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NEBRASKA BUSINESS ACTIVITY SINCE 1967

In designing the new Nebraska Business Index introduced in the March, 1972, issue of *Business in Nebraska* provisions were made for continuous review and revision of the index in order to provide the most accurate possible historical record of business activity in the state. As a matter of routine procedure three kinds of revisions are made in the index—monthly revisions, quarterly revisions, and annual revisions. In addition, periodic tests may be conducted to determine whether changes in basic procedures or data input can improve the index.

Monthly revisions arise because the basic data series are revised by the agencies providing them. Not all the data series used in the index are revised on a regular monthly basis, but in most cases it is lack of resources of the issuing agency rather than a high degree of initial accuracy which leads to a policy of no revisions. Quarterly data used in the index (primarily wage and salary data) are also generally subject to revision. In addition, values based on the quarterly data must often be projected ahead of the latest available data, thus giving rise to need for revision due to imperfect projection. Whenever revisions in the monthly or quarterly data cause a significant change in the published index, such revisions are noted in the Review and Outlook column of subsequent issues of *Business in Nebraska*.

ANNUAL REVISIONS

The most comprehensive review and revision of the index occurs on an annual basis. Since a great deal more information about the economy is available annually than monthly, it is possible to establish annual "benchmarks" which can serve as an indication of the reliability of past performance of the index and provide a basis for improving the historical index. It is new annual data and revised monthly data made available annually which provide the basis for the extension and revision of the historical index originally described in the March, 1972, issue of *Business in Nebraska*.

The most important annual procedure used in updating and revising the index is the estimation of income generated or "Gross State Product" (GSP) for the component sectors of the overall index. The GSP estimates are made possible by annual data released by the U.S. Department of Commerce and the U.S. Department of Agriculture in September of the year following the most recent year to which the data apply. At the same time that the latest year GSP estimates are made, revised estimates are also made for any preceding years for which basic data have been revised.

The sector GSP estimates constitute the annual benchmarks to which the monthly historical index is tied. A table showing the

annual changes in both the Nebraska and United States historical indexes from 1960 through 1970 appeared in the March, 1972, issue of *Business in Nebraska*. New GSP estimates have been made for 1971, and the estimates for 1969 and 1970 have been revised for most sectors, with occasional minor revisions extending back beyond 1969. Revised annual changes in the indexes from 1967 through 1971 are presented in Table I on page 2.

THE GROWTH RECORD

Annual growth in the total dollar volume index for Nebraska has varied considerably from year to year during the period since 1967, ranging from a high growth of 12.7% in 1968-69 to a low of 4.5% in 1969-70. Much of the high year-to-year variation in overall growth can be attributed to the agricultural sector, in which change in the index ranged from -13.1% in 1967-68 to +33.1% in 1968-69.

As a group the nonagricultural sectors experienced much more stable growth from 1967 to 1971 (ranging from 7.1% in 1969-70 to 9.5% in 1968-69) than the agricultural index or the overall index. Among most of the nonagricultural sectors, however, there was a more irregular growth pattern than in the overall nonagricultural index. The construction sector (with a growth range from 3.1% to 16.7%) and the manufacturing sector (with a range from 2.2% to 10.1%) show the greatest volatility, while the distributive and services sector (ranging from 7.1% to 9.2%) shows the most stable growth and the government sector* (ranging from 7.7% to 14.5%) shows intermediate volatility.

Between 1967 and 1971 the total dollar volume index

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TABLE 1
ANNUAL PERCENTAGE CHANGES IN SECTOR INDEXES 1967-71
NEBRASKA **UNITED STATES**

Period	Total Dollar Volume	Agricultural Sector	Non-Agricultural Sectors					Period	Total Dollar Volume	Agricultural Sector	Non-Agricultural Sectors				
			Total	Construction	Manufacturing	Distributive and Services	Government				Total	Construction	Manufacturing	Distributive and Services	Government
1967-68	4.8	-13.1	8.4	8.7	10.1	7.2	10.8	1967-68	9.0	0.0	9.4	11.2	+ 8.9	8.7	12.5
1968-69	12.7	+33.1	9.5	16.7	8.0	9.1	10.5	1968-69	8.0	11.1	7.9	10.0	+ 4.5	9.5	8.4
1969-70	4.5	- 9.1	7.1	5.0	2.2	7.1	14.5	1969-70	4.9	6.6	4.8	6.9	- 1.6	6.8	10.2
1970-71	9.1	+16.6	7.8	3.1	5.1	9.2	7.7	1970-71	7.6	6.3	7.6	8.5	+ 3.7	9.1	9.3
1967-71	34.6	+22.6	37.0	37.6	27.7	36.7	51.0	1967-71	33.0	25.9	33.3	41.6	+16.1	38.6	46.9
1960-67	47.3	+24.7	52.7	25.2	69.8	50.4	53.8	1960-67	58.2	22.7	60.0	56.7	+55.5	59.5	77.6

