
Mississippi Economic Review and Outlook

Dear Readers,

An economic recovery has begun, but it will be a while before employment and incomes are growing at a healthy clip. The reasons behind the rather gradual upturn are analyzed in the articles on the national and state economies.

As globalization of our economy increases so does the importance of international trade organizations. Some trade-related issues that currently confront us are briefly examined in this *Review*. Also check out the articles on Choctaw enterprises and on the Gulf Coast service sector. This summer there will be a special legislative session addressing medical malpractice tort reform. Our regular column featuring research websites suggests several sites that can provide you with background information on the subject.

To subscribe to this *Review*, which is published twice yearly, please fill out the form included in this issue. National projections are based on the forecast of DRI-WEFA. As always, the views expressed in the *Review* are those of the authors and do not necessarily represent the official position of the Center for Policy Research and Planning or the Mississippi Institutions of Higher Learning. Letters to the editor are welcome, as are suggestions. Email me at mhill@ihl.state.ms.us.

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CORRECTIONS to the December issue of this *Review*:

1. p. 35: the following data were inadvertently omitted from the Census Quick Facts Data:

Percent of the Mississippi population which is black or African American: 36.3%
Percent of the U.S. population which is black or African American: 12.3%

2. p. 34: the website providing environmental quality by state is www.scorecard.org (not scoreboard).

“University Research Center”
at left and scroll to bottom.

June 2002

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Vol. 16, No. 1
ISSN 1530-5546

Published by the
Mississippi Institutions
of Higher Learning

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NATIONAL ECONOMIC OUTLOOK

***After falling throughout 2001, industrial production has finally turned upward. Manufacturing capacity utilized also increased in the first quarter (Q1), although it remains well below the 82% capacity utilization reached in 2000.**

***The 20.9 % increase in gross domestic investment in Q1 is especially welcome news. Besides a surge in inventories, there was a 34% increase in new housing starts, industrial equipment spending was up 15% and, for the first quarter since Q4 2000, information processing equipment showed positive growth of output.**

***Investment will not maintain this pace until a strengthening of the recovery brings higher levels of profitability. Before-tax corporate profits turned positive in Q1, however, after falling for six consecutive quarters.**

***The federal government has provided a big boost to spending, through its increased outlays and stimulatory tax policies, as well as through the Federal Reserve Board's monetary policy, which has kept interest rates low.**

***Internationally, U.S. exports have been growing as the world economy is pulled along by the strength of the U.S. recovery. Not surprisingly, though, U.S. imports have increased more rapidly than exports, widening the trade gap. Low import prices are contributing to current low rates of inflation.**

***April was the first month since July 2001 to post a positive growth of employment, and the increase was a modest 6,000. The rate of job creation may be too slow to significantly reduce the unemployment rate for several months as more workers return to the labor force.**

The recession of 2001 was brief as recessions go, but the recovery period will be prolonged. The U.S. economy ground to a halt in the summer of 2001, and in the third quarter (Q3), output fell, the decline accelerated by the events of September 11. Remarkably, though, the combination of tax refunds, increased government outlays, low interest rates, and zero-rate auto-financing sufficed to bring the U.S. growth rate back into positive territory before the year was out. (The growth rate of gross domestic product (GDP) was 1.7 % in Q4.) In Q1 of 2002, the widespread restocking of inventories contributed to an exceptional 5.6% rate of growth in GDP. The growth rate of final demand apart from inventories was about 2.6%. A similarly modest, but positive, increase in GDP is expected to continue for the rest of the year. Not including any major political disturbances or terrorist acts, the critical factors restraining the pace of recovery will continue to be low profit rates, excess industrial capacity, and the U.S. current account deficit.

An Overview of First Quarter Indicators

The upturn in **industrial production** in Q1 following a year of declining output is a highlight of the numbers shown in Table 1. Industrial output is expected to continue rising

Table 1. SELECTED QUARTERLY NATIONAL ECONOMIC INDICATORS
Percentage Change, SAAR, Current Dollars Unless Otherwise Indicated

	2001 IV	2002 I^P	2002 II	2002 III	2002 IV	2003 I	2003 II
Gross Domestic Product (1996\$)	1.7	5.6	2.1	2.1	4.0	3.9	4.0
Index of Industrial Production	-6.9	2.5	6.6	4.1	6.3	6.7	6.6
Manufacturing, % Capacity Utilized	-7.2	2.4	6.9	3.7	2.8	-0.6	2.0
Establishment Employment	-2.6	-0.9	0.5	1.5	2.1	2.1	1.6
Index of Productivity	5.1	6.7	4.1	2.5	3.3	2.7	2.9
Business Loans	-8.8	-5.3	2.9	0.4	0.9	1.1	1.8
Consumer Credit Outstanding	8.5	3.4	3.0	4.9	5.7	7.4	6.5
Personal Disposable Income	-7.5	10.7	2.8	5.8	5.8	7.1	5.9
Hourly Compensation	2.3	5.1	1.9	3.4	3.6	4.5	3.6
Standard & Poors 500 Equity Price Index	-8.9	5.3	-12.0	5.2	6.8	6.1	9.0
Consumer Expenditures	6.8	4.1	5.7	4.2	6.0	6.5	5.9
Index of Consumer Sentiment (University of Michigan)	85.1	93.1	93.0	91.7	91.2	91.1	89.8
Light Vehicle Sales, Millions, SAAR	18.6	16.4	16.7	16.4	16.6	16.9	17.0
Housing Starts, Millions, SAAR	1.58	1.71	1.57	1.57	1.56	1.58	1.58
Gross Private Domestic Investment	-25.9	20.9	12.2	5.9	8.0	5.7	9.2
Before-Tax Corporate Profits	-36.0	8.7	24.3	-21.0	23.2	15.6	-2.1
Current Account Balance (Billions \$)	-\$395	-\$427	-\$461	-\$497	-\$517	-\$509	-\$538
Refiners Acquisition Cost Oil, Average	\$17.93	\$19.02	\$24.67	\$24.42	\$23.04	\$22.46	\$21.39

SAAR - seasonally averaged annual rate, based on quarter-to-quarter growth rates.

^PFirst quarter data are preliminary numbers and estimates. Second quarter data and later are projections.

SOURCE: DRI- WEFA, May 2002.

as both domestic and foreign demand get back on track. Manufacturing capacity utilized will rise as well, but is not expected to return to the 82% level, last seen in 2000, until next year. This excess capacity helps to explain the relatively low before tax profits, which, will remain beneath levels achieved in 2000 for another year or more.

A stellar performance was turned in by the **productivity** index, which in both Q4 and Q1 grew at over 5.0%, the highest rate achieved in two consecutive quarters since 1983. Even skeptics are now convinced that new technologies are translating into a long-term boost in output per worker, and will be a favorable influence on the economic recovery.

The 20.9 % increase in **gross domestic investment** is especially welcome news. Besides the tremendous surge in inventories at the start of the year that has already been mentioned, other components of investment were up. There was a 34% increase in new housing starts, industrial equipment spending was up 15% and, for the first quarter since Q4 2000, information processing equipment showed a positive growth in output. A turnaround in investment is key to the recovery, since the bulk of the fall in GDP was due to a drop in domestic investment (see *December Review*). The strength and the timing of the current upturn depends on business investments decisions.

Investment is not expected to maintain its first quarter pace. After inventories return to a more comfortable level, rising profits will be needed to induce business back to 2000 investment levels, and this upturn in profits awaits a strengthening of the recovery. Even in the short-run, however, some investments can pay for themselves -- sales of information processing equipment, for example, are expected to be growing at double-digit levels by year's end. Other investment goods will see little increase in demand: business purchases of transportation equipment and nonresidential construction are likely to remain sluggish for the year as a whole, though some recovery from the sharp drop in Q1 is expected.

Another bit of good news can be gleaned from Table 1: **before-tax corporate profits** turned positive in Q1, after falling for six consecutive quarters. An unexpected 6.7% jump in productivity in Q1 was a key factor. This will favorably impact investment.

Consumers Remain Somewhat Uneasy

Consumer spending, which faltered but did not drop during the recession, roared back to life with a growth rate of 6.8% in Q4. This year, the annual growth of consumer expenditures is expected to be a respectable, but not outstanding, 4.7%. Unlike during other, steeper downturns, consumers failed to reduce their debt levels significantly last year, and, given the modest growth of employment and wages this year, they are not in a position to continue the sharp increase in spending seen in the winter. As Table 1 indicates, **consumer credit outstanding** continued to grow slowly in mid- 2001. Consumer expenditures in Q1 grew a moderate 4.1%, after the spurt in Q4, aided by a strong increase in **personal disposable income** due to tax cuts and government transfers. (Wages and salaries rose only 0.1%.) Consumers will remain somewhat wary this summer, until convinced that the recovery is indeed on solid ground. This is reflected in the instability of the index of consumer confidence (Table 1).

Unemployment Rate Rises

Part of the problem for consumers is a slow increase in employment. April was the first month since July 2001 to post a positive growth of **employment**, and the increase was a modest 6,000. [The average annual increase in U.S. payroll employment was 2.1% over the 1996-2001 period, or approximately 211,000 jobs monthly.] Economists are warning of the danger of a

jobless recovery – at least in the sense that the rate of job creation may be too slow to reduce the unemployment rate. In April, for example, the growth in the labor force outpaced the increase in jobs, and the unemployment rate rose to 6.0%. The market needs to provide jobs not only for new labor force entrants, but also has to re-absorb many of those currently unemployed. The economy employed 1.3 million fewer persons this April than a year ago.

Most of the gains in the service sector employment (80%) were in **temporary help**, indicating some reluctance on the part of employers to commit to permanent hires. In manufacturing, despite the increase in production, employment continued to contract. Unemployment has increased at all skill levels. As the Economic Policy Institute notes, the unemployment rate for college graduates at 3% is the highest since May 1993, implying that even those with relatively higher skill levels are having difficulty in today's labor market.

Investors Cautious

The stock market reflects a lingering uneasiness. The Enron meltdown, the financial troubles of WorldCom, and the collapse of the dot.com bubble continue to impact investor confidence. Despite the declines in the market over the past year, analysts believe that further downward correction in some high-tech industries is likely.

