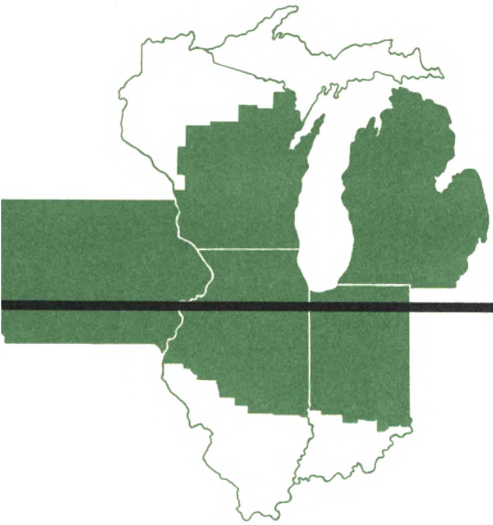
A review by the **Federal Reserve Bank of Chicago**

Business Conditions

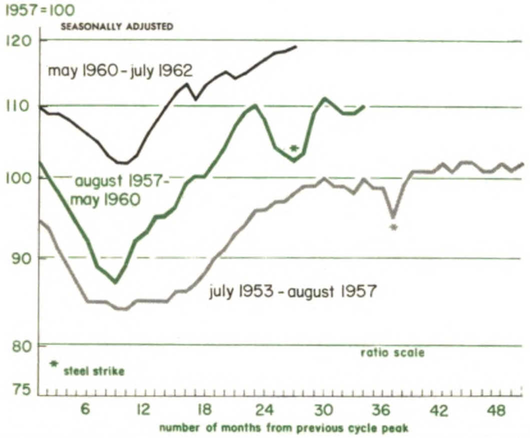


1962 October

Contents

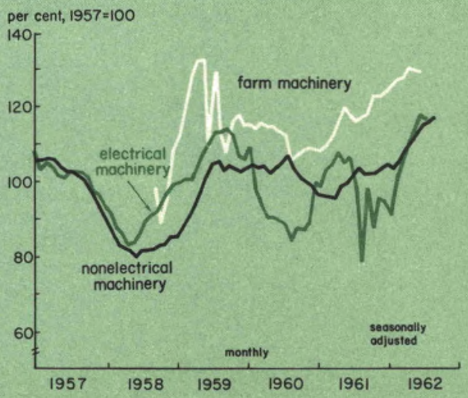
THE Trend OF BUSINESS

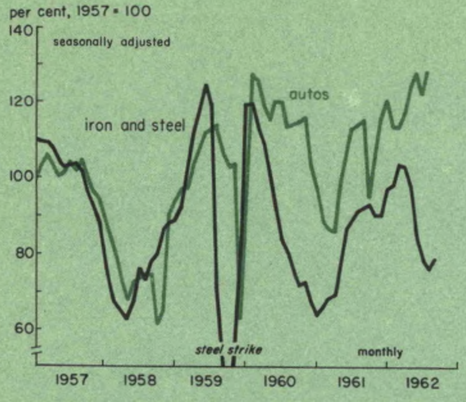
When the shallowness of the 1960-61 recession is taken into account, the current upswing, now more than 18 months old, compares favorably with other postwar expansions by most measures. Nevertheless, the picture is not one of universal strength. Seasonally adjusted unemployment, although reduced to about 5.5 per cent of the labor force from a peak of 7 per cent, remains high relative to earlier postwar years of prosperity. Plant and equipment expenditure plans for 1962, although 8 per cent higher than outlays in 1961, have been disappointing to numerous analysts. Manufacturers' new orders for durable goods, widely regarded as a "leading indicator," were below shipments from March through August. These developments are reflected in the slow rise in general measures of activity during the third quarter.



Total industrial production reached a new high in July which was maintained in August as a slight decline in production of consumer goods was offset by a rise in equipment and materials. In August industrial production was 16 per cent above the recession low in February 1961. A slightly greater rise occurred in the same interval following the upswings which began in 1954 and 1958. Compared to the pre-recession high, however, industrial production was up 8 per cent in August, a much stronger performance than in the two previous periods of decline and subsequent expansion.

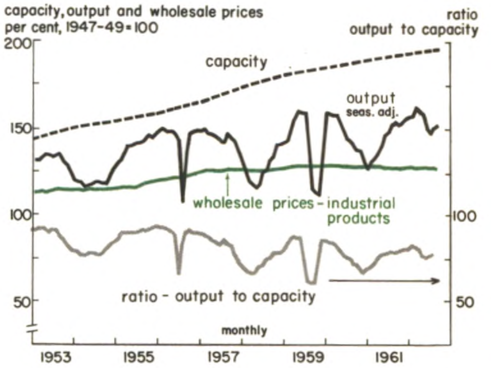
Machinery and equipment, about a third of which is produced in the District, has increased somewhat more than total industrial output since early 1961. The nonelectrical machinery industries were operating at a record level in August as a result of increased demand for equipment in metalworking, construction and farming. Surveys of business spending intentions indicate that this level of output will be about maintained in the months ahead. Electrical machinery has declined in recent months because of cutbacks in TV set production.

