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The National Debt and the Federal Deficit

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Considerable national attention has focused on the federal deficit. This paper examines issues behind the deficit, specifically the size and importance of the national debt.

Even in relative size, the national debt has grown in recent years. The interest payment on the debt is a substantial drain on federal expenditures. Foreigners own a much larger share of the federal debt than in the past; hence, some interest payments now are going overseas that formerly would have recirculated within the U.S. economy. The national debt problem is mirrored in American society—there is an economy-wide tendency to incur debt. Growth in private debt in recent years has been rapid.

The primary focus of this article is the national debt, not the deficit. The press has reported in depth the size of the deficit and government's attempts to reduce it. Even a zero deficit does not mean that the federal debt has disappeared—it means only that the debt has stopped growing. The problem with the deficit is that federal debt continues to grow. Focusing on the size of the deficit may shift attention from whether or not the national debt is growing in proportion to the economy.

Data often are reported on the federal government's fiscal year basis, from October 1 to September 30. In our tables and figures, we try to note the year basis used. Data on the debt, deficit, and federal expenditures are reported on two separate bases: the Office of Management and Budget (OMB) basis and the National Income and Product Account basis. The differences for the national debt are not large in historical data, but differences can be relatively large for the deficit.

In discussing reduction of the federal deficit, it is important to note that the Gramm-Rudman-Hollings bill requires that forecast levels of the deficit be reduced. There are no penalties for errors in the forecast. Nevertheless, even formulating the deficit forecast is a political process.

For example, the Bush Administration has been accused of forecasting high growth rates for the national economy, thus showing enough revenue growth to cover foreseen deficits. These charges lack merit. The Council of Economic Advisors (CEA) forecast is high compared to private forecasts, but within reasonable forecast error bounds. Forecasters are not that accurate. For 1988, the CEA was accused of forecasting too much

growth in Gross National Product (GNP). Instead, their forecast won the loving cup for accuracy.

Major issues involving the federal debt surfaced in the 1950s and 1960s. At that time, economists were unconcerned about the size of the federal debt. It was an era when the national debt had dropped from high levels at the end of World War II to fairly moderate levels by the early 1960s.

Just how big is the debt? The absolute size of the debt is a meaningless figure. The size of the debt today is substantially bigger than it was at the end of World War II. But the size of our economy is many times larger as well. Meaningful comparison can be made only with a relative measure of the size of the debt. The most commonly used measure of the relative size of the debt is the ratio of the federal debt to GNP. Figure 1 presents the debt-to-GNP ratio from 1940 to the present.

In fiscal year 1941, the debt-to-GNP ratio was 50.9 percent. By the end of the war, the debt-to-GNP ratio was 127.3 percent. Essentially, we paid for the war by reducing current consumption

Figure 1
Ratio of Federal Debt to Gross National Product

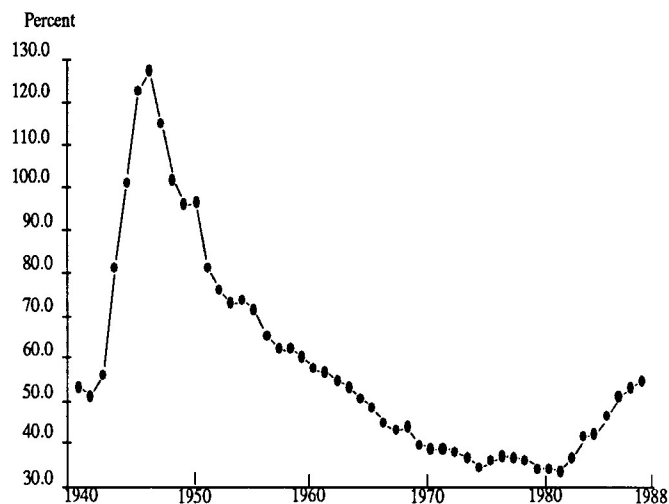


Table 1
Federal Government Deficit, Debt, and Expenditures
(\$ Billion)

Fiscal Year	Deficit (Surplus+)	Total Debt	GNP	Ratio Debt-GNP	Net Interest Paid	Total Expenditures	Ratio Net Interest- Total Expenditures
1946	-15.9	271.0	212.9	127.3%	3.7	55.5	6.7%
1950	-3.1	256.9	266.8	96.3	4.4	42.4	10.4
1960	+0.3	290.9	506.7	57.4	7.0	91.3	7.7
1970	-2.8	380.9	990.2	38.5	13.5	198.7	6.8
1980	-73.8	908.5	2670.6	34.0	50.8	589.0	8.6
1988	-155.1	2600.8	4780.0	54.4	150.4	1106.3	13.6

Source: *Economic Report of the President 1989*

levels through rationing and increasing the national debt. At the time, there was no general opposition to that method of paying for the war. There was a clear national goal of winning the war—whatever financial means necessary were acceptable to the general public.