Prices, Interest Rates Remain Low

Oil prices, which fell steadily in 2001, have risen in recent months, but remain well below 2000 levels. Although developments in the Middle East could change this outlook, no surge in

Table 2. **U.S. ECONOMIC FORECAST 2002-2004**

	2002	2003	2004
Gross Domestic Product (Percent Change)	3.8	6.0	6.4
Real Gross Domestic Product (Percent Change)	2.5	3.6	3.9
Price Level (Percent Change)	1.3	2.3	2.3
Real Gross Priv Domestic Investment (Percent Change)	1.3	7.7	7.4
Total Establishment Employment (Percent Change)	-0.4	1.9	2.2
Manufacturing	-4.6	0.8	0.6
Services	1.0	3.5	3.7
Construction	-2.2	2.1	3.8
Trade	-0.5	0.7	1.4
Finance, Insurance, Real Estate	0.6	2.3	3.1
Transportation, Communication, Utilities	-1.0	4.1	3.6
Government	1.2	0.2	0.6
Unemployment Rate	6.0	5.7	5.2
Personal Income (Percent Change)	3.3	5.9	6.2
Consumer Price Level (Percent Change)	1.7	2.6	2.6
Prime Rate	5.0	7.0	8.5

SOURCE: DRI-WEFA, May 2002.

Table 3. **ALTERNATIVE SCENARIOS AND PROBABILITIES IN NATIONAL ECONOMIC FORECAST**

	Rate of Growth of Real GDP			Probability
	2002	2003	2004	
Baseline	2.5	3.6	3.9	50%
Lower Growth/Pessimistic	1.8	1.4	5.6	25%
High Growth	3.0	4.5	4.1	25%

SOURCE: DRI-WEFA, May 2002.

oil prices is predicted this year. So far, inflation overall has been under 2.0%. **Consumer prices** rose only 1.4% in Q1, while producer prices rose a mere 0.3%. The strong U.S. dollar, which reduces the price of imports, is contributing to this downward pressure on prices. This price stability is beneficial not only for domestic investors and consumers, but also for foreign countries for whom the U.S. dollar acts as the world reserve currency. For the year as a whole, consumer prices are forecast to rise 1.7% and producer prices to fall 0.9%. Although the Federal Reserve Board is poised to raise **interest rates**, should it find any inflationary pressure developing, analysts do not expect any change before the end of the summer. The prime rate stood at 4.75% in April, and effective mortgage rates were at 6.83%.

Trade Deficit Worries Analysts

The growing U.S. current account deficit is receiving increasing attention from economists. The ratio of this deficit to the GDP is expected to surpass the 5% level in the next few months -- a level that is generally seen as a precursor to currency crises in developing countries, and to currency devaluation and capital flight in industrialized countries. Already the U.S. is borrowing close to \$2 billion per day from abroad to cover this deficit. **Net foreign liabilities** stand at 25% of GDP, and could exceed 60 % by 2010. At some point, foreign lenders will slow the supply of new credit. In positive-outcome scenarios, this results in a gradual devaluation of the dollar, which brings an increase in U.S. exports and a decrease in imports, causing a drop in the deficit at a deliberate pace which does not shock the economy. While it is unlikely that this process will be entirely smooth, it is most probable that central banks abroad will intervene, if need be, to ensure that the decline in the dollar's value is, in fact, gradual. Any shock to the U.S. economy could easily do as much harm abroad as it does here.

Though U.S. exports picked up in Q1, the **current account balance** is not expected to show improvement until Q1 of 2003. True, the major countries of South America, middle-income Asia, Central Eastern and Western Europe, and Canada will all show positive growth this year. The problem is that recovery in Western Europe and South America is lagging that of the U.S., and Japan remains in recession. This situation, along with the strong dollar, explains why U.S. imports are yet again projected to outpace the growth of exports. Only the eventual fall in the value of the dollar will turn this around and stabilize the size of the U.S. trade deficit.

Government Policy Remains Expansionary

The federal government has provided a big boost to spending, through its increased outlays and stimulatory tax policies, as well through the lower discount rates instituted by the Federal Reserve Board. Though these policies will continue, future increases in government spending are expected to be more gradual, and the effects of scheduled tax cuts more muted. No further

decline in discount rates is likely.

Short-Term Forecast

The short-term forecast shown in Table 2 is for continuing improvement in the economy. Low interest rates, growing world demand, tax cuts and increased government spending are fueling a 2.5% **growth rate of GDP** this year; by 2003, this growth rate will hit 3.6% and by 2004, 3.9%.

Despite the pick-up in national production, unemployment rates will not drop below 5.5% for several more months. This year's **unemployment rate** will be about 6.0%, falling to 5.7% in 2003 and 5.2% in 2004. The workforce is working harder and smarter, driving up productivity, but business is only cautiously taking on new hires. The return to last year's employment levels will be a gradual process, so that the average level of payroll employment this year will be somewhat below that of 2001. As a result, personal income growth will slow to 3.3% this year, with slow growth of income from dividends and interest contributing.

By 2003, **employment** will be rising at a rate of 1.9% and, by 2004, at a rate of 2.2%. As the recovery picks up steam, profitability and business investment will pick up. Personal incomes will grow more rapidly, interest rates will rise, and profits and dividends will increase. The value of the U.S. dollar will gradually decline, and the trade deficit stabilize, dropping as a percentage of GDP.

As the global economy revives, producer prices will increase somewhat over the next two years, but the rate of **inflation** as measured by the GDP deflator, will stay modestly below 2.5%, after an almost deflationary level of 1.3% this year. Consumer prices will rise only slightly more rapidly, at 1.7% in 2002, and 2.6% in 2003 and 2004. These predictions are contingent, of course, upon relative stability in the price of oil-increasing turmoil in the Mid-East or other oil-producing areas would change this outlook.

Alternative Forecast Scenarios

The May DRI-WEFA forecast for the national economy for the remainder of the year and for 2003 and 2004 is decidedly more optimistic than their December forecast, which was published in the last *Review*. Even the pessimistic scenario this May shows a growth rate of GDP in 2002 of close to 2%, which is higher than their previous pessimistic and their previous baseline scenarios. In addition, the probability of a pessimistic scenario has dropped from 35% to 25%, and the probability of the higher growth scenario has been upped from 15% to 25%. The end of the Taliban government in Afghanistan is one factor improving the outlook, but more basically, the U.S. economy has proven to be even more resilient than expected. Under the baseline scenario, this year's growth rate is forecast to be 2.5%, increasing to 3.6% in 2003 and an even stronger 3.9% in 2004. The base-line forecast and alternative scenarios are presented in Table 3.

There is the possibility that good news on several fronts could push up the pace of recovery. With a probability of 25%, the growth rate in 2002 could be as high as 3.0%, and, in 2003 and 2004, over 4.0%. This **higher growth alternative** could materialize if businesses increase their higher-technology investments, encouraged by rising productivity and strong demand from government and consumers. An upward swing in the stock market would be part of this scenario, pushing up consumer and business confidence. Higher-than-expected growth abroad and a fall in energy costs would also have a positive impact.

The **lower growth alternative**, assigned a 25% probability by DRI-WEFA, could result from any combination of sluggish growth abroad, escalating hostilities in the Middle East or Asia,

cutbacks in state government spending, further terrorist attacks, or a downturn in the stock market, due to the spread of Enron-itis. There is also concern that low interest rates have created a housing market bubble that could burst. More layoffs or added restrictions on lending by banks would also have negative effects. Despite the myriad of negative possibilities, the probability that enough of these will occur simultaneously to derail the recovery is low. Some slowdown, however, is likely, should a few of these negative developments materialize.

Written by Marianne Hill, with input from members of the Center of Policy Research and Planning.

Sources

Dismal Scientist, at www.dismal.com.

DRI-WEFA Forecasts and Reports. See www.dri-wefa.com.

Economic Policy Institute, “GDP Picture”, “Trade Picture”, “Trade Picture”, and “Jobs Picture”, available at www.epinet.org.

Federal Reserve Board, *Beige Book*, available at www.federalreserve.gov/FOMC/BeigeBook.

Kiplinger Letters. Available at www.kiplingerforecasts.com.

U.S. Department of Commerce reports.

An Introduction to International Trade Institutions

International trade institutions and agreements allow many countries to negotiate together to reduce barriers to trade and resolve trade-related disputes in ways that are acceptable to all. They also create a stable framework for international transactions.

The international trade agreements in which the United States has participated can be classified into several broad types. Those of the first type are called multilateral agreements, in which a large number of countries around the world agree to reduce barriers to trade among themselves. As a rule, agreements of this type, such as the **General Agreement on Tariffs and Trade** (GATT), are structured such that each participating country agrees to reduce trade impediments to all other participants. One of the foundations of the World Trade Organization (WTO)/GATT system is the **most-favored-nation (MFN) principle**, which mandates that if a WTO member extends any benefit (such as a reduction in tariffs) to a product of another WTO member, it must extend the same benefit to like products of all other members.

From 1994, when NAFTA went into effect, until 2000, total trade among the United States, Mexico, and Canada increased from \$297 billion to \$676 billion, or 128%.

A second type of trade agreement is the **regional trade agreement**, examples of which include the North American Free Trade Agreement (NAFTA) and the trade agreements of the European Union. In such agreements, each participant agrees to reduce trade barriers only with respect to the other participating countries in the region. So, for example, in NAFTA, the United States reduced its barriers to Mexican and Canadian exports but made no such changes for exports of European or Asian countries. (Such favorable treatment of regional trade might seem to violate the MFN principle for countries that are WTO members; however, Article XXIV of the 1994 GATT explicitly allows for such regional agreements under certain conditions.)

The WTO has reported a massive proliferation of regional trade agreements in recent years, with an average of one per month being notified to the organization. A recent study by the WTO Secretariat identified a total of **172 regional trade agreements currently in force** (including some that have not, or not yet, been notified to the WTO), and this number could well grow to about 250 by 2005. On the basis of the 113 regional trade agreements notified to the WTO and deemed to be in force as of July 2000, it is estimated that some 43% of world trade occurs within such agreements.

The United States benefits significantly from its participation in international trade institutions, for a number of reasons. For one, because U.S. tariffs on imports are already among the lowest in the world, any agreements to further liberalize trade will likely lower other countries' tariffs more than they lower U.S. tariffs. **U.S. tariffs** average about 2.5% on comparable, trade-weighted terms, but U.S. producers face extremely high tariffs in many

developing countries. For example, average tariffs on U.S.-produced goods are 13.7% in Brazil, roughly 17% in Thailand, and up to 35% in India. *Editor's Note:* The WTO estimates the simple average of U.S. tariffs at 5.7%, while for the European Union the average is 6.9%. This does not include recent increases. See www.wto.org.

The United States has participated in a number of different trade institutions and agreements over the years. For example, the United States was a member of the GATT from its inception in 1948 until 1995, when the **World Trade Organization** was formed. Until the WTO came into being, the GATT was both the agreement (which is still in effect) and the international organization formed on an ad hoc basis to support it.

The WTO is an international institution in which the United States negotiates agreements with 143 other members to reduce barriers to trade. In addition, the WTO maintains a forum for dispute settlement that enables its members to resolve trade disputes arising under the WTO agreements.