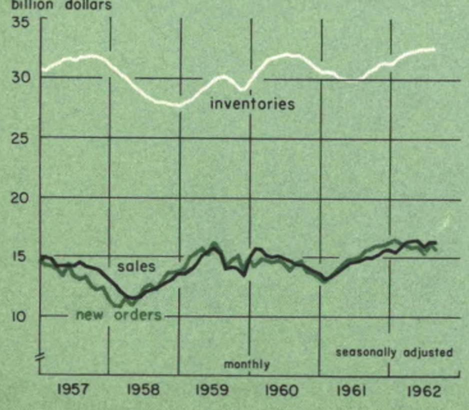




Autos and steel often have followed similar trends. This was the case in 1960 and 1961 when these industries led in both the general business decline and the subsequent upturn. During 1962, however, production of steel and autos diverged markedly. After cutbacks early in the year, as a result of slow retail sales, autos surged in the second quarter and moved even higher in July. Production of steel, on the other hand, slumped after the labor settlement in March and did not begin to revive until August.

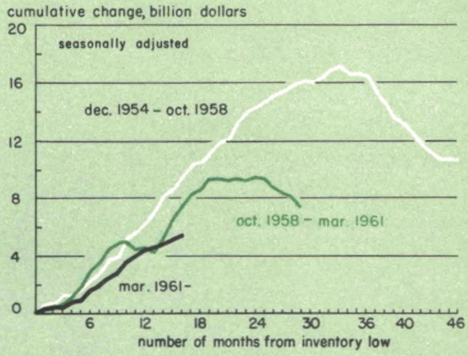
Output of major industrial materials does not comprise a "bottleneck" holding back total production as was the case as recently as early 1957. Production capacity in the steel, nonferrous metals, cement and chemicals industries has risen substantially relative to demand since that time. Stability of prices noted in recent years is related directly to the increased capacity to produce these basic materials. Most sharp fluctuations in production of all materials reflect mainly changes in the steel component.

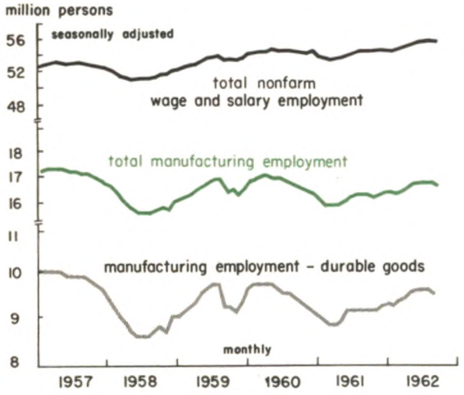




Durable goods manufacturers' sales and orders declined in the second quarter of 1962 after rising strongly from the recession low reached early in 1961. In large part these declines reflected adjustments in inventories following the steel-labor agreement. In July and August sales of durable goods' firms returned to the record high level of April. Orders rose sharply in July but dropped again in August largely because of auto model changeovers. Steel and auto sales and orders are expected to rise in September and following months.

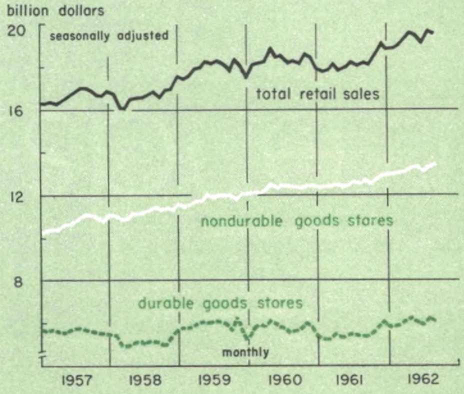
Business inventories have risen at a slower pace since early 1961 than in earlier postwar upswings. At the end of July total business inventories were equal to less than 45 days' sales, a somewhat lower ratio than a year earlier. Inventories were rising at an annual rate of 7 billion dollars in the first quarter, but accumulation has slowed substantially since that time. Most types of manufacturing firms have sought to reduce inventories or prevent a further buildup because of ready availability of supplies and stable or declining prices.





Nonfarm employment continued to rise through July but declined somewhat in August. In the latter month employment was 2.1 million, or 4 per cent higher than at the low point in February 1961. Employment in durable goods manufacturing, despite some recent cutbacks, accounted for one-third of the rise. Employment gains in recent months have occurred in the trade, service and government sectors. Compared with April 1960, the peak before the 1960-61 recession, total nonfarm employment is up less than 2 per cent while manufacturing employment has failed to regain the earlier peak.

Retail sales reached a record monthly rate of 19.7 billion dollars in July, and August sales were close to this level. In June there had been a marked drop in consumer buying, perhaps reflecting in part the impact of the stock market decline. Since the upswing began, retail sales have increased in a series of spurts—usually spearheaded by autos—followed by pauses or declines. During the entire 18-month period from February 1961 through August 1962, both retail sales and personal income rose 10 per cent.



Trends in banking and finance

Loans and investments of all commercial banks, seasonally adjusted, rose to a record high in August.[1] In the 18 months of expanding business activity following the February 1961 low of the last recession, total bank credit increased 21 billion dollars, or almost 11 per cent. During periods of comparable length following the May 1954 and April 1958 recession lows, by contrast, bank credit rose only about 7 per cent. The greater rise in the current period is due to the continued rapid growth of bank credit after the first ten months of rising business activity (see chart). In the earlier upswings bank credit expansion slowed after about ten months of rising business activity.

A rising volume of credit tends to have a stimulative effect on the economy. An increase in bank credit, except to the extent that it is offset by a reduction in credit from other sources, is especially expansive since it involves the creation of deposits. This is true whether the credit is in the form of loans or investments. When a loan is made, the borrower obtains funds which he may use to purchase goods or services or to make investments. Similarly, when banks acquire securities, the seller receives funds that may be spent or reinvested.

