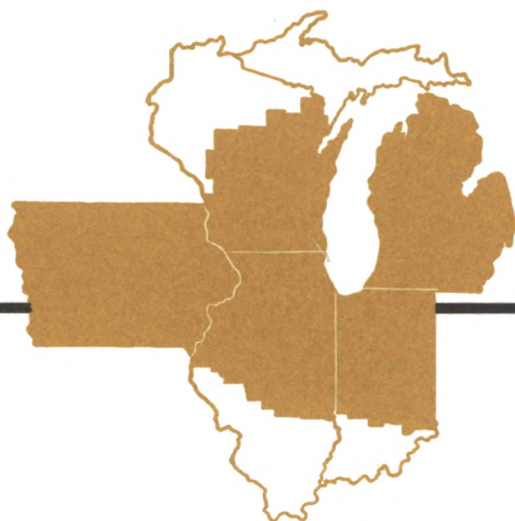


Business Conditions

1966 May



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Trends in banking and finance

Bank operating ratios, 1956-65*

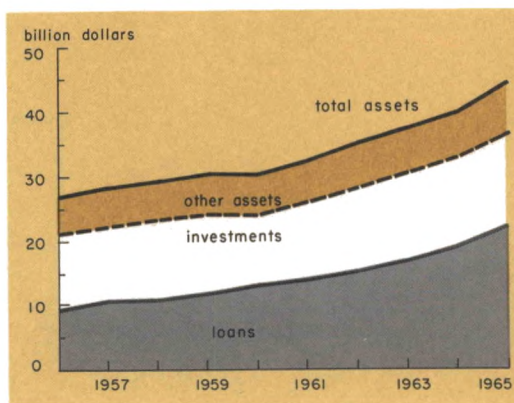
Assets of member banks in the Seventh Federal Reserve District climbed from 27 billion to 44 billion dollars between 1956 and 1965, a gain of 65 per cent. This was a somewhat slower rate of growth than that scored by all banks in the United States.

*The data on earnings and expenses used in this article were derived from statements of earnings and dividends submitted annually by Seventh District member banks. The figures on aggregate dollar amounts of assets and liabilities were computed by averaging amounts reported on condition statements at the calls at midyear and fall of the current year and at the end of the preceding year—except for 1964 and 1965 when the fall calls had to be omitted from the averages because they did not include all the necessary data. The operating ratios for the various groups of banks are arithmetic averages of individual bank ratios, not weighted averages of the totals for the groups.

The charts showing individual state data exclude banks outside the five major cities with deposits of 50 million dollars and over, since there were important changes in the number of banks in this group between 1956 and 1965.

The rise in total assets at District banks reflected growth in all major classes. Outstanding loans more than doubled, climbing 12 billion dollars to reach the 22 billion dollar mark. Investments, the next largest category of assets, increased 3 billion dollars.

Asset growth

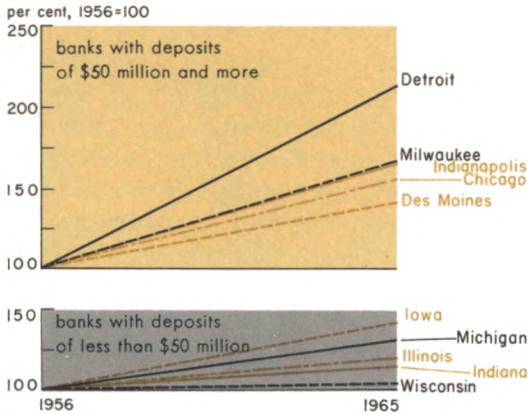


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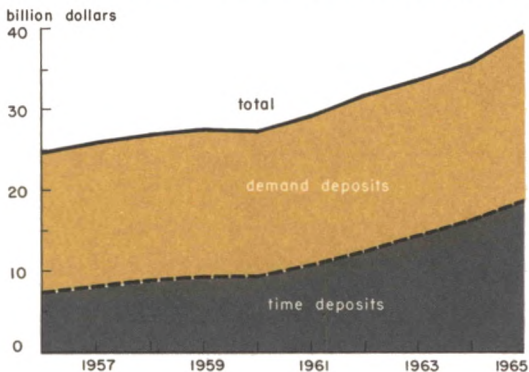
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Asset growth by area and bank size



Bank deposits

An 11 billion dollar increase in time deposits accounted for most of the 15 billion dollar gain in total deposits at District member banks. The doubling of time deposits reflects not only a generally buoyant economic climate but also an appreciable rise in interest rates on time deposits and the development of such new techniques of soliciting funds as negotiable time certificates of deposit.

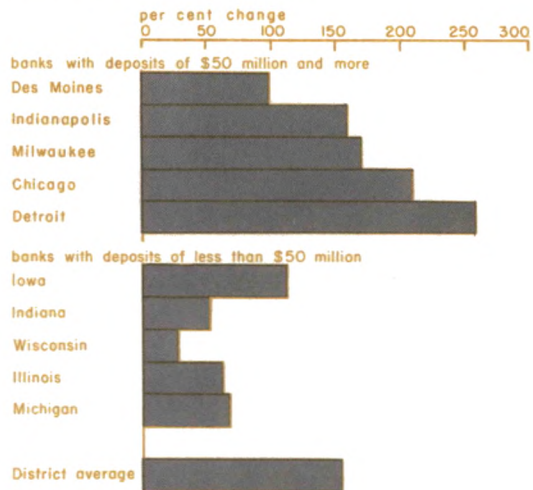


Growth of assets at the District's major banks exceeded gains at the smaller banks. The Chicago banks as a group showed a substantial gain, although the increase was somewhat below those of banks in Indianapolis and Milwaukee and far below that for Detroit. Some of the largest asset gains were experienced in Michigan areas, reflecting in part the opening of new bank offices.