The relative magnitude of the debt was reduced under Presidents Truman and Eisenhower. The reduction was due to an expanding economy and relatively conservative expenditures. Even during the Korean War the reduction continued. The record under Kennedy and Johnson showed further reductions in the debt despite the Vietnam conflict. President Nixon continued the trend.

The economy expanded so rapidly that the relative debt size continued to decrease. It was a phenomenon of growth in the denominator overwhelming growth in the numerator. In the late 1970s there was some wobbling in the relative debt ratio, but in the early 1980s a new trend emerged.

The huge tax cuts legislated in the early Reagan years were never matched by corresponding spending cuts. As a result, the deficit and the debt grew sharply. One can blame the President, the Congress, or the electorate for this huge increase in the debt. Blame is unimportant from an economic point of view. The critical question is the impact of the increasing debt. The expansion of the debt in the 1980s has brought a return to the debt-to-GNP ratios of the Eisenhower Administration.

The major impact of federal debt is the size of interest payments and how they may affect the federal government budget. Table 1 charts the growth in the size of net interest payments. *Net interest* is defined as gross interest payments less interest payments from the government to itself. The latter consists primarily of payments on government trust funds.

To grasp the importance of interest payments, we must look at their relative size. In this case, we can compare the ratio of interest payments to GNP. We prefer, however, to look at ratios of net interest payments to total federal expenditures (also contained in Table 1). In 1988, the ratio of net interest payments to total federal expenditures was double the level of 1946.

Two things contributed to the increase in the ratio: the substantially higher interest rates (compared to the 1940s) and the recent growth in the size of the debt. Growth in the relative size of interest payments limits maneuvering room in the federal budget. Any political restrictions on the list of items that can be cut means a greater burden on those items that can be cut.

Who holds the debt? An old argument is that the federal government debt is no cause for alarm because interest payments on the debt go from ourselves to ourselves. That statement may have been partially true in the 1950s when virtually no debt was paid to foreigners. Table 2 shows, however, that interest payments to foreigners now amount to 17.6 percent of interest payments. In addition, interest payments are not made from one group of citizens to itself. There is a redistribution effect—the payment is from one group of taxpayers to another.

A common response to fears about the burgeoning national debt is that government is imitating debt growth in the private sector. Table 3 presents private debt for various components. In 1970, the relative size of nonfinancial private debt was nearly equal to that of GNP. By 1988:III, the ratio had grown to 128.0 percent. More alarming are changes in the private financial sector debt. In 1970, the ratio of private financial debt to GNP was 11.9 percent. That figure swelled to 42.2 percent by 1988:III. The ratio of total debt (all sectors) to GNP was 230.1 percent in 1988:III.

The basic problem is that debt must be repaid. Interest payments are a drain on the federal pocketbook or the private pocketbook. The private sector has the added burden of amortization. Furthermore, the relative size of interest payments likely will vary as interest rates change.

The growth of leveraged buyouts (LBOs) may pose a new problem on the U.S. debt scene. Data sources are not current enough to provide evidence on LBO trends. The threat is that converting corporate equity into corporate debt reduces the ability of major leveraged corporations to withstand downturns in the economy.