Since a rise in loans and investments has its counterpart in rising deposits, loans and investments can be increased only to the extent that banks have the reserves to support deposit growth. Control of total reserves, of course, rests with the monetary authorities. It is mainly because of the modest pace of business expansion in recent months that monetary policy has supplied the reserves to permit the continued rapid growth of bank credit. At the comparable stages of the 1955 and 1959 upswings, reserves were provided less liberally and banks liquidated investments to accommodate rising loan demand.

Loan demand stronger?

The demand for bank loans usually has been associated with the trend of business activity. The percentage increase in bank loans since the low point in activity in February 1961 has been smaller than in the comparable phases of previous business upswings. With reserves more than adequate to support this loan expansion, banks have continued to increase their investments in contrast with the sizable liquidation that occurred in 1955 and 1959. While holdings of U. S. Government securities have changed relatively little in recent months, "other" securities (mainly tax-exempt obligations of state and local governments) have risen sharply. This reflects banks' willingness to reduce holdings of lower-yielding, highly liquid assets in view of both their need to cover higher interest costs on time deposits and their reduced liquidity needs stemming from the larger proportion of time to total deposits.

In August, however, commercial bank

[1]The bank credit statistics in this article are based on the seasonally adjusted series first published in the *Federal Reserve Bulletin*, July 1962.

loans, seasonally adjusted, rose 1.2 billion dollars. This was the largest increase since last March and accounted for about half of the gain in total bank credit. Much of the August loan expansion was attributable to business loans which rose an estimated 500 million dollars, more than in any month since last December. Growth in real estate and consumer loans was about the same as in other recent months. Although business loan demand in August was quite strong, there have been several similar periods of upsurge in the past 18 months that were followed by declines.

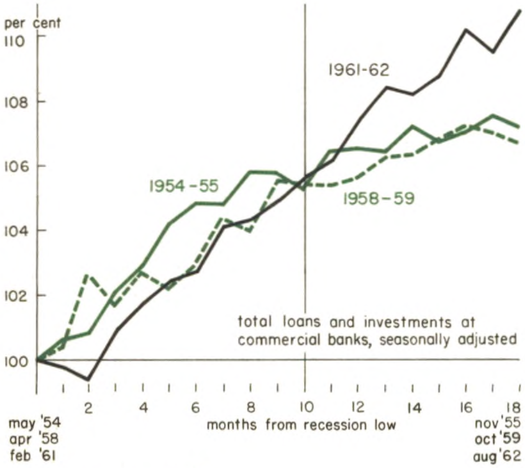
Money supply slips further

Despite the substantial increase in bank credit, demand deposits and currency in the hands of the public declined to 144.8 billion dollars in the second half of August—the lowest level since October 1961. For the month of August the money supply averaged 145.2 billion dollars—down 700 million from the January peak. This was about 2 per cent above the year-earlier level and about 1 per cent above the peak level attained during the previous business upswing.

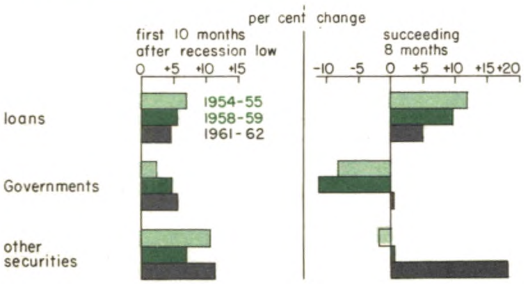
The failure of private demand deposits to increase more than they have (currency tends to be fairly stable aside from seasonal changes) is largely due to the fact that bank credit expansion has been financed through the growth of time deposits. Another factor that has limited expansion of private demand deposits in recent months is the unusually high level of U. S. Government deposits, which are not considered part of the money supply. U. S. Government deposits rose from 3.8 billion dollars in April to 7.0 billion in May and averaged 8.2 billion in the second half of August. As the Treasury accumulates funds from tax receipts or sales of securities in excess of current expenditures, deposits are shifted from private holders to the Treasury.

Recent increases in Government deposits have resulted mainly from the Treasury's borrowing in the short-term market somewhat in advance of its needs in order to help keep short-term interest rates at levels that would limit outflows of private short-term capital to foreign money markets. With the Treasury entering a period of seasonally lower tax re-

Total bank credit has risen more than in earlier expansion periods . . .



but loan growth has been relatively slow

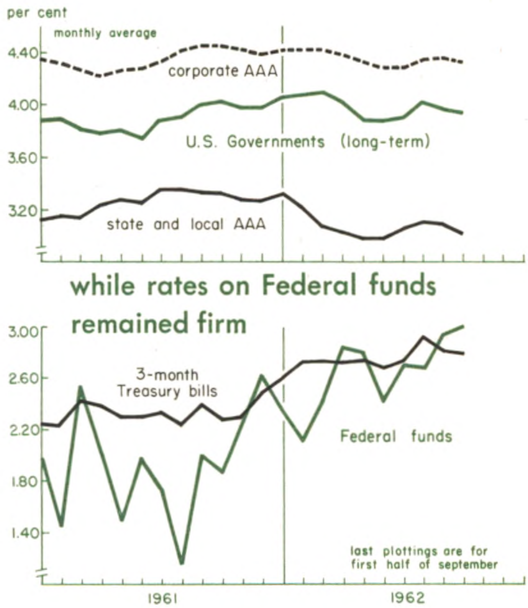


ceipts, however, these deposits may be expected to decline, which would tend to increase private deposit balances.

Because demand deposits have risen so little with the growth of bank credit, the amount of spending associated with this growth may have been less than would normally be expected. To the extent that gains in time deposits have been at the expense of "idle" demand deposits, of course, spending is not affected. Part of the 12 per cent rise in demand deposit turnover over the past 18 months presumably reflects this type of shift. However, it seems probable that for at least some portion of the funds moved from demand deposits to the time category, a reduction in current spending was involved.

