

MANUFACTURING DEVELOPMENT IN NEBRASKA, 1963 TO 1972

Manufacturing in Nebraska expanded at a rate slightly greater than that of most of the other states in the seven-state West North Central Region during the nine-year period of 1963 to 1972.¹ Even so, Nebraska continued to rank fifth both in employment and in value added by manufacturers in the region. Missouri, Minnesota, Iowa, and Kansas—in that order—rank ahead of Nebraska, which in turn continued to rank well above North and South Dakota, regardless of the measure of manufacturing activity used. (Data giving a more current situation are not as yet available. The 1972 Census of Manufactures became available only in March of 1975.² Year-to-year changes since 1972, however, may not be either as pronounced or as important as the long-term developments of the 1963-1972 period.)

Although unable to change its position among the seven states in either employment or value added (for example, to match

¹U.S. Bureau of the Census, *Census of Manufactures, 1972, Area Series, Nebraska*, MC72(3)-28, February 1975; and similar reports for other states.

²See *Business in Nebraska*, May, 1972, for an analysis of the situation as of 1969.

Kansas in employment, Nebraska's employment would have to be 60 percent greater), from 1963 to 1972 Nebraska did increase its share both of the region's employment and value added. Nebraska's employment rose from 65 thousand persons, or 6.5 percent of 1,014 thousand in the region, to 85 thousand, or 7.1 percent of 1,202 thousand—for an 11 percent gain in share. Over the same period the state's share of the value added in the region increased from \$747 million, or 6.3 percent of the regional total, to \$1,738 million, or 7.4 percent—for a 17 percent gain in share. During this 1963-1972 period Missouri's share both of employment and value added declined, while Kansas, Minnesota, and South Dakota's shares remained nearly stable. Iowa and North Dakota's shares increased slightly.

Nebraska's "favorable" development attests to the success of the public and private efforts aimed at increasing economic diversification, in general, and manufacturing, in particular. (Support for the belief that there has been an even greater expansion and regional diversification of manufacturing since 1972 may be forthcoming from data in the

(Continued on page 2)

Table 1
 EMPLOYMENT AND VALUE ADDED IN MANUFACTURING INDUSTRIES
 IN NEBRASKA, 1963 AND 1972

Industry (Excludes those with less than 1,000 employees in 1972)	Employment				Value Added			
	Number (000s)		Percent of Total ¹		Millions of \$s		Percent of Total ¹	
	1963	1972	1963	1972	1963	1972	1963	1972
Food and Kindred	26.7	25.4	42.7	30.8	316.6	581.0	42.9	33.5
Apparel, Other Textile	1.7	1.6	2.7	1.9	7.6	18.1	1.0	1.0
Lumber and Wood	0.9	2.3	1.4	2.8	7.1	30.8	1.0	1.8
Furniture and Fixtures	1.3	1.9	2.1	2.3	11.5	31.2	1.6	1.8
Paper and Allied	(NA)	1.1	(NA)	1.3	(NA)	18.2	(NA)	1.0
Printing and Publishing	5.5	6.0	8.8	7.3	50.7	92.8	6.9	5.4
Chemicals and Allied	2.1	2.2	3.4	2.7	42.0	92.7	5.7	5.4
Rubber, Misc. Plastics	1.5	3.7	2.4	4.5	15.6	66.1	2.1	3.8
Stone, Clay, Glass	2.2	2.5	3.5	3.0	31.2	53.7	4.2	3.1
Primary Metals	1.8	2.6	2.9	3.2	26.0	88.3	3.5	5.1
Fabricated Metals	3.8	7.2	6.1	8.7	40.3	115.1	5.5	6.6
Machinery, excluding Electric	3.4	8.7	5.4	10.5	50.0	192.2	6.8	11.1
Electric, Electronic	5.3	9.6	8.5	11.6	64.4	171.6	8.7	9.9
Transportation Equipment	3.4	3.4	5.4	4.1	34.1	68.5	4.6	4.0
Instruments and Related	1.3	2.9	2.1	3.5	22.6	82.4	3.1	4.8
Miscellaneous	1.6	1.5	2.6	1.8	14.1	18.8	1.9	1.1
Total of Above	62.5	82.6	100.0	100.0	733.8	1,721.5	100.0	100.0
State Total	64.9	84.8	---	---	746.6	1,733.4	---	---

¹Details do not add to totals due to rounding.