Table 2
Interest Paid to Foreigners

Year	Net Interest Paid	Paid to Foreigners	Percent Paid to Foreigners
1946	3.9	0	0
1950	4.4	0	0
1960	6.8	.3	4.4
1970	14.1	1.0	7.1
1980	53.3	12.6	23.6
1988*	151.3	26.7	17.6

* Fiscal year 1988 used

Source: *Survey of Current Business*

Table 3
Credit Market Debt Owned by Sector
(\$ Billion)

Calendar Year	Private Domestic Nonfinancial	Private Financial Institutions	All Sectors	GNP	Ratio Nonfinancial -GNP	Ratio Private Financial-GNP	Ratio All Sectors-GNP
1970	981.9	120.4	1604.0	1015.5	96.7%	11.9%	158.0%
1980	2887.7	563.0	4684.6	2732.0	105.7	20.6	171.5
1987	5787.4	1862.6	10408.1	4526.7	127.8	40.4	229.9
1988:III	6175.0	2035.7	11100.8	4823.8	128.0	42.2	230.1

Source: Federal Reserve Board, *Flow of Funds*. The all sectors category includes government debt and foreign debt. Private domestic nonfinancial excludes state and local government in these data

The Fruehauf Corporation illustrates this point. Three years ago, Fruehauf went private in a \$1.4 billion dollar LBO. At the time, many analysts questioned the wisdom of imposing such a heavy debt on a highly cyclical business. At the end of March 1989, Fruehauf announced it was selling its premier tractor trailer

business. This leaves the company with only one major business unit, which is also for sale.

The ability of LBO firms to weather the next recession may lead to a fundamental change of government policy on corporate takeovers.

A Look at the Future of the Nebraska Employment Picture

The Nebraska Wage Parity Gap

Nebraska has been and likely will continue to be a state with relatively low wage rates. The *wage rate* is defined as total annual wages and salaries paid by an industry divided by the average annual number of jobs in the industry. Table 1 contains the ratios of Nebraska wage rates to those of the U. S. by industry from 1969, 1979, and 1988. These ratios are termed *parity ratios*.

Nebraska wage rates were below U.S. levels in 1969 and lost ground in several industries between 1969 and 1979. With one exception, all parity ratios fell between 1979 and 1988. Transportation, communication, and utilities (TCU) wage rates exceeded those of the U.S. in 1979, and the parity ratio has increased over the last two decades.

The exceptional performance of TCU wage rates is related to the relatively large proportion of railroad workers in Nebraska. These workers are unionized and well paid. Unfortunately, employment trends in railroads have been downward because of the increased competition brought by deregulation.

The TCU ratio is counterbalanced by an eroding parity ratio in nondurables manufacturing. In 1969, the Nebraska wage rate in nondurables exceeded that of the U.S. It since has fallen below the U.S. level.

The federal government and durables manufacturing industries had parity ratios that grew between 1969 and 1979, fell between 1979 and 1988, but were above 1969 levels in 1988. Given the absence of a major federal regional center, it is unlikely that Nebraska's parity ratio in the federal government industry will move significantly upward in the future.

The lack of parity in the durables manufacturing area relates to the lack of highly paid industry jobs such as those in auto and aircraft manufacturing. Nebraska's durables manufacturing is oriented toward light industry.

The parity ratios for the remaining industries have decreased in both the 1969-1979 and 1979-1988 time spans. Especially

disturbing is the pattern shown by the three largest industries in terms of jobs: retail trade, services, and state and local government. These industries accounted for 58.8 percent of Nebraska's nonfarm wage and salary jobs in 1988. Their wage parity ratios are in the low 80.0 percent range.

The impact of low wages has helped to keep the ratio of Nebraska to U.S. per capita personal income in the low 90.0 percent range in recent years. Nebraska's cost of living is in approximately the same range. A large factor in keeping Nebraska living costs down is the relatively low cost of housing. Even though wage rates are low, the purchasing power of Nebraskans is in line with national standards.

Detailing the causes of Nebraska's low relative wages is beyond the scope of this article, but a few comments can be offered. First, the wages paid in Nebraska are not determined solely by state labor markets. Wages may be influenced by broader national or regional markets.

Second, Nebraskans may not be underpaid for what they do, but our jobs may be at the low wage end of the industries. For example, among the highest paid food and beverage workers are those who work in breweries. Nebraska's only remaining brewery closed a few years ago. Construction wages differ depending on the type of construction work. Because of federal government contracting provisions, highway workers are paid on a union scale. Residential construction workers in Nebraska are typically non-union and paid substantially less than highway construction workers. In services, Nebraska is well represented in relatively low wage watts line operations and underrepresented in the high wage accounting services.

Is there a cure for Nebraska's low wage status? One approach would be to allow tax credits only for high wage-paying employers. This solution is too simplistic. There always will be a number of Nebraskans whose skills fit into low wage jobs.

