



INDUSTRIAL DEVELOPMENT IN NEBRASKA

There are those who advocate acceleration of the diversification of Nebraska's economy by increased industrialization. Regardless of whether this industrialization is "home grown," as some contend it should be, or "imported," as others advocate, industrialization has been accepted by many as the means for achieving one of the goals believed appropriate for Nebraskans: personal fulfillment and freedom of choice among lifestyles by means of expanded employment opportunities in the state. See *Economic Development in Nebraska: A Planning Perspective*, published by the Division of Research, Nebraska Department of Economic Development, 1975, for this and other goals. Nebraska residents involved in the goals program have expressed the general opinion that "some action must be taken to make the choice of young persons to leave a farm or community a real choice and not the dictate of economic necessity." More specifically, this general opinion expresses itself in the form of desires for:¹

1. development and promotion of industries which utilize Nebraska's resources;
2. encouragement of the development of small industries;
3. promotion and expansion of present industry in Nebraska;
4. encouragement of the diversification of nonagricultural industries;
5. encouragement of the development of "new" or "special" industries such as pollution control equipment or tourism;
6. encouragement of geographic dispersion of industries; and
7. decrease of the seasonal unemployment rate.

Industrialization as the means to one of the state's goals is not, however, without its detracting aspects. New and expanding plants or industries result not only in costs to the firms in particular, but also to the communities in general. There is a need, therefore, for careful consideration of industrialization and its impact upon the community as well as on the industry or firm.

It is with this need in mind that the following information is offered. Much of it is from an article that was prepared by Dr. Duane A. Olsen, Extension Economist and Associate Professor of Agricultural Economics at the University of Nebraska-Lincoln. This article, which appeared originally in the July 14, 1976, issue of *Cornhusker Economics*, a publication of the Department of Agricultural Economics at the University, reports on the results of a study made at the University of Wisconsin. In no way should Dr. Olsen's comments be taken as being either for or against industrialization. His intent is to remind us that there is need for careful, rational consideration of the impact of new and expanding plants in a community.

First, it is noted that "the 49 new industrial plants and 89

plant expansions, reported by the [Nebraska] Department of Economic Development for 1975, placed Nebraska near the top in such industrial growth among North Central States. For the 1971-1975 period, 242 new plants and 390 expansions were reported which were expected to create more than 20,000 additional job opportunities [see tabulation below]. This industrial development occurred in both large and small Nebraska communities. More than 43 percent of these new or expanding industrial plants located in Nebraska cities of less than 5,000 during the 1971-75 period. Cities with 5,000 to 20,000 accounted for 26 percent of these plants, while the remaining 30 percent found cities of more than 20,000 people most satisfactory."

New and Expanded Nebraska Industries: 1971-1975

Year	New Plants	Estimated Added Employment	Expansions	Estimated Added Employment
1971	31	1,050	49	1,400
1972	60	3,000	82	3,200
1973	55	3,150	92	1,750
1974	47	2,735	78	2,025
1975	49	881	89	1,658
Total:	242	10,816	390	10,033

In this article, Dr. Olsen reminds us that "new or expanding industrial plants have long been a central part of many rural community development programs. In the business sector, added employment, along with increasing income, sales, and investments are expected; not only from the labor and other local resources purchased by the plant, but from a multiplier effect which grows from the expenditures of the households and businesses providing these services as well."

"Furthermore," he continues, "other benefits associated with rising revenues are usually expected by the public sector, local government. However, a recent University of Wisconsin study warns '... industry can be costly.'² [In that study] more than 700 manufacturing plants which had located in 245 communities between 1945 and 1973 were examined. These communities were located outside Standard Metropolitan Statistical Areas (counties with a city of 50,000 or more people) in 34 different states. From the information gathered, researchers concluded several factors combined to both reduce expected revenue and increase costs to the towns above expectations.

"The reduction in expected revenues was attributed to three major factors:

1. Payroll leakage. Many employees lived and/or shopped [at places other than where the new jobs were provided], paid off debts, and increased their savings, (Continued on page 2)

¹See summary of desires in *Economic Development in Nebraska: A Planning Perspective*, pp. 7-8.

