

A review by the **Federal Reserve Bank of Chicago**

Business Conditions

1961 March



Contents

District dimensions	4
Liquidity of business loans	8
Population growth in the Fifties— five midwestern states	12
The Trend of Business	2-3

THE Trend OF BUSINESS

Amidst the evidence of further decline in business activity in the early weeks of 1961 there has been some encouraging news. While total industrial production continued to slip, modest pickups were reported for steel, some appliances and farm machinery. Retail trade declined in January for the third month in a row but heavy snows, particularly in eastern areas, were partly responsible. Personal income had declined slightly in late 1960 and the downtrend probably continued in January and February. However, recent surveys of consumers' buying plans give no evidence of intentions to make further cutbacks in personal expenditures.

Employment developments, too, provide both favorable and unfavorable notes. In January, employment, seasonally adjusted, was higher than in December, thereby interrupting a decline which had been in progress throughout the second half of 1960. Unemployment, seasonally adjusted, was estimated to total 5.4 million, or 6.6 per cent of the labor force. A year earlier unemployment totaled 3.6 million, or 5.2 per cent of the labor force.

Construction activity to rise

One sector in which activity may rise soon is construction. Construction contracts were at a record high in the final months of 1960, and it appears that this trend continued in the early weeks of 1961. A huge volume of new work, particularly highway projects, and, to a lesser extent, commercial buildings

and schools, have progressed past the contract-letting stage. While new construction put in place declined slightly in January, interrupting a rise noted in the previous two months, the high level of construction contracts may soon bring an uptrend, possibly to record levels.

In the fourth quarter of 1960 total construction contracts, as reported by F. W. Dodge, were at a new high—9 per cent above the same period in 1958, the previous record. In the Midwest the 1958 mark was exceeded by 7 per cent. Comparable gains over earlier records also occurred during January in total construction contracts.

Throughout the postwar period construction activity has been a stabilizing factor in the business cycle. In each of the recession years, 1949, 1954 and 1958, the volume of construction put in place was higher than in the previous year by 3 to 6 per cent. Last November the U. S. Department of Commerce forecast that total construction in 1961 would probably be about 4 per cent above the 1960 level. On the basis of recent evidence some construction experts believe that an even larger rise will occur.

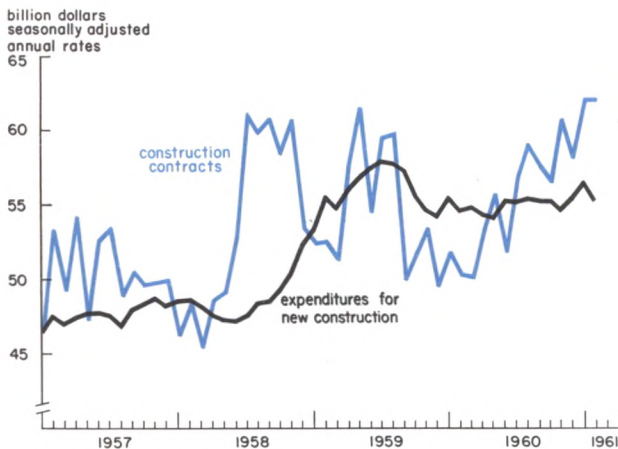
Auto cutbacks

In recent weeks the nation's largest industry, passenger cars, was the only important sector reporting a substantial decline in activity. Large inventories and slow sales since the 1960 model cleanup in October and November caused auto makers to cut

output sharply in January and February.

Deliveries of new domestic cars totaled 370,000 in January—19 per cent below last year—and the picture had not improved in early February. Doubtless, sales were reduced by severe weather but December also had been disappointing. The strong effort to move the carry-over of 1960 model cars in the fall may have cut into current demand. Over 1 million cars were in inventory on February 1, even though only 410,000 cars were assembled in January. This was one-third less than assemblies in October and 40 per cent below January 1960 output when dealers were restocking after the steel strike. Production was reduced further in February. The first two months of the year combined saw fewer new cars produced than any similar period since 1952 when wartime restrictions on the use of materials were in effect.

Large volume of construction contracts indicates rise in activity ahead



SOURCES: Contracts, F. W. Dodge Corp.; Construction expenditures, U. S. Department of Commerce.

Layoffs and short weeks in the auto industry were largely responsible for the relatively large increase in unemployment in Michigan, Indiana and Wisconsin in the early weeks of 1961. In these states insured unemployment was almost double the year-ago numbers, in contrast with an increase of less than 50 per cent for the nation as a whole.

Steel moves higher

In January and February steel production rose somewhat from the December level to an annual rate of about 78 million tons. This compares with production of just under 100 million tons in all of 1960 and a rate of 140 million tons early last year when inventories were being increased sharply. However, steel producers indicated that on the basis of current order trends they expected no appreciable rise in total production before April.

It is significant that steel production was maintained at the January rate in February despite cutbacks in orders from auto makers. Many other industries have been increasing their orders moderately—in some cases because of an improvement in the order picture for their goods and in others because inventories were at minimum levels and additional steel was needed to keep operations going. Industry experts have estimated that inventories of steel are lower in total than at the end of the steel strike in 1959, although in much better balance. Among the industries which have increased steel orders since December are farm machinery, appliances, oil well supplies and structural steel fabricating.



District dimensions

When the Federal Reserve System was created in 1913, the boundaries of the twelve districts were drawn to conform to the prevailing channels of commerce and finance. Since then the nation's population has increased by more than 80 per cent and the output of goods and services has risen nearly fourfold. The growth has varied greatly with some regions, notably the Far West, growing much more rapidly than others.

