

WOMEN IN THE NEBRASKA LABOR FORCE

Dynamic social and economic changes, including the effects of such disparate factors as inflation, technology, and the women's liberation movement are reflected in one of the most dramatic trends in labor force propensities in Nebraska, as in the nation, that is, the rapid increase in recent years in the rate at which women are entering the labor force and particularly the continued movement of married women into paid employment. This trend, which has a continuing impact on the state's economy and on many other aspects of life, is evident from analysis of data compiled from the 1970 *Census of Population*.¹

The population of Nebraska males aged 14 years and over increased 7.6 percent in the decade from 1960 to 1970, contrasted to an increase of 11.9 percent in the number of females in the same age group, yet the number of males in the civilian labor force increased only 1 percent, whereas the number of women rose by precisely one-third, 33.3 percent.²

In 1970 women in the labor force constituted 41.1 percent of all Nebraska women aged 16 years and over and of women with husband present in the home 39.3 percent were in the labor force. Obvious social implications, including the proliferating need for child care centers, may be seen in the fact that the labor force included 32.8 percent of all women with children under age 6 and almost as high a percentage (30.7) of all married women (with husband present) with children in this age group.

The Census classifies as "Other Women" those who are divorced, separated, widowed, or single. Of this group more than 58 percent of those with children under age 6 were employed in 1970, as were more than three-fourths of those having children between ages 6 and 17, and almost 42 percent of those having no children under age 18.

Half of all women with children between the ages 6 and 17 were in the labor force, and the proportion was almost as high, 47.4 percent, among married women (with husband present) with children in that age group. The relatively low labor force participation of all women having no children under age 18, 40.8 percent, is explained by the fact that this group includes many older women who are retired or unable to work.

There are more employed mothers among urban and rural non-

farm women than among rural farm women. Of farm women with children under age 6, the percentage employed was only half as much as in the state as a whole, except for those women classified as widowed, divorced, separated, or single, where the employment rate among farm women was 52.2 percent, compared with 58.4 percent both for the state as a whole and for urban women, and 60.5 percent for rural nonfarm women.

Apparently women in communities under 2,500 population have greater need than others to supplement family income or are able to make satisfactory child care arrangements with relatives and personal acquaintances, because employment rates among rural nonfarm women with small children were significantly higher than in the state as a whole.

WOMEN IN SPECIFIC OCCUPATIONS

Examination of detailed occupational data reveals that although more women are engaging in professional and technical occupations, the rate of gain has been slightly less than the rate of increase shown by males (40.1 percent compared to 41.5 percent). Women have, however, made notable invasions in some special categories of such employment.

There were, for example, in 1970 more than twice as many women accountants as there were ten years before, whereas the rate of increase among male accountants was less than 27 percent. Numerically there were only 15 more women lawyers in Nebraska in 1970 than in 1960, but the rate of increase was 45 percent contrasted to less than 27 percent among males. The number of women physicians, dentists, pharmacists, and osteopaths rose

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¹Percentages in this article were computed from data published in *General Social and Economic Characteristics, Nebraska*, and *Detailed Characteristics, Nebraska*, U.S. Census of Population, 1970.

²When comparisons are made between 1960 and 1970, data on those 14 years and over must be used because comparable data for those 16 years and over are not available for 1960.

from 161 to 295 in the decade, an 83 percent gain, while the number of men in these professions increased by only 4 percent.

Although Nebraska women pharmacists were more numerous by 107 in 1970 than in 1960 they constituted only 18 percent of the state's total. Similarly, although the number of women physicians rose from 70 to 83, they accounted for only 5.3 percent of the total. The number of women health technicians and technologists increased at a rate 18 percentage points higher than the rate shown by men, who outpaced women, however, in rate of gain in the category of registered nurses, dieticians, and therapists.

More women were employed in higher education during the decade, outdistancing men in rate of increase as college and university teachers (153.1 percent compared with 141.7 percent). But proportionately more men than women joined the ranks of elementary and secondary school teachers, the percentage gain among men being 64 compared with 24 for women.

