# Mortgage credit and home building

Last year the first post World War II decline occurred in new construction, one of the nation's major industries. Outlays made for all types of new construction had set new records annually from 1945 through 1959. A substantial portion of the steady rise in these expenditures has been due to the rise in the cost of labor and of materials. The physical volume of construction put-in-place has gone up neither as steeply nor as steadily.

Home building is the largest single type of new construction. Although expenditures for all types of construction have risen sharply, expenditures for new housing have declined sharply in some years. During the postwar period expenditures for new housing have ranged from 36 to 47 percent of the total. Such fluctuations in home building have led to government stimulation. Since April 1959 home building has again declined, and the federal government has attempted to stimulate activity through a larger supply of mortgage credit at lower interest rates. In view of the slackened demand for new housing, it remains to be seen how successful the government will be in this endeavor.

### The decline in home building

Private nonfarm housing starts rose sharply from February 1958 to a peak rate of 1,613,000 units[1] in April 1959. During the subsequent months of 1959, starts dropped rapidly and during 1960 continued to decline at a slower rate. The low point may have been recorded in December 1960 when the seasonally adjusted annual rate of starts fell below one million, to 975,000. In January starts rose to 1,076,000, and in February to 1,367,000.

A noticeable shift from single-family structures to apartment buildings has occurred in home building. On the basis of the old series on housing starts, from 1955 to 1959 inclusive, the construction of units in apartment buildings more than doubled; two-family structures rose by 60 percent, while single family structures declined by 8 percent. This same trend was indicated by the new series in 1959 and 1960. The construction of apartment building units declined only 6 percent from 1959, while two-family structures declined 17 percent and single-family structures 20 percent.

Ninth district home building activity has followed the national trend in broad outline. New housing units authorized by building permit rose to a peak of 3,619 in March 1959. The number then declined during the late spring and summer, counter to the usual seasonal trend. In the spring of 1960, new units authorized by permit were a third lower than in the same months a year earlier. However, units authorized during the last three quarters of 1960 remained close to the March and April numbers, indicating a leveling off in home building. As in the nation, there is some evidence that home building has picked up since the first of the year. The number of dwelling units authorized by building permit in January was up 48 percent and in February 32 percent from the same months of a year ago.

In the metropolitan areas of the district, there has been a growing variation in the level of home building activity as the shortages in the stock of houses have been eliminated. In the Twin Cities and Sioux Falls areas, building expanded at a faster rate in 1958 and reached a higher relative volume in the first half of 1959 than in the district as a whole. On the other hand, in the Duluth-Superior area, where employment opportunities have declined, home building did not expand in 1958 or in the first half of 1959.

A significant trend has also developed in this district in the building of more multiple dwelling

[1] New series seasonally adjusted annual rate. The new series is a more comprehensive measure than the old one of the number of new housing units on which construction is started in the nation each month. It includes substantially all types of new accommodations designed as family living quarters.

units and fewer single units. In each of the three years following 1957, over two and one-half times as many multiple dwelling units were built than in 1957. There was only a slight increase in single units in 1958 and 1959 and a decrease in 1960. This trend has continued into 1961.

Multiple dwelling units have been built in some small urban centers, but they are concentrated in the Minneapolis, St. Paul and Sioux Falls areas where demand has remained strong.

### Transition in housing demand

This shift from the single-family structure to the apartment building indicates that a major part of the huge backlog of housing demand for single-family structures which grew out of the Great Depression and World War II has been satisfied. Although some segments of the population—moderate-income families, low-income families and the elderly—still live in substandard housing, the nation is better housed now than it has been at any time in the past. According to a preliminary report of the 1960 Census of Housing, a quarter of all America's homes have been built since 1950.

From 1950 to 1956, the existing stock of houses increased by more than the number added to it through new housing starts. This additional increase, averaging 100,000 units annually, was due to the rehabilitation and conversion of other types of structures into housing units. From 1956 through 1960, however, demolitions exceeded conversions. The total stock of houses therefore rose by 200,000 units less per year than the number of new houses built. Thus it appears that the market for new houses has become increasingly dependent on the withdrawal of substandard units.

The "undoubling" of the population during the '50s proceeded at a rapid rate, as family units previously living under the same roof split up to go to homes of their own. As a result, the number of married couples without their own households declined to a new low of 2.4 percent in 1960, as compared to 5.6 percent in 1950. For the first time in 20 years, fewer than one million (945,000) couples were not living in their own household.

