

News & Views

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Local Banks, UIC Partnering to Revitalize Neighborhoods

The University of Illinois at Chicago has created the UIC Neighborhoods Initiative (UICNI) to assist in the revitalization of Pilsen and the Near West Side, two neighborhoods adjacent to its campus. UICNI is part of UIC's Great Cities Initiative.

The university's program is helping to build partnerships including the city government, community-based organizations, lenders, and the private sector to work toward solutions of pressing problems throughout the Chicago Metropolitan area. In addition, the effort enables faculty members and students involved in applied research to participate in community service activities.

To prompt corporations to participate, the university has encouraged several local banks and other financial institutions to help further the goals of the Initiative. In participating, banks demonstrate their commitment to serve their local communities, thereby working towards fulfilling the requirements of the Community Reinvestment Act.

Activities involving local banks and other financial institutions include:

- *Affordable Housing Fund* — UICNI is working with two community development corporations (CDCs), The Resurrection Project and the Near West Development Corporation, to increase the amount and availability of affordable housing in the two neighborhoods. To help these organizations stabilize owner-occupied one-to-four unit buildings, the University, the CDCs and the City created an Affordable Housing Fund. The fund will provide \$100,000 per year for up to four years for small loans for exterior repairs and code violations, interest write-downs on private bank loans, and assistance with closing costs and financing needs for the purchase of buildings. The Lakeside Bank, The First National Bank of Chicago, and Bank of America have agreed to make loans that will leverage these funds and to participate on the loan approval committee.
- *Commercial Development Fund* — A fund totaling \$295,000 over four years for each neighborhood was created to stimulate commercial development activity. This funding will be channeled through the City of Chicago and is eligible to be used by the CDCs for equity or other development costs. It is anticipated that these funds combined with



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Development Liquidity via Secondary Market Activities

The Community Reinvestment Fund (CRF) announced that it has received a \$650,000 grant from the U. S. WEST Foundation to support its activities throughout U. S. WEST's service area.

Based in Minneapolis, CRF is a nonprofit organization that leverages community development dollars by buying loans from community-based development agencies. The agencies can then reinvest the loan sale proceeds in additional projects in their communities.

CRF purchases loans at market value from local nonprofit and

municipal economic development and affordable housing organizations, and then issues development loans to investors such as banks, insurance companies, and pension funds. This process of making a secondary market permits local organizations to raise cash to fund new job-creating and other community development projects.

The development loans purchased are originated primarily by local governments, nonprofit community development corporations, and neighborhood groups in their effort to revitalize

communities, create jobs and increase the supply of affordable housing. Development lenders provide crucial financing for projects including small, minority- or woman-owned businesses, affordable housing, and neighborhood revitalization.

Since its establishment in 1988, CRF has purchased more than 600 loans. These purchases provided over \$17.5 million in new capital to development organizations in Washington D.C. and in nine states including Illinois, Wisconsin and Michigan.

Based on a CRF survey of 15 states, there are more than 24,000 economic development loans representing more than \$1.2 billion in projects. These loan portfolios could participate in secondary market activities thereby freeing-up much needed capital to finance new development projects. ■

For further information, contact CRF at 612/338-3050 or 800/475-3050.

UIC continued from page 1

equity grants from the Local Initiatives Support Corporation (LISC) will provide most of the equity portions of development projects in these neighborhoods. In addition, the banking partners will participate in the loans for these projects.

- *Great Cities/Great Careers* — UIC faculty are working with teachers, administrators, and local school council volunteers from Crane High School on the Near West Side and Juarez High School in Pilsen to help students transition from school to work. Montgomery Ward and The First National Bank of Chicago are two corporations committed to hiring students from the two high schools. Students must complete a training program and demonstrate competency in the skills necessary to do the job. The bank hired two Juarez students for summer jobs last year, and will increase its commitment by offering assistance with resume writing and interviewing.

- *The Bank of America* provided a grant of \$16,250 to study the feasibility of commercial development ventures targeted for Madison Street, on the Near West Side.

- *The Argo Federal Savings Bank* opened a satellite facility on the Near West Side and will open a full service branch and provide housing and commercial assistance loans.

- *The United Center Joint Venture*, which owns the United Center located on the Near West Side, established a \$1 million community economic development fund to provide up to \$50,000 to new or existing businesses in the neighborhood. UIC and several banks are providing assistance to help businesses qualify.

The UIC Neighborhoods Initiative staff seeks to work with additional organizations interested in stimulating revitalization for

the benefit of residents in Pilsen and the Near West Side. ■

For additional information on how your bank or lending institution can provide direct or in-kind assistance,

contact Dr. Wim Wiewel, Special Assistant to the Chancellor for the Great Cities Initiative, at 312/413-3375; or Martin Adams, Coordinator of the UIC Neighborhoods Initiative, at 312/996-7194.