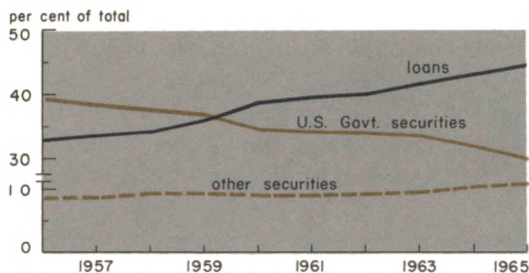
Time deposit growth

Time deposit growth has been more rapid at the large banks than at smaller ones, with the upsurge at large banks chiefly attributable to expansion in negotiable time certificates of deposit held by business firms.

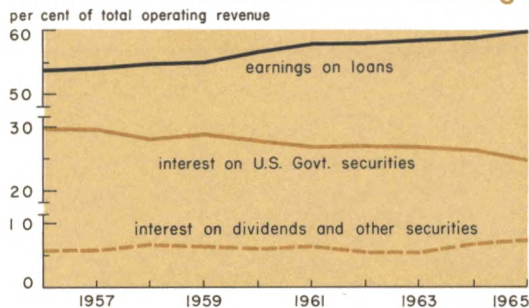
Rates of interest paid on time deposits continued to differ among areas and doubtless accounted in part for differences in deposit gains. Relatively lower rates of interest on passbook savings in the smaller communities apparently was related to the slower rise of time deposits in these areas.



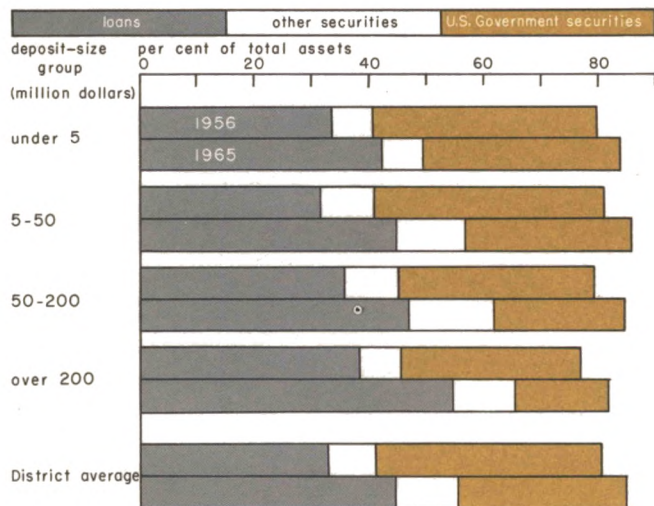
Trends in composition of bank assets . . .



. . . and sources of bank earnings



Asset composition



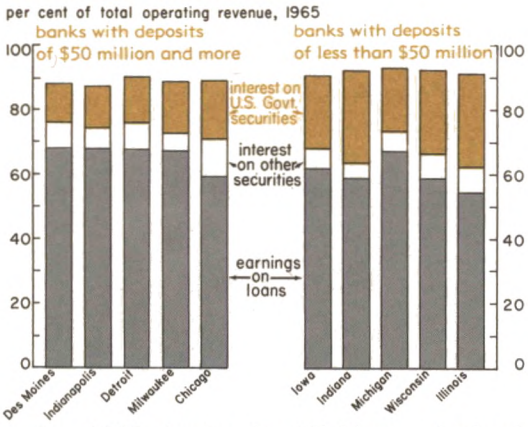
Differences in rates of growth of various bank assets were accompanied by changes in portfolio composition. Loans and “other securities” (mostly obligations of state and local governments) became a greater proportion of total assets while the share of U. S. Government securities declined. A shift to longer-term higher yielding assets thus took place along with the restructuring of deposits.

Earnings on loans increased almost without interruption. In 1965, the District member banks obtained almost 60 per cent of their total operating income from this source. The proportion of earnings from “other securities” rose also but still accounted for less than 10 per cent of the total.

The switch from U. S. Government securities to loans was most marked at the largest banks. While in 1956 loans accounted for 38 per cent of total assets at banks having deposits of more than 200 million dollars, 10 years later the ratio was up to 54 per cent. The move into loans was a response to strong and growing customer loan demand and attractive yields.

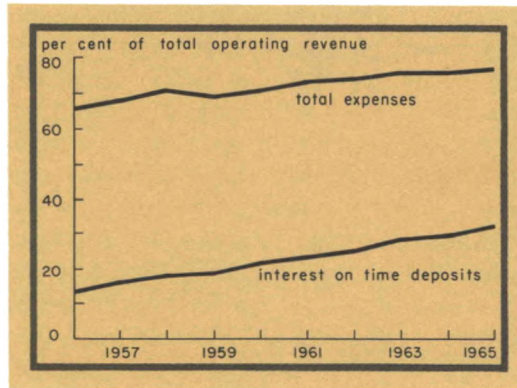
Smaller banks maintained a larger fraction of their assets in U. S. Government securities, partly as a hedge against unexpected cash needs. Small banks find it less convenient than larger banks to rely extensively on the Federal funds market and similar sources for highly liquid funds.