The adequacy of the current existing stock of houses is reflected by the rapid rise in the vacancy rate. In the third quarter of 1960, the vacancy rate of rental units had risen to 7.6 percent, which was high even in comparison to prewar standards. In fact, available data indicate it was an all-time high. The vacancy rate on rental units rose sharply from 2.6 percent in 1950 to over 5 percent by the latter half of 1955.

The vacancy rate on home-owned units in both April 1950 and for each of the four quarters of 1955 stood at 0.9 percent. By 1960, this rate had risen to 1.2 percent, an all-time high, according to available data. There were more vacancies in home-owned units outside metropolitan areas than within them. However, the difference in rate was much less than in rental units.

At the same time that there exists a more ample supply of housing, the demand for new houses has leveled off. The age brackets that provide the greatest market for housing are increasing slowly because of the dearth of births during the Depression. During the 1960s, there will be a relatively small increase among workers of 25 to 34 years, and a decrease among workers of 35 to 44 years. But there will also be a rapid rise in the number of young and old workers. Workers under 25 years of age will account for nearly half of the labor force growth, even though they enter the labor force at a later age after longer schooling. More workers will be 45 years and over in 1970 than in 1960, despite earlier retirements.

The market for new houses has also been affected by the rapid rise in construction costs of both wages and materials. Hourly earnings in the building industry from 1950 to 1959 inclusive rose by 58 percent as compared with 52 percent in all manufacturing industries. The index of wholesale prices of construction materials during this period rose by 23 percent, while the index of all wholesale prices rose by only 16 percent.

### Home building and the business cycle

In the postwar period, home building has tended to follow a partially contra-cyclical trend;

tions over-committed themselves, thus encouraging builders to expand starts rapidly.

Developments in the housing market during general recessions have also contributed to upturns in housing starts. The contra-cyclical influence of residential construction has come as much from the market readjustments that have taken place during recessions as from the continued strength of housing demand resulting from the greater supply of credit. Before or at the beginning of each downturn in general economic activity, a slackening in housing demand was reflected in the market for existing houses, for new houses, or for both. This slackening in housing demand together with generally reduced economic activity operated to produce adjustments in the market. Old houses became harder to sell and prices softened. As a result, prices on new houses also softened, thus forcing builders to curtail starts, to bargain harder with suppliers of building materials, and to improve the efficiency of their operations. Thus, at the time when credit demands generally slackened and financing was more readily available, builders were able to offer houses that were less expensive or more attractive in other respects. Such price adjustments, occurring in 1948, 1953 and 1957, were important in stimulating the subsequent increases in residential building.

In each of the periods of general economic recession, federal action was taken to make borrowing terms easier or to support the market for mortgages. Among the actions taken were the reductions in minimum downpayment ratios and extensions on maturities of FHA and VA mortgages. The Federal National Mortgage Association was authorized to make commitments to purchase such mortgages, purchase terms were lowered and appropriations to the association were increased to carry such loans.

Federal programs to liberalize mortgage credit became effective at about the same time that market adjustments had taken place, so that the two influences tended to operate together to produce larger effects than either would have alone. Consequently, during periods of economic recession, more houses have been built and sold than during prosperous periods, even though personal incomes were falling and unemployment was rising.

In the current economic recession, the easing of credit, which has liberalized terms on mortgage loans and lowered interest rates, again may be a factor contributing to the modest gain in housing starts since the first of this year. As in former recession periods, lenders are aggressively seeking mortgage loans. However, the other influences which have contributed to a sharp rise in starts are no longer present. Much of the backlog demand for new houses has been satisfied, so a greater supply of mortgage credit at more liberal terms may not be as effective in stimulating a market for new houses as it has in the past.

### Lenders are seeking mortgage loans

An encouraging note for prospective home buyers is the continued weakening in interest rates on mortgage loans since the first of this year. The Federal Housing Administration reduced to 5½ percent from 5¾ percent the maximum interest rate permitted on FHA mortgages. Insured mortgages bearing the lower maximum interest rate of 5½ percent, were selling at an average price of 97.1 in the secondary market on March 1. A month earlier loans bearing the higher rate of 5¾ percent were selling at 98.1. On the basis of these prices, the yield declined from 6 percent to 5.88 percent. This decline of 12 basis points was more than half of the decline during all of 1960.