The westward push, as well as the movement of population from agricultural to metropolitan areas, has resulted in a redistribution of population among districts (see chart). Although the Seventh District (Chicago) still ranks first, the Twelfth District (San Francisco) now ranks second; in 1913 it ranked tenth. Other changes have been the declining relative position of the East and areas comprising the St. Louis, Kansas City and Minneapolis Districts.

Participating in the sweep of economic growth, and affected by it, commercial banking has undergone important changes. In 1913 more than 27,000 commercial banks, branches and banking offices were in operation in the United States. By 1960, largely as a result of bank suspensions and widespread merger activity—particularly in the Twenties and early Thirties—the number of banks had declined to about 13,400. But the number of branches and banking offices had

grown from a few hundred in 1913 to nearly 10,000. As measured by deposits and number of depositors, banking has grown proportionately to other kinds of businesses and the population.

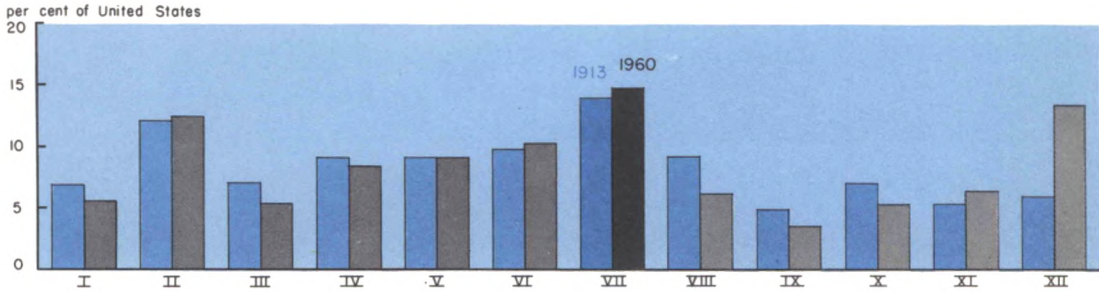
Deposits have continued to be concentrated heavily in a few areas. The Second (New York), Seventh and Twelfth Districts now account for 52 per cent of total deposits, excluding interbank deposits, compared with 48 per cent in 1913. Nearly all of this increase came from deposit growth in the Twelfth District. The Seventh District's share of deposits is roughly the same as in 1913. The Second District's proportion—while showing a decline—has dropped relatively less than that of other eastern districts. Many of the nation's firms maintain "home" offices in the East and banking connections with the large New York City banks. The Second District, with only 10 per cent of the nation's banks, accounts for over 20 per cent of the deposits.

Banking and its customers

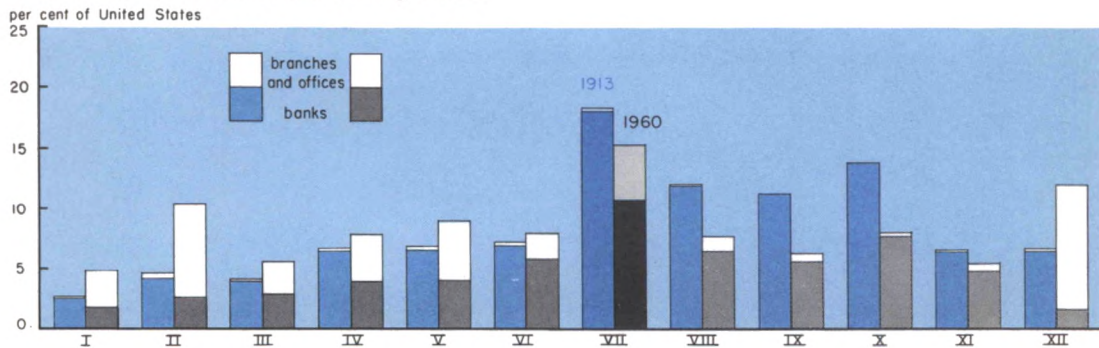
The relative size of the various districts as measured by banking offices, deposits, commercial and industrial loans, personal loans and agricultural loans is shown in the charts on page 6. The disparity between the largest Districts—Chicago, New York and San Francisco—and the average of the others is readily apparent, as is the concentration of