Moreover, some of the expansion in commercial bank time deposits may have represented shifts of funds previously held in nonbank financial intermediaries or invested in Government securities. It is even more likely that commercial banks have received a larger proportion of new savings compared with other savings institutions. Because of these factors, part of the large gains in commercial bank credit may have been offset by a smaller expansion in credit supplied from other sources.

Long-term yields have eased . . .



Interest rates easier

Yields in most sectors of the securities markets eased following the President's decision in August to postpone any request for an immediate general reduction in income taxes, but in mid-September yields were still above the year's lows reached in late spring.

Rate declines were most pronounced for municipals. Although bank acquisition of these securities has slowed in recent weeks, the supply of new issues reaching the market has dropped markedly. Only 400 million dollars of state and local government issues were scheduled to be sold in September, compared with about 600 million for July and August and a monthly average of over 800 million for the first half of 1962. The volume of new corporate debt issues also was relatively light and yields on some new issues dropped back to levels prevailing last June.

Yields on U. S. Governments also receded. There was little reaction in the intermediate- and long-term areas to the Treasury's September advance refunding of issues maturing in February and May of 1963, and rates continued to move lower following the Treasury's announcement that a small amount of long-term bonds may be sold through underwriting syndicates on the basis of competitive bidding within the next six months.

Treasury bill rates also weakened somewhat during August and the auction average on three-month issues dropped below 2.80

per cent in the first two weeks of September. Temporary investment by sellers of the "rights" involved in the advance refunding, plus the popularity of December maturities, exerted downward pressure on bill rates in spite of the Treasury's sales of additional bills each week. The supply of regular bills was increased over 2.0 billion dollars during the third quarter, and March tax bills sold in late September exceeded the tax bills maturing in September by 1.2 billion dollars.

In contrast to the moderate slide-off in bill yields after early August, the rate on Federal funds (interbank loans of balances at Federal Reserve Banks) remained close to the discount rate.[2] This reflected an active demand for Federal funds to meet temporary reserve needs as many banks strove to keep as fully invested as possible. Banks will not pay more for reserves borrowed from other banks than the discount rate at which reserves can be borrowed temporarily from the Reserve Banks. Borrowing from the Federal Reserve Banks—at a 127 million dollar average during August—remained very low compared with most of the postwar period.

[2]Data on the effective rate for Federal funds (based on the consensus of market participants as to the rate at which most transactions are executed) have recently been made available by the Federal Reserve Bank of New York. Back data can be obtained from the Market Statistics Department of that Bank.

The port of Detroit

Among the major American seaway ports, Detroit has experienced one of the most vigorous gains in direct overseas shipping since the opening of the Great Lakes-St. Lawrence Seaway. Last year Detroit handled a total of 748,000 tons of direct export-import traffic, more than seven times that handled in 1958, the year before the seaway opened.

Despite this rapid growth, overseas shipping still accounts for only a small fraction of the total freight traffic handled at the port of Detroit—3 per cent in 1961. The port's "bread and butter" operations are primarily geared to the area's basic industries—iron and steel, electric power and construction—that have long depended on economical lake transportation for their raw material and fuel requirements. Since 1955, for example, three items—coal from Lake Erie ports, iron ore from Minnesota and Canada, and crushed stone from northern Michigan—have comprised roughly 80 per cent of the total annual freight traffic handled at the port.

The heavy preponderance of these three items in the Detroit port picture helps to explain the sharp fluctuations in total shipping activity between periods of business expansion and recession. In 1958, a recession year, coal, iron ore and stone accounted for over two-thirds of the 5.8 million ton decline in freight traffic from the previous year. And in 1959, despite a lengthy steel strike in the second half of the year, they accounted for 88 per cent of the increase in tonnage shipments.

Nonetheless, many observers feel direct overseas shipping will continue to rise rapidly in relative importance in the port's over-all operations. Clearly, Detroit has many advantages as a foreign trade port. With production in Michigan dominated by the transportation equipment, nonelectrical machinery and metal industries, Detroit is both a major exporter of manufactured goods and importer of industrial raw materials.

The port area itself consists of about 32 miles of deep-water frontage along the Detroit and Rouge rivers, providing easy access and departure for all types of vessels capable of using the seaway. Only a small fraction of the more than 100 separate docking facilities in the port are used primarily for the handling of direct foreign cargo. However, additional wharf space, cargo sheds and lift cranes are being added to accommodate expected increases in seaway business.

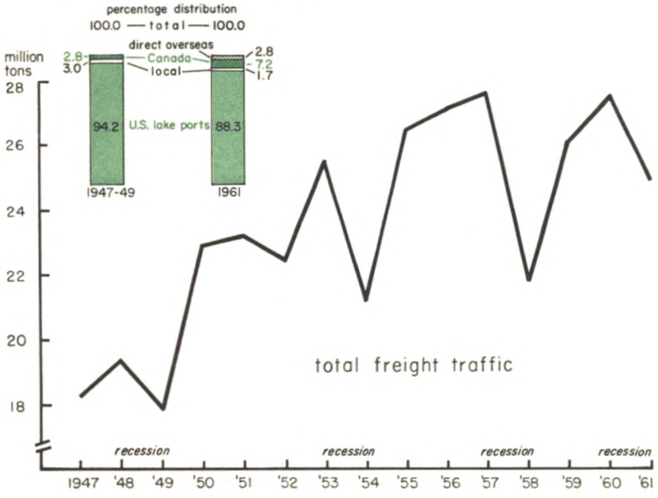
Slower growth indicated

A number of factors suggest that future growth in direct overseas shipping activity at Detroit may proceed at a much slower pace than during the first three years of seaway operations. Obviously, a rapid rise in activity was to be expected immediately following opening of the seaway. But this growth was accelerated by an unusual combination of circumstances.

