

ECONOMIC FORECAST FOR 1978

SUMMARY

National Economy

In 1978:

- Gross National Product will increase 4 percent in constant dollars.
- Inflation will approximate 6+ percent.
- Interest rates will fluctuate with a bias upward of ½ to 1 percent.
- Employment will increase to more than 93 million.
- Unemployment will remain high by historic standards. An unemployment rate of 7½ to 8 percent is anticipated.
- Some taxes will be cut, some increased; net effect, higher taxes.

Nebraska Economy

In 1978:

- Nonagricultural employment will increase to 600,000 by the fourth quarter.
- Personal income will rise 8 to 10 percent in current dollars, 2 to 4 percent in real dollars (deflated for price change). Personal income will fall within the range of 12 to 13 billion dollars.
- Unemployment will rise to approximately 4 percent.

Economic growth will continue in 1978 although the pace will likely be below the 1977 level. A relatively good year is possible, for growth in 1977 was above the trend line. Expansion in 1978 is projected at 4% in real terms; employment will be up about 2 million, but unemployment will rise as well.

Unfortunately, the economic picture for 1978 is not all rosy. In addition to the expected rise in unemployment, the rate of inflation will increase. Prices could be increasing at an annual rate of 8% by the end of 1978, and there is an outside chance that double-digit inflation may recur in 1979.

There is an uncomfortable degree of conformity among economic forecasts for 1978. The consensus forecasts call for a slowdown or pause in the rate of increase in economic activity in 1978. A 3½ to 4% increase in real economic output is the target most often mentioned. Few forecasters are willing to go out on a limb and suggest real growth of 6 or 7%, just as few are willing to forecast a substantial slowdown in the economy during 1978.

Consensus forecasts are notorious for being safe and a means of avoiding difficult decisions. Despite this distrust of consensus forecasts and despite a reluctance to use it, our projections of the economy for 1978 are, by and large, in agreement with the consensus forecast.

Output will continue to expand in the first quarter of 1978. Automobile production will be stronger than anticipated and will provide a welcome boost for the economy. Economic strength is likely to wane a bit in the second and third quarters and then expand very slowly during the fourth quarter of 1978.

Real Gross National Product (GNP)¹ will rise from \$1,350

¹ Real or constant dollar GNP has been deflated for price increases. The base used here is 1972.

billion in the fourth quarter of 1977 to \$1,401 billion during the fourth quarter of 1978. This \$50 billion real increase amounts to a 4% gain. In current dollars, GNP should increase from \$1,954 billion in the fourth quarter of 1977 to \$2,114 billion in the fourth quarter of 1978. These changes are summarized in Table 1.

Table 1
GROSS NATIONAL PRODUCT
IN CURRENT AND CONSTANT (1972) DOLLARS
(in billions of dollars)

	1977.1	1977.2	1977.3	1977.4
GNP - current dollars	1,811	1,870	1,911*	1,954**
GNP - constant 1972 dollars	1,311	1,331	1,343*	1,350**
	Forecast			
	1978.1	1978.2	1978.3	1978.4
GNP - current dollars	2,002	2,042	2,071	2,114
GNP - constant 1972 dollars	1,368	1,379	1,389	1,401

*Preliminary, subject to revision.

**Estimated, subject to revision.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*, September, 1977.

The 1978 forecast is based upon two important assumptions. First, it is assumed that interest rates will not substantially increase and thereby create liquidity problems. Interest rates, reviewed below, are projected to increase perhaps as much as 100 basis points, but this is considered to be sufficiently moderate not to interfere seriously with the projected 4% real growth.

Second, tax changes will have little impact upon the economy in 1978. A \$15 to \$25 billion tax cut will be proposed (and not withdrawn), but such a tax reduction will have only a limited impact upon a \$2,000 billion economy. (Continued on page 2)

(Continued from page 1) Any income tax reductions are likely to be offset entirely by increases in other taxes, particularly Social Security taxes and energy taxes. Taxes are likely to rise in 1978 despite appearances to the contrary.