Relative dimensions of Federal Reserve districts

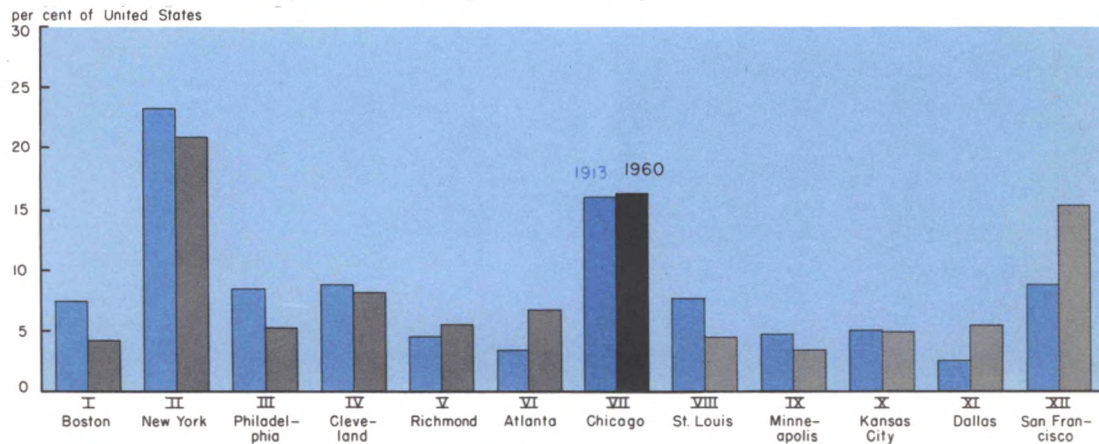
Population



Number of banks and banking offices

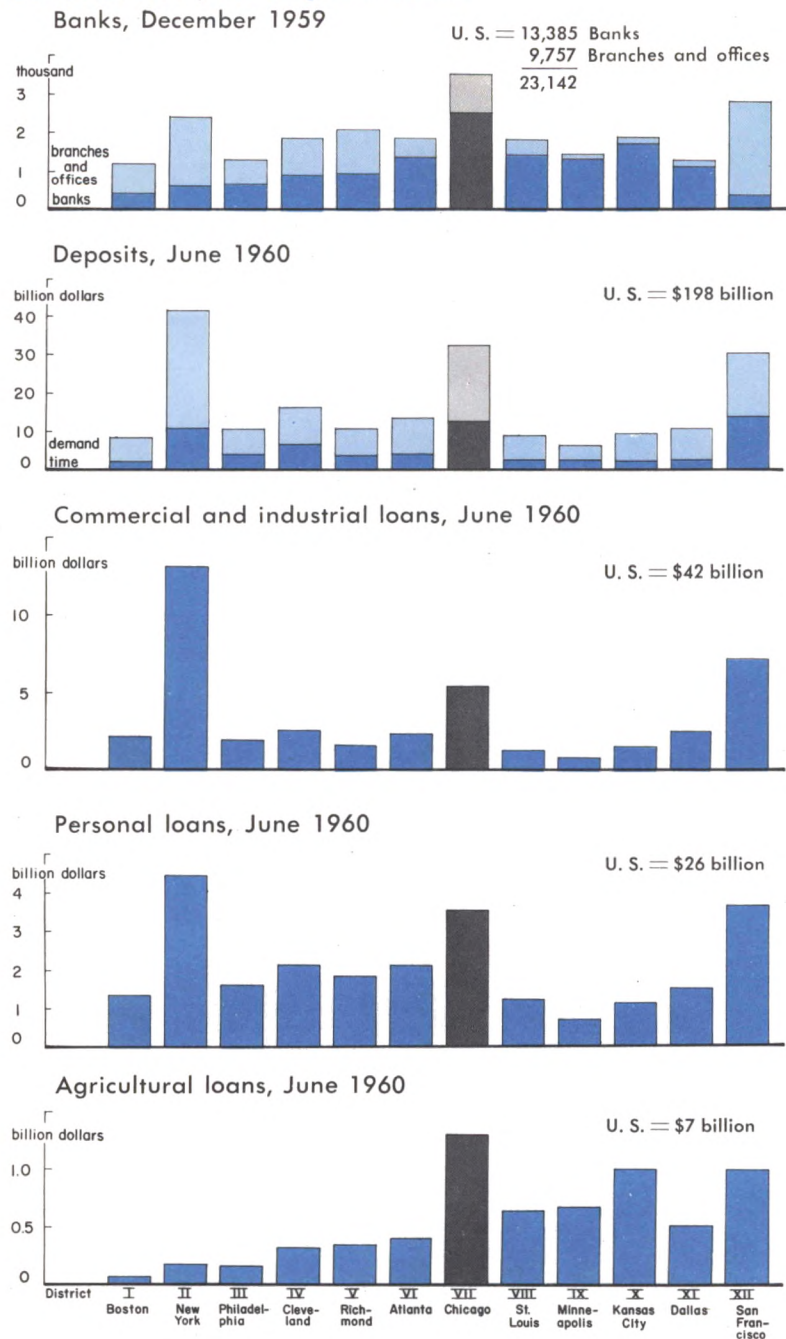


Commercial bank deposits excluding interbank deposits



Note: There have been some changes of boundaries subsequent to the original establishment of district lines. For purposes of showing relative changes in population, number of banks, branches and banking offices and deposits by district, present boundaries were used for both 1913 and 1960.

Commercial banking dimensions



commercial and industrial loans in New York and agricultural loans in Chicago.

It is significant, however, to examine these aggregates after they have been adjusted or deflated by measures indicative of the size of the banking facilities needed to serve a particular district, assuming that the nonbanking institutions' role is reasonably uniform from district to district. This is done in the charts on page 7. The number of banking offices is shown per 100,000 of population. Demand and time deposits are shown per \$100 of income payments; commercial and industrial loans are per \$100 of value added in manufacturing; personal loans are per \$100 of income payments; and agricultural loans are per \$100 of cash receipts from farm marketings.

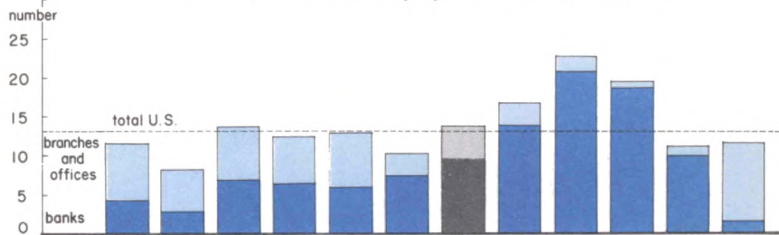
These base factors are not ideal in every instance. Value added in manufacturing covers only one sector of business borrowers (although an import-

ant one). Nonmanufacturing business may be relatively more important in some districts than in others. The basis for comparing agricultural credit is unsatisfactory to the extent it reflects differences in the kinds of agricultural activity and differences in seasonal requirements. For example, relatively large amounts of credit are utilized in the production of cattle and certain cash crops, and the timing of credit demand varies with the type of agriculture. In contrast, income payments appear to be an acceptable base for deflating deposits and personal loans and population is suitable for placing number of banks and branches in perspective.