increased by 34.6%. Among the individual sectors growth ranged from 22.6% in agriculture to 51.0% in government. Growth rates in the other sectors were 27.7% in manufacturing, 36.7% in distribution and services, and 37.6% in construction. This pattern of sector growth is generally consistent with a national trend of relatively slow growth in "basic" industries such as agriculture and manufacturing in comparison with service-oriented industries.

Average overall growth in Nebraska from 1967 to 1971 was slightly above the national rate (34.6% vs. 33.0%). This growth pattern contrasts to the pattern experienced from 1960 to 1967, when overall Nebraska growth lagged well behind that of the nation (47.3% vs. 58.2%).

All sectors except agriculture and manufacturing grew faster nationally than in Nebraska from 1960 to 1967, and even though the Nebraska agricultural sector did not lag behind its national counterpart it experienced the slowest growth of all the sectors. In fact, the relatively large direct and indirect importance of agriculture in Nebraska has been an important factor in explaining the lag in the state's overall growth. Since 1967 the lag in the agricultural sector has not been quite so pronounced as in the early 1960s, and this apparent slowing in relative decline of agriculture may be contributing to improved growth prospects in the state. Increased importance and increasing growth rates in nonagricultural sectors, however, appear to be the major factor in pulling the overall growth rate of the Nebraska economy above the national level.

As a group the nonagricultural sectors grew at a rate of 37.0% in Nebraska compared with a national rate of 33.3% for the period 1967 to 1971. Nebraska growth exceeded national growth in the government (51.0 vs. 46.9%) and manufacturing (27.7% vs. 16.1%) sectors, but lagged slightly behind in the construction (37.6% vs. 41.6%) and distributive and services (36.7% vs. 38.6%) sectors. Because manufacturing is a basic industry, its relatively rapid growth in Nebraska has been a key factor in bringing the state's overall rate of growth up to the national growth rate.

GROWTH IN 1972

If the data for the current month (Table 2 on page 4) are examined, it can be seen that with a few exceptions the pattern of growth in Nebraska and the nation over the period 1967 to 1971 has carried over into 1972. The most noteworthy aspect of the 1972 data is the very large rise in the Nebraska construction index from 1971 to 1972. Not only has the construction sector in Nebraska surpassed national growth in that sector (from the 1967 base), but construction has become far and away the fastest growth sector in the state. Because construction is a volatile sector it would probably not be appropriate to impute too much long-run significance to the current high level of construction activity, but the current trends will bear close watching.

Aside from construction, growth of the other sectors in Nebraska has closely paralleled national growth patterns. For both the state and the nation the growth of overall business activity from 1971 to 1972 has been significantly stronger than for either of the two previous periods. Thus recovery from the 1970 recession appears to be in full force both nationally and locally.

MONTHLY FLUCTUATIONS

To provide an indication of the monthly pattern of business activity in Nebraska compared with the nation, the Nebraska and U.S. total dollar volume indexes by month from 1967 through 1971 are plotted in the chart on page 6. The most noticeable features of this chart are the much greater month-to-month and year-to-year fluctuations of the Nebraska index. In 1968 the Nebraska index dropped well below the national index, in large part because 1968 was a poor year for agriculture. In 1969 agriculture recovered sharply and so did the overall Nebraska index. In addition to contributing to significant year-to-year variations in overall business activity in the state, the agricultural index also varies considerably from month to month. While agriculture is the most variable sector, however, all sectors of the state economy are more variable than their national counterparts, thus generally giving rise to much larger month-to-month movements in the overall state index than in the overall national index.