Market forces have also led to a decline in interest rates on conventional mortgages. A survey of savings and loan associations in the United States showed rates declined from a quarter to three-fourths of a percentage point during the first quarter of this year. In the Twin Cities metropolitan area, interest rates have eased another quarter of a percent in March. Last fall, rates had eased from a quarter to one-half of a percentage point. Several lending institutions at the beginning of April were offering conventional loans at $5\frac{3}{4}$ percent on new houses.

Evidence indicates lenders are again aggressively seeking mortgage loans as alternative investments have become less attractive. Officials of savings and loan associations which account for about 40 percent of the dollar volume of home mortgage loans extended, expect interest rates to be forced lower during the year. To secure an outlet for savings accumulating, downpayments may be lowered and maturities stretched to fit family budgets.

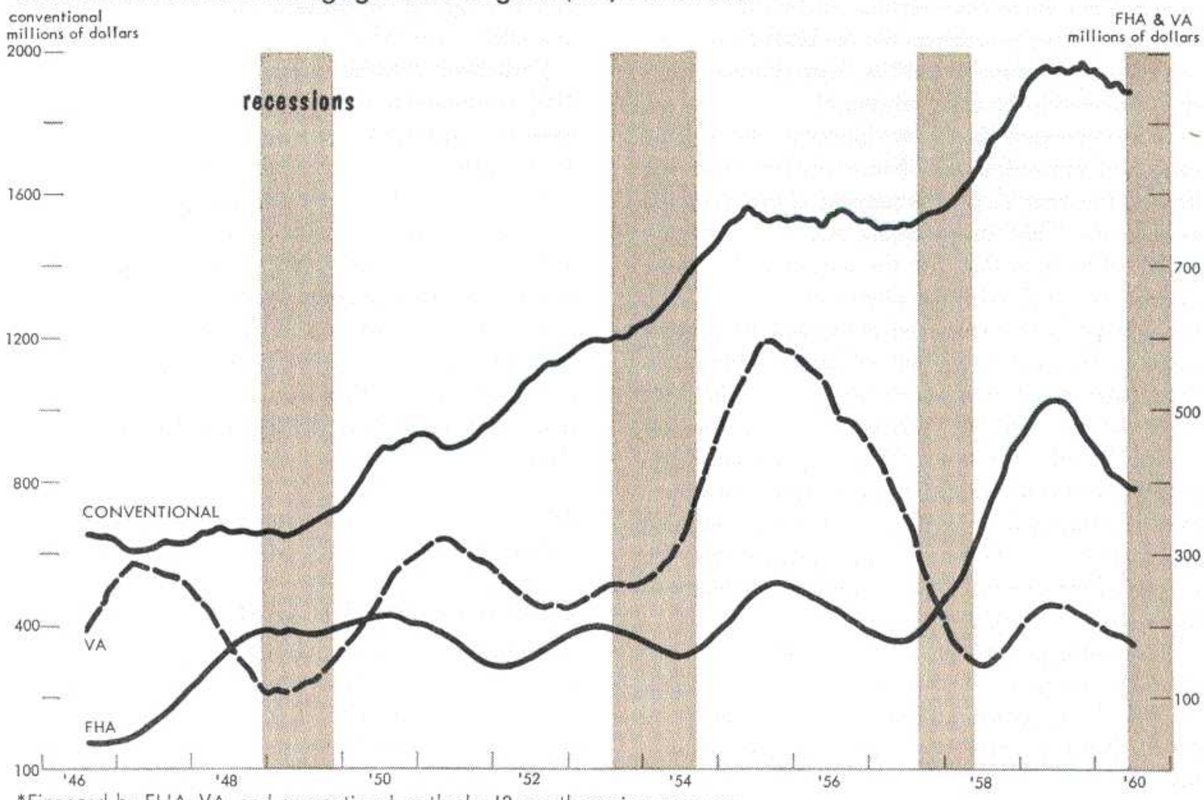
President Kennedy has submitted to the Congress a comprehensive housing and community development program. As there is no longer a backlog of unsatisfied housing demand which can be released by providing a supply of credit, he has suggested the selective use of credit to encourage private industry to build and finance more housing in the lower price ranges for moderate-income families and those with still lower incomes, such as the elderly, who must rely on low-rent public housing. The salient features of the program consist of a $2.5 billion four-year commitment to urban renewal; no downpayment, forty-year home mortgages for moderate-income families; long-term loans for rental and cooperative housing; subsidies for private rehabilitation of slums; and extended authority for FHA to insure home improvement loans.

