New Haven, CT; Average Weekly Earnings in New Haven, CT; and Unemployment (Reversed) for New Haven, CT; all of which are set forth in Table 1. The reversed Unemployment jumped 10.53% over the past year indicating that unemployment has decreased over the past year. It should also be noted that Building Permits decreased by 41% over the last year. Based on our forecasts, it is expected that there will be an increase in economic performance until the end of the first month of the new year, 2019. The forecast suggests a slight decline in economic performance thereafter.

Figure 1

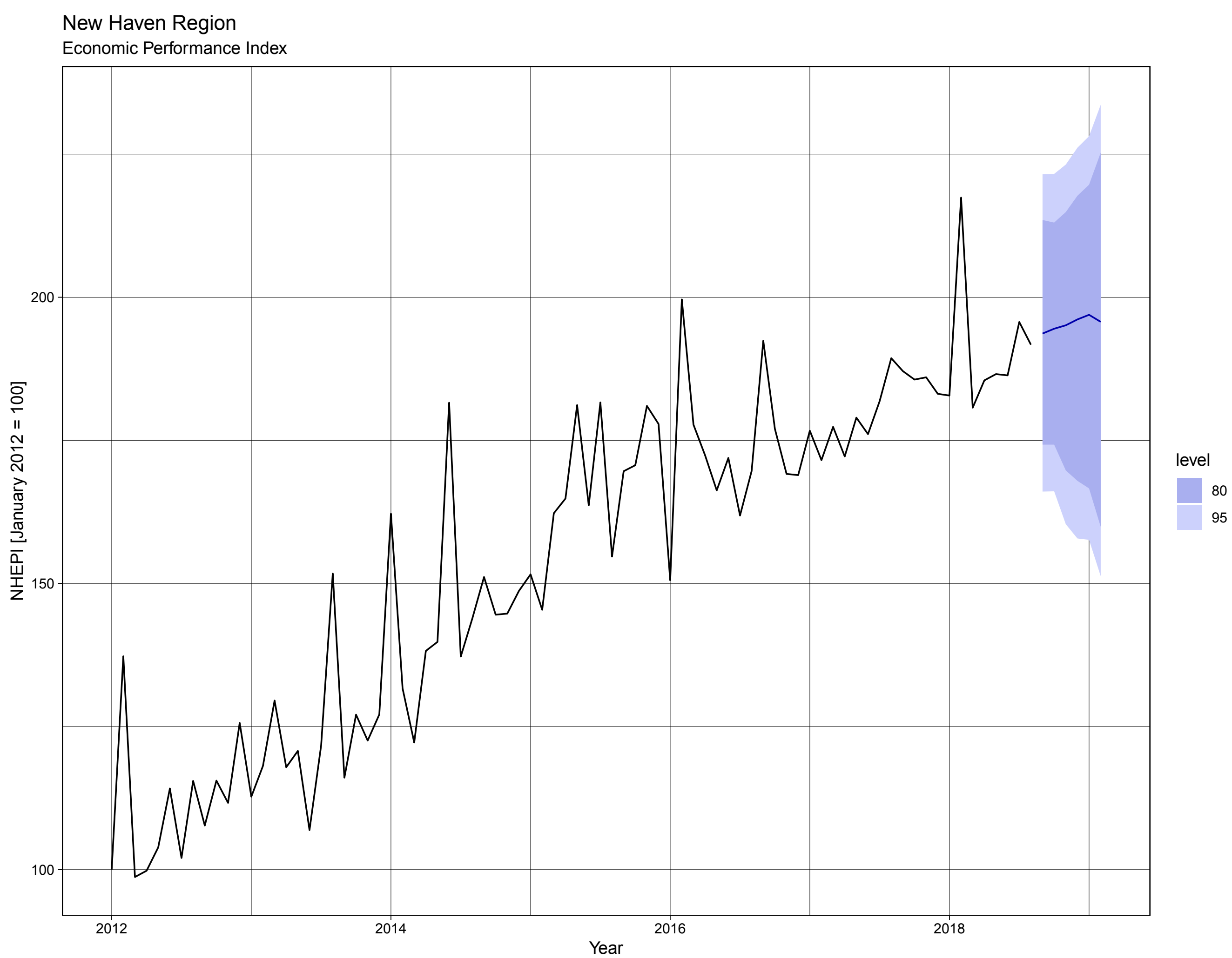


Table 1

COMPONENT	% CHANGE PREVIOUS MONTH	% CHANGE PREVIOUS YEAR
NHREP Index	**(-2.02%)**	(1.24%)
Eds and Meds – New Haven	(0.37%)	0.74%
Building Permits – Connecticut	(33.02%)	(41.82%)
Average Weekly Hours – New Haven	0.60%	3.10%
Average Weekly Earning – New Haven	0.87%	3.10%
Unemployment Rate – New Haven (Reversed)	3.51%	10.53%

While the Unemployment Rate has declined for the New Haven region and Weekly Hours and Earnings for the region are positive, the Index shows a decrease from the past month and a decrease year-over-year. It appears Building Permits (or the lack thereof) is countering any positive results. Our forecasts, shown in Table 2, shows a steady climb into January of 2019. Then we see a slight drop off in February of 2019.

Table 2

DATE	POINT FORECAST	LO 80	HI 80	LO 95	HI 95
SEP-18	193.4	171.9	213.5	163.7	221.5
OCT-18	194.3	171.2	161.8	161.8	221.5
NOV-18	194.8	168.9	214.8	159.6	223.1
DEC-18	195.8	194.8	168.9	214.8	159.6
JAN-19	196.6	162.7	219.6	154.3	228.1
FEB-19	195.4	159.9	225.2	151.9	233.6

The forecastHybrid package in R, which fits multiple models from the forecast package and then combines them using either equal weights, or weights based on in-sample errors, is used to forecast the Index for a 6 month ahead.