Technical employment was a category in which women made significant gains. Although men have long predominated as engineering and science technicians, the number of Nebraska women in this category rose from 342 to 629, almost 84 percent, while the rate of increase for men was less than 31 percent. In the general classification of technicians, exclusive of health and science, there were only 43 women in the labor force in 1960, but by 1970 there were 185, an increase of 330 percent, compared with a 100 percent increase among men technicians.

Abilities of Nebraska women as *salaried* managers and administrators were more widely recognized during the decade, apparently at the expense of men, for the number of women thus employed increased by 23.4 percent, while the number of men so classified declined slightly. In many managerial occupations the percentage of increase in employment of men and women was fairly uniform; for example, health administrators, with astonishing increases of 857 percent and 889 percent, respectively. But among salaried managers and administrators in wholesale trade the number of women doubled, whereas the number of men declined by 4 percent; both showed increases in retail trade, 47 percent for women and less than 16 percent for men.

Evidence of striking changes in business patterns in Nebraska are to be found in the data on *self-employment* in almost all categories of managers and administrators among both men and women. Total decrease in the number of self-employed women in managerial and administrative positions was from 2,039 to 1,312

(44.6 percent), whereas the decline among self-employed men in such positions was from 14,178 to 7,348, a drop of 48.2 percent. The overall decrease in self-employed managers and administrators was 47.6 percent.

The impact of developing computer technology was reflected in the fact that there were more than ten times as many women computer specialists as there had been a decade earlier, but the chief impact was felt among men thus employed in the labor force, there being 26 times as many as in 1960.

Women sales workers registered increases in all categories except as manufacturing sales representatives, with an overall increase of 16 percent compared to about one-fourth as much among men (4.3 percent). Marked increases were shown also in the number of women insurance and real estate agents.

In clerical and kindred positions, where women have long predominated in the labor force, their participation rose 43 percent compared with less than 7 percent among men. Women constituted less than 69 percent of all clerical workers in 1960 but by 1970 the proportion had risen to almost 75 percent.

The influence of location within the state of a number of new manufacturing plants, both homegrown and imported, which employ women craftsmen and operatives, particularly assemblers, is clearly reflected in the occupational data. There were 4,131 women in the "craftsmen" labor force in 1970, a gain of 89.8 percent over 1960, contrasted to 3.2 percent among men.

Proof that women are no longer restricted to traditional employment roles is found in the fact that they are becoming mechanical "repairmen" in increasing numbers with 275 in this employment category in 1970 compared with 126 a decade earlier. In 1970 there were even 34 women household appliance installers, whereas there were none in 1960. The Census, which makes no distinction between "foremen," "forewomen," and "forepersons," also found that there were 664 Nebraska women classified as foremen in 1970, about two-thirds of them at work in manufacturing plants.

The role of industry in providing employment opportunities for women was evident also in the fact that as industrial operatives the number rose nearly 50 percent over 1960, whereas the rate for men was not quite 30 percent.

The impact of overall employment of large numbers of women on employment in specified occupational categories is evident in data on the number of women now engaged in child care services (except in private households). With the high proportion of mothers of small children in the labor force at the end of the decade as noted above, it is not surprising that the number of child care workers increased from 261 to 1,128, a gain of 332 percent, in the ten-year-period. Indeed, indications are that the increase was grossly insufficient to meet the need.

Traditional employment patterns among women have been shattered in this state, as elsewhere, for the most marked decline in employment of women is in the private household worker classification, which dropped in a decade from 12,006 to 8,366, with both "private household child care workers" and the "maids and servants" categories showing sharp decreases.

PLACE OF RESIDENCE OF WOMEN WORKERS

Almost 72 percent of the employed women in Nebraska aged 16 and over are urban residents. Of these over 64 percent live in urbanized areas (57 percent in central cities and 7 percent in the urban fringe), almost 20 percent in other places of 10,000 or more population, and 16 percent in towns between 2,500 and

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10,000 population.