The **North American Free Trade Agreement** has been another important example of U.S. participation in international trade institutions. From 1994, when NAFTA went into effect, until 2000, total trade among the United States, Mexico, and Canada increased from \$297 billion to \$676 billion, or 128%. The share of worldwide U.S. goods exports that has gone to NAFTA partners more than doubled over the same period, from 14% to 37%. Trade restrictions imposed on U.S. exports by our NAFTA partners have fallen significantly. For example, in 1993 Mexico's average tariffs on U.S. goods were more than twice as high as U.S. tariffs on Mexican goods. Under NAFTA, Mexico's average tariff on U.S. exports has fallen below 2%, and two-thirds of U.S. exports now enter Mexico duty-free. Nearly all of the \$406 billion in goods traded between the United States and Canada enters duty-free.

SOURCE: Excerpted from the *Economic Report of the President 2002*, pages 275-300. This report is available at www.access.gpo.gov/eop.

Recent Issues Related to International Trade Agreements

Marianne Hill

The expansion of trade under multilateral agreements isn't an unqualified blessing for the countries involved. In the U.S., several lower-wage manufacturing industries, particularly in apparel, have been forced by the increased **competitive pressure from low-cost imports** to lay off workers, and many have relocated at least some of their operations abroad. Consumers, on the other hand, typically benefit from the access to lower-priced imports. Under the terms of the Trade Adjustment Act, workers displaced by import competition are eligible for economic assistance, but typically these laid-off workers, who are often lower-skill, bear the brunt of the adjustment costs associated with expanded trade. The General Accounting Office has published a report (*North American Free Trade Agreement*, 9/11/97, accessible at www.gao.gov), which reviews several research studies on the impact of NAFTA on labor, including some by the Economic Policy Institute, which are accessible at www.epinet.org.

The process set up for **dispute resolution between investors and individual countries** under

NAFTA is one of its more controversial aspects. There is potential for conflict between the demands of international agreements and national regulations and laws. The problem is exacerbated since NAFTA provides new property rights that extend beyond those available to U.S. citizens or businesses under U.S. domestic laws. For example, firms may claim that public regulation amounts to a government ‘taking’ of private property that requires redress.¹

The first case filed against the U.S. under Chapter 11, which regulates investor-state disputes, involved Mississippi.

The first case filed against the U.S. under **Chapter 11**, which regulates investor-state disputes, involved Mississippi. In 1998, a Canadian funeral conglomerate challenged a Mississippi jury damage award, seeking \$725 million from the U.S. [A Mississippi jury had ruled in favor of a small funeral home operation which had sued the conglomerate for breach of contract. The Mississippi Supreme Court would not waive the normal rules of civil procedure for the company.] Other cases involve disputes over environmental regulations and public subsidies. The General Accounting Office has a report summarizing cases filed up to 2001. [Go to www.gao.gov and search for “North America Free Trade Agreement U.S. Experience with Environment, Labor and Investment Dispute Settlement Cases” July 2001. More background information is available at www.citizen.org, website of Public Citizen.]

Under NAFTA procedures, disputes are heard by tribunals set up under either the World Bank or the U.N. The proceedings are strictly confidential, with no access by the press or public, and no process for amicus briefs. States involved in a dispute must rely on federal agencies to defend them. Under World Bank procedures, each side in the dispute – the plaintiff corporation or private investor and the defendant -- gets to choose one of the three arbitrators who will have the case, and the two jointly select the third, who presides. The use of these **confidential tribunals** for what are often public disputes is currently under fire from several quarters, and changes are likely in the future as the number of cases increases and the problem becomes more compelling. The number of cases is indeed escalating: in its 35-year history to 2001, the World Bank’s arbitral body handled approximately 79 cases -- but half of these cases were instigated in the last five years.

Notes

¹Under Chapter 11 of NAFTA, a Canadian firm is claiming that California regulations illegally expropriated the firm’s U.S. investment, when the state recently banned the use of MTBE, a gasoline additive that can contaminate drinking water. The Canadian firm was a producer of methanol, which is used in the production of MTBE. A similar case, in which a U.S. firm filed against Canada, resulted in Canada lifting its ban on the fuel additive, paying the manufacturer \$13 million and issuing a statement declaring the additive safe. The additive in question in that case was MMT, which is banned in several U.S. states. Some observers see such rulings as increasing the cost of regulation, and of national sovereignty.

MISSISSIPPI ECONOMIC OUTLOOK

* **The sector to watch is manufacturing. Until manufacturing employment is firmly on the rebound, the growth rate of the state economy is likely to continue to lag that of the nation.**

***Over 37,000 fewer persons are employed in manufacturing now than in April of 1999. However, employment in manufacturing has been inching upward since January. This increase has been concentrated in lumber and furniture.**

* **The new Nissan auto plant is scheduled to go online in 2003, and supplier industries continue to locate in the state. This will give a boost to the state's economic recovery next year.**

* **Business confidence in the state is up, and the index of leading indicators predicts positive growth rates in the coming months.**

***FY2002 revenue collections going to the state's General Fund remain at last year's level, based on data through May. Sales tax collections are looking better, but income tax collections have been disappointing.**

***The 2002-2006 outlook is for moderate growth of output and employment. Inflation will remain under control, with little increase in producer prices expected and only a modest rise in consumer prices.**

Kee your fingers crossed. Employment, business confidence and construction activity in Mississippi are all moving upward. The sector to keep an eye on is manufacturing. Although there have been tentative gains in employment in that sector since January, a solid rebound is needed to bring the growth rate of the state's economy up to that of the nation.

The situation in the spring is reflected in the graphs of Figure 1. In most of these graphs, there is an upturn in the first few months of the year, and numbers available since then indicate that these positive trends are continuing. In only about half of these graphs, however, are this year's numbers above those of a year ago. **Personal income tax collections** in the first quarter (Q1) of 2002 were at approximately the same level as in Q1 of 2001 (Figure 1a), and April and May collections did not change this. Overall, for the fiscal year 2002, July through May, general fund revenues remain close to the levels of FY2001. **Retail sales**, and sales tax revenues, however, do show positive growth over 2001.

The upturn in **manufacturing employment**, which began in February as shown in Figure 1d, can be expected to continue as long as the national and international outlooks remain positive. So far, this upturn has been concentrated in the durables sector, with nondurables employment continuing to slip. As in the recession of 1990-91, manufacturing industries here have begun to increase employment in advance of the rest of the nation. However, unlike the early 1990s, this recovery does not include apparel, whose weakened position is due in part to the North American Free Trade Agreement (NAFTA), which has resulted in the loss of markets and investment to Mexico.

The growth in building permits (Figure 1e) has been accompanied by a steady increase in construction employment since January, and employment levels this year are already above those of 2001. See Table 1. The **housing market** is thriving: Mississippi enjoyed a 29% increase in existing home sales in Q1, the highest increase in the nation. Gaming revenues are showing some improvement compared to last fall, but growth rates are slower than in previous years. Services employment, which dipped in the second half of 2001, is now back at the 2001 average,

and is expected to fuel much of the improvement in employment this year. Figure 1b shows the upward trend in total nonagricultural employment since January.

Business confidence in the state was up a sharp 10.6% in Q1, rising above 50 for the first time in almost two years (see *Mississippi Business*, May 2002). Respondents from services, retail trade and finance/insurance/real estate industries were most likely to answer questions regarding current and future business conditions favorably. Most thought that business conditions were the same or better than six months ago, and also that conditions would remain the same or continue to improve.

Consumers, however, were more worried about their financial situation. The percentage reporting that their financial situation was worse than a year ago increased from 15% in Q4 of 2001 to 20% in Q1 of this year. The responses to the other survey questions also indicated a darkening mood. Overall, the index of **consumer confidence** dropped from 112 to 70 between the two quarters. With the upturn in the national economy and the improving employment situation in the state, a rise in consumer confidence is expected in Q2.

The index of **leading economic indicators**, also published in *Mississippi Business*, confirms that the economy is on the mend. The index has risen in five of the past six months. The most recent increase was due to an increase in the length of the average work week in manufacturing, and an increase in manufacturing employment. The index of **coincident indicators**, on the other hand, continues to hover near the 105 level, where it has been for the past year. The decline in seasonally adjusted nonagricultural employment in March was largely offset by the increase in retail sales that month - putting the overall index at 105.5. A year previously, March of 2001, this index stood at the very similar level of 105.2.

Employment in both goods-producing and service-producing industries rose steadily during the first three months of 2002 after a 1.7% drop in employment in 2001.

Manufacturing

Nationwide, employment in manufacturing fell 4.2% in 2001, and in Mississippi the drop was 8.3%. However, while U.S. manufacturing employment continued its decline in Q1, manufacturing employment in the state began to turn around. About half of the 19,400 jobs lost in the state in 2001 were in just four industries: furniture & fixtures, electronic equipment, apparel, and transportation, which all suffered double-digit percentage drops. During the first months of 2002, furniture & fixtures has been rising, but employment in the other three industries has continued to fall.

The upward trend in furniture & fixtures and lumber & wood was the main force pulling up the overall number employed in manufacturing, which grew from 206,200 in January to 207,400 in March. Total employment in the other **durable goods** industries dropped slightly, as did nondurables employment. The low interest rates which have stimulated residential construction are behind the increased demand for both lumber and furniture in the state. Nationally, employment in lumber and wood is expected to show a 0.4% increase over last year with durables employment dropping 5.8% overall before stabilizing in 2003. In Mississippi, a 3.7% drop in durables employment is forecast, but rising to a positive 1.6% growth in 2003. Two major factors contribute to the positive forecast. The new Nissan auto plant in Madison is scheduled to begin production next year, and shipyards on the coast will be gradually adding workers as Northrop Grumman begins work under a

Table 1. **MISSISSIPPI EMPLOYMENT BY SECTOR**

	Jan. - Mar. 2002	Jan. - Mar. 2001	Percent Change
ESTABLISHMENT-BASED EMPLOYMENT	1124.3	1130.3	-0.5
Goods Producing Industries	264.3	273.9	-3.5
Mining	5.3	5.5	-3.6
Construction	52.2	49.0	6.5
Total Manufacturing	206.8	219.4	-5.7
Durable Goods Mfg.	128.2	137.1	-6.5
Lumber & Wood	22.4	22.3	0.5
Furniture & Fixtures	27.7	28.5	-2.8
Stone, Clay & Glass	5.8	6.0	-3.3
Metal Products	17.0	17.4	-2.3
Industrial Machinery	16.1	18.8	-14.4
Electronic Equipment	17.3	19.8	-12.6
Transportation Equipment	17.6	19.4	-9.3
Instruments & Related	4.3	4.9	-12.2
Nondurable Goods Mfg.	78.6	82.3	-4.5
Food & Kindred Products	29.9	28.9	3.5
Textile Mill Products	2.8	3.5	-20.0
Apparel	11.0	13.3	-17.3
Paper & Allied	7.5	7.9	-5.1
Printing & Publishing	7.8	7.8	0.0
Chemical & Allied	7.4	7.5	-1.3
Petroleum & Coal	3.0	3.0	0.0
Rubber & Plastics	10.0	11.1	-9.9
<u>Service Producing Industries</u>	860.0	856.4	0.4
Transportation & Utilities	56.2	56.7	-0.9
Transportation	34.0	33.6	1.2
Communications	12.3	12.9	-4.7
Wholesale Trade	44.9	44.5	0.9
Retail Trade	203.7	206.0	-1.1
Finance, Ins., Real Est.	42.6	42.5	0.2
Banks & Credit Institutions	22.5	21.9	2.7
Insurance	11.2	11.7	-4.3
Services	269.2	268.7	0.2
Hotels & Lodging	32.0	32.6	-1.8
Amusement, incl. Movie	22.0	21.8	0.9
Health Services	78.8	77.6	1.6
Total Government	243.3	238.0	2.2
Federal Government	25.5	25.8	-1.2
State Government	217.8	212.2	2.6
State Education	24.5	22.8	7.5
Local Government	152.6	149.8	1.9

SOURCE: Mississippi Employment Security Commission, May 2002. Preliminary figures.