EMPLOYMENT AND UNEMPLOYMENT

The civilian labor force increased 2.8 million in 1977.² Employment, however, expanded more rapidly than the civilian labor force, thereby slightly reducing unemployment. Employment increased 3.5 million persons in 1977, allowing for a 700,000 reduction in unemployment. The unemployment rate declined from 7.9% in late 1976 to 6.9% in November, 1977. The unemployment rate has changed little since the second quarter, dipping to 6.9%, increasing to 7.1%, and dropping back to 6.9% on a month-to-month basis.

An outstanding employment development was recorded among the female segment of the labor force. Added to the labor force during 1977 were 1.60 million females, compared to 1.16 million males. Three females were added to the labor force for each two males added, a rather remarkable development.

This trend carried over into employment in 1977. Females were employed at a more rapid rate than males during 1977, another rather astounding development. Added to the roles of the employed during 1977 were 1.8 million females, compared with 1.7 million males. Unemployment rates were still lower for males than females, however, with the male unemployment rate standing at 6.3%, compared with the female unemployment rate of 8% as of October, 1977 (7.4% and 8.8% declines, respectively, from October, 1976).³

The labor force, employment, and unemployment will continue expanding in 1978. The labor force will climb to record levels during 1978, and will be followed by record-setting employment totals. Employment is projected to increase more slowly than the labor force, however, so a corresponding increase in unemployment is anticipated.

Employment is projected to rise by approximately 3½% during 1978, and should approximate nearly 94 million workers (household survey basis) by the end of 1978. This will represent an increase in employment somewhat below the 4% recorded in 1977 and that recorded in earlier years. Slower economic growth will result from reduced employment gains in 1978 compared with 1977.

Unemployment will increase from 6.9% (November, 1977) to 7½ or 8% during 1978. To a very large extent, unemployment growth depends upon how rapidly the labor force grows. If the labor force expands as rapidly as it has in years past, unemployment may approximate 8% during 1978. On the other hand, the rate of increase in the labor force is likely to diminish, reflecting lower birth rates twenty years ago and a saturation (partial) of the available female labor supply. Should the labor force expansion be slower than in previous years, unemployment may be held to 7½% during 1978.

INFLATION

Consumer prices are expected to increase by more than 6% during 1978. Inflation may run as high as 8% (annual rate) in the

²This measure of the labor force was calculated using the household survey data, and produces a slightly larger number than the establishment data.

³U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings* 24, No. 11 (November, 1977), Table A-1.

fourth quarter 1978 and even higher in 1979.

Prices will rise in 1978 in accord with higher minimum wages, higher Social Security taxes, and higher energy costs. Increases in minimum wages can lead to higher unit labor costs in important consumer sectors, such as food distribution and services, and higher minimum wages have been known to push collective bargaining settlements higher as the organized sector attempts to maintain differentials. Energy prices are rising, and will probably be reinforced by new energy taxes. Large increases in the money supply in 1976 and 1977 will accommodate 1978's inflation.

Price increases can be expected to be roughly similar for food and non-food items. Non-food items will show slightly higher inflation rates, with automobiles and housing expected to increase at least 6% during 1978. Energy price increases will be nearly 8% during 1978. Higher prices for gasoline, electrical energy, and natural gas will occur periodically without interruptions.

A 6% increase is the minimum likely for services. The minimum wage increase to \$2.65 an hour in January, 1978, will have a big impact upon service prices. Productivity increases are notoriously difficult to achieve in the service sector, and, with relatively large labor inputs, substantial pressure will develop on service prices.

The uncertain element in the inflation equation is food prices. Agricultural prices have been declining for two or three years, but have stabilized with the announcement that the Russian grain harvest would be approximately 20 million metric tons below what had been anticipated. Announcements and rumors of Soviet and Chinese commodity purchases have made commodity markets extremely nervous. Export expansion has already influenced cash prices. Prices paid by farmers actually increased 1% in November, 1977, the first increase in several months.

What are the implications of this increase in exports for American food prices? The excess grain supply in the United States is so substantial that increased exports are likely to have only a limited impact upon domestic food prices. Domestic food prices will rise far more rapidly because of the increases in distribution (minimum wages increases) and energy costs than due to increased export demands. The outlook for consumer food prices before the increase in exports was around 5%. There is little in the export news to change our opinion.