ALLOWANCE FOR PRICE CHANGES

The discussion of growth thus far has been in terms of current dollar values. It should be noted, however, that much of this has been due to price increases and does not represent an increase in "real" output. From 1967 to 1971 the total physical volume indexes (deflated for price increases) for Nebraska and the nation increased by only 12.0% and 10.7%, respectively, compared with dollar volume growths of 34.6% and 33.0% shown in Table 1. Clearly during times of relatively rapid inflation such as has occurred much of the time since 1967 an emphasis on current dollar values can give an erroneous picture of the overall rate of growth.

Generally, however, a comparison (Continued on page 6)

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UNIVERSITY OF NEBRASKA LINCOLN James H. Zumbege, <i>Chancellor</i> C. S. Miller, <i>Dean</i> College of Business Administration As an issue of the University of Nebraska-Lincoln News, <i>Business in Nebraska</i> is prepared monthly by the Bureau of Business Research as a public service and mailed free within the state upon request. Material published herein may be reproduced with proper credit.	BUREAU OF BUSINESS RESEARCH Member, Association for University Business and Economic Research 200 CBA, City Campus Lincoln 68508, Phone (402) 472 2334 E. S. Wallace, <i>Director</i> Edward L. Hauswald, <i>Associate Director</i> Vernon Renshaw, <i>Statistician</i> Duane Hackmann, <i>Research Associate</i> Bert Evans, <i>Economist, Extension Specialist</i> Mrs. Dorothy Switzer, <i>Editorial Assistant</i>
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Review Report: Location of Industry in Nebraska

The importance of home-grown industries is emphasized in a recent study on *Why Industries Located in Nebraska* made by Robert W. Shively, Industrial Development Manager, Nebraska Public Power District, Columbus.

He found that more than 70 percent of the 330 Nebraska industries responding to his questionnaire were started by local people, and that of industries established prior to 1950, 85.5 percent were of Nebraska origin. A progressively larger percentage of industries was imported, however, in recent years, with 42 percent being imported during the period 1966-1971.

"It would appear," says Mr. Shively, "that Nebraska industrial development groups are concentrating their promotional efforts in the wrong direction, since only two of them reported having any programs specifically designed to encourage or develop home-grown industries, and these were of limited scope. It appears that Nebraska industrial developers are concentrating nearly 100 percent of their efforts on less than 30 percent of the market."

The author stresses the fact that although home-grown industries usually start small and lack the initial impact or glamor of a new manufacturing plant of a major company, industrial development agencies and chambers of commerce should develop more programs to encourage individual and community initiative in establishing new manufacturing enterprises.

Some justification for concentration of effort on attracting outside industry may be found, however, in the fact that such industries, although fewer in number, had on the average a considerably larger number of employees than the average for home-grown industries. Among the 86 plants which located in Nebraska from outside the state (including 65 that located here prior to 1966 and 21 that were established from 1966 to 1971) the average number of employees was 232 contrasted to an average of 97 for the 170 home-grown industries. In plants that were in Nebraska as a result of acquiring an existing plant, the average number of employees was 181. As 85 percent of these plants were originally home-grown industries, this indicates to Mr. Shively that when home-grown industries reach a certain employment size they become candidates for acquisition decisions. Although it is not stated in the report, he would agree, no doubt, that other significant factors are also operative in such decisions.

Of plants locating here from outside the state, 21 (25.9 percent) of the 81 responding to a question about relocation stated that the Nebraska plant represented a relocation, that is, closing a plant in another state, and moving the production to Nebraska, whereas 60 (74.1 percent) said the Nebraska plant represented an additional plant. The number of relocations indicates that there is considerable mobility in industry and that industries may be finding in this state relief from some of the conditions that are becoming intolerable in older, more established industrial areas.

While imported industries as a percentage of all plant locations increased rapidly since 1950 and the percentage of home-grown industries declined, considerable differences were noted by size of community. Small towns under 2,500 population and Omaha at the other end of the scale, followed closely by Lincoln, had the highest percentage of home-grown industries, whereas cities in the population range between 2,500 and 9,999 had the highest percentage of imported industries.

Results of the survey indicate that economic factors predominantly governed decisions of industry to locate in Nebraska.

Labor quality, highway transportation, and labor availability were the three factors most frequently cited as overriding in location decisions. Availability of site, reliability of electric service, and wage rates were next in importance. It was found that site and building availability and dependable utility services are becoming increasingly important as decisive plant-location factors.