Of the 29 percent of the state's employed women who are classified as rural residents, approximately 70 percent are non-farm women, living in places of fewer than 2,500 population, whereas 30 percent live on farms. Of all employed women 8.5 percent are farm women and 20 percent are rural nonfarm residents.

More than three-fourths of the state's female sales workers are urban residents, and an even larger proportion of clerical workers, 78.2 percent, live in places of 2,500 and more population.

There is considerable evidence in Nebraska to support the national finding that the more education women have, the greater their propensity toward employment. Nebraska farm women who are qualified elementary and secondary teachers constitute a much larger proportion, 14 percent of all women employed in this classification, than they constitute in the overall women's labor force, only 8.5 percent. Farm women account for 10.8 percent of all women professional workers.

WOMEN WORKERS AND FAMILY EARNINGS

Labor force participation rates of Nebraska wives conform to the national pattern in that they are highest where the husbands' incomes do not represent poverty levels, but rather the middle income levels. Of Nebraska families in which both the husband and wife worked their combined earnings were most heavily concentrated in the \$10,000 to \$14,999 income category. Of families with earnings in this range 63 percent of the wives worked. Of those with earnings of \$8,000 to \$9,999, the percentage of employed wives was 55.6.

When the head of the family worked only 27 to 39 weeks of the year, there was wider dispersion of earnings in various categories, but in this situation also, the highest concentration of combined earnings was in the \$10,000 to \$14,999 category due to the high proportion, 80.9 percent, of employed wives.

The median earnings of husband and wife families in Nebraska in 1970 with only the head of the family in the labor force was \$9,233, with the wife also employed, \$10,612, and with the wife unemployed, \$8,138. When the husband was unemployed but the wife was employed full-time, the median was \$7,787. (The census data are given only in terms of *median* earnings which are not, of course, to be confused with *average* earnings.)

EARNINGS OF WOMEN

Because it is not possible to determine from Census data to what extent positions held by male workers and female workers (even in the same occupational classifications) are equal, it is not possible to determine definitively whether equal pay for equal work has begun to come into effect in Nebraska. In the disparity in earnings distribution in various categories of employment, however, there is overriding evidence that it will be some time before this goal is achieved.

In 1970, 41.4 percent of all males in the labor force, compared with 82.5 percent of females, had earnings in the under \$5,000 category; 38.8 percent of the men and only 15.9 percent of the women had earnings from \$5,000 to \$9,999; and the most striking disparity was found in the \$10,000 to \$25,000-and-over earnings range which included 19.8 percent of the males and only 1.6 percent of the females.

Earnings of urban women workers were consistently higher than those of rural women, although the same proportion of urban and rural farm women, 1.8 percent, had earnings in the high-

est categories, between \$10,000 and \$25,000 and over, whereas earnings of only 1 percent of rural nonfarm women were in that range.

Median earnings of all women who were employed for 50 to 52 weeks of the year amounted to \$3,849 in 1970, with the highest median earning of industrial workers being that of radio, television, and communications equipment workers in durable goods manufacturing, \$6,058.

Women in Federal public administration had median earnings of \$6,319, but for the general classification of public administration the median earnings figure was \$4,798, with only 101 of the 7,222 women in this employment category earning as much as \$10,000 or more annually.

Median earnings of 2,720 women employed in agriculture amounted to \$2,496, but 142 of them received \$10,000 or more, as did 122 of the 2,059 women in construction. Among 23,986 women employed in manufacturing, 271 had earnings in the highest range. The median was \$4,504. Only 600 of the 50,757 women in wholesale and retail trade had earnings of \$10,000 or more.

WHY WOMEN WORK AWAY FROM HOME

Economic necessity is the obvious and overriding reason that many Nebraska women participate in the labor force. There can be no doubt, however, that women in Nebraska, as throughout the nation, are seeking to use their skills and talents not only for financial rewards but also for self-fulfillment and for both tangible and intangible benefits.

