



Fiscal Policy **BRIEF**

February 21, 1992

The Changing Indiana Economy

Recent U. S. Dept. of Commerce estimates of gross state product for each state by industry through 1989 provide dramatic evidence of economic trends in the United States and Indiana. As the tables in this *Brief* indicate, both the U. S. and Indiana continue their shift toward relative reliance on finance and services and away from manufacturing (especially durable goods) and farming. Another trend evident from the new estimates is the growing significance of state and local government, both nationally and in Indiana.

The recession of the early-1980s proved to be a watershed in Indiana economic history. The proportional decline of durable goods manufacturing between 1977 and 1982 was far greater than during the much longer period from 1963 to 1977, and,

although the share of GSP represented by manufacturing has declined more slowly since 1982, the decline continues.

Nationally, 1989 was the first year in which services were a larger proportion of total GSP than was manufacturing and it is notable that finance and services together, while somewhat smaller than manufacturing in 1963, are now nearly twice as large as manufacturing.

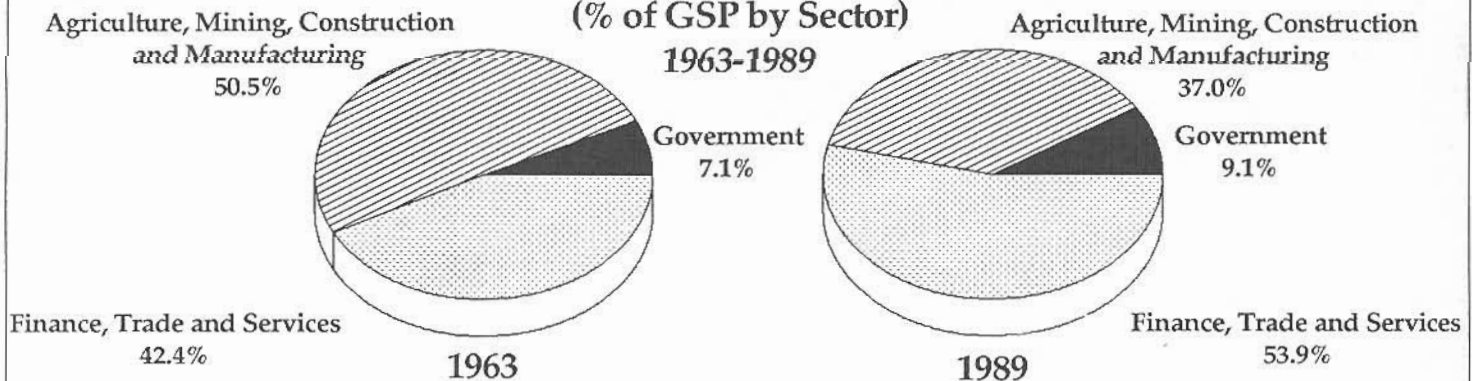
Indiana, along with the other Great Lakes states, has declined relative to the rest of the U. S. In 1963, the Indiana share of total GSP was 2.73 percent. By 1989, it had declined to 2.04 percent. If that decline had not occurred, Indiana GSP in 1989 would have been \$35.6 billion (33.8 percent) higher than it actually was.

The figures do not include the effects of the recession that began in mid-1990. It remains to be seen whether the trends noted in these tables will have been accelerated as they were in the early-1980s. In any event, the changing Indiana economic structure should be examined by policymakers with respect to a wide range of issues from the size of state and local government to tax policy.

Gross State Product

The Bureau of Economic Analysis defines gross state product as "the market value of the goods and services produced by labor and property located in a State. It is the State counterpart of the Nation's gross domestic product (GDP) from the national income and product accounts."

The Changing Indiana Economy (% of GSP by Sector)



Sources

All of the data in this *Brief* were derived from two sources:
Vernon Renshaw, Edward A. Trott, Jr., and Howard L. Friedenberg, "Gross State Product by Industry, 1963-86," *Survey of Current Business* (May 1988), pp. 30-46

Edward A. Trott, Jr., Ann E. Dunbar, and Howard L. Friedenberg, "Gross State Product by Industry, 1977-89," *Survey of Current Business* (December 1991), pp. 43-59

Survey of Current Business is a publication of the Bureau of Economic Analysis, U. S. Department of Commerce.