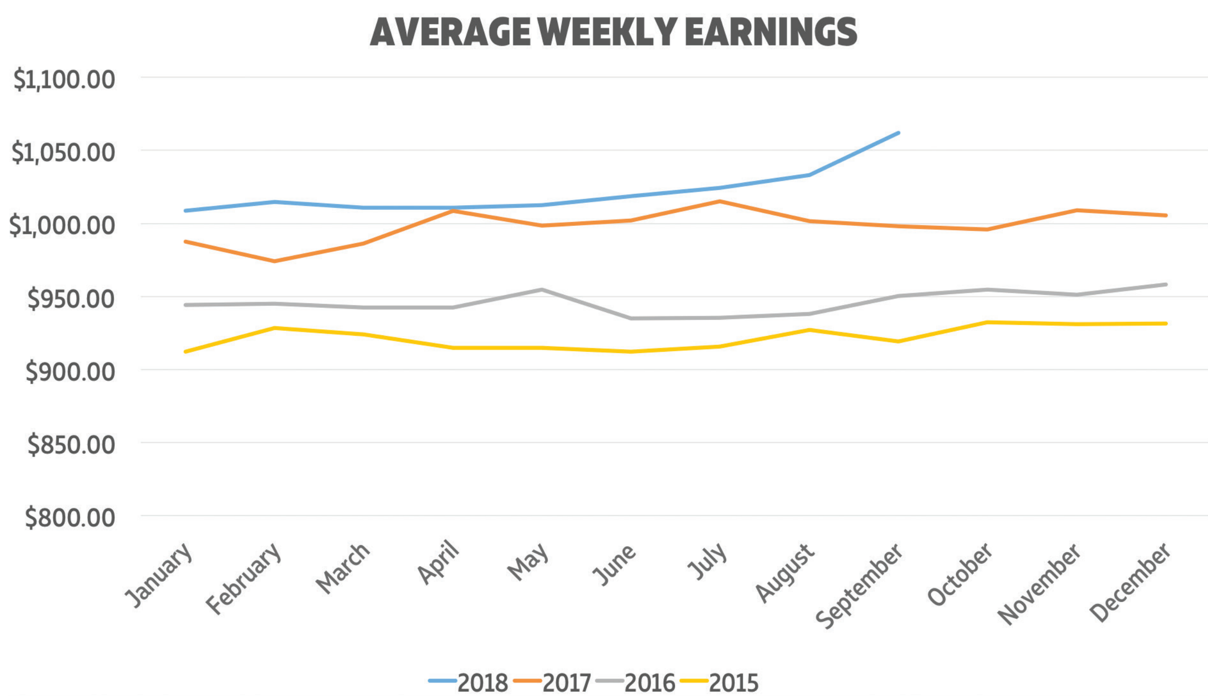
Data are from the Federal Reserve Bank of St.Louis FRED data (**https://fred.stlouisfed.org**)

AVERAGE WEEKLY EARNINGS – NEW HAVEN

Comments should be directed to Michael Kandolin at ***mkand2@unh.newhaven.edu****.*

Figure 2 represents the average weekly earnings in nominal terms from January 2015 through September 2018. Generally speaking, 2018 reported wages appear to be higher than all prior periods. The series also indicates that wages have been increasing each successive year since 2015, with 2017 showing an apparent increase in wage rate greater than prior years. The foregoing appears to be correlated to the increase in number of hours worked over the same period of time. The data suggests that Connecticut economic performance is improving.

Figure 2



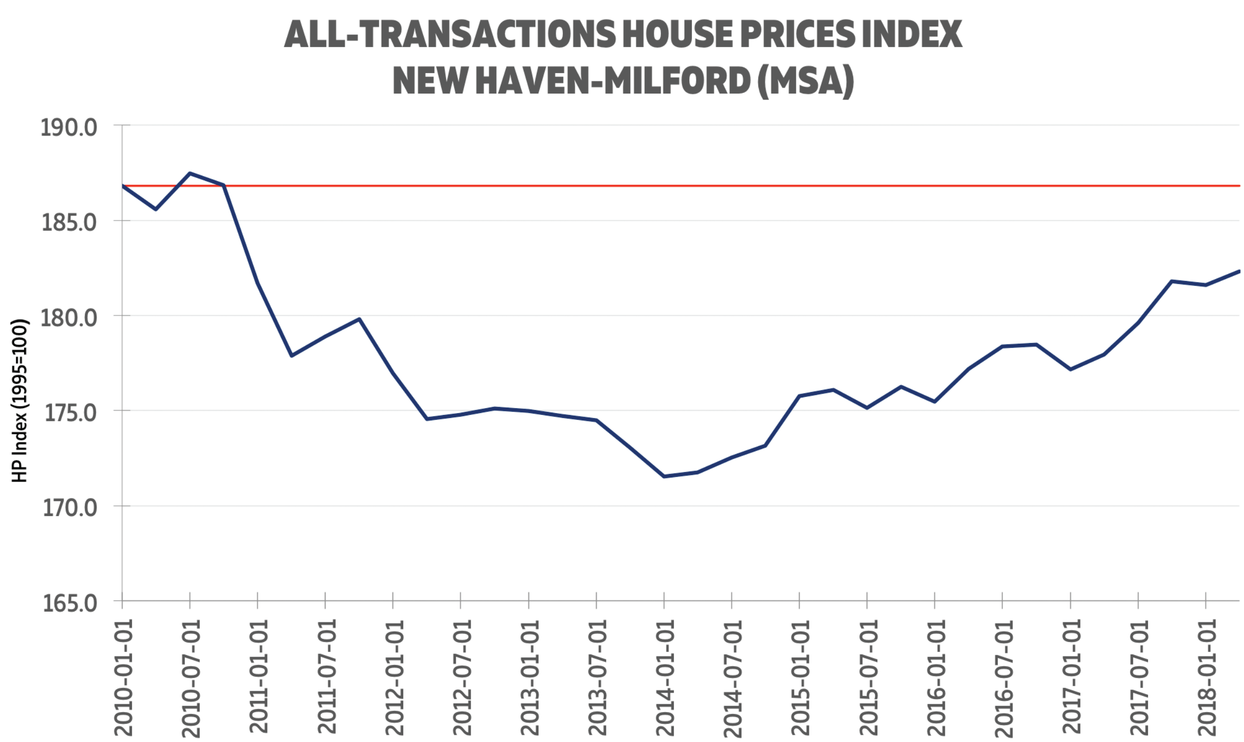
About the Average Weekly Wages for All Employees Total Private in New Haven, CT(NECTA): Data are from the Federal Reserve Bank of St. Louis FRED data (**https://fred.stlouisfed.org/series/smu09757000500000011SA/**).

HOUSING

Comments should be directed to: Klerisa Kimca at ***kkimc2@unh.newhaven.edu****.*

Housing prices in the region appear to be steadily increasing since 2014, but have yet to achieve the level of 2010. *Figure 3* represents the Housing Price Index (HPI) as reported by the Federal Housing Finance Agency, which measures the movement of single-family house prices. It is a weighted and repeat-sales index. It measures the average price changes in repeat sales or refinancing on the same properties. Also represented in the Figure is the 2010 HPI level.

Figure 3



Recent changes to federal tax laws have negatively affected the residents of Connecticut, a state with high housing prices and high property taxes. In particular, with the establishment of a $10,000 cap on the state and local tax (SALT) deduction,[1] Connecticut home-owning residents with high property taxes will be adversely affected by restricting such tax deductions in excess of $10,000. While we expect that the Housing Price Index for New Haven and Milford will continue to improve, we can expect a drag on housing prices because of the changes in the tax law. Further complicating matters is the change in Federal Reserve policy as reflected in increased mortgage rates.

