

Z
M575.6
B898
20

6P

Bureau Report



**Bureau of Business and Government Research
Midwestern State University**

Dallas Public Library

FEB 17 1993

SERIALS UNIT

January 1993

Report 20

Northwest Texas Regional Employment Outlook

Northwest Texas is one of ten Uniform State Service Regions. The Northwest Texas Region, as defined by the Texas Comptroller of Public Accounts, includes Archer, Baylor, Brown, Callahan, Clay, Coleman, Comanche, Cottle, Eastland, Fisher, Foard, Hardeman, Haskell, Jack, Jones, Kent, Knox, Mitchell, Montague, Nolan, Runnels, Scurry, Shackelford, Stephens, Stonewall, Taylor, Throckmorton, Wichita, Wilbarger and Young counties.

An analysis of employment related data provided by the Comptroller's Office, Texas Employment Commission, and Wharton Econometric Forecasting Associates shows that total non-farm employment decreased in the Northwest Texas region from 189,200 in 1982 to 171,100 in 1991, a decrease of 9.6 percent. The forecast for total non-farm employment for the Northwest Texas region is 179,400 by 1995. By the year 2000 total non-farm employment is forecasted to reach 183,900 in the Northwest Texas region.

The employment outlook is especially weak for the mining industry. Employment in the mining industry in the Northwest Texas region declined from 21,200 in 1982 to 8,600 in 1991, a decrease of 59.2 percent. Employment in the mining industry is forecasted to be 8,700 by 1995 and 8,400 by the year 2000.

Employment in the construction industry in the Northwest Texas region declined from 8,900 in 1982 to 5,400 in 1991, a decrease of 39.3 percent. The forecast estimates that employment in the construction industry will remain at 5,400 by 1995 and reach 5,500 by the year 2000.

Manufacturing employment in the Northwest Texas region declined from 29,600 in 1982 to 23,400 in 1991, a decrease of 20.9 percent. Employment in manufacturing is forecasted to increase to 23,500 by 1995 and 24,600 by the year 2000.

Employment in the service sector in the Northwest Texas region increased from 29,900 in 1982 to 37,100 in 1991, an increase of 24.1 percent. Employment in services is forecasted to continue to grow to 41,000 by 1995 and to reach an employment of 44,000 by the year 2000.

Employment in government in the Northwest Texas region increased from 35,800 in 1982 to 39,100 in 1991, an increase of 9.2 percent. Employment in government is forecasted to continue to increase to 41,500 by 1995 and is expected to reach an employment of 42,300 by the year 2000.

The agriculture, forestry and fishing sector in the Northwest Texas region increased employment from 2,200 in 1982 to 3,100 in 1991, an increase of 40.9 percent.

The number of people employed in transportation, communications and public utilities was 9,600 in 1991. The forecast predicts that the number of people employed in this sector will increase to 9,900 by 1995 and 10,200 by the year 2000. Trade employment was 40,900 in 1991. Employment in trade is forecasted to increase to 42,600 by 1995 and to remain at that level through the year 2000. The number of people employed in finance, insurance and real estate was 7,000 in 1991. Employment in this sector is forecasted to decrease to 6,900 by 1995 and to 6,300 by the year 2000.

JK

The **Bureau Report** is published quarterly by the Bureau of Business and Government Research, Midwestern State University. Additional copies may be obtained, upon request, from the Bureau of Business and Government Research, Midwestern State University, Wichita Falls, Texas 76308, (817) 689 - 4661.

Midwestern State University
Dr. Louis J. Rodriguez, President
Dr. Jesse W. Rogers, Vice President for Academic Affairs
Dr. Charles D. McCullough, Director, Division of Business Administration

Bureau of Business and Government Research
Dr. Yoshi Fukasawa, Director
Norman Lewis, Assistant Director
Linda Harris, Administrative Assistant
Joachim Knop, Research Associate

Ed Brajer, Graduate Research Assistant
Heclay Jamil, Graduate Research Assistant
Tarkan Maner, Graduate Research Assistant
Charlotte Xi, Graduate Research Assistant
Lisa Irwin, Undergraduate Assistant

The Maastricht Accord

-More than an European Economic and Monetary Union-

by

Joachim Knop*

In 1957 the members of the European Coal and Steel Community (Belgium, France, Italy, Luxembourg, the Netherlands, West Germany) signed the Treaty of Rome, establishing the European Economic Community (EEC). Great Britain, Denmark and Ireland joined the EEC in 1973. Greece joined the EEC in 1979, and Spain and Portugal joined in 1986.

The Maastricht Accord revises the Treaty of Rome by establishing a European Union. There are three parts to the European Union: The establishment of an economic and monetary union, a common foreign and security policy, and common justice and home affairs policies.