²The findings of this study are summarized in *Planning*, vol. 42, no. 4 (May, 1976), pp. 20-21.

(Continued from page 1) thereby reducing the flow of dollars into the community.

2. A low multiplier. Industries often imported needed materials and services. Either the community was unable to supply them or the plant was linked to a national or regional network providing these resources. In only one case did this effect match the U.S. Chamber of Commerce's description of what 100 new jobs mean to a community.

3. Local government's inability to convert industrial growth into increased public revenue. While property values rose, much of this increase tended to focus upon residential property, tending to shift the tax burden [from the industrial property]. Similarly, although retail sales increased in these communities, small rural towns usually lacked the power to levy sales taxes [and were unable to gain revenues from such taxes]."

Dr. Olsen notes that the study referred to above indicates that "community costs which were either ignored or unanticipated by local officials took two forms: concessions to industry and those associated with increased population." Also, the authors of the study reveal that "local communities made more concessions and offered more subsidies to new industry than they recovered through long-term additions to revenue. While these new industries were closely linked to an increase in population, accompanying these population pressures were demands for increased services, as well as improvements in the quality of public services. Local officials frequently underestimated the capacity of local services, and found that new schools, sewage plants, and other new public facilities were necessary." The Wisconsin researchers reported that "utilities, especially water and sewage, were the major sources of increased costs."

Dr. Olsen points out that "increasing labor income, together with the proportion of that income spent locally, combines to produce economic benefits in the community's private sector. In the public sector, additional tax revenues must be compared with the increased expenditures for public services and facilities which result." He also notes that "in the University of Wisconsin study, researchers suggest that the contribution to the public sector was small, although the potential was great. They recommend local officials carefully examine the added costs and expected effects on revenue associated with industrialization to realize this potential."

In view of the facts and findings set forth or reported upon above by Dr. Olsen, it appears that industrialization without rationalization of the decision becomes something to be avoided. Of course, a community may quite rationally decide to stand costs in excess of benefits—accepting the "net cost" as a price it is willing to pay for obtaining the means for improving one or more of the conditions of its socioeconomic situation.

EDWARD L. HAUSWALD

MARKETING SPREADS TURN UP IN MAY

Farm-retail spreads for a market basket of farm foods increased 1 percent from April to May as retail prices increased slightly while returns to farmers dropped 1 percent. The May rise followed 3 successive months of declines.

Increases in spreads in May were particularly pronounced for beef, apples, tomatoes, lettuce, and oil-seed products—all items for which retail prices were rising despite slipping farm values.

AND THAT'S THE WAY IT WAS . . .

(with 1 shilling equal to \$0.25)

Imagine a young working man, his wife, and two children living in Philadelphia in 1776. The husband works 12 hours a day, 6 days a week. At 6 shillings (or \$1.50) a day, he earns about 148 shillings (or \$37.00) a month.

Once each month his wife goes shopping for staples. First on her list is flour. A hundred pounds will cost her 21¼ shillings (\$5.30). At 1 pound per person per day, it will last less than a month. Although she would like to have some rice for variety, rice is even more expensive than flour. Next she must purchase a barrel (100 pounds) of salt pork. At 89¾ shillings (\$22.44), it will furnish the family with meat and fat for a month. Although salted beef costs only 79 shillings (\$19.75) per barrel, it is out of the question because she would have to buy lard for frying and baking. The barrel of pork will just have to do. Next on her list is a sweetening of some kind. Sugar, too, is out of the question at 73½ (\$18.38) per 100 pounds so she buys her usual 4 gallons of molasses for 2½ shillings (\$0.62) a gallon. That's 10 more shillings (\$2.50) gone. Luckily she has enough salt to last another month because that would cost another 3 shillings (\$0.75). Her husband would like to have a gallon of rum and although it would only cost 4 1/3 shillings (\$1.08), she doesn't have it to spare. She already has spent more than 80 percent of her husband's wages on basic food necessities. The family is already eating at the level at which Washington and Jefferson feed their slaves.

