

## ECONOMY AT A GLANCE

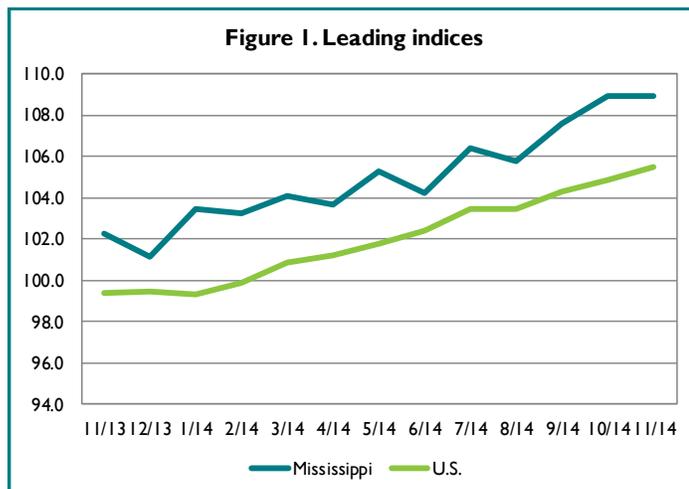
The Mississippi Leading Index (MLI) was essentially flat in November, edging lower by 0.05 percent as Figure 1 below indicates. Compared to November 2013, the MLI was 6.5 percent higher.

As Figure 2 below indicates, the value of the Mississippi Coincident Index increased by 0.1 percent in November. Following data revisions, this increase was essentially the first change in the Index since July. Compared to one year ago, the value of the index was 1.0 percent higher in November.

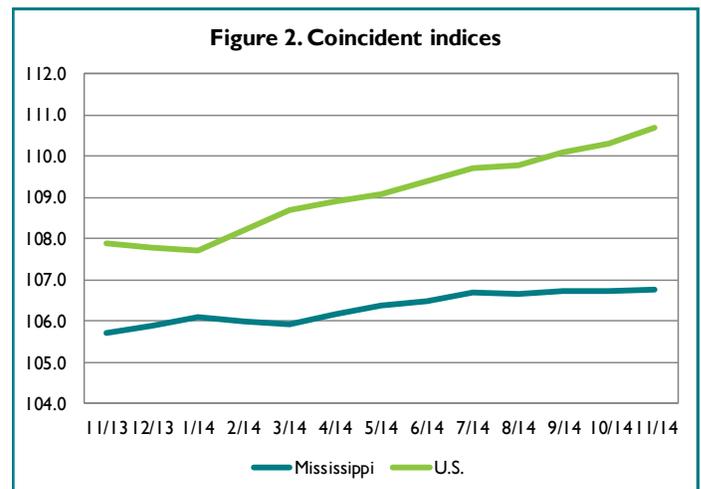
The U.S. Bureau of Economic Analysis' (BEA) third estimate of real U.S. gross domestic product (GDP) for the third quarter indicates real GDP grew 5.0 percent from July to September, an increase from its second estimate of 4.6 percent. The 5.0 percent rise in third quarter real

GDP was the largest since the third quarter of 2003. Given the contraction in real GDP in the first quarter and what it expects will be a slower rate of growth in the fourth quarter, the Federal Reserve believes real GDP grew 2.3 to 2.4 percent for all of 2014, a slight improvement from 2013.

These and other data—such as the University of Michigan Index of Consumer Expectations, which reached its highest level in almost eight years in December—signal the U.S. economy is likely strengthening. However, in Mississippi, data indicate weakness remains in the state's economy, as the state was one of only two states to lose jobs over the past twelve months (see page 8). While the national economy appears to be picking up steam as 2015 begins, in Mississippi uncertainty about future growth remains, particularly with regard to employment prospects.



Sources: University Research Center and The Conference Board



Sources: Federal Reserve Bank of Philadelphia and The Conference Board

**Notes:** The Mississippi Coincident Index is constructed by the Federal Reserve Bank of Philadelphia and re-indexed to 2004. The Index is based on changes in nonfarm employment, the unemployment rate, average manufacturing workweek length, and wage and salary disbursements. The Mississippi Leading Index is constructed by the Mississippi University Research Center. The U.S. Indices are from The Conference Board. All series are indexed to a base year of 2004.

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## MISSISSIPPI'S BUSINESS

## MISSISSIPPI LEADING INDEX, NOVEMBER 2014

*Editor's note: Due to the availability of data, the **Mississippi Diesel Fuel Consumption Index** is no longer reported or included in the **Mississippi Leading Index**.*

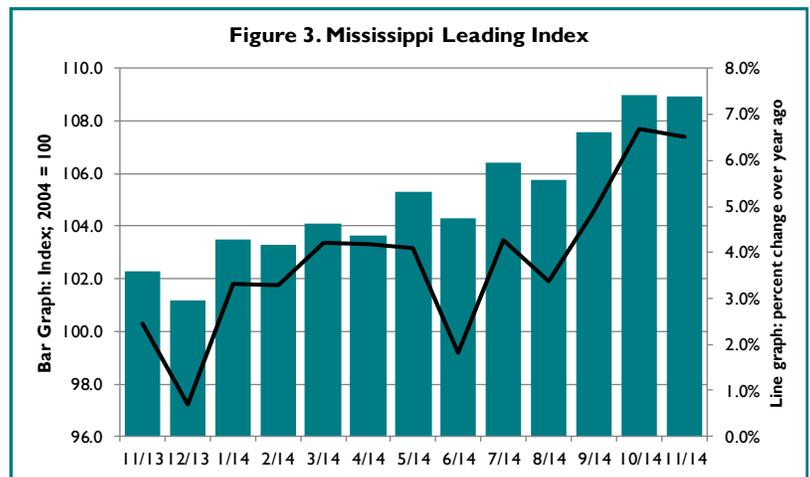
Figure 3 indicates the **Mississippi Leading Index of Economic Indicators (MLI)** lost only 0.05 percent of its value in November. Following revisions, the value settled at 108.9 and is 6.5 percent higher compared to one year ago. The MLI is also up 6.9 percent over the last six months.

Four of the seven components of the index contributed positively in November, led by consumer expectations. Discussion of each component appears below in order of largest to smallest contribution.

As seen in Figure 4, the **University of Michigan Index of Consumer Expectations** (three-month moving average) rose markedly in November for the second consecutive month. The value of the index increased 4.7 percent, reaching its highest level since January 2007. Compared to one year ago this level was 24.8 percent higher. Consumers' views about the direction of the economy continue to improve in part due to falling retail gasoline prices; however, both inflation expectations components (1-year and 5-year) of the Index climbed for the first time since July.

**U.S. retail sales** rose 0.7 percent in November as indicated in Figure 5, the largest monthly increase since March. Gains were broad-based, as sales not including automobiles also were up 0.5 percent. The only component that did not increase in November was sales at gasoline stations, down for the fourth straight month following the decline in gas prices. Retail sales were 5.1 percent higher compared to one year ago, the ninth consecutive month the year-over-year increase in sales has exceeded 4.0 percent.

Rebounding from the previous month, the **value of Mississippi residential building permits** (three-month moving average) rose 1.7 percent in November as Figure 6 indicates. The value of permits for November was also 11.5 percent higher than one year ago. The seasonally-



Source: University Research Center

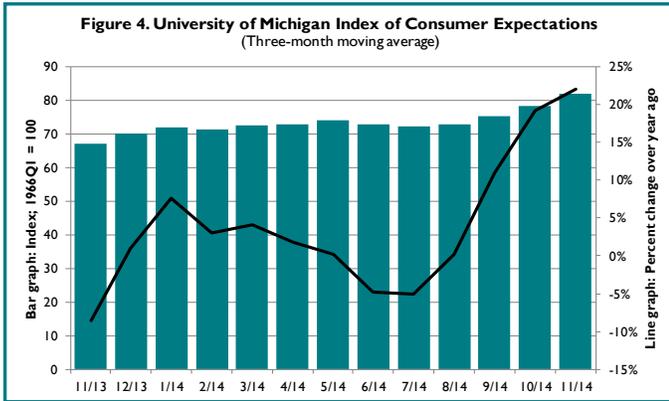
adjusted number of units for which building permits were issued (three-month moving average) in Mississippi climbed 2.8 percent in November and was 6.9 percent higher than one year ago. Privately-owned housing units authorized by building permits in the U.S. in November dropped 5.2 percent over the revised October estimate. Compared to one year ago this value was 0.2 percent lower.

