

APRIL, 1944



# BUSINESS CONDITIONS

A REVIEW BY THE FEDERAL RESERVE BANK OF CHICAGO

# Bank Earnings Highest Since 1930

## Operating Ratios Reveal Sources of Income

The flood of deposits which poured in on banks as a result of large purchases of Government securities lifted 1943 earnings of Seventh District member banks to the highest level since 1930. This remarkable showing was made despite rising costs resulting from an expansion of services and a decline in the volume of loans. Total earnings of the 953 member banks amounted to \$232,968,000 last year. Although expenses increased they failed to keep pace with earnings and the net amounted to \$71,095,000, an increase of 19 per cent over the previous year.

The principal increase in earnings came from greatly expanded holdings of Government securities. Earnings from interest and dividends on securities totaled \$120,307,000. The gain in earnings from this source more than offset a decline of \$10,260,000 in revenue from loans, total income from which amounted to \$68,942,000 last year.

Gross earnings from trust departments increased slightly, and were larger than income from service charges on deposit accounts. The former accounted for \$11,868,000 of earnings, whereas the latter brought in \$11,509,000. Not all banks have trust departments, but service charges to cover costs of handling checking accounts are quite general. Of the \$11,868,000 made by trust departments, \$8,753,000 was earned by banks in Chicago where there is a high concentration of trust business. Even in a city the size of Detroit, service charge income was more than three times trust

department earnings. In all other large cities of the district, trust department earnings were relatively unimportant.

The expense side of the picture presented equally important changes from a year ago. Salaries and wages amounted to \$66,699,000 or 8 per cent more than in 1942. While actual data are not available to account for this increase, it resulted principally from an increase in employment and partially from overtime pay and higher wage scales. Interest on time and savings deposits totaled \$21,813,000, an increase of six per cent over a year ago.

Illinois with the largest number of member banks and the largest volume of deposits had the highest total earnings of all five district states.<sup>1</sup> The total for the 316 banks in Illinois amounted to \$126,630,000, but 83 per cent of this amount or \$104,729,000, was earned by 48 banks located in Chicago. Michigan reflected a similar situation with \$28,324,000 or 55 per cent having been earned by six Detroit banks, while 180 other banks earned only \$22,647,000. Indiana was third in total earnings. The 168 member banks in that state earned \$21,169,000 with 31 per cent concentrated in four member banks in Indianapolis. Wisconsin's 115 member banks earned \$20,596,000 of which amount the ten Milwaukee banks earned \$10,323,000, or 50 per cent. Total earnings of the 159 Iowa members amounted

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<sup>1</sup>Figures cover only member banks in the Seventh District portion of each state. Iowa is included wholly in the district.

### EARNINGS AND EXPENSES SEVENTH DISTRICT MEMBER BANKS (thousands of dollars)

Items	1943 953 banks	1942 925 banks	1941 899 banks	1940 856 banks	1939 804 banks	Per cent change 1943 from 1939
Earnings .....	232,968	200,569	183,699	163,255	158,581	+46.9
Interest and dividends on securities .....	120,307	82,416	66,666	63,058	65,511	+83.6
Earnings on loans*.....	68,942	79,202	76,934	62,785	56,597	+21.8
Service charges on deposit accounts.....	11,509	10,266	9,849	8,771	8,307	+38.5
Trust department earnings.....	11,868	11,215	11,547	11,276	10,918	+ 8.7
All other earnings.....	20,342	17,470	18,703	17,365	17,248	+17.9
Expenses .....	161,873	140,860	130,519	116,146	111,542	+45.1
Salaries and wages.....	66,699	61,871	56,246	50,840	48,738	+36.9
Interest on time and savings deposits.....	21,813	20,586	21,304	20,450	21,488	+ 1.5
All other expenses.....	73,361	58,403	52,969	44,856	41,316	+77.6
Net current earnings.....	71,095	59,709	53,180	47,109	47,039	+51.1

\*Service charges and fees on loans were included in "All other earnings" in 1939, 1940, and 1941, but were included in "Earnings on loans" in 1942 and 1943.

# War Causes Population Shifts

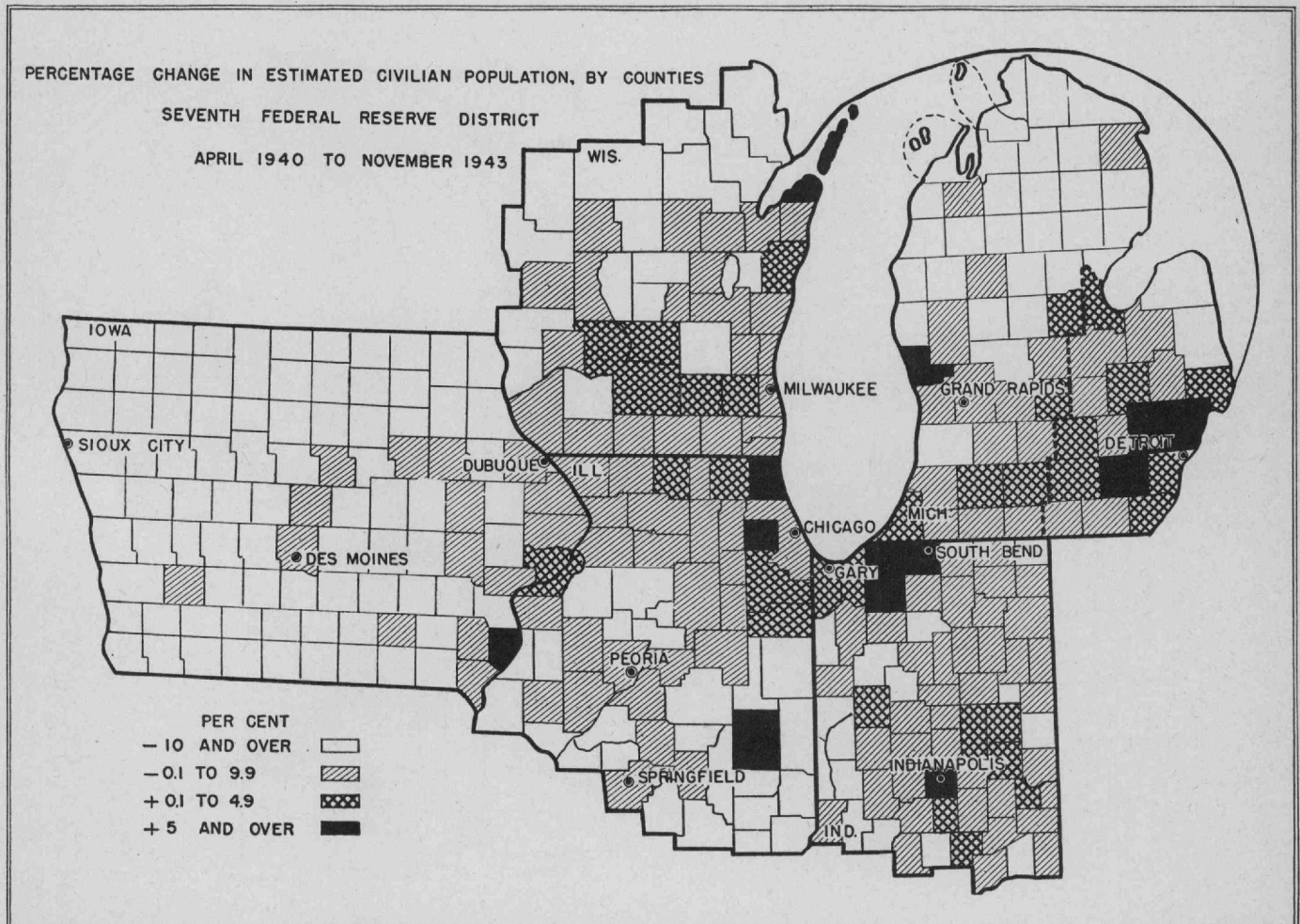
*Many Industrial Areas Make Large Gains Since 1940*