Table 1
Ratios (Percent) of Nebraska to U.S.
Average Annual Wage Rates

	1969	1979	1988	1988 Employment Distribution
Mining	81.4	72.5	67.7	0.2
Construction	100.0	95.0	89.0	3.6
Manufacturing				
Durables	82.1	84.2	83.6	6.8
Nondurables	101.0	98.3	92.3	7.0
TCU	95.9	100.7	104.7	6.5
Trade				
Wholesale	91.6	87.1	80.0	7.2
Retail	90.8	90.3	82.8	18.4
FIRE	89.6	91.4	81.2	7.2
Services	94.9	90.8	82.0	22.4
Fed. Govt	87.9	95.5	90.1	2.6
State and and Local Govt	90.2	85.6	81.4	18.0

FIRE = Finance, insurance, and real estate; TCU = transportation, communication, and utilities

If Nebraska is headed for an era of relative labor scarcity, will wages rise rapidly in certain low skill areas, and will employers move to some other low wage area? To the extent that low wage jobs may be labor intensive and require a low capital commitment, such industries may be highly mobile. In growth terms, however, the chances of attracting additional low wage employers will diminish if the state's relative wages for those jobs rise. Nebraska should be discriminating in the industries the state tries to attract. Industries that fit certain criteria can be targeted for promotion.

The prospect of an inadequate supply of persons to fill jobs leads to an interesting possibility. Consider the following case scenario. Assume that the Bureau of the Census is correct in its projection and Nebraska's population decreases in the next ten years. Then we should question whether to attract more low wage jobs. If Nebraska were at full employment and were to attract a low wage firm into the state, it likely would fill its employment needs with out-of-state persons. If this firm has out-of-state administrative headquarters, the profits accruing from the enterprise would flow from Nebraska. The direct benefits to the state's economy would be limited to the purchases of materials and other costs of doing business that involved Nebraska firms. In this hypothetical case, the benefit of additional employment would be minimal.

A seemingly simple solution to the low wage problem is to create more jobs for the pool of educated, highly trainable individuals who enroll in the state's colleges, universities, and technical schools. Nebraska is a leader in educating its young citizens. It is no mystery why out-of-state companies enjoy recruiting in Nebraska. A problem is to create jobs within the state that are of interest to larger numbers of these individuals.

One idea may be to refocus targeting efforts toward employers who will increase their employment of new graduates. If necessary, a restructuring of the tax credit system might be considered. In addition to favoring recent graduates, such a program could help draw previous graduates and their peers into the state.

Nebraska should not try to build a new Silicon Valley. Instead, Nebraska should increase its strength in directions natural for the talents and resources of the state. One example of how Nebraska industry could meet future challenges is presented in F. Charles Lamphear's article in the February issue of *Business in Nebraska*. Another example would be to expand Nebraska's services industry. The focus should not be on expanding current low wage activities, but to expand in high wage areas where Nebraska is underrepresented (such as professional services, including accounting services, engineering consulting, architectural work, and legal consulting).

It is unlikely that Nebraskans are interested in the rapid expansion such as that of some of the Sun Belt states. Such expansion requires not only major infusions of private capital, but of public capital as well. The latter would need to be supported by the taxpayers. Furthermore, it has not been unusual for these rapidly expanding communities to be characterized by volatile economies. Their expansion has been associated with a handful of critical industries. When one of those industries sneezes, the whole economy catches a cold. Instead, Nebraska can take advantage of existing resources and maximize the benefits from them.

John S. Austin

Review and Outlook

National Economy

Inflation again grabbed the business news headlines in March. The Producer Price Index (PPI) for February increased 1.0 percent, and the stock market fell sharply. The increase followed a gain of the same size in January. There was widespread speculation that inflation was headed toward double digit levels.

Tomato prices rose 158 percent in February because of a frost in Mexico, accounting for approximately half of the 1.2 percent rise in the food component of the PPI. Even without tomato inflation, the PPI advance would have been substantial. The PPI contained mixed results. Crude prices decreased in February, but remained 7.4 percent ahead of year ago levels.

The bad news on producer prices was offset by the Consumer Price Index (CPI). Consumer prices increased a moderate 0.4 percent in February. That low rate of growth surprised many analysts, as most had expected growth above 0.5 percent. The CPI in February, while showing a modest change from the month before, had increased 4.8 percent from year previous levels. For the year as a whole, 1988 consumer prices increased 4.1 percent. Thus, the February figures show a heightened level of consumer price inflation.