INTEREST RATES

Short-term interest rates will rise between 50 to 100 basis points during 1978. This rise will occur despite a slowdown in the economy and rising levels of unemployment. Short-term interest rates will move up and down during 1978, with little substantial movement in either direction. Overall, however, interest rates will average about ½ to 1 point above 1977 levels.

Higher interest rates appear likely because of the rather substantial increases in the money supply during 1976 and 1977. A similar increase in 1978, it could be argued, would allow for an intolerable rise in the rate of inflation. It seems improbable that the Federal Reserve System will allow the money supply to increase an additional 10% in 1978. If loan demand holds, and this seems probable, pressure on interest rates can be expected. Arthur Burns's term as Chairman of the Federal Reserve Board expires, and uncertainty over his reappointment adds complexity to the interest situation.

THE NEBRASKA ECONOMY

Nebraska's economy is among the top decile in the nation in terms of strength. The state's industrial composition and solid

1977 SUMMARY AND EVALUATION OF THE 1977 FORECAST

For a year when the U.S. economy was subjected to so many external pressures, 1977 on the whole has not departed substantially from the trend projected by many analysts. The 1977 forecast called for a 5 to 6% increase in real GNP; the actual increase will range between 4.8% and 5% during 1977.¹ Hindsight indicates that relatively optimistic forecasts were more nearly correct than less optimistic ones.

Prices increased 6.4% in 1977. The forecast target was between 5 to 6%. The forecast would have been more

¹ Final fourth-quarter 1977 data were not available at the time of writing. See *Business in Nebraska* 56, No. 14 (January, 1977).

COMPARISON OF 1977 FORECAST WITH ACTUAL

Indicator	Actual	Forecast
GNP, in 1972 dollars	4.8 - 5.0% ¹	5 to 6%
Prices	6.4% ²	5 to 6%
Interest rates	up 1½%	Stable
Employment	92 million ³	90+
Unemployment (average for 1977)	7.0% ³	7.0%

¹ Compares 3rd quarter 1976 with 3rd quarter 1977.

² October, 1976, to October, 1977.

³ Through November, 1977.

accurate had the January freeze not produced an uncommonly large increase in the price of fresh fruits and vegetables. Had a normal rate of inflation prevailed in January of 1977, the annual rate for 1977 would have been 5.9% for 1977 and within the range forecast.

The forecast called for stable interest rates during 1977. This is the area in which the forecast suffered its largest embarrassment. Short-term interest rates increased approximately 75 to 200 basis points, depending upon the measure. The federal funds rate increased 200 basis points, the prime rate 150 basis points, and the discount rate 75 basis points. Short-term interest rates increased slightly during the first month of 1977 in what appears to have been a technical market adjustment. Interest rates were then stable, as the forecast has indicated, for about five months before moving up again. Short-term rates now appear to have stabilized (December, 1977). Overall the rise was more than anticipated.

Employment was forecast to increase to more than 90 million in 1977. Employment as of October, 1977, stood at 91.2 million, a record. The increase in the number of persons working continues to be one of the major sources of strength. Unemployment was forecast to average 7%; during the first eleven months of 1977 it averaged 7.1%.

employment base are the major sources of economic strength. Nebraska is not dependent upon cyclical industries where employment and output expand and contract rapidly. Manufacturing constitutes less than 15% of the state's nonagricultural employment, and is sufficiently mixed to promote stability. Service employment is a high proportion of the state's total, and this sector remains very constant year in and year out.

Glowing optimism is not warranted, however, for there are major concerns for 1978 which were not as apparent in 1977. Declining prices for agricultural commodities make quite an impact on the Nebraska economy. Direct farm income has constituted from 26% to 14% of personal income during the past decade. Poor agricultural prices have an impact beyond the farm, for falling agricultural prices reduce demand throughout the state's economy. Agricultural services, machinery implements, fertilizers, and related commodities move in sympathy with agriculture prices. The effect soon spreads into the retail sector. Poor retail sales in rural areas have been evident since the fourth quarter of 1976. Sales in some small towns are running below year-earlier levels. After adjusting for price increases, retail sales are above 1976 levels in only two of the state's twenty-six planning and development districts. This is a potential danger sign and must be scrutinized very closely. A year ago, retail sales were ahead of the 1975 pace in all twenty-six regions.