In 1959 direct imports of foreign steel and steel products at Detroit rose sharply as a result of the nationwide steel strike in the second half of the year and accounted for nearly half of the approximately 200,000 ton increase in the port's total overseas traffic volume that year. During the 1960 shipping season, considerable foreign traffic was diverted to Detroit because it was one of the few major domestic seaway ports that remained unaffected by dock strikes and other labor disputes. Activity in 1961 benefited from a sharp increase in exports of iron and steel scrap to Japan and Western Europe, with such shipments rising from less than 150,000 to over 400,000 tons. In 1961 iron and steel scrap accounted for about three-fourths of the Detroit port's overseas export tonnage and more than half of its combined export-import tonnage.

By way of comparison, scrap exports from Detroit through the end of July 1962, roughly the midpoint of the seaway shipping season, totaled only about 17,000 tons compared with 260,000 tons in the year-earlier period. This sharp decline in scrap business, which has hit all other ports as well, chiefly reflects a curtailment of Japanese buying stemming from various credit tightening measures invoked by the Japanese Government in the second half of 1961 in order to strengthen that country's

Dominated by lake shipping, Detroit port activity has shown sharp cyclical fluctuations



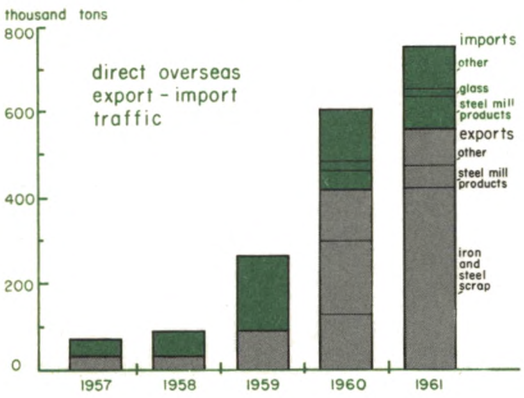
SOURCE: U. S. Army Corps of Engineers.

balance of payments position.

Future gains in Detroit's direct overseas shipping, like that of most other seaway ports, will be affected importantly by rail and truck rates. "Export-import" rate schedules of inland carriers often make it economical for many firms situated at interior points to ship long distances by rail or truck to tidewater ports on the Atlantic or Gulf of Mexico for transshipment to overseas destinations. If seaway ports like Detroit could obtain competitive "export-import" rates, their traffic potential would rise sharply. (For a more detailed discussion of "export-import" rates and the seaway see *Business Conditions,* July 1961).

Undoubtedly, the most significant limitation to the port of Detroit's future growth prospects is its location. Less than 60 miles to the south, Toledo enjoys a decided advantage over Detroit in handling overseas freight traffic destined to or from such important manufacturing centers as Dayton and Cincinnati, Ohio; Louisville, Kentucky; and Fort Wayne and Indianapolis, Indiana. The port of Chicago, at times, also exerts a competitive pull on traffic to and from these areas, while to the west and north, Muskegon and the Saginaw River ports, notably Bay City and Saginaw, vie for Detroit's hinterland traffic.

Scrap exports accounted for over half of Detroit's total overseas shipping in 1961



SOURCE: Detroit Board of Commerce and U. S. Army Corps of Engineers.

It has been suggested frequently that Detroit and Toledo might rise to greater prominence as "turnaround" ports for the various domestic and foreign steamship lines serving the seaway. Potential cost savings are cited as the compelling factor. It requires a minimum of three to four days additional sailing time to make calls at the major ports beyond Detroit, such as Milwaukee, Muskegon and Chicago, plus another one or two days for loading and possible delays in port. Since operating expenses for the typical foreign flag vessel using the seaway average about $1,500 a day, the total additional cost for service beyond Detroit could range anywhere between $6,000 and $9,000 per voyage.