The family is grateful for its vegetable garden and the dozen chickens which eat the kitchen waste and lay a total of two or three eggs a day. Sometimes the family trades a few eggs or some surplus vegetables for a gallon of milk or some fruit. If they had more space, they could have a cow or some fruit trees. Those who owned cows might occasionally keep a little butter for the family but usually sold or traded it and other surplus milk products. Butter at 5 shillings (\$1.25) a pound was a food for the rich.

Today, on the average, Americans spend 17 percent of their disposable income on food. In 1776, basic food necessities consumed more than 70 percent of the working man's income. However, as bad as that was, before independence was won, things got worse. By 1779 wages had increased 14-fold, but prices had increased 28-fold. Prices in 1777 were about 200 percent higher than in 1776; 1778 prices were 81 percent higher than 1777; and 1779 prices were 396 percent higher than 1778. Prices became so inflated that people resorted to barter whenever possible.

—Jane Porter, *Agricultural Outlook*, U.S. Department of Commerce, July, 1976, p. 18.

In contrast, the spread narrowed noticeably for poultry and eggs as both farm and retail prices declined.

On a year-to-year basis, the May 1976 farm-retail spread averaged about 6 percent above the year before, with the retail cost of the market basket up 3.6 percent and the farm value up around 0.4 percent.

—Henry Badger, *Agricultural Outlook*, U.S. Department of Agriculture, July, 1976, p. 5.

NEBRASKA'S PERSONAL INCOME, FIRST QUARTER, 1976

The Bureau of Economic Analysis of the U.S. Department of Commerce has recently estimated the flow of personal income¹ in Nebraska during the first quarter of 1976 to be at an annual rate of \$10,032 million (Table 1). This represents a first-quarter, year-to-year increase of 11.4 percent, from an estimated annual rate for 1975 of \$9,002 million, estimated on the basis of the flow in the first quarter of 1975. The estimated 1976 annual rate, based on the first-quarter, 1976, flow was, however, only about 5 percent above the estimate of \$9,546 million, made for the year of 1975 at the end of that year.

From first quarter, 1975, to first quarter, 1976, both the Consumer Price Index, which rose 6.4 percent, and the Implicit Price Deflator for Consumption Expenditures, which rose 5.3 percent, increased by percentages much smaller than the 11.4 percent increase of personal income measured in current dollars. The result: a marked increase, of about 5 percent, in the flow of real personal income in Nebraska.

Nebraska's personal income flow was at a high level during the early part of 1976, even though the gain from fourth quarter, 1975, to first quarter, 1976, was a negligible 0.1 percent. However, a slackening of the upward movement of the level of personal income in the state appears to have started in the fourth quarter of 1975. The gain of 2.0 percent from the third to fourth quarter in 1975 was markedly less than the previous second-to-third-quarter gain of 5.3 percent, which had been well above a first-to-second-quarter gain of 3.7 percent (Table 1). Also, data available elsewhere show that the 0.1 percent gain from the fourth quarter of 1975 to first quarter of 1976 was markedly below the 7 percent gain that occurred from fourth quarter, 1975, to first quarter, 1976.

In the May, 1976, issue of this publication, Nebraska's personal income was reported as rising markedly in 1975, compared with

1974 and 1973 levels. From 1974 to 1975, the quarterly, year-to-year gains ranged between 14 and 20 percent, for an annual 1974-to-1975 gain of 17 percent. As previously noted, underlying the 1975 increase was the rise in agricultural incomes during the latter part of the year. Although a continued acceleration in the quarter-to-quarter relative gains was hardly to be expected, the latest quarter-to-quarter gain, of only 0.1 percent, is certainly well below those of previous periods. Whether this represents an underestimate which will be revised to a more favorable figure, or a temporary interruption or a longer term plateau in the growth patterns of the state's personal income, is a matter for future consideration.

