

# Six States, One Destiny

## Critical Issues for New England

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Midway through the first decade of the 21st century, New England faces challenges that will test the heart and soul of the six states. Other regions of the nation and the world challenge our strengths in innovation and creative capacity. We need foresight to understand what our emerging economic sectors need to thrive. At the same time, our demography is changing. We are losing 20- to 34-year-olds and seeing a growing disparity in household incomes in every state. Some folks are doing quite well; others are struggling. Some of our local governments offer the purest form of democracy in the world—the open town meeting—but reliance on local property tax creates pressure for ever-more growth to pay for local services. While New England states tend to “go it alone” in responding to change, there are some things governors and legislators should not do alone. We need to focus our still considerable political strength on cooperative action.

### Economic Development

One challenge we face is that our economic region is different from our political boundaries. Within New

England, a number of regions that straddle state borders are forming out of economic necessity. The region’s interstate highways offer case studies of how interlinked the state economies have become.

Interstate 93, home of Boston’s “Big Dig,” links two of the region’s major airports while carrying a significant volume of interstate commuters to and from high-tech firms in Massachusetts and New Hampshire. As New Hampshire prepares to widen its portion of the road, it has also taken on the responsibility for managing the growth that comes from highway expansion. Meanwhile, Interstate 91 has been dubbed the region’s “knowledge corridor” by a coalition of leaders in Massachusetts and Connecticut as they conduct the “unnatural act” of cross-border collaboration aimed at capitalizing on the corridor’s higher education resources. The I-95 corridor passes through five of the six states on its way south to Florida, leading to many joint strategies. I-89 offers the same opportunity for New Hampshire and Vermont.

The New England states share the promise of these economic corridors, but also the reality of very slow job growth. Employment in New England has grown more slowly than the U.S. average over the past 15 years. The two largest New England states—Connecticut and Massachusetts—ranked 50th and 48th, respectively, in employment growth during this period. Rhode Island was 47th and Maine, New Hampshire and Vermont were all in the bottom half of the states.

## A Half Century of New England Higher Education and Economic Development

### A Timeline ...

In the decade following World War II, 7.8 million U.S. veterans enrolled in education programs with tuition fully paid under the G.I. Bill. From 1939 to 1954, college enrollment in New England nearly doubled, rising from 88,428 to 172,093. Further growth seemed assured. Nearly twice as many babies were born in the United States in 1956 as in 1936. Also, the U.S. Supreme Court’s 1954 *Brown v. Board of Education* ruling was ushering in an era of progress—and setbacks—toward equal educational opportunity. And the Russians were coming. Or so everyone thought. Cold War R&D would help New England universities such as the Massachusetts Institute of Technology become research giants.

Against this backdrop, six visionary New England governors—Abraham A. Ribicoff of Connecticut, Edmund S. Muskie of Maine, Christian A. Herter of Massachusetts, Lane Dwinell of New Hampshire, Dennis J. Roberts of Rhode Island, and Joseph B. Johnson of Vermont—forged the New England Higher Education Compact. In 1955, the New England Board of Higher Education was established to pursue the compact’s aims, namely to expand educational opportunity and foster cooperation among the region’s colleges and universities.

Here is some of what happened after that ...

The employment impacts of the early 1990s recession were more severe in all six New England states than elsewhere. Indeed, the six states ranked among the eight most severely impacted in the nation in terms of job loss. While New England experienced rapid job growth during the late 1990s, much of that was making up for ground lost in the deep recession of the first half of the decade. The 2001 recession was less severe nationally than that of the early 1990s. But the jobless recovery that followed lasted four years before peak employment levels were recaptured—more than twice as long as it took to get back to peak job levels following the recession of the '90s.

U.S. employment peaked in February 2001, but the timing of the high point varied from state to state. Massachusetts suffered the second steepest job decline in the nation and continued stagnation in employment, losing more than 6 percent of its jobs from peak employment levels, which had still not been recaptured as of May 2005. Connecticut, meanwhile, remained nearly 2 percentage points below its July 2000 peak employment, having experiencing the fifth sharpest job

loss in the country. Both New Hampshire and Rhode Island suffered sharp employment declines. Rhode Island's job recovery—2.7 percent from peak to May 2005—was three times greater than the U.S. average and, in percentage terms, New England's most impressive. These small variations cannot divert attention from the long-term challenges of limited regional employment growth, especially as each state's future economic prospects are linked.