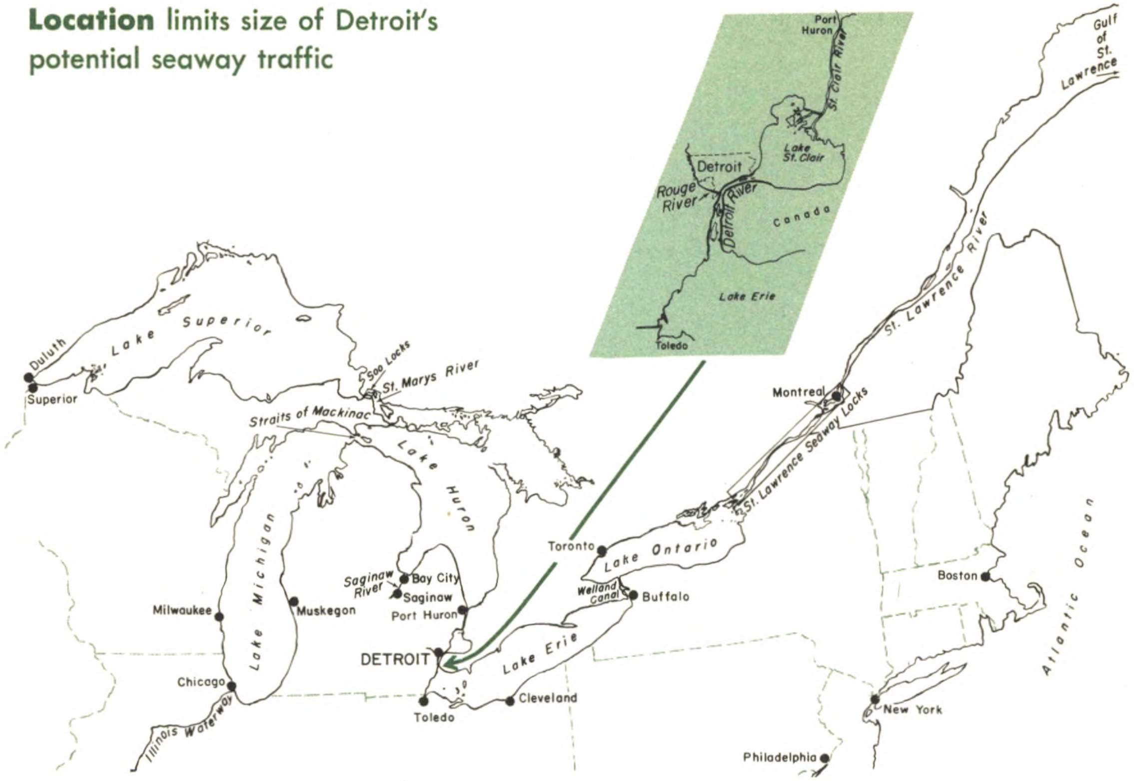
However, most steamship agencies representing the major lines operating in the seaway say that the revenues generated by calls to Lake Michigan ports more than offset the additional costs involved. In fact, they believe that the preponderance of seaway traffic will continue to be tied to ports beyond Detroit.

On several occasions vessels have "turned around" at Detroit or Toledo, with cargo destined for Lake Michigan ports being unloaded and transshipped by rail or truck. But these "turnarounds" were made primarily to recover time lost because of delays in opening the seaway or to avoid the risk of being trapped by ice near the end of the shipping season.

Benefits to Detroit

The Detroit area economy should benefit materially as a result of the opening of the

Location limits size of Detroit's potential seaway traffic



Great Lakes-St. Lawrence Seaway and the related deepening of the Great Lakes connecting channels. Channels through the Straits of Mackinac, Lake St. Clair and the St. Marys, St. Clair and Detroit rivers are being dredged to a uniform depth of 27 feet to accommodate deep-draft vessels using the seaway. Begun in 1957, the channel deepening is scheduled to be completed by 1964. It is estimated that this project will lower transportation costs by as much as 10 million dollars annually for three commodities alone—iron ore, grain and stone.

Moreover, the seaway can offer significant transportation cost savings to Detroit area manufacturing firms that export directly to overseas markets or rely on foreign sources for raw materials and semifinished goods. Although two of the major Detroit automobile companies, Ford and General Motors, export the bulk of their cars, trucks and parts to overseas destinations from plants located on the eastern seaboard, Chrysler relies primarily on the port of Detroit in serving its export markets. According to a company spokesman, the port is the "answer" to Chrysler's shipping needs. The service is considered very good and transportation costs are appreciably less compared with rail shipment to a tidewater port and then transshipment by steamer to overseas destinations. For example, the total saving in shipping charges for a "knocked down" compact car weighing about 1,800 pounds from Detroit to Buenos Aires, Argentina, is about $17 via the seaway as compared with shipping via the port of New York. During the 1961 seaway season Chrysler began initial shipments of components from Detroit to Argentina and Australia as part of a program to assemble and market 17,000 compact cars in those countries in 1962.

From time to time the Detroit auto firms have found it convenient to use the port to ship presses, dies and other heavy machinery to their overseas affiliates. Ford also has begun to utilize the port to ship automobile parts obtained from various domestic suppliers to its assembly plants in Britain and Germany. Although the tonnage involved is relatively small, it has increased rapidly during the past year.

Since the opening of the seaway in 1959, Detroit manufacturers have imported substantial tonnages of industrial raw materials direct from overseas supply sources. Heading the list of direct imports received in the port of Detroit last year were steel mill products (62,000 tons) followed by sulphur (18,000), glass and glass products (17,000), crude rubber (4,000), aluminum (3,000) and ferromanganese (2,000). Doubtless, a large portion of these raw material imports was consumed directly or indirectly by Detroit's leading export industries. Thus, the seaway works both ways to enhance the competitive position of the Detroit area economy.