Communications

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Economic Development News & Views welcomes story ideas, suggestions, and letters from subscribers, lenders, community organizations, and economic development professionals. If you wish to subscribe or to submit comments, call 312/322-8232 or write to:
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Yea for the Neigh Amenity



Financial institutions can find many creative ways to serve the convenience and needs of the communities in which they are chartered to do business.

The Thorp, Wisconsin, branch of the Northwestern Bank of Chippewa Falls is a case in point. While it certainly takes its lending and community services seriously and doesn't horse around, the bank now provides a horse shelter in its parking lot to serve the expanding Mennonite farming community in Clark County.

"Providing the barn is a way of saying that they are very important to the community and to the growth of Thorp and its agri-business economy."

The bank provided lumber and other materials to Mennonite volunteers who constructed the barn shortly after completing their fall harvest. "We bought the material and we asked them if they wanted to build it," Schultz said. "They are very good craftsmen."

The horse shelter isn't the only way Northwestern Bank is serving the needs of the community. Most of the farmers, including the Mennonites, employ modern dairy methods such as total mixed ration programs, bulk tanks, electric milkers, pipeline systems and artificial insemination programs. To help them improve their operations, the bank provides meeting space for David Wittek, a Chippewa Valley Technical College instructor. As part of the College's Farm Business Production Management Program, Wittek regularly teaches young farmers about modern agricultural methods.

While the bank now has more "neigh-sayers" in its parking lot, it is giving more and more customers reasons for saying yea. ■

Mennonite volunteers erect a horse shelter to serve the community of Thorp, Wisconsin



Harland W. Schultz, vice president and manager of the Thorp branch, had observed that the Mennonite farming community was a growing segment of their population and the City of Thorp's economy. He noticed that "the Mennonites were using hitching posts outside in the winter" and thought the horses could use some shelter. He was particularly "concerned about the cold northwest winds, especially when the horses were lathered and steaming."

"I thought we ought to do something for the Mennonites – something to make them feel welcome in our community," he said.



Finance

Villa Park's Low-Interest Rate Business Loan Program enters fifth year



Villa Park Trust and Savings Bank, Bank of Illinois in DuPage, and Harris Bank Oakbrook Terrace have agreed

to continue the Low-Interest Rate Business Loan Program established in 1992 by the Village of Villa Park, in Illinois. The three local financial institutions have committed \$500,000 each to be loaned at one percent below the prime rate to assist Villa Park businesses make improvements to their operations.

In less than four years, nearly \$800,000 has been loaned to 29 Villa Park businesses, or on average about \$27,000. Through this program, Davis Ace Hardware, once located in an out-dated 5,000 square foot space, was able to relocate a couple of blocks away to a space that is double in size. "The loan program helped tremendously to make the move possible," said Milt Davis, owner of Davis Ace Hardware.

"We are very pleased with this program," says Terry Nordensten, President of Villa Park Trust and Savings which has made over 80% of the loans. "The whole idea behind this program was to keep our businesses here in Villa Park and help them grow."

Projects eligible for financing through the loan program can cover expenses relating to site, building, infrastructure, or other improvements such as correction of code violations, facade or other aesthetic improvements, and weatherization activities. The loan amount can range from \$5,000 to \$50,000 and generally does not exceed 5 years. Credit decisions are made by the individual participating financial institutions.

Anyone interested in learning more about this program should contact Valerie Dehner, Development Coordinator for the Village of Villa Park, at 708/834-8500, extension 117.

Lombard's Low-Interest Rate Business Loan Program is growing

In Lombard, Illinois, the Low-Interest Rate Business Loan Program has entered its second year. For 1996, seven financial institutions have agreed to set aside from \$200,000 to \$500,000 each for loans to Lombard businesses at a variable interest rate of one percent below the prime rate.

A business can either work with its participating bank or with a bank determined by the Village on a rotating basis. Loans are available for various purposes related to new and existing commercial, office, warehouse and industrial buildings.

The Village initiated the program in 1995 in response to requests for assistance from Lombard businesses. The ensuing partnership between the financial institutions and the Village enables the community to retain existing commerce and industry and the lending institutions to work toward meeting the credit

needs of local businesses. Five loans were closed during the program's first year, four by the West Suburban Bank and one by the Cole Taylor Bank.

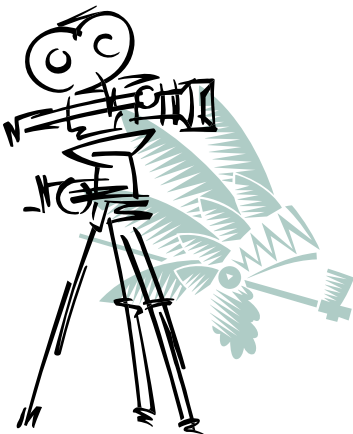
Jo Ellen Charlton, the Village's Economic Development Administrator, describes the program as a "win-win-win" situation for businesses, financial institutions and the Village. ■

For additional information contact Jo Ellen Charlton, Economic Development Administrator, 708/620-5749.