Some of the tangible fringe benefits that are esteemed by women workers include employee pension plans, health insurance benefits, paid sick leave and vacations, profit-sharing plans, discount privileges, and, in the case of single, widowed, and divorced women, eligibility for social security benefits and retirement income.

Intangible rewards run the gamut from the desire to get away from the confining four walls associated with housework, through a vast array of individual ambitions and desires, to the creative use of education, training, aptitudes, and abilities in ways that are personally satisfying and socially significant.

IMPACT OF WOMEN IN THE LABOR FORCE

Studies of job-related expenses of working women indicate that work-related expenses may absorb between one-fourth and one-half of an employed wife's earnings through expenditures for personal care and good grooming, transportation, purchased lunches, dues for professional organizations or union memberships, investment in time-saving appliances, and purchase of more convenience foods as well as more family meals away from home. Thus the changed conditions that have brought about the large influx of women into the labor force have obvious implications for Nebraska business.

Although the effect of large numbers of working women is not universally applauded, most Nebraskans recognize that women are in the work force to stay, that their numbers will continue to increase, and that their proportion of the total labor force will remain high.

One of the state's industrialists of the old school, having reluctantly conceded these facts, sought to find an encouraging note with respect to a situation of which he does not entirely approve. He finally came up with a thought that brought into sharp focus another significant impact of women-at-work, "One thing about it, all those working women have to pay taxes, don't they?"

DOROTHY SWITZER

Review and Outlook

The September data in Tables 1 and 2 introduce for the first time annual adjustments made in the Nebraska Business Index. The most important adjustment procedure involves revising the indexes to conform to newly available annual "benchmark" data for 1971. In addition, revised monthly data for 1971 and new seasonal adjustment factors have been introduced for some of the indicator series. In the case of some data minor revisions extend back several years. In the January issue of *Business in Nebraska* the revisions in data will be discussed in greater detail and trends in business activity over the past several years will be reviewed.

The aggregate effect of the annual adjustments on the overall dollar volume index was a quite small upward revision for both

Nebraska and the United States. Revised August figures, for example, show Nebraska at 152.9% of the 1967 average and the U.S. at 148.7%, compared with 151.2% and 148.1%, respectively, published last month for August.

Within individual sectors, however, there have been some more significant revisions; the most important of these are a downward revision for August of the construction index (from 221.8 to 210.1) and an upward revision of the distributive and services index (from 149.4 to 153.4) for Nebraska. The U.S. construction and distributive and services sector indexes had revisions in the same direction but of smaller magnitude.