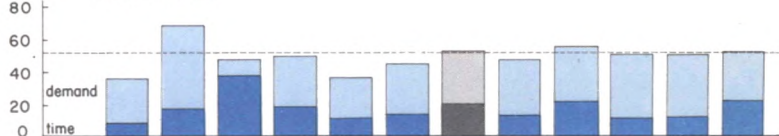
The panel on page 5 indicates how the banking facilities in an area as large as a Federal Reserve district appear to fit the banking needs of that area. Thus, while the Seventh District has the most banks and the largest population, the ratio of banking

Banking and other measures compared

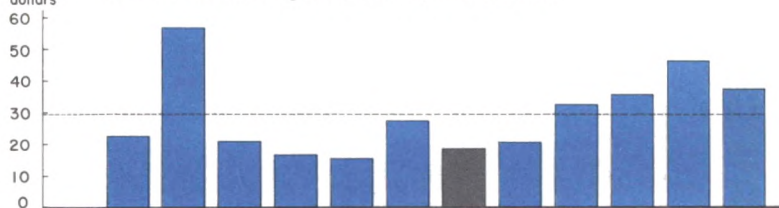
Banks and offices per 100,000 population, June 1960



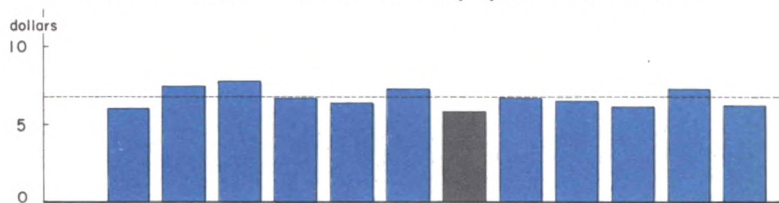
Demand and time deposits per \$100 of income payments, June 1960



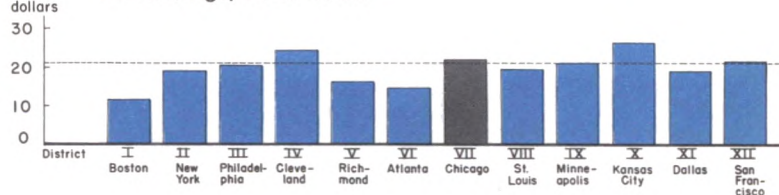
Commercial and industrial loans per \$100 of "production" in manufacturing industries, June 1960



Personal loans per \$100 of income payments, June 1960



Agricultural loans per \$100 of cash receipts from farm marketings, June 1960



offices to population is about the same as in the nation. It is surprising that the district has as many banking offices relative to population as any except the agricultural and more sparsely populated ones. But the reason lies in intra-district differences. There is a banking office for every 3,300 people in Iowa and for every 6,000 in Indiana and Wisconsin, but only one for every 9,000 in Michigan and 11,000 in Illinois.

Commercial banks in the Seventh District hold more than 32 billion dollars in demand and time deposits—or about 53 dollars for every 100 dollars of annual personal income. Here again the District is “average.” It ac-

counts for roughly one-fifth of the nation's value added by manufacturing, the largest share in any one district. Deflated by this measure of industrial concentration, commercial and industrial loans fall somewhat short of the level shown elsewhere in the nation. A better measure of business loan demand would probably show district banks meeting a larger proportion of local needs, but even an ideal deflation would probably indicate that a portion of business operations which occur in the Seventh District are financed in part with credit obtained elsewhere, principally in commercial banks in New York.

Liquidity of business loans

Liquidity has always been a recognized attribute of commercial banking, but over the years concepts of the function and measurement of bank liquidity have undergone considerable change. This is a natural outgrowth of the steady evolution that has taken place in financial institutions, credit instruments and business practices. A prime requisite of liquidity, of course, is to enable banks to meet demands for deposit withdrawals. In addition, in order to serve adequately the community's changing economic needs, it is important that financial institutions be in a position to meet, on short notice, unforeseen and unexpected credit needs of customers, particularly business establishments.

The attention that banks give to the needs of borrowers is indicated by the prevailing size of “loan ratios,” that is, loans as a proportion of assets or deposits. These have

risen to levels that are high in comparison with any period since the Twenties. For example, the ratio of loans to total earning assets for all member banks of the Federal Reserve System was almost 60 per cent at the end of January. Although down slightly from the peak in mid-1960, this ratio remained well above the 56 per cent level reached at a comparable period of the 1958 recession. Moreover, some individual banks, especially the large banks in financial centers on which business is heavily dependent for its short-term credit needs, have reported ratios in the neighborhood of 70 per cent.

Relatively high levels of loan ratios and their failure to recede markedly in the current recession, plus the growth in “term loans” (loans with maturities of more than one year) to business that is said to have taken place in recent years, have raised an

important question: Has the liquidity of banks declined so as to undermine their ability to handle the greater and more diverse demands for short-term credit that both cyclical forces and long-range growth may bring in the future? While no definitive answer to this question is possible, available evidence does provide some clues.