(NA) - not available.

Source: U.S. Bureau of the Census, *Census of Manufacturers, 1972, Area Series, Nebraska*, MC72(3)-28 and 1963, *Area Statistics, Nebraska*, MC63(3)-28.

(Continued from page 1) 1973 Annual Survey of Manufacturing, which, unfortunately, will not be available for several months.)

IMPORTANCE OF VARIOUS INDUSTRY GROUPS

In 1972 manufacturers of Food and Kindred Products as a group continued to produce by far the largest proportion of the state's manufactured goods. With 31 percent of the employment and 30 percent of the payroll, this group of producers accounted for 33 percent of the value added—and 64 percent of the value of industrial shipments generated—by the manufacturing sector of the state's economy (see Table 1, page 1).

Despite the seeming likelihood of at least maintaining its relative importance—given the structure of the raw materials base of the state—the food products group's share of all manufacturing activity has declined. Employment, which had dropped from a 47 percent share in 1958 to one of 43 percent in 1963 dropped markedly to one of 31 percent in 1972 (Table 2). Value added in

instruments subgroups.

Geographic decentralization of manufacturing occurred to a considerable degree over the 1963-1972 period. Although Douglas and Lancaster counties continue to dominate as loci for manufacturing, the comparison below and data available elsewhere

County	Employment				Value Added			
	Number (000s)		Percent		Millions		Percent	
	1963	1972	1963	1972	1963	1972	1963	1972
Douglas	32.6	34.3	50.2	40.4	395.7	762.4	53.0	44.0
Lancaster	9.1	11.6	14.0	13.7	85.7	239.8	11.5	13.8
Hall	1.4	4.4	2.2	5.2	12.6	71.3	1.7	4.1
Platte	2.5	4.0	3.8	4.7	23.2	64.9	3.1	3.7
Above	45.6	54.3	70.2	64.0	517.2	1138.4	69.3	65.6
Remainder	19.3	30.5	29.8	36.0	229.4	595.0	30.7	34.4
State Total	64.9	84.8	100.0	100.0	746.6	1733.4	100.0	100.0

show that, although increasing in the absolute sense, as a proportion of total their combined share of manufacturing *employment* dropped from 64 percent in 1963 to 54 percent in 1972. Over this period their combined share of *value added* dropped from 64 to 58 percent. Although two other counties—Hall and Platte—experienced the greatest increases in shares, changes in their shares of total employment and value added have not been so great as to warrant saying that these counties have been the principal locations for the expansion of the manufacturing sector. Other counties have had gains as well—albeit none at such a rate as to permit saying that it has been the principal location of the increase in geographical concentration. Combined, however, counties other than the four mentioned have experienced a growth at a rate greater than that of the four counties combined. It was during this time that industrialization, i.e., an increase in the level of manufacturing, and diversification appear to have been effected.

There has been an increase in the concentration of manufacturing in the larger establishments (Table 3). From 1963 to 1972

Table 2
Employment and Value Added in Food and Kindred Products Manufacturing Industries in Nebraska, 1963 and 1972

Industry	Employment				Value Added			
	Number (000s)		Percent of Total		Number (000s)		Percent of Total	
	1963	1972	1963	1972	1963	1972	1963	1972
Meat	12.6	12.4	47.2	48.8	115.5	257.4	36.4	44.3
Grain Mill	3.6	4.0	13.5	15.8	65.7	149.9	20.8	25.8
Dairy	2.7	2.1	10.1	8.3	30.6	30.0	9.7	5.2
Bakery	2.1	1.5	7.9	5.9	17.6	24.9	5.6	4.3
Others ¹	5.7	5.4	21.3	21.2	87.2	118.8	27.5	20.4
Total	26.7	25.4	100.0	100.0	316.6	581.0	100.0	100.0