Lombard's 1996 Participating Banks

Bank of Illinois in DuPage
Cole Taylor Bank
Firststar Bank Illinois
Oak Brook Bank
Old Kent Bank
Villa Park Trust & Savings Bank
West Suburban Bank

Lending in Indian Country



The Federal Reserve Bank of Minneapolis has developed a video to help lenders establish profitable relationships with tribal governments and people on Native American reservations.

Entitled "Lending in Indian Country: Culture and Legal Issues," the five-part video and accompanying guidebook explore cultural differences, land and title issues, tribal powers, sovereign immunity, tribal courts,

collateral, remedies, and other issues of interest to those seeking to do business in this market.

It features Jim West, president of West Ratcliff & Company, Albuquerque, NM, an expert on Native American economic and business development, and Mark Jarboe, partner with the law firm of Dorsey & Whitney LLP, Minneapolis, MN and chairman of the firm's Indian and Gaming Law Department. ■

The five video tapes and guidebook are available for \$135, including shipping and handling. For a brochure and order form, call the Federal Reserve Bank of Minneapolis at 1-800-553-9656, ext. 6008.

Loan Guarantees

USDA funds available for guarantees in rural areas

The United States Department of Agriculture (USDA) Rural Development (formerly RECD and the Farmers Home Administration) has more than \$78 million available for business loan guarantees in the Chicago Federal Reserve Bank District this fiscal year. Guarantees are available for real estate, equipment and working capital loans for most types of businesses. Rural Development is actively publicizing the program to help lenders and businesses understand the program's benefits and the economic development opportunities it can provide their communities.

"Guarantees help lenders meet their Community Reinvestment

responsibilities, reduce risk, and with the sale of the guaranteed loan in the secondary market, increase liquidity and increase lenders' profitability," Wally Furrow, State Director of Rural Development for Illinois, said. "Rural Development wants to get the word out and see the program used."

USDA Rural Development also administers guaranteed loan programs for rural housing, community facilities, and water and waste disposal projects. ■

For additional information, call a Rural Development office at the following numbers:

- Illinois 217/398-5412 Ext. 247*
- Indiana 317/290-3109*
- Iowa 515/284-4152*
- Michigan 517/337-6635 Ext.1602*
- Wisconsin 715/345-7610*

USDA changing Business and Industry Loan Guarantee regulations

The USDA Rural Development (formerly called RECD and Farmers Home Administration) is streamlining its Business and Industry Loan Guarantee regulations to make the program more flexible.

The intent is to shorten, simplify, and clarify the regulations, make the program more responsive to the needs of lenders and businesses, authorize a certified lenders program, permit guarantees for previously ineligible tourist and recreation facilities, provide for smoother and faster processing, relax the audit requirement, and more.

As in the past, Rural Development in most cases will provide an 80 percent guarantee for real estate, equipment and working capital loans. Interest rates can be fixed or variable and are negotiated between the lender and business. Funds are available now and the President's fiscal 1997 budget proposes funding at the same level as this year. Loan guarantees are also available for community facilities, water and waste disposal projects, and rural housing.

The proposed regulations were published in the *Federal Register* on February 2, 1996. The final regulations are expected in late June. Lenders and businesses interested in the program should contact the nearest Rural Development office or the State USDA Rural Development office. ■

SBA Disaster Loans Available

Federal disaster loans are available from the U.S. Small Business Administration (SBA) for businesses, homeowners and renters that have incurred damages caused by the severe storms and flooding during April and May 1996. In order to be eligible for these funds, applicants must be in a county that has been declared a disaster county by the President of the United States.

Also, small businesses in the counties surrounding the declared counties are now eligible to apply for economic injury disaster assistance.

In the declared disaster areas, the SBA offers low interest rate loans of up to \$1.5 million to businesses and nonprofit organi-

zations to repair damage to real estate, machinery, equipment, and inventory. Homeowners can apply for loans of up to \$200,000 to repair disaster-damaged homes and up to \$40,000 to replace personal property.

The SBA is also offering Economic Injury Disaster Loans to small businesses that cannot pay bills or meet expenses because of the disasters. Interest rates can be as low as four percent with loan terms up to 30 years. The SBA sets actual loan amounts and terms based on each applicant's financial condition.

As a result of the severe storms and flooding this spring in Illinois, John L. Smith, the SBA's Illinois District Director, urged

all businesses, homeowners, and renters with uninsured or underinsured damage to register for assistance as soon as possible.

"The sooner people apply for assistance the sooner they can expect a response," he said. ■

To be considered for any disaster assistance, victims must call the Federal Emergency Management Agency at 1-800-462-9029 before the application deadlines.