[1] Tax and Jobs Act of 2017

Data are from the Federal Reserve Bank of St. Louis FRED data **https://fred.stlouisfed.org/series/ATNHPIUS35300Q**

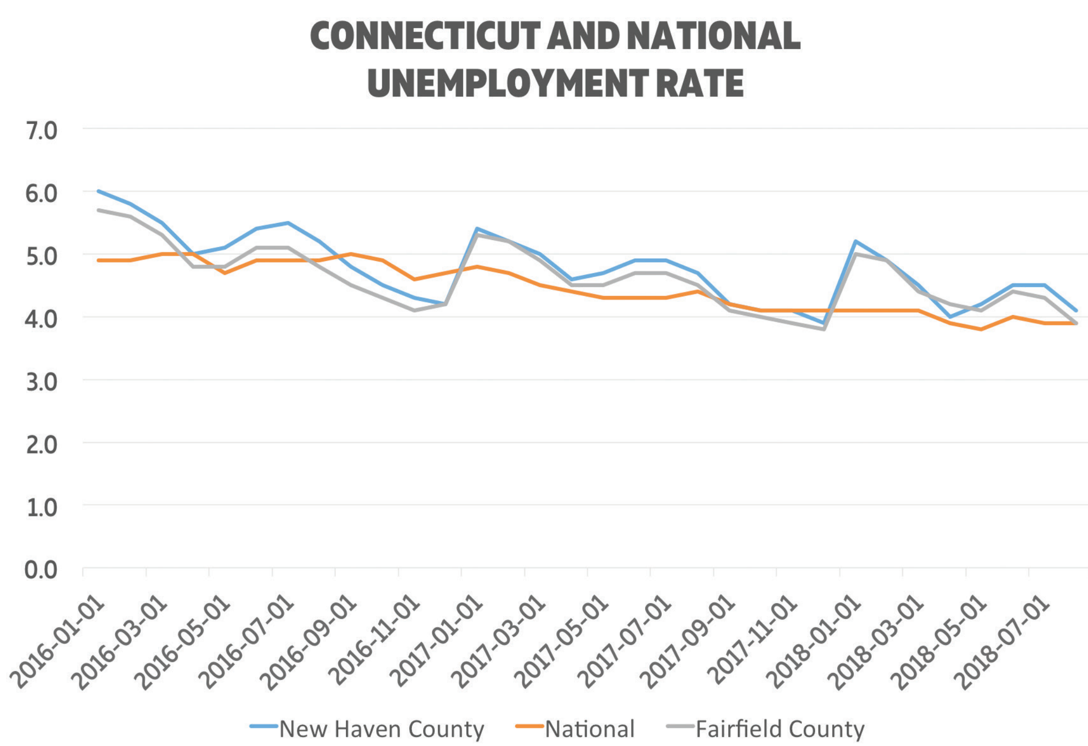
UNEMPLOYMENT

*Comments should be directed to: Anthony DiCioccio at **adici1@unh.newhaven.edu**.*

Although a slight increase in unemployment is evident in the early summer months, *Figure 4* shows that Connecticut is keeping pace with the rest of the nation. This is important because it allows us to gauge labor participation and output in comparison to the rest of the country.

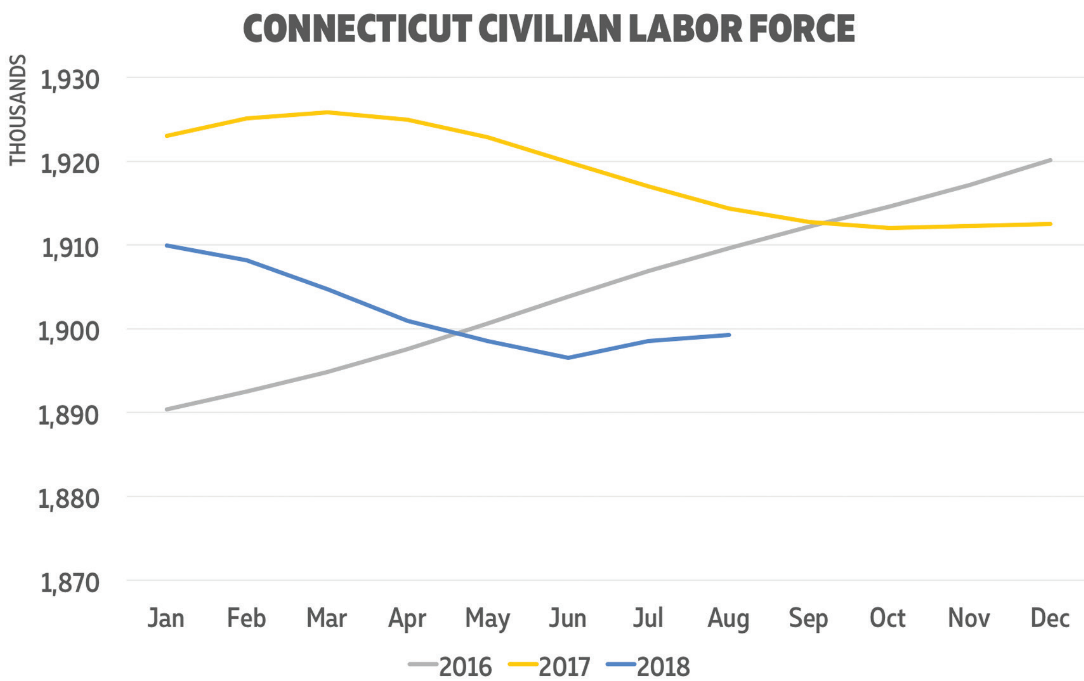
Connecticut still trails the other New England states in its recovery from the Great Recession. It should be noted that sharp increases in unemployment are visible in January 2017 and, again, in January 2018; however, unemployment proceeded to fall in the months following only to increase again between May and August. While Connecticut lags the nation, the gap appears to be diminishing as of August.

Figure 4



As large-scale labor projects begin across the state, it is likely we will see unemployment drop further. Projects such as the offshore wind farm slated to be operational off the southeast coast by 2023 and the accelerated production of submarines at Electric Boat in New London should stimulate growth in areas of the state that would have otherwise remained stagnant. In a May news piece, WFSB reported that Electic Boat "Currently...builds two submarines per year. It's in the process of ramping up that production to three per year by 2021. Under the partnership, it will add 1,881 jobs and make capital investments of $852 million." The offshore wind farm is also poised to create 1,400 direct and indirect jobs in New London County and "a $15 million investment in refurbishing the port of New London to handle staging and other industrial needs for this and future offshore wind projects," paid for by Deepwater Wind Company, as stated in a June 2018 article from the *CT Mirror*.