Earnings distribution



Bank expenses

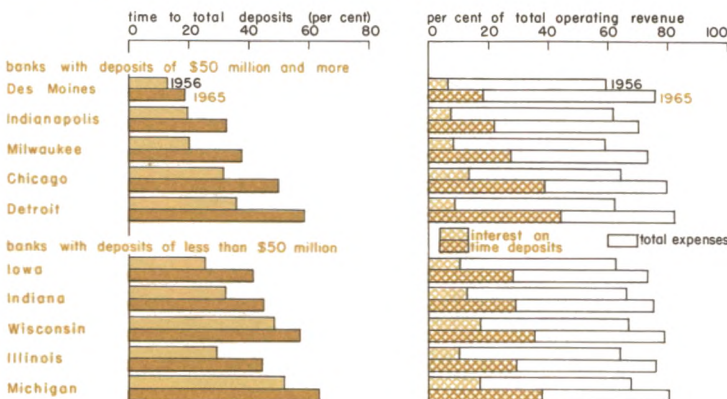
Interest paid on savings and other time deposits rose steadily between 1956 and 1965, consuming more and more of operating revenue. Moreover, the climb in interest expense was faster than in most other expenses, such as salaries and wages. The introduction of automated equipment and growing use of such equipment by banks undoubtedly contributed to restraining the rise in payroll outlays and reducing processing costs per dollar of deposits.



In 1965 banks in Michigan obtained slightly more of their total operating income from earnings on loans than their counterparts elsewhere in the District. Reported rates of return on loans were somewhat higher in Michigan as were ratios of loans to total assets.

Earnings on state, local and corporate securities became a more important source of income at nearly all banks. Illinois banks in 1965 had the highest proportion of earnings from "other securities."

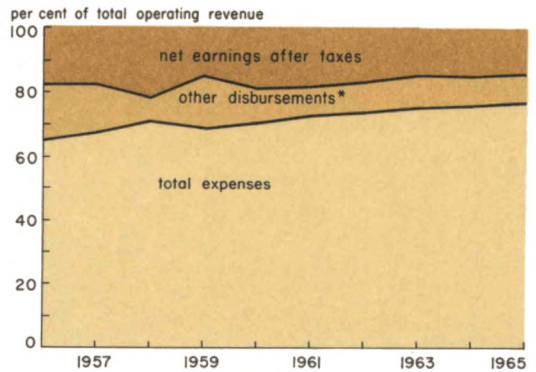
Ratios of time deposits and operating expenses compared



At most banks the proportion of deposits in time form increased and a growing share of earnings was paid out in deposit interest. In Iowa, for example, interest on time deposits rose from 11 per cent of total operating revenue in 1956 to 27 per cent in 1965. Interest expenses were a higher proportion of revenues in the other states, ranging up to 39 per cent in Michigan.

Trends of net earnings and expense ratios

Net earnings after taxes as a percentage of operating revenue were smaller in 1965 than a decade earlier. Operating expenses climbed faster than revenues especially after 1961.



*Net losses, including transfers and taxes on net income.

Some profit factors, 1965

The shrinking operating margin tells only part of the story on profits. For large member banks in Detroit, for example, the margin on each dollar of revenue was smaller than in the other major cities, but because operating revenue per dollar of assets was greater and the capital-to-asset ratio was lower, the average rate of return on capital exceeded that in Des Moines and Milwaukee and matched that in Chicago.

Although average rates of return on *capital* tended to rise with increasing bank size, no such pattern was evident for rates of return on total *assets*.

	Operating margin ¹	Average rate of return on assets (per cent)	Ratio of capital to assets	Average rate of return on capital
Banks with deposits of \$50 million and more²				
Des Moines	16.8	.62	7.4	8.8
Indianapolis	18.0	.80	8.0	10.0
Milwaukee	15.0	.60	6.7	9.0
Chicago	13.1	.59	6.4	9.2
Detroit	11.0	.52	6.0	9.2
Banks with deposits of less than \$50 million				
Iowa	17.4	.85	9.1	9.6
Indiana	14.1	.68	8.1	8.5
Wisconsin	12.5	.57	8.6	7.8
Illinois	14.7	.67	8.0	8.8
Michigan	11.7	.59	8.3	7.8
District average	14.3	.67	8.2	8.7

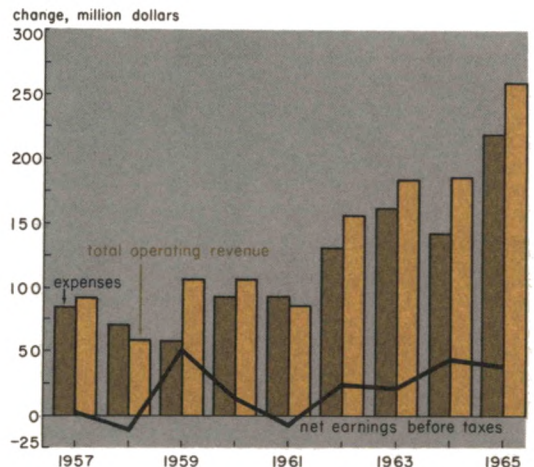
¹Margin refers to per cent of net current earnings after income taxes to total operating revenue.

²Leading cities arranged by proportion of time to total deposits as shown in the lower chart on page 5.

Changes in earnings

Profits are enhanced when increases in expenses are instrumental in producing still greater increases in operating revenues.

All told, District member banks appear to have made large additions to their net earnings over the past decade, despite the rise in interest expenses incurred to attract and retain time deposits.



Crop insurance

Crop failure is an ever-present risk in farming. In adverse circumstances it can impair solvency and the ability to repay borrowed funds.

Because of improvements in technology, the risks of crop failure attributable to natural hazards, such as drought, disease or insects, are smaller now than a decade ago. But the possible financial loss in the event of crop failure is greater because of the increase in costs per acre of producing crops.