For the Illinois victims of the severe storms and flooding this Spring, the deadlines are rapidly approaching:

Storm Date	Application Deadline
April 18 - 19	June 24, 1996
April 28 - May 12	July 5, 1996
Economic Injury Disaster Loans	February 6, 1997

Rural Development



Coordinator named in Illinois

Sheldon Keyser has been selected as Rural Development Coordinator for the U.S. Department of Agriculture, Rural Development in Illinois, according to Wally Furrow, State Director for Rural Development in Illinois.

Keyser will be responsible for developing strategic and innovative approaches to deliver Rural Development technical and financial assistance programs and to target resources to priority areas and the most needy customers.

“This newly established position will allow us to continue to improve our services in Illinois as

we begin transitioning from primarily a financial assistance organization to a comprehensive rural development organization.” Furrow said. “This will require extensive work with rural individuals, communities and businesses to help them strengthen their abilities to identify problems, take advantage of their resources and opportunities, and utilize other sources of financing in concert with federal funds to meet the needs of rural America.”

USDA Rural Development is the successor to the Farmers Home Administration and the Rural Electrification Administration and most recently the Rural Economic and Community Develop-

ment. The funded programs delivered by Rural Development include Direct and Guaranteed Rural Housing Programs, Community Facility Loans and Guarantees, Water and Waste Disposal Loans and Grants, Business and Industrial Guaranteed Loans and a variety of other loan and technical assistance programs to assist rural Illinoisans. ■

For additional information on USDA Rural Development programs, contact Sheldon Keyser at 217/398-5412 or at 618/327-8822.

A Good Program by Any Name

Rural Development is the new name for the Rural Economic and Community Development (RECD) services of the United States Department of Agriculture (USDA). USDA Service Centers and offices will soon be displaying new Rural Development signs and the newly-designed USDA logo.

The name change was part of the 1996 Farm Bill recently signed by President Clinton. The Rural Economic and Community Development had been known as the Farmers Home Administration.

Rural Development operates federal loan programs designed to strengthen rural businesses, finance new and improved rural housing, develop rural commu-

nity facilities, such as electric energy, water, waste and telecommunications systems, and maintain and create rural employment.

*The business and industry
guaranteed loan funds
helped to create or save
over 350 jobs for rural
residents within Illinois.*

“We make direct loans, guarantee loans made by private lenders, and provide a limited number of grants,” said Wally Furrow, Rural Development State Director for Illinois. “Rural Development al-

so works with many agencies and groups to help provide a starting point to address business, community, or housing needs.”

State Director Furrow also announced that so far in fiscal 1996, Rural Development in Illinois has provided housing assistance to over 1,200 families in Illinois. Funds obligated for all Rural Housing programs totaled \$31.3 million. Water/waste disposal loan and grant funds totaling \$27 million reached approximately 13,370 users providing them with a better quality of life. Community facility loans and guarantees totaling more than \$6.8 million have provided essential community facilities in rural areas and towns, such as:

- a medical office building,
- residential facilities for the mentally ill,
- an assisted living project,
- a rehabilitation center for the developmentally disabled,
- classroom and cafeteria facilities for a mental health center, and
- a fire truck and ambulance for a rural fire protection district.

Also, the business and industry guaranteed loan funds helped to create or save over 350 jobs for rural residents within Illinois. ■

For additional information about Rural Development programs, contact any of the 26 field offices or 9 district offices. A partial list of the Seventh Federal Reserve District locations appears on page 5.

Export Financing

Working Capital Program Growing



According to the Small Business Administration, the single greatest obstacle for small business exporters is their inability to obtain financing. To meet this financing need, the Small Business Administration initiated the new Export Working Capital Program (EWCP). The program addresses an exporter's short-term working capital needs, reduces lender risk, and increases profit opportunities for businesses and lenders alike.

The Chicago U.S. Export Assistance Center (USEAC) has reported that since the inception

of the new Export Working Capital Program in October of 1994, the Small Business Administration (SBA) has approved 337 export working capital loans for a total of \$111 million nationwide. Thirty-five export working capital loans totaling \$13 million have been approved for SBA guarantees in the Chicago USEAC's service area.

During the last year and a half the Chicago USEAC and SBA have been marketing this program through various export finance seminars and lender presentations throughout the states of Illinois, Indiana, Minnesota, and Wisconsin. The Federal Reserve Bank of Chicago cosponsored one of the first EWCP presentations to lenders.

Lenders that have participated in the SBA Export Working Capital Loan Program include:

- First of America (various locations in Illinois),
- NBD (various locations),
- Bank One (various locations),
- The Foster Bank, Chicago,
- Devon Bank, Chicago,
- Old Kent Bank, St. Charles
- Firststar Bank of Wisconsin,
- Stephenson National Bank, Wisconsin,
- Norwest Bank of Indiana,
- Eastern Heights Bank, Minnesota,
- First National Bank of Winnebago, Minnesota, and
- National City Bank, Minnesota.
- The Merchants National Bank of Aurora

Chicago's USEAC/SBA hopes to expand its partnerships with these banks to other small business lenders throughout its service area which covers Illinois, Indiana, Wisconsin and Minnesota.