Figure 5



The Connecticut labor force peaked in March of 2017 and has been on a steady decline since April of that year. We can see that the labor force bottomed out between 1.8 and 1.9 million and has shown signs of slight recovery in July and August. In comparison to the rest of the New England, Connecticut keeps relative pace with its neighbors in regard to its labor force, following the macroeconomic trends bound to the region.

All data sources are from the Bureau of Labor Statistics and the Federal Reserve Bank of St.Louis FRED data (**https://fred.stlouisfed.org/series/NEWH709URN**, **https://fred.stlouisfed.org/series/UNRATE**, and **https://data.bls.gov/timeseries/LASST090000000000006?amp%253bdata_tool=XGtable&output_view=data&include_graphs=true**).

GROSS DOMESTIC PRODUCT

Comments should be directed to: Marcellus Morris at ***mmorr8@unh.newhaven.edu***.

This analysis evaluates Real Gross Domestic Product ("Real GDP"), a measurement of economic output, which is price adjusted. In essence, Real GDP focuses on economic growth. The latest publication from the Bureau of Economic Analysis ("BEA") reports that the U.S. Real GDP increased in the third quarter by 3.5% at an annual rate, a decrease from the second quarter of 4.2%.

Figure 6 depicts U.S. Real GDP annual growth from the first quarter in 2015 through the third quarter in 2018. The trend during this period is one of positive economic growth, which could be driven by increases in defense spending and reductions in individual and corporate tax rates. In quarter one in 2018, the annual rate was 2.2%; in quarter two, it rose to 4.2%; and in quarter three, it went down to 3.5%.

According to the BEA, in 2017, Connecticut Real GDP growth was ranked 23 in the nation; it still lags the nationally reported Real GDP. With all industries, the State of Connecticut Real GDP equaled $224,739 million. Further, 2018 quarter one Real GDP growth for Connecticut was 1.6% on an annual basis from the previous quarter. *Figure 7* shows that, since the beginning of 2015, Connecticut economic growth has been fluctuating, suggesting weakness in the economy; lately, however, we observe (since the beginning of 2017) continued positive growth.

Figure 6

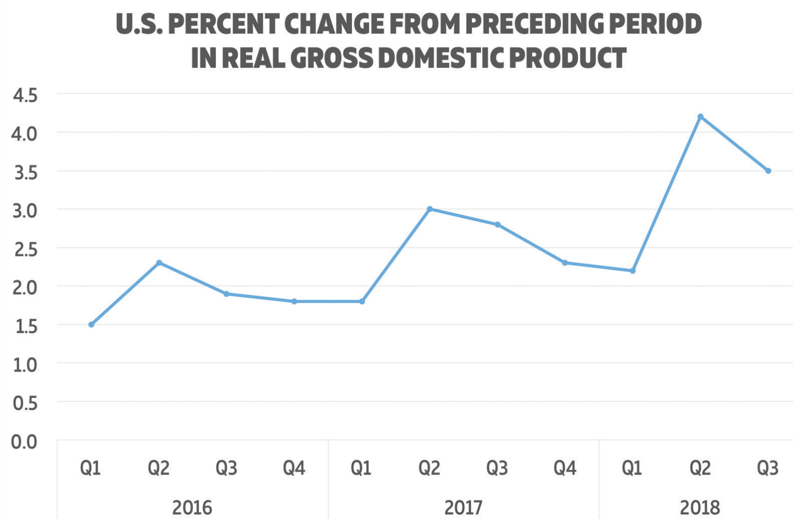
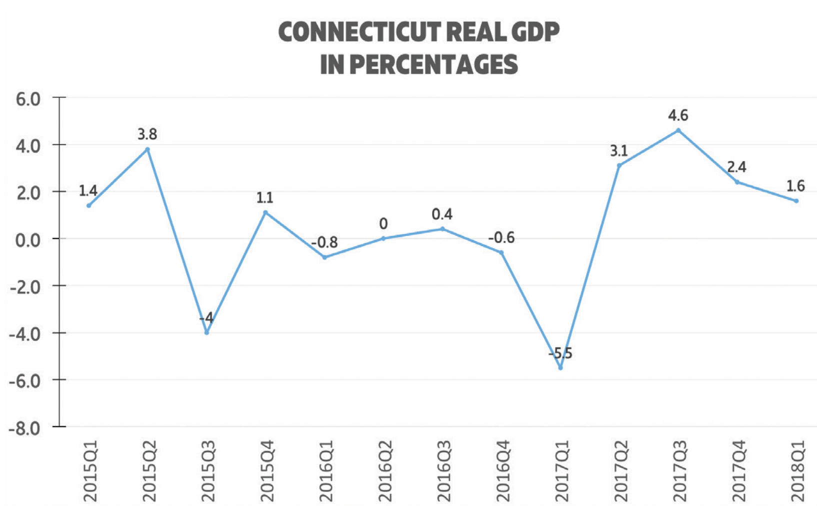


Figure 7



CONSUMER PRICE INDEX — ENERGY

Comments should be directed to: Gabriel Hubieres at ***ghubi1@unh.newhaven.edu***.

Connecticut energy prices, as measured by the Consumer Price Index ("CPI") for Energy, have continued to rise over the last four years. And, since the Great Recession, such prices have stayed higher than most of the surrounding region. According to Electricity Local, a website that details electricity prices in a specific state, region, or locale, Connecticut residential and commercial energy prices ranked, on average, the 4th highest in the nation, while industrial ranked 3rd highest in the nation. For purposes of this analysis, the CPI for Energy applicable to "All Energy" and "Households" is examined for the period January 2015 through September 2018, as compared to January 2008. CPI measures price changes in consumer goods and services purchased by households.

Figure 8 focuses on the New England Region, including Connecticut, through September 2018. From 2015 to today, energy prices in the region continually increased.

Similarly, *Figure 9*, which focuses on the New York region, including Connecticut, shows a comparable trend in energy prices. However, prices in the New York region were slightly higher than the New England region.

The potential impact of continued higher energy prices for Connecticut vis-à-vis other states and the nation is a continued drag on economic performance.