¹Residence employment estimates are based on household surveys, whereas establishment data are based on jobs reported at places of work. A person with two jobs will generally be counted twice by establishment data, but not by the household data.

²These employment figures differ significantly from the wage and salary employment figures of the U.S. Bureau of Economic Analysis (BEA), which are reported in Appendix B in this Review and upon which the Center's economic forecast is based. The differences are largely due to the fact that the state Employment Security Commission does not include military employment, and that it does not utilize information available to the BEA on employees not covered by the state's unemployment insurance program. Workers with the railroads, the Coast Guard, some student workers, workers for religious membership organizations, farm workers and private household workers, for example, may be wage and salary workers not captured by the MESC data.

Table 2. 2001 PAYROLL EMPLOYMENT BY SECTOR, SOUTHEAST REGION

	Payroll Employment (000's)	Manufacturing (%)	Trade and Services (%)	Government (%)	Other (%)
U.S.	132228	13%	54%	16%	17%
1. Alabama	1914	18	48	18	16
2. Arkansas	1156	21	47	17	15
3. Florida	7198	7	62	14	17
4. Georgia	3954	14	54	15	17
5. Kentucky	1817	17	50	17	16
6. Louisiana	1931	9	51	20	20
7. Mississippi	1134	19	46	21	14
8. North Carolina	3901	19	50	16	15
9. South Carolina	1835	18	49	17	16
10. Tennessee	2712	18	51	15	16
11. Texas	9513	11	53	17	19
12. Virginia	3528	11	54	18	17
13. West Virginia	735	11	54	19	16
Total Region	41328	13	52	17	18

SOURCE: U. S. Bureau of Labor Statistics.

new \$2.9 billion contract to design, build and outfit warships for the Navy (see accompanying article *Highlights from News*).

Although employment in food & kindred products has been rising in Mississippi, total **nondurables employment** continued to slip in Q1 of this year. Employment in the apparel industry is now below 11,000, and job loss in apparel and textiles, accelerated by the North American Free Trade Agreement (NAFTA) is continuing. Nationwide, a decrease in employment in textiles, apparel, paper, chemicals and plastics is predicted for this year, for an overall decrease of 2.9% in nondurables employment. The trend, however, is forecast to be upward in last two quarters. In Mississippi, nondurables employment will fall in 2002, and then stabilize at about 80,000 persons for next three years. Although employment growth will continue in the food, printing and plastics industries in the coming years, this growth will be offset by job loss in other nondurables industries including chemicals, apparel and paper. Overall, manufacturing employment is expected to be lower this year than last, but will increase slightly in the next few years as durables employment climbs.

Services employment is up only slightly when Q2 of 2002 is compared to Q1 of 2001, but the month-to-month increase has been strong, with over 1,000 jobs added each month. Health services is leading this sector, with 1.6% more persons employed in Q1 of 2002 than in Q1 of 2001. Health services is expected to post a 2.5% growth rate for the year as a whole. Hotels and lodging employment increased in March and April, and amusements employment is also rising. Employment in services is forecast to grow 0.9% in 2002, and 2.1% in 2003.

Transportation employment, which is linked to manufacturing and wholesale and retail

trade, is also expected to regain lost ground over the course of the year. The upswing will turn into a positive growth rate of over 2% in 2003 and 2004.

In recent years, growth of **retail trade** employment has lagged the growth of sales as productivity in this sector rises. The increasing demand for services, which is absorbing more of consumers' dollars, is also holding down employment growth. Employment will continue to grow as income rises, but more slowly than in the 1990s.

Surprisingly, despite the state budget crunch, government employment was up by more than 2% in Q1 compared to Q1 of 2001. **State and local government** each had 2,800 more employees this year than last during the same period. Half of these jobs were in education. A drop in state employment from current levels is expected over the course of the year, as state agencies respond to tight budgets with hiring freezes.

The Regional Economy

Mississippi's total nonfarm employment dropped at an average annual rate of 0.8% between Q4 of 1999 and Q4 of 2001, which placed the state last in the nation and the Southeast. The average growth rate of personal income over this period, at 3.5%, was 45th in the nation, and the second-lowest in the region, just behind Alabama's 3.4%. **The recession has hit Mississippi especially hard**, due to its reliance on manufacturing, and lower-wage manufacturing in particular. Mississippi employs 19% of its wage and salary workers in manufacturing, compared to 13% for the region and the nation as a whole. Only Arkansas and North Carolina in the Southeast match or exceed this percentage. See Table 2.

Manufacturing is the sector that has suffered the steepest drop in production over the past 18 months; although national output has grown 2.4% between Q3 of 2000 and Q1 of 2002, industrial production has dropped a sharp 5.9%. By comparison, transportation services, which has yet to recover from the impact of September 11, experienced only a 0.6% fall in the value of its output between Q2 of 2001 and Q1 of 2002 (the decrease in air travel was largely offset by increases in other forms of transportation).

The industry composition within states varies widely across Southeast region, as shown in Table 2, and just as it has affected the depth of the recession in each state, it will also affect the pace of recovery in each. Tourism, manufacturing, and higher-skill services are some key industry sectors to watch.

Tourism is down nationally after the terrorist attacks of September 11, and Florida and Louisiana have been hit hard. In Orlando (of Disney World fame), the unemployment rate rose from 3.6% in August to 6.1% in January. Mississippi has fared better, since its gaming visitors arrive largely by car and bus. In Mississippi, the recent economic slump has been as much a factor behind the slowing growth of the state's gaming industry as has the events of September 11.

Trends in **manufacturing** are also critical to the region. The strong U.S. dollar and slow growth rates in the rest of the world are hurting exports, and the drop in U.S. investment spending is another negative for the sector. On the positive side, increased defense spending is boosting durable goods production, and low interest rates are also stimulating demand for equipment and construction-related products such as furniture. The GSU Forecasting Center predicts robust gains in durable employment beginning in Q3.

One of the newer durable goods industries in the South East Central region is the **automo-**

Table 3. **ECONOMIC FORECAST FOR 2002-2005**

2002 2003 2004 2005

Mississippi

Gross State Product (Percentage Change)	2.4	4.8	5.4	5.4
Real Gross State Product (Percentage Change)	1.4	2.3	2.7	2.7
Price Level (Percentage Change)	1.0	2.5	2.6	2.6
Establishment Employment (Percentage Change)	-0.1	1.3	1.5	1.1
Unemployment Rate	5.9	5.7	5.5	5.4
Personal Income (Percentage Change)	3.2	3.9	4.4	4.6
Consumer Price Level (Percentage Change)	1.8	2.5	2.7	2.6

United States

Gross Domestic Product (Percentage Change)	3.8	6.0	6.4	5.4
Real Gross Domestic (Percentage Change)	2.5	3.6	3.9	3.0
Price Level (Percentage Change)	1.3	2.3	2.3	2.3
Establishment Employment (Percentage Change)	-0.4	1.9	2.2	1.6
Unemployment Rate	6.0	5.8	5.2	5.1
Personal Income (Percentage Change)	3.3	5.9	6.2	5.3
Consumer Price Level (Percentage Change)	1.7	2.6	2.6	2.6

SOURCE: Center for Policy Research and Planning, Mississippi Institutions of Higher Learning, May 2002. DRI-WEFA, May 2002.

tive industry, which has been a boon for its economy. DRI-WEFA reports that in Tennessee, Saturn is building a new \$1.5 billion facility to manufacture four-cylinder engines for its new sport/utility vehicle and its next generation of small cars. Nissan, meanwhile, is planning to spend \$1 billion over the next four years to expand its presence in the state. The company expects to add 2,000 new employees.

Construction is nearly complete on Alabama's new \$440 million Honda manufacturing plant, scheduled to create 2,300 new jobs by its completion in late 2002. Toyota has settled on Alabama as the state for the company's new \$250-million engine plant, which may create up to 350 jobs. And Nissan's \$900-million plant near Canton, Mississippi will open in 2003, employing 3,300 workers initially and 4,400 when it reaches full capacity. Nissan has also attracted many suppliers to the state. As of November 2001, 13 new companies, generating over 2,000 jobs, had signed on to serve the Nissan plant.

Services is another sector critical to the Southeast. Here, the relative weakness of the South Central states in high-skill services such as finance, research, and information technology will hurt the speed of recovery. This weakness also helps to account for the depth of the recent recession. In December 2001, the unemployment rate in the South Central region ranked eighth out of the nine Census regions (Alabama, Kentucky, Mississippi, and Tennessee are the four states in this region). Those states that show strength in higher-skill services are predicted to enjoy earlier recoveries.

The average growth rate of GSP in the 13-state Southeast region in 2001 was 0.1%,

Inflation Keeps a Low Profile

The rate of increase in consumer prices this spring has been under 1.5% nationally, and in the South, the increase has been below 1.0%! While this is not expected to continue, an increase in consumer prices of less than 2.0% is forecast for the year. Consumers are benefitting from low producer prices, highly competitive world markets, and the strong U. S. dollar.



Prices that producers pay for intermediate materials, and finished goods apart from food and energy, have actually fallen during the past six months, and for 2001 as a whole, the overall increase in producer prices was just 1.1%. Also keeping down producer costs, unit labor costs fell in Q4 and Q1 of 2002, and are expected to be down for the year as a whole. This slow growth in producer costs will translate into slower growth of consumer prices.