February reports on wages were reassuring. Average hourly wages were down slightly in February. Union wage increases for 1988 as a whole were moderate.

Energy prices tend to be volatile. The recent oil spill in Alaska was blamed for a short-term jump in oil prices. Gasoline prices have been creeping upward. In Nebraska last summer, regular gasoline prices in Omaha were 78.9 cents per gallon. Omaha gas prices have increased to around a dollar per gallon.

The food component of prices is also volatile. Fruit prices have increased dramatically because of difficulties in Chile and

growing concern over pesticide use. Some supermarkets have begun to label the origin of their fruit.

Signals were mixed in the economic news released in March. Industrial production was flat in February. Capacity utilization was down marginally. Housing starts in February were off 11.4 percent from January. Auto sales were varied in early March and were slightly above year ago levels in mid-March. Retail sales in February decreased 0.4 percent.

On the up side, consumer confidence has remained high. New highs for consumer confidence measures were reached in January and continued in February. Consumption in February increased 0.5 percent. Most of that gain was in the consumption of services and durable goods. Personal income gained 1.0 percent. Farm payments were a major part of the gain. The savings rate rose in February to 5.9 percent. Unemployment fell to 5.1 percent.

Nebraska Economy

Retail sales in Nebraska were strong in 1988. For the year as a whole, Nebraska net taxable retail sales expanded 10.8 percent. That increase was led by motor vehicle sales 18.7

percent ahead of 1987 levels. Nonmotor vehicle sales expanded 9.8 percent.

The metropolitan areas were divided in their gains. Lancaster County advanced 11.3 percent for the year, while the Omaha region expanded 9.0 percent. Many of the outlying areas had growth rates exceeding the state average. None of the state regions showed a decrease for the year as a whole (Table V). The increase in retail sales came from employment and personal income. Farm income was the leader in the latter. Increases in farm income can be linked to government payments received early in the year and higher farm prices brought by last year's drought.

There has been a change in the order of City Business Index (CBI). South Sioux City reached the top of the list, replacing the long dominant Fairbury. South Sioux City's advance is largely attributable to increases in building activity, specifically an expansion into oat milling. Fairbury's building involves the construction of a new hospital. Although its building activity is strong, Fairbury's employment levels have been falling. Three of the top four cities in the CBI have major construction projects under way.

Table I
National Indicators

	Annual		Quarterly (SAAR)			
	1987	1988	1988:I	1988:II	1988:III	1988:IV
Real GNP (% change)	3.4	3.9	3.4	3.0	2.5	2.4
Real Consumption (% change)	2.7	2.8	4.5	3.0	3.9	3.5
Housing Starts (millions)	1.6	1.5	1.5	1.5	1.5	1.5
Auto Sales (millions)	10.3	10.6	10.8	10.6	10.6	10.5
Interest Rate (90 day T-bill)	5.8	6.7	5.8	6.2	7.0	7.7
Unemployment Rate (%)	6.2	5.5	5.7	5.5	5.5	5.3
Industrial Production Index (1977=100)	129.8	137.2	134.5	136.0	138.4	139.8
Money Supply, M2 (% change)	6.5	5.1	6.8	7.7	3.7	3.0

NOTE: SAAR — Seasonally adjusted at annual rates

Table II
Employment in Nebraska

	Revised	Preliminary	Feb.
	Jan. 1989	Feb. 1989	% Change vs. Year Ago
Place of Work			
Nonfarm	693,241	697,292	4.3%
Manufacturing	97,216	97,334	6.4%
Durables	47,330	47,309	5.6%
Nondurables	49,886	50,025	7.2%
Mining	1,291	1,268	-9.6%
Construction	22,674	22,077	9.9%
TCU*	46,705	46,503	7.8%
Trade	180,442	179,806	4.8%
Wholesale	50,916	51,111	5.7%
Retail	129,526	128,695	4.4%
FIRE**	48,526	48,493	2.8%
Services	160,123	161,814	4.3%
Government	136,264	139,997	1.0%
Place of Residence			
Civilian Labor Force	810,523	803,488	0.6%
Unemployment Rate	3.5%	3.1%	