### Educational Leadership

Maintaining New England's mature industries and nurturing its newer knowledge-based industries requires a highly educated workforce. Attracting and retaining the quantity and quality of workers to sustain a competitive workforce is a particular challenge for every New England state. By one measure—the percentage of high school students who go on to college—the New England states do relatively well. Massachusetts, Rhode Island and Connecticut ranked fourth, eighth and 10th, respectively, by this measure in 2004, according to the National Center for Policy and Higher Education.

### Employment Change, Jan. 1990—May 2005

	% Change	U.S. Rank	Decline from Peak Employment to Lowest Level (%)	U.S. Rank	Change from Peak Employment to May 2005 (%)	U.S. Rank
<b>United States</b>	22.2%		-2.1%		0.6%	
<b>Connecticut</b>	1.2%	50th	-4.6%	46th	-1.8%	41st
<b>Maine</b>	13.2%	41st	-1.1%	9th	1.3%	19th
<b>Massachusetts</b>	5.2%	48th	-6.1%	49th	-5.1%	49th
<b>New Hampshire</b>	22.9%	29th	-3.2%	34th	0.9%	24th
<b>Rhode Island</b>	7.9%	47th	-3.4%	36th	2.7%	14th
<b>Vermont</b>	18.0%	38th	-2.4%	25th	1.4%	18th

Source: Bureau of Labor Statistics

**1955** The New England Board of Higher Education is established as the executive arm of the New England Higher Education Compact. Boston University Chancellor Daniel Marsh becomes the first chair.

Nearly 190 New England colleges and universities—more than half of them four-year colleges—enroll approximately 180,000 students. U.S. enrollment is estimated at 2,653,000.

U.S. Supreme Court orders “all deliberate speed” in the integration of public schools.



Credit: National Archives and Records Administration.

**1956** Massachusetts Higher Education Assistance Corp., later renamed American Student Assistance, is chartered as a private, nonprofit organization to administer student loans.

Women account for 35 percent of U.S. college students.

Gallup Poll shows New Englanders far more likely than other Americans to cite “unemployment” as the most important problem facing their region.

University of Maine President Arthur A. Hauck assumes NEBHE chairmanship.

**1957** The New England Higher Education Compact receives legislative enactment in all six New England states.

NEBHE establishes the New England Regional Student Program, enabling New England students to pay the

## Fiscal 2005 State Tax Appropriations for Higher Education, Per Capita and Per \$1,000 of Personal Income, Plus 5-Year Change

	Fiscal 2005 Appropriations	Appropriations per \$1,000 in Personal Income		Appropriations per Capita		5-yr % Change (Fiscal 00 to Fiscal 05)
		\$	U.S. Rank	\$	U.S. Rank	
Connecticut	\$768,999,000	4.86	46th	219.49	22nd	11%
Maine	\$239,662,000	6.07	33rd	181.94	38th	13%
Massachusetts	\$880,555,000	3.34	49th	137.23	47th	-15%
New Hampshire	\$115,258,000	2.47	50th	88.69	50th	20%
Rhode Island	\$174,255,000	4.89	45th	161.25	43rd	15%
Vermont	\$79,023,000	4.01	47th	127.17	49th	25%

Source: Illinois State University Center for the Study of Higher Education Policy

New Hampshire ranked 13th; Maine, 16th; and Vermont, 39th.

But while New England's private colleges and universities are considered among the best in the nation, the region's public institutions have experienced relatively low public support.

Public investment in higher education has increased considerably over the past five years in every state, except Massachusetts. Nonetheless, every state but Connecticut remains well below the U.S. median in state spending per capita on higher education and all are substantially below the national average for appropriations relative to income.