After increasing for two consecutive months, seasonally-adjusted **initial unemployment claims** in Mississippi declined in November. As Figure 7 indicates, total initial claims fell 1.6 percent from October and were 14.3 percent below the value of one year ago. Conversely, seasonally-adjusted continued unemployment claims rose in November following three consecutive months of declines. As seen in Figure 14 on page 6, continued claims increased 2.1 percent but remained 18.4 below the level of November 2013. The seasonally-adjusted unemployment rate in Mississippi in November fell by 0.3 percentage point to 7.3 percent for the first time since October 2008.

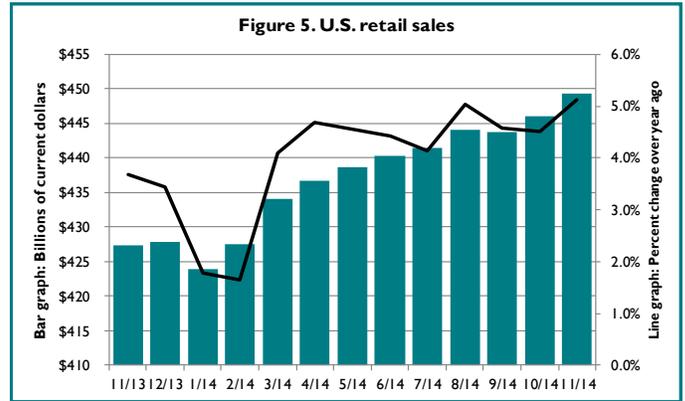
The **Mississippi Manufacturing Employment Intensity Index** was unchanged in November as Figure 8 indicates; however, the October value was revised up. The Index was 6.7 percent higher compared to November 2013. While employment in manufacturing in Mississippi declined slightly in November, average weekly earnings in manufacturing increased, and the average hourly wage for manufacturing was unchanged, all of which resulted in no

(Continued on page 4)

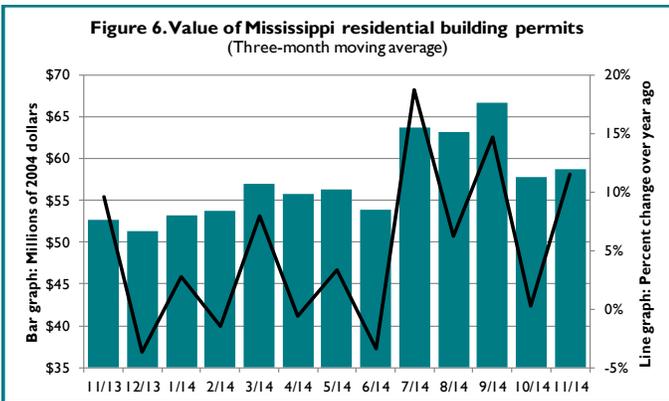
# COMPONENTS OF MISSISSIPPI LEADING INDEX, IN FIGURES



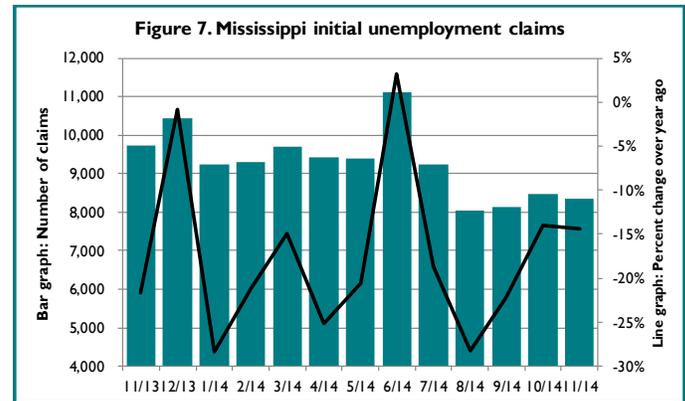
Source: Thomson Reuters/University of Michigan Surveys of Consumers



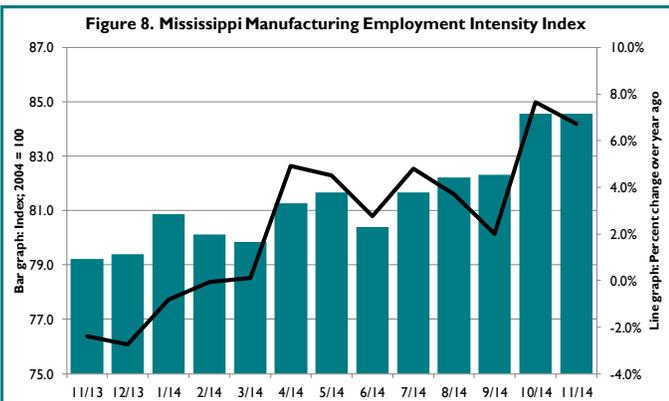
Source: Bureau of the Census



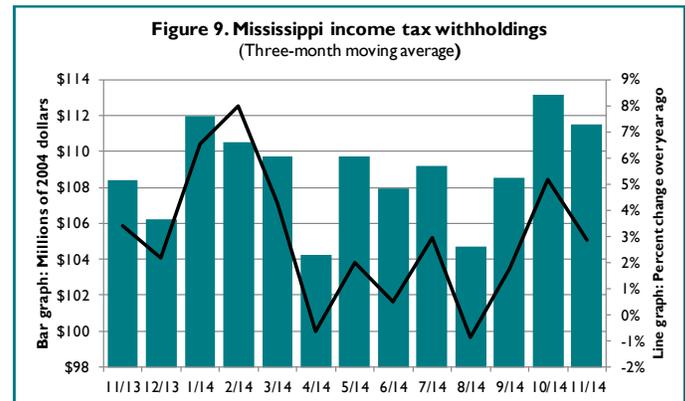
Source: Bureau of the Census; seasonally adjusted



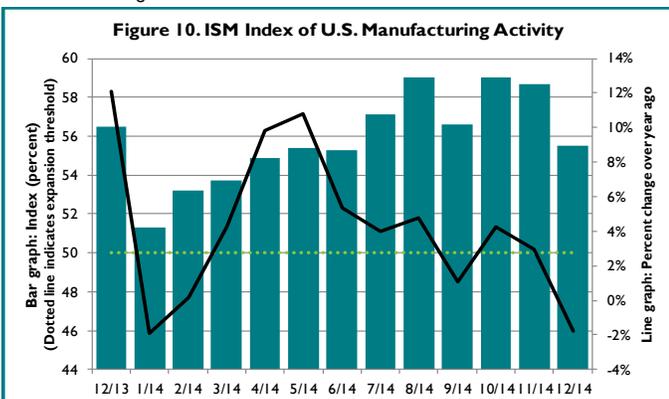
Source: U.S. Department of Labor; seasonally adjusted



Source: URC using data from Bureau of Labor Statistics



Source: Mississippi Department of Revenue; seasonally adjusted



Source: Institute for Supply Management

**MISSISSIPPI'S BUSINESS**

**MISSISSIPPI LEADING INDEX, NOVEMBER 2014 (CONTINUED)**

net change in the Index. Compared to one year ago average weekly earnings in manufacturing were up 5.2 percent.

The value of **Mississippi income tax withholdings** (three-month moving average) fell 1.5 percent in November, the first decline since August. Figure 9 indicates the value remained 2.9 percent higher compared to November 2013, however. The value of withholdings in November was also 1.6 percent higher than six months ago.