Figure 8

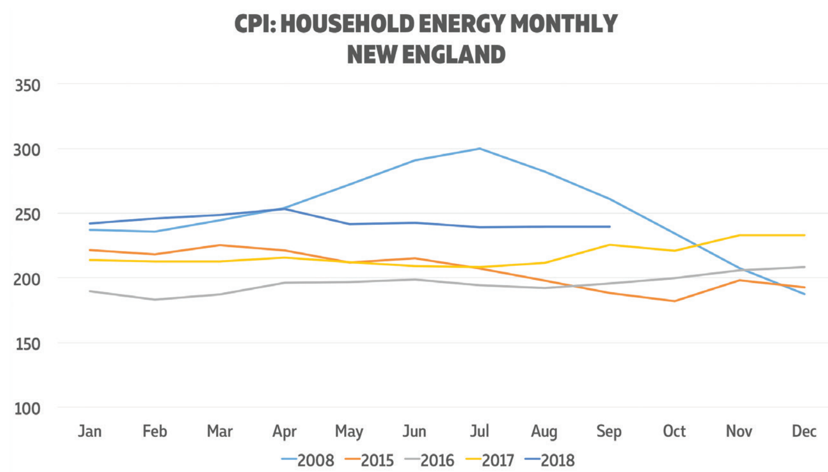
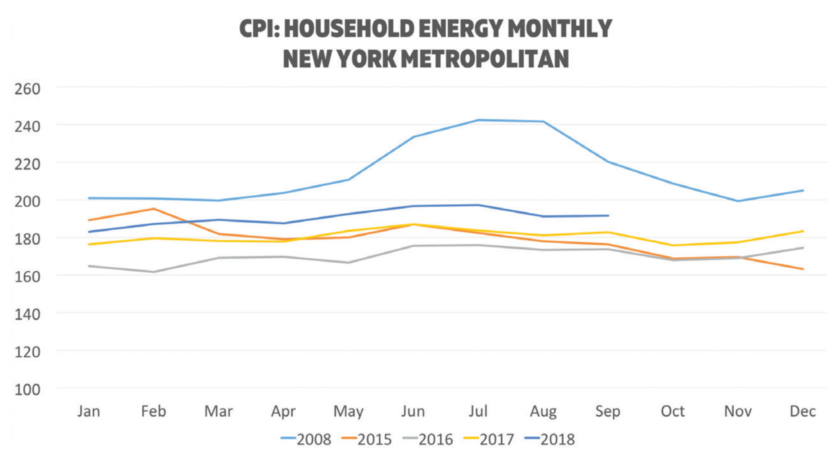


Figure 9



Data are from the Federal Reserve Bank of St.Louis FRED data (**https://fred.stlouisfed.org/series/CUUSA103SAH21** and **https://fred.stlouisfed.org/series/CUURA101SAH21**)

HOW CONNECTICUT BECOMES A BEST STATE FOR BUSINESS

Comments should be directed to: A.E. Rodriguez, Professor, Economics and Business Analytics at ***arodriguez@newhaven.edu****;*
and Brian T. Kench, Dean, College of Business, University of New Haven at ***bkench@newhaven.edu****.*

Connecticut shivers whenever a "Best States for Business" ranking is published. Suffering the recurring indignity of either being a bottom-dweller or heading in the wrong direction is one of the hazards of living in Connecticut. Recent reports that rank Connecticut on varying dimensions put our state near the bottom for fiscal health, tax climate, and economic outlook. So, the open question is: What can the Governor-elect do to improve our future economic performance and thereby help increase Connecticut's ranking to become a best state for business?

Using new developments in machine learning developed by the University of New Haven's Economic Performance Laboratory, we discover that Connecticut policymakers should be working on lowering the estate tax and decreasing the corporate income tax. Doing so would greatly improve Connecticut's business environment.

A recent Pew Charitable Trust analysis puts Connecticut dead last among all the states in personal income growth. The Mercatus Center's 2018 State Fiscal Rankings has Connecticut at 49th. The Tax Foundation Business Tax Climate Index has Connecticut at 47th. Connecticut come in 40th in the Alec-Laffer Economic Outlook Ranking. These rankings tell us that Connecticut has a lot of room for improvement, but, unfortunately, they don't tell us a lot about what the specifics are.

The flaw with each of these rankings is that they do not reveal the policy changes a state could make that yield the greatest bang-for-the-buck. Consider the influential Alec-Laffer Ranking – where we come in 40th in the 2018 edition. Its ordering is based on several attributes that it describes as "choices" available to decision-makers. Among these are the top marginal personal income tax rate, the top marginal corporate income tax rate, property tax burden, sales tax burden, and others.

As *Figure 10* displays, the Alec-Laffer ranking considers whether or not a state is a right-to-work state as the most important determinant of a state's economic outlook, followed by whether there is an estate tax levied and the magnitude of the top corporate tax rate. Rankings like this still don't provide enough information for what exactly policymakers can be doing in their state.