First of America Bank in Illinois is being awarded the SBA National Export Working Capital Lender of the Year for having made more EWCP loans than any other lender in the country. ■

For further information on the program contact Mary Joyce or Paul Kirwin at the USEAC on 312/353-8065 or 8059.

Bank Enterprise Award Program

In recent years, our nation's traditional financial institutions have played an increasingly important and needed role in community development lending and investing. These banks and thrifts have increased their efforts to lend and invest in distressed communities, often forging new and innovative relationships with local community development organizations.

To recognize and encourage their efforts, the Bank Enterprise Award (BEA) Program was created. Administered by the Community Development Financial Institutions (CDFI) Fund within the Department

of the Treasury, the BEA Program offers incentives to banks and thrifts that increase their lending and investment in distressed communities or increase their support of CDFIs.

The first round of the BEA Program will make available up to \$15.5 million for use by qualifying institutions. The deadline for submission of applications for this round was January 29, 1996. Interest in the first round has been substantial, with more than 50 banks and thrifts applying, representing an excellent start for the program.

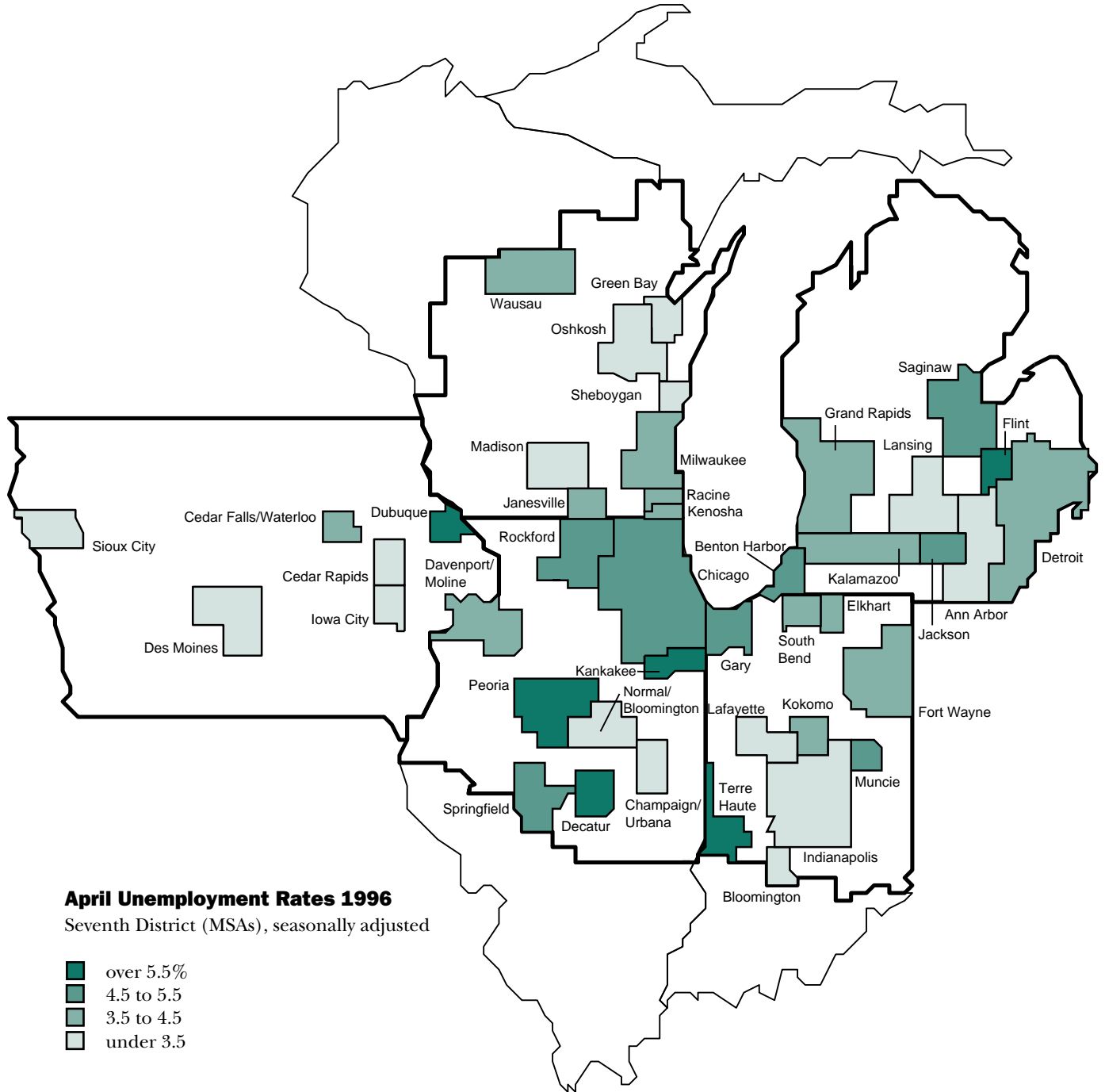
Approximately fifteen institutions in the states represented by the Federal Reserve Bank of Chicago have applied. The CDFI Fund is currently in contact with these entities. The Fund will make awards once it has determined those participating applicants have satisfied the applicable statutory and regulatory requirements. They expect that they will recognize awardees this Summer. ■