It is difficult to estimate the impact of low agricultural prices on the Nebraska economy. There is a lack of basic knowledge concerning the interrelationship between the agriculture economy and the balance of Nebraska's economy. Prices have recovered

somewhat from the depressed levels of the late summer (August, 1977), but it is difficult to be too optimistic about the agriculture situation because of the huge commodity stockpiles. These surpluses may require years to deplete, and it seems unlikely that higher agricultural prices are going to develop until surpluses are depleted. Weak agricultural prices are the main problem facing the Nebraska economy.

Despite the weakness in the agriculture sector, solid employment gains will be recorded in 1978. Nebraska added more jobs in services than in any other sector in 1977; 12,000 positions (3½%) were added in 1977 (see Table 2, page 6). Manufacturing added less than 2,000 positions; government, a little more than 1,000 jobs. Construction employment was unchanged in 1977.

These trends were projected to continue into 1978. The distributive sector will lead all sections in absolute and relative employment increases. Another 12,000 positions were forecast to be added to the distributive sector. Slight employment gains will be recorded in manufacturing, government, and the construction sector.

Total nonagricultural employment will surpass 600,000 in 1978, a record for Nebraska.⁴ Nebraska's unemployment rate will continue to be the envy of the nation. Unemployment will rise moderately during 1978 and will exceed 4% at times, but will average less than 4% for the year. Even at these slightly higher levels, 1978 unemployment in

(Continued on page 6)

⁴ Employment was forecast to surpass 600,000 in 1977, but this failed to materialize. Data revisions were partly responsible for this error. The forecasting equations have been revised and, it is hoped, are more accurate.

Review and Outlook

Real output in Nebraska rose 0.5 percent in September. The increase in economic activity during the month was a continuation of a recent spurt in Nebraska output which commenced last spring. The state physical volume index for September was 4.1 percent above the level recorded in April, and the September gain represented the fourth increase in the index in the past five months. This recent growth in the Nebraska economy was preceded by a four-month lull in economic activity, with the index of real output showing little movement from December, 1976, through April of this year.

The September advance in real output in the state was not broadly based. Only two sectors recorded increases in output.

Agricultural production, up 4.9 percent in September, accounted for most of the growth, while the distributive sector registered a modest 0.3 percent gain. The remaining three sectors experienced decreases in levels of economic activity for the month. Those sectors, and their August-to-September percentage decreases in activity were: government (-1.6), manufacturing (-0.9), and construction (-0.7).

Agriculture has been the principal source of strength in the Nebraska economy since April. The index of physical volume for this sector increased five of the past seven months, and in September was 13.4 percent above the level recorded in April. Despite increases in seasonally adjusted (and price corrected) output in agriculture, continuing declines in

(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				
September, 1977	Current Month as Percent of Same Month Previous Year		1977 Year to Date as Percent of 1976 Year to Date	
	Nebraska	U.S.	Nebraska	U.S.
Dollar Volume	113.5	110.5	110.9	110.5
Agricultural	109.8	99.2	98.5	99.9
Nonagricultural	114.0	110.9	112.9	110.9
Construction	123.9	119.6	142.3	115.8
Manufacturing	109.6	112.4	112.0	111.4
Distributive	115.9	110.5	112.1	111.4
Government	108.8	106.9	107.9	106.5
Physical Volume	109.1	104.3	106.3	104.4
Agricultural	123.9	106.3	109.6	102.5
Nonagricultural	106.9	104.2	105.8	104.5
Construction	112.6	108.7	134.3	109.0
Manufacturing	103.5	105.9	105.8	104.9
Distributive	108.8	103.6	105.3	104.7
Government	101.7	102.3	99.5	101.4