¹Includes Fruits and Vegetables, Sugar and Confectionary, Fats and Oils, Beverages, and Other Miscellaneous.
Source: See source for Table 1.

food production, which had been nearly 50 percent of value added by all manufacturing in 1958 had dropped to 43 percent in 1963. By 1972 the proportion had dropped to 33.5 percent.

Concurrent with the absolute and relative declines in the food products group as a whole was a considerable restructuring of the subgroups within this industry group (see Table 2). In 1963, meat products (including meat packing plant output) accounted for 47 percent of the food and kindred products "industry's" employment and 37 percent of its value added. By 1972, the shares had risen to 49 and 44 percent respectively. In a similar direction, and to a greater degree, producers of grain mill products increased their shares of employment and value added in food products production. Other subgroups found the restructuring disadvantageous—at least in terms of their respective shares of the food and kindred products industry groups.

Perusal of Table 1 also reveals that during the 1963-1972 period there was an increase in importance—both in the absolute amount and relative share senses—of certain industries. The Electric and Electronic Equipment group's share of all manufacturing *employment* increased from 5.3 to 9.6 percent. The Nonelectric Machinery group's share nearly tripled from 3.4 to 8.7 percent. Together these two industries accounted for more than 20 percent of the *value added* by all industries in 1972—after accounting for 15 percent in 1963. Fabricated Metals, with between 6 and 7 percent of value added in 1972, also ranks high. Other notable shares—reflecting also marked increases in shares from 1963 to 1972—are held by the Rubber and Plastics, Primary Metals, and

Table 3
Size of Establishments and Expenditures for Plant and Equipment in Manufacturing Industries in Nebraska, 1963 and 1972

Establishments	1963	1972	1963	1972
	Number		Percent of Total	
All Establishments	1,611	1,723	100.0	100.0
with 1-19 employees	1,137	1,125	70.6	65.3
with 20-99 employees	357	425	22.2	24.7
with 100 or more employees	117	173	7.2	10.0
Expenditures for	Millions of \$s		Percent of Total	
All Plant and Equipment	48.9	108.9	100.0	100.0
New Plant and Equipment	46.1	102.3	94.3	93.9
Structures and Additions	10.2	28.9	20.9	26.5
Machinery and Equipment	35.9	73.4	73.4	67.4
Used Plant and Equipment	2.8	6.6	5.7	6.1

Source: See source for Table 1.

not only did the number of establishments increase but also the portion of the total employment provided by the "large establishment" group rose. During this period the total number of establishments grew from 1,611 to 1,723, or 7 percent. The share of total employment provided by the "small establishment" group (those with 1 to 19 employees) dropped from 71 to 65 percent, while that of the "large establishment" group (those with 100 or more employees) increased from 7 to 10 percent. The share of employment provided by the "medium establishment" group increased from 22 to 25 percent.

E. L. HAUSWALD

The mid-decade provisional population estimate for Nebraska is 1,546,333.¹ The provisional state estimate for July 1, 1975, is up 5,641 from the revised July 1, 1974, estimate of 1,540,692. This represents a net gain of 61,000 persons for Nebraska since the 1970 census was taken (see tabulation below).

As of:	Number	% of Total
July 1, 1975 Provisional	1,546,333	104.1
July 1, 1974 Revised	1,540,692	103.7
July 1, 1973 Revised	1,532,606	103.2
July 1, 1972 Revised	1,527,684	102.9
July 1, 1971 Revised	1,507,924	101.5
April 15, 1970 Census	1,485,333	100.0

Of the 4.1 percent total growth in the state's population since 1970, approximately three-fourths may be attributed to natural increase (excess of births over deaths) and about one-fourth to

net immigration.