If you have any questions, contact Bill Luecht of the CDFI Fund at 202/622-8662.



Seventh District Labor Markets

Unemployment conditions for April 1996



NOTE: All rates are subject to revision.

From Our Research Department

Labor market conditions in the Seventh District

The Federal Reserve Bank of Chicago serves the Seventh Federal Reserve District, which includes the entire state of Iowa along with large portions of Illinois, Indiana, Michigan, and Wisconsin. At the present time, there are 43 Metropolitan Statistical Areas (MSAs) in the Seventh District. The geographic boundaries of MSAs are defined by the U.S. Office of Management and Budget (OMB) as economic areas encompassing communities that are tightly linked by a flow of commuters, migrants, goods and services, and payments.

Unemployment rates are useful indicators of the labor market conditions in local areas. The unemployment rate is defined as the percentage of adults in the work force who are not currently employed but are actively seeking employment. Importantly, the work force, and hence the unemployment rate, does not include workers who are not actively looking for work. This may mean, for example, that workers who have given up looking for work are not counted as unemployed.

Unemployment rates for Seventh District MSAs are provided by the United States Department of Labor (USDOL). Using definitions and guidelines established by the USDOL to ensure consistency across state lines, state agencies calculate MSA unemployment rates on the basis of a monthly payroll survey and unemployment insurance records. The rates used here have been adjusted to account for normal seasonal variations.

Currently, labor market conditions are very good in most though not all areas of the Seventh District. The Seventh District makes up a large part of Middle America, which is experiencing a vigorous economic turnaround in comparison to the early 1980s. In contrast to that period, a more favorable position of the dollar on foreign exchange markets has enhanced the region's exports of agricultural products, consumer goods, machinery, and equipment. The machinery and equipment sectors, along with the important automotive sector, have also gathered momentum due to the generally buoyant national economy. Finally, defense cutbacks and base closings have bypassed most of the region, or the effects are not so severe in comparison to California, New England, and other coastal areas. Similarly, other regions continue to shake off the backlog of over-built real estate from the middle 1980s — a market in which many parts of

the Seventh District region did not participate as heavily. As a result, many local areas are reporting difficulties in hiring skilled workers as well as unskilled or entry-level workers.

Labor Market Highlights

Labor markets remained very tight in the Seventh District through April and manufacturing employment began to show signs of a rebound from earlier in the year. The District's unemployment rate was virtually unchanged from March to April, at 4.5%, and was well below the national average of 5.4%. Employment growth in the District kept pace with that of the nation in the first quarter of 1996, increasing 1.4% in year-over-year comparisons.

District highlights

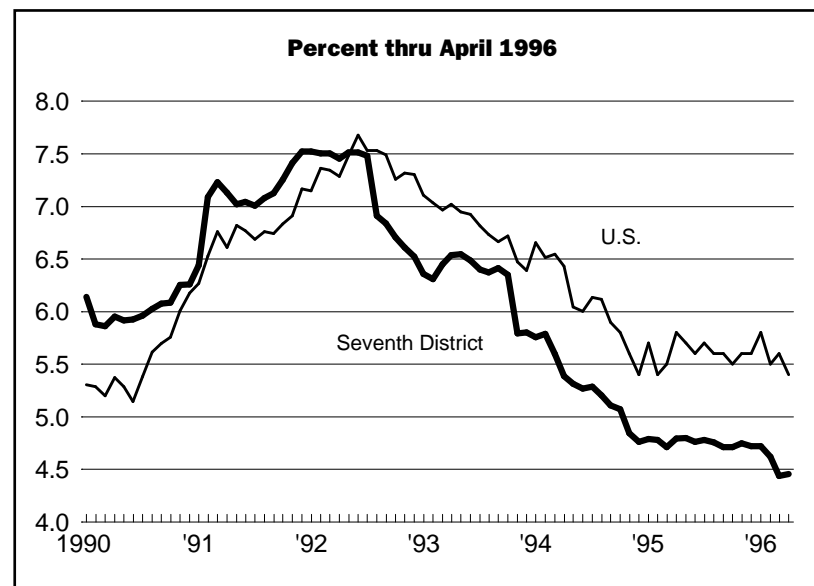
- Iowa had the lowest unemployment rate of District states in April, 3.6%, and

employment growth ran slightly ahead of the District average.