Apartments gain favor in homebuilding

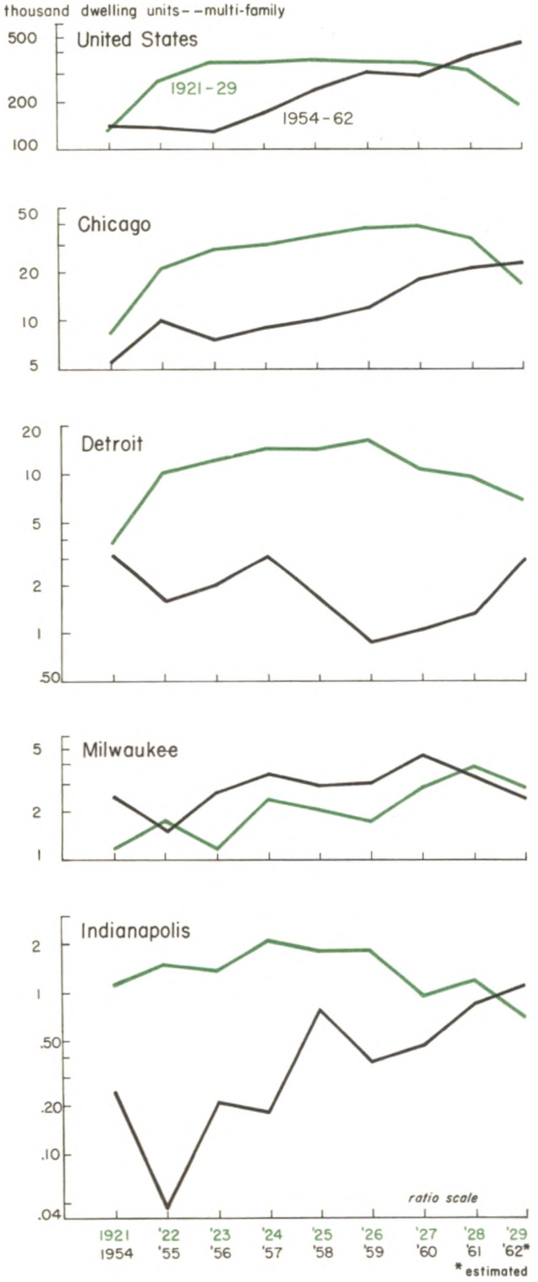
In the past five years the share of homebuilding accounted for by apartments and other multi-family structures has risen steadily. From the end of the war through 1957, only about 15 per cent of all new homes built in the United States were in the multi-family category. By the first half of this year, the proportion had grown to nearly one-third. Out of some 715,000 housing starts, 230,000 were apartments. At this rate multi-family starts for all of 1962 doubtless will exceed 1961's record 375,000 by a substantial margin.

Among major Midwest centers, *Chicago* has experienced the most vigorous growth in apartment construction in the past several years. In the first half of 1962, construction of multi-family units actually exceeded the number of single-family home starts.

The most conspicuous aspect of Chicago's postwar apartment boom has been the surge in high-rise construction along the lakefront, adding appreciably to the sizable supply of such structures built in the Twenties. More recently, sites on the edge of the downtown business district have found favor for several large luxury developments.

Multi-family construction also has proceeded at a vigorous pace in the suburbs, as in the Twenties. This time, however, town houses

Major apartment
construction booms compared



and comparatively small apartments have been emphasized and many of them have been built in communities well out in the suburban ring. In the earlier phase of suburban apartment building, sizable three-story walk-ups and two-flat buildings were common and most were erected in established towns on the city's edge—such as Evanston, Oak Park and Cicero—where they offered easy access to local shopping facilities and to rapid transit and rail commuter connections with the downtown Loop area.

The Midwest's next largest center, *Detroit,* has not witnessed anything like the burst in multi-family housing construction which has characterized Chicago. Detroit remains preponderantly a city of single-family, owner-occupied homes. An extensive close-in urban renewal project, however, is progressing with a cluster of both town house and high-rise structures.

Milwaukee recently has closely paralleled Chicago in the ratio of multi-family to single-family construction. In the first seven months of 1961, 51 per cent of all permits issued were for apartments and other structures providing two or more housing units. In the same months of this year, however, apartments have declined in relative importance, particularly in the two- to four-family category. In contrast, this type of structure has shown considerable strength in other major District centers and in the nation as a whole.

In *Indianapolis* there has been a substantial pickup in apartment building in 1962. While only 9 per cent of all permits in the first seven months of 1961 were for units in multi-family projects, the proportion in the same months of this year climbed to 28 per cent of a greater over-all total.

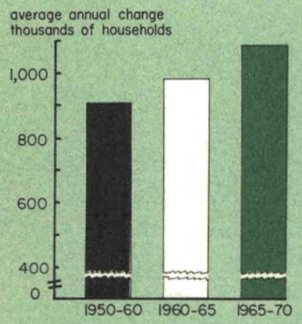
Changing makeup of housing demand

A variety of explanations have been given for the vigorous rise in apartment building and the accompanying sluggishness in single-family home construction. One of these has to do with population developments and especially the changing age composition of the population.

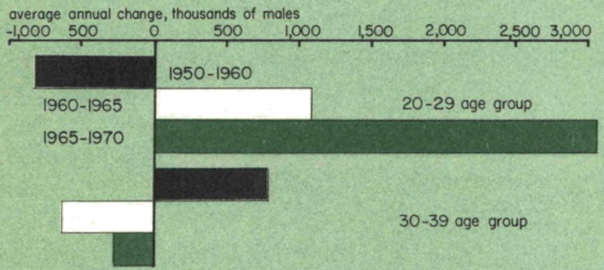
First-time home buyers "typically" are couples in their 30's. The number of people between 30 and 40 is declining, simply because of the dip in the birth rate during the depression of the Thirties. Candidates for first-time occupancy of rental housing—newly married couples, for the most part—ordinarily are in their 20's. The number of young people in this age group is headed upward under the impetus of the big birth classes of the early war and postwar years. It follows that a smaller market for owner-occupied housing and a larger market for rental—that is, multi-family—housing may be in store.

Couples in their 30's, however, are not the only buyers of houses nor are those in their 20's the sole prospects for rental units. Married couples in their 40's and beyond, single individuals living alone and unrelated people who live together also are a big factor in the over-all housing market. Moreover, the number in these groups will continue to grow rapidly through the remainder of the Sixties. Many, especially the older married couples, can be expected to move from the houses they now own into rental dwellings, while others will try to upgrade their housing by seeking units that offer more space, better locations and more conveniences. Thus, it is widely believed that the "mix" of single-family homebuilding will change in the next few years, reflecting the growing emphasis on larger, higher-priced houses and less emphasis on the "starter" units for young families now in apartments.