Costs per acre on typical Midwest cash grain farms have risen nearly one-half during the past decade, according to estimates by the U. S. Department of Agriculture (USDA). Moreover, cash expenses as a portion of gross income per acre have risen from about 40 to nearly 50 per cent during the same period.

Fortunately, many natural risks are insurable and therefore can be averaged through the medium of insurance. Two general types of crop protection are available to farmers: crop-hail insurance, which is offered by both stock and mutual companies, and all-risk crop

insurance, which is offered by the Federal Crop Insurance Corporation (FCIC), an agency of the USDA. A small amount of comprehensive weather peril coverage was also sold by private companies during 1965. The American Farm Bureau Federation has announced that it will offer a limited amount of all-risk coverage on an experimental basis in conjunction with crop-hail policies issued by an insurance subsidiary in 1966.

Crop-hail is, of course, the predominant type of insurance purchased by farmers. In 1964, farmers purchased about 2.9 billion dollars of such coverage. This was more than 1 billion dollars above that in force a decade earlier. Nearly half of the total hail coverage is in the Corn Belt. Corn and soybean crops account for about two-fifths of the coverage in the nation. Premiums on these policies amounted to nearly 110 million dollars in 1964 while losses paid to farmers totaled about 67 million dollars.

Estimates by the USDA indicate that the FCIC insured crops in 1964 for about 542 million dollars. In 1965 about 591 million dollars of all-risk Federal crop insurance was in force. Premiums in 1965 amounted to about 36 million dollars while indemnities were estimated at about 34 million dollars. In addition to its premium income, the FCIC receives financial support from the U. S. Treasury. Congress appropriates a sufficient amount of funds each year to cover the administrative and operating expenses of the FCIC. In

Crop insurance coverage has risen

	<u>1950</u>	<u>1955</u>	<u>1960</u>	<u>1962</u>	<u>1964</u>	<u>1965</u>
	(million dollars)					
Private						
Coverage	1,057	2,067	2,495	2,651	2,918	n.a.
Premium	40	77	103	108	110	n.a.
Indemnity	17	45	59	81	67	n.a.
Federal						
Coverage	240	309	266	357	543	591
Premium	14	22	18	22	34	36
Indemnity	13	26	16	24	30	34

n.a. Not available.

1965, 7.4 million dollars was budgeted for this purpose. This subsidy is provided to reduce the cost of all-risk crop insurance and to encourage farmers' participation.

Crop-hail insurance

Crop-hail insurance can be obtained in most areas by anyone having an interest in a growing crop. Policies are designed so that farmers may select various amounts of protection with the premium increasing as the amount of protection rises. The basic premium rates vary with the experience companies have had with hail losses in the area. In the Corn Belt, crop-hail premiums for corn and soybeans range from about \$1 to \$12 per \$100 of coverage.

Nearly all companies limit the amount of insurance that may be obtained per acre. Moreover, most policies limit the coverage to the actual value of the crop that may be lost from hail damage; that is, if the crop is lost or reduced by other causes, such as drought, the insurance may be cancelled or reduced proportionally. Cancellation of a policy early in the growing season (which may be desired in an instance of crop losses from other than hail damage) is permitted by most companies and a few permit cancellation at any time before harvest with some refund of the premium. Many companies further limit their liability until crops have reached a certain stage of development or until a specified time has lapsed following planting. In many cases, if hail damage occurs early enough to permit replanting, the policy will pay only for the cost of replanting.

While indemnity payments are often limited during the early part of the season, delaying the purchase of protection does not reduce the premium costs since the probability of loss increases as harvest time approaches. A farmer, however, may want to

delay the purchase of insurance in order to make a more accurate estimate of the potential crop yield; a poor crop may not merit being insured while a bumper crop may justify the purchase of maximum coverage.

Probably the most economical use of insurance is to provide protection against unusual losses. Protection against all losses increases the cost of insurance quite sharply. Most companies offer a crop-hail policy with a deductible feature. The cost of such policies is reduced because small losses are not covered and only partial coverage is provided against large losses. For example, if hail damage was appraised at 25 per cent of the value of the crop, a 20 per cent deductible policy would pay only 5 per cent of the total value.