Part of the reason for falling producer prices is the drop in price of imports, along with the fact that producers' dependence on imports (often from U.S. subsidiaries abroad) has been growing. The import price index fell 3.3% in 2001, or, excluding oil and business machines, 0.9%. In many cases, global competition has been driving down import prices, but the increasingly favorable exchange rate for the U.S. dollar also keeps prices low for U.S. importers, both producers and retailers. The value of the U.S. dollar increased 6.9% vis-a-vis the currencies of other industrialized countries last year, and the increase in Q1 of 2002 has been at an even higher rate.

This high demand for the dollar is driven not so much by demand for U.S. merchandise exports, as by the demand for U.S. assets, especially stocks, bonds and other financial instruments. The U.S. economy offers growth and stability in an uncertain world, and the dollar is the universally-accepted currency—offering investors a combination of income, security and liquidity that is unmatched.

The growing U.S. current account trade deficit must eventually drive down the value of the dollar, but the drop is expected to be gradual.



The price of the dollar is expected to decline in the second half of 2002, and continue declining for a few years. See the article on the national outlook in this *Review* for more detail.

The demand for other world currencies will increase as the global recovery strengthens, affecting the U.S. exchange rate, but it will be some time before the rising price of imports pushes up consumer prices here. The only exception is that increasing oil prices can rapidly impact inflation.

estimates the Georgia State University Economic Forecasting Center, and will rise to 1.8% in 2002 and 2.9% in 2003. While the Review agrees with the GSU Forecasting Center that Mississippi's growth rate will be below the regional average over this period, recently published data on manufacturing and construction employment in the state pushes our estimate above the GSU forecasts, as discussed below.

Behind the Forecast

As the nation pulls out of the brief 2001 recession, the state's economy will also revive. Consumers never stopped spending, and services output and employment have continued to grow over the past year. The problem has been investment spending, and slow world demand for U.S. exports. As examined in the article on the national economic outlook, the recovery in business investment spending depends on rising profitability. Recent growth in manufacturing output has been based largely on the restocking inventories and increasing demand from the government sector and abroad. A gradual rise in profitability will coax more investment spending, and by the end of Q3, manufacturing capacity utilized should be reaching the financially sounder level of 75%, which will enable the recovery to spread more widely.

Short-Term Forecast

The growth rate of **gross state product** (GSP) dropped from 3.2 percent in 1999 to -0.4% in 2001, and payroll employment fell by 19,100. Manufacturing alone lost 30,100 jobs over this period, a loss which was somewhat offset by the gain of jobs in services-producing industries. Given these trends, the modest 1.4% increase in GSP and the zero growth of employment forecast for this year doesn't look bad. **Payroll employment**, which has been steadily rising since January, will reach levels of a year ago by mid-summer, but the average employment level for 2002 will just about match that of 2001, yielding a growth rate of -0.1%. The increasing momentum in the state's economy brightens the outlook for the next few years. The growth rate of output will rise to 2.3% in 2003, and 2.7% in 2004. Personal incomes will grow more rapidly as well, at 3.2% in 2002, 3.9% in 2003 and 4.4% in 2004. Slow growth of income from dividends, interest, and profits over this period contributes to these relatively modest growth rates. The growth rates here will generally be lower than in the nation over the coming years, as indicated by Table 3. In part, this is because the growth rate of the population and the workforce here is less than that of the nation, and also in part because the gaming industry and associated tourism have become an established part of the state's economy and are no longer the strong catalysts for growth that they were before.

The state's relative weakness in higher-skill industries also adversely affects its long-term potential growth rate. While Mississippi's **information technologies** sector will show strength over the coming years as businesses continue to adopt the new technologies, the state will likely remain a net importer of these technologies for several years to come. Such higher wage service industries are spearheading the growth of the national economy, but are under-achieving in Mississippi.

Forecast for 2002-2007

There was a drop in payroll employment and almost no growth of output in the state between 1999 and 2001, but things are looking up. As illustrated in Figures 2 and 3, the **average growth rates of both output and employment** will be higher over the next five years than they were over the 1996-2001 period. The opposite is true for the U.S.: growth rates of both output and employment are expected to be lower in the coming period. As a consequence, the gap between

the performance of the state and the national economies will lessen. Nonetheless, the growth rates here will be considerably below those of the 1991-2001 period. During that decade, the average annual growth rate of output was 3.5%, and of employment 2.0%.

The outlook for productivity growth is good. Despite the increased expenditures on security, which has a negative impact on output per worker, productivity grew a strong 6.8% in Q1. Over the 2002-2007 period, **improved productivity growth** is expected in both the U.S. and Mississippi. The national growth rate of real output per worker will be approximately 1.8%, while that for Mississippi will be at 1.6%. A better measure of productivity is real output per worker-hour, and the growth rate of that measure will be somewhat higher, at about 2.10% nationally and 1.86% locally.

Mississippi's relative weakness in higher-wage, higher-skill industries means that output per worker here is lower than in the rest of the nation. However, the potential exists for a higher growth rate of productivity in the state than nationally, if the state's distribution of employment shifts towards higher-wage industries rapidly enough. As Figure 4 shows, the highest growth rates of employment will be in services, transportation/communications/ utilities and construction over the 2002-2007 period. While these sectors include high-wage occupations, the shift toward higher-productivity, higher-skill jobs within these sectors is not expected to be more rapid here than in the U.S. as a whole.

Health services, computer-and information-related services, and new communications technologies will contribute to growth rates averaging 2.3% for services and 1.7% for TCU in the state. Construction employment growth will be positive over the period, but will not reach the level achieved in 2000 much before 2005, although this would change with a stronger recovery than predicted in this forecast. Wholesale/ retail trade will benefit from the cyclical upswing in consumer and business demand, and will grow at about 0.7% annually. Manufacturing will continue to reduce its share in total employment, although it will have a positive growth of employment, while the mining industry will be hurt by lower energy prices, and jobs will be lost in that industry. Farming employment will remain fairly flat over the period, but increases in agricultural services will push the growth rate for agriculture up to about 0.5%. In general, industries here will grow more slowly than during the 1996-2001 period.

Written by Marianne Hill, with input from members of the Center of Policy Research and Planning.

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HIGHLIGHTS FROM RECENT NEWS ON MISSISSIPPI'S ECONOMY

See the website of the Mississippi Development Authority, www.mississippi.org, for more information about recent economic developments in the state, or contact Sherry Vance, Director of Public Information, at 359-3041.

New Businesses and Expanded Facilities

With investments of \$1.6 billion announced during the first four months of 2002, the Mississippi Development Authority notes that new investments proposed so far this year have matched the levels of the same period last year. Of this total, \$179 million was in manufacturing facilities, a 63% increase over last year. However, the \$1.4 billion in investments planned in non-manufacturing facilities is below the \$1.6 billion of the first months of 2001.

The **largest single investment** announced since January was a \$300 million plant for electric power generation, and transmission/ distribution. Reliant Energy plans to build this facility at French Camp in Choctaw County. The second-largest investment proposed was the \$100 million "Township at Colony Park", a real estate complex in Madison County that will include single family homes, a shopping center, and eating and drinking places.



Among the largest **manufacturing investments** announced since January is a \$44 million addition to the Stennis Space Center, under the Mississippi Space Commerce Initiative. The new plant will employ about 255 persons, and will produce map plotting instruments, pictorial situation instrumentation, and aerial maps.

Northrop Grumman Ship Systems was chosen by the Defense Department this April to design a **new family of warships** for the Navy in a contract worth \$2.9 billion over three years. The prototype will be built at Ingalls Shipyard. The firm and its partners, led by Raytheon Systems Co., will also design and outfit other ships in the DD-X series of warships. Previous to receiving this contract, the firm had announced plans to expand its shipbuilding facilities in Gulfport, and to hire another 520 workers there. Choctaw Maid Farms is constructing a \$26 million poultry plant in Scott County, which will employ 400, and Lane Home Furnishings expects to employ 400 persons in expanded facilities in Lee County, which will produce upholstered wood reclining chairs and dual-purpose sleep furniture.



Other major **non-manufacturing initiatives** include an ambitious \$31 million arts center, the Riley Educational and Performing Arts Center, to be located in Meridian. New construction in the state also includes: expansions at University of Southern Mississippi in Hattiesburg (\$48 million), a new Biloxi High School (\$30 million), U.S. Courthouse in Gulfport (\$43 million), additions to Columbus Air Force Base (\$37 million), to Keesler Air Force Base (\$65 million), Mississippi National Guard at Camp Shelby (\$26 million), the Naval Construction Battalion Center at Gulfport (\$40 million), and the Naval Station at Pascagoula (\$34 million). Many of these last are the result of increased national security protections.

The Choctaw Tribe is planning a fall opening for its **new casino**, the \$260 million Golden Moon, which will join the existing Silver Star in an expanded Pearl River Resort complex. The Copa Casino is spending \$75 million to expand its Gulfport facility. Wal-Mart is adding two new Supercenters in Mississippi, one in Oxford and one in Greenville. Each Supercenter is expected to employ 200 persons. The North Mississippi Medical Center in Tupelo is undertaking a \$28 million expansion. A new residential area, Meridian Village in Meridian, will include single-family homes, townhouses, and a



golf course. A \$35 million investment is estimated.

Nissan continues to award new contracts to meet the needs of its plant in Madison County, which is scheduled to begin production next spring. More information can be found at www.mississippiandnissan.com.

Research in Action

Maxdem Inc. of California has chosen the industrial park at Port Bienville in Hancock County as the corporate headquarters for its **new research and development group**, named Mississippi Polymer Technologies (MPT). The group will focus on the new polymer, Parmex, a high-performance thermoplastic material that has the strength of cold steel, yet is lighter, scratch-resistant and can be fabricated and machined using conventional methods. It has the sound and feel of metal, according to a spokesperson. The research company, which has about 15 engineers, chemists and polymer scientists, will work on perfecting production techniques, creating new products and finding applications for Parmex and other advanced polymers. It already has contracts from the Air Force, Army and Navy worth almost \$5 million.



Tourism

A new **Armed Forces Museum** has opened at Camp Shelby. Attractions include a vehicle park, a theater, library and memorial sculpture in addition to exhibits. It contains more than 17,000 donated items from photographs to weapons. There are guns from the Spanish-American War, a blood-stained map from Vietnam and a signed copy of Hitler's *Mein Kempf*. One of its exhibits uses special effects to replicate conditions in a World War I trench—including smoke, sound and smell. The heroic stories of 70 servicemen from Mississippi or who trained at Camp Shelby are housed in the memorial tower.



The **USA International Ballet Competition**, held once every four years, will take place this June. Held in Jackson, Mississippi, where it began in 1979, the competition attracts dancers from around the world, drawing thousands of visitors to the state. In 1998, 85 dancers from 26 countries participated in the event, which is one of the oldest and most respected international ballet competitions.