A significant effect of the war has been the marked shifts in population which have occurred in virtually every section of the Seventh Federal Reserve District. Many industrial areas and communities with cantonment centers for the armed forces have grown at the expense of most rural and some urban regions. Urban decentralization has been accentuated by the location of new industrial plants on the periphery of cities. Large numbers of civilians continue to follow members of the armed forces, others are moving between jobs, and for many war-inspired reasons temporary residences are being continually established and given up throughout the district and the nation. So long as hostilities persist, and after peace ultimately is restored, further population adjustments appear certain with the strong probability that many war production centers will experience substantial out-migration. Some depleted areas will have their populations restored, at least in part, by return migra-

tion of members of the armed forces and others to prewar residential communities.

The Seventh Federal Reserve District, lying in the geographical center of the nation, has had millions of persons enter, leave, and travel through it in recent years, and a large population flow is foreseen probably until well after the demobilization of the armed forces. The current mass movement of individuals which already far surpasses population shifts during World War I has been caused largely by public and private efforts to recruit labor, attractive wages and salaries in war production centers, the general level of business activity, and the size and activities of the armed forces.

Measuring population shifts, a difficult problem in peacetime, becomes much more difficult under war conditions. The last decennial census in 1940, however, provides a base against which to measure subsequent population changes,



and recent estimates are available based upon the number of ration books issued. Accuracy of ration book registration data has been questioned, however, particularly when used precisely to measure the population of any city or small area. Certain shortcomings in the method are apparent: many individuals for numerous reasons have not registered for some or all of the ration books; others have not registered in the communities which normally constitute their residence; and difficulties arise because of the changing status of civilians regarding service with the armed forces. Current United States Bureau of the Census population estimates are only for civilians, excluding persons in the armed services.

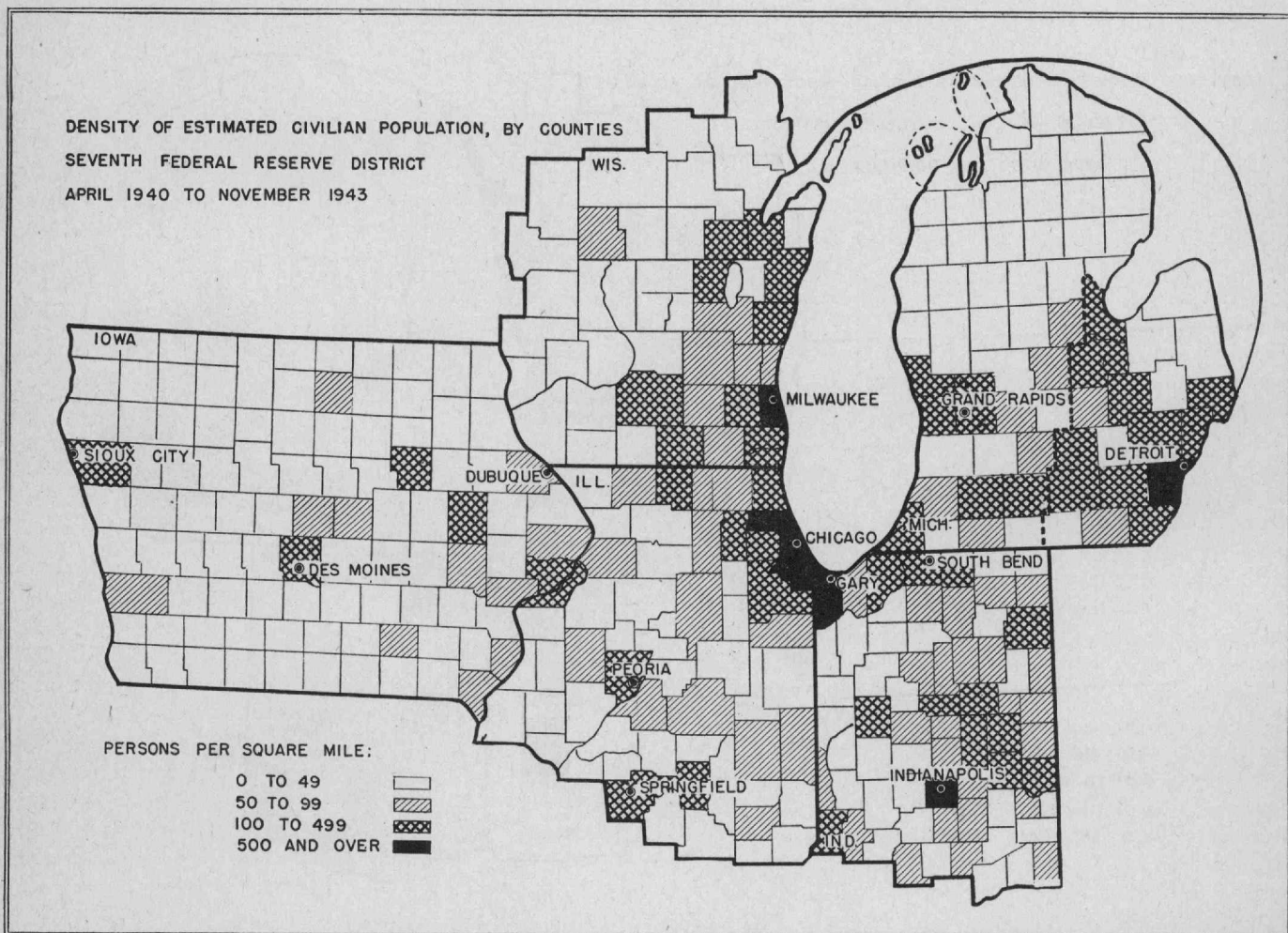
In April, 1940 the Seventh Federal Reserve District, which includes most of Illinois, Indiana, Michigan, and Wisconsin, and all of Iowa, had 19.4 million civilians or 14.8 per cent of the national total according to the United States Bureau of the Census. Recent estimates from the same source based upon Ration Book 4 place the number of persons in the district in November 1943 at 19 million, a decline of 2.2 per cent but an increase to 14.9 per cent of the United States total. Information on persons entering the armed forces from this district is not available, but the number is probably near 2 million men and women.