Changes in Nebraska's population since 1970 were estimated by averaging the results of two methods. One, the Component Method II, derives an estimate of population from school enrollment, vital statistics, and Medicare data. Another, the Regression Method, relates the change in population to the changes in several series of indicators (for example, automobile registrations and a work-force series).

The 1975 provisional and 1974 revised Nebraska county¹ estimates will appear in an upcoming issue of *Business in Nebraska*.

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¹The Nebraska populations for both the state and county, as well as the estimates for other states, will be published by the U.S. Bureau of the Census in an upcoming Series P-25 report.

SLOWDOWN OF INFLATION WITH PRICES RISING? ? ?

One newspaper editor recently commented, "Less Inflation, but Higher Prices. Runaway inflation is supposed to be slowed, but prices keep going up. How can that be?"¹ Prices are still going up—that's easy to see. Yet we are advised by some that "the runaway in the cost of living is slowing down." So what's going on?

First, let us understand that "inflation" need not be equated to a "higher cost of living." Technically, inflation is a rise in the level of prices of a particular mix of goods and services. Thus, the Consumer Price Index (CPI), which is often erroneously referred to as the "cost of living" index, measures the average change in only one set of prices as they apply to one certain, unchanging set of goods and services. In essence, the CPI is an expression of the average price paid "today" (called the current period) for a "market basket" of goods and services as a percentage of the average price paid "yesterday" (called the base period) for the same market basket of goods and services. In a previous article² we have tried to explain some of the technicalities of this matter.

In that which follows we will assume that the reader understands what it means to say, for example, that if the CPI in October, 1974, were 153.0 (i.e., 153.0 percent of the 1967 base period index of 100.0) and that of October, 1975, were 164.6, then the level of prices would be 7.6 percent above that of the same month in 1974. Or, in more technical terms, the year-to-year rate of inflation (as measured by the CPI) was 7.6 percent as of October, 1975. (It might be worth noting that the 7.6 percent was calculated as follows: [164.6 minus 153.0] divided by 153.0 and multiplied by 100. Note that the percent change is not simply the difference between the two index numbers.)

Now give some attention to the concept "cost of living." Many journalists and even some government and business economists who are trying to avoid being "too technical for the layman" often equate changes in the Consumer Price Index to changes in the cost of living. This is not, however, necessarily true. The term "cost of living" should be understood as referring to the cost of providing a person, or family, a certain plane of living, i.e., a certain mix of goods and services. Note that this means that even if prices were not changed but the mix were changed, then the plane

of living, and hence its cost, would very likely be changed. Thus, the cost of a plane of living might well go up (down) if one chose to buy higher (lower) priced items, even though the prices of the original mix of items have not changed. Or, if the prices paid changed and the mix did not, then the "cost" of a particular mix would change.

Therefore, one could have a change in the plane of living, and thus the "cost of living," with or without a change in the prices of the items in a particular mix. What is the point of all this? Simply, that the "cost of living" (one's plane of living) may change without a change in prices of the items in the original mix. Accordingly, to be able to say that an increase in the CPI is an increase in the cost of living, one must continue to buy the same mix at the higher prices—and this is not at all a necessity. Higher prices could very well cause one to substitute lower priced items or services and still maintain an equal plane of living.

Whether or not a different plane of living is on a level of satisfaction equal to, greater than, or less than that of the previous one depends, of course, upon the utility gained in the two mixes. Some may be fortunate enough to be able to buy the same or a larger quantity of items and services even at higher prices. Most of us are faced with the likelihood, however, that our ability to maintain the present mix will be jeopardized when rises in the prices of those goods and services in the mix necessitate a new pattern of purchasing, especially if the "prices" we receive for our personal resources and efforts do not keep pace with the prices that we pay. Thus, as prices rise, we have to decrease the quantities (and/or qualities) of the goods and services. To most of us—in the sense set forth above—the "cost of living" may change because of a change in prices or quantities or both.