For the most part the small magnitude of the revisions pro-

(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. E. L. HAUSWALD

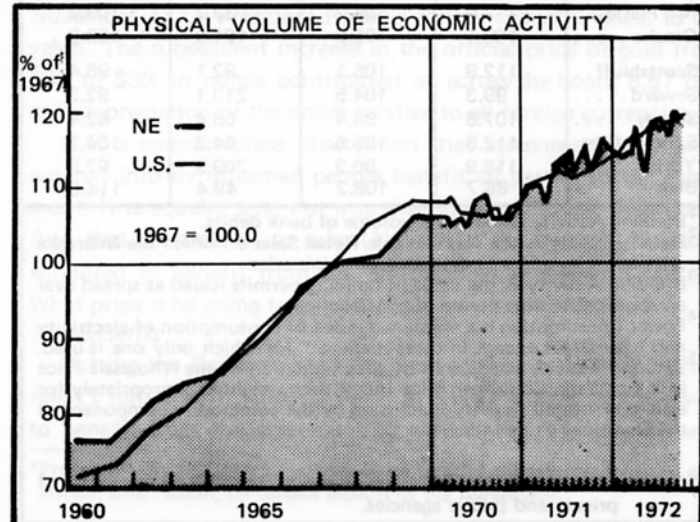
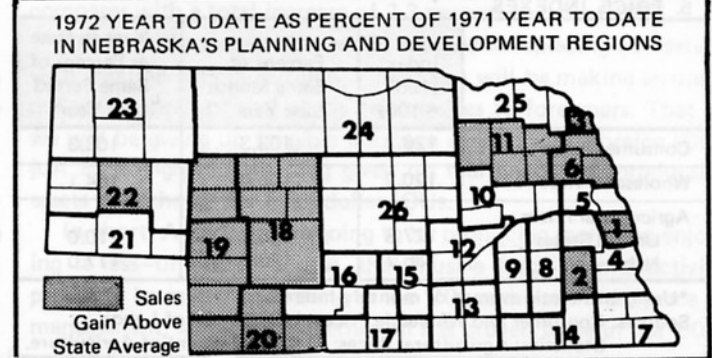
ECONOMIC INDICATORS: NEBRASKA AND UNITED STATES				
1. CHANGE FROM PREVIOUS YEAR				
September, 1972	Current Month as Percent of Same Month Previous Year		1972 Year to Date as Percent of 1971 Year to Date	
	Nebraska	U.S.	Nebraska	U.S.
Indicator	Nebraska	U.S.	Nebraska	U.S.
Dollar Volume	111.3	109.9	111.3	109.4
Agricultural	108.5	109.8	109.4	109.3
Nonagricultural	111.8	109.9	111.6	109.4
Construction	149.7	111.0	151.2	114.1
Manufacturing	110.0	111.8	107.5	108.6
Distributive	110.1	108.9	109.7	109.5
Government	108.0	110.2	112.3	108.7
Physical Volume	103.9	105.6	104.8	105.3
Agricultural	86.1	95.0	93.4	99.5
Nonagricultural	107.4	106.0	107.0	105.5
Construction	144.3	107.0	143.4	108.1
Manufacturing	105.6	107.9	103.8	104.9
Distributive	106.6	105.4	106.3	106.0
Government	101.3	104.3	103.3	103.3
2. CHANGE FROM 1967				
September, 1972	Percent of 1967 Average			
Indicator	Nebraska	U.S.		
Dollar Volume	153.3	149.3		
Agricultural	135.5	135.7		
Nonagricultural	156.9	149.7		
Construction	208.2	160.5		
Manufacturing	142.5	131.3		
Distributive	154.4	155.8		
Government	168.9	162.3		
Physical Volume	118.3	118.6		
Agricultural	99.1	106.2		
Nonagricultural	122.2	119.0		
Construction	149.8	115.4		
Manufacturing	119.1	110.5		
Distributive	122.3	123.5		
Government	115.3	120.9		

3. NET TAXABLE RETAIL SALES ¹ OF NEBRASKA REGIONS (Unadjusted for Price Changes)		
Region ² and Principal Retail Trade Center	September, 1972 as Percent of September, 1971	1972 Year to Date as Percent of 1971 Year to Date
<i>The State</i>	108.2	112.2
1 (Omaha)	108.7	113.2
2 (Lincoln)	109.8	113.3
3 (So. Sioux City)	112.4	122.4
4 (Nebraska City)	104.4	110.1
5 (Fremont)	109.4	111.7
6 (West Point)	108.0	114.5
7 (Falls City)	100.9	106.5
8 (Seward)	105.8	108.0
9 (York)	100.4	108.2
10 (Columbus)	118.6	109.4
11 (Norfolk)	116.8	115.1
12 (Grand Island)	106.6	110.8
13 (Hastings)	111.3	110.8
14 (Beatrice)	100.5	106.8
15 (Kearney)	98.9	111.7
16 (Lexington)	106.7	110.5
17 (Holdrege)	105.4	111.2
18 (North Platte)	108.9	114.1
19 (Ogallala)	107.4	112.4
20 (McCook)	107.0	112.8
21 (Sidney, Kimball)	101.5	109.3
22 (Scottsbluff)	104.0	114.7
23 (Alliance, Chadron)	110.8	112.0
24 (O'Neill)	102.4	111.7
25 (Hartington)	116.9	111.6
26 (Broken Bow)	109.2	107.7

¹Sales on which sales taxes are collected by retailers located in the state, including motor vehicle sales.