### Housing Affordability

Another compelling challenge for New England is housing affordability. The challenge no longer applies only to low- and moderate-income families. Now we face the task of meeting the housing needs of middle- and higher-income workers as well. In fewer and fewer New England communities does a person with median household income qualify for the mortgage on a home

at the median sales price. While we are lulled into complacency by the lowest mortgage rates in years, New England's housing market, which suffered significant dislocation and significant price declines during the recession of the early '90s, may be heading for the abyss once again. Housing prices may deflate as interest rates creep back up, but we have still failed to create an adequate supply of housing that would establish long-term price stabilization. This means that New England hospitals, colleges and universities, tech firms and other employers seeking high-skilled workers may not be able to attract the talent they need to stay effective and competitive.

Housing costs are influenced by local phenomena, but powerful regional patterns come into play as well. Most recently, the Pacific region has experienced the nation's highest rate of housing price appreciation, while New England has moved closer to the U.S. average. But earlier housing booms established a high base price in New England. Smaller percentage increases on a higher base price still generate larger dollar-value increases. Indeed, the cost of New England single-family homes

lower in-state tuition rate at out-of-state public land-grant universities within New England if they pursue certain academic programs that are not offered by their home state's public institutions.

NEBHE publishes *Two Surveys*, the predecessor of CONNECTION's *Annual Directory of New England Colleges & Universities*.

NEBHE receives \$10,000 from the W.K. Kellogg Foundation to study supply and demand of dental personnel in New England.

The First National Bank of Ipswich (Mass.) issues the nation's first guaranteed student loan to a student at Endicott Junior College.

Convinced that computers have tremendous commercial potential, Kenneth H. Olsen leaves MIT to form Digital Equipment Corp.

Soviet Union launches Sputnik 1 and Sputnik 2, the first man-made satellites, setting off a super-power race for scientific and technological superiority. United States launches Explorer 1 a year later.

Lowell, Mass. native Jack Kerouac publishes *On the Road*.



**1958** Route 128 is completed as the first circumferential highway around a major U.S. city; the original stretch from Wellesley to Lynnfield, Mass., is already dotted with high-tech companies.

President Eisenhower signs National Defense Education Act, authorizing grants to colleges to provide low-interest, long-term loans for college students and fellowships for graduate students.

Following the recommendations of a panel of Massachusetts legislators and higher education leaders, Gov. Foster Furcolo proposes the adoption of a statewide system of community colleges. At the time, Holyoke Junior College and Newton Junior

### Change in Home Prices by Region (through First Quarter 2005)

	Rank*	1-Year	5-Year	Since 1980
Pacific	1st	21%	83%	383%
South Atlantic	2nd	15%	55%	244%
Middle Atlantic	3rd	14%	64%	357%
Mountain	4th	13%	40%	205%
New England	5th	13%	70%	477%
West North Central	6th	7%	38%	180%
East North Central	7th	7%	29%	202%
East South Central	8th	5%	23%	157%
West South Central	9th	5%	25%	98%
United States **		13%	51%	249%

\* Rankings based on annual percentage change.  
\*\* U.S. figures based on weighted division average.

Source: Office of Federal Housing Enterprise Oversight.

has grown nearly fivefold since 1980. The next highest was the Pacific region with a fourfold increase.

Within New England, the trend has varied widely from a nearly sixfold appreciation in Massachusetts to a nearly threefold increase in Vermont since 1980. During the past year, Massachusetts had the region's lowest rate of increase—a rate below the national average for the first time in nearly a decade.

### Fiscal Disparity

New England's general prosperity through the 1990s tended to mask a significant fault line—persistent poverty. While the region posts per-capita incomes close to or higher than the U.S. average, levels of economic security in different parts of the six states have grown increasingly inequitable over the past 20 years.

In Connecticut, suburban Fairfield County's per-capita income was 20 percent higher than primarily urban Hartford County's in 1970. By 2000, Fairfield's was 57 percent higher. In Maine, Cumberland County's per-capita income was 39 percent higher than Aroostook County's in 1970. By 2000, income in the southern Maine county that includes the thriving city of Portland was 53 percent higher than Aroostook's in the rural north.

Moreover, the New England counties with high incomes also have high cost of living. As a consequence, we don't really know how well people are doing even in Fairfield or Cumberland counties. In any case, the trend toward greater fiscal disparity doesn't appear to be waning, placing greater stress on New Englanders with lower incomes.