Nebraska's pattern of personal income growth throughout 1975 compared favorably with regional and national patterns. However, it became less than favorable in the first quarter of 1976 (Table 1). The 7.3 percent gain from fourth quarter, 1974, to first quarter, 1975, was followed by quarter-to-quarter increases of 3.7, 5.3, and 2.0 percent in 1975. All these increases were above or equal to the relative gains of the Plains Region. Also, except for the third-to-fourth-quarter gain of 2.0 percent, which was considerably below the 2.6 percent increase of the United States, Nebraska's growth rates exceeded those of the nation in 1975. However, the 0.1 percent increase in 1976 fell markedly below the increases of the United States, the Plains Region, and the states in the region (except for North Dakota, which was estimated to have experienced a decline in 1976).

Compared with the other six states in the Plains Region, Nebraska's 11.4 percent increase in personal income from first quarter, 1975, to first quarter, 1976, fell below the increases of only two states, Iowa and Missouri. However, the margins by which the state's relative increase exceeded or fell below those of the other states were very small. In fact, all the seven states had percentage increases that varied but little from each other. In general, therefore, among the states there was a fairly homogeneous pattern of change from the first quarter, 1975, to the first quarter, 1976.

The quarter-to-quarter personal income growth patterns of the various states showed considerable divergence, however, over the 1975 and 1976 periods. In 1975, all states but one, Missouri, had higher rates of increase from the

(Continued on page 6)

Table 1
TOTAL PERSONAL INCOME OF NEBRASKA, THE PLAINS REGION, AND THE UNITED STATES
BY QUARTERS, 1975 AND 1976, WITH PERCENT OF CHANGE BEGINNING 1975

State and Region	Millions of Dollars of Personal Income ¹ at Seasonally Adjusted Annual Rates					Percent of Change				
	1975				1976 I(p)	1975, I to 1975, II	1975, II to 1975, III	1975, III to 1975, IV	1975, IV to 1976, I	1975, I to 1976, I
	Quarters	I(r)	II(r)	III(r)						
United States	1,200,764	1,221,373	1,259,043	1,292,072	1,322,748	1.7	3.1	2.6	2.4	10.2
Plains Region	91,360	93,428	97,391	99,326	101,460	2.3	4.2	2.0	2.1	11.1
Iowa	16,011	16,463	17,553	17,698	17,929	2.8	6.6	0.8	1.3	12.0
Kansas	13,021	13,250	13,796	14,053	14,442	1.8	4.1	1.9	2.8	10.9
Minnesota	21,882	22,213	22,881	23,387	23,982	1.5	3.0	2.2	2.5	9.6
Missouri	24,656	25,309	25,944	26,728	27,549	2.6	2.5	3.0	3.1	11.7
North Dakota	3,545	3,551	3,826	3,950	3,928	0.2	7.7	3.2	-0.6	10.8
South Dakota	3,244	3,309	3,565	3,487	3,597	2.0	7.7	-2.2	3.2	10.9
Nebraska	9,002	9,333	9,825	10,024	10,032	3.7	5.3	2.0	0.1	11.4

¹By place of residence.

(r) - revised; (p) - preliminary.

Source: Special tabulations from Regional Economics Division, Bureau of Economic Analysis, U.S. Department of Commerce, dated July 15, 1976.

Review and Outlook

The Nebraska economy maintained much the same pace of improvement over 1975 in April as it had achieved in March. April's total dollar volume of economic activity was 11.5 percent above that of April, 1975, compared with a March level that was 12.1 percent above. The cumulative dollar volume for the first four months of 1976, however, was 10.4 percent ahead of that of the same period of 1975, a slight improvement over a 10* percent increase recorded for the first three months of this year compared with the same period of 1975.

A similar pattern remained when the dollar volume index was adjusted for price changes. In April, Nebraska's physical volume was 4.6 percent above its April, 1975, level, down from a level

5.5 percent above in March. Again, the cumulative year-to-date gain rose slightly, from 3.4* percent, for the first three months of this year, to 3.7 percent for the first four.