²"Planning and development" regions as established by the Nebraska Office of Planning and Programming and shown in the map below.

Source: Compilations by Bureau of Business Research from data provided by the Nebraska Tax Commissioner.



(Continued from page 4)

vides encouragement concerning the reliability of our new index. The major problem with revisions is encountered in the agriculture sector, where the problem is one of frequently large month-to-month revisions.

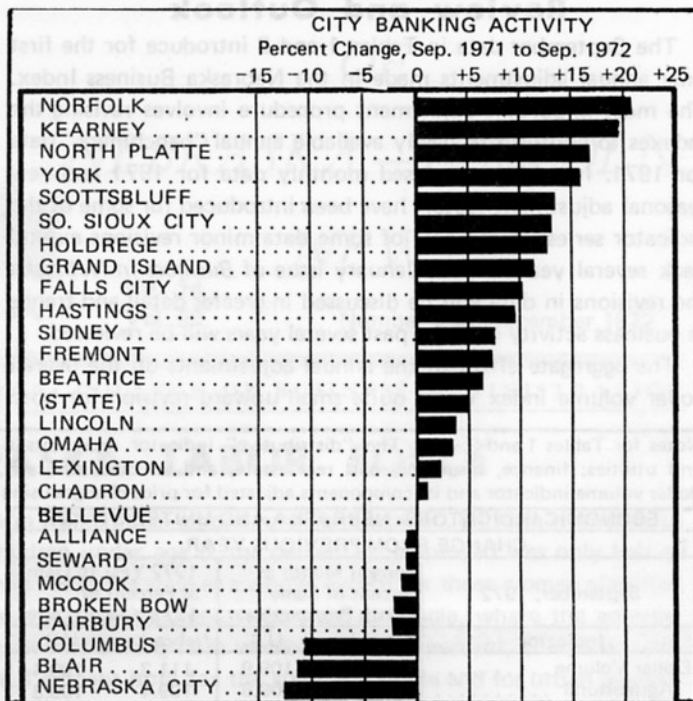
The September data in Tables 1 and 2 show much the same pattern of strong growth that has characterized both the state and national economies throughout most of 1972. The Nebraska dollar volume (shown in Table 1) was up 11.3% in September from September, 1971. This growth rate is the same as the average growth for the first nine months of 1972 shown in the year-to-date column of Table 1.

Among the individual sectors there is some evidence that manufacturing activity may be picking up while construction activity may finally be starting to level off. The manufacturing index was up 10.0% in September from September, 1971, compared with a year-to-date average growth thus far of 7.5%. The construction index showed its first drop of 1972 from August to September (from 210.1% to 208.2% of the 1967 average). Construction activity in September, however, was still 49.7% above the level of September, 1971. It should also be noted that year-to-date average growth in government from 1971 to 1972 is somewhat higher for September (12.3%) than has been shown for earlier months. This growth results primarily from a downward revision in wage and salary data for 1971 rather than an increase in 1972 values.

As usual, the physical volume indexes show generally slower growth than the dollar volume indexes. The most noteworthy discrepancy occurs in agricultural growth from 1971 to 1972, where the dollar volume shows a substantial gain and the physical volume shows a decline. This discrepancy arises because of the rapid rise of agricultural prices received in 1972 (up 26.0% from September, 1971, to September, 1972, for Nebraska—see Table 5).

Table 3 shows that growth in net taxable retail sales for the state from the first nine months of 1971 to the first nine months of 1972 was 12.2%. For the state and most of the regions the growth from September, 1971, to September, 1972, was somewhat less than the average for the year-to-date, but the Columbus, Norfolk, Hartington, and Broken Bow regions showed faster growth in September than in earlier months.

Table 4 shows that the growth of both banking and retail activity (adjusted for price increases) from September, 1971, to September, 1972, was somewhat slower (5.0% and 4.7%, respectively, for the state) than comparable rates for most of the previous months in 1972 (published in earlier issues of *Business in Nebraska*). Surprisingly, many areas with relatively large increases in banking activity show relatively small gains in retail activity and vice versa. Norfolk, however, shows the largest gain in both series (20.6% for banking and 17.5% for retail activity). V. R.