*Transportation, Communication, and Utilities

**Finance, Insurance, and Real Estate

Source: Nebraska Department of Labor

Table III
Price Indices

	Feb.	% Change	YTD
	1989	vs. Year Ago	% Change vs. Year Ago
Consumer Price Index - U*			
(1982-84 = 100)			
All Items	121.6	4.8%	4.7%
Commodities	114.3	4.8%	4.5%
Services	129.4	4.9%	4.9%
Producer Price Index			
(1982 = 100)			
Finished Goods	111.7	5.5%	5.0%
Intermediate Materials	110.9	6.5%	6.3%
Crude Materials	101.0	6.8%	7.4%
Ag Prices Received			
(1977 = 100)			
Nebraska	159	14.4%	17.2%
Crops	137	41.2%	45.3%
Livestock	173	4.2%	6.4%
United States	148	13.8%	13.8%
Crops	138	26.6%	24.1%
Livestock	157	5.4%	6.4%

U* = All urban consumers

Source: U.S. Bureau of Labor Statistics

The state's unemployment rate in February was 3.1 percent, well below the 5.1 percent of the nation .

A recent newspaper article reported that Nebraska's business climate was rated substantially below average by an East Coast consulting service. Apparently no one at the consulting firm was aware of the existence of Nebraska's LB 775. Nebraska may be suffering from a stereotyped view of Plains states. We have been accused of having too narrow an industrial base, reflecting the idea that agriculture dominates our economy. We strongly suspect that the scope of our service; financial, insurance, and real estate; and wholesale and retail trade industries remains unappreciated by many.

It is not unreasonable to suggest that we should diversify from agriculture, but Nebraska's future always will be strongly tied to agriculture. For example, food is a major component of the nondurable manufacturing sector in Nebraska. We should not be surprised that a major agricultural state is a major producer of food products. No one is suggesting that Nebraska give their food manufacturing industry to any other state. Although it may be desirable to enter other areas, expansion of what you do best is certainly one way for a state to grow.

John S. Austin

Nebraska Business Shorts

Nebraska Nonfuel Mineral Production Grows

The estimated value of nonfuel mineral production in Nebraska in 1988 was \$94 million according to the U.S. Bureau of Mines. As reported in the *Mineral Industry Survey*, this is an increase of about 5 percent over 1987 and is due to increased sales of crushed stone, masonry cement, and clays. Most of these products were used in construction. Nebraska ranked 43rd in the nation in production of nonfuel minerals.

Merlin W. Erickson

Table IV
City Business Indicators
December 1988 Percent Change from Year Ago

The State and Its Trading Centers	Employment (1)	Building Activity (2)
NEBRASKA	2.1%	21.3%
Alliance	1.7%	339.9%
Beatrice	2.8%	96.5%
Bellevue	6.3%	39.4%
Blair	4.8%	121.8%
Broken Bow	0.1%	-49.4%
Chadron	-0.1%	-62.5%
Columbus	16.4%	86.9%
Fairbury	-1.3%	1,090.0%
Falls City	-3.3%	231.2%
Fremont	-0.8%	4.3%
Grand Island	2.8%	44.5%
Hastings	6.0%	-14.1%
Holdrege	0.5%	-87.1%
Kearney	2.8%	19.8%
Lexington	1.9%	31.5%
Lincoln	6.7%	5.2%
McCook	0.9%	-19.7%
Nebraska City	0.8%	68.0%
Norfolk	4.1%	-28.4%
North Platte	0.0%	33.7%
Omaha	5.1%	25.2%
Scottsbluff/Gering	0.7%	31.4%
Seward	-4.7%	19.1%
Sidney	5.6%	40.5%
South Sioux City	2.9%	599.6%
York	-0.5%	-53.1%

(1)As a proxy for city employment, total employment (labor force basis) for the county in which a city is located is used

(2)Building activity is the value of building permits issued as a spread over an appropriate time period of construction. The U.S. Department of Commerce Composite Cost Index is used to adjust construction activity for price changes

Sources: Nebraska Department of Labor and reports from private and public agencies