2. CHANGE FROM 1967		
Indicator	Percent of 1967 Average	
	Nebraska	U.S.
Dollar Volume	266.3	239.8
Agricultural	221.8	214.7
Nonagricultural	274.0	240.7
Construction	287.9	216.5
Manufacturing	284.6	229.5
Distributive	271.0	248.8
Government	266.7	242.6
Physical Volume	144.1	129.2
Agricultural	142.2	127.1
Nonagricultural	144.5	129.2
Construction	131.5	98.9
Manufacturing	147.5	119.6
Distributive	147.3	135.2
Government	132.6	138.5

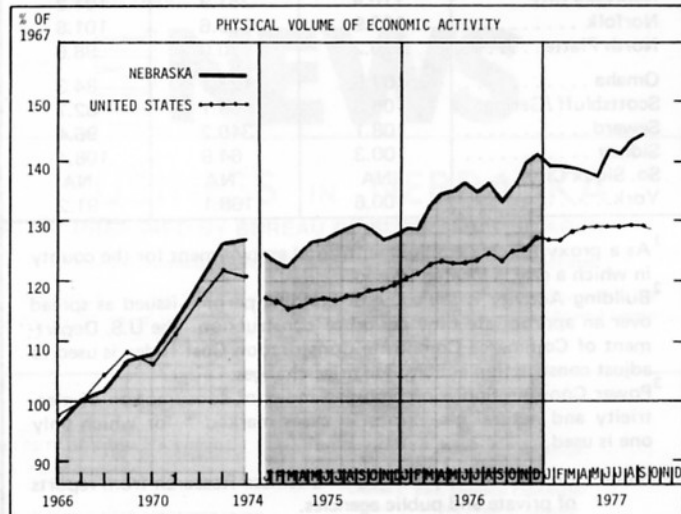
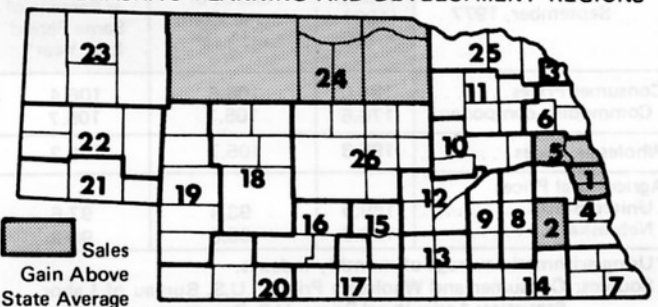
3. NET TAXABLE RETAIL SALES OF NEBRASKA REGIONS AND CITIES (Adjusted for Price Changes)			
Region Number ¹ and City	City Sales ²	Sales in Region ²	
	Sept. 1977 as percent of Sept. 1976	Sept. 1977 as percent of Sept. 1976	Year to date '77 as percent of Year to date '76
<i>The State</i>	107.1	107.2	98.6
1 Omaha	112.5	113.1	102.5
Bellevue	130.8		
2 Lincoln	111.2	111.6	104.9
3 So. Sioux City	91.0	93.0	93.8
4 Nebraska City	73.6	100.0	98.6
5 Fremont	108.8	111.4	99.5
Blair	101.5		
6 West Point	127.5	115.5	95.2
7 Falls City	106.6	100.3	98.6
8 Seward	100.2	104.8	93.6
9 York	98.3	88.8	91.6
10 Columbus	115.5	107.6	96.4
11 Norfolk	111.8	105.9	94.5
12 Grand Island	105.7	104.6	96.2
13 Hastings	100.1	99.0	94.1
14 Beatrice	104.3	102.6	94.8
Fairbury	98.4		
15 Kearney	109.4	104.6	96.6
16 Lexington	106.6	102.8	97.1
17 Holdrege	112.8	99.0	89.5
18 North Platte	96.2	96.5	95.9
19 Ogallala	105.9	97.6	90.5
20 McCook	103.5	103.3	93.1
21 Sidney	111.3	112.1	91.6
Kimball	127.2		
22 Scottsbluff/Gering	105.0	103.9	91.7
23 Alliance	123.0	111.9	96.2
Chadron	120.8		
24 O'Neill	95.0	95.3	99.0
25 Hartington	131.7	107.5	94.7
26 Broken Bow	102.1	98.2	91.1

¹ See region map below.