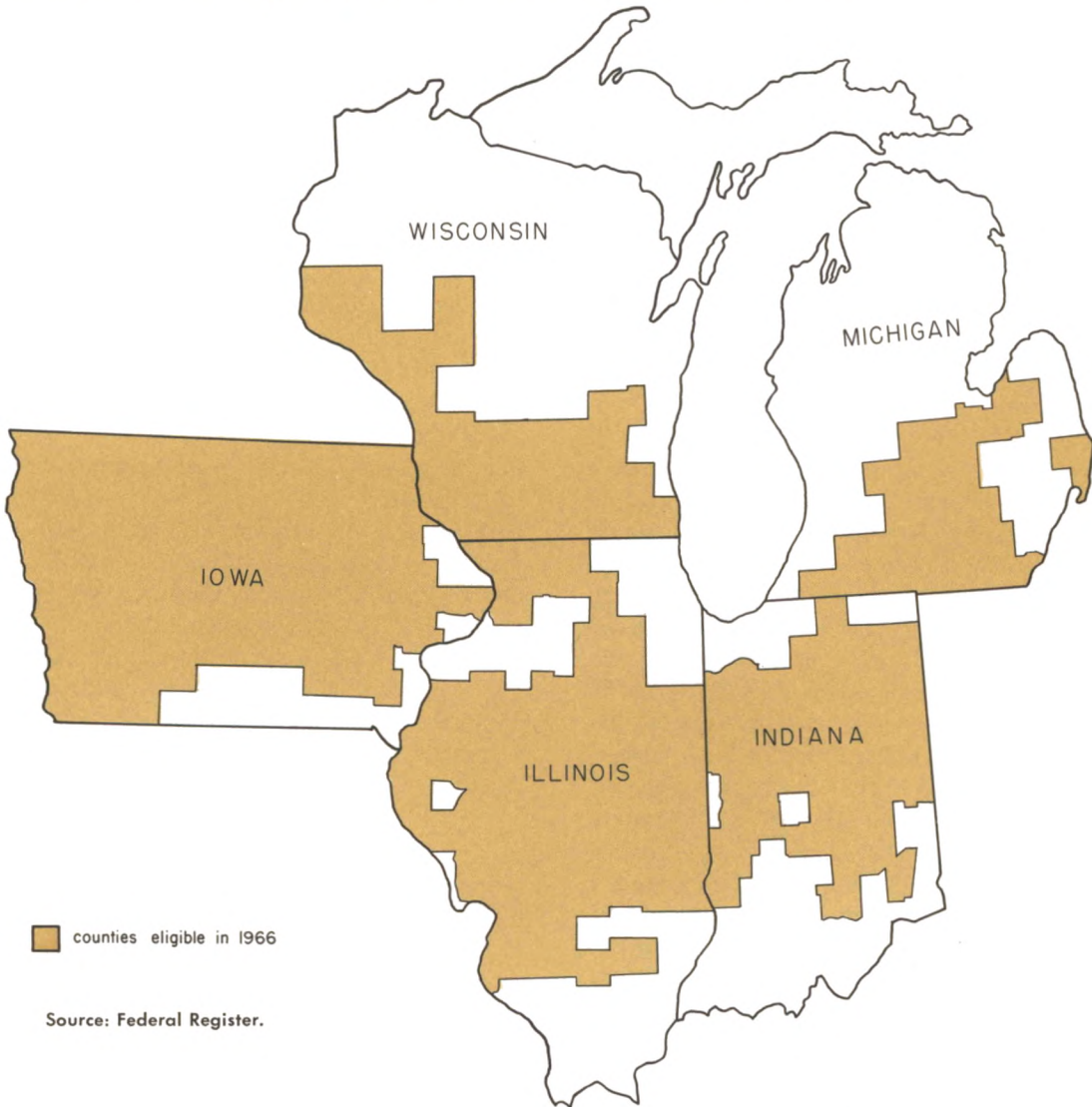
In addition to the optional deductible feature of crop-hail policies, most companies include a "minimum-loss" provision in order to avoid very small claims and to reduce costs. Under this provision, no payment would be made unless the hail damage was greater than a specified amount—typically 5 per cent of the value of the crop. Losses that equal or exceed this amount, however, would be paid in full.

Indemnities from crop-hail policies in the event of hail damage are paid on an estimated percentage reduction in the final yield of the crop. For example, if the yield is reduced 20 per cent, the indemnity would be 20 per cent of the value for which the crop was insured. The estimated loss may be due to actual destruction of the crop, damage that would not permit harvesting or damage to leaf surface that would reduce the yield.

All-risk crop insurance

Federal all-risk crop insurance, in contrast to crop-hail insurance, covers losses from any natural hazard, such as drought, flood, hail,

All risk crop insurance is available for corn in most of the major agricultural counties in the District states



insects, freezing or plant disease. Variations in rainfall (drought or excessive moisture) accounted for more than half of the indemnities during the period of 1939 through 1963. Damage from hail, insects and freeze ac-

counted for most of the remainder.

The Federal crop insurance program was authorized by Congress in 1938 after several years of severe drought which necessitated the extension of large amounts of emergency

credit to farmers in stricken areas. Originally, insurance was made available only on wheat in certain areas. In subsequent years, however, coverage was extended to include additional crops and areas. In 1965, 23 different crops—including every major cash crop—were insurable, and protection was available in more than 1,200 counties in 36 states. However, not all of these crops are insurable in all counties. Generally, in areas where the risk of crop loss from drought, freeze or flood is exceptionally high, Federal crop insurance is not available. In the Seventh Federal Reserve District states, the corn crop during the current year is insurable in 246 of the 451 counties.

A landlord or tenant may apply for Federal crop insurance separately, each on his share in the crop, or they may insure the combined shares jointly. The protection offered by the FCIC is more limited than crop-hail insurance, where the total value of the crop may be insured. The amount of coverage of the former is limited by law to no more than the typical per acre investment in the crop in the area or no more than 75 per cent of the average yield for the farm. In other words, FCIC insures a specified amount of good-quality production and pays an indemnity when production falls below this level. In Illinois, the level of corn production that may be insured in these policies ranges from 19 to 60 bushels per acre, depending upon the area in the state. While the FCIC establishes the quantity of production that may be covered, the farmer has an option of the value to be placed on that amount of production. A farmer in Illinois, for example, may elect to insure his corn production for 80 cents, \$1 or \$1.20 per bushel. Thus, the level of production specified by the FCIC times the value per bushel selected by the farmer determines the amount of protection per acre.

Also, unlike crop-hail insurance, Federal crop insurance must be purchased prior to normal planting dates when the expectation may be for a normal crop. Moreover, protection must be purchased for all the acreage of each of the insurable crops in which a farmer has an interest within any one county. With crop-hail, a farmer can generally purchase protection at almost anytime during the growing season and can insure any crop or any field. Federal all-risk insurance indemnities, however, are usually determined by the farmer's average per acre yield on his insured crops in the county. Extensive crop loss on one part of the farm may be offset by higher production on another part of the farm. Consequently, the average production per acre may be greater than the insured amount and no indemnity would be payable under the Federal all-risk insurance. With crop-hail insurance, the loss would be determined on an acre by acre basis regardless of what happened to the rest of the insured crop.