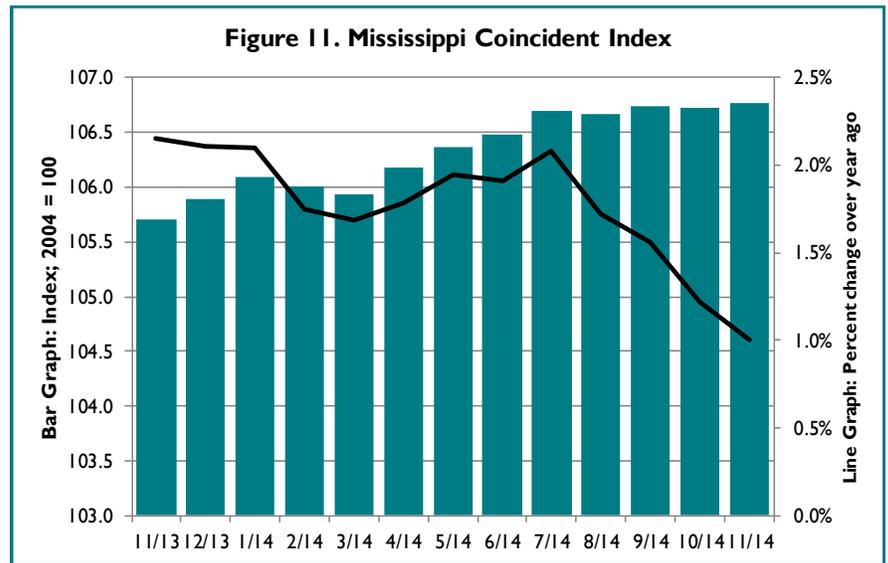
Figure 10 indicates the **Institute for Supply Management Index of U.S. Manufacturing Activity** lost 5.5 percent of its value in December. The Index decreased for the third time in the last four months, falling to its lowest level since June. This decline resulted in the Index moving 1.8 percent below its value compared to one year ago. Some of the decline was seasonal, such as the Inventories component, but the New Orders and Production components fell considerably in December, reflecting the slowdown in the manufacturing industry nationally.

**MISSISSIPPI COINCIDENT INDEX, NOVEMBER 2014**

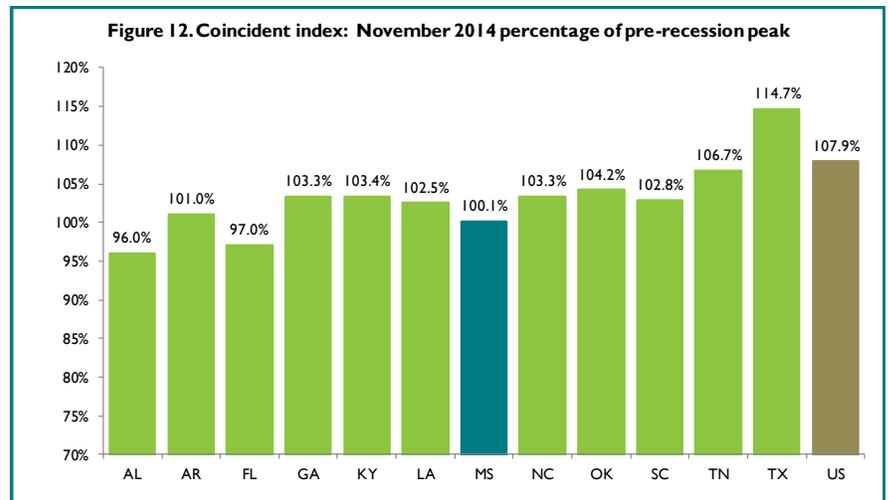
As seen in Figure 11, the value of the **Mississippi Coincident Index of Economic Indicators** rose 0.1 percent in November. Following data revisions, this increase was essentially the first change in the index since July. Compared to one year ago, the value of the index was 1.0 percent higher in November.

Figure 12 indicates the value of the Mississippi Coincident Index was at 100.1 percent of its pre-recession peak in November for the third consecutive month, once again following data revisions. Alabama and Florida remained the only two states in the Southeast where the values of their respective coincident indices were below pre-recession peaks in November, as both states continue to lag well behind the rest of the region. However, Mississippi was the only other state in the region in November without a coincident index at least 1.0 percent above its pre-recession peak.

The values of the coincident indices in 48 states increased in November compared to August as Figure 13 on page 5 indicates. The values of the indices in eight states including Mississippi increased between 0.0 and 0.5 percent compared to three months prior. The indices of the other 40 states increased more than 0.5 percent in November compared to August. Alaska and Wyoming were the only two states where the values of coincident indices declined in November compared to three months prior.



Source: Federal Reserve Bank of Philadelphia



Source: Federal Reserve Bank of Philadelphia

## NATIONAL TRENDS

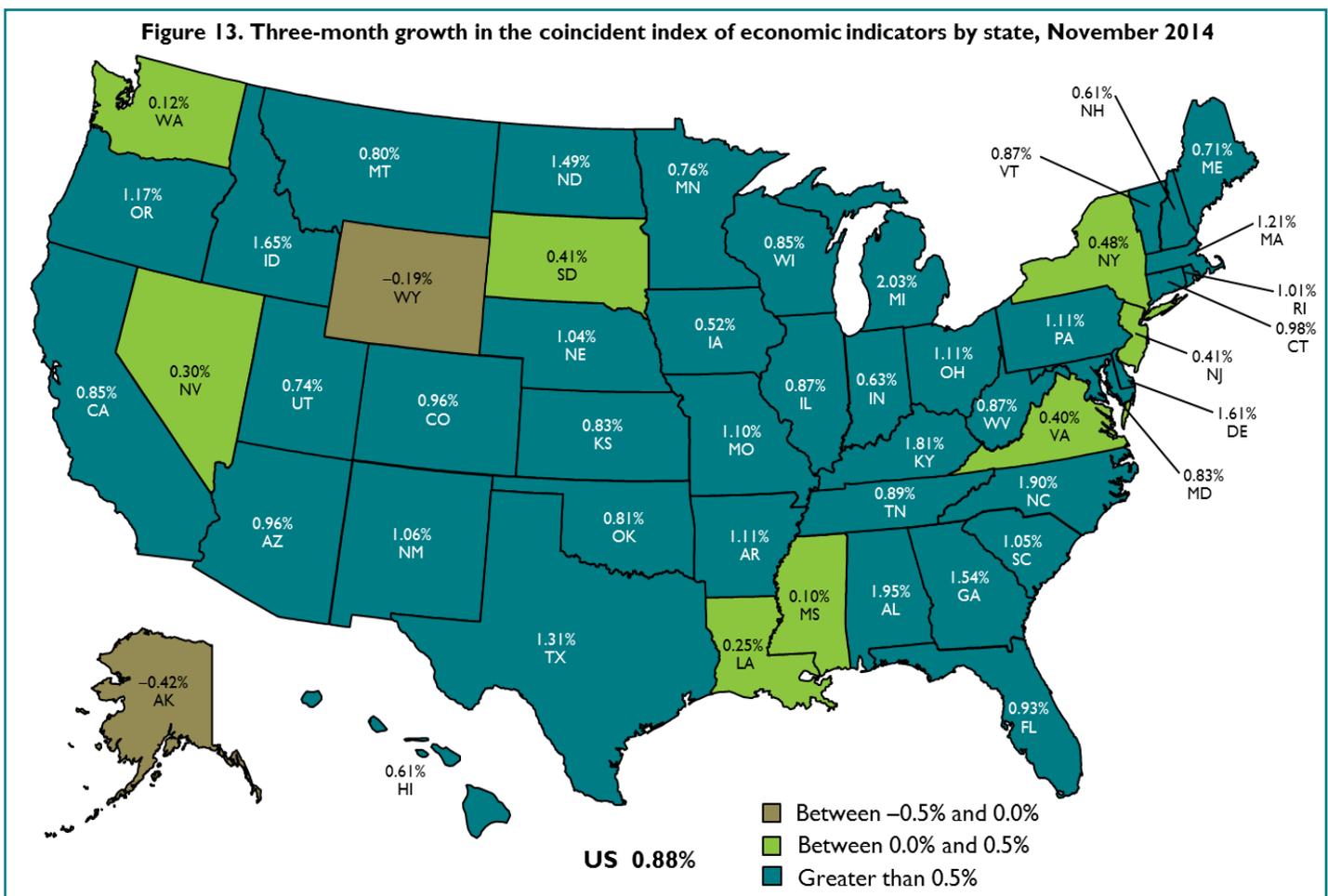
The U.S. Leading Economic Index (LEI) reported by The Conference Board rose 0.6 percent in November, the third consecutive monthly increase. The values for October, August, and July were all revised slightly lower, however. The value of the LEI was up 6.1 percent compared to one year ago. As in the previous month, eight of the ten components of the LEI increased in November. The relatively large declines in the initial unemployment claims and building permits components were more than offset by the increases in the other components. The value of the LEI is up 3.6 percent over the last six months compared to a 2.4 percent increase for the previous six months.