It is not unusual to hear two housewives say that "it costs more to live today than in previous years." One may mean that she has to pay higher prices for the same mix or plane of living. The other may mean that she can no longer provide the same mix as before with the prices being higher. Both are taking as their point of reference the original mix of goods and services, that is, the original plan of living. Cost-of-living changes, however, do not equate solely with change in prices as measured by, say, the CPI.

Back now to the original question, slightly reworded: Has the rate of inflation slowed down? (Continued on page 6)

¹Editorial in the *Omaha World-Herald*, November 28, 1975.

²*Business in Nebraska*, January, 1975.

Review and Outlook

The figures for Nebraska or for the United States do not look quite as good as did those for July. This is partly due to a revision in the agricultural marketing figures by the U.S. Department of Agriculture. The dollar volume index of agricultural production for Nebraska, on the 1967 base (Table 2), may appear to have dropped from 277 in July—as previously published—to 247 in August. But the revised index figure for July is only 260, so that the revision accounts for more than half of the apparent decline. The same revision holds for all the other agricultural production figures in Tables 1 and 2, for both dollar values and physical production, for both the state and the nation.

The revision also affects the total state and national indexes.

Thus it is probably true that there was no significant drop (or rise) in total production compared with July. However, the non-agricultural sphere did show some improvement during the month. Activity in all sectors, except the government sector (which remained steady), increased over July for Nebraska, and all sectors increased for the United States. There is some room for optimism, therefore, about the economies of both the state and the nation.

There might seem to be some inconsistency between the state construction dollar volume in Table 1, compared with 1974, and the so-called state total ratio for building construction in Table 4. Actually, the first line in Table 4 should be designated "All Cities" rather than "State Total," because it is simply a weighted average of the cities shown,

(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				
August, 1975	Current Month as Percent of Same Month Previous Year		1975 Year to Date as Percent of 1974 Year to Date	
	Nebraska	U.S.	Nebraska	U.S.
Indicator	Nebraska	U.S.	Nebraska	U.S.
Dollar Volume	106.6	102.3	106.3	104.4
Agricultural	100.5	96.5	96.2	93.4
Nonagricultural	107.9	102.5	108.4	104.9
Construction	117.9	92.8	116.8	92.5
Manufacturing	104.9	94.7	106.0	101.1
Distributive	106.2	106.3	107.5	107.0
Government	116.6	109.0	113.2	108.7
Physical Volume	98.5	95.8	97.6	95.3
Agricultural	88.7	95.2	93.2	97.8
Nonagricultural	100.3	95.8	98.4	95.2
Construction	109.3	86.1	104.6	82.8
Manufacturing	99.5	88.9	93.7	88.6
Distributive	97.8	97.9	97.7	97.2
Government	110.2	105.2	107.4	104.9

2. CHANGE FROM 1967		
Indicator	Percent of 1967 Average	
	Nebraska	U.S.
Dollar Volume	218.2	192.7
Agricultural	247.0	219.7
Nonagricultural	213.2	191.7
Construction	201.5	156.9
Manufacturing	230.4	180.0
Distributive	204.3	197.4
Government	232.4	208.6
Physical Volume	126.2	116.3
Agricultural	120.7	117.1
Nonagricultural	127.1	116.3
Construction	104.9	81.7
Manufacturing	130.1	104.5
Distributive	125.5	121.3
Government	138.9	136.4