The strengths and weaknesses of the various sectors of the state's economy were much the same in April as in March, except that both dollar and physical volume indexes for the agricultural sector were not as much above year-ago levels in April as in March. Nevertheless, the agricultural dollar volume index rose from 223.5* percent of its 1967 base level in March to 262.7 in April. The 1967-based agricultural physical volume index rose from 123.5* to 132.7. The manufacturing index continued to rise moderately while the distributive and government sectors showed little change. The physical volume (Continued on page 5)

Notes for Tables 1 and 2: (1) The "distributive" indicator represents a composite of wholesale and retail trade; transportation, communication and utilities; finance, insurance, and real estate; and selected services. (2) The "physical volume" indicator and its components represent the dollar volume indicator and its components adjusted for price changes using appropriate price indexes—see Table 5, page 5.

ECONOMIC INDICATORS: NEBRASKA AND UNITED STATES

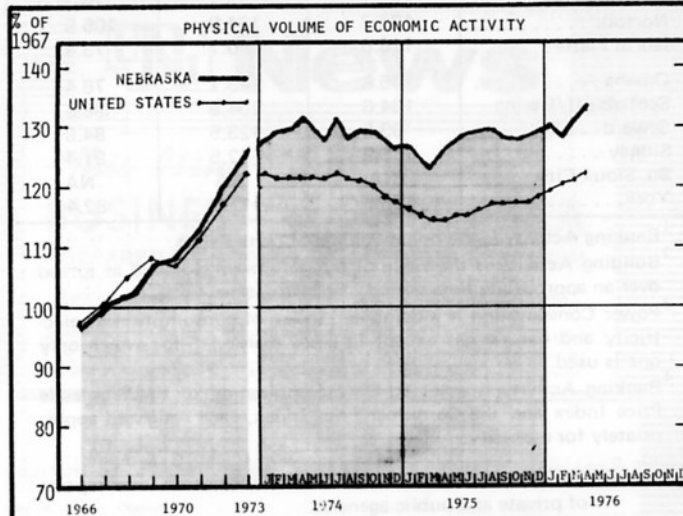
1. CHANGE FROM PREVIOUS YEAR				
April, 1976	Current Month as Percent of Same Month Previous Year		1976 Year to Date as Percent of 1975 Year to Date	
	Nebraska	U.S.	Nebraska	U.S.
Indicator				
Dollar Volume	111.5	111.7	110.4	110.3
Agricultural	116.9	111.5	119.1	113.9
Nonagricultural	110.4	111.8	109.0	110.2
Construction	95.0	114.3	93.6	107.6
Manufacturing	112.1	114.1	106.7	110.6
Distributive	112.1	111.5	111.7	110.7
Government	106.3	107.4	106.6	107.7
Physical Volume	104.6	105.7	103.7	104.4
Agricultural	103.9	100.7	105.6	103.3
Nonagricultural	104.7	105.9	103.4	104.4
Construction	92.0	110.8	90.9	104.5
Manufacturing	108.4	108.7	103.9	105.7
Distributive	105.7	105.2	105.0	104.1
Government	98.9	102.6	99.5	102.9

2. CHANGE FROM 1967

Indicator	Percent of 1967 Average	
	Nebraska	U.S.
Dollar Volume	233.8	209.3
Agricultural	262.7	227.6
Nonagricultural	228.7	208.6
Construction	175.9	172.4
Manufacturing	248.8	197.2
Distributive	227.2	215.5
Government	226.8	221.1
Physical Volume	132.9	122.2
Agricultural	132.7	120.0
Nonagricultural	132.9	122.3
Construction	90.7	88.9
Manufacturing	138.6	111.4
Distributive	135.1	128.1
Government	131.7	136.4

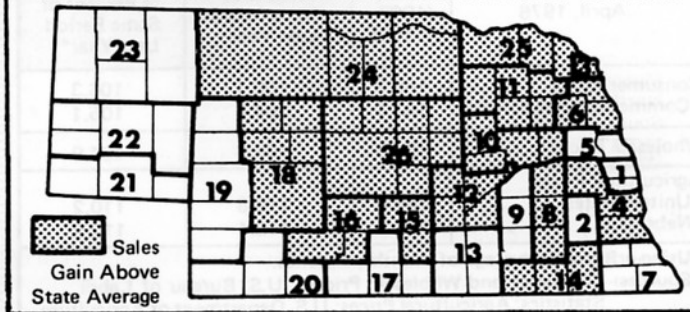
3. NET TAXABLE RETAIL SALES OF NEBRASKA REGIONS AND CITIES (Adjusted for Price Changes)