Mississippi in the Nation

Mississippi tied for seventh place, with Georgia and South Carolina, in *Site Selection* magazine's annual ranking of economic growth among the 50 states. Mississippi was 8th in total new and expanded facilities per million population; 6th in the three-year growth of such facilities (1998-2001); 6th in the number of top 100 small towns for corporate facilities; and 4th in the number of 100-plus job projects per million population. For the second consecutive year, the **City of Biloxi** has been named the top travel bargain for business, according to *Business Travel News*. The cost of a hotel room, three meals and a rental car came in at \$165.12 per day, the lowest of the 100 cities surveyed.



AYERS CASE SETTLED

On February 15, 2002, United States District Judge Neal Biggers approved a settlement agreement designed to end the 27-year old Ayers desegregation case. The subject of multiple trials, appeals and other proceedings, the case had gone as far as the U. S. Supreme Court. In 1992 the U.S. Supreme Court used the Ayers case to establish the legal standards that govern a state's duty to eliminate the remnants of segregation at its public universities once segregated by law. Both the federal district court and federal court of appeals again addressed Mississippi's university system and the state proceeded with implementing the court's remedial decree. Confronted, however, with still further litigation, the parties elected to settle.

Total settlement funding, including over \$80 million in Ayers funding before the February agreement, is \$503 million. All of the future funding goes to or benefits Alcorn State, Jackson State and Mississippi Valley State Universities and their students, except for \$6.25 million for financial assistance to students in summer developmental programs at any Mississippi university and \$2.25 million for private plaintiffs' attorney fees. The bulk of future settlement funds (\$246 million) will go toward academic programs over a 17- year period. Another \$75 million is to go toward capital improvements during the first five years of settlement implementation. There is also a \$70 million public endowment to be created over 14 years. In addition, the Board of Trustees of the Mississippi Institutions of Higher Learning will undertake to establish a privately-funded endowment of \$35 million over a seven-year period.

"The settlement is educationally sound and the results will be carefully monitored for compliance and accountability," stated Tom Layzell, the Commissioner of Higher Education.

ECONOMIC IMPACTS ON THE STATE OF THE ENTERPRISES OF THE MISSISSIPPI BAND OF CHOCTAW INDIANS

A summary of a longer report by Jon Rezek and Meghan Millea
of Mississippi State University

The Mississippi Choctaw Band of Indians has gained national recognition in recent years for its business success under the leadership of Chief Phillip Martin. As of 2001, there were 8,823 enrolled members in the tribe, most of whom lived on or near the approximately 30,000 acres of entrusted land set aside for the tribe in Jackson, Jones, Kemper, Leake, Neshoba and Newton Counties. Economic prosperity is new to the Choctaws. In 1963, when Martin first became chief, the unemployment rate was at 80% and 88% of households had annual incomes under \$3,000 (which was less than the 1963 poverty line for a family of four). The tribe was heavily dependent on federal aid administered through the Bureau of Indian Affairs and Indian Health Services. The changes since then have been dramatic. The tribe now owns and operates a diversified portfolio of manufacturing, service, retail and tourism businesses. The median household income, while remaining well below that for the state, is now close to \$25,000. Unemployment among tribal members is down to 4%, and most of the 5,800 persons employed in the state by the tribe are non-Indian. The annual payroll of its operations here reached \$159.2 million by 2000. The article below summarizes a study done by Jon Rezek, Ph.D., and Meghan Millea, Ph.D., of Mississippi State University, which estimated the impact of Choctaw enterprises on the state economy.

The Mississippi Band of Choctaw Indians (MBCI) is involved in diverse economic activities in the state, ranging from manufacturing and printing to shopping centers and casino gaming to education and tribal government. In 2000, these MBCI enterprises (including education and government) employed 5,800 workers in Mississippi, who received \$159.2 million in income. Table 1 provides details. The majority of these employees were not tribal members. By comparison, the largest manufacturing enterprise in the state, Northrop Grumman, employs about 11,000 persons. Choctaw enterprises also purchased goods worth \$90.2 million from Mississippi vendors. Visitors from out-of-state spent about 1.81 million visitor-days at the tribe's Pearl River Resort, purchasing about \$22.57 of goods and services per day at non-MBCI businesses in the state in 2000. (Local visitors spent about 1.37 million visitor-days.) Expansion of new and existing enterprises will bring employment to 7,800 and incomes to \$190 million by August 2002, thus increasing the impact of MBCI activities on the state.

These activities not only employ workers directly and thus generate personal income for the Mississippians employed, but they also have secondary effects as these dollars reverberate throughout the state's economy. Employees of Choctaw enterprises spend much of their income on goods and services produced within the state, and thus create additional employment opportunities in Mississippi. In addition, MBCI purchases generate revenue for Mississippi vendors, supporting employment by those vendors and so, in turn, supporting businesses along the various supply chains. Employment is also generated by tourist expenditures. Increases in state general fund revenues accompany these employment and income effects of MBCI

enterprises.¹ This study estimated the overall impacts of MBCI on

Table 1. **EMPLOYMENT IN ENTERPRISES OF THE MISSISSIPPI BAND OF CHOCTAW INDIANS**

<u>Enterprise Name</u>	<u>Employees in Mississippi</u>
	Current Employees (2000 - 2001)
Chanta Enterprise	125
Choctaw Electronics	250
Choctaw Manufacturing	290
Choctaw Development	100
Residential Center	125
Choctaw Shopping Center	50
First American Printing and Direct Mail	100
First American Plastics	50
Silver Star Hotel and Casino	2,400
American Greetings	150
Choctaw Geo Imaging	10
Dancing Rabbit	150
Government	2,000
Subtotal - - Current Employees	5,800
	Projected New Employment by 8/02
Golden Moon	2,000
Total Employees (8/02)	7,800

SOURCE: Office of Economic Development of the Mississippi Band of Choctaw Indians, May 2002.

the State of Mississippi, using an input-output model of the linkages that exist in the state's economy.²

Vendor Purchases, Employee Spending, Visitor Expenditures

In 2000, MBCI enterprises purchased over \$90.2 million from Mississippi vendors. Rezek and Millea estimate that these purchases supported an estimated 2,405 jobs in the state, and generated \$63.9 million in personal income. The employees of the Choctaw enterprises also spent a portion of their income on goods and services produced within the state. This spending supported an estimated 2,063 jobs and generated \$48.4 million in income for other Mississippians. The operations of the Choctaw enterprises therefore supported an additional 4,468 jobs and generated \$112.3 million in personal income throughout the state.

The Silver Star Hotel and Casino also provided a stimulus to the state economy by attracting visitors to Mississippi. According to the Choctaw Office of Economic Development, approximately 3.2 million visitor-days are spent at the Silver Star Casino and Pearl River Resort each year. Of those visitors, approximately 57% come from out of state. Based on tourism expenditure data from the Mississippi Development Authority (MDA), out-of-state visitors spent

an estimated \$94.76 per overnight stay in 2000, and Rezek and Millea estimate that about \$22.57 of this went to non-MBCI businesses.³ The tourism dollars spent throughout the state, then, supported an additional 1,227 non-MBCI jobs in 2000 and generated \$22.8 million in personal income.

Impact on General Fund Revenues

Overall, then, the MBCI enterprises indirectly supported 5,696 jobs and generated \$135.2 million in personal income in Mississippi in 2000, in addition to the 5,800 jobs in MBCI enterprises and their \$159.2 million payroll. This additional personal income expanded the tax base and thus increased tax collections. Based on numbers provided by the Office of Economic Research at the Mississippi Institutions of Higher Learning, approximately 5.8% of each dollar in income is collected by the state as taxes. Multiplying \$135.2 million by .058 yields \$7.8 million paid as taxes to the state government. Because these economic impacts are the result of recurring expenditures, the estimated employment, personal income, and tax revenue impacts recur annually. As the MBCI enterprises expand, their impacts on the state will expand as well. See Table 2a.

Construction Increases Economic Impacts

Currently the Choctaw are engaged in eight construction projects with estimated expenditures of \$486 million. These expenditures represent a one-time injection into the state's economy. Over the duration of the projects, 8,686 man-years of employment will be supported and \$236.7 million in personal income will be generated. This personal income increase will add \$13.4 million to the state coffers during the construction period. In addition, the Choctaw construction expenditures are subject to a 3.5% contractors fee when using non-Indian contractors, which will yield an additional \$6.3 million in state tax revenue for a grand total of \$19.7 million in tax collections, as shown in Table 2b.

Upon completion of the Golden Moon Hotel and Casino and the Hospitality Training Institute, purchases from Mississippi vendors are expected to increase by \$24 million and labor payments by \$31.6 million. The additional operating expenditures due to the Golden Moon Hotel and Casino and Hospitality Training Institute and to a 2001 tribal government pay increase will yield an additional 605 jobs and \$14.2 million in personal income for Mississippi.

The completion of the Golden Moon Casino is also expected to increase the number of visitors to the Pearl River Resort by 25%. This brings the annual out-of-state visitor-days to 2.3 million. Visitor expenditures will support about 1,534 jobs annually, generate \$28.3 million in

Table 2a. **RECURRING EFFECTS OF MBCI ENTERPRISES**

	Direct Impact of MBCI Enterprises*		Secondary Impacts of MBCI Enterprises		Total Impact of MBCI Enterprises	
	Current	Projected (8/02 -)	Current	Projected (8/02 -)	Current	Projected (8/02 -)
Number of Jobs Created	5,800	7,800	5,695	7,017	11,495	14,817
Payroll Created (\$million)	\$159.2	\$190.0	\$135.2	\$164.7	\$294.4	\$354.7
Mississippi Tax Revenue (\$million)	\$7.6	\$9.2	\$7.8	\$9.5	\$15.4	\$18.7

Table 2b. **ESTIMATED ONE-TIME IMPACT OF MBCI CONSTRUCTION 2001-2002**

	Direct Impact of MBCI Construction	Secondary Impacts of MBCI Construction	Total Impact of MBCI Construction
Number of Jobs Created	4,481	4,206	8,687
Payroll Created (\$million)	\$128.8	\$107.9	\$236.7
Mississippi Tax Revenue (\$million)	\$13.4	\$6.3	\$19.7

*Figures listed under direct impact refer to the number of persons employed in MBCI enterprises, the associated payroll and the taxes paid by these employees and enterprises to the state of Mississippi (contractors' fee is included in the case of construction). See Note 2 below for more explanation of secondary impacts.

SOURCE: Rezek and Millea, 2001 and Office of Economic Development, Mississippi Band of Choctaw Indians.

personal income, and raise \$1.6 million in tax revenues. Comparisons of the current and future annual employment, personal income, and tax revenues impacts are shown in Table 2a.