#### DENSITIES SHOW POPULATION CONCENTRATION

Population densities in the Seventh District which vary widely with the pattern of economic activities indicate the basic distribution of the inhabitants and reveal where the civilian population is now concentrated. The Seventh District, comprising a land area of 190,000 square miles, had an average population density in 1943 of 100 persons per square mile compared with a density of 42 persons in the nation. Among the district states average population densities were: Illinois, 181; Michigan, 126; Indiana, 103; Wisconsin, 77; and Iowa, 42 persons per square mile. When for each state the county having the principal city is excluded, the civilian population densities fall to: Illinois, 73; Michigan, 60; Indiana, 84; Wisconsin, 44; and Iowa, 41 per square mile, revealing the sharp difference in population distribution between metropolitan and other areas.

Extreme variations obviously occur in population densities among district counties. Cook County, Illinois, with a population density of 4,160 persons per square mile includes Chicago, the district's largest city, and has the most concentrated group of inhabitants among all counties in the

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**COMPOSITION OF EARNINGS AND EXPENSES**  
**MEMBER BANKS IN SEVENTH FEDERAL RESERVE DISTRICT—1943\*\***  
(thousands of dollars)

Item	Illinois 316 Banks	Indiana 168 Banks	Iowa 159 Banks	Michigan 186 Banks	Wisconsin 115 Banks
Earnings .....	126,630	21,169	14,195	50,971	20,596
Interest and dividends on securities .....	68,185	10,598	5,826	24,824	11,178
Earnings on loans*.....	34,270	6,716	5,891	18,111	6,434
Service charges on deposit accounts.....	5,663	1,367	1,054	2,736	849
Trust department earnings.....	9,565	415	235	986	420
All other earnings.....	8,947	2,073	1,189	4,314	1,715
Expenses .....	85,620	15,144	9,498	37,195	14,894
Salaries and wages.....	34,825	5,996	4,180	15,445	6,447
Interest on time and savings deposits.....	8,660	2,233	1,377	6,901	2,718
All other expenses.....	42,135	6,915	3,941	14,849	5,729
Net earnings .....	41,010	6,025	4,697	13,776	5,702

\*Earnings on loans includes service charges and other fees on loans.

\*\*The five state totals do not add to the aggregate for 953 banks because detailed data for nine banks are not available.

**BANK EARNINGS —**  
*(Continued from Inside Cover)*

to \$14,195,000. There was a much wider distribution of earnings throughout Iowa than in the rest of the district, with the result that the four members in Des Moines accounted for only 21 per cent of the total for the state.

The earnings and expense figures were taken from individual bank reports for the calendar year. The balance sheet items were computed from the statements of condition sent in for December 31, 1942, June 30, 1943, and October 18, 1943.

Ratios were prepared for each of the 944 member banks whose figures were complete for the full year, and then averages were computed for each group. This method eliminated the influence of size which would have been present if averages of dollar aggregates had been used. Nevertheless, there were wide dispersions from the average. Accordingly, the range of the middle two-thirds of each group is also shown. Deviations from the average reflect local conditions.

That the year 1943 was profitable for banks is shown by the increase in the average ratio of net current earnings to total capital accounts from 8.5 in 1942 to 9.7 in 1943. This ratio is an average of ratios for all member banks in the district regardless of size or location.

Earnings were affected by a variation in the composition of assets. Portfolios of banks generally increased and the holdings of governments in relation to other assets showed a substantial upward movement while the volume of commercial and industrial loans declined. The increase in holdings of governments was pronounced among the larger banks. Consequently, earnings from interest and dividends on securities assumed a larger proportion of total earnings. The ratio of Government securities to total assets for all

member banks increased from 25.1 in 1942 to 42.1 in 1943. The highest ratios were found among the group of largest banks. Wisconsin banks with more than ten million dollars of deposits had the highest average ratio of governments and total assets. As might be expected, there was widespread deviation from the average in all groups with a tendency for the ratios of individual banks to cluster in the higher ranges as the deposit size of the group increased.

The ratio of loans to total assets averaged 27.9 in 1942 and only 17.4 in 1943, again emphasizing the shift to investments in order to employ funds. Here there was an inverse relationship. As deposit size increased the ratio of loans to total assets decreased. Those banks in the less than \$500,000 deposit size group had an average ratio of 20.7. Banks in the \$500,000 to \$1,000,000 group had a ratio of 19.2. In the succeeding size groups the ratio dropped from 18.5 to 17.4 to 16.0 to 14.3. The lowest average ratio, 10.5, was in the largest size group in Illinois, and the highest loan ratio, 27.2, was in the smallest size groups in Iowa.

The rapid increase in deposits during wartime has caused a decline in the ratio of capital accounts to total deposits, but it should be remembered that banks generally hold a higher percentage of cash and Government securities than they formerly did. Those banks with the largest volume of deposits fall generally into the groups with the lowest equity ratio. The average for all banks in the district was 7.8 in 1943. In 1939 the ratio was 12.5 and in 1942 it was 10.1.

Here again the dispersion from the average was pronounced, particularly among the smaller banks. As the deposit size of the groups increased, the average moved lower, but there was also a tendency for the individual banks to group more nearly around that average.