Industries participating in the survey are pleased with Nebraska—over 94 percent said they would locate in this state if they had it to do over—whereas in a similar national survey only 78 percent of the industries surveyed would again choose their present location.

The author found that community attitude toward industry increased in importance as a locational factor in recent years and that Nebraska industries gave this factor a favorable rating of 85.8 percent. Industries located in towns of under 2,500 population give it a less favorable rating, however, only 71.1 percent.

Mr. Shively concludes that civic leaders in small communities attempting to attract or hold industry should examine local attitudes and should, if necessary, conduct an educational program on the importance of industry to a balanced economy. He does not mention a fact of which he is no doubt fully aware, that quality of life, environmental considerations, and social costs have made some communities wary of increased industrialization.

The state's tax system received the lowest rating of all factors listed, with over 80 percent of the industries reporting particular dislike of the property tax on inventory and equipment. The survey was taken, however, *before* the Nebraska Legislature enacted a bill exempting 62.5 percent of manufacturers' inventory from personal property taxes.

Of all taxes, the sales and use tax received the highest rating, being approved by 62.5 percent of the respondents. Mr. Shively states that the low rating given Nebraska's tax system may reflect dissatisfaction with the overall level of taxes rather than with the system per se, which indicates to him that efforts should be made to improve the efficiency of state and local governmental units and thereby retard the growth of tax rates.

He suggests further that since this state leads the nation in number of political subdivisions (most of them with the power to tax), consolidation of school districts, counties, and special purpose districts might be an obvious place to begin to effect savings.

The right-to-work provision in the state Constitution is in high favor among the Nebraska industrialists responding to the survey, with 98.4 percent favoring it. According to more than 91 percent of the respondents the supply of unskilled labor appears to be adequate, but only 71.7 percent is satisfied with the supply of skilled labor, which suggests to Mr. Shively that vocational training and apprenticeship programs should be expanded.

It would appear that the freeport exemption for inventory taxes is little used or understood by Nebraska manufacturers because 72 percent of those surveyed had "no opinion" on the matter. For this reason Mr. Shively urges the state's industrial developers to publicize the freeport exemption and to encourage industries to take advantage of it to reduce inventory taxes.

Because his study may have raised more questions than it answered, the author recommends areas for additional study:

Among these would be a multistate study to obtain comparable data from manufacturers in other states; a detailed study on comparative tax levels (Continued on page 6)

Review and Outlook

The dollar volume of Nebraska business activity continued upward in October, with the overall index reaching 154.2% of the 1967 base compared with a level of 153.3% for September. (See Table 2.) The increase from October, 1971, to October, 1972, was 12.8%. The year-to-date average increase was 11.5% through October, 1972. (See Table 1.) Thus the general indication is one of a continuing strong growth. In some of the sectors of the state's economy, however, there are a few signs of weakness and uncertainty.

Although construction activity in October was 37.8% above that of the same month last year, it has fallen below preceding levels for two consecutive months, with the latest decline from

208.2% to 205.5% of the 1967 base. The distributive and services index also fell from 154.4 in September to 153.4 in October; the October, 1972, level was, however, still 8.9% above October, 1971. Much of the increase in the overall index from September to October can be attributed to a rise in the agricultural index, which increased from 135.5 to 142.6. Since the indicator for this sector, cash receipts from marketings, moves erratically and is subject to significant revisions, it is inappropriate to attribute much significance to a large one-month increase in the agricultural index.

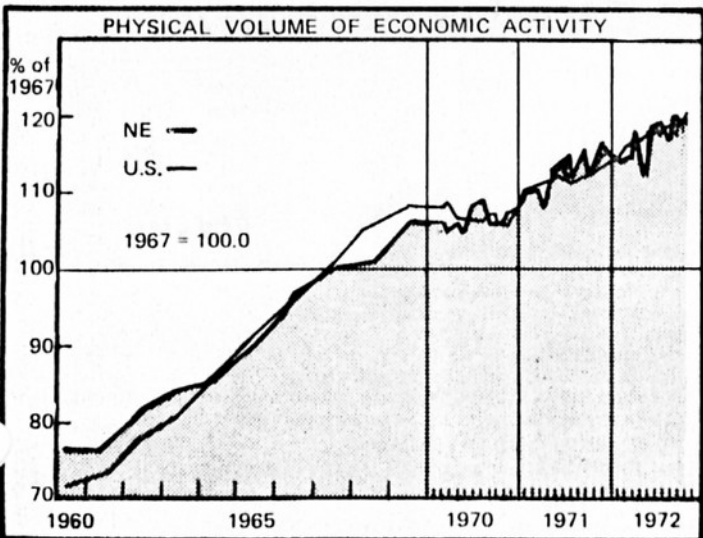
The Nebraska physical volume index was up 5.5% from October, 1971, to October, 1972, yet was down a tenth of a percent-