Conclusion

The Choctaw are well known for their gaming enterprise located in the Pearl River area; however, they have developed a diverse economic base including manufacturing and service industries which must be considered when estimating the total impact of MBCI activities on the state. When the new enterprises are operational, MBCI will employ over 7,800 workers, earning \$190 million in income and providing \$9.2 million in state tax revenues. These activities will support an additional 7,017 jobs in the state, with \$164.7 million in income, and will raise another \$9.5 million in state tax revenues annually.

Notes

¹Editor's Note: Workers at these enterprises, both Choctaw and non-Choctaw, pay federal income and payroll taxes. Tribal members, however, do not pay state income taxes; at the same time, the state does not cover the cost of education and other services, which the tribe instead provides. Tribally-chartered enterprises that are wholly owned by Choctaws are not considered to be corporations for tax purposes (similar to state prison industries, for example) and so are exempt not only from state but also from the federal corporate income tax. Non-Choctaw partners in joint enterprises pay the usual income taxes on their share of earnings. Goods sold on the tribe's entrusted land are not subject to the state sales tax, but rather to the tribal sales tax, which is at the same 7% rate.

The tribe pays the state's contractors' tax to non-Indian contractors, and also pays the usual state taxes when purchasing goods such as cars, tobacco, beer, liquor and other items, except that Choctaws are exempt from the ad valorem part of the car tag tax. The casino(s) on tribal land withhold state taxes on winnings of non-Choctaw Mississippians. Also, the tribe frequently partners with the state, county or other local bodies to share the cost of roads, bridges, agricultural services, police services and other expenses related to public administration. Federal funds come to the tribe through the Bureau of Indian Affairs or the Indian Health Services, and help to cover the costs of health services, six elementary schools and a boarding high school.

²The first stage of input-output analysis is the development of a descriptive model of the state's economy that traces the flow of resources, inputs, goods and services, and their accompanying payments, through the economy's various sectors and industries. These flows are then quantified in the second stage of input-output analysis, and a predictive model is constructed, detailing how the change in one economic output will affect the inputs and outputs of all industries. The predictive stage of the analysis involves the use of a series of multipliers, drawn from the quantitative model, which are used to estimate the economic effects of the particular changes being examined. Rezek and Millea used the national input-output package, IMPLAN, in developing both the descriptive (input-output) and predictive (regional multipliers) model of the interaction between MBCI enterprises and the broader state economy.

Economic linkages in the state depend on the industries that constitute the local economy. To monitor the flow of payments from purchasers to the suppliers of goods within the state, Rezek and Millea constructed a regional economic account. This account specifies which inputs to production processes are provided within state. This industry-level data on Mississippi was then combined with the national IMPLAN production process information on 528 sectors in order to estimate the flows of payments within the state.

Expenditures by individuals and businesses on goods and services produced outside the state slow the multiplier process and act to reduce the overall effects of initial spending stimuli. The MBCI Office of Economic Development provided in-state purchase information for its enterprises. (The enterprises included in this study are listed in Table 1.) In-state purchase information was estimated for non-MBCI industries using IMPLAN's Regional Purchase Coefficients approach.

Also, it should be noted that if the opening of a new enterprise means the closing of an old one, the negative multiplier effect of the closure must be taken into account. For example, if the new enterprise employs 100 people but the old enterprise which closed employed 30 at the same salary, the net effect, 70 jobs, must be used in making calculations. This has not been done here, given the difficulty of identifying such effects.

³The MDA reported that \$92 was spent per overnight visitor in terms of 1999 dollars. The Consumer Price Index (CPI) was used to adjust this figure to 2000 dollars so that it is comparable to the other estimates in the report. The visitor economic impacts are based only on expenditures made outside the Reservation. Off-Reservation visitor expenditures are estimated based on a similar study conducted for the Laughlin, Nevada area.

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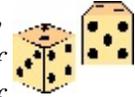
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NEW REPORT, BILOXI BLUES, PRESENTS ITS PERSPECTIVE ON THE HOSPITALITY INDUSTRY OF THE MISSISSIPPI COAST

The full text of *Biloxi Blues* is available at www.workingforamerica.org. This perspective on the economic growth of the Mississippi Gulf Coast focuses on the problems facing many lower-wage workers in the hospitality industry there. The report was written by Brian Turner and Jeff Rickert of the Working for America Institute. Highlights of the report follow. Another study of gaming in Mississippi, done at the University of Southern Mississippi, was summarized in the December 2000 issue of this Review and is available at www.cced.usm.edu. The lead researcher on this USM study has also just completed a report entitled, *Gaming In Mississippi*, which is available through the Mississippi Gulf Coast Economic Development Commission.¹



Low-Wages A Problem for Many in the Hospitality Sector

The structure of the Gulf Coast’s job market is undergoing a shift. On the coast, as in the rest of the state, the fastest-growing sector is services, which paid an average \$23,888 per employee in 1997 in Harrison County.² See Table 1. Unlike the rest of the state, however, almost half of the new service sector jobs over the 1992-2000 period were in hotels and lodging, and amusement. In addition, the occupations providing the greatest number of new jobs included waiters and waitresses, watch guards, cashiers and retail salespersons, which all paid less than \$17,000 on average. Table 2 provides some detail.



In tourist destinations, jobs in the hospitality industry often come with wages and benefits above the national norm in non-tourist locations. Wage rates have been rising in Biloxi, and the average weekly wage in the service sector in Harrison County was at the state average in 2000. *Biloxi Blues* points out, however, that wages in several hospitality occupations on the Coast remain below those of other casino locations, such as Las Vegas. Waiters and waitresses’ median hourly wage was 11% lower in Biloxi than

Table 1.

**PAYROLL PER WORKER IN MAJOR INDUSTRY GROUP AND NUMBER OF EMPLOYEES
IN 1992 AND 1997, TOTALS, PROPORTION OF LABOR FORCE, AND CHANGE**

Industry	Payroll Per Worker in 1997	Number of Workers in 1992	Percentage of Labor Force in 1992	Number of Workers in 1997	Percentage of Workforce in 1997	Percent Change 1992-97
Transportation and Public Utilities	\$34,289	3,305	7%	3,826	5%	-2%
Manufacturing	\$28,536	6,367	14%	4,812	7%	-7%
Wholesale Trade	\$25,232	2,036	4%	2,720	4%	0%
Finance, Insurance, and Real Estate	\$25,127	2,076	6%	3,729	4%	-2%
Construction	\$24,339	2,536	5%	3,072	5%	0%
Services	\$23,888	16,061	35%	34,967	51%	+16%
Retail Trade	\$12,768	13,032	29%	16,884	24%	-5%

SOURCE: U. S. Census Bureau County Business Patterns.

Table 2.
**TOP 25 GROWING OCCUPATIONS, 1998 WAGES, AND PROJECTED JOB OPENINGS
 BILOXI-GULFPORT-PASCAGOULA**

	Title	Median Hourly Wage (1998)	Mean Annual Wage (1998)	Average Annual Openings (1994-2005)
1.	<i>Waiters and Waitresses*</i>	\$5.74	\$11,650**	1,450
2.	<i>Watch Guards</i>	\$7.60	\$16,720	1,160
3.	<i>Cashiers</i>	\$6.35	\$14,130	740
4.	<i>Retail Salespersons</i>	\$7.21	\$16,610	700
5.	Registered Nurses	\$18.06	\$38,620	580
6.	<i>Cooks, Restaurant</i>	\$7.93	\$16,770	560
7.	<i>Food Prep Workers</i>	\$5.89	\$12,990	510
8.	<i>Maids and Housekeepers</i>	\$6.16	\$13,520	460
9.	First-line, Supervisors Sales	\$11.96	\$28,330	420
10.	Teachers, Secondary	N/A	\$32,220	420
11.	Home Health Aides	\$7.47	\$15,560	410
12.	Systems Analysts	\$21.45	\$46,870	360
13.	General Office Clerk	\$7.82	\$17,380	360
14.	General Utility Repair	\$9.41	\$21,660	360
15.	Nurses Aide	\$6.97	\$15,130	310
16.	Teachers, Special Ed	N/A	\$30,260	300
17.	<i>Janitor and Cleaners</i>	\$6.61	\$14,780	300
18.	<i>Dining Room and Café Attendants</i>	\$5.94	\$12,790	280
19.	Licensed Practical Nurses	\$10.60	\$22,680	280
20.	Food Service and Lodging Managers	\$12.38	\$28,560	270
21.	<i>Hosts and Hostesses</i>	\$6.88	\$15,020	230
22.	Teachers Assistants	\$5.87	\$13,190	230
23.	Welders and Cutters	\$14.87	\$30,830	230
24.	<i>Reception and Information Clerk</i>	\$7.72	\$16,540	220
25.	Stock Clerk, Sales Floor	\$6.58	\$14,590	220
SOURCE: Mississippi Employment Security Commission and U.S. Bureau of Labor Statistics, Occupational Employment Statistics and Occupational Projections.				
*Items in Bold Italic are occupations associated with hotels and restaurants, with median hourly wages of eight dollars or less.				
**Figure does not include income from tips.				

Table 3.

H-2B EMPLOYER PETITIONS FOR MISSISSIPPI

October 1, 1998 through July 15, 2000			
For Following Employers:			
* Gulf Shores INC/DBA/Holiday Inn Beachfront - (15 foreign nationals)			
* BCC & MGCC/DBA/Casino Magic - (310 foreign nationals)			
* Beau Rivage Resorts Inc. - (960 foreign nationals)			
Occupation/Job Titles	# Petitions	Persons Per Petition	Totals
Cook Helper	(2)	100 + 40 =	140
Dining Room Attendant	(2)	100 + 40 =	140
Housecleaner	(7)	15 + 75 + 75 + 40 + 40 + 150 + 100 =	495
Housekeeper	(1)	150 =	150
Steward/ess	(4)	40 + 40 + 200 + 80 =	360
Total Foreign Nationals			1,285
SOURCE: Data from U.S. Department of Labor, Employment and Training Administration, Atlanta Regional Office of Foreign Labor Certification Division.			

in Las Vegas, cooks had a median wage that was 24% lower, and maids and housekeeping cleaners were paid 33% less.³ Factors accounting for the differences in wage levels include unionization and worker productivity. The latter can be increased by investment in worker training and by improving services available to assist workers in meeting the demands both of their jobs and of their family responsibilities.

Training and work-related services could also open up employment possibilities for more Mississippi residents. Hotel casinos have obtained visas to bring workers from other nations to fill job gaps—under the H-1B program for skilled workers and under the H-2B program for unskilled workers. In recent years, approximately 1,300 less-skilled immigrant workers have been brought to the Coast by employers under H-2B visas, as shown in Table 3. Many (775) of these immigrants work as housecleaners, cook helpers or dining room attendants, occupations which less-skilled residents could fill if the appropriate training, transportation and childcare were available. More skilled jobs would also open to residents if the needed training were available at local educational institutions.