Figure 10

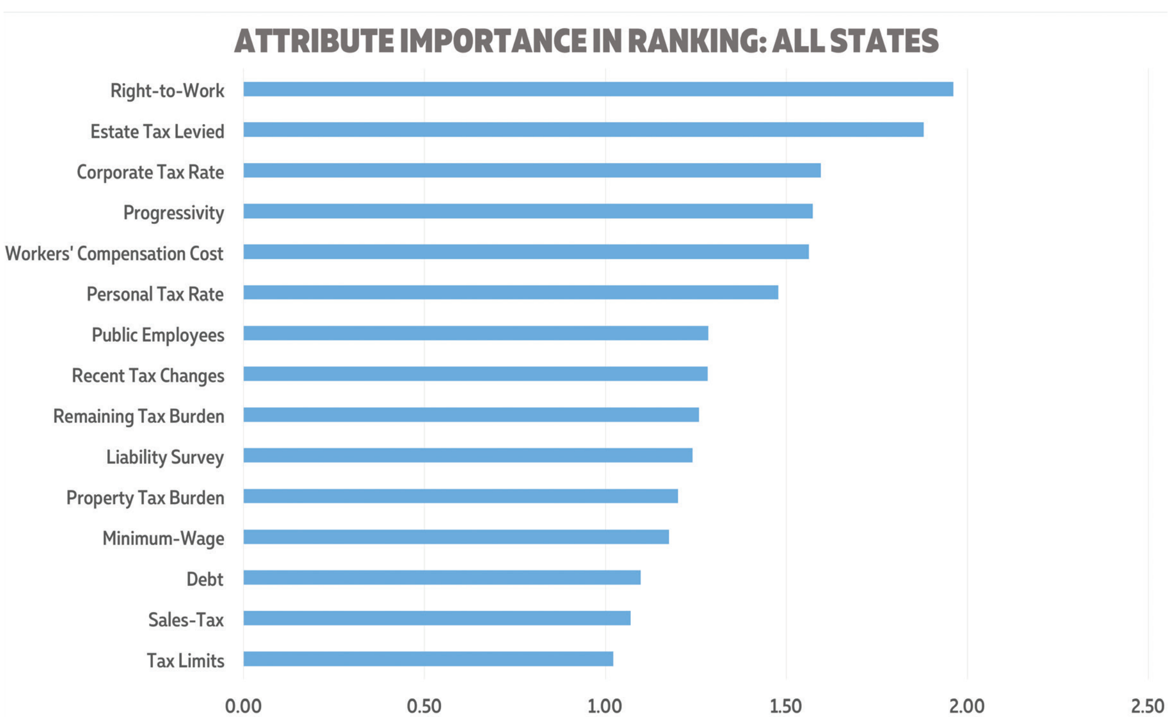


Figure 11

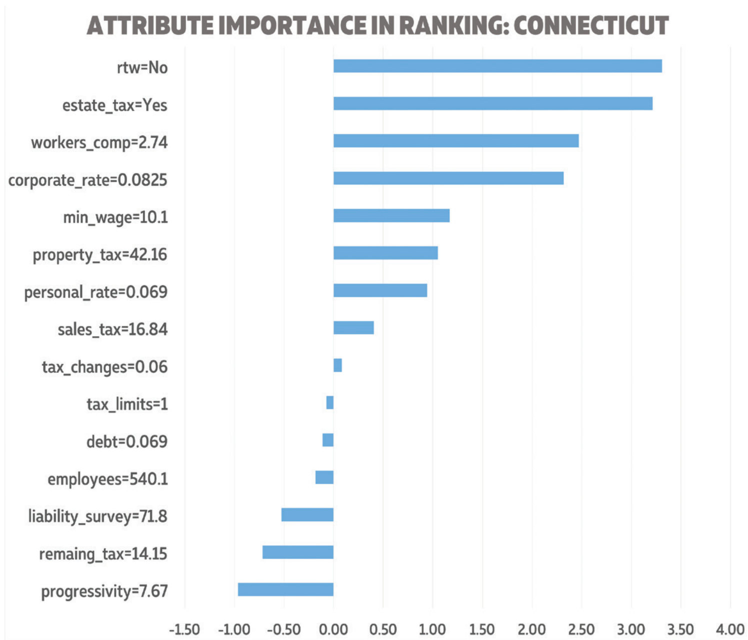
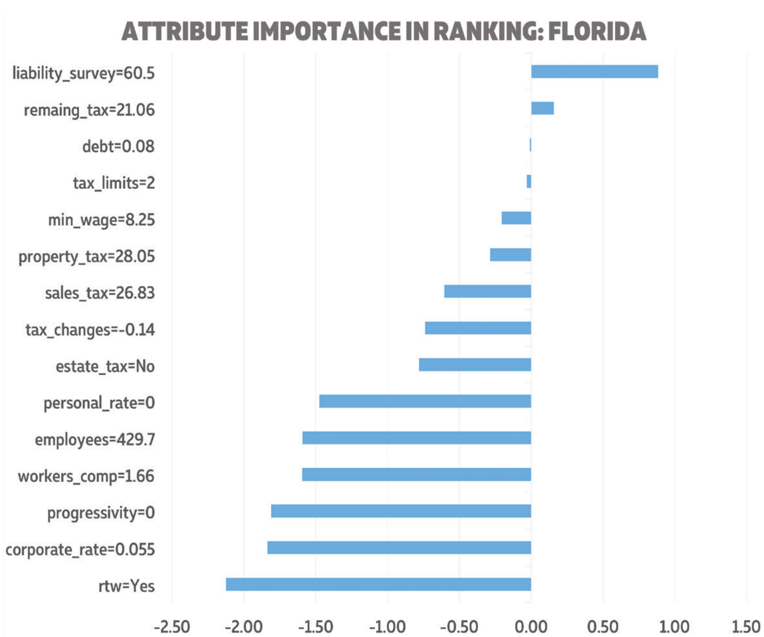


Figure 12



This is because most rankings equally weight each subcategory that goes into the overall rank. This is helpful for state-by-state comparisons, but it is not as helpful for practical application. Little to no explanation is provided as to what drives the Alec-Laffer attribute rankings, for instance. There is no explanation of how each variable impacts our position in the Alec-Laffer Ranking, and no explanation on what we are doing right or wrong.

A paper published last year by Ribeiro, Singh, and Guestrin, three data scientists, introduced what they called Local Interpretable Model-Agnostic Explanations (LIME). In combination with a technique popular in Game Theory called Shapley Value, we are able to unpack the particular attributes that determine Connecticut's position of 40 in the Alec-Laffer Ranking. The results of this machine learning approach for Connecticut are in *Figure 11*.

Figure 11 reveals that being a right-to-work state, the fact that we levy an estate tax, and that we have one of the highest corporate tax rates in the country all contribute negatively to our position in the Alec-Laffer Ranking — as do the others shown in the list in decreasing intensity.

The influence of the variables that impact our ranking is almost exactly opposite for the state of Florida, as shown in *Figure 12*. Florida is pushed higher in the rankings because it is a right-to-work state, it has a lower top corporate marginal tax rate, and so forth.

This illustrates that what might be best for one state, might not be best for another. Using machine learning can help us discern these differences. What does this mean for Connecticut policymakers? Our result reveals that the policy changes that will yield the biggest bang-for-the-buck are lowering the estate tax and decreasing the corporate income tax. These changes will help Connecticut become a best state for business as well as improve our future economic performance.

ON SAVING CONNECTICUT

Comments should be directed to: Carol Platt Liebau, President at ***carol@yankeeinstitute.org****; and Scott Shepard, Policy Director, Yankee Institute of Public Policy at* ***scott@yankeeinstitute.org****.*

Connecticut — once the Northeast's beacon of prosperity — has taken a mighty tumble in recent decades. Although it grew faster than most other states throughout the twentieth century, now the Constitution State remains one of the few that has barely grown back to where it was at the beginning of the Great Recession. Connecticut's economy is fundamentally broken.

The state's decline stems from a discrete set of interrelated causes. High taxes, especially taxes on production and wealth creation, generally reduce economic growth. It is a truth that should be a truism: taxing anything will result in less of it, because doing so raises its price. That's simple supply and demand. Accordingly, increasing taxes on income and investment will result in diminished economic growth, just as taxes on spending will decrease sales activity. Similarly, state-generated obligations that increase the price of an economic transaction — whether creating and marketing a good or providing a service — will likewise reduce the production of those transactions. And regulation, even when it is necessary, will also depress the economy, just by making it more difficult, expensive, or otherwise burdensome to engage in economic activity.

Although these propositions have universal application, they apply with particular force to the Connecticut economy. While Massachusetts offers the allure of Boston and New York state claims its eponymous city, Connecticut cannot lay claim to a competing urban center. Its attractions have historically lain elsewhere — in the promise of a tranquil, affordable, suburban lifestyle. Most notably, it has offered a low-tax locale between these two cities, where city workers could afford to raise families in safe neighborhoods, with good schools and relatively less-expensive housing which would, nonetheless, appreciate over time. Similarly, suppliers for both metropolitan areas could locate in a business- and growth-friendly state convenient to both cities and to ports of international trade.