The Conference Board also reported the value of the U.S. Coincident Economic Index (CEI) climbed 0.4 percent in November. The CEI has increased in value for ten consecutive months. All four components of the CEI increased in November and the value of the CEI was up 2.6 percent compared to one year ago.

The National Federation of Independent Businesses (NFIB) Small Business Optimism Index rose for the second consecutive month in November. The Index climbed 2.1 percent to 98.1, its highest level since February 2007. The value of the Index was 6.1 percent higher compared to one year ago. A net 13 percent of respondents—who were likely influenced by the November elections—expect the economy to improve in the next six months, the largest share since November 2010. This component, along with Expectations for Real Sales Volumes, drove the November increase in the value of the Index.

In a somewhat unexpected move, the U.S. Federal Reserve retained the phrase “considerable time” in its December statement about interest rates. Many analysts expected the central bank to remove the phrase in order to prepare markets and the public for an interest rate hike in mid-2015. However, the recent fall in oil prices has removed much of the inflationary pressure in the U.S. economy, and Federal Reserve officials stated they can be “patient” regarding changes to monetary policy.

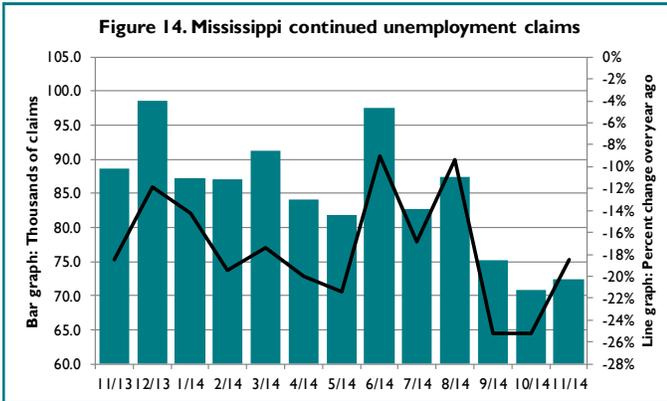
Figure 13. Three-month growth in the coincident index of economic indicators by state, November 2014



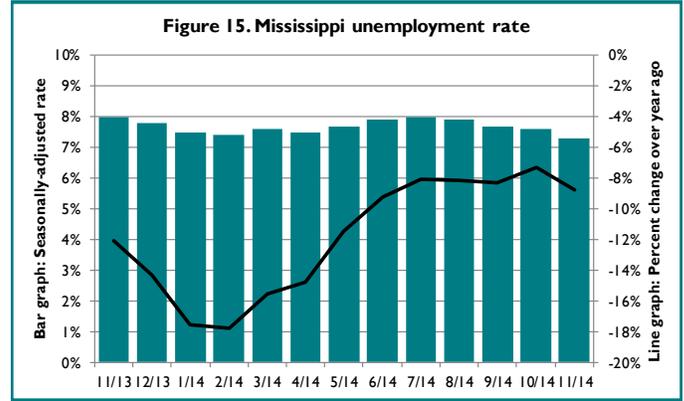
Source: Federal Reserve Bank of Philadelphia

MISSISSIPPI'S BUSINESS

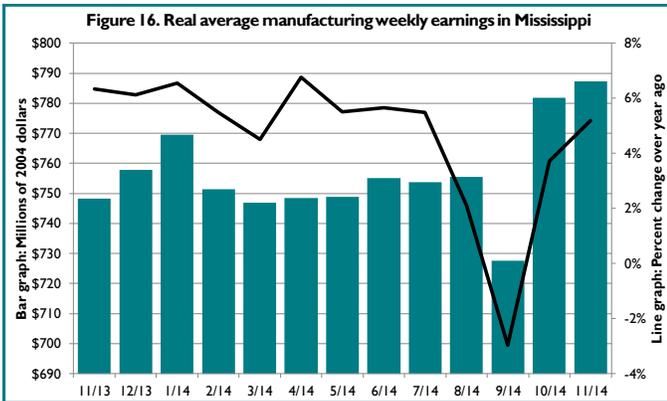
MISCELLANEOUS ECONOMIC INDICATORS, IN FIGURES



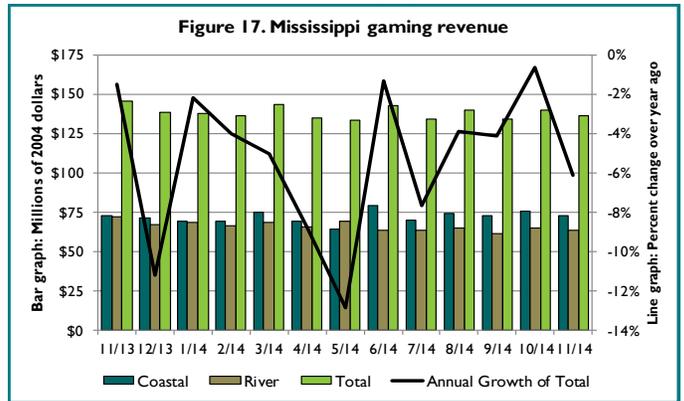
Source: U.S. Department of Labor; seasonally adjusted



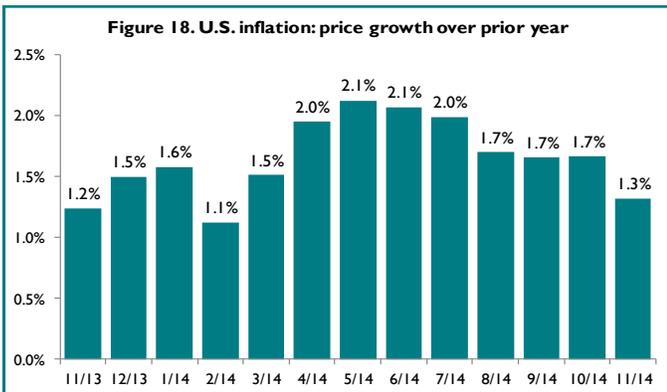
Source: U.S. Bureau of Labor Statistics; seasonally adjusted



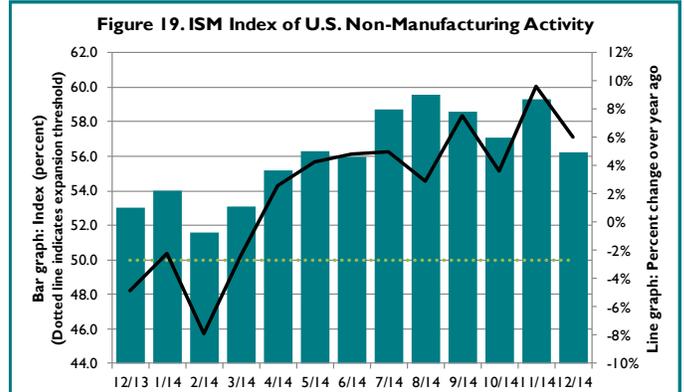
Source: U.S. Bureau of Labor Statistics; non-seasonally adjusted



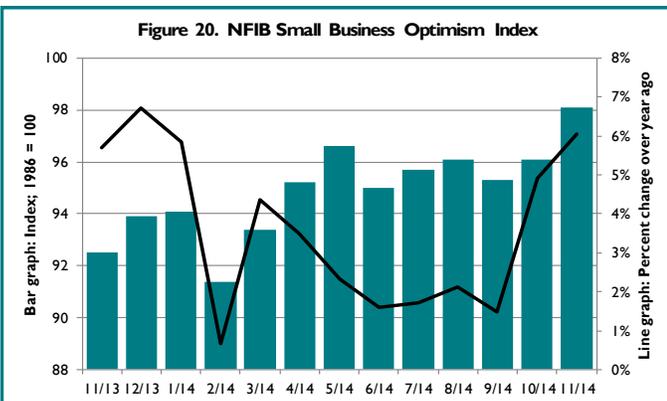
Source: Mississippi Department of Revenue; seasonally adjusted