Region Number ¹ and City	Sales in Region ²		
	April, 1976 as percent of April, 1975	April, 1976 as percent of April, 1975	Year to date '76 as percent of Year to date '75
<i>The State</i>	109.9	112.4	114.4
1 Omaha	105.5	107.5	111.7
Bellevue	105.7		
2 Lincoln	107.3	109.2	110.5
3 So. Sioux City	112.6	123.5	121.2
4 Nebraska City	98.8	110.7	115.8
5 Fremont	117.2	119.2	113.2
Blair	107.7		
6 West Point	125.2	126.0	126.8
7 Falls City	98.6	106.9	111.0
8 Seward	132.3	116.7	122.7
9 York	106.9	110.3	114.3
10 Columbus	114.3	121.2	123.5
11 Norfolk	118.8	120.6	122.2
12 Grand Island	110.5	112.6	115.2
13 Hastings	112.4	109.5	110.1
14 Beatrice	107.2	108.6	114.9
Fairbury	108.2		
15 Kearney	121.7	124.2	121.8
16 Lexington	117.2	123.9	124.4
17 Holdrege	103.3	108.8	112.7
18 North Platte	109.9	116.1	118.7
19 Ogallala	117.5	110.2	107.2
20 McCook	107.0	110.6	110.9
21 Sidney	107.0	105.3	101.5
Kimball	97.3		
22 Scottsbluff/Gering	121.7	114.1	111.6
23 Alliance	108.8	111.8	113.8
Chadron	110.8		
24 O'Neill	139.1	137.1	130.3
25 Hartington	123.3	121.1	123.9
26 Broken Bow	131.0	128.5	124.1



¹ See region map below.
² Sales on which sales taxes are collected by retailers located in the state. Region totals include motor vehicle sales; city totals exclude motor vehicle sales.
 Compiled from data provided by Nebraska Department of Revenue.

1976 YEAR TO DATE AS PERCENT OF 1975 YEAR TO DATE IN NEBRASKA'S PLANNING AND DEVELOPMENT REGIONS



(Continued from page 4) of construction, already well below last year's levels, dropped further, from 93.4* percent of its 1967 average in March to 90.7 percent in April. As noted last month, residential construction is running well above last year's levels, but nonresidential construction, in particular, is well below.

The changes in the Nebraska economy (shown in Table 1) closely parallel those which took place in the national economy, except that the declines from March in the agricultural and construction sectors were relatively larger in Nebraska. Hence, the April dollar volume and physical volume indexes, when compared with April, 1975, show a smaller increase for the state economy than for the national. The rate of improvement in the volume of economic activity appears to be greater also at the national level than for Nebraska. Generally, the state's economy has been at levels less above those of a year ago than the national economy for the first four months of this year, although still well ahead compared with 1967 levels.