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

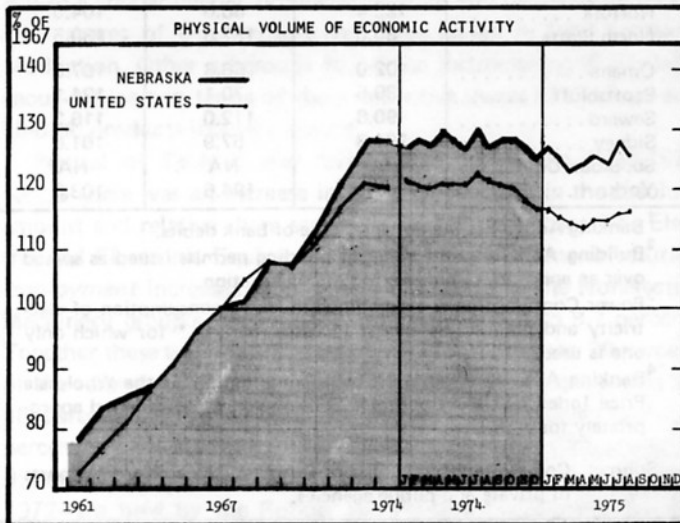
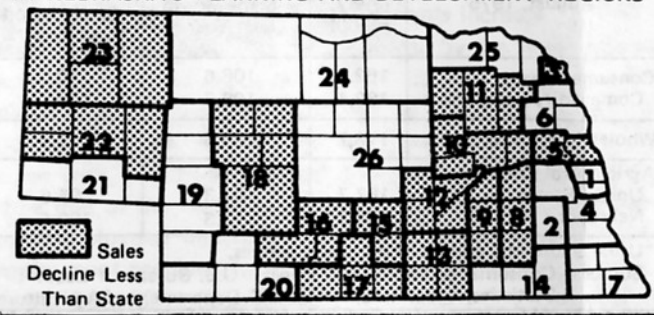
Region Number ¹ and City	Sales in Region ²		
	City Sales ² Aug. 1975 as percent of Aug. 1974	Aug., 1975 as percent of Aug., 1974	Year to Date '75 as percent of Year to Date '74
<i>The State</i>	99.9	98.3	94.8
1 Omaha	100.8	100.0	93.6
Bellevue	100.2		
2 Lincoln	97.9	97.4	94.5
3 So. Sioux City	97.8	91.7	96.6
4 Nebraska City	98.1	96.2	90.9
5 Fremont	97.5	99.5	96.7
Blair	102.4		
6 West Point	101.7	96.8	88.4
7 Falls City	99.4	98.3	91.4
8 Seward	99.3	101.6	95.6
9 York	101.8	98.8	98.8
10 Columbus	99.9	96.9	95.5
11 Norfolk	114.4	105.7	96.0
12 Grand Island	100.3	97.5	99.5
13 Hastings	95.6	92.6	95.9
14 Beatrice	106.4	99.4	92.8
Fairbury	91.8		
15 Kearney	104.8	99.6	101.1
16 Lexington	100.1	96.1	98.5
17 Holdrege	94.6	90.5	95.9
18 North Platte	108.3	104.3	99.4
19 Ogallala	97.2	92.3	94.3
20 McCook	96.3	90.1	91.7
21 Sidney	92.3	91.7	90.2
Kimball	94.3		
22 Scottsbluff	101.0	100.9	98.0
23 Alliance	111.8	97.4	95.3
Chadron	98.5		
24 O'Neill	105.2	91.5	89.5
25 Hartington	95.6	95.6	93.2
26 Broken Bow	110.7	97.3	90.5

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.

1975 YEAR TO DATE AS PERCENT OF 1974 YEAR TO DATE IN NEBRASKA'S PLANNING AND DEVELOPMENT REGIONS



(Continued from page 4) and not the state total. The cities data do not include construction outside the cities on, for example, roads or power plants.

In Table 3, however, the state total actually does apply to the state, because it is the total taxable retail sales of the state, as reported by the State Department of Revenue. In this table the difference between the state totals by city and by region is due to the fact that motor vehicle sales are included in the regions but not in the cities. Thus the regional total shows the sales to have been 98.3 percent of August, 1974, while the city total shows them at 99.9 percent of the same month last year. This means that the motor vehicle sales did not do as well as other sales in this comparison.