Figure I
City Business Index
December 1988 Percent Change from Year Ago

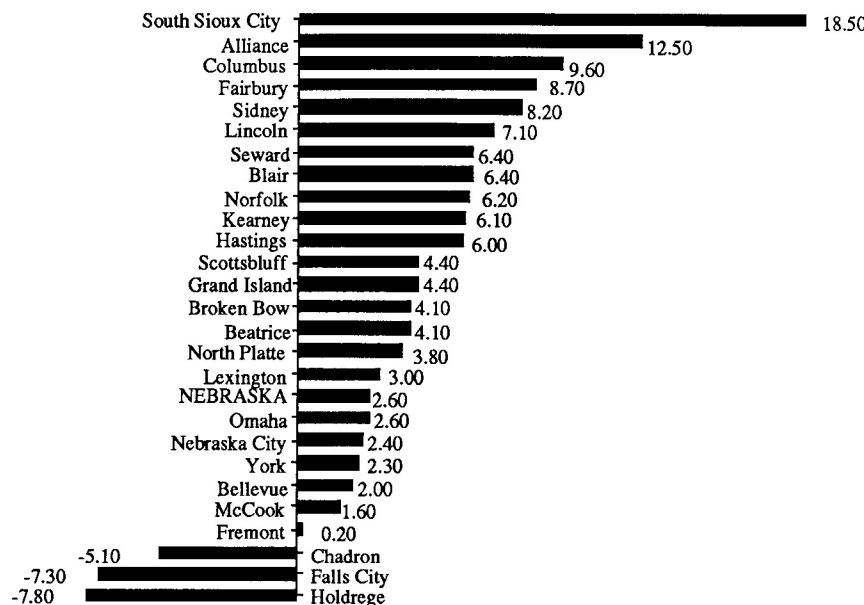


Table V
Net Taxable Retail Sales of Nebraska Regions and Cities

Region Number and City (1)	City Sales (2)		Region Sales (2)		YTD % Change vs. Year Ago
	Dec. 1988 (000s)	% Change vs. Year Ago	Dec. 1988 (000s)	% Change vs. Year Ago	
NEBRASKA	\$1,074,232	13.7	\$1,182,313	13.8	10.8
1 Omaha	377,170	16.3	452,718	15.5	9.0
Bellevue	19,334	12.2	*	*	*
Blair	5,233	11.9	*	*	*
2 Lincoln	141,416	12.6	156,031	12.5	11.3
3 South Sioux City	4,560	7.7	6,225	2.6	14.9
4 Nebraska City	4,616	1.7	19,096	5.6	6.9
6 Fremont	19,126	9.4	33,679	7.1	10.4
West Point	3,125	4.1	*	*	*
7 Falls City	2,732	0.1	10,626	5.3	4.1
8 Seward	5,311	11.8	17,290	11.4	10.6
York	8,552	9.0	18,512	14.4	11.6
10 Columbus	18,834	9.9	31,592	9.8	12.6
11 Norfolk	24,370	11.9	41,187	11.7	15.2
Wayne	3,091	-5.4	*	*	*
12 Grand Island	42,441	13.7	56,568	14.0	13.8
13 Hastings	20,831	15.4	30,905	12.5	9.9
14 Beatrice	10,111	7.9	21,760	10.5	7.7
Fairbury	3,451	5.9	*	*	*
15 Kearney	23,933	13.5	32,171	14.3	17.1
16 Lexington	7,560	14.8	18,933	17.9	16.9
17 Holdrege	5,014	9.7	8,963	14.1	10.2
18 North Platte	19,538	12.1	23,672	14.3	14.5
19 Ogallala	5,871	12.9	12,104	23.1	14.1
20 McCook	10,113	11.5	13,888	9.6	13.1
21 Sidney	4,730	3.3	8,899	3.6	7.8
Kimball	1,843	-3.4	*	*	*
22 Scottsbluff/Gering	23,543	16.3	30,515	15.6	8.1
23 Alliance	6,343	4.3	16,970	14.2	10.8
Chadron	3,363	6.3	*	*	*
24 O'Neill	5,206	7.9	16,377	11.6	13.6
Valentine	2,972	8.3	*	*	*
25 Hartington	1,593	-16.1	9,490	4.4	5.8
26 Broken Bow	3,880	11.8	13,598	14.5	17.9

(1) See region map.

(2) Sales on which sales taxes are collected by retailers located in the state. Region totals include motor vehicle sales.

