THE FORGOTTEN HOOSIER RECESSON

Will the strike of United Auto Workers against General Motors bring about a recession? Perhaps we can answer that question by reference to the past.

In 1970, there was a strike by the UAW against GM that lasted from mid-September until mid-November. That strike did not cause a national recession, nor did it cause a recession in Indiana.

FIGURE 1. PERSONAL INCOME (billions of 1992 dollars)

recession at the state level, Indiana's recession began in the fourth quarter of 1969 and bottomed out a year later (see figure 1).

The UAW-GM strike in the latter part of 1970 may have prolonged that recession, but did not cause it. The recession of 1970 resulted from an earlier downturn in durable goods manufacturing in Indiana and the U.S. (see figure 2). It was accompanied in Indiana by downturns in both construction and retail trade (figure 3). The U.S. did not experience comparable problems in these latter sectors and hence did not have a recession in 1970.

FIGURE 2. REAL EARNINGS IN DURABLE GOODS MANUFACTURING (1969:3 = 100)

Another reason we do not expect the UAW-GM dispute to cause a recession in Indiana this year is the decline in relative importance of durable goods manufacturing as part of the national and state economies. In 1970, earnings by workers in durable goods industries accounted for more than 13% of personal income in the U.S. and for 26% in Indiana. By 1997, this figure had dropped to 7.7% nationally and 16.3% in the Hoosier state.

It will take a strike of great duration and sweeping impact in the auto industry today to cause a recession. If it did not happen with a strike of 67 days in 1970, when the industry was of more significance in the economy, we should not anticipate a recession in 1998, even in Indiana.

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CURRENT TRENDS IN INDIANA’S ECONOMY
May 1997 — May 1998

RAW STEEL PRODUCTION
American Iron and Steel Institute
Year to date: 10.2 million net tons
12-month total: 24.9 million net tons
Peak month: January 1998

TOTAL CONSTRUCTION ACTIVITY ($MIL)
F.W. Dodge Construction Potentials Bulletin
Year to date: $3,570.9 million
12-month total: $8,482.1 million
Peak month: April 1997

INDUSTRIAL ELECTRICITY SALES (BILLIONS)
The 5 investor owned utilities
Year to date: 14.9 billion kwh
12-month total: 35.4 billion kwh
Peak month: January 1998

UNEMPLOYMENT RATE
Indiana Department of Workforce Dev
Peak month: February 1992

NEW CAR REGISTRATIONS
R.L. Polk and Company
Year to date: 55,072
12-month total: 143,258
Peak month: May 1996

HOUSING STARTS
F.W. Dodge Construction Potentials Bulletin
Year to date: 15,137
12-month total: 35,394
Peak month: April 1998

Moving Average
Peak = since 1992

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The majority of seniors who graduated from Indiana's public high schools last year indicated their plans to go on to one of these four types of higher education institutions:

Four Year: 30,675 (53.37%)
Two Year: 5,175 (9%)
Vocational/Technical: 4,893 (8.51%)

Of the 57,479 graduates, 40,743 had plans to further their education. The high school graduation rate in Indiana that year was 88%, with 39 counties achieving rates of 90% or higher.

These data are based on the 1996/97 school year and were produced by the Indiana Department of Education.