Many observers have concluded that there are really two New Englands, one northern and rural and another southern and urban. This perception threatens the cohesion we need to meet current and future challenges. True, there is a pattern of density that cuts across five of the six states, from southern Connecticut to southern Maine. From a different perspective, however, this is the "sprawl line" that has galvanized activists in each state to create broad smart growth coalitions to keep our region's best asset—our quality of life—from slipping through our fingers. Northern forests and southern port cities share a common destiny. Manufacturing centers have both a rural and an urban heritage. Seacoasts and ski slopes give this region a place-based diversity in close geographic proximity that is more rich and interconnected than any other region in the country. We need our farms and our industries—old, new and still in the incubators—to foster new integrative strategies that will create the food, the fuel, the pharmaceuticals and the creative strength to compete in the 21st century.

### *A Half Century of New England Higher Education and Economic Development, continued*

College—New England's only two-year public colleges—enroll about 900 students.

MIT spins off MITRE Corp., an independent nonprofit company, to develop air defense systems and pursue other engineering projects for the military. Fifteen years later, MIT would spin off another key research company—the Charles Stark Draper Laboratory.

Federal government establishes Advanced Research Projects Agency to oversee military space research.

**1959** NEBHE receives \$70,500 from the Carnegie Corp. to study supply and quality of college teachers in New England.

NEBHE begins studying use of educational television in the region's colleges and universities.

Connecticut and Rhode Island authorize their teachers colleges to become state colleges; other states soon follow suit.

St. Lawrence Seaway opens.

University of New Hampshire President Eldon L. Johnson assumes NEBHE chairmanship.

**1960** John F. Kennedy of Massachusetts is elected president of the United States.

College graduates account for 8 percent of U.S. population.

In the face of increased demand for higher education, NEBHE predicts a shortage of higher education facilities and resources in New England.

NEBHE holds conference on college teaching. Among speakers, Professor B.F. Skinner of Harvard discusses new teaching methods that allow students to work at their own pace.



Credit: Dwight D. Eisenhower Library.

## Changing Demographics

New England lost more than 33,500 residents to other states from 1997 to 2001, most of them young workers with the income, skills and freedom to choose wherever they like to live. Meanwhile, the face of New England is increasingly diverse, not just in the urban areas, but even in suburban and rural areas that are still often perceived as unchangingly homogeneous. Black, Hispanic and Asian families represent growing percentages of the population in many communities throughout all six states.

Foreign immigration was a large factor in stabilizing New England's population throughout the '90s. In Connecticut, Rhode Island and Massachusetts, new foreign immigration accounted for all population growth, according to research by the Northeastern University Center for Labor Market Studies. Were it not for foreign immigration, New England would have actually lost population due to slower birth rates and outmigration among people in prime family formation years.

Another less visible pattern—internal migration from one New England state to another—also comes into play. Internal Revenue Service data identifying year-to-year changes in the residence of taxpayers from 1997 to 2001 show that some New England states are gaining population from this intraregional migration, while others are losing people. Massachusetts suffered a net loss of almost 46,000 residents during this period, mostly to other New England states. New Hampshire posted a net gain of more than 41,000, again mostly from within New England (and undoubtedly the lion's share was from Massachusetts). Clearly, New England's intertwined cross-border economic dynamics are reflected in population movements of relocation and longer commutes.

## Political Clout

The framers of the Constitution, many of them New Englanders, balanced power among the states by giving each state two senators. But the population-based House of Representatives is where money bills originate. At the beginning of the 20th century, this worked in New England's favor. By 1950, however, the shift in populations—and therefore House representation—was well underway. By the beginning of the 21st century, New England's Southern competitors were approaching a fivefold edge in the House. These trends, as they play out in red/blue alignments and changing seniority patterns in House leadership and committee chairmanships, present New England with political challenges that require concerted regional action.

In recent highway appropriation debates, much has been made about donor states (who send more gas tax to the highway trust fund than they receive) and donee states. But New England is a substantial donor region when all federal funds are considered. More importantly, the three states with the largest economies—Massachusetts, Connecticut and New Hampshire—are all major donor states and are giving increasingly more than they get back from Washington. Even in the period of highest spending on the Big Dig, Massachusetts increased its giving by over 20 cents on the dollar. Only Vermont has been successful in switching its position from donor to donee status.