**Conclusion**

At the present time it appears that an expansion in home building in 1961 will depend in large measure on the market for houses created among those segments of the population still prone to live in substandard housing.

—Oscar F. Litterer

Amount of nonfarm mortgage recordings of $20,000 or less*




*Financed by FHA, VA, and conventional methods; 12-month moving averages

# Current conditions . . .

The trend toward economic recovery in the Ninth district is, in general, paralleling that of the nation as a whole. Employment has improved perceptibly, construction activity has expanded, agriculture has been doing relatively well, and total personal incomes are running significantly above year-earlier levels.

Nevertheless, unemployment problems continue to plague the economy here as well as in the nation. District unemployment continues to be concentrated in the mining areas, where demand for ore production has been unusually weak this spring. This weakness is evidenced by the smallest tonnage of iron ore shipments in April from Lake Superior ports since the 1930s. May shipments are also expected to be relatively small.

Total personal incomes, however, have continued to expand in the Ninth district since the first of the year at 5 to 6 percent above previous year levels. This improvement has been substantially better than that for the nation as a whole. The improved purchasing power of wage earners, farmers and others will be evidenced in various ways in regional economic affairs. So far, however, total retail sales since the first of the year have not reflected the expansion in personal incomes. Retail sales are little changed from year-earlier performance, except that farm machinery sales are reported good. New car registrations and department store, furniture and appliance sales for the first four months of 1961 were barely equal to the same period in 1960.

Construction activity in the district as measured by the total number and value of building permits is signaling strength for a recovery in 1961. Nonresidential construction, particularly, appears to be forging ahead.

The district farm situation and the outlook for 1961 appear substantially improved in recent weeks due to fairly widespread precipitation. Spring crops are now developing about normally in spite of the cold, "backward" spring. Nevertheless, more or less serious subsoil moisture deficiencies continue to exist over large areas of the Dakotas and in eastern Montana. Better than average rainfall will be needed this season to produce a bumper crop such as that of 1960. The snowpack on the watersheds of irrigation streams in the Missouri River basin was rated poor in early May, and storage in irrigation reservoirs was below average.

Cash farm income through the first quarter of 1961 continued to exceed year-ago levels by a substantial margin (16 percent), as it has since the near record crop was produced last summer.

In district banking, recent information indicates a healthy growth in deposits both in the demand and time categories. Bank loans have not expanded as much as deposits, thus improving somewhat the loan-deposits ratios and bank liquidity positions.

In summary, although recovery signs dominate the current economic scene, there is no indication that recovery in this district will be particularly sharp.

*The following selected topics describe particular aspects of the district's current economic scene:*

## EMPLOYMENT UP LESS THAN USUAL

Employment in the nation usually receives a big seasonal boost by the end of April. This year the increase was 218,000, as measured by sample interviews of households by the U. S. Department of Labor. This rise is smaller than the usual seasonal rise, due entirely to a contraseasonal drop in agricultural employment caused by extremely wet weather over large regions of the nation. Employment in nonfarm establishments continued to rise in April. Construction employment continued the substantial rise begun in March. Most manufacturing industries participated in the rise for the first time this year. There were moderate gains in other nonmanufacturing industries with the exception of transportation and public utilities.

In addition to improved employment in manufacturing industries, employees there worked more hours per week for the fourth consecutive month, a development which generally foreshadows an increase in the hiring of additional employees.

The rise in the nation's unemployment can be traced only in small part to a reduction in the number employed. In the recession of 1960-61, which began about May 1960, seasonally adjusted civilian employment declined relatively little, as may be observed on Chart 1. In July 1960, the total rose to a peak of 67.2 million workers and then declined to a low of 66.4 million in both October and December—a decrease of only 800,000. In the recession of 1957-58, employment declined almost 2 million.