Thanks to flawed state government policy, this competitive advantage has been squandered. Connecticut's taxes now are not materially lower than those of its neighbors, a sad fact illustrated most brutally by its current top income-tax rate, which — at 6.99 percent — comes in a meaningless .01 percent lower than New York's 7 percent. Recent history makes it clear that no one is fooled by this scratch-paper gimmickry, as it's become increasingly obvious that Connecticut is struggling in its incarnation as a high-tax state without any compensating advantages: by some measures, it has seen the slowest economic growth in the nation, with the lowest (and practically negative) property value growth, along with significant, debilitating flight by some of its most storied and most active corporations and its highest-tax-paying citizens. The state seems determined to strangle the geese that have so reliably laid its golden eggs, thereby leaving the pantry increasingly bare.

The tax increases that have extinguished Connecticut's attractiveness and vigor have been driven by one overriding expense: bloated government-employment rolls and pay, and particularly promises to those workers of pension and other post-retirement benefits (especially medical care) which are far more generous than those available to similarly situated private-industry taxpayers. What's more, for decades, the state failed to properly fund the benefits it had promised to its employees.

To add insult to injury, Connecticut continues to refuse either to fully recognize that overpromising and underinvestment has occurred or to make the adjustments necessary to right the state's foundering economy. This failure is best illustrated by the state's stubborn insistence that all past promises simply must be paid, whether or not they were based on appropriate economic predictions (such as projected inflation rates into the new century that resembled inflation rates of the last decades of the twentieth century); whether the state can continue to retain current and attract new residents and businesses at the tax rates that will allow it to remain solvent while honoring the promises; whether current retirees and government workers are collecting pensions and post-retirement benefits significantly in excess of the benefits being collected and earned by the private-sector Connecticut taxpayers who are subsidizing the public-sector packages; and related considerations. Unless they grapple honestly with these issues and resolve them in a manner designed to spur economic growth, Connecticut will continue to fall behind, making its eventual recovery more and more difficult and unlikely.

To understand why, imagine you are a non-resident of Connecticut who is offered jobs in both Connecticut and, say, Florida. You might first note that the pay is relatively good in Connecticut and house prices (though not rents) relatively affordable. But that disparity between housing and rent prices will cause you to look a little more closely, and you'll discover that the difference between property values and rental rates is going to the government in the form of taxes — property taxes in Connecticut are very expensive.

You will then notice that, in Connecticut, housing prices have been fairly flat for years, and observe that, although they fell sharply in Florida in the wake of the Great Recession, they have more than recovered their value since: there is a much better growth rate than in Connecticut. You'll do some quick math and determine that when monthly mortgage payments and property taxes are added together, you will pay more in Connecticut for the same house, but with much more of the benefit going to the government rather than to your efforts to build equity; in short, you will get a far better return by appreciation in Florida than in Connecticut.

Understandably, these comparisons will give you deep and serious pause. When you discover that you won't have to pay any state income tax in Florida and that — given that the total cost of living is so much lower there — your lower wage will give you more purchasing power in Florida than in Connecticut, your decision will all but have been made for you. And when you learn that Connecticut faces yawning state and municipal budget deficits for as far as projections reach, with no plausible plan whatever to bring government costs and taxation under control, you won't give Connecticut another thought.

The only way to turn Connecticut around for the long term is to address this problem — and it will require demonstrating to current and potential residents that Connecticut has a credible plan to regain its comparative advantage as a lower-tax, business-friendly state. This means quantifying, containing, and reducing its unfunded pension and post-retirement liabilities for government workers and retirees.

Of course, it would be wrong — and likely unconstitutional — to leave retirees destitute or even needy; no one would support that. But a rational review and — where necessary to restore the state to economic health — reform of pension and other retirement payments and promises must begin with the advent of the next administration. Yardsticks include comparing current and projected benefits for government workers to the benefits that would have been earned had inflation expectations actually come to pass, and comparing benefits being received and currently promised to government workers and retirees to those that their similarly situated compeers in private industry are receiving or can reasonably expect.

There is no constitutional obligation to drive a state into insolvency in a fruitless attempt to honor unexamined, unreformed, and underfunded promises that pauperize some citizens for the unanticipated enrichment of others. It is time to reform and rebalance Connecticut's relationship with its public sector, so that the state and its people may thrive again.

YANKEE INSTITUTE For Public Policy

The foregoing is one of a continuing series of positions developed by the Yankee Institute For Public Policy, whose mission is to promote free-market solutions and smart public policy so that every Connecticut resident is free to succeed. The Institute pursues this objective by informing, inspiring and motivating citizens and decision-makers.

The University of New Haven Economic Performance Laboratory and the Yankee Institute frequently partner to produce student-driven, research-informed assessments of economic policy issues affecting the State of Connecticut.

THE TAX TRANSPARENCY PROJECT

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Over the past two decades, with the emergence of the internet, transparency has come to virtually every market. Suppliers have had to adjust to the reality of 100% pricing transparency, with all benefit accruing to consumers. Qualitative aspects of all goods and services have pushed forward with online reviews, ratings, and other comment aggregations. Consumers' choices are no longer impacted by proximity. The world has become transparent and flat in virtually every consumer market. It is for these reasons that one realm jumps out as being markedly different than others. This realm costs more than every other one and yet gets virtually no systematic scrutiny or analysis. This area of concern is taxes.

While there is no shortage of generalized discussion about taxes, there has been little to none considering taxation from a consumer's point of view. Due to history, culture, and other factors, we tend to not think about the place we call home as a product. Due to the massive numbers that are always present on a government scale-–, be they local, state, or national – government math is hard to break down to a personal level. In order to bring transparency to these massive numbers, they need to become personal. They need to be on a human scale. Each of us as taxpayers will pay thousands of dollars and only be loosely aware of how much it costs and what we get for it. How much we spend is hard to understand due to the diversity of the taxes we need to pay for income, state, and local taxes, sales tax, gas tax, etc. What we spend is relatively easy to understand compared to understanding what we get. What this boils down to is that taxes aren't transparent, and, therefore, we, as in "We the People," aren't empowered with the knowledge needed to be good consumers. The reality of this situation is that there isn't transparent government in the absence of transparent taxes. In an increasingly complex world, "We the People" need to reestablish our position of control in a society based on self-governance. This can only happen with tax transparency. In the absence of visibility, effective scrutiny is impossible.

It is to this end that the University of New Haven Economics Laboratory is launching the Tax Transparency Project, with the purpose of empowering voters with a clear understanding about their tax dollars. This effort comes from the neutral perspective of consumer empowerment through simplified, understandable, and human-compatible information. The first effort of the Tax Transparency Project will be the development of a standard infographic to show how a statistically typical person is taxed and where each dollar goes. By developing an easy- to-understand visual, we'll have a model to compare budget proposals. This clarity is key to answering one of the most important consumer questions: How is a new proposal different from the existing one? How much did it go up by per year for me? What's changed in what I'll get for my tax dollars? If we think about tax dollars as a voluntary membership, how did the value of that membership change?