## AVERAGE OPERATING RATIOS OF MEMBER BANKS<sup>1</sup>

Groups with Total Deposits of..... (in thousands of dollars)	Under 500		500 to 1,000		1,000 to 2,000	
Number of Banks in Each Group.....	35		174		248	
	Aver- age	Range of middle two-thirds	Aver- age	Range of middle two-thirds	Aver- age	Range of middle two-thirds
<b>RATIOS TO TOTAL EARNINGS</b>						
Interest and dividends on securities.....	31.3	19.3 - 45.7	33.7	20.8 - 48.8	37.9	25.2 - 51.0
Earnings on loans*.....	51.7	41.2 - 61.9	46.9	31.7 - 63.5	44.3	32.1 - 57.3
Service charges on deposit accounts.....	5.8	3.6 - 10.2	8.8	3.1 - 14.4	8.6	3.9 - 11.1
All other earnings.....	11.2	x x	10.6	x x	9.2	x x
Total earnings.....	100.0	x x	100.0	x x	100.0	x x
Trust department earnings**.....	3.9	1.7 - 4.5	2.5	.3 - 3.1	2.0	.3 - 3.8
Salaries and wages.....	34.0	26.8 - 40.7	33.3	26.1 - 39.4	31.0	24.3 - 36.6
Interest on time and savings deposits.....	11.8	2.9 - 17.8	12.7	6.2 - 19.9	12.6	5.8 - 19.9
All other expenses.....	26.1	20.5 - 31.4	25.9	19.9 - 31.2	24.5	18.3 - 29.5
Total expenses.....	71.9	58.3 - 83.4	71.9	62.4 - 81.2	68.1	59.3 - 77.6
Net current earnings.....	28.1	x x	28.1	x x	31.9	x x
Net charge-offs (or net recoveries (+)).....	+7.5	1.8 - + 9.9	+ 5.9	22.0 - +14.0	+3.7	.5 - +11.9
Taxes on net income.....	3.6	2.0 - 7.6	3.1	1.5 - 6.5	3.3	1.6 - 6.6
Net profits after taxes.....	32.0	18.5 - 40.3	30.9	19.2 - 40.4	32.3	20.6 - 40.9
<b>RATIOS TO TOTAL CAPITAL ACCOUNTS</b>						
Net current earnings.....	7.0	3.3 - 9.8	8.4	5.0 - 12.2	10.2	6.3 - 12.9
Profits before income taxes.....	8.7	4.6 - 11.5	9.8	5.8 - 13.8	11.2	6.8 - 15.6
Net profits after taxes.....	7.8	4.1 - 10.2	8.9	5.3 - 12.5	10.1	6.3 - 13.4
Cash dividends declared.....	2.2	1.8 - 3.8	2.3	1.8 - 3.7	2.6	1.6 - 4.1
<b>RATIOS TO TOTAL ASSETS</b>						
Total earnings.....	2.5	2.0 - 2.9	2.3	1.8 - 2.8	2.3	1.8 - 2.9
Net current earnings.....	.7	.4 - 1.1	.7	.4 - 1.0	.7	.5 - 1.0
Net profits after taxes.....	.8	.4 - 1.1	.7	.4 - 1.1	.7	.5 - 1.0
Government securities.....	35.1	22.9 - 46.3	38.4	26.4 - 50.8	40.6	30.9 - 50.3
Other securities.....	5.3	1.0 - 10.1	6.1	.6 - 12.5	8.6	1.6 - 15.6
Loans.....	20.7	13.4 - 27.9	19.2	10.4 - 28.6	18.5	11.1 - 25.1
Cash assets.....	38.1	25.2 - 48.2	35.4	25.8 - 45.8	31.4	24.1 - 37.1
Real estate assets.....	.8	.4 - 1.4	.9	.4 - 1.4	.9	.4 - 1.5
All other assets.....	.0	x x	.0	.1 - .5	.0	.1 - .1
Total assets.....	100.0	x x	100.0	x x	100.0	x x
<b>CAPITAL AND DEPOSIT RATIOS</b>						
Capital accounts to total assets.....	10.6	8.3 - 13.7	8.2	6.2 - 9.9	7.3	5.8 - 8.7
Capital accounts to total assets less Govt. securities and cash assets.....	43.0	30.3 - 55.9	38.5	21.3 - 50.7	30.6	18.9 - 39.9
Capital accounts to total deposits.....	11.9	9.1 - 15.8	9.0	6.7 - 11.0	7.9	6.1 - 9.8
Time deposits to total deposits.....	30.8	11.2 - 56.4	30.6	13.5 - 50.0	30.9	15.8 - 47.8
Interest on time to time deposits.....	1.2	.9 - 1.6	1.1	.8 - 1.5	1.0	.8 - 1.5
<b>RATIOS TO SECURITIES</b>						
Interest and dividends on securities.....	1.9	1.3 - 2.2	1.7	1.3 - 2.1	1.7	1.2 - 2.1
Net charge-offs (or net recoveries (+)) on securities.....	+.2	.1 - + 1.0	+ .1	.2 - + .5	+.0	.2 - + 1.0
Net return on securities.....	2.1	x x	1.8	x x	1.7	x x
<b>RATIOS TO LOANS</b>						
Earnings on loans.....	6.5	5.7 - 7.1	5.9	4.9 - 6.9	5.5	4.7 - 6.3
Net charge-offs (or net recoveries (+)) on loans.....	+.6	+.1 - + 1.0	+ .5	.1 - + 1.3	+.4	.5 - + 1.1
Net return on loans.....	7.1	x x	6.4	x x	5.9	x x

\*Earnings on loans includes service charges and other fees on loans.

\*\*Average covers only those banks reporting trust department earnings and is shown only where there are at least three such banks.  
xNo range shown.