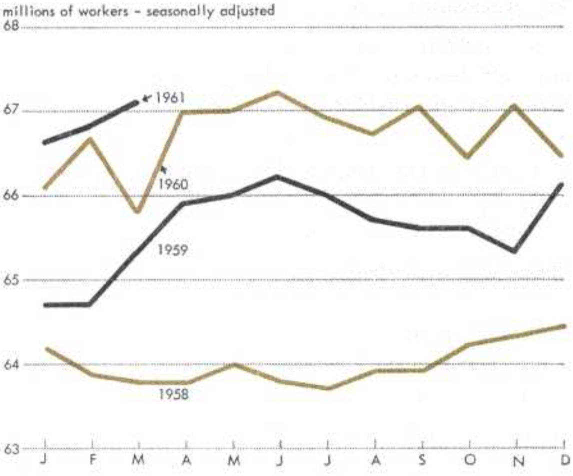
The rapid growth in the labor force, shown in Chart 2, is largely the cause of the rise in unemployment. The labor force rose by 1.8 million people from early 1960, which was 500,000 more than had been expected.

In the Ninth district, seasonally adjusted employment in nonfarm establishments has been stable since the first of the year, indicating layoffs have been no greater than usual. This reflects an improvement from the slow decline in employment from June through December 1960.

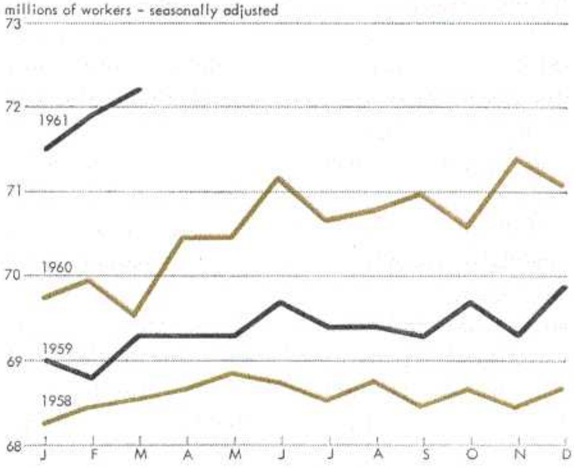
The importance of agriculture and the types of products manufactured in the district have held down the cyclical swings in nonagricultural employment here. In the 1960-61 recession, seasonally adjusted employment from June 1960 to March 1961 declined only 1 percent, compared with 2 percent in the nation. In contrast, during periods of economic recovery, the rise in district employment has been slower than in the nation.

In two industry categories—mining and transportation, communication and utilities—employment during the 1960-61 recession has declined more than in the nation. The rise in the number of workers in these categories this summer may also be slow. U. S. Lake Superior iron ore shipments in April aggregated only 187,986 long tons, the lowest tonnage shipped to lower lake ports in

## Chart 1—Total employment, U. S.




## Chart 2—Civilian labor force, U. S.



any April since the 1930s. Since the tonnage shipped in May will also be low, a small number of ore boats will be placed in service.

The total number of workers on district farms followed the usual seasonal pattern during the first quarter of this year. However, the usual April upswing was delayed due to the cold, wet weather, which postponed farm operations.

### CITY BANK LOANS AT 1960 LEVEL

The ratio of loans to deposits at the twenty weekly reporting city member banks in the district was 55 percent in early May, compared with 59 percent a year earlier. All of the reduction in the ratio reflects a deposit growth of $138 million (or 7.5 percent), since loans were almost exactly the same early this May as they were a year ago. Indeed, each of the major components of total loans—commercial, consumer, and real estate—was little changed for the period.

The deposit gain combined added time deposits of $53 million and added demand deposits of $85 million. Of the former, $34 million was registered in 1961. The demand deposit growth reflects some increase of inter-bank balances, although most of the gain was recorded in other demand deposits.

The liquidity of the banks has improved by somewhat more than the reduction of loan-deposit ratios suggests. This is because holdings of intermediate and long term government securities were reduced by $61 million while governments coming due in less than a year rose by $103 million, thus furnishing an enlarged pool of liquidity to the banks.

In the four week period ended May 3, these banks added $24 million of loans, including $11 million of commercial loans and $8 million to non-bank financial institutions. In the same period last year, loans rose by only $7 million. Deposits were up $16 million in the period this year and $20 million a year earlier.