* Within an already designated region

Compiled from data provided by the Nebraska Department of Revenue

Figure II
Nebraska Net Taxable Retail Sales
(Seasonally Adjusted)

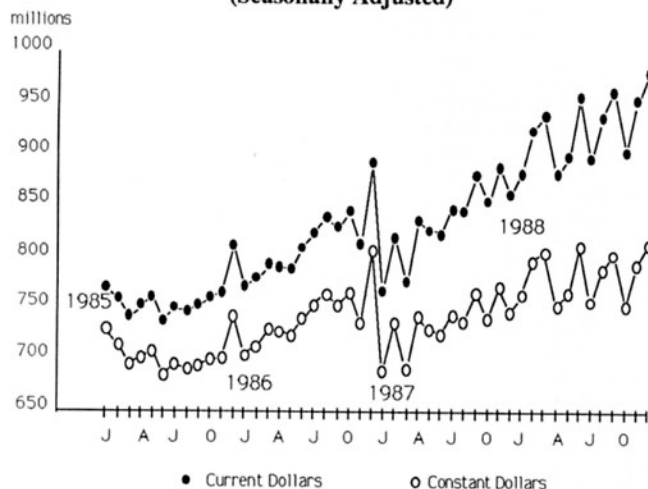
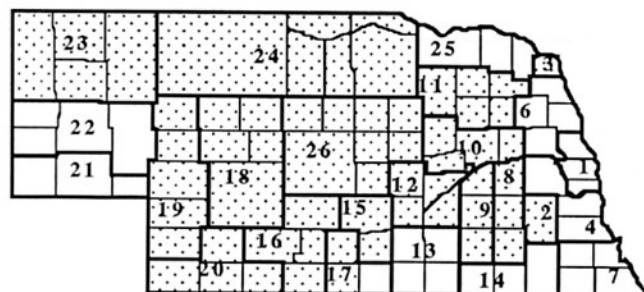


Figure III
Region Sales Pattern
YTD as Percent Change from Year Ago



(1) The Consumer Price Index (1982-84 = 100) is used to deflate current dollars into constant dollars

Shaded areas are those with sales gains above the state average. See Table V for corresponding regions and cities

B Scoreboard

Percent change from same month one year ago

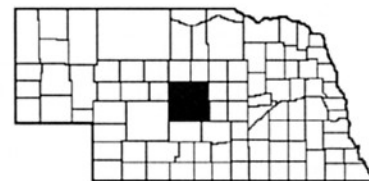
	State	Metro+	Nonmetro
Motor Vehicle Sales (Dec.) Constant \$	10.0%	7.6%	12.0%
Nonmotor Vehicle Sales (Dec.) Constant \$	8.9%	10.1%	7.7%
Building Activity (Dec.) Constant \$	18.8%	15.5%	23.6%
Employment (Feb.)	1.9%	2.1%	1.7%
Unemployment Rate* (Feb.)	3.1%	2.9%	3.3%

+Omaha and Lincoln

*Unemployment is this month's rate, not a percent change from year ago

County of the Month

Custer



Size of county: 2,562 square miles, ranks 3rd in the state
Population: 13,000 (estimated) in 1987, a change of -6.3 percent from 1980

Median age: 35.8 years in Custer County, 29.7 years in Nebraska in 1980

Per capita personal income: \$13,238 in 1986, ranks 37th in the state
Unemployment rate: 4.3 percent in Custer County, 4.9 percent in Nebraska for 1987

Net taxable retail sales (\$000): \$52,799 in 1987, a change of +1.0 percent from 1986; \$62,846 during January-December 1988, a change of +19.0 percent from the same period one year ago

Number of business and service establishments: 348 in 1986; 71.6 percent had less than five employees

Nonfarm employment (1987):

	State	Custer County
Wage & salary workers	659,223	3,221
(percent of total)		
Manufacturing	13.3%	12.3%
Construction and Mining	3.9	3.1
TCU	6.5	3.6
Retail Trade	18.7	20.6
Wholesale Trade	7.1	9.2
FIRE	7.3	4.5
Services	22.7	17.0
Government	<u>20.5</u>	<u>29.7</u>
Total	100.0%	100.0%

Agriculture:

Number of farms: 1,439 in 1982, 1,463 in 1978

Average farm size: 1,044 acres in 1982

Market value of farm products sold: \$124.1 million in 1982 (\$86,230 average per farm)

Sources: U.S. Bureau of the Census, U.S. Bureau of Economic Analysis, Nebraska Department of Labor, Nebraska Department of Revenue

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