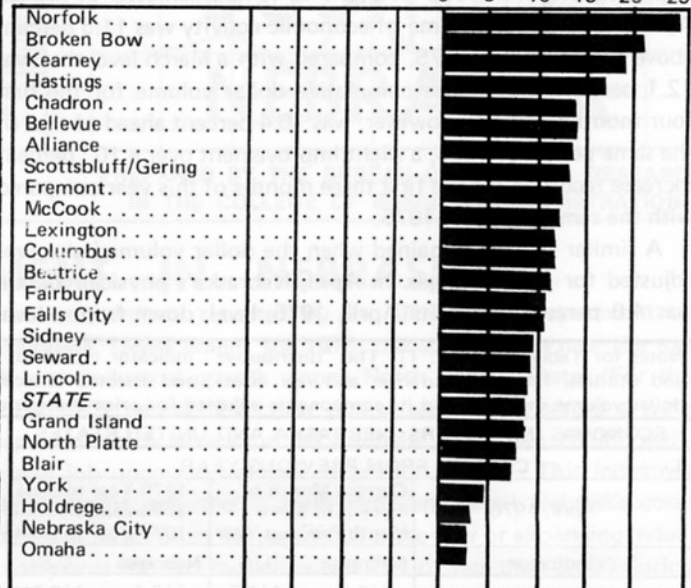
The slightly slower pace of Nebraska's economy in April compared with March's situation is paralleled in the city business indexes, especially in the banking and retail sales components. In April, the city business indexes were, on the average, about 9 percent above the year-ago average level compared with 14 percent above in March. Similarly, year-to-year comparisons for banking activity showed a decline from a level 19 percent above a year ago in March to 13 percent above in April. For retail sales, the decline was from a level 16 percent above in March to one about 10 percent above in April. Nevertheless, for the second consecutive month, none of the city business indexes dropped below its level for the same month of the previous year.

As was the case in March, the greatest improvements in business activity have occurred outside the Omaha and Lincoln areas. For those two cities the ratio of retail sales to the same month of the previous year was below the state average in both March and April. Also, the 1976 to 1975 year-to-date ratios for the first four months for the Omaha and Lincoln planning and development regions were 111.7 and 110.5, respectively, and well below the 114.4 state ratio.

DUANE HACKMANN

*Denotes values revised slightly from figures published in earlier issues of *Business in Nebraska*.

CITY BUSINESS INDEXES
Percent Change April 1975 to April 1976
0 5 10 15 20 25



Source: Table 4 below.

4. APRIL CITY BUSINESS INDICATORS

The State and Its Trading Centers	Percent of Same Month a Year Ago		
	Banking Activity ¹ (Adjusted for Price Changes) ⁴	Building Activity ²	Power Consumption ³
<i>The State</i>	113.3	140.8	83.5
Alliance	111.3	380.1	97.4
Beatrice	114.2	250.7	86.4
Bellevue	118.6	265.7	97.4*
Blair	107.0	188.3	87.2
Broken Bow	123.5	124.5	79.1
Chadron	112.9	292.5	96.0
Columbus	122.1	80.9	80.9
Fairbury	110.8	194.1	102.5*
Falls City	121.5	239.2	83.7
Fremont	110.5	114.4	108.0*
Grand Island	109.7	162.9	88.0
Hastings	121.8	268.5	82.1
Holdrege	117.3	61.3	77.5
Kearney	124.4	129.8	91.6
Lexington	103.3	267.3	93.8
Lincoln	118.2	107.9	89.0
McCook	117.5	228.9	90.3
Nebraska City	122.1	59.7	76.3
Norfolk	137.7	134.8	105.9
North Platte	116.5	90.7	73.4
Omaha	105.8	143.1	76.4
Scottsbluff/Gering	104.6	204.9	98.6
Seward	93.5	123.5	84.8
Sidney	115.9	142.5	91.4
So. Sioux City	NA	NA	NA
York	108.5	111.0	82.4

¹ Banking Activity is the dollar volume of bank debits.

² Building Activity is the value of building permits issued as spread over an appropriate time period of construction.

³ Power Consumption is a combined index of consumption of electricity and natural gas except in cases marked * for which only one is used.

⁴ Banking Activity is adjusted by a combination of the Wholesale Price Index and the Consumer Price Index, each weighted appropriately for each city.

Source: Compilation by Bureau of Business Research from reports of private and public agencies.

5. PRICE INDEXES

April, 1976	Index (1967 = 100)	Percent of Same Month Last Year	Year to Date as Percent of Same Period Last Year*
Consumer Prices	168.2	106.1	106.3
Commodity component	163.1	104.8	105.1
Wholesale Prices	181.3	105.3	104.9
Agricultural Prices			
United States	189.6	110.8	110.2
Nebraska	198.0	112.4	112.9

*Using arithmetic average of monthly indexes.
Sources: Consumer and Wholesale Prices: U.S. Bureau of Labor Statistics; Agricultural Prices: U.S. Department of Agriculture.