A population factor of another sort also helps to explain the upsurge in apartment construction. In many metropolitan areas, the exodus from the city to the suburbs has slowed in recent years as the tide of migration into cities from rural areas has fallen off. The decline in immigration is ascribed largely to the sluggishness of the job market, particularly in manufacturing. With population pres-



A stepped-up rate of growth in national demand for housing during the Sixties is indicated by the rising annual increases projected for total households.



Recent emphasis upon apartment construction reflects in part large anticipated expansion in the number of young married couples in the years ahead.

Dwindling numbers in the 30-39 age group dampen the outlook for the construction of single-family units appealing to first-time home buyers.

sures building up less rapidly in the city, there is a diminished incentive to move out to a new house in the suburbs and a greater inclination to stay put in the city apartment or to seek a better, new apartment within the city.

Squeeze on the resale markup

Finally, there are two further reasons sometimes advanced for the apparent shift from single- to multi-family construction. Both have to do with popular attitudes toward the financial aspects of home ownership. One of these relates to effects of a topping out—or actual decline—in the selling prices of single-family homes, a development largely traceable to the general lessening of inflationary pressures in the past few years. During much of the postwar period, up until perhaps 1959 or 1960, the market for houses was, in general, sufficiently strong to yield the seller a "profit" on the sale of his home. Taken in conjunction with the relatively generous treatment of the homeowner under the income tax laws—which allow him to deduct mortgage interest and real estate tax payments from his taxable income—the prospect of capital gains on resale served to make ownership appear less costly than rental.

While the tax treatment of the homeowner remains unchanged, year-to-year capital gains are by no means as likely as earlier, and projections of homeownership costs nowadays will seldom incorporate an allowance for this. Furthermore, the plateau or easing in resale prices for houses has tended to lessen the "liquidity" of this type of investment, and this, too, is widely believed to have diminished the appeal of ownership in contrast to rental.

Rising expenses of ownership

The trend of real estate taxes and other costs of homeownership also appear to have altered popular attitudes. Between 1949 and 1959, for example, per capita property taxes in the suburban areas of Chicago, Detroit and Milwaukee rose much more rapidly than in the cities themselves (see table). Early in the postwar years, a move to the suburbs often meant a move to a community having low taxes and adequate but not opulent public services. Intensive settlement frequently changed all this. Central water supply and sanitary and storm sewerage facilities had to be installed, new schools built and parks and other recreational facilities acquired and developed. Often, the suburban community in time took on aspects of the central city, with a fully developed municipal plant and an elaborate program of public services—and with obvious consequences in terms of the homeowner's tax bills.

Suburbia's postwar property tax hike outstrips city's in three of four major Midwest centers

Metropolitan area	Per capita tax, 1959 (dollars)	Change 1949-59 (per cent)
Chicago		
City	124	+ 72
Suburbs	131	+ 91
Detroit		
City	138	+ 87
Suburbs	118	+134
Milwaukee		
City	143	+ 79
Suburbs	158	+136
Indianapolis		
City	167	+172
Suburbs	127	+102

In numerous instances, commutation expenses have doubled in the past 10 or 12 years. Fares on rail and transit lines have been increased sharply almost without exception. On a number of lines, service has been abandoned altogether, forcing patrons to shift to costly alternatives. Downtown parking fees and gasoline taxes have risen. In all, what seemed a financially advantageous move in the late Forties may have come to be a distinctly expensive mode of living in the early Sixties.

Some observers profess to see signs of a reverse movement "back to the city." While solid evidence on this point is not available, there are indications that the migration to the suburbs has abated somewhat and that the disadvantages of living in the suburbs come in for increasingly careful evaluation when moving plans are made.

Despite the high and rising expense and other drawbacks of owning a home, the underpinnings of suburbia and of the single-family house remain firm. With the all but general ownership and use of the automobile and the decentralization of industry that has gone hand in hand with it, the tendency for settlement to cluster tightly at limited locations close to mass transportation and within walking distance of stores has been grealy diminished. The incentive to build upward, to use land intensively is much weaker today than it was in the late Twenties. Living in detached single-family houses situated on spacious lots is in many communities a good deal more practical and convenient than before the automobile came of age. Extensive land use, with single-family homes predominating, therefore, often remains an efficient pattern of settlement for the outlying sections of big urban communities.

Home financing patterns

The financing of private multi-family construction is mostly the province of large lending institutions—life insurance companies, the more sizable mutual savings and commercial banks and to a lesser extent savings and loan associations of substantial size. Smaller financial institutions, of necessity, generally confine their real estate loans to properties in the one- to four-unit range.

During 1961, new lending on multi-family dwellings (that is, structures of more than four units) by life insurance companies increased 54 per cent from the previous year, while mutual savings banks reported a gain of 33 per cent. In contrast, the volume of new financing done by these institutions in the one- to four-unit category, showed virtually no year-to-year increase.

This shift toward apartment financing by the life companies and mutual savings banks has been accompanied by a rapid increase of single-family home financing activity by the savings and loan industry. In 1961, savings and loan associations made almost 44 per cent of mortgage loans in the single-family category, compared with about 41.5 per cent in 1960. The pickup in apartment construction and other structures requiring large-scale financing and decline in the share of the market taken by single-family homes has signaled no essential change in the "sources" of home-building credit. Personal liquid savings in the form of share accounts, savings deposits and insurance policy reserves have continued to provide the bulk of the financing.

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