- Wisconsin and Michigan experienced the strongest job growth in the first quarter of 1996 in year-over-year comparisons, 2.3% and 2.1% respectively. Michigan's employment growth is somewhat surprising considering the negative impact of the strike against General Motors earlier in the year.
- Indiana was the only District state to display a year-over-year decrease in total employment in the first quarter. This is due, in part, to a softening demand for labor in manufacturing industries in the state. Indiana's unemployment rate showed a decrease in year-over-year comparisons, however, due to a reduction in the number of participants in the labor force. ■

Richard E. Kaglic
Associate Economist

Midwest Unemployment Rate



Research continued

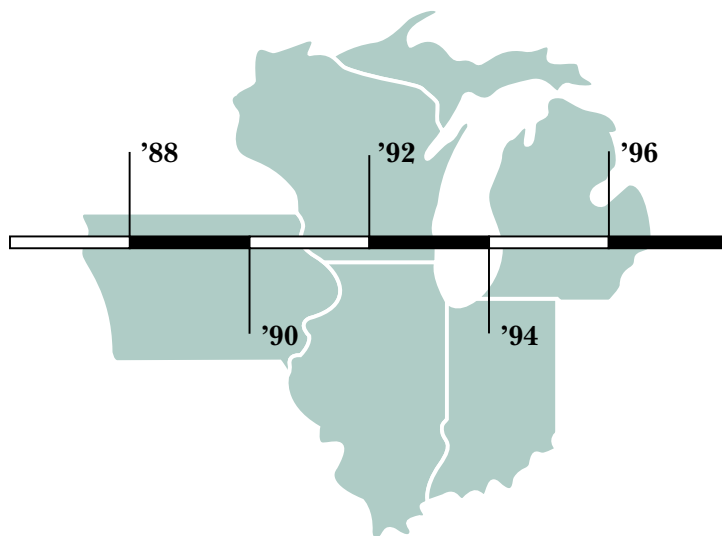
**The Midwest Economy:
Structure and Performance**

The second workshop as part of the Federal Reserve Bank of Chicago's long-term study of the regional economy was held on February 13, 1996. This workshop focused on the structure and performance of the Midwest economy, particularly with regard to manufacturing which continues to be its dominant industry sector. The first part of the program included a look at the current status of the region's economy, as well as its development in a broad, historical context. Current baseline data were contrasted with longer-term developments and trends to get a better view of what might lie ahead. The second half focused on the manufacturing sector. How is this crucial element of the region's economy being shaped by ongoing structural changes, in an environment where best manufacturing techniques are transferred across borders with apparent ease and amazing speed? What implications have these structural changes for the region's public policy decisions?

This workshop addressed the issues currently challenging the continued vitality of the Midwest economy. The opening presentation, which discussed the Midwest's extraordinary performance versus the nation during the last few years, set the stage for a deeper analysis of the region's economic structure. How much of this recent success is due to factors external to the region, how much to business and policy decisions, and what are the challenges the region needs to prepare for in order to stay competitive and economically viable?

A long-term analysis of the development of regions in the U.S. economy stressed changing comparative advantages as the driving factor in regional specialization trends. Data analysis suggests that the region's loss of manufacturing has bottomed out. Some evidence of restructuring in manufacturing relates to the development of interregional linkages among the region's plants and firms. While currently we know little about the structure of these linkages, research indicates that the fortunes of the Midwest depend primarily on the fortunes of the North American economy and indirectly on developments in Europe and Asia.

Regional income differences (especially those related to wages) have largely converged over the course of this century. After the negative shocks to the Midwest region (and its income) during 1979-1982, regional income has stabilized as manufacturing has rebounded. Changing regional differences in amenity values seem to be a (largely unobserved) reason for the lack of full convergence in nominal wages. Productivity differences accompanied by cost-of-living adjustments may also explain why remaining regional income disparities may be more apparent than real. Furthermore, regional income differences appear to be jolted away from approximate convergence in response to shocks in energy prices and short-term hikes in returns to certain occupational categories and skills. Indeed, the issue of widened income gaps among the haves and have-nots has supplanted geographic income disparities during the 1990s.



In the Midwest, the performance of manufacturing continues to be central to the issue of income growth. There is ample evidence for the widespread application and implementation of so-called advanced manufacturing technologies. However, to fully comprehend the nature of this adjustment process, the region needs to integrate critical elements of management-labor relations and strategic planning. A geographic analysis of the auto industry, the largest industry in the region, exemplified how multifaceted and complex the adjustments to new technologies can be. While assembly plants are returning to the heart of the country, parts plants are opening in both the Midwest and Southeast, their location being influenced by factors such as plant ownership and type of output produced.