Job Quality and Career Ladders Also Need Improvement

Job quality is not determined solely by wage-levels. Access to training and promotions, benefits, flexibility in work hours including the ability to take unpaid leave in case of emergency, and due process procedures for negotiating disputes also contribute to job quality. Ideally, an employer will reward good work, encourage workers to secure better positions and recognize that workers have family responsibilities. Most of the low-income workers interviewed for *Biloxi Blues* were unsatisfied with existing career ladders. They saw limited opportunities for training and no systematic means of transitioning from low-paid jobs to higher-paid occupations. Their ability to negotiate with management was also often problematic.⁴

Recommendations from *Biloxi Blues*

1. Invest in Training and Institute Job Protections

Training is key to improving wages and working conditions. The *Biloxi Blues* report concluded that casinos on the Coast should contribute to the development of public training resources, and should reward workers who participate in training. They should also provide specialized training as they do in Las Vegas and Atlantic City. Efforts should continue to permit public educational institutions such as local community colleges or the University of Southern Mississippi Gulf Coast campus to teach relevant management courses. Federal funds available through the Workforce Investment Act, Temporary Assistance for Needy Families, and Welfare-to-Work should be leveraged to support training programs as well.⁵

Job protection, benefits programs and career ladders are on-going employment issues which benefit from systematic discussions between employees and management. Typically unions act as the organized voice for workers in such areas, although other alternatives exist. In any case, constructive dialogue between employers and employees on such issues improves worker satisfaction, strengthens labor-management relations and often boosts productivity.

2. Develop More Affordable Housing and High Quality Childcare Near Hotel Casinos

Workers in the hospitality industry often have non-standard shifts and work irregular hours. The report found that there is a need to expand supportive services for transportation and childcare. Difficulty in finding convenient, affordable childcare of satisfactory quality for often unpredictable hours was frequently mentioned in interviews with workers. Affordable housing is also a problem that needs attention: the monthly rental cost of a two-bedroom, two-bath apartment in Gulfport-Biloxi has risen from \$495 in 1995 to \$616 in 1999, and it is difficult for lower-income workers to find housing near their places of employment. See Table 4. The construction of affordable apartments and homes with easy access to hotels and casinos via public transportation would benefit the community, and is an issue requiring greater attention from local officials and employers.



Table 4.

GULF COAST APARTMENT RENT TRENDS, TWO BEDROOM-TWO BATH

Area	1995	1996	1997	1998	1999	Percent Change 1995-1999
Biloxi-Gulfport	\$495	\$552	\$577	\$596	\$616	24.4%
Cowan to Popp's Ferry	\$520	\$296	\$628	\$630	\$673	29.4%
Pascagoula	\$414	\$423	\$425	\$440	\$485	17.1%

SOURCE: University of New Orleans Real Estate Market Data Center.

Typical unit floor area of 1,000 to 1,100 square feet.

Notes

¹Editor's note: There was not sufficient time to include a summary of this report in this *Review*. Although the focus of the report is not on labor, 152 casino employees on the Gulf Coast were surveyed and 88 in Tunica County. About 75% of respondents reported that the primary reasons for working for a casino were pay and benefits and job security. Gulf Coast employees cited promotion opportunities 6.6% of the time and educational opportunities 1.3% of the time. In Tunica, 10.3% mentioned promotion opportunities, and 4.6% educational opportunities. 73% of Gulf Coast respondents reported that their current compensation package was as good or better than the package at their previous place of employment, while for Tunica the percentage was 76%.

²Editor's note: The gap between wages paid in Harrison County and the state as a whole has closed over the 1992-2000 period. (The first riverboat casinos docked in Biloxi in the summer of 1992.) In 1992, average weekly wages in Harrison County were 91% of the state average, but by 2000 were 98% of the state average. In large part, this was because service sector wages in the county rose more rapidly than for the state over this period (35% versus 32%); the wage gap also narrowed in other sectors including retail trade and construction.

³Editor's note: The cost of living in Las Vegas was 14% higher than in Biloxi for homeowners, and 3% higher for renters. Go to www.educationplanet.com, and then to "Education", "Careers" subcategory for more detail.

⁴Several housekeepers reported being penalized for responding to their children's health problems or other personal crises. Casino workers reported difficulty with scheduling childcare because they were uncertain whether or not they would be required to stay late or asked to leave early, and management did not help work out alternatives.

⁵Last year, the Department of Human Services allocated seed money of \$148,000 to establish a Hospitality Workers Training Center on the Gulf Coast. This center is modeled on the Culinary Academy of the Hotel Employees and Restaurant Employees Union in Las Vegas, which has established itself as the chief provider of hospitality training for workers in that area. The Gulf Coast center's first graduates have achieved a high retention rate, and the completion rate for new trainees is also close to 90%.

WEBSITES FOR RESEARCHERS



Websites for researchers is a new feature of the *Review*. This column will contain descriptions of a few websites that are especially useful to persons seeking information and data on Mississippi and on policy questions of interest to Mississippians. In the last issue we featured www.fedstats.gov, the gateway to all the statistical agencies of the federal government, as well as several other sites. Please send in your suggestions for this page to Marianne Hill at mhill@ihl.state.ms.us.

Websites Addressing Tort Reform

Tort reform has been a recurring issue during the past few legislative sessions, and will be the subject of a special session this summer. A tort is a “wrongful act or injury for which a civil action can be brought to court”, so that “tort reform” covers many issues related to civil litigation. Frivolous lawsuits, excessive punitive damage awards, and the high cost of medical malpractice insurance are topics related to tort reform, as are corporate accountability and consumer protection. Not surprisingly, business associations generally have a different view of what is needed than do public interest groups, and each participant in the current debate makes valid points.

A state’s litigation environment affects firms’ business decisions, and high rates for medical malpractice insurance can hurt both doctors and patients, but at the same time wrongful actions by businesses and hospitals also have adverse impacts. What changes would make our legal system more fair and effective? Do skyrocketing malpractice insurance rates require reform of the court system, insurance practices or both? A few websites addressing these issues follow.

U.S. Department of Justice statistics on tort trials can be accessed at www.ojp.usdoj.gov/bjs with a search on the term “tort trials”. The Government Accounting Office has several relevant studies available at www.gao.gov, which can be reached through searches on terms including “medical malpractice”, “liability insurance”, “product liability” and “tort reform and insurance”. The Joint Economic Committee of the U.S. House of Representatives has done a report “Improving the American Legal System”, which is available at www.house.gov/jec/tort/tort.htm. There is a National Center for State Courts, www.ncsconline.org, which has a Court Statistics Project with civil justice statistics. Search on “State Court Caseload Statistics” to find the drop in Mississippi’s tort caseload from 1997 to 1999. The National Conference of State Legislatures, at www.ncsl.org, has focused considerable attention on insurance regulation related to health and auto insurance. Their articles and publications are available for a fee. Go to the site map and scroll down to Policy Issues and Programs, and then click on Insurance.



The U.S. Chamber of Commerce has an affiliate, the U.S. Chamber’s Institute for Legal Reform, which presents the Chamber’s concerns at www.litigationfairness.org. The website of the American Tort Reform Association (ATRA) is www.atra.com. ATRA has the backing of over 300 businesses, corporations, associations and professional firms. The Mississippi Economic Council

is an active advocate of tort reform and provides information on its concerns at www.mec.ms. Just do a search of the site on 'tort reform'. The American Medical Association's website, www.ama-assn.org, has a section on liability reform: go to Site Map and then look under Policy and Advocacy for liability reform. Mississippi's Medical Association also has information on tort reform. Its website is www.msmaonline.com. See "Tort Reform in the News" at the bottom of its homepage.



The public interest organization, Public Citizen (founded by Ralph Nader), has a Litigation Group which assists citizens and consumers in litigation cases involving health and safety and open government. This Group's view of the reforms needed in our civil justice system can be found by a site search on 'tort reform' at their website, www.citizen.org. The National Consumer Law Center is aimed at lawyers serving low-income consumers, and has some relevant information at www.nclc.org. The American Bar Association's newsletter, *Tort Source*, has a special Winter 2002 issue on tort reform available at www.abanet.org/tips/tortsource.html. The Association of Trial Lawyers of America (ATLA) provides a series of civil justice fact sheets addressing tort reform, available under "Consumer News" at www.atla.org/CJFacts/publedu.ht. The Mississippi Trial Lawyers Association also addresses the issue at its new website, www.mstla.com.



The ATLA site also provides links to federal and state law-related agencies and other law-related sites, such as the National Center for State Courts. The RAND Institute for Civil Justice, at www.rand.org/icj, covers tort reform as well.

Mississippi Data Links

The Economics Department here at the Institutions of Higher Learning is presently constructing a website with links to several sources of data on Mississippi. Go to <http://net1.ihl.state.ms.us/planning/datalink.htm>. Economic, demographic, and other information can be easily accessed from this webpage. See also sites listed in the last *Review*.

Industry-Related Sites

www.industrialinfo.com provides access to forecasts and trends, project leads, industry-related information resources and market maps and statistics. You must sign in, but there is no cost. The site will send you daily bulletins, which you can stop with a simple e-mail.

www.evworld.com is a site devoted to electric-drive vehicles (EV), which continue to become a more viable transportation alternative. The site addresses the EV community and the EV industry, providing data on charging stations and access to dozens of related links around the globe.

Demographic Data and Poverty Studies



<http://plue.sedac.ciesin.org/plue/ddviewer> allows you to create maps and calculate statistics for 220 demographic variables from the 1990 U.S. Census. The DDViewer will map counties, county subdivisions, census tracts, or blockgroups, displaying the variables you select. The maps can then be printed out or downloaded, and used in presentations or papers.

www.ssc.wisc.edu/irp is the site of the Institute for Research on Poverty at the University of Wisconsin. It answers frequently asked questions about poverty, enables access to news and publications, and provides an extensive directory of links to other sites relevant to poverty-related issues such as welfare reform.

Recreation-Related



Summer is here, and to reach that vacation spot you've chosen, www.mapquest.com may be what you need. This site will provide you with maps and information on the best route to take to get to that special place. You can zoom in up to ten times to get to the shortest road, or zoom out to see the country as a whole. You can download the map you select, or detailed written directions.

Where to go? If you're looking for something different in Mississippi, you might begin with www.mdwfp.com, the site of Mississippi Wildlife, Fisheries and Parks. You'll get information on all of the state parks, and can even search by fish under fishing for the best lakes to visit. Weather conditions are reported, too. Under useful links, the "Miscellaneous" category will connect you to Mississippi's internet boating safety course, and the "Governmental" category provides links to all the national parks.