(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				
October, 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				
Dollar Volume	112.8	111.5	111.5	109.5
Agricultural	123.9	111.5	110.8	109.6
Nonagricultural	111.0	111.5	111.6	109.5
Construction	137.8	110.3	149.6	113.9
Manufacturing	110.4	113.2	107.8	108.7
Distributive	108.9	111.0	109.6	109.7
Government	110.7	111.0	112.2	108.9
Physical Volume	105.5	106.9	104.8	105.3
Agricultural	100.8	97.5	94.1	99.3
Nonagricultural	106.3	107.2	106.9	105.6
Construction	131.9	105.5	142.0	108.1
Manufacturing	105.7	109.1	104.0	105.0
Distributive	105.3	107.3	106.2	106.2
Government	102.4	103.5	103.2	103.3
2. CHANGE FROM 1967				
October, 1972	Percent of 1967 Average			
Indicator	Nebraska	U.S.		
Dollar Volume	154.2	151.9		
Agricultural	142.6	143.6		
Nonagricultural	156.5	152.2		
Construction	205.5	164.1		
Manufacturing	143.5	132.8		
Distributive	153.4	159.0		
Government	169.9	163.5		
Physical Volume	118.2	120.2		
Agricultural	102.4	109.7		
Nonagricultural	121.4	120.5		
Construction	146.8	117.2		
Manufacturing	119.6	111.8		
Distributive	121.2	125.6		
Government	115.5	120.4		

3. NET TAXABLE RETAIL SALES ¹ OF NEBRASKA REGIONS (Unadjusted for Price Changes)		
Region ² and Principal Retail Trade Center	October, 1972 as Percent of October, 1972	1972 Year to Date as Percent of 1971 Year to Date
<i>The State</i>	112.4	112.2
1 (Omaha)	109.2	112.8
2 (Lincoln)	115.0	113.5
3 (So. Sioux City)	88.7	118.1
4 (Nebraska City)	111.9	110.3
5 (Fremont)	114.4	112.0
6 (West Point)	117.3	114.9
7 (Falls City)	117.4	107.6
8 (Seward)	109.3	108.1
9 (York)	117.9	109.2
10 (Columbus)	115.1	109.7
11 (Norfolk)	119.5	115.6
12 (Grand Island)	114.7	111.4
13 (Hastings)	108.1	110.5
14 (Beatrice)	113.1	107.4
15 (Kearney)	116.2	112.2
16 (Lexington)	113.2	110.8
17 (Holdrege)	110.0	111.1
18 (North Platte)	110.8	113.7
19 (Ogallala)	129.4	114.0
20 (McCook)	113.2	112.6
21 (Sidney, Kimball)	116.7	110.0
22 (Scottsbluff)	112.9	114.5
23 (Alliance, Chadron)	116.9	112.5
24 (O'Neill)	119.5	112.5
25 (Hartington)	117.7	112.2
26 (Broken Bow)	112.7	107.8

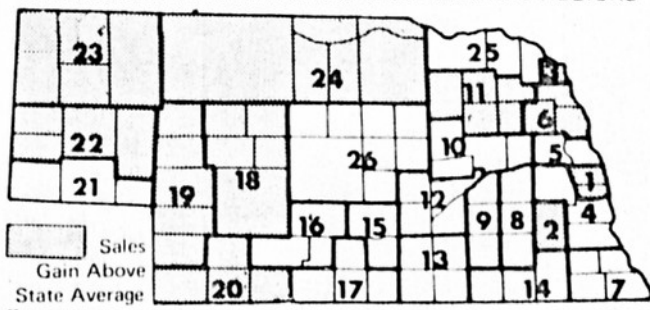


¹Sales on which sales taxes are collected by retailers located in the state, including motor vehicle sales.

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.