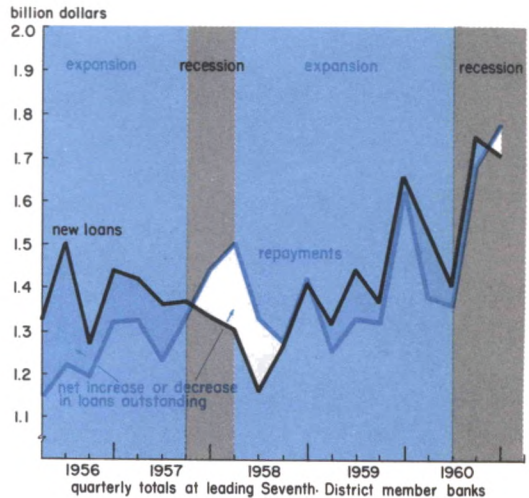
An answer arrived at by a conventional approach—solely by reference to the Government security portfolio that could be liquidated as a source of funds to accommodate new loan demands—would be in the affirmative. The proportion of Governments to total earning assets has declined, of course, as loan ratios have risen. But a realistic judgment of liquidity must go beyond the Government portfolio and consider what has happened to the liquidity of loans themselves.

Liquidity—both fund and flow

Prior to and during the Twenties banking authorities insisted on short-term loans that were “self-liquidating.” Later, emphasis was placed on the marketability of assets—banks’ ability to sell them in the market without significant losses. In line with this theory, broad categories of assets were lumped together according to the relative ease with which they could be turned into cash. Liquidity came to be thought of mainly in terms of holdings of cash and short-term Government securities, and the proportion of loans in the total portfolio became a rough indication of non-liquidity or how “loaned up” a bank was. The maturity of an asset was considered a key indicator of its liquidity.

Compartmentalization of assets by kind and maturity, however, provides only a partial measure of the volume of funds that could be assembled over a fairly short interval to meet any sort of cash demand, be it for net deposit withdrawals or credit ac-

Business loan repayments exceed new loans made during recessions, helping provide liquidity



commodation. A bank’s capacity to meet these demands depends both on the funds it could muster immediately by “liquidation” of its readily saleable assets and on any net cash inflow provided by deposits, loan repayments, maturing securities and even borrowings. In this sense loan repayments provide liquidity in the same way as do maturing Government securities, although with a lesser certainty that funds will be received.

Whether over-all liquidity has deteriorated, in line with higher loan ratios and more term loans, is partly a question of the structure of the loan portfolio. The liquidity of a portfolio may be measured appropriately by the rate of loan repayments or loan “turnover.” Any decline in turnover rate would be attributable to 1) an increase in the proportion of long-term loans to total loans, 2) a lengthening in average maturities of either or both long- and short-term loans and 3) more

frequent renewal and/or less frequent prepayment of maturing loans.

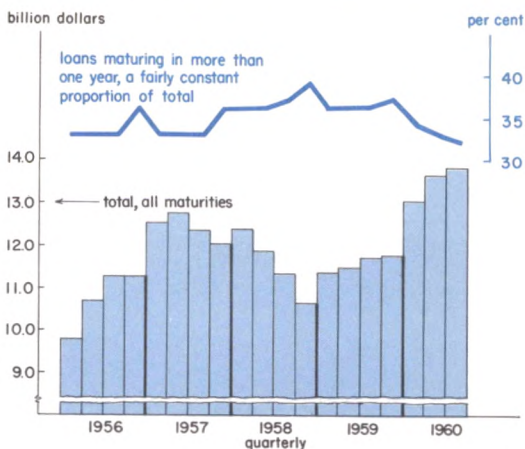
Some information relevant to these issues is available from reports on loans to commercial and industrial firms by a group of large banks in major Seventh District cities. These banks account for roughly two-thirds of outstanding business loans in the District. Such loans constitute a very important part—over half in most cases—of the total loans of these large banks. (The liquidity of mortgage and consumer loans which are more important at other groups of banks is not discussed here.) In addition, some data are available for loans of all banks to United States manufacturing corporations. This evidence although not conclusive indicates that the liquidity of banks' business loans has not declined.

Repayments and loan "turnover"

That business loans can themselves provide a considerable degree of liquidity is illustrated in the accompanying chart showing quarterly totals of new loans and repayments of the large District banks from 1956 through 1960. Repayments of business loans have exceeded new loans made during recession and the early stage of business expansion. But as business rises toward capacity operation, new loans exceed repayments and loans outstanding increase.

It is repayments in relation to outstandings that indicates the turnover and, hence, liquidity, of business loans. For this same group of District banks, loan turnover increased somewhat during the 1956-60 period. Annual repayments per dollar of all business loans rose from about \$1.75 in 1956 to \$1.90 in 1958 and continued to move slightly higher in 1959-60. Thus, gross flows are normally very large in relation to the net change in outstandings. Even when outstandings remain unchanged or increase,

Long-term borrowings from banks by manufacturing firms



SOURCE: FTC-SEC Quarterly Financial Report for Manufacturing Corporations.

the volume of the cash inflow from repayments permits considerable shifts in the sectors and firms of the economy that may be getting credit accommodation.

This evidence of rising turnover in business loans at District banks appears to be supported by data on term loans by banks to manufacturing corporations throughout the United States which are available from reports issued jointly by the Federal Trade Commission and the Securities and Exchange Commission (FTC-SEC). According to these data, the rate of repayments on the term loans to manufacturing corporations (that is, the ratio of instalments due in a year or less to term loans outstanding) has also increased somewhat during the past five years. In other words, banks' term loans were apparently providing a somewhat larger inflow of funds—relative to the average amount of such loans outstanding—toward the end of the period than at the beginning.

Term loans—how many?