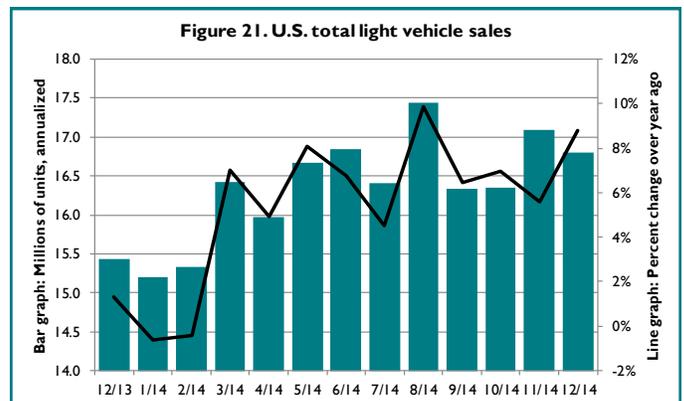
Source: U.S. Bureau of Labor Statistics



Source: Institute for Supply Management



Source: National Federation of Independent Businesses



Source: Bureau of Economic Analysis; seasonally adjusted at annual rates

TABLE I. SELECTED ECONOMIC INDICATORS

| Indicator  | November | October | November | Percent change from |               |   |
|--|----------|---------|----------|---------------------|---------------|---|
|  | 2014     | 2014    | 2013     | October 2014        | November 2013 |   |
| <b>U.S. Leading Economic Index</b><br>2004 = 100. Source: The Conference Board   | 105.5    | 104.9   | 99.4     | +0.6%               | +6.1%         | Economic Indices                            |
| <b>U.S. Coincident Economic Index</b><br>2004 = 100. Source: The Conference Board  | 110.7    | 110.3   | 107.9    | +0.4%               | +2.6%         |   |
| <b>Mississippi Leading Index</b><br>2004 = 100. Source: University Research Center   | 108.9    | 109.0   | 102.3    | -0.1%               | +6.5%         |   |
| <b>Mississippi Coincident Index</b><br>2004 = 100. Source: Federal Reserve Bank of Philadelphia  | 106.8    | 106.7   | 105.7    | +0.1%               | +1.0%         |   |
| <b>Mississippi initial unemployment claims</b><br>Seasonally adjusted. Source: U.S. Department of Labor  | 8,350    | 8,482   | 9,747    | -1.6%               | -14.3%        | Components of the Mississippi Leading Index |
| <b>Value of Mississippi residential building permits</b><br>Three-month moving average; seasonally adjusted; millions of 2004 dollars.<br>Source: Bureau of the Census                 | 58.8     | 57.8    | 52.7     | +1.7%               | +11.5%        |   |
| <b>Mississippi income tax withholdings</b><br>Three-month moving average; seasonally adjusted; millions of 2004 dollars.<br>Source: Mississippi Department of Revenue                  | 111.5    | 113.2   | 108.4    | -1.5%               | +2.9%         |   |
| <b>Mississippi Manufacturing Employment Intensity Index</b><br>2004 = 100. Source: URC using data from Bureau of Labor Statistics  | 84.6     | 84.6    | 79.2     | 0.0%                | +6.7%         |   |
| <b>University of Michigan Index of Consumer Expectations</b><br>Three-month moving average; index 1966Q1 = 100.<br>Source: Thomson Reuters/University of Michigan Surveys of Consumers | 82.0     | 78.3    | 65.7     | +4.7%               | +24.8%        |   |
| <b>ISM Index of U.S. Manufacturing Activity</b><br>Advanced one month. Source: Institute for Supply Management   | 55.5     | 58.7    | 56.5     | -5.5%               | -1.8%         |   |
| <b>U.S. retail sales</b><br>Current dollars, in billions. Source: Bureau of the Census   | 449.3    | 446.1   | 427.4    | +0.7%               | +5.1%         |   |
| <b>U.S. Consumer Price Index</b><br>2004 = 100. Source: URC using data from Bureau of Labor Statistics   | 125.0    | 125.7   | 123.4    | -0.5%               | +1.3%         |   |
| <b>Mississippi unemployment rate</b><br>Seasonally-adjusted. Source: Bureau of Labor Statistics  | 7.3%     | 7.6%    | 8.0%     | -3.9%               | -8.8%         |   |
| <b>Mississippi continued unemployment claims</b><br>Seasonally adjusted. Source: U.S. Department of Labor  | 72,345   | 70,865  | 88,705   | +2.1%               | -18.4%        |   |
| <b>ISM Index of U.S. Non-Manufacturing Activity</b><br>Advanced one month. Source: Institute for Supply Management   | 56.2     | 59.3    | 53.0     | -5.2%               | +6.0%         | Miscellaneous Indicators                    |
| <b>U.S. mortgage rates</b><br>Seasonally adjusted; 30-year conventional. Source: U.S. Federal Reserve  | 4.14%    | 4.17%   | 4.40%    | -0.6%               | -5.9%         |   |
| <b>Mississippi average hourly wage for manufacturing</b><br>Seasonally adjusted; 2004 dollars. Source: Bureau of Labor Statistics  | 18.26    | 18.27   | 18.03    | 0.0%                | +1.3%         |   |
| <b>Mississippi average weekly earnings for manufacturing</b><br>Seasonally adjusted; 2004 dollars. Source: Bureau of Labor Statistics  | 787.18   | 781.84  | 748.33   | +0.7%               | +5.2%         |   |
| <b>NFIB Small Business Optimism Index</b><br>1986 = 100. Source: National Federation of Independent Businesses   | 98.1     | 96.1    | 92.5     | +2.1%               | +6.1%         |   |
| <b>U.S. total light vehicle sales</b><br>Millions of units seasonally adjusted at annual rates.<br>Source: Bureau of Economic Analysis   | 16.80    | 17.09   | 15.44    | -1.7%               | +8.8%         |   |
| <b>Gaming revenue</b>  | 136.7    | 140.2   | 145.6    | -2.6%               | -6.1%         |   |
| <b>Coastal counties</b>  | 72.8     | 75.5    | 73.2     | -3.7%               | -0.6%         |   |
| <b>River counties</b><br>Seasonally adjusted; millions of 2004 dollars. Source: Mississippi Department of Revenue  | 63.9     | 64.7    | 72.4     | -1.3%               | -11.8%        |   |

## MISSISSIPPI'S BUSINESS

## MISSISSIPPI EMPLOYMENT TRENDS

Total nonfarm employment in Mississippi decreased for the second consecutive month in November, falling 0.4 percent according to the U.S. Bureau of Labor Statistics (BLS). Table 2 below indicates the state's economy lost 4,500 jobs in November, the third decline in the last four months. Compared to one year ago, total nonfarm employment in Mississippi is down 1,300 jobs, a 0.1 percent decline. With one month of employment data remaining, the state's economy has lost a net 900 jobs in 2014.

Declines in employment in the state were widespread across sectors in November. The one bright spot was Financial Activities, which added 1,400 jobs, an increase of 3.3 percent from October. Employment in the sector is up by 700 positions, or 1.6 percent compared to one year ago.

The largest absolute decline in employment in November occurred in the Leisure & Hospitality industry, which lost 2,200 jobs, a decrease of 1.7 percent. However, employment in the sector remained 1.0 percent higher compared to November 2013. The Construction industry experienced the largest percentage decline in employment in November, falling by 2.2 percent or 1,100 jobs. Employ-

ment in Construction has fallen in eight of eleven months in 2014 and was 7.9 percent lower compared to one year ago.

In addition to Construction, employment remained lower in Retail Trade, Information, Professional & Business Services, Other Services, and Government compared to one year ago. Manufacturing has experienced the largest increase in jobs in both absolute and percentage terms over the past twelve months.