Premium rates are generally set for counties or parts of counties but vary widely by areas, depending upon the crop insured, the risk of the area and the value placed on the production. As a rough indication of the rates

Federal crop insurance assignments held by lenders in 1965

	Number	Dollar amount (thousands)
Illinois	11	35
Indiana	2	7
Iowa	6	35
Michigan	0	0
Wisconsin	244	105
United States	5,522	37,681

in the Midwest, the premiums for insuring corn or soybean crops for the guaranteed yield (at \$1 or \$2.25 per bushel, respectively) range from slightly less than \$2 to over \$5 per acre. Premiums are payable at harvest time but if paid shortly after the planting date are subject to a discount—usually 5 per cent.

In an effort to attract a permanent group of participating farmers and to reduce selling costs, the FCIC uses a continuous insurance policy. That is, once a farmer's application has been accepted, the policy remains in force until one party or the other cancels. Another feature to encourage long-term participation is the premium discount for farmers who have not incurred losses. There are two types of discounts: one provides for a discount of 5 per cent per year from the basic rate if no losses have been incurred for three years, up to a maximum discount of 25 per cent after seven years of no losses. (For the 1967 crop, this provision will be revised to permit a 5 per cent discount after the first year and a 10 per cent discount following the third year; the maximum discount of 25 per cent will remain unchanged.) An alternative, applicable only on certain crops, is a 25 to 50 per cent lower premium for those farmers who have paid net premiums in an amount larger than the full coverage on the crop.

Adjustments for losses under Federal all-risk insurance are determined by the amount that the crop falls short of reaching the insured production. Assume, for example, that the bushel guarantee for corn in a county was 50 bushels per acre. The expected production may be well above that level, but the yield would have to fall below this insured amount before indemnities would be paid. If drought or any other hazard reduced the yield to, say, 30 bushels per acre, the loss would be 20 bushels. Had the farmer elected to insure the crop for \$50 per acre (\$1 per bushel) the

payment would be \$20 per acre. In most cases a damaged crop would be harvested and the actual yield reported so that the indemnity might be accurately determined. If the crop was damaged to the extent that harvesting costs would exceed the value of the production, the loss would be estimated and the indemnity adjusted accordingly.

Collateral assignments

An important feature of the Federal all-risk policies and of most crop-hail policies, which is of special interest to bankers and other lenders, is the provision whereby the insured may make an assignment of the policy to a creditor. In this circumstance, the indemnity for a crop loss is generally paid jointly to the farmer and the creditor holding the assignment. In four of the Seventh District states, less than 20 Federal all-risk policies were assigned to lenders during 1965. In Wisconsin, however, 244 policies were assigned to lenders. For the nation, more than 5,500 assignments with coverage totaling nearly 40 million dollars were processed by the FCIC. Similar information is not available for private insurance companies.

The use of crop insurance and the assignment feature could make possible in some circumstances the extension of credit to finance a greater portion of a farmer's production expenses. The maximum loan a lending institution could grant to a farmer with a small net worth may be determined by the amount the farmer would be able to repay in the poorest crop year likely to occur. However, with the risk of crop failure transferred largely to others, as in the case of crop insurance, farmers of proven ability may qualify for more credit relative to their net worth. The purchase of crop insurance, of course, cannot substitute for demonstrated ability to produce a crop efficiently.

Retailing—rapid growth in suburbs

Shoppers continue to shift their patronage from downtown and other retail stores within the large cities to competing outlets in the suburbs (see box). Data from the 1963 Census of Business released recently indicate that the decentralization of retailing shown by earlier postwar censuses continued during

the five-year period 1958-1963.

In a group of the larger metropolitan centers of the Seventh Federal Reserve District, stores in the central or core cities registered a dollar sales gain of only 4 per cent between 1958 and 1963—the same increase as between 1954 and 1958—while suburban sales jumped 46 per cent, compared with 31 per cent over the preceding 4 years. Total area-wide sales climbed 13 per cent between 1954 and 1958 and went on to rise by 20 per cent in the five years following. By 1963, suburban stores in these Midwest centers accounted for 46 cents of the metropolitan area retail sales dollar, up from 38 cents in 1958 and 31 cents in 1954.

Census of retailing

In connection with its periodic surveys of retail sales, the Bureau of the Census in 1954 specified central business districts (CBDs) for nearly 100 standard metropolitan statistical areas (SMSAs) and reported sales for stores in these sections separately. In 1958, in response to the rapid growth of suburban shopping centers, the surveys were enlarged to include separate data for major retail centers (MRCs) other than the CBDs.

The CBD is characterized as an area of high land valuation and traffic flow with a large concentration of retail and service businesses, offices, banks, theaters and hotels. Such an area is relatively compact and is the hub of a city's mass transportation network.

MRCs are areas outside the central business district (but within an SMSA) where concentrations of stores exist, including at least one general merchandise or department store. These centers include not only planned suburban shopping centers of postwar origin but also the older neighborhood shopping areas, both within the central city and in adjoining suburbs.