Are loans of more than one year assuming greater relative importance in bank portfolios? Current information on this issue for District banks is not available. Again the FTC-SEC data for manufacturing corporations provide some clues. From 1956 through the third quarter of 1960, the proportion of loans having maturities of more than a year ranged between 32 and 39 per cent of these companies' total borrowing from banks. This proportion shows a cyclical pattern which is generally inverse to the strong swings in the total bank borrowings of these firms, but it does not show a noticeable over-all tendency either to rise or to decline (see chart). Shifts in the relative importance of term loans to total business borrowings usually result from the relatively wide swings in volume of short-term loans—not from changes in term loans themselves. Consequently, changes in term loans relative to total business loans should be viewed as a significant factor affecting the

over-all liquidity of banks' business loans only if a longer-run trend is evident. The absence of any such trend suggests that the proportion of term loans to banks' total business loans has not been an important influence on business loan liquidity over the 1956-60 period as a whole.

Term loans—how long?

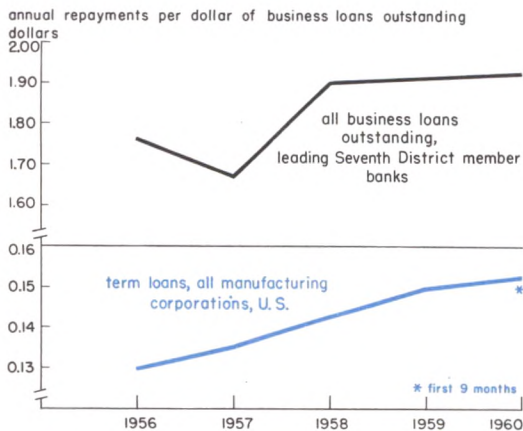
Loan turnover reflects not only the changing proportion of term loans but also the average length of maturities. While the maturity of individual term loans for the same leading Seventh District banks varies from 13 months to 10 years, with a few loans of even longer maturity, the average is somewhat more than four years. Over the 1956-60 period as a whole, the average maturity of new term loans, as indicated by a sample of new loans made during a 15-day period every three months, shows no tendency either to lengthen or to shorten.

Short-term loans—how short?

The average maturity of business loans in the under-one-year category for large banks in major cities in the Seventh District is approximately three months, contrasting sharply with the 50-month average maturity of term loans. While this comparison of maturities exaggerates the difference between "short-" and "long-term" loans (as mentioned above, term loans are ordinarily repaid in instalments and often repaid in full prior to maturity, while maturing "short-term" loans are frequently renewed or only partially repaid) the difference is nevertheless great. Just how great, of course, depends on the number of short-term loans renewed.

On the basis of a sample of the short-term loans at leading Seventh District banks, it is estimated that more than half of all short-term loans—that is, half the dollar amounts

Average "turnover" of business loans has been rising



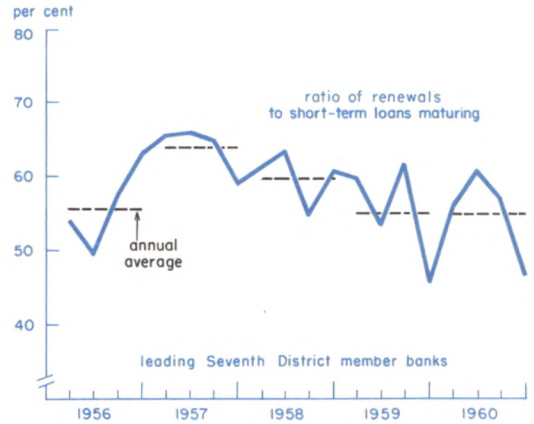
SOURCE: FTC-SEC

maturing—are renewed. Thus, while the nominal maturity of short-term loans is on the order of three months, renewals (and partial renewals) lengthen the period funds are customarily outstanding on such loans to something over six months.

As the chart shows, however, the rate of renewals of short-term business loans (under-one-year) while reflecting shifts in the level of business activity gives no evidence of any persistent tendency to rise.

In summary, business loan liquidity judged by the yardstick of average rate of turnover appears to have been maintained and possibly improved somewhat in recent years. Moreover, current data on maturities and renewals provide confirming evidence that “effective” maturities of banks’ business loans have not been getting longer.

More than half of short-term business loans are renewed, but the trend is downward



Population growth in the Fifties — five midwestern states

Population growth was somewhat less rapid in the Midwest during the 1950's than in the United States as a whole. The growth for the nation, of course, reflects the especially rapid increase in the South and Far West.

Among the five states which lie entirely or partially within the Seventh Federal Reserve District, Michigan experienced the greatest increase of population during the decade, with a net gain of 1.5 million, or 23 per cent. Illinois, the most populous of the midwestern states, was next with an increase of 1.4 million.

	1960 Population (millions)	Increase, 1950-60 (per cent)
U. S.	179.3	18.5
5 Midwest states	29.3	16.8
Illinois	10.1	15.7
Michigan	7.8	22.8
Indiana	4.7	18.5
Wisconsin	4.0	15.1
Iowa	2.8	5.2

Continuing a trend of many years' duration, population increases were confined almost entirely to cities and their immediate environs. Declines on farms continued.