# The tourist and the district economy

Tourism—the business of luring and serving the vacationing public—ranks high in importance to the economies of all the Ninth district states. By one criterion or another, it is listed as the second most important industry in South Dakota, the third in Montana, Michigan and Wisconsin, and the fourth in North Dakota and Minnesota. Expenditures by out-of-state visitors to the four full district states in 1959 are estimated at over $520 million.

The raw materials of this industry go by a singularly attractive hodgepodge of names: Tahquamenon Falls and the Copper Country, Grindstone Lake and the Dells of the St. Croix, the Arrowhead and the North Shore, the Badlands of the Dakotas, the Black Hills and Double Ditch Village, Glacier Park and the Lewis and Clark Cavern. Man-made marvels also exert a special appeal, and the district has its share of "World's Largests"—from the suspension bridge, joining Michigan's two peninsulas and the sculpture of Mt. Rushmore to the smokestack (585 feet high) at a Montana smelter. These are among the more and less familiar of the attractions which help in luring to the district a share of the 100 million Americans who take to the highways every summer, and of the estimated $15 billion they spend before returning, sunburned, to the office or the plant and the crabgrass.

#### And still growing

Projections into the future show tourism may be a real growth industry. Public usage of national parks and forests has grown about 10 percent annually for many years, except during the war period of travel restrictions. Visits to state parks were up 7.6 percent in 1959 over 1958, a rate of increase generally exceeded in previous years. Visits to reservoirs and artificial lakes have grown faster than either. Private resorts, motels, gas stations and other tourist services have shared in the expansion.

The reasons for this expansion are likely to continue in force. Increased leisure is a primary one. The number of paid vacations has doubled in the last decade. Over 80 percent of the nation's workers are now employed by firms offering maximum vacations of three weeks or more, and the average office or factory worker has 125 days a year to spend away from his job. As automation increases, vacations and weekends are likely to become still longer.

While Americans have been acquiring more time to spend on trips, they have also been earning higher incomes to finance them. In 1955, they spent $32 billion on leisure activities, with the largest single chunk going to tourism. The rise in discretionary spending power is expected to continue and with it the amount spent on tourism and on goods such as cars and camping gear which encourage travel. Already three out of every four U. S. families have an atuomobile; one out of every six has two or more. The "do-it-yourself" tourist in his own car remains the most typical.

**How adequate are resources?**

It has been estimated that by the year 2000, demand for all types of outdoor recreation will have increased tenfold. Park Service officials expect 75 million people annually at the national parks by 1965. In spite of the continuance of population pressures and other forces which tend to increase tourism, the growth in recreation areas has been rather slow. Fewer than 100,000 acres have been added to the National Parks system in the last dozen years, although state systems have fared somewhat better. The purchase of 251,700 acres in 1959 brought the total acreage in state parks to 5,681,000 and the total number of areas to 2,433. Yet acreage increases have not begun to keep up with the rate of increase shown in attendance.

Part of the problem results from the fact that superb scenic sites—the kind which are usually incorporated into national parks and monuments —are highly limited in supply. Since most are already set aside in the 30 national parks or 84 national monuments, new additions will probably be few. Most sites of great national historical import have also been set aside in military or historical national parks. Preparations for the coming influx of visitors will therefore probably be concentrated in improving facilities at existing parks. In fact, some parks have less capacity now than they did 20 years ago, because many facilities built by the CCC during the 1930s have since deterioriated. The overflow of tourists into some areas without adequate facilities has threatened water pollution and increased danger of forest fires.

The issue of "improvement," however, brings further complications. The significance and beauty of some recreational areas depend on their remaining in an "unimproved" state. Some of the most magnificent wilderness in the nation lies within the Ninth district's borders. If such areas are to retain their uniqueness—the amount of untouched wilderness has progressively shriveled— they must of necessity have a more limited tourist capacity than would be possible with the development of highways and hotels. Although studies have shown more and more people are learning to "rough it" on vacations and to like it (over half of the campers in one survey came from the so-called higher income categories) their number is likely to remain small in comparison to those who prefer nothing more strenuous than a short walk from the back seat or the steering wheel.

Many of the state parks are more logical candidates for increased tourist capacity, since they are generally located closer to population centers and are developed with a view of providing recreation for many in pleasant surroundings. State parks, however, are rarely included in the travel goals of out-of-state tourists. Most tourists who have come considerable distances want to see and stay near the great scenic attractions, and regard state parks as only of secondary importance to their itinerary.