Underlying factors

The declining role of retailing in the central cities has accompanied a variety of population and technological changes that have been especially pronounced since World War II. The proportion of metropolitan residents living within central cities has dropped below 50 per cent, from a level of 60 per cent in the late Forties, and this trend is expected to continue in the present decade. From the downtown retailer's point of view, potential customers are living farther away. This change in the distribution of metropolitan populations, with increasing density in the suburbs, has created a faster growing potential for merchants in outlying locations than for their older downtown rivals.

The shift in residence patterns has been more than a matter of numbers; the suburbs have attracted a disproportionate share of middle- and upper-income families, leaving

the cities more concentrated with families of lower income. Thus, the suburban stores have become more convenient to the consumers with most to spend, while city retailers have become more and more remote from this important class of customer.

Differences between suburban and downtown shoppers have been illustrated by numerous surveys. A Cincinnati study in 1959, for example, showed that 43 per cent of downtown shoppers were from households with incomes of less than \$4,000, whereas only 21 per cent of shopping center patrons were in that category.

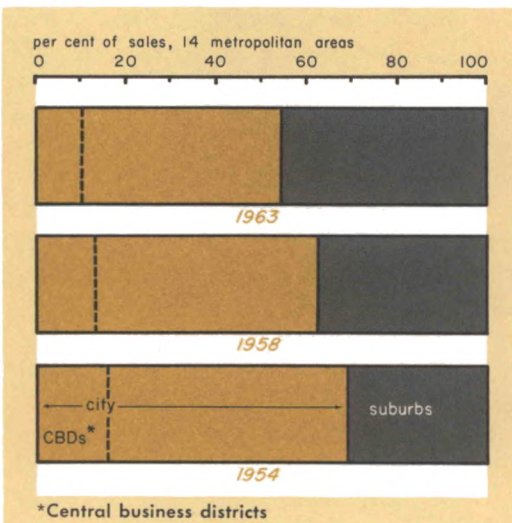
Population developments in the metropolitan areas have been influenced greatly by changes in transportation. Without the automobile and the roads and streets to go with it, extensive suburban development could scarcely have occurred on the scale that has been experienced. Because of the automobile, shoppers are to a large extent independent of

public transit service and downtown stores no longer have a sharp locational advantage. Indeed, many customers now find that automobile-oriented suburban shopping facilities are more accessible than stores downtown, where traffic is congested and parking is expensive or inadequate.

In the last few years, many efforts have been made to revitalize the central cities. In virtually every major center, work has proceeded on the redevelopment of blighted areas situated in or close to the downtown business districts. Construction of attractive intown apartments, newly designed commercial and entertainment centers, shopping malls, expressways and mass transit improvements are projects that are widely expected to stem or even reverse the outward movement of population.

The full effects of these measures will only be evident in the years to come. While important to the downtown merchants and their employes, many other groups will be affected also. Families and business establishments of all kinds located in the big city have an important stake in the economic health of the entire community and of its vital central area. Commercial banks—particularly those not having branch operations—have a natural interest, not only as suppliers of credit to downtown stores but in their ability to attract deposits.

Suburbs' share of retail sales rises in major Midwest centers



Changing consumer expenditures

Alterations in residence patterns have been accompanied by significant changes in consumer expenditures. A preference for convenience shopping has favored the growth of suburban shopping centers. While higher incomes have supported increased spending of all types, the consumer has tended to devote a smaller share of his income to goods that are largely sold at retail stores and more to

services, such as education, travel and medical care. Rising retail sales have not kept pace with gains in disposable personal income.

Changes in the make-up of retail purchases, moreover, have left downtown stores at some disadvantage. Although some stores have partially adapted to new tastes by remodeling and adding departments, substantial improvements often are all but ruled out by high costs and limited space. At the same time suburban outlets have been able to move quickly to satisfy emergent needs by adding such attractions as automotive service centers, garden shops, child-care facilities and convenient parking.

In the Seventh District

Experiences in individual cities are bound to be unique in many respects. For the most part, however, retail trade patterns in the large Seventh District metropolitan areas have paralleled those in other regions.¹ Mostly because of increasing competition from suburban retail outlets, downtown or central business district sales in the Midwest centers fell 6 per cent in the 1958-63 period. This was the same relative decline as had occurred between 1954 and 1958.

Varying rates of retail decentralization between 1958 and 1963 in some of the Midwest metropolitan areas are partly explained by differences in their stages of development. Downtown stores in Indianapolis had a major decline in sales for the period, but unlike CBD stores in certain of the other major cities, the sales of these stores remained steady between 1948 and 1958. Stores in the

¹The standard metropolitan statistical areas covered are Chicago, Peoria, Rockford, Fort Wayne, Gary-Hammond-East Chicago, Indianapolis, South Bend, Des Moines, Detroit, Flint, Grand Rapids, Lansing, Madison and Milwaukee. Combined, they account for 60 per cent of total retail sales in the Seventh District.

Chicago CBD, by comparison, experienced a sales decline of only 3 per cent in the recent period, but volume had declined more than twice as much between 1948 and 1958.

Cumulative changes over a number of years present a more accurate picture of sales trends in central business districts. Downtown areas in the three largest cities—Detroit, Milwaukee and Chicago—have had the greatest relative declines in sales in the post-war period, as might be expected, since the largest cities were among the first to feel the impact of rapid population growth in the suburbs. The shift in sales in all three of the largest areas began much earlier and the erosion has continued to the present, although percentage declines have been smaller in recent years.