4. SEPTEMBER CITY BUSINESS INDICATORS

The State and Its Trading Centers	Percent of Same Month a Year Ago			
	Banking Activity ¹	Retail Activity ²	Building Activity ³	Power Consumption ⁴
	(Adjusted for Price Change) ⁵			
<i>The State</i>	105.0	104.7	114.7	102.4
Alliance	99.3	106.5	166.0	97.4
Beatrice	106.5	93.9	83.8	95.6
Bellevue	100.0	110.6	27.7	80.7*
Broken Bow . . .	97.6	109.4	185.1	95.4
Chadron	100.7	108.3	181.1	102.4
Columbus	89.9	107.0	175.9	103.6
Fairbury	97.5	100.1	71.6	100.9*
Falls City	110.1	103.0	175.9	103.3
Fremont	107.4	108.8	130.5	91.6*
Grand Island . .	111.4	105.3	140.3	104.3
Hastings	109.7	111.1	72.6	98.5
Holdrege	112.5	97.1	93.8	98.2
Kearney	119.4	96.4	131.9	101.9
Lexington	102.2	106.1	192.8	98.0
Lincoln	103.3	106.8	164.5	105.7
McCook	98.4	101.6	642.3	91.9
Nebr. City	87.3	100.7	123.7	95.9
Norfolk	120.6	117.5	149.0	93.3
No. Platte	117.0	105.2	33.7	103.2
Omaha	103.1	105.9	121.9	103.9
Scottsbluff . . .	112.9	105.1	82.1	96.4
Seward	99.3	104.5	213.1	92.2
Sidney	107.5	98.4	58.4	82.4
S.Sioux City . . .	112.8	105.5	64.3	104.2
York	115.9	90.2	209.9	97.8
Blair	88.7	108.2	49.4	114.0

¹ Banking Activity is the dollar volume of bank debits.
² Retail Activity is the Net Taxable Retail Sales on which the Nebraska sales tax is levied, *excluding motor vehicle sales*.
³ Building Activity is the value of building permits issued as spread over an appropriate time period of construction.
⁴ Power Consumption is a combined index of consumption of electricity and natural gas except in cases marked * for which only one is used.
⁵ Banking Activity is adjusted by a combination of the Wholesale Price Index and the Consumer Price Index, each weighted appropriately for each city; Retail Activity is adjusted by the commodity component of the Consumer Price Index.

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

5. PRICE INDEXES

	Index (1967 = 100)	Percent of Same Month Last Year	Year to Date as Percent of Same Period Last Year*
Consumer Prices	126.2	103.3	103.3
Wholesale Prices	120.2	105.0	104.1
Agricultural Prices			
United States	127.8	115.7	110.0
Nebraska	136.7	126.0	117.0

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

The Smithsonian Agreement And The American Consumer: Boom Or Boomerang?*

Robert F. Allen, Department of Economics

The Agreement

This month marks the first anniversary of the Smithsonian Agreement. Fourteen countries meeting in Washington a year ago declared a new set of "central values" for their currencies that resulted in an effective depreciation of the dollar of 10.35 percent on a trade-weighted basis. For such important trading partners as Japan and West Germany the effective depreciation was 16.87 and 13.58 percent, respectively. In addition, most of the participants agreed to let the actual values of their currencies fluctuate as much as 2¼ percent on either side of the new parities.

The agreement brought a welcome respite from the financial chaos that characterized the period following President Nixon's August suspension of the gold-convertibility status of foreign officially-held dollars. The relief was due in large part to general expectation that the depreciation would produce a \$7 to \$10 billion improvement in the basic payments position of the United States in perhaps as little as two years. These additional foreign earnings were expected to be enough to finance American aid and investment programs during the '70s at roughly the level of the '60s with two important differences: (a) the United States would cease to show a deficit on its basic balance, and (b) unwanted dollars would not be piling up abroad.