(Continued from page 3) second to the third quarter than from either the first to second or third to fourth. Unlike Nebraska, which recorded little change from fourth quarter, 1975, to first quarter, 1976, and North Dakota, which recorded a decline, the region's other five states showed larger relative gains than for the previous third-to-fourth-quarter period. Thus most states, while having rates of increase that varied considerably from each other, conformed to a common regional pattern.

As the principal source of personal income, labor and proprietors' income constituted slightly over 70 percent of the total (Table 2). Whereas total personal income in Nebraska increased by 11.4 percent, from first quarter, 1975, to first quarter, 1976,

labor and proprietors' income rose by slightly less than 11 percent. As noted previously, farm income—which makes up about 20 percent of the labor and proprietors' income and 15 percent of the total—had improved in 1975. Farm income increased 16.3 percent from first quarter, 1975, to first quarter, 1976. (Although estimating farm income is very difficult and subject to large revisions, and therefore rather imprecise, the relative importance of the farm sector as a generator of personal income is evidenced, at least, by the data in Table 2.)

The manufacturing sector—with about 16 percent of labor and proprietors' income—also contributed an above-the-average share of the expansion, having a 13 percent increase. Two other major sectors, trade and government—with 17 and 16 percent, respectively, of total income—had first-quarter, year-to-year increases of only 9 and 7 percent.

The almost equal sharing in the total income generation by the farm, manufacturing, trade, and government sectors—with shares of labor and proprietors' income ranging between 16 to 20 percent, respectively—is one evidence of the diversification of the state's economy. In contrast, in 1975 the respective shares of labor and proprietors' income generated by the same sectors in the U.S. economy were as follows: farm, 4 percent; manufacturing, 26 percent; trade, 17 percent; and government, 18 percent.

It is of interest to note that \$511 million of labor and proprietors' income is involved when considering the divergence of income earned by place of residence from income earned by place of work. In the spring of 1976 the annual rate of labor and proprietors' income that was being generated in Nebraska at "places of work" within the state was \$7,755 million; whereas only \$7,241 million was generated for those with "places of residence" within the state (Table 2). Thus, on net, about one-half billion dollars of such income was being "earned" by recipients who resided outside the state. In 1975 the amount was \$112 million.

A state with areas of heavy population and industrialization just outside its borders, such as Missouri, would lose a larger portion of the labor and proprietors' income generated within its borders, i.e., by place of work, to those living outside its borders. In 1975, for example, Nebraska "lost" about 1.5 percent of such income, and Missouri about 5.1 percent, to neighboring states.

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	First Quarter, 1976		
	Income ¹ Millions of Dollars	Percent of Total	Percent Change (+) from First Quarter, 1975 ²
Total	10,032	100.0	11.4
Dividends, Interest, Rent	1,658	16.5	11.3
Transfer Payments ³	1,133	11.3	16.2
Labor and Proprietors By Place of Residence ⁴	7,241	72.2	10.8
By Place of Work	7,755	100.0	10.8
Farm	1,516	19.5	16.3
Mining	24	0.3	14.3
Contract Construction	432	5.6	5.6
Manufacturing	1,221	15.7	13.1
Wholesale/Retail Trade	1,333	17.2	9.3
Fin./Ins./Real Estate	411	5.3	10.8
Transp./Communi./Pub.Util.	624	8.0	11.6
Services	951	12.3	9.4
Other Industries	27	0.4	8.0
Government	1,216	15.7	6.7
Federal ⁵	426	5.5	4.7
State and Local	790	10.2	7.6

¹At seasonally adjusted annual rate.
²Based on First Quarter, 1975, data available elsewhere.
³In 1976, includes state unemployment insurance benefits, \$70 million, and transfers exclusive of S.U.I., \$1,063 million.
⁴Income by place of residence is not available by industry.
⁵For 1976, civilian, \$248 million, and military, \$178 million.
Source: Special tabulations from Regional Economics Division, Bureau of Economic Analysis, U.S. Department of Commerce, dated July 15, 1976.

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