# THE SEVENTH FEDERAL RESERVE DISTRICT IN 1943

	2,000 to 3,000		3,000 to 5,000		5,000 to 10,000		10,000 and over		All Banks				
	127		126		93		141		923	944			
Average	Range of middle two-thirds		Average	Range of middle two-thirds		Average	Range of middle two-thirds		1942	1943			
40.1	27.1 -	52.7	44.2	32.4 -	55.9	43.0	27.1 -	56.7	47.4	34.1 -	60.6	29.3	39.9
41.7	25.6 -	55.2	37.8	23.4 -	52.0	35.5	25.5 -	45.8	30.9	19.8 -	41.3	52.7	41.0
9.1	4.5 -	14.3	8.3	3.6 -	13.2	9.2	5.1 -	13.6	8.7	3.9 -	11.9	7.3	8.6
9.1	x	x	9.7	x	x	12.3	x	x	13.0	x	x	10.7	10.5
100.0	x	x	100.0	x	x	100.0	x	x	100.0	x	x	100.0	100.0
1.2	.3 -	1.8	2.9	.5 -	5.3	3.5	.8 -	3.5	5.4	1.7 -	8.3	3.6	3.4
31.1	25.7 -	36.5	32.0	26.2 -	36.9	32.3	27.1 -	37.1	31.8	27.4 -	38.2	32.1	31.9
11.8	6.2 -	19.0	13.7	5.3 -	20.3	11.4	6.3 -	17.0	11.4	6.0 -	18.5	14.4	12.3
25.1	19.4 -	30.4	25.4	20.0 -	31.6	26.6	21.3 -	32.0	26.7	21.9 -	31.5	26.6	25.6
68.0	58.7 -	76.1	71.1	60.2 -	79.2	70.3	62.7 -	77.2	69.9	59.5 -	79.5	73.1	69.8
32.0	x	x	28.9	x	x	29.7	x	x	30.1	x	x	26.9	30.2
+6.2	5.2 -	+11.2	+5.5	4.5 -	+13.9	+2.5	4.3 -	+11.6	+3.7	5.5 -	+11.1	+4	+4.3
3.3	1.5 -	6.1	2.5	.3 -	5.5	3.1	.8 -	6.7	3.8	1.4 -	8.4	3.2	3.2
31.9	22.2 -	41.1	31.9	21.2 -	40.3	29.1	19.5 -	38.7	30.0	15.7 -	38.9	24.1	31.3
10.3	6.4 -	14.5	9.5	5.6 -	13.2	10.1	6.4 -	14.3	10.8	6.7 -	14.3	8.5	9.7
11.1	7.0 -	15.3	11.0	6.5 -	14.2	10.7	7.3 -	15.0	11.5	7.7 -	15.3	8.7	10.8
9.9	6.6 -	13.8	10.1	5.9 -	13.4	9.5	6.2 -	13.2	10.0	6.9 -	14.2	7.4	9.7
3.0	1.7 -	4.0	2.8	1.6 -	3.4	2.5	1.7 -	3.3	2.4	1.5 -	3.5	2.4	2.6
2.2	1.7 -	2.5	2.1	1.8 -	2.3	2.1	1.7 -	2.6	1.9	1.5 -	2.4	2.7	2.2
.7	.5 -	.9	.6	.4 -	.8	.6	.4 -	.8	.6	.4 -	.8	.7	.7
.7	.5 -	.9	.7	.4 -	.9	.6	.4 -	.8	.6	.3 -	.7	.7	.7
41.4	31.3 -	44.8	43.9	32.7 -	53.3	45.5	32.2 -	57.7	48.1	39.4 -	57.0	25.1	42.1
9.7	2.2 -	16.4	10.6	2.7 -	17.8	9.7	2.2 -	15.0	8.5	2.0 -	14.5	10.7	8.5
17.4	9.8 -	25.3	16.0	9.4 -	21.8	16.0	8.3 -	21.3	14.3	8.3 -	19.7	27.9	17.4
30.6	23.9 -	38.0	28.5	22.8 -	31.9	27.7	21.0 -	34.0	27.9	22.0 -	33.9	34.9	31.0
.9	.5 -	1.5	.9	.4 -	1.5	1.0	.4 -	1.6	1.0	.2 -	1.8	1.3	.9
.0	.1 -	.4	.1	.1 -	.3	.1	.2 -	.2	.2	.1 -	.4	.1	.1
100.0	x	x	100.0	x	x	100.0	x	x	100.0	x	x	100.0	100.0
7.1	5.7 -	8.5	6.8	5.4 -	8.2	6.7	4.9 -	8.1	5.6	4.0 -	7.0	9.0	7.2
28.9	18.3 -	36.7	29.8	17.2 -	39.1	29.7	16.9 -	41.1	28.2	15.3 -	41.5	25.2	31.7
7.7	5.9 -	9.4	7.3	5.8 -	8.1	7.4	5.2 -	8.8	6.0	4.2 -	7.6	10.1	7.8
29.9	17.1 -	45.5	35.7	19.5 -	49.5	33.2	19.3 -	46.4	27.9	11.9 -	41.9	36.2	31.1
.9	.8 -	1.2	.8	.7 -	1.0	.8	.5 -	.9	.8	.7 -	1.0	1.2	.9
1.6	1.3 -	2.0	1.7	1.4 -	2.0	1.6	1.2 -	1.9	1.5	1.2 -	1.9	2.1	1.6
+1	.2 -	+ .3	+1	.2 -	+ .4	+0	1.4 -	+ .2	+1	.2 -	+ .3	.1	+1
1.7	x	x	1.8	x	x	1.6	x	x	1.6	x	x	2.0	1.7
5.4	4.6 -	6.1	5.1	4.5 -	5.8	4.9	4.3 -	5.6	4.3	3.5 -	4.9	5.2	5.3
+3	.1 -	+ .6	+3	.1 -	+ 1.0	+5	.8 -	+ .9	+4	.1 -	+ 1.1	+3	+4
5.7	x	x	5.4	x	x	5.4	x	x	4.7	x	x	5.5	5.7

a group.

# States and Cities Plan for Postwar Problems

## *Legislatures Create New Commissions*

The role of state and local governments in the economic readjustments from war to peace is largely overshadowed by activities and policies of the Federal Government. The states can do little and the localities less to determine and effectuate demobilization policies, contract termination, and disposal of production facilities or stocks of surplus goods—current problems of national interest and discussion. Many governments are concerned, however, with the impact of alternative policies dealing with these problems. The city with a large war plant and the attendant expansion of municipal services, new housing, and a sharply accelerated tempo of business activity will be vitally affected in its postwar readjustments by what the Federal Government does with production facilities in that area. The states generally are apprehensive concerning their position relative to the Federal Government in the postwar era and are evidencing a desire to be ready with plans and proposals involving state or local action on matters within their traditional scope of action.

### STATES URGE LOCAL PLANNING

Local governments, for example, are being urged by the states to develop postwar public works projects. The original impetus to this movement has been the assumption that after conversion from war to peace there would be a slump in economic activity which could be moderated by a substantial program of public works. An enforced cessation of all public works, including the postponement of much normal maintenance during two years of war, has directed the attention of municipal officers to needed outlays entirely apart from the stimulus such construction might have on employment generally.