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

Compiled from data provided by Nebraska Department of Revenue.

1977 YEAR TO DATE AS PERCENT OF 1976 YEAR TO DATE IN NEBRASKA'S PLANNING AND DEVELOPMENT REGIONS



(Continued from page 4) agricultural prices have limited the stimulus provided by this sector to the rest of the state economy. In September, prices received by farmers in the state fell another 1.8 percent. Since April, they have dropped 7.3 percent. Price declines for crops produced by farmers in the state have been especially sharp (24.6 percent lower in September than in April), while prices for livestock and livestock products have edged slightly higher.

The distributive sector also contributed to the recent growth of the Nebraska economy. September marked the fourth consecutive month of increase in distributive sector output, with the index of physical volume for this sector 4.4 percent above last April. While growth of seasonally adjusted employment in this sector was modest in past months, recent increases in retail sales in the state reflect improved conditions in this sector of the Nebraska economy. It isn't clear, however, that the four-month spurt in price-adjusted retail sales will continue without some improvement in agricultural prices. On a year-to-date basis, price-adjusted retail sales in Nebraska remain 1.4 percent below last year, with only two of the state's twenty-six planning and development regions showing increases relative to 1976.

Manufacturing is the only other sector of the state economy which has contributed to the recent strength of economic activity in Nebraska. While lower in September, production by this sector increased in four of the past six months and, in September, was 3.7 percent above the April level. Government production, also lower in September, has established no discernible trend in recent months. Construction activity in September declined for the fifth consecutive month, and has dropped by more than 14 percent since April.

The September city business indexes reflected the underlying strength of economic activity in the state, with twenty-two of twenty-five reporting cities showing improvement relative to September, 1976. Employment growth and higher retail sales made a major contribution to the improved showing of many Nebraska cities. Alliance (14.8 percent above last September) posted the largest gain, although Columbus (up 14.3 percent) and Bellevue (up 13.3 percent) also recorded significant rises in September-to-September increases in economic activity. Other cities in the state with September-to-September increases in economic activity which exceeded 7 percent were: Holdrege, Seward, Norfolk, Omaha, and Chadron.

The physical volume index for the United States was unchanged in September. Although the agricultural, manufacturing, and government sectors registered increases in output for the month, these gains were offset by decreases in activity in the construction and distributive sectors.

W. D. G.

CITY BUSINESS INDEXES					
Percent Change September, 1977 to September, 1976					
	-5	0	5	10	15
Alliance					
Columbus					
Bellevue					
Holdrege					
Seward					
Norfolk					
Omaha					
Chadron					
Broken Bow					
McCook					
Lincoln					
Grand Island					
STATE					
Kearney					
Lexington					
Sidney					
Falls City					
Blair					
Fremont					
Beatrice					
Scottsbluff/Gering					
York					
North Platte					
Hastings					
Nebraska City					
Fairbury					

Source: Table 4 below.

4. SEPTEMBER CITY BUSINESS INDICATORS			
The State and Its Trading Centers	Percent of Same Month a Year Ago		
	Employment ¹	Building Activity ²	Power Consumption ³
<i>The State</i>	104.9	111.3	90.2
Alliance	110.1	63.7	135.1
Beatrice	102.8	91.7	98.3
Bellevue	107.5	94.0	82.9*
Blair	106.1	196.1	69.9
Broken Bow	103.6	55.7	160.5
Chadron	95.6	78.8	117.5
Columbus	111.1	204.3	105.2
Fairbury	99.7	67.4	97.3*
Falls City	99.0	189.2	84.8
Fremont	100.2	113.8	84.1*
Grand Island	103.4	155.0	93.1
Hastings	98.9	133.6	89.7
Holdrege	105.2	186.3	95.7
Kearney	97.8	127.8	101.5
Lexington	110.7	59.1	94.5
Lincoln	105.3	94.5	92.6
McCook	113.3	86.0	97.1
Nebraska City	110.4	281.9	101.2
Norfolk	102.9	139.6	101.8
North Platte	110.2	70.0	98.6
Omaha	107.5	127.1	84.3
Scottsbluff/Gering	106.3	69.1	82.7
Seward	108.1	340.2	96.4
Sidney	100.3	64.9	108.4
So. Sioux City	NA	NA	NA
York	100.6	168.1	91.2

¹As a proxy for city employment, total employment for the county in which a city is located is used.