1. Economic and Monetary Union (EMU)

The Maastricht Accord contains a strategy to achieve an EMU by the year 2000. A full economic union must be completed in Europe before a monetary union can be implemented. The markets for goods and services within the European Community (EC) are already substantially free. With the implementation of Europe 1992 on January 1, 1993, the mobility of labor and capital has also substantially increased. However, numerous constraints on the mobility of capital and labor still remain to be solved. The Maastricht Accord foresees the completion of free movement of capital and labor by January 1, 1994.

After completion of full economic union, the European Monetary Institute (EMI) will be created for the transition phase. The functions of the EMI will include coordinating the monetary policies of the member countries, administering the European Monetary System (EMS), preparing the transition to the ECU (European Currency Unit) as a common currency, and formulating the rules and procedures for a European Central Bank (ECB). For the final phase in creating a monetary union the EMI will become the ECB. The ECB will

make a common monetary policy for the member countries. The ECB is expected to be primarily committed to price stability, but will also complement economic policies of the EC.

European policymakers are facing several difficulties to create a monetary union. A monetary union requires that currency exchange rates will have to be fixed at some point. Currently the currencies of EC member countries are semi-fixed under the EMS. The EMS was started by the Joint Float Agreement in 1972. The members of this exchange rate mechanism were Belgium, France, Luxembourg, West Germany, the Netherlands and Italy. In 1978 the Joint Float Agreement was replaced by the EMS. All EC members joined the EMS at that time, except Britain. Britain joined the system in 1990. In general, the exchange rates between the member countries are allowed to fluctuate from the fixed rate by $\pm 2.25\%$. This mechanism is referred to as the EMS band. When necessary, the fixed exchange rates are adjusted by re- or devaluing the currencies against each other.

Under the EMU, the EC will lose the flexibility of currency valuation adjustments. The exchange rates can only be fixed permanently at a point where the economic performance of the member countries is at least similar to prevent large migrations of labor and capital at the completion of EMU. For this reason, a so-called cohesion fund has been established by the Maastricht Accord. If a member country's gross domestic product (GDP) per capita is less than 90% of the EC average GDP per capita, the cohesion fund can be utilized to pay for public projects in those countries.

To be eligible to join the EMU, the member countries have to meet several criteria: The currency exchange rate of a joining EC country must have been fixed within the EMS band for at least two years without any re- or devaluations, the country's inflation rate cannot exceed the average of the lowest three member

countries' inflation rates by more than 1.5%, long term interest rates on government bonds cannot exceed the average long term rate of the three countries with the lowest inflation rate by more than 2%, the government deficit must be equal to or less than 3% of GDP, and the total government debt cannot exceed 60% of GDP.

If the European Council decides in 1997 that a majority of the EC members meets the above criteria, the EMI will become the ECB. If a majority of the countries fails to meet the criteria, the ECB will start operating in 1999 with those member countries that do meet the criteria. The EC member countries that fail to join the EMU will not be allowed to participate in the voting on EMU monetary policy.

The gains from EMU are primarily political rather than economic. Monetary union and a single currency would benefit the integration of the individual countries into a common Europe. The Commission of the European Communities estimates the economic gains of EMU at around 10% of the EC real GNP. However, Dr. Martin Feldstein of Harvard University argues that a common currency could lead to a reduction in intra-European trade, higher unemployment rates and more severe business cycles within individual countries. Gains from free trade are based on the principle of comparative advantage. Usually, domestic monetary policies can be utilized to counter international demand fluctuations in the goods a country specializes in. Within the EMU this policy tool will no longer be available to the individual countries.

2. Common Foreign and Security Policy

Common foreign and security policies are going to be formulated by the foreign ministers of the member countries. The individual governments will have to adhere to the common policies set by the foreign ministers. One of the goals of the common foreign and security policy is the formulation of a common defense policy to create a common defense. Nine EC member countries are already members of a defense pact called Western European Union (WEU). The WEU is going to represent Europe within the Atlantic alliance.

3. Common Justice and Home Affairs Policies

A new committee will be created that will work on the formulation of common customs, immigration, asylum, drugs, terrorism and crime policies. Justice and home affairs policies will be voted upon by the interior ministers of the member countries.

In addition, the Maastricht Accord contains a social protocol, which was accepted by all member countries except for Britain. The members of the social protocol will make common laws concerning social security, equal employment opportunities, and working conditions.

The Maastricht Accord also allows the Council of Ministers (Heads of States of the member countries) to vote on common laws in consumer protection, transport, and environmental law with a qualified majority instead of the formerly required unanimous vote. Common European policies to promote small business, exploitation of innovations, and assistance to industries that undergo structural changes have to be adopted by a unanimous vote.