The percentage calculations were done by the Indiana Fiscal Policy Institute.

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Table 1
Percentage of Gross State Product by Industry
United States and Indiana
Selected Years, 1963 to 1989

	1963	1977	1982	1985	1989
United States					
Farms	3.4	2.6	2.5	1.9	1.7
Agr. Services	0.3	0.4	0.4	0.4	0.5
Mining	2.2	2.6	4.3	2.9	1.6
Construction	4.8	5.0	4.5	4.7	4.8
Manufacturing	28.1	23.8	20.4	19.9	18.7
Durable	16.4	14.2	11.7	11.6	10.5
Nondurable	11.7	9.6	8.8	8.3	8.2
Transp. & Public Utl.	9.2	9.1	9.3	9.4	8.9
Wholesale Trade	6.7	7.1	7.1	7.1	6.6
Retail Trade	9.7	9.9	9.3	9.5	9.4
Finance/Ins./Real Estate	14.4	14.3	15.3	16.1	17.4
Services	10.6	12.9	14.9	16.3	18.8
Fed. Civilian Govt.	2.6	2.8	2.6	2.5	2.4
Fed. Military	1.6	1.4	1.5	1.4	1.3
State & Local Govt.	6.3	8.1	7.9	7.8	8.0
Indiana					
Farms	4.2	3.9	3.5	2.7	2.2
Agr. Services	0.2	0.2	0.3	0.3	0.3
Mining	0.7	0.6	0.9	0.8	0.6
Construction	4.2	4.6	4.5	4.4	5.0
Manufacturing	41.2	36.7	30.5	30.5	28.9
Durable	29.8	27.6	21.8	21.7	20.0
Nondurable	11.5	9.1	8.7	8.8	8.9
Transp. & Public Utl.	8.6	9.4	9.5	9.8	9.5
Wholesale Trade	5.0	5.7	5.7	5.7	5.4
Retail Trade	9.1	10.1	10.0	10.2	10.0
Finance/Ins./Real Estate	12.6	11.5	14.2	14.3	14.8
Services	7.1	9.2	11.5	12.5	14.2
Fed. Civilian Govt.	1.3	1.5	1.5	1.5	1.6
Fed. Military	0.4	0.4	0.5	0.5	0.5
State & Local Govt.	5.4	6.3	7.3	6.9	7.0

Table 2
Indiana Gross State Product as a Percent of U. S. Total
Selected Years, 1963 to 1989

	1963	1977	1982	1985	1989
Farms	3.39	3.70	2.96	2.84	2.62
Agr. Services	1.65	1.37	1.69	1.32	1.42
Mining	0.89	0.58	0.42	0.53	0.75
Construction	2.34	2.24	2.08	1.89	2.14
Manufacturing	4.01	3.80	3.10	3.10	3.15
Durable	4.96	4.78	3.88	3.79	3.90
Nondurable	2.67	2.34	2.06	2.14	2.21
Transp. & Public Utl.	2.58	2.54	2.12	2.10	2.18
Wholesale Trade	2.03	1.96	1.69	1.63	1.69
Retail Trade	2.55	2.52	2.25	2.18	2.16
Finance/Ins./Real Estate	2.38	1.97	1.93	1.79	1.74
Services	1.83	1.75	1.60	1.56	1.54
Fed. Civilian Govt.	1.31	1.30	1.19	1.22	1.30
Fed. Military	0.63	0.62	0.67	0.74	0.75
State & Local Govt.	2.33	1.91	1.90	1.80	1.78
TOTAL	2.73	2.46	2.08	2.03	2.04

Table 3
Gross State Product
United States, Great Lakes Region, and Indiana
Selected Years, 1963 to 1989 (in millions of dollars)

Year	United States	Great Lakes*	Indiana
1963	\$ 598,847	\$133,425	\$ 16,330
1977	1,957,608	389,173	48,176
1982	3,104,181	525,453	64,455
1985	3,966,280	660,968	80,359
1989	5,164,671	849,141	105,314
Pct. Increase			
1963-1989	762.4%	536.4%	544.9%
1963-1977	226.9	191.7	195.0
1977-1989	163.8	118.2	118.6

*Illinois, Indiana, Michigan, Ohio, Wisconsin

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