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

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

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

5. PRICE INDEXES			
September, 1977	Index (1967 = 100)	Percent of Same Month Last Year	Year to Date as Percent of Same Period Last Year*
Consumer Prices	184.0	106.6	106.4
Commodity component	176.6	105.7	105.7
Wholesale Prices	195.3	105.7	106.2
Agricultural Prices			
United States	169.0	93.4	97.6
Nebraska	156.0	88.6	90.2

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

Members of the staff at the Bureau of Business Research and the College of Business Administration note with deep regret the death of Dr. Edgar Z. Palmer on December 13, 1977.

A native of Pennsylvania, Dr. Palmer came to Nebraska in 1946 to serve as Director of the Bureau of Business Research. Before coming to Nebraska, Dr. Palmer had been on the faculty of the University of Kentucky where he taught a variety of economics and business courses. Dr. Palmer had also spent a year at the University of Wisconsin where he did extensive work on Wisconsin's industrial developments.

From September, 1946, through February, 1963, Dr. Palmer directed the Bureau's research program. In his words, the theme of the Bureau's research was: "What makes a city, town, or village tick, in a business and economic sense?" During Dr. Palmer's tenure with the University of Nebraska the state was passing through a very difficult and complex adjustment period. Technological change was altering Nebraska's communities. Federal agencies had ceased to collect data on many important activity areas. It was in response to these challenges that Dr. Palmer guided the Bureau's research program. His interest in community development is recognized in the publication of bulletins along these lines. Bulletin No. 63, *The Community Economic Base Multiplier*, is in

use today, and requests are still received for this publication.

Dr. Palmer initiated a retail sales data collection program when the state had no such program. Along with a handful of other academics across the United States, Dr. Palmer was instrumental in developing local population estimates when the Bureau of the Census was uninterested in such work. Today the basis of this work is the foundation of the Federal State Cooperative Population Estimating Program, a program of considerable importance.

Dr. Palmer did not know the meaning of retirement. When compelled to retire from the University of Nebraska in 1963, he and his wife left for Ataturk University in Erzurum, Turkey. Upon returning to Lincoln, Dr. Palmer remained very active in community affairs. In the 1970s he returned to assist the Bureau in an analysis of the 1970 census. He continued to accept assignments with the Bureau, writing the Review and Outlook column of *Business in Nebraska* as recently as June, 1976.

All of us in the Bureau and the College of Business Administration and many of Dr. Palmer's colleagues across the University felt that it was a distinct privilege to have known him. We are grateful for the many contributions he made, not only to the University of Nebraska and Nebraska's communities but to the national and international programs with which he was associated.

D. E. P.

FORECAST (Continued from page 3) Nebraska will be approximately half that of the national average.

Personal income will make modest gains in Nebraska during 1978. Real increases in personal income will range between 2 to 4%, the exact amount being determined by the extent to which

farm income is able to recover. Personal income in money terms is likely to increase by 8 to 10% as inflation raises all incomes and provides an illusion of an improving situation. Nebraska per capita income may surpass the national average if agriculture has an unexpectedly good year.

DONALD E. PURSELL

Table 2
NEBRASKA EMPLOYMENT BY SECTOR, 1976.4 AND 1977.4
AND FORECAST FOR 1978
(in thousands)

	1976.4	1977.4	1978.1	1978.2	1978.3	1978.4	Average 1978
Construction	25.9	25.9	22.4	27.2	29.1	26.7	26.4
Manufacturing	91.0	92.7	92.2	92.8	93.3	93.9	93.0
Distributive	333.2	347.5	343.9	355.9	358.3	359.9	354.5
Government	120.4	121.8	121.8	123.4	120.9	122.9	122.2
Total	570.5	587.9	580.3	599.3	601.6	603.4	596.1

Source: Bureau of Business Research, University of Nebraska-Lincoln.

NEWS

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