We also see from Table 3 that the volume of total sales was almost as high as a year ago. This is the best comparison with the previous year that we have had since last December. These sales data are deflated for the rise in prices (of course the dollar sales are increasing all the time). We appear to be slowly catching up with a year ago. Some of the absurd-looking ratios shown last month, such as 126 percent for Alliance and 115 percent for Lexington, have been moderated this month. Only the Holdrege and the Sidney-Kimball regions seem to be slower in catching up.

As shown in the city business indexes in Table 4, banking activity (corrected for price changes) was about the same as in the previous year, while building activity was down and power consumption was up. Building activity for the state is heavily influenced by the slumps in Omaha and Lincoln. Building activity, based on building permit data, is quite a variable index, although we do smooth the permits by extending them into the future from the time of issuance, over the presumed construction period.

The great increase in power consumption, in the face of demands for conservation, is puzzling. It is understandable that the hot August this year increased the use of electricity, but there were also large increases in gas consumption (not shown separately here). In a few regions the use of gas for alfalfa dehydration may account for some increase, but the rise is not confined to these areas.

The inflationary spiral continues with, for example, the wholesale price index rising 1 percent above July on the 1967 base (Table 5). It is hard to be optimistic about this dangerous tendency. Inflationary spirals usually increase in momentum until they become astronomical, and the money becomes almost valueless. This has happened in many nations in the past. The pressures for larger and larger appropriations for both the military and for welfare often mean greater and greater government deficits, a major force underlying inflation.

E. Z. P.

5. PRICE INDEXES			
August, 1975	Index (1967 = 100)	Percent of Same Month Last Year	Year to Date as Percent of Same Period Last Year*
Consumer Prices	162.8	108.6	110.0
Commodity component	160.4	108.7	109.9
Wholesale Prices	176.7	105.6	111.7
Agricultural Prices			
United States	187.7	101.3	95.6
Nebraska	204.7	113.3	103.5

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

CITY BUSINESS INDEXES					
Percent Change August 1974 to August 1975					
	-10	-5	0	5	10 15
Norfolk					
Beatrice					
Kearney					
Chadron					
Falls City					
Lexington					
Blair					
North Platte					
Alliance					
York					
Broken Bow					
McCook					
Fremont					
Nebraska City					
STATE					
Omaha					
Bellevue					
Grand Island					
Lincoln					
Hastings					
Seward					
Scottsbluff					
Columbus					
Sidney					
Fairbury					
Holdrege					

Source: Table 4 below.

4. AUGUST 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
The State	99.7	88.8	110.6
Alliance	93.2	49.9	134.9
Beatrice	100.3	249.0	120.3
Bellevue	89.4	193.3	112.1*
Blair	97.2	154.4	118.0
Broken Bow	91.2	79.4	123.3
Chadron	106.0	170.3	107.1
Columbus	83.3	134.8	106.6
Fairbury	90.6	41.3	154.6*
Falls City	84.6	589.5	129.1
Fremont	106.1	86.8	103.4*
Grand Island	97.6	72.0	121.0
Hastings	99.2	125.3	98.5
Holdrege	86.5	51.3	112.7
Kearney	102.1	162.7	104.6
Lexington	107.0	57.7	134.8
Lincoln	101.5	74.6	112.3
McCook	102.7	156.5	98.3
Nebraska City	104.3	82.1	108.2
Norfolk	122.4	66.0	104.5
North Platte	85.0	187.6	130.5
Omaha	102.0	66.8	107.6
Scottsbluff	89.5	70.1	124.1
Seward	90.8	112.0	116.3
Sidney	101.3	57.9	101.6
So. Sioux City	NA	NA	NA
York	96.1	194.6	103.3

¹Banking Activity is the dollar volume of bank debits.
²Building Activity is the value of building permits issued as spread over an appropriate time period of construction.
³Power Consumption is a combined index of consumption of electricity and natural gas except in cases marked * for which only one is used.
⁴Banking 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.

(Continued from page 3) Perhaps what we really mean is: Has the rate at which the price level this year has been moving above that of last year become less? The answer: Yes, even though prices are still going up, as they have in the past and will probably continue to do so for a long time.