Currently most local planning is aimed at making up for deferred maintenance, improving sewage and water systems, constructing such public buildings as schools and fire stations, building airports, and reconstructing streets and alleys. Other communities whose capital plant is in better condition are planning recreation facilities, larger park areas, and giving some attention to the possibilities of public housing. While planners are urging preparation of an extensive array of proposals for public expenditures, local officials generally are planning projects roughly within the limits of their financial capacity, at least to the extent that they are preparing blueprints and specifications. Broader plans involving expenditures of substantial sums have been developed in some areas on the assumption that Federal and state funds would be made available.

Planning at the state and local levels has typically been concerned with the accumulation or preparation of blueprints and specifications for a shelf of public works. In addition, many states have directed their planning agencies

to catalog and advertise the state's natural and human resources, particularly those likely to attract industry, commerce, or new residents. Local planning agencies along with their public works programming have developed, and in some instances administered, zoning ordinances and building codes. These activities summarize the background of planning experience on which state and local governments have to build to meet postwar problems.

### PLANNING COMMISSION DUTIES

Since the middle thirties almost every state has had a planning agency variously known as a "resources board" or a "planning commission." These agencies typically consist of a group of ten to twenty-five representative citizens, elected or appointed officials serving *ex officio*, and legislators. They have a small or moderate sized staff and appropriation to carry out the technical and clerical duties assigned them. There are great variations in the functions of such groups. Some have been delegated broad responsibilities for planning long-range expenditure programs. Others have been given only a limited assignment and a still more limited appropriation to carry it out. Generally these planning agencies have been instructed to maintain liaison with Federal officials concerned with postwar planning and to serve as a clearing house for information regarding the capital improvement programs of state and local governments. The latter directive ranges from cataloging projects to furnishing technical or engineering aids for local units and other state departments. In some jurisdictions the study of natural resources has been an important assignment; in a few, assistance to policy-determining officers of the state on long-range plans has had a bearing on the utilization of the state resources.

The legislative mandate of duties is well illustrated by the Illinois statutory provision creating the Illinois Post-War Planning Commission:

"The duties of the Commission shall be as follows:

"(A) To make a thorough study and investigation of the natural resources of the State;

"(B) To keep records of the progress of designs of railroad grade crossing elimination, highways, parkways, building and other structures and housing projects, for which funds for detailed plans and specifications have heretofore been made available to various State Departments, so that the status, scope, cost, employment possibilities, materials, and equipment needed for the execution of such projects after the war may be promptly available to officials and the public;

"(C) To keep records of the progress of the preparation of plans and specifications for all State projects in addition to the projects enumerated in Paragraph (B);

"(D) To prepare and maintain current progress information on the design of the post-war projects of municipalities of the State;

"(E) To maintain liaison with federal officials and agencies concerned with post-war planning and to exchange information on this subject with State and local governments;



"(F) To formulate plans and make recommendations for the further development of the State's resources which will be helpful to agriculture, labor, the consuming public, mining, manufacturing, industry, transportation, conservation of forests, soil, streams, and other resources."

In 1943, the first war year in which the legislatures of most of the states met in regular session, there was widespread recognition of the need for a state agency which could act as a clearing house for postwar plans. While much interest was evidenced in programs generally recognized as primarily of national concern, such as veterans' aids—bonuses, employment preference, vocational rehabilitation, and educational programs—greater attention was given to the provision of a shelf of public works so that employment might be maintained during a possible postwar slump. To a very considerable extent the attitude of legislative bodies was conditioned by the completed work of established planning organizations. In states where the planning board was well organized and had functioned effectively legislatures have referred most of the problems of postwar planning to an existing agency. In a few instances they have directed it to work with a specially created group composed principally of persons responsible for legislative policy. In states where the prewar planning agency has had a relatively small program or has functioned ineffectively the 1943 legislation has substituted new authorities to deal particularly with the problems of postwar planning.

#### STATE PLANNING AGENCIES

The five states of the Seventh Federal Reserve District have postwar planning agencies typical of the various types throughout the nation. Wisconsin has both a State Planning Board, consisting of heads of the various state departments, and a Joint Legislative Interim Committee on Post-War Planning, consisting of seven members of the legislature. The Wisconsin Planning Board has been established for well over a decade and has been active in giving assistance to local governments. The Legislative Interim Committee is directed to make such surveys or studies as will be useful in effecting readjustments from war to peace conditions, make some preliminary surveys of state and local plans for long-range public works, and in doing these things to use the personnel of various state departments.

Michigan has a Planning Commission consisting of heads of state departments, legislators, and representative citizens. The Planning Commission there has been established since 1937. The 1943 legislature amended the original act creating the State Planning Commission, directing it to consider special problems of postwar adjustment. Michigan is one of the states where a planning commission has been given relatively generous support and broad powers of inquiry and recommendation. In March, 1944, Michigan appropriated five million dollars for preparation of blueprints and specifications of local public works. Local units can apply for a maximum of 50 per cent reimbursement out of this fund for survey and specification costs.

Illinois replaced its State Planning Board with a Post-War Planning Commission consisting of twenty-four members:

<sup>1</sup>*Illinois Session Laws 1943*, p. 318.

six representing the General Assembly, three members from the Governor's Cabinet, and fifteen members from various citizen groups in the community. The commission is directed to study the natural resources of the state, to record and classify public works plans of various state departments and local governments, and to maintain liaison with other planning agencies.

Indiana has created the Indiana Economic Council to replace a State Planning Board which was abolished. This council consists of twenty-two members composed of state officials, members of the legislature, and representative citizens. The council is directed to formulate plans and recommendations for the use of natural resources of the state.

Iowa has provided for postwar planning through the appointment of a Post-War Rehabilitation Commission to study economic and social problems of readjustment. This commission consists of twenty-five persons who are representative of agriculture, labor, the construction industry, transportation, education, and social welfare. It also includes four members of the legislature and is directed to recommend measures deemed feasible and expedient to carry out postwar plans of economic and social adjustment.

These state agencies, together with scores of local authorities, are developing projects which can be financed through state and local revenue resources or are within the limits of borrowing capacities. Most of the states and many localities are anticipating another era in which Federal grants will be made available for local improvements and with this in mind are also working up programs beyond their un-supplemented fiscal abilities. They do not want to be unprepared, as many were in the thirties, to take advantage of Federal subsidies for important capital improvements. Regardless of Federal policy toward state and local public works expenditures, there is certain to be a large backlog of deferred maintenance to existing water, sewer, and street systems, which combined with normal outlays for new construction will aggregate a substantial public investment. Plans for these improvements in some cities and states include more than blueprints and specifications.