The Maastricht Accord has to be ratified by the governments of the member countries. The Accord was ratified in France by referendum last year, but the citizens of Denmark rejected the Accord. Negotiations are currently taking place, so that the citizens of Denmark will vote again on the Accord. Britain intends to ratify the Accord after Denmark accepted it. The German government ratified the Accord, with a referendum to be held in the future.

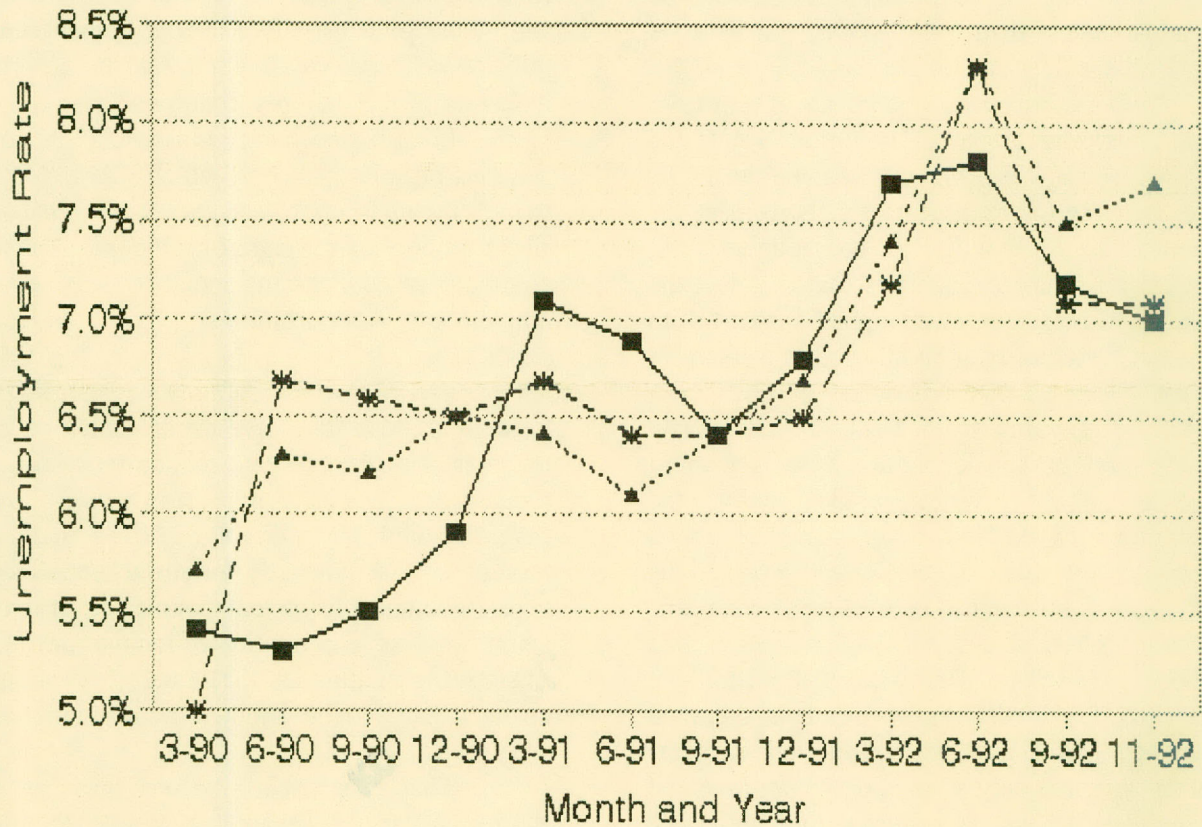
* Joachim Knop is a Research Associate with the Bureau of Business and Government Research.

Bibliography

1. Michele Fratianni, Jürgen von Hagen and Christopher Waller, "The Maastricht Way to EMU", *Essays in International Finance*, No. 187, June 1992, Princeton University.
2. "Maastricht at a glance", *The Economist*, October 17, 1992, pp.60 - 61.
3. Dr. Martin Feldstein, "Europe's Monetary Union - The Case against EMU", *The Economist*, June 13, 1992, pp. 19 - 22.
4. Michael J. Chriszt, "European Monetary Union: How Close Is It?", *Economic Review*, Federal Reserve Bank of Atlanta, Sep/Oct 1991, pp. 21 - 27.

Unemployment Rates

United States, Texas, Wichita Falls



United States
 Texas
 Wichita Falls

Source: Texas Employment Commission.
 Data for November 1992 is preliminary.

Dallas Public Library
 1515 Young
 Dallas, TX 75201
Services

12

Address Correction Requested

Non-Profit Organization
 U.S. Postage
 PAID
 Permit #781
 Wichita Falls, TX

Bureau of Business and Government Research
 Midwestern State University
 Wichita Falls, TX 76308