1972 YEAR TO DATE AS PERCENT OF 1971 YEAR TO DATE IN NEBRASKA'S PLANNING AND DEVELOPMENT REGIONS



point from 118.3 in September to 118.2 in October in 1972. Rising agricultural prices continued to be the most important factor contributing to the spread between the physical and dollar volume change for the state. Nebraska agricultural prices received increased 22.9% from October, 1971, to October, 1972. (See Table 5.) This increase may not bode well for consumers, but it does help the position of the Nebraska farmer. The significance of the price increases is further emphasized when it is noted that from 1971 to 1972 the Nebraska rate of increase in agricultural prices received has been more than one and a half times the national rate of increase.

The national economy displayed an accelerating pattern of growth in October, 1972. The U.S. dollar volume index increased 11.5% from October, 1971, to October, 1972, compared with an average growth of 9.5% from the first ten months of 1971 to the first ten months of 1972. All sectors of the national economy contributed about equally to the strong overall growth pattern. Sector growth rates from October, 1971, to October, 1972, ranged only from 10.3% for construction to 13.2% for manufacturing. In addition, all sectors contributed to a significant gain in the national dollar volume index which rose from 149.3 in September to 151.9 in October. Thus, while the Nebraska dollar volume growth rate has exceeded the national growth rate for most of the 1971-1972 period, the growth of the national economy has been much more uniform and would not appear to embody as much uncertainty in the immediate future as does growth of the state's economy.

Retail trade activity continued well ahead of 1971 levels during October, 1972. (See Table 3.) For the state as a whole net taxable retail sales increased 12.4% from October, 1971, to October, 1972, while the year-to-date increase, from the first ten months of 1971 to the first ten months of 1972, was 12.2%. Sales gains have been substantial throughout the state. Year-to-date growth rates for all planning regions exceed 7%, with 19 of 26 regions having increases in excess of 10%.

While the growth of retail activity has been substantial in Nebraska, Table 4 shows that growth of banking activity from October, 1971, to October, 1972, was even stronger. After adjustment for price changes, state banking activity was up 21.5% from October, 1971, to October, 1972. For six trading centers (Kearney, Norfolk, York, Chadron, Seward, and Bellevue) the increases exceeded 30%. Although the increases reported for most centers substantially exceed increases for earlier months of the year, this fact can be partly attributed to abnormally low levels of banking activity in October, 1971. In most of the state's trading centers, however, general business activity appears to be continuing to expand at either a moderate or a strong pace.

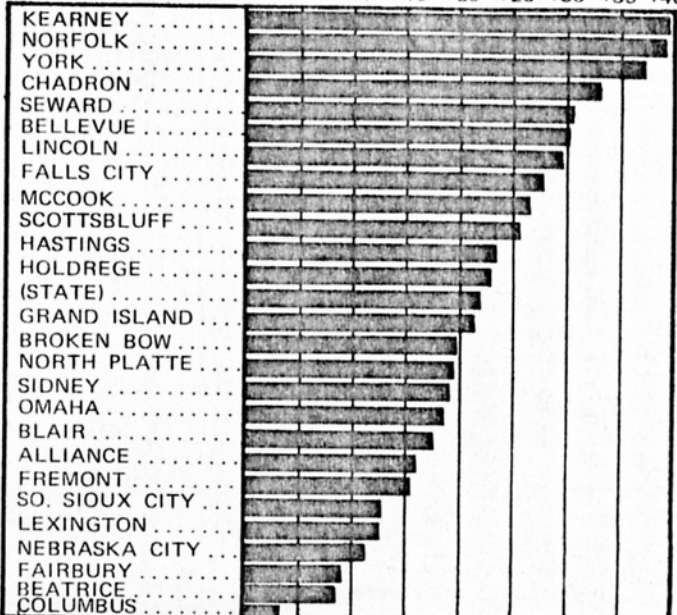
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5. PRICE INDEXES

	Index* (1967 = 100)	Percent of Same Month Last Year	Year to Date as Percent of Same Period Last Year*
Consumer Prices	126.6	103.4	103.3
Wholesale Prices	120.0	104.9	104.2
Agricultural Prices			
United States	130.9	114.4	110.5
Nebraska	139.3	122.9	117.6

*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 BANKING ACTIVITY
Percent Change, Oct. 1971 to Oct. 1972