The change in employment in the state in November stood in contrast to most of the rest of the nation. Mississippi was one of twelve states to lose jobs in November; only West Virginia lost more jobs in both absolute and percentage terms. Furthermore, Alaska and Mississippi were the only states where employment was down in November compared to one year ago.

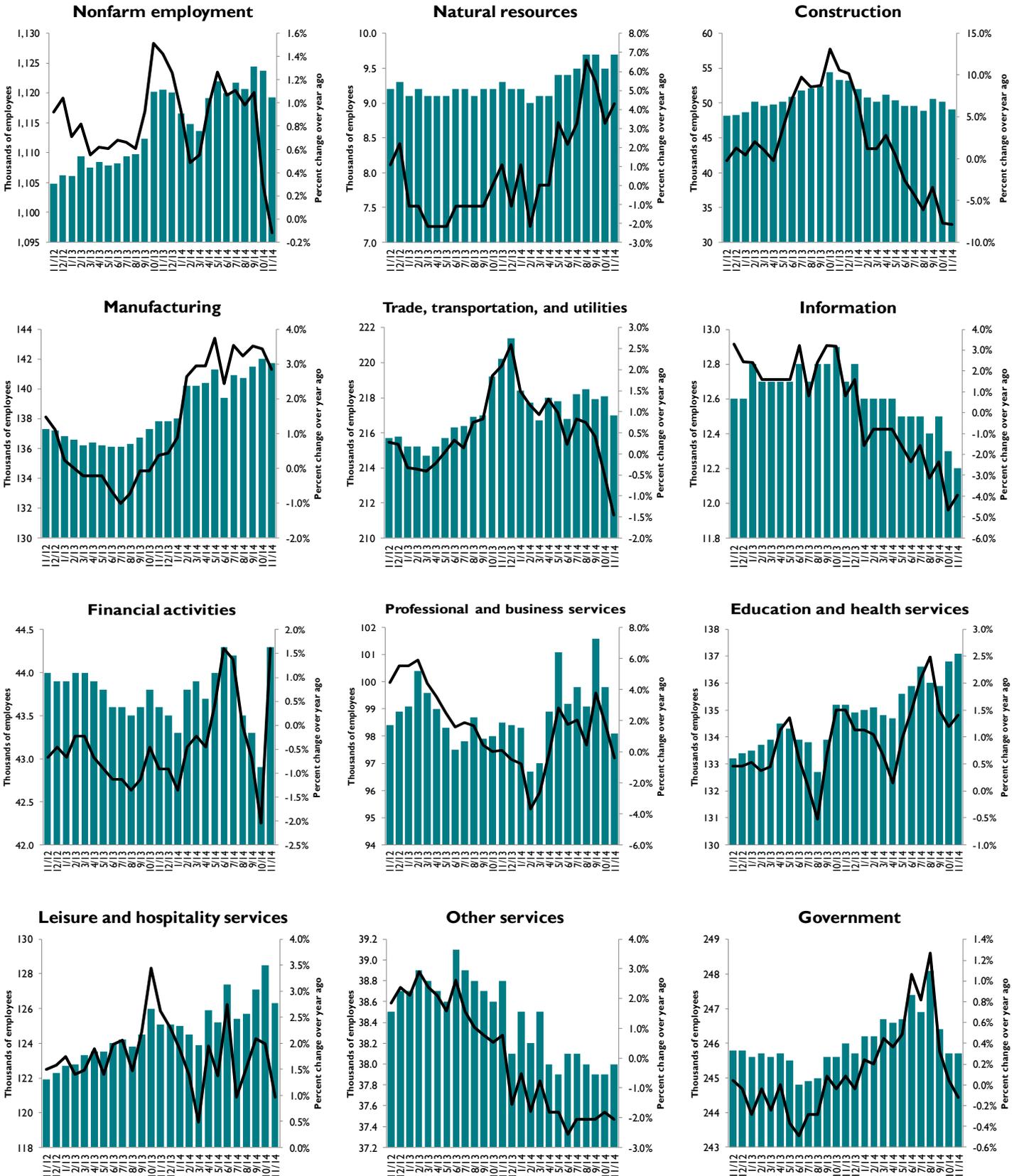
Following another considerable decline in employment in the state for November, even small job growth for the year appears unlikely unless BLS revises the data for previous months. In fact, Mississippi will experience negative job growth for 2014 unless the next employment report indicates a considerable increase in jobs in December.

**Table 2. Change in Mississippi employment by industry, November 2014**

|                                    | Relative share of total <sup>a</sup> | November 2014 | October 2014 | November 2013 | Change from October 2014 Level | Change from October 2014 Percent | Change from November 2013 Level | Change from November 2013 Percent |
|------------------------------------|--------------------------------------|---------------|--------------|---------------|--------------------------------|----------------------------------|---------------------------------|-----------------------------------|
| Total Nonfarm                      | 100.0%                               | 1,119,200     | 1,123,700    | 1,120,500     | (4,500)                        | -0.40%                           | (1,300)                         | -0.1%                             |
| Mining and Logging                 | 0.8%                                 | 9,700         | 9,500        | 9,300         | 200                            | +2.1%                            | 400                             | +4.3%                             |
| Construction                       | 4.5%                                 | 49,100        | 50,200       | 53,300        | (1,100)                        | -2.2%                            | (4,200)                         | -7.9%                             |
| Manufacturing                      | 12.5%                                | 141,700       | 142,000      | 137,800       | (300)                          | -0.2%                            | 3,900                           | +2.8%                             |
| Trade, Transportation, & Utilities | 19.5%                                | 217,000       | 218,100      | 220,200       | (1,100)                        | -0.5%                            | (3,200)                         | -1.5%                             |
| Retail Trade                       | 11.9%                                | 132,300       | 133,500      | 135,300       | (1,200)                        | -0.9%                            | (3,000)                         | -2.2%                             |
| Information                        | 1.1%                                 | 12,200        | 12,300       | 12,700        | (100)                          | -0.8%                            | (500)                           | -3.9%                             |
| Financial Activities               | 3.9%                                 | 44,300        | 42,900       | 43,600        | 1,400                          | +3.3%                            | 700                             | +1.6%                             |
| Services                           | 35.6%                                | 399,500       | 403,000      | 397,600       | (3,500)                        | -0.9%                            | 1,900                           | +0.5%                             |
| Professional & Business Services   | 8.8%                                 | 98,100        | 99,800       | 98,500        | (1,700)                        | -1.7%                            | (400)                           | -0.4%                             |
| Education & Health Services        | 12.1%                                | 137,100       | 136,800      | 135,200       | 300                            | +0.2%                            | 1,900                           | +1.4%                             |
| Leisure & Hospitality              | 11.2%                                | 126,300       | 128,500      | 125,100       | (2,200)                        | -1.7%                            | 1,200                           | +1.0%                             |
| Other Services                     | 3.4%                                 | 38,000        | 37,900       | 38,800        | 100                            | +0.3%                            | (800)                           | -2.1%                             |
| Government                         | 22.0%                                | 245,700       | 245,700      | 246,000       | —                              | 0.0%                             | (300)                           | -0.1%                             |

<sup>a</sup>Relative shares are for the most recent twelve-month average. Source: Bureau of Labor Statistics

# MISSISSIPPI EMPLOYMENT TRENDS BY SECTOR, IN FIGURES



Source: Bureau of Labor Statistics (all figures); seasonally adjusted

MISSISSIPPI'S BUSINESS

FISCAL DISPARITIES ACROSS STATES

As the U.S. economy continues to improve five-plus years into recovery, state governments finally are experiencing sustained if relatively small growth in revenues. This growth means policymakers can begin to set more lasting spending priorities in terms of allocating resources. With the current situation in mind, the start of 2015 provides an opportunity to review Mississippi's relative fiscal standing.