Unfortunately, economic conditions being what they are today, interruptions in the upward trend or movement of the level prices (as measured, for example, by the Consumer Price Index) are likely to be few and far between. As a matter of fact, a rising price level is not a phenomenon unique to recent decades. There have been real declines in the level of prices in the past, but these have also been few and far between. Since 1913 there have been only five downturns in the CPI, with the longest downward movement lasting seven years from 1926 through 1933. Most of the downward periods were of no more than two years duration. Also, from the lowest point in 1933, when the index stood at 38.6 percent of a 1967 = 100 base, to the present, when the index stands at 164.6 percent, the level of consumer prices (the CPI) has increased by 326 percent.³ Therefore, inflation has been with us for a long time. What then is our concern?

It is not that prices have risen on the average, but rather it is the alarmingly brisk pace at which this rise has occurred in recent years—especially since January, 1973. Figures set forth in the tabulation below show what happened. Remember that the index takes 1967 prices as a base of 100.0. The "percent rise" column

	1973		1974		1975	
	Index	% Rise	Index	% Rise	Index	% Rise
January	127.7	3.7	139.7	9.4	156.1	11.7
February	128.6	3.9	141.5	10.0	157.2	11.1
March	129.8	4.7	143.1	10.2	157.8	10.3
April	130.7	5.1	143.9	10.1	158.6	10.2
May	131.5	5.5	145.5	10.6	159.3	9.5
June	132.4	5.9	146.9	11.0	160.6	9.3
July	132.7	5.7	148.0	11.5	162.3	9.7
August	135.1	7.5	149.9	11.0	162.8	8.6
September	135.5	7.4	151.7	12.0	163.6	7.8
October	136.6	7.9	153.0	12.0	164.6	7.6
November	137.6	8.4	154.3	12.1	165.7(E)	7.4(E)
December	138.5	8.8	155.4	12.2	166.3(E)	7.0(E)
Average:	133.1	--	147.9	11.1	161.2	9.0

refers to the rise from the same month of the previous year, *not* from the preceding month.

It can be seen that the price barometer, i.e., the percent-rise column, began to reflect increasing pressures early in 1973. The results can be observed in the annual increases in the CPI. The 10-percent-plus increases are what economists mean by "double-digit" inflation. Some such instances occurred in the upward price rush after World War II. Also, 9 percent rises were recorded in the 1950-51 Korean War period. But for nearly a quarter-century before 1974 double-digit rises were not even approached.

As measured by the price index barometer (CPI), the highest pressure appeared in December of 1974. Since then, however, the year-to-year rises have been falling. Note that the *index* keeps on rising even though the *percent rise* declines. Thus is explained the seeming paradox: inflation (higher prices) in company with a slowing down of the "runaway" in inflation (a decrease in the rate of year-to-year percent rise in the price level).

Lest we become overly optimistic, note that as of October, 1975, the 7.6 percent rise from a year ago, while well below last December's 12.2 percent figure, was still more than twice the 3.7 percent for January of 1973. Also note that the average level for all of 1975 is likely to be about 9 percent above that of 1974. Surely this is ample inflation to give us concern when we go into the market places to spend our incomes.

Will the trend continue? What trend? Rising prices? Slowdown in the rate at which prices are rising? Some answers: Rising prices will be with us in the future as in the past. The slowdown in the rise may continue, with the year-to-year percent rise falling back to, say, 4 percent. To be sure of what will happen, however, requires knowledge that we do not have. Even so, one must make a choice as to whether the trend will continue. Otherwise, a day-to-day decision-making process results. Long-run decisions then depend upon whether one is optimistic or pessimistic, which is a less-than-desirable way to make decisions. As in all cases, if the choices we make are to be rational, they must involve correct reasoning and knowledge.

E. L. H.

³ Obtained by [164.6 minus 38.6] divided by 38.6 and multiplied by 100.

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