It is apparent that little is known on how the adjustment to new manufacturing technologies plays out on the regional level. It seems a regional breakdown of available data and comparisons with similar regions in Europe

and Japan are necessary to improve our understanding. The adjustment processes and ensuing structural changes observed in manufacturing raised several policy-related issues: the need for retraining and upgrading of skills and the means by which that training could best be delivered; as well as the appropriate scope for state and local economic development policies. ■

William Testa
Assistant Vice President &
Senior Regional Economist

Thomas Klier
Senior Economist

Economic Development News & Views will continue to summarize the findings of this research throughout the year. Orders for a copy of the complete summary of the February 13, 1996 report "The Midwest Economy: Structure and Performance" can be placed by contacting the Public Information Center, Federal Reserve Bank of Chicago, P.O. Box 834, Chicago, Illinois 60690-0834, Tel. 312/322-5111.

1996 Calendar

June 18 Springfield, IL

"Lenders Forum." Cosponsored by the Lincoln Land Community College SBDC and the Illinois Dept. of Commerce and Community Affairs. Contact: 271/789-1017

June 23-25 Chicago, IL

"The Retail Industry and Economic Development." Sponsored by the National Council for Urban Economic Development. Contact: 202/223-4375

June 26 University Park, IL

"Lenders Forum." Cosponsored by the Governors State University SBDC and the Illinois Dept. of Commerce and Community Affairs. Contact: 708/534-4929

June 27 East St. Louis, IL

"Lenders Forum." Cosponsored by East St. Louis SBDC and Illinois

Dept. of Commerce and Community Affairs. Contact: 618/583-2270

July 10 Chicago, IL

"SBA LowDoc Training Workshop for Bankers." Sponsored by the SBA and Illinois Small Business Development Network. Contact: Carson Gallagher 312/814-6111

July 11 Springfield, IL

"SBA LowDoc Training Workshop for Bankers." Sponsored by the SBA. Contact: Bob Paoni 217/492-4416

August 14 Springfield, IL

"SBA LowDoc Training Workshop for Bankers." Sponsored by the SBA. Contact: Bob Paoni 217/492-4416

August 15 Lansing, MI

"Fair Lending Requirements & Examination Procedures." Sponsor: Michigan Bankers Association. Contact: 517/485-3600

September 5 Springfield, IL

"SBA LowDoc Training Workshop for Bankers." Sponsored by the SBA. Contact: Bob Paoni 217/492-4416

September 11 Chicago, IL

"SBA LowDoc Training Workshop for Bankers." Cosponsored by the SBA and Illinois Small Business Development Network. Contact: Carson Gallagher 312/814-6111

September 12 Des Moines, IA

"Small Business Lending Seminar." Sponsor: Iowa Bankers Association. Contact: 202/223-4375

September 29-October 2 Cleveland, OH

"CUED Annual Conference." Sponsor: National Council for Urban Economic Development. Contact: 202/223-4375

October 2-4 Long Beach, CA

"The New CRA: Focus on the Future." Sponsor: Federal Reserve Bank of San Francisco. Contact: Stasia Woods 213/683-2871

October 3 Springfield, IL

"SBA LowDoc Training Workshop for Bankers". Sponsored by the SBA. Contact: Bob Paoni 217/492-4416

November 9-12 Hilton Head, SC

"Ideas Worth Sharing: Best Practices for Economic Development." Sponsor: National Association of Development Organizations. Contact: 202/624-7806

Chicago Fed Facts

The Federal Reserve Bank of Chicago is one of 12 regional Reserve Banks that, together with the Board of Governors in Washington, D.C., serve as the nation's central bank, the Federal Reserve System.

The role of the Federal Reserve System is to foster a strong economy and a stable financial system.

The Chicago Reserve Bank:

- participates in formulating national monetary policy,
- supervises and regulates banks and bank holding companies, and
- provides financial services to banks and the U.S. government.

Employees: 2,300

Assets: \$47.4 billion (as of 12/31/95)

Depository Institutions in Seventh District: 2,900

Banks and bank holding companies supervised: 1,340

Financial services volumes (1995):

Checks processed — \$1.2 trillion

Automated Clearinghouse transfers — \$2.5 trillion

Wire transfers — \$31.5 trillion

Currency received and counted — \$32.7 billion

Unfit currency destroyed — \$7.7 billion

<http://www.frbchi.org>



**Federal Reserve Bank of Chicago
is on the World Wide Web**

Visit our Web site at <http://www.frbchi.org> for:

- consumer and community information
- foreign exchange rates
- selected interest rates
- banking data
- employment and unemployment statistics
- regional economic data
- Chicago Fed publications, including the annual report and Economic Development News & Views
- speeches by Federal Reserve officials

For further information call the Public Affairs Department at 312/322-2378

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