"Standard metropolitan statistical areas" of five midwestern states

Area*	1960 population (thousands)					Per cent increase, 1950-60				
	Total	Urbanized Area		Outside of urbanized area	Total	Urbanized Area		Outside of urbanized area		
		Total	Central city(ies)			Fringe area	Total		Central city(ies)	Fringe area
Total	17,732	15,463	9,431	6,032	2,269	23	25	4	82	11
Four largest areas ..	12,449	11,539	6,437	5,102	910	23	25	-1	90	—
Chicago-N.W. Indiana	6,795	6,213	3,550	2,663	582	21	21	-2	77	24
Detroit.....	3,762	3,538	1,670	1,868	224	25	29	-10	105	-15
Milwaukee.....	1,194	1,149	741	408	45	25	39	16	112	-64
Indianapolis.....	698	639	476	163	59	26	27	12	117	18
200-500,000 pop. ..	2,764	2,119	1,524	595	645	24	29	16	75	12
Flint.....	374	278	197	81	96	38	41	21	134	32
Grand Rapids.....	363	294	177	117	69	26	30	1	132	12
Lansing.....	299	169	108	61	130	22	26	17	47	18
Peoria.....	289	181	103	78	108	15	17	-8	83	12
Dvnpt.-Rock Is.-Moline	270	227	182	45	43	19	17	21	1	9
Des Moines.....	266	241	209	32	25	18	21	17	46	-3
South Bend.....	239	219	132	87	20	16	30	14	62	-45
Fort Wayne.....	232	180	162	18	52	26	28	21	165	21
Madison.....	222	158	127	31	64	31	43	32	121	9
Rockford.....	210	172	127	45	38	38	41	36	53	26
Under 200,000 pop. ..	519	1,805	1,470	335	714	21	19	20	16	25
Saginaw.....	191	129	98	31	62	24	22	6	138	29
Ann Arbor.....	172	115	67	48	57	28	43	40	49	5
Kalamazoo.....	170	116	82	34	54	34	39	42	31	25
Evansville.....	166	144	142	2	22	3	4	10	-76	-3
Muskegon.....	150	95	66	29	55	24	12	-2	63	50
Springfield.....	147	111	83	28	36	11	14	2	79	3
Racine.....	142	97	89	8	45	29	27	25	50	31
Cedar Rapids.....	137	105	92	13	32	31	34	27	121	22
Champaign-Urbana..	132	78	77	1	54	25	25	23	—	25
Jackson.....	132	71	51	20	61	22	7	-1	30	48
Green Bay.....	125	97	63	34	28	26	30	19	52	19
Waterloo.....	122	103	72	31	19	22	22	10	62	22
Decatur.....	118	90	78	12	28	20	21	18	55	14
Muncie.....	111	78	69	9	33	23	11	17	-22	65
Terre Haute.....	108	81	73	8	27	3	3	13	-41	5
Sioux City.....	108	90	89	1	18	4	7	6	—	-10
Bay City.....	107	73	54	19	34	21	17	2	93	32
Kenosha.....	101	73	68	5	28	34	12	25	-52	166
Dubuque.....	80	59	57	2	21	12	11	14	41	5

*All but Chicago-northwestern Indiana are the standard metropolitan statistical areas reported for 1960. The Chicago-northwestern Indiana area is a "standard consolidated area," made up of the Chicago and Gary-Hammond-East Chicago SMSA's. In a few instances urbanized area populations for 1950 were estimated. Excluded from the list are the portions within Wisconsin, Iowa, Indiana and Illinois of the Duluth-Superior, Omaha, Louisville and St. Louis metropolitan areas.

Although the Census of Population does not include figures on farm population as such, estimates based on data from the Agricultural Marketing Service indicate a 1950 to 1960 decline of 500,000 (more than 12 per cent), or from 3.9 million to 3.4 million, for the five-state midwestern area.

Far overshadowing the half million decrease in population on farms was a 4.7 million increase for the nonfarm category. The lion's share, 73 per cent, of this gain was in the large urban communities designated as *standard metropolitan statistical areas* (SMSA's). These are counties or clusters of adjacent interrelated counties having at least one city of 50,000 or more. Within the five states are 34 such areas and minor portions of four others which spill over from bordering states.

The largest of the midwestern SMSA's, of course, is Chicago with 6.2 million inhabitants in six counties of northeastern Illinois. The number rises to 6.8 million if the adjoining Gary-Hammond-East Chicago SMSA in northwestern Indiana is included. Next, in order of size, are Detroit with 3.8 million; Milwaukee, 1.2 million; and Indianapolis, 0.7 million. In all, 18.5 million people, almost two-thirds of the total population in the five states, reside in SMSA's.

Some territory of an essentially "non-urban" character is included in nearly every metropolitan area. This is because the counties making up an SMSA are included in their entirety. Inclusion of some agricultural territory in a metropolitan area means that growth of the strictly urban component may be partially offset by a decline in the farm population. Thus, changes in the population of the "urbanized" or closely settled portion of a metropolitan area probably gauge more accurately the rate of growth of the community than do changes in the SMSA

or the core city itself. The urbanized area, moreover, is in most cases a better measure of a community's size than the alternatives.

Even this concept has shortcomings. Because it in general does not include outlying places physically separated from the compact central portion of a metropolitan area, it frequently fails to include all the residential subdivisions spreading out into rural territory but comprise an integral part of the central city's "dormitory area." The nonurbanized population of the Chicago SMSA, for example, in 1960 totaled 487,000. This is only a small part of the 6.2 million living in the entire metropolitan area but it is more than twice the combined population of all six counties within Illinois which surround the Chicago SMSA.

Territory blocked out as urbanized, therefore, probably falls short of measuring the full extent of Chicago as an urban community, and this is doubtless true to some degree for the other metropolitan areas as well. But the full SMSA, on the other hand, appears to take in too much ground. The two measures need to be used together to get a good description of city size and growth.