The timing of public works undertaken to alleviate unemployment in time of depression is of paramount importance. Projects taken from the "shelf" at the wrong time will only serve to aggravate the intensity of cyclical movements in economic conditions as indeed has much municipal and state expenditure in the past. Currently, insufficient emphasis or attention is being given the scheduling of public works by reference to economic conditions or to the perfection of arrangements that will minimize the time required to put a given project in operation. Actually one of the major stimuli to local planning activity has been a cultivated anticipation of new facilities immediately after the war which, it is assumed, will be undertaken regardless of the level of economic activity and the competition of private investors or consumers for labor and material. Government expenditure programs—Federal, state and local—can and should be coordinated and timed so as to secure the maximum benefits in stabilized employment.

## POPULATION SHIFTS —

(Continued from Page 2)

district. In each of the other four states, the county having the principal city also has the densest population: Wayne County, Michigan, with Detroit, 3,584 persons per square mile; Milwaukee County, Wisconsin, with the city of Milwaukee, 3,189 persons; Marion County, Indiana, with Indianapolis, 1,222 persons; and Polk County, Iowa, with Des Moines, 318 persons.

With few exceptions the nineteen industrial areas in the Seventh District designated by the War Production Board include the counties with the heaviest population densities. Not all sections of the counties, however, are necessarily industrialized. The Indianapolis industrial area, coextensive with Marion County, Indiana, has the heaviest concentration of population, 1,222 persons per square mile, among district industrial areas. The Manitowoc industrial area in Wisconsin has the smallest population density, 107 persons per square mile. Michigan has the largest number of industrial areas in the district states: Battle Creek, Detroit, Flint, Grand Rapids, Muskegon, and Saginaw-Bay City. Illinois has four industrial areas, Chicago, Peoria, Rockford, and Rock Island; and Indiana, also four industrial areas, Anderson-Muncie, Fort Wayne, Indianapolis, and South Bend-La Porte, all with heavy population concentrations. Iowa industrial areas, at Cedar Rapids, Des Moines, and Waterloo, similarly have the state's largest population densities. Wisconsin's two industrial areas, at Manitowoc and Milwaukee, have relatively light population densities compared with the other industrial areas in the district.

### CIVILIAN POPULATION DECLINES

Because of the steady growth of the armed forces, the Seventh District as well as the nation as a whole has lost civilian population during the past four years. Between April, 1940 and November, 1943, the civilian population decline in the Seventh District, however, has been smaller than in the United States generally, 2.2 and 3.1 per cent respectively. District industrial areas have shown a contrasting trend, gaining 1.5 per cent in civilian population during the same period. Indicating the shift in population from rural to urban centers, Seventh District civilian population, excluding persons in the industrial areas, has declined 7.1 per cent.

Only Michigan within the district states has shown a net gain in civilian population since 1940, with an increase of 2.4 per cent. Among the other four states losses in per cent were: Iowa, 10.2; Wisconsin, 6.1; Illinois, 4; and Indiana, 1.2. Michigan also has had the largest number of counties experiencing gains in civilian population, and Iowa the fewest with increases. In the district, only 46 out of 338 counties added to their civilian populations between April, 1940 and November, 1943.

The gains which have been made in industrial areas, however, have been by no means consistent. Ten, or slightly more than one-half of the district's industrial areas, have had increases in civilian population since 1940. The remaining nine industrial areas in general have shown comparatively

small losses. Detroit, with an increase of more than 200,000 persons, far outdistances the increases in any of the other areas, the next largest gain occurring in Indianapolis with 33,000 more inhabitants.

The Chicago industrial area has had the most severe loss in civilian population in the district, with a decline of nearly 65,000 persons since 1940, a loss almost entirely attributable to Cook County. Chicago's decrease is to be explained, at least in part, by a substantial exodus of persons during the early stages of defense preparations and war and before Chicago manufacturers had received their heaviest volume of war contracts for facilities and supplies. Population losses in other industrial and metropolitan centers can be traced to special factors such as the generally unadaptable nature of peacetime industries to war production and the building of certain war plants beyond the limits of the industrial areas. Selective Service deferment rulings have also contributed to some movement of men from industrial cities to farms.

Cut-backs and cancellations in war contracts have caused an exodus from some industrial communities and a continuance of such movement is to be expected as more of the war needs of the nation are fulfilled. Intermingled with the wartime population shifts has been an important natural increase in population which has minimized in some areas the net losses in inhabitants attributable to Selective Service withdrawals and other out-migration.

### MANY WORKERS MIGRATE SHORT DISTANCES

Incomplete information indicates that many wartime population gains in the Seventh District represent mainly shifts of persons from nearby areas, that is, war workers have commonly traveled relatively short distances from former residences on farms or in cities to reach their current places of employment. These same migrants, however, may have moved considerable distances during the past decade and before the war, making moderately short successive trips to centers of new job opportunities. Both whites and Negroes have entered the district from the southern states, frequently coming first to Indianapolis and other cities in the southern portion of the district and then proceeding north to Detroit, Chicago, and adjoining areas. While figures are not available to indicate the numbers involved, there is evidence that many residents of the Mid-West have continued to migrate to the Far West during the war. In these instances such out-migration has involved considerable distances.

It seems probable that some communities, including those with numerous industries, have made gains during the war which, under normal rural-urban migration conditions, would have required a decade or more to achieve. To what extent these increases will be retained in postwar years is difficult to predict, but some preliminary surveys suggest that perhaps from 40 to 60 per cent of industrial migrants may return, at least temporarily, to their former peacetime residences after the major war production program is completed. Postwar job opportunities in present employment areas obviously will determine to an important extent how many war workers will again migrate after the war.

## NATIONAL SUMMARY OF CONDITIONS

BY BOARD OF GOVERNORS OF FEDERAL RESERVE SYSTEM

Industrial activity was maintained at a high level in February and the early part of March. Commodity prices and retail sales showed little change.

**Industrial production**—Output at factories and mines was at about the same rate in February as in January and the Board's seasonally adjusted index advanced 1 point to 243 per cent of the 1935-39 average.