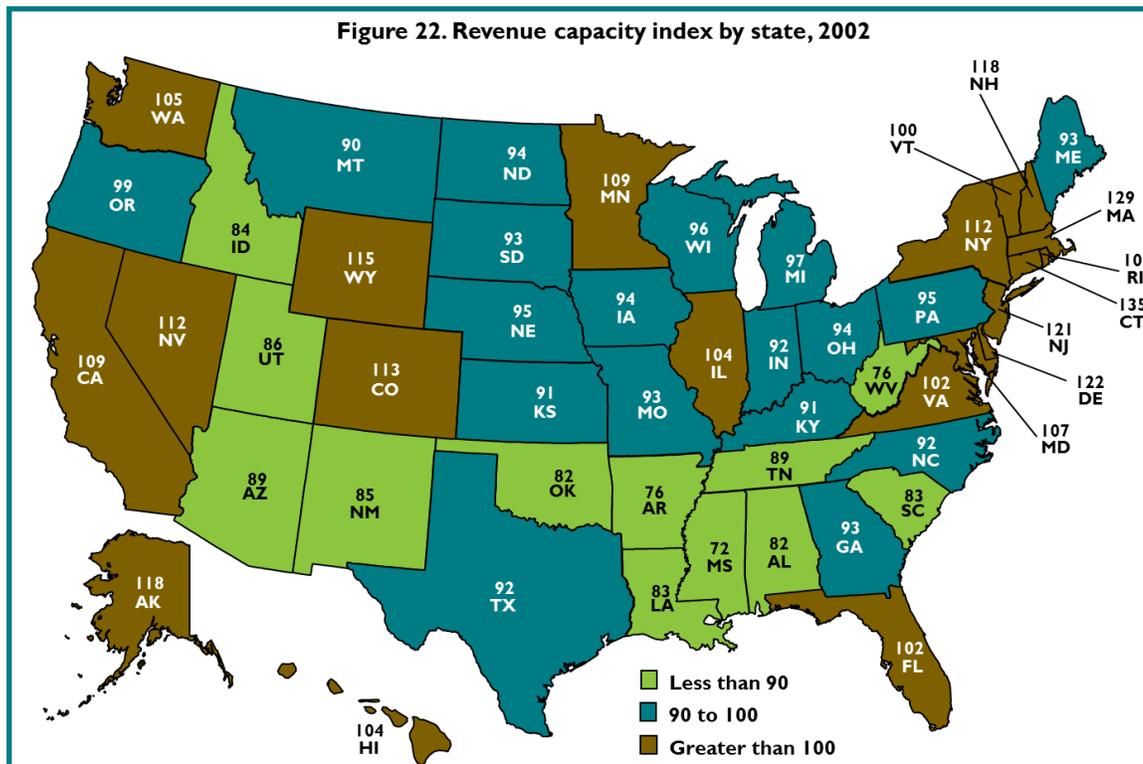
One method of evaluating a state government's ability to generate revenues and provide services is the representative revenue system and the representative expenditure system. These approaches use a set of average tax and expenditure policies to compare how well state governments can raise revenues and provide services relative to other states. The procedure also serves as a way to measure the needs in each state by calculating the total per capita expenditures for a set of "standard" services provided by state and local governments across the country, which allows for a determination of the needs per person in each state.

The last comprehensive study of this kind was completed in 2006 by the Urban Institute in conjunction with the Federal Reserve Bank of Boston for fiscal year 2002.

While initially such a study may appear somewhat dated, similar studies were conducted during the 1990s and their findings indicated little change in the general trends over time. Thus, the 2006 study can yield insights when assessing the current relative fiscal situations of the states.

The Urban Institute study defines a number of terms that are useful in understanding its findings. The first such term is tax capacity, which reflects how much tax revenue a state government could collect by levying the average or representative tax rate on every potential tax source in the state. The representative tax rate is a national average of all state tax rates and is weighted by the size of the tax base in a particular state. Thus, a state's revenue capacity equals its tax capacity plus all revenue from other potential sources collected at representative levels. If a state's actual revenues are greater than its revenue capacity, then the study describes the state as having a high revenue effort. Similarly, the study defines expenditure need as how much a state must spend in order to provide the national average level of services to its residents. The number of individuals living in poverty in a state relative to the rest of the country affects the expenditure need calculation, which is adjusted for population differences and other factors. Expenditure effort is the counterpart to revenue

effort and is considered high when a state spends more than its expenditure need. In other words, a state is spending more money than is required to meet the representative level of services. As noted above, these measures are calculated on a per capita basis. Finally, a state's fiscal capacity as defined in the study compares its revenue capacity to its expenditure need. Thus, if a state's revenue



Source: Urban Institute and Federal Reserve Bank of Boston

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capacity is low, and/or its expenditure need is high, then the state has a relatively low fiscal capacity.

Figure 22 provides a description of revenue capacities by state for fiscal 2002. By construction, the revenue capacity of the U.S. equals 100. The values indicated for each state are indices relative to the U.S. average. Not surprisingly, Mississippi has the lowest revenue capacity of any state with an index value of 72. In fact, most of the states with the lowest revenue capacities are located in the Southeast. States with the highest values for revenue capacity tend to be located in the Northeast. However, sparsely populated states do not necessarily denote low revenue capacities; both Alaska and Wyoming have some of the highest index values for revenue capacity because of their ability to generate revenues from their natural resources.

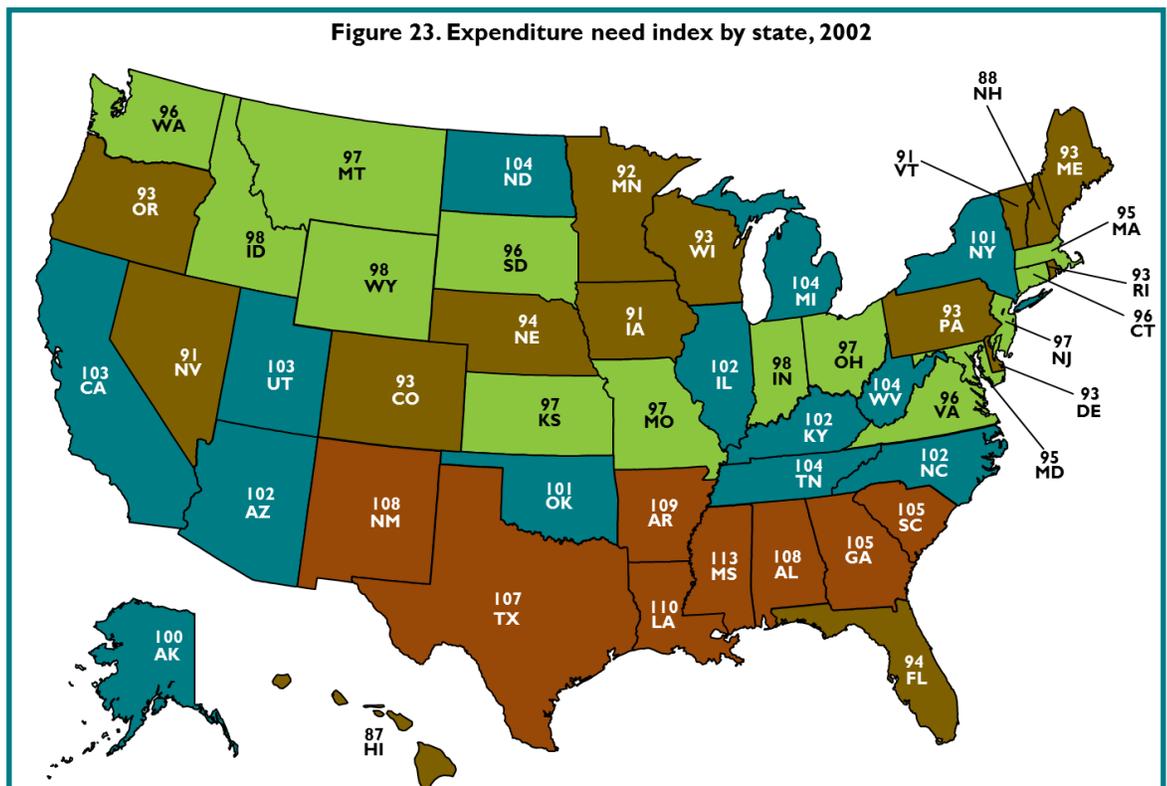
Figure 23 depicts expenditure needs by index values for each state. As with the index for revenue capacity, the U.S. value equals 100 by construction. Mississippi ranks first in terms of expenditure need with an index value of 113. The six states with the highest expenditure need indices are found in the southern half of the nation. Most states with relatively low expenditure need values are found in the Midwest and Northeast. As noted above, expenditure need reflects the amount necessary for a state to spend in order to provide the typical level of services of a state government.