For all the midwestern metropolitan areas combined, the population of urbanized territory in 1960 totaled 15.9 million, having increased by 3.2 million, or 25 per cent, in the

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The larger "nonmetropolitan" urban centers in the five states

Center*	1960 population (thousands)			Per cent increase, 1950-60		
	Urban center	Central city(ies)	County(ies)	Urban center	Central city(ies)	County(ies)
Total	1,570	1,042	2,442	20	11	17
Appleton-Neenah-Menasha.....	121	81	209	34	38	21
Battle Creek.....	89	44	139	11	-9	15
Anderson.....	88	49	126	18	5	21
Elkhart-Goshen.....	83	54	107	29	11	26
Lafayette-West Lafayette.....	74	55	89	19	16	20
Eau Claire-Chippewa Falls.....	70	50	103	11	6	7
Danville.....	67	42	96	20	11	10
Sheboygan.....	64	46	87	7	8	7
Monroe (Mich.).....	62	23	101	29	7	34
Benton Harbor-St. Joseph.....	62	31	150	24	7	30
Ottawa-LaSalle-Peru.....	60	42	111	10	11	10
Marion (Ind.).....	60	38	76	38	26	22
LaCrosse.....	60	47	72	5	—	7
Kokomo.....	60	47	70	42	22	28
Port Huron.....	60	36	107	12	1	17
Richmond.....	58	44	74	9	13	8
Beloit.....	56	33	114	23	11	23
Kankakee.....	56	28	92	23	7	23
Oshkosh.....	56	45	108	10	10	19
Bloomington (Ill.).....	54	50	84	14	13	10
Quincy.....	53	44	68	9	6	6
Manitowoc-Two Rivers.....	53	44	75	16	18	12
Michigan City.....	52	37	95	33	29	24
Wausau.....	52	32	89	18	5	11

*Defined as a city, or cities in close proximity, and adjacent unorganized area having at least 50,000 residents in 1960.

preceding ten years. The population of the nonurbanized portions of these SMSA's totaled 2.5 million, which was only 236,000 or 10 per cent more than in 1950.

In general, central city growth was small between 1950 and 1960, totaling only 4 per cent over-all. The few decreases were associated largely with in-town expressway developments and the process of urban renewal, both of which have tended to lessen population density in older residential sections. Most of the sizable increases shown for central cities were related to smaller gains, or

even declines, for fringe areas—a reflection of core city growth by annexation.

Smaller cities grow too

The population data for smaller cities and the counties in which they lie appear on the surface to support the widespread impression that growth during the past decade, and longer, has been almost wholly a big city phenomenon. However, closer examination indicates this is not an accurate description of what has been taking place. In an accompanying table are listed 24 midwestern cities

which, while sizable, fall below the SMSA category.¹ Over-all, they registered a modest gain of 11 per cent between 1950 and 1960. Their counties in the aggregate grew more—17 per cent, about the same as the 16.8 per cent increase for the five states.

If, however, the cities are combined with the adjacent “urbanized” territory and the rural portions of the counties are omitted, the population increase totaled 20 per cent.

¹ Delineating these centers naturally involved arbitrariness in the selection of adjoining territories to be lumped with the central cities. One of those selected, Ottawa-LaSalle-Peru, Illinois, is stretched out some 20 miles or so; it is made up of two cities of roughly equal size situated a dozen or so miles apart and three other smaller communities clustered around them. Whether these in fact comprise an integrated urban center is largely a matter of judgment. Certain of the others, however, seem to qualify, by almost any criterion.

Benton Harbor and St. Joseph, Michigan, for example, are adjacent to one another and are bordered on three sides by populous unorganized territory. Each city has its own commercial district, but the two “downtown” sections are closely linked by a busy thoroughfare threading a built-up commercial-industrial section. Within the whole community in 1960 were some 62,000 residents, up 24 per cent from 1950. The two cities alone had but half the inhabitants and their combined increase for the decade was only 7 per cent. It seems clear that the “Twin Cities” as an economic or social entity not only is a bigger place than the city populations alone suggest but also that it has been a more rapidly growing community than the modest increase for the central cities indicates.

Largest of the sub-metropolitan centers is the complex made up of Appleton, Neenah and Menasha, Wisconsin, and their adjacent urbanized territory. This area, covering roughly the equivalent of six congressional townships, had more than 120,000 residents in 1960. Thus, it was greater in size than the urbanized portions of 18 of the 34 metropolitan areas in the five states. Moreover, it scored a population increase of 34 per cent during the 10-year period, a gain exceeded by only 7 of the 34 SMSA's.

The 24 centers each had a population in 1960 of at least 50,000. Altogether, their population totaled almost 1.6 million, about a quarter million more than in 1950.

While considerably less than the 25 per cent growth of the urbanized portions of SMSA's, this is a faster growth than the over-all average for the five states.

Declines in the smallest “centers”

Census results for the still smaller centers in one of the midwestern states, Illinois, suggests that urban growth during the Fifties extended well down the population scale. Outside the counties included in SMSA's, for example, all but 4 of the 21 places which in 1950 had at least 10,000 residents within and immediately beyond their corporate limits, but fewer than 50,000 (the lower-size cut-off for the 24 “sub-metropolitan” communities) scored increases during the decade. Their composite gain was 14 per cent. Moreover, cities in the 5,000 to 10,000 class increased by 6 per cent over-all, with gains for all but 7 of the 31. This same relative increase was registered by the 23 communities in the 2,500 to 5,000 category, 17 of which showed increases and 6, losses.

In the under-2,500 group, which is generally treated as part of the *rural nonfarm* sector and thus excluded by definition from the *urban* category, gains and losses were about evenly matched. Still, about two-thirds of the places toward the upper end of this interval—in the 1,000 to 2,500 group—showed increases. Below the 250 mark the villages losing population clearly outnumbered those gaining.

It appears therefore that the 250 to 1,000 range can be taken as a rough dividing line above which population growth took place during the Fifties. Communities of smaller size most often lost population. This was part and parcel of the process of farm population decline, for the majority of the small places are local trading centers oriented almost solely toward the farm economy.