## Where Do We Go From Here?

The six New England states share a common destiny. The New England Initiative at UMass Lowell, established several years ago as a part of the Center for Industrial Competitiveness, has been working with other New England organizations including the New England Council, the New England Board of Higher

Berkshire Community College is established as the first state-supported community college in Massachusetts.

Rhode Island Legislature votes to establish three public community college campuses.

**1961** Connecticut opens state technical institute in Norwalk amid calls for more technical education beyond high school. By 1977, the state would host five technical colleges, which would merge with community colleges in 1992.

University of Vermont President John T. Fey assumes NEBHE chairmanship.

**1962** Rachel Carson publishes *Silent Spring*, heightening awareness of environmental issues.

The stock market collapses.

John W. McCormack, a Democratic congressman from Massachusetts, becomes speaker of the U.S. House of Representatives. He would serve in the post until 1971.

**1963** New England governors, state legislators and educators meet to discuss higher education and economic growth at NEBHE Legislative Work Conference in Portsmouth, N.H.

New Hampshire unifies its land-grant university and state colleges under one board of trustees.

Passenger rail service between Boston and Portland, Maine, terminated.

Congress passes Health Professions Educational Assistance Act, funding expanded teaching facilities and loans for students in the health professions. The Higher Education Facilities Act authorizes grants and loans for classrooms, libraries and laboratories in community and technical colleges and other higher education institutions.

Rhode Island state Sen. Charles H. Bechtold assumes NEBHE chairmanship.



## Adjusted Federal Expenditures Per Dollar of Taxes by State, 1993–2003

	Expenditures per Dollar of Taxes		10-Year Change in Spending per Dollar of Tax	U.S. Rank		Change in Ranking
	FY 1993	FY 2003		FY 1993	FY 2003	
Connecticut	\$0.66	\$0.65	(\$0.01)	49th	48th	-1
Maine	\$1.42	\$1.36	(\$0.06)	6th	16th	10
Massachusetts	\$0.99	\$0.78	(\$0.21)	31st	44th	15
New Hampshire	\$0.65	\$0.64	(\$0.01)	50th	49th	1
Rhode Island	\$1.08	\$1.06	(\$0.02)	25th	28th	3
Vermont	\$0.92	\$1.14	\$0.22	38th	23rd	-15

Source: Sumeet Sagoo, "Federal Tax Burdens and Expenditures by State," Tax Foundation, 2004.

Education, the New England Association of Regional Councils, the New England Governors' Conference, the New England Futures Project, the New England Smart Growth Alliance and many others. One thing continues to emerge from these conversations and analyses—we must work together. With each successive report uncovering new dimensions of the fundamental challenges facing the six New England states, it becomes clearer that the region needs a permanent capacity, built on a framework of political and business leaders, academics and civic partners to monitor trends, analyze policy options, exploit opportunities and address threats to our well-being. We look forward to working

with a broad coalition of New Englanders to help make this happen.

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### A Half Century of New England Higher Education and Economic Development, continued



Credit: LBJ Library Photo by O. J. Rapp.

**1964** Congress passes Civil Rights Act, prohibiting discrimination in public places for reason of color, race, religion or national origin.

Economic Opportunity Act authorizes grants for college work-study programs for students from low-income

families, providing support for programs such as Head Start and Upward Bound, and approving establishment of Volunteers in Service to America (VISTA).

**1965** With passage of the Higher Education Act, the federal government establishes an array of student financial aid programs, including Guaranteed Student Loans, as well as aid programs for colleges and universities.

President Johnson signs legislation establishing National Foundation for the Arts and National Foundation for the Humanities.

Federally chartered New England Regional

Commission, comprised of the six governors and a federal cochairman, is created to promote economic development.

On the recommendation of Amherst, Mount Holyoke and Smith colleges and the University of Massachusetts at Amherst, Hampshire College is founded as an unstructured institution for motivated students.

College students march in Boston and other major cities to protest violent resistance to desegregation in the South.

Nearly 600 technology-based businesses are operating near Route 128. Over the next eight years, the number would double.