Steel production continued to advance in February and in the first three weeks of March. Output of nonferrous metals showed little change as curtailment of aluminum production offset increases in output of other metals. Magnesium production was ordered curtailed, beginning in March, by approximately 3,000,000 pounds per month or 7 per cent of January output. Activity in the machinery, transportation equipment and other durable goods industries showed little change from January to February.

Output of textile products was maintained at the January level and production of most manufactured food products declined less than is usual at this season. Butter and cheese production continued to increase seasonally in February. The volume of hogs slaughtered under Federal inspection declined 6 per cent from the exceptionally high January level; a much larger decline is usual in this month. Chemical production continued to decline as output of small arms ammunition and explosives was further curtailed.

Fuel production rose slightly in February to a level 10 per cent above the same month last year. Output of bituminous coal and crude petroleum was maintained at a high level, and anthracite coal production increased 19 per cent as a result of a seven-day work week in effect for the month of February.

**Distribution**—Total retail sales in February continued about as large as in January and exceeded somewhat the volume of a year ago. At department stores sales in February were about 10 per cent smaller than last year when there was a buying wave in clothing. During the first three weeks of March department store sales exceeded the volume of a year ago, reflecting in part the earlier date of Easter this year.

Freight carloadings, after allowance for seasonal changes, were maintained during February and the first two weeks in March in the unusually large volume reached in December and January.

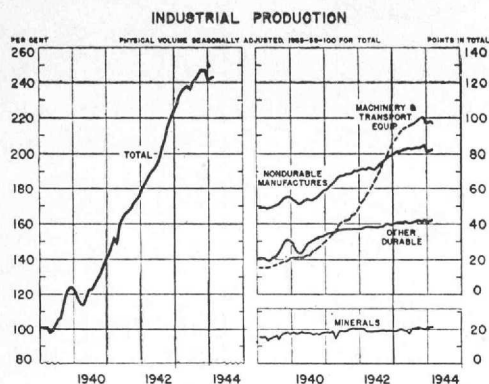
**Commodity prices**—Prices of cotton and livestock increased somewhat from the middle of February to the middle of March while most other wholesale commodity prices showed little change.

Retail food prices declined 1 per cent from mid-January to mid-February owing chiefly to seasonal decreases in prices of eggs and citrus fruit. Retail prices of most other goods and service advanced slightly.

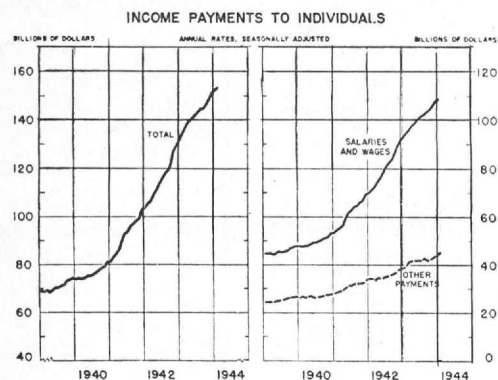
**Bank credit**—During the latter part of February and the first half of March the average level of excess reserves at all member banks fluctuated around one billion dollars. Member bank reserve requirements increased by about 400 million dollars as the result of private deposit expansion which, in turn, was the result of Treasury disbursements from war loan accounts which require no reserves. Money in circulation increased 400 millions and the gold stock declined by 130 millions. Funds to meet these demands were supplied by additions to Reserve Bank Security holdings and a temporary decline in Treasury deposits at the Reserve Banks. In the four weeks ended March 15, Government security holdings of the Federal Reserve Banks rose by 720 million dollars, reflecting mainly substantial increases in bill holdings under repurchase option; note and certificate holdings also increased.

At reporting member banks in 101 leading cities Government security holdings declined by 540 million dollars during the four weeks ended March 15. Holdings of notes rose 1.5 billion dollars while bonds and guaranteed obligations declined as the result of an exchange of maturing and redeemable issues for a new 1½ per cent note issue. Holdings of bills also declined, reflecting principally sales to the Reserve Banks. Loans to brokers, dealers, and others for purchasing or carrying Government securities, which had increased moderately during the Fourth War Loan Drive, fell by 340 million dollars in the following four weeks. Commercial loans also declined somewhat.

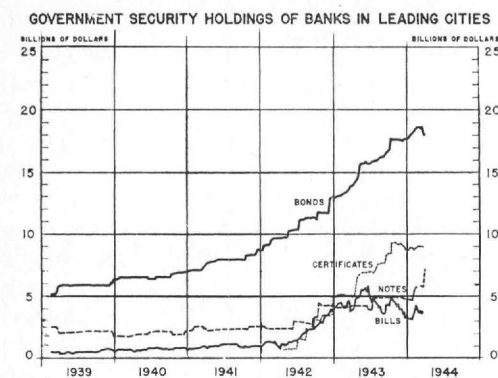
Adjusted demand deposits rose by 1.9 billion dollars during the four weeks ending March 15, representing a gain of more than half of the funds withdrawn from such accounts during the drive. Government deposits at these banks fell by 2.6 billion dollars in the month following the drive.



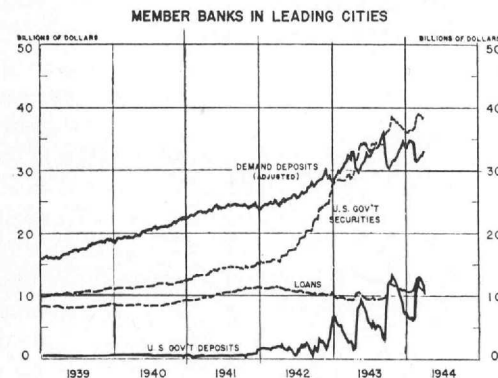
Federal Reserve indexes. Groups are expressed in terms of points in the total index. Monthly figures, latest shown are for February, 1944.



Based on Department of Commerce estimates. Wages and salaries include military pay. Monthly figures raised to annual rates, latest shown are for January, 1944.



Excludes guaranteed securities. Data not available prior to February 8, 1939; certificates first reported on April 15, 1942. Wednesday figures, latest shown are for March 15, 1944.

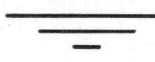


Demand deposits (adjusted) exclude U. S. Government and interbank deposits and collection items. Government securities include direct and guaranteed issues. Wednesday figures, latest shown are for March 15, 1944.

**SEVENTH FEDERAL**



**RESERVE DISTRICT**



FEDERAL RESERVE BANK  
MAY 2 4M 8 46  
STATISTICAL DIVISION