In some cities in the District, downtown retailing has evidently just begun to encounter severe suburban competition. Indianapolis, Des Moines and Grand Rapids downtown stores recorded appreciable declines in the

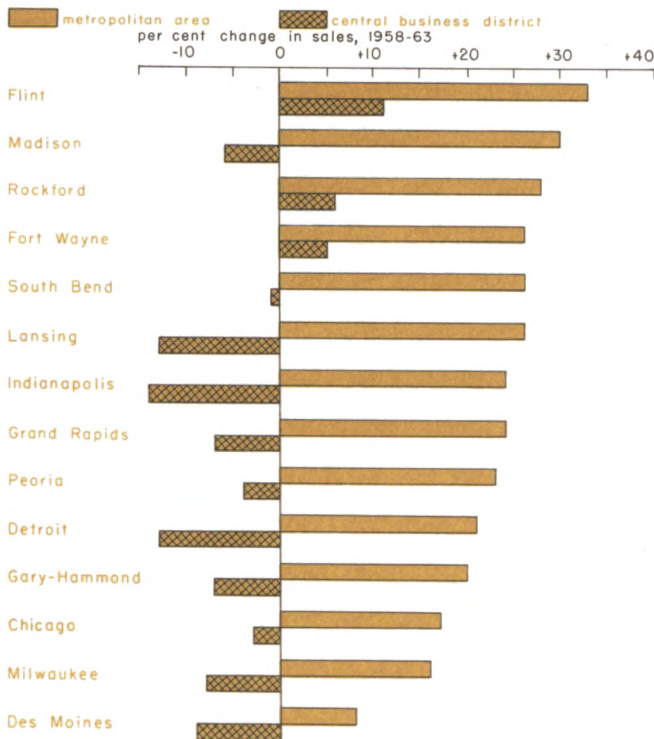
Sales in Chicago's CBD have declined as a share of metropolitan area sales

	1958	1963
	(per cent)	
Department stores	38	26
Food stores	1	1
Apparel and accessory stores	22	20
Furniture and appliance stores	8	6
Eating and drinking places	12	11
Drug stores	6	5
Total sales	9	8

1958-63 period but little in the 10 years before 1958. Although comparable earlier figures are not available for Madison, South Bend, Lansing and Peoria, CBD sales in those communities also declined in the recent period. Downtown stores in a few cities registered greater sales in 1963 than in 1958. In Flint the gain followed a sharp decline during the mid-Fifties. Similarly, sales in Ft. Wayne rose somewhat between 1958 and 1963 after dropping between 1954 and 1958.

Rockford is the only one of the 14 large District cities where central business district sales have continued to gain but increases

Retailing in Midwest centers: downtown volume fell in most areas as area-wide sales scored gains



have been well below those at suburban stores. Rockford CBD stores accounted for 18 per cent of total metropolitan retail sales in 1963, down from 22 per cent in 1958.

CBD vs. suburban shopping centers

The character of a city's hinterland has an important influence on its retail trade. In the largest cities, population density has been sufficient in locations outside downtown areas to encourage the development of competing trading centers. In 1963, there were 74 major outlying retail centers in the Chicago metropolitan area (29 inside the city and 45 in the suburbs), 42 in Detroit and 11 in Milwaukee.

Small community and neighborhood shopping centers have been common for many years but have had limited market areas and generally accommodated convenience purchases. Planned regional shopping centers, offering a broad assortment of goods and designed to compete with downtown stores, did not appear until the early Fifties. Major stores, usually one or more large department stores, serve as traffic generators for small tenants, just as a typical downtown department store does.

Through the years, such centers have grown substantially in size. Two of the earliest and largest retail centers are located outside Detroit. In 1963, they contained nearly 140 stores with annual sales of more than 200 million dollars—double the 1958 volume and almost equal to downtown sales. Detroit is typical of many large cities that have been

ringed by major shopping centers. While some areas are too small to support such a pattern of development, it seems likely, nevertheless, that the growth of competing trading centers will continue in areas where potential markets exist.

Downtown department stores

The growing importance of retail sales in suburban areas is not confined to a few types of stores, but seems to apply in varying degrees to most lines of trade. Department stores, which have sparked the growth of major suburban shopping centers through the development of branches, have experienced especially vigorous growth in sales volume outside the CBDs, with downtown accounting for a dwindling share of total metropolitan area sales. In the Chicago area, for example, department stores in the CBD in 1963 accounted for only one-fourth of metropolitan area department store sales, down from 38 per cent in 1958. Notwithstanding this, total dollar volume downtown was as great in 1963 as in 1958. Sales of apparel and accessory stores and outlets selling mainly home furnishings and appliances also grew at a faster rate outside the central business district, but the trend was less pronounced.

Department stores typically account for a major share of total sales in the central business area. These outlets have a high sales volume per square foot and are generally able to pay the high rentals demanded by a central

Sales trends in central business districts of selected Midwest SMSAs

	1948-58	1954-58	1958-63
	(per cent change)		
Flint	+ 2	-23	+11
Rockford	+13	+ 2	+ 6
Fort Wayne	- 3	- 8	+ 5
Indianapolis	+ 2	- 2	-14
Grand Rapids	+ 1	- 2	- 7
Detroit	-27	-17	-13
Chicago	- 7	- 1	- 3
Milwaukee	-16	-16	- 8
Des Moines	- 2	- 2	- 9

city location. Indeed, the presence of such stores in the CBD, and their ability to thrive in such locations, is one important reason for the high land values and high rentals found in downtown areas. Outside the heart of the CBD, retailing typically is spread among a greater variety of retail stores.

Many observers believe there will be a stabilization of retailing's spillover into suburbia. Continuing revitalization of the core cities is cited as the key factor behind an expected slowing of the outward push. Although over-building has undoubtedly occurred in some instances, in none of the Seventh District areas would it appear that the relative growth of suburban retailing has come to an end.