It took four months of negotiations to produce this historic agreement largely because the United States wanted the realignments to come from a revaluation of the surplus-country currencies relative to the dollar, while the surplus countries insisted that the deficit country (the United States) contribute to the realignment by raising the official dollar price of gold. Our reluctance to do so appears to have been based essentially on fears that any such action would hamper the movement away from gold as a reserve asset and toward the acceptance of the "paper gold" (Special Drawing Rights) that can be "handed out" as needed by the multinational International Monetary Fund.

Paradoxically, foreign governments insisted on a change in the official dollar price of gold largely because they wanted an explicit recognition of something other than the dollar as the benchmark against which they set their values—a European conviction that the basic international monetary unit should be multinational in character. The impasse was ultimately broken on November 13 by President Nixon's announced willingness to devalue. The subsequent increase in the official price of gold from \$35 to \$38 an ounce contributed an across-the-board 8.57 percent depreciation of the dollar relative to all foreign currencies.

It is a commonplace observation that agreements voluntarily entered into by informed people benefit all parties to the agreement. It is equally trite but true that all benefits have their costs. And that prompts us to ask: (1) How is the average American supposed to benefit from the Smithsonian Agreement? and (2) What price is he going to pay for these imminent benefits?

The Benefits

Putting the Smithsonian Agreement in the context of the President's initiative of August, 1971, it is clear that Americans were to benefit from the agreement by way of enlarged employment

opportunities. This was to come about in three ways:

First, there was to be an expansion of domestic employment opportunities from the relative cheapening of American goods in the world economy. The relatively lower prices of American goods were to produce a substitution in consumption both at home and abroad that would favor American industry.

Second, there was to be a greater freedom for government officials to pursue domestic stabilization programs. This was to accompany the greater exchange-rate flexibility that would allow the necessary adjustments in the dollar values of foreign currencies needed to eliminate the prospective net gain from interest rate differentials that in the past have hampered our pursuit of stabilization policies of the expansionary variety.

Third, there would be windfall gains realized by corporations with overseas assets. The income they earn abroad is worth more in dollars when repatriated and their foreign-based assets have risen in value when measured in terms of the domestic currency. The larger net incomes could be used to expand employment opportunities at home.

The extent to which these projected benefits have thus far been realized is indicated by the fact that total civilian employment is up 1.6 million for the first nine months of 1972, while the monthly unemployment rate has averaged 5.7 percent in comparison to the 5.9 percent unemployment rate of 1971.

The Costs

It is perhaps less clear but nonetheless true that Americans are going to pay for these employment opportunities with a lower real living standard than they could have enjoyed had the Smithsonian Agreement not been necessary. This too will come about in three ways:

First, and most obvious, Americans will pay more for imported finished products. In the first half of 1972, for example, we see the value of foreign car imports (exclusive of Canada) up 18 percent while the number of units imported as a share of total sales has fallen more than 9 percent.

Second, for those who will switch to goods produced domestically the prices they pay will frequently be higher. This results from the fact that many domestically produced goods utilize imported raw materials and/or components. Imports are a relatively small proportion of our gross national product (slightly in excess of 6 percent in 1971), but fully 47 percent of these are industrial supplies and materials such as fuels, lubricants, building materials, metals, and machinery and parts. The prices of the latter alone are up by 3 percent for the first half of 1972, which compares with a total increase of 2.3 percent for all of 1971.

Third, to the extent that we do succeed in replacing our deficit with genuine export earnings, Americans will be making an unrequited payment of real goods and services to foreigners. That is, we will be giving up tangible goods in exchange for foreign IOUs just as foreigners have long given up real goods and productive assets in exchange for mere dollar IOUs.

In short, Americans are going to be producing more and enjoying it less—unless, of course, that illusive force of productivity proves to be as real and strong in the '70s as the self-indulgence of management, labor, and government has proven to be in the '60s.

*Professor Allen wishes to acknowledge helpful discussions with his colleague, Ernst Kuhn, on certain aspects of the Agreement.