4. OCTOBER 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>	121.5	108.8	122.2	109.6
Alliance	115.7	108.0	259.2	92.6
Beatrice	108.9	115.3	79.7	135.4
Bellevue	130.1	116.0	31.1	116.2*
Broken Bow	119.8	109.8	149.9	139.7
Chadron	132.6	116.5	219.6	95.7
Columbus	102.9	111.4	178.1	141.8
Fairbury	109.3	111.2	81.8	112.4*
Falls City	126.8	113.2	158.3	123.2
Fremont	115.3	110.6	157.6	90.0*
Grand Island	121.1	108.6	159.7	117.4
Hastings	123.4	100.3	73.5	131.4
Holdrege	123.0	101.1	94.0	110.0
Kearney	139.7	111.2	140.6	103.4
Lexington	112.4	108.4	217.6	102.0
Lincoln	129.7	111.7	160.4	117.8
McCook	126.3	109.7	982.8	124.0
Nebr. City	111.5	110.9	122.1	125.6
Norfolk	139.4	112.3	112.2	117.0
No. Platte	119.6	108.3	49.7	100.8
Omaha	118.3	106.0	134.7	104.2
Scottsbluff	125.6	104.6	77.1	96.5
Seward	130.2	123.1	218.5	130.4
Sidney	119.3	103.0	72.7	92.3
S.Sioux City	112.7	74.3	93.9	109.6
York	137.2	115.7	120.6	114.8
Blair	117.1	111.2	54.9	110.3

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

(Continued from page 3) and attitudes toward taxes in other Midwestern states; use of freeport exemptions throughout the United States; a comparison of what community leaders think were the most important factors causing industries to locate there with what the industries themselves report; and finally, a similar study five years from now to reflect changing trends in location factors.

will make it possible to retrieve any information needed for special studies.

It is significant that the study elicited a response from 330 firms, or 73.2 percent of the sample of 451 companies and that the 330 firms represented 61.2 percent of the manufacturing employment of the state. *Why Industries Located in Nebraska* should prove valuable to all those involved in improving the state's economic climate through industrial development.¹

DOROTHY SWITZER

¹Inquiries about the study should be directed to Robert W. Shively, P. O. Box 499, Columbus, Nebraska 68601.

Mr. Shively presented a review of his study to a seminar on rural development at Purdue University last summer. As a result, the Center for Agricultural and Rural Development at Iowa University obtained funds for computerizing the study. Information from the questionnaires is being put on computer cards which

(Continued from page 2) of dollar-volume growths gives a more appropriate measure of changes in the relative importance of different sectors of the economy than a comparison of physical-volume growths. This point is well illustrated by a comparison of the agricultural and construction sectors for Nebraska. As shown in Table I, the agricultural dollar-volume growth from 1967 to 1971 was only 60% of the rate of growth of the construction dollar volume (22.6% vs. 37.6%). In terms of physical volumes, however, the agricultural growth rate was over twice the rate of growth of construction (11.6% vs. 4.9%).

above 1971 while construction costs were only 5.5% above 1971.

Is agriculture growing faster than construction in economic importance or vice versa? Most farmers would certainly agree that their economic significance has been in relative decline. In spite of the fact that farmers have been capable of making significant increases in physical production, the economic impact of agriculture has suffered long-term relative decline because agricultural prices have historically risen less rapidly than other prices. Thus the economic significance of any sector of the economy depends not only on the physical output produced in the sector, but also on the price that is received for the output. Just as the farmer's economic impact declines as the price he receives fails to keep pace with other prices, the economic impact of the construction worker rises when his wages increase at above-average rates (even though construction workers might not increase their physical production at an above-average rate). Therefore, to show the most meaningful comparison of the changing relative economic importance of the various economic sectors, changes in the dollar volume of activity have been emphasized. It should be kept in mind, however, that these changes overstate "real" growth.

The difference in these two comparisons results because construction costs increased 31% from 1967 to 1971 while agricultural prices received were increasing by only 9.9%. Agricultural prices have generally risen more slowly than construction costs both because the demand for food products has grown slowly and because productivity increases in agriculture have permitted rapid expansion of supply at low cost, while the construction industry has experienced slow growth of productivity and relatively rapid expansion of demand. In 1972, however, the farmers have fared better than usual in comparison with the construction industry. Through October national agricultural prices received were 10.5%

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