Our economy needs many things: money for infrastructure, economic development, education, and much more. Many of these needs are at odds with one another in a world of finite resources. The budget can only establish the right priorities if voters can see clearly where their money is going, and what they're getting for it. By making these issues plain, they can go to the ballot box and elect those who will prioritize the right things and steer the ship forward to the future that "We the People" want.

THE COLLECTIVE

The Economics Collective is an online space for faculty, students, and business and industry leaders to connect and network by sharing content, whether it be report analysis, political commentary, or anything else on the mind. Members can comment on each other's posts, creating a meaningful and enriching dialogue that extends beyond the traditional classroom educational experience. On The Collective, all members are economists, whether the poster is a first-year student or Nobel Prize winner. The lines of rank or position are blurred through the medium of the internet, lending to a more thoughtful and genuine discussion. These moments of connectivity construct social capital, which helps to build up the Economics Department as more than a department of the University of New Haven, but rather a community that cares for one another beyond the academic setting. The Collective has already been used as a method of surveying and will be used again in the near future — relying on the wisdom of crowds to extract sentiment and understanding: the sense of the community. If you are interested in joining The Collective, please visit **http://unheconomicscollective.ning.com**.

The Economics of Bourbon: "Bourbon is one of the few legally protected products made in America (akin to champagne and parmesan). In order to qualify as bourbon, the spirit must be 1.) produced in the USA (but not necessarily in Kentucky,) 2.) made from at least 51% corn, 3.) aged in new, charred oak barrels, 4.) distilled to no more than 160 proof, 5.) entered into the barrel for aging at no more than 125 proof, 6.) bottled at 80 proof or more. Interestingly, there is no aging requirement, but if the aging is less than 4 years, the length must be stated on the bottle." — PG

Fees on Expat in Saudi Arabia: "In Saudi Arabia, there are about 12 million foreign employees who occupy about 42% of the job market. [1]. This has increased the unemployment rate to about 13% in 2018. [2]. Therefore, the Saudi government applied new fees to companies that have foreign employees. The regulations state that companies must pay a fee of $80 monthly for every foreign employee in case the number of foreign employees is equal to the number of Saudi employees, while the fee increases to $107 in case the number of foreign employees exceeds the number of Saudi employees; these fees will keep increasing over the next few years. [3]. The government also issued a new regulation under which they require foreign employees to pay fees for their dependents as a move toward the diversification of sources of income for the kingdom [4]. The fee started with $27 per dependent in 2017, and it will increase to $10 by 2020." — FA

China's Xi Jinping says tariffs on car imports will be cut this year: "I believe that these tariff cuts on vehicle imports could be an advantage for not only China but also for other countries. These tariff cuts can help narrow price gaps. Tariff cuts can help narrow the price gap of foreign products in China and foreign markets. If these prices go down, then it will drive in more business to buy in domestic markets. Also, this will have an impact on mainland brands. In the future, the prices of imported goods would be more competitive, which will be a plus for the imported consumer goods market." — JA

Syrian Civil War and the Economy: "The war in Syria has caused much demise and heartache to the world. The six-year war that has involved multiple governments, including the U.S., has caused financial distress to their economy. According to the World Bank, Syria has lost $226 billion dollars to its economy. The World Bank also released that 538,000 jobs were lost between 2010 and 2015. The economy has lost human capital, infrastructures have been damaged, and there is no end in sight. Rebuilding the infrastructure and repairing institutions needed for society to thrive will be a huge challenge due to lack of resources, GDP, and human capital. According to The Economic Times, 320,000 people had died, including innocent civilians, by July 2017. Currently, that number is estimated to be over 400,000. This number also includes deaths from the chemical attack today." — SV

Student Loan Forgiveness to get $350M Boost: The latest spending bill that Congress has passed has the budget set to help forgive student loans for a lot more people than before. Within the new $1.3 trillion spending bill, there is $350 million set to help the student loan forgiveness plan. Even though there is money in the program, financial experts say that it's a failing program. The reason behind why they say it's a failing program is because there's simply not enough money in the program. The forgiveness plan has recently expanded on how many people with loans are eligible to have their loans forgiven. But with only $350 million set for the budget, there will be a lot of people who will be left out to dry as others get their loans forgiven." — AC

ABOUT THE NEW HAVEN ECONOMIC PERFORMANCE LABORATORY

The Connecticut Economic Activity Report (**www.universityofnewhaveneconlab.org**) is a publication of the Department of Economics and Business Analytics, College of Business, University of New Haven, 300 Boston Post Road, West Haven, Connecticut 06516.

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The Research Staff are upperclassmen and women in the Department of Economics and Business Analytics. Although each student works under the auspices of the supervising faculty and research directors, each student is individually responsible for interpreting and analyzing the data. The Laboratory is a teaching space, and this report reflects a product of that space. In addition, staff members work closely with the University of New Haven Economic Collective (**http://unheconomicscollective.ning.com**), which brings together students, faculty, alumni, and members of the broader community to foster a meaningful and relevant exchange of ideas. A fundamental focus of the Laboratory is to formulate, construct, and examine non-traditional socioeconomic metrics applicable to the southern region of Connecticut by employing traditional empirical methods as well as data and text-mining methods.

The Connecticut Economic Performance Laboratory is affiliated with the University of New Haven Department of Economics and Business Analytics. Any opinions contained herein do not reflect the opinion of the University of New Haven or its College of Business. The funding of the Laboratory and the printing of the report are funded by the College of Business, the College of Business Advisory Board, and other sponsors of the Laboratory. If you are interested in supporting this student initiative, please contact Ms. Kimberly Williams, Director of Development, University of New Haven, at **kpwilliams@newhaven.edu** or +1.203.923.7143.

About the University of New Haven

The University of New Haven, founded on the Yale campus in 1920, is a private, coeducational university situated on the coast of southern New England. It's a diverse and vibrant community of more than 6,800 students with campuses around the country and around the world.

Within its colleges and schools, students immerse themselves in a transformative, career-focused education across the liberal arts and sciences, fine arts, business, engineering, public safety, and public service. More than 100 academic programs are offered, all grounded in a long-standing commitment to collaborative, interdisciplinary, project-based learning.

At the University of New Haven, the experience of learning is both personal and pragmatic, guided by a distinguished faculty who care deeply about individual student success. As leaders in their fields, faculty provide the inspiration and recognition needed for students to fulfill their potential and succeed at whatever they choose to do.

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