While the findings for Mississippi revealed in Figures 22 and 23 are somewhat expected, Figure 24 depicts a more unanticipated result. As the map indicates, the revenue effort index for Mississippi is one of the highest among all states, ranking sixth. Again, a high reve-

nue effort index means a state's actual revenues exceed its capacity to generate revenues. In other words, Mississippi generates more revenues than it would under the representative system used in the study. Other states with relatively low revenue capacities, such as Louisiana and West Virginia, also have relatively high indices for revenue effort.

Finally, Figure 25 depicts fiscal capacity by state. As expected given the previous findings, the index value for fiscal capacity for Mississippi is the lowest of all states. Its value is 64 and the next lowest index value is 70 for Arkansas. A low fiscal capacity can result from low revenue capacity, high expenditure need, or both. As Figures 23 and 24 indicate, both measures are responsible for the relatively low value for fiscal capacity for Mississippi.

In conclusion, according to the authors of the Urban Institute study on fiscal disparities, its findings provide at least three insights on the relative economic positions of U.S. states. Fiscal capacity, revenue capacity, and expenditure need indicate how well a state funds its needs from its own resources. The revenue effort measure provides a way to view different categories of revenue sources and what alternatives could be imposed to the current struc-

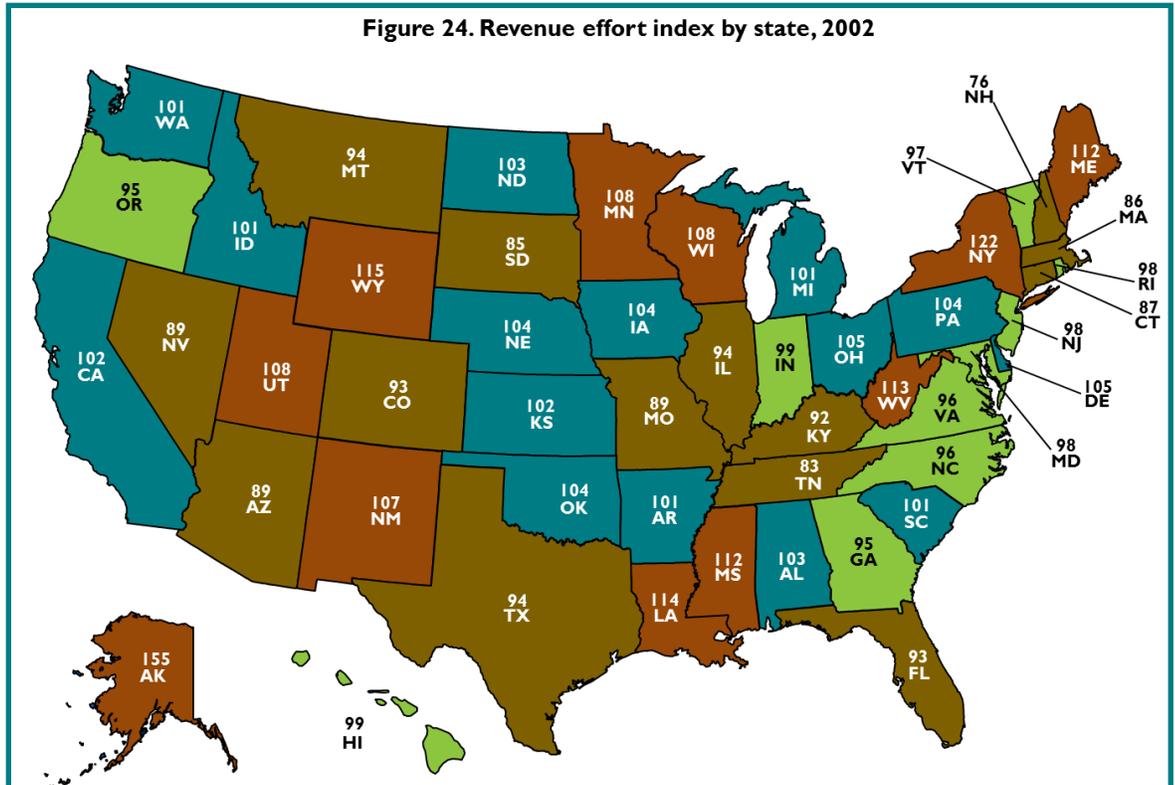


Source: Urban Institute and Federal Reserve Bank of Boston

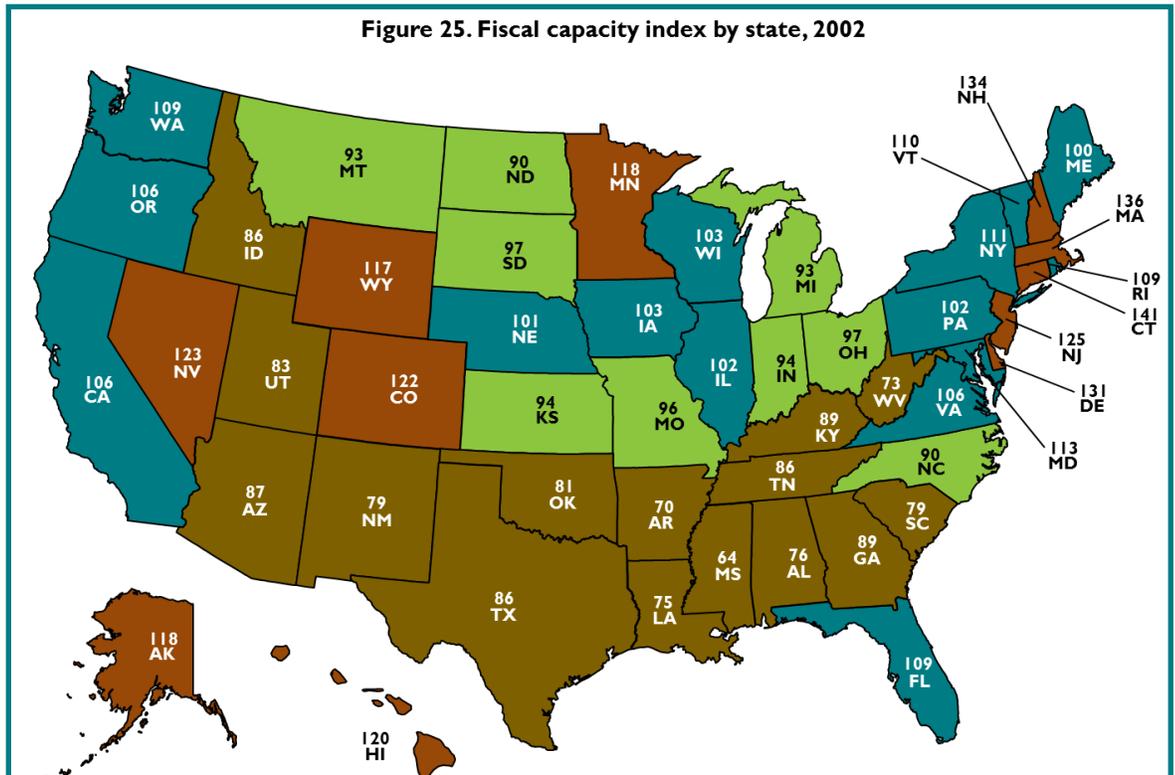
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ture. Lastly, the expenditure effort measure indicates whether a state is spending more or less than expected given its demographics. One caveat to keep in mind is the average levels of tax and expenditure policies calculated by the study are not necessarily optimal for any particular state. Each state can be assumed to have some minimum level of services that its policymakers believe it should provide, but such a level of services is likely not equal to the representative levels assumed by the study. Nevertheless, as the authors of the study note, the relative comparisons of states would be similar for whatever representative tax and expenditure rates are selected.



Source: Urban Institute and Federal Reserve Bank of Boston



Source: Urban Institute and Federal Reserve Bank of Boston