## Who is the tourist?

Ninth district states are often their own best tourist customers and among each other's.

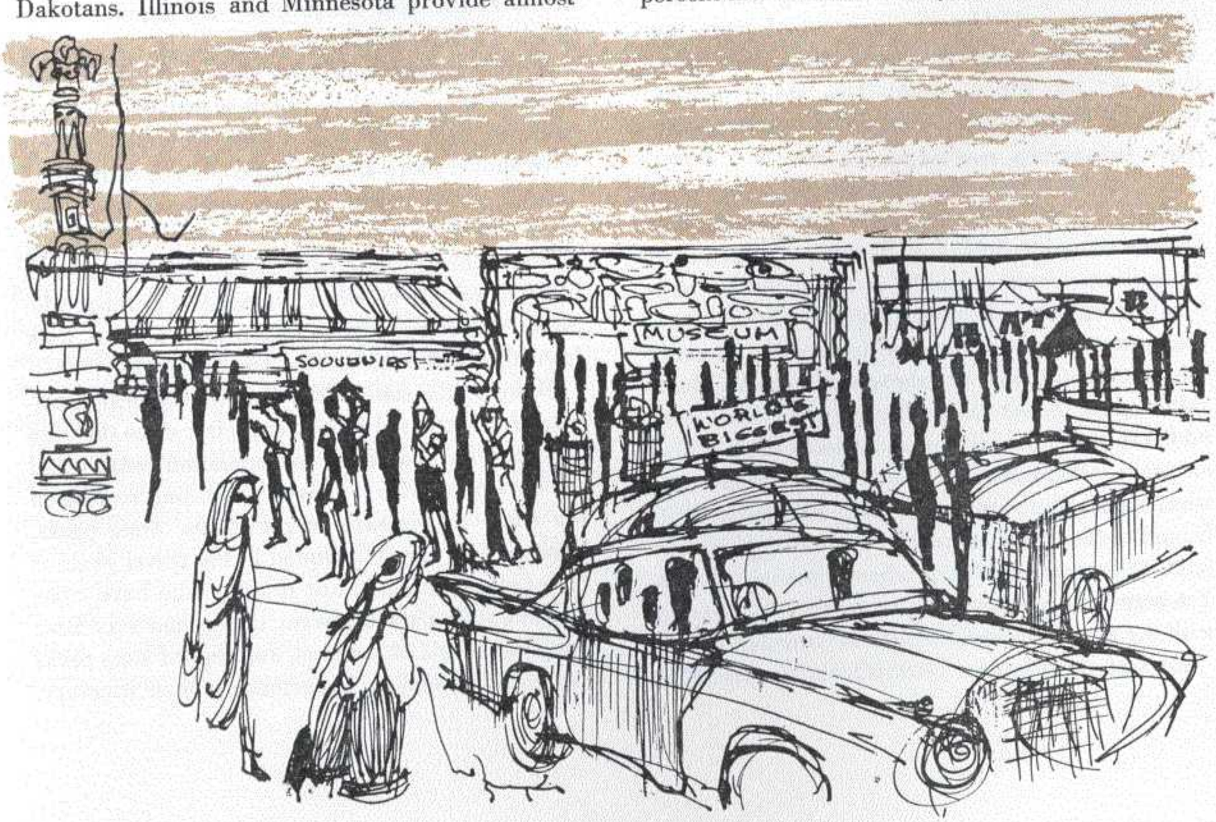
Half the tourists traveling in Minnesota on any given summer are Minnesotans. Half of the remainder are from Illinois and Iowa. Many Dakotans travel in Minnesota also, but because their states have smaller populations they account for less of the total. Discounting the wilderness canoe travelers, who are as likely as not to be on their first trip to the area, 88 percent of all Minnesota tourists have been there before. This high rate of returning vacationists is typical, though to a lesser degree, in other district states.

Montanans contribute some $12 million annually, or 15 percent of the total, to their own state's tourist revenue. Of the out-of-state visitors, the largest single group are Canadians. The second largest number come from Washington. Minnesota contributes over 6 percent of all Montana's tourists, and North Dakota over 4 percent.

Of all South Dakota tourists, 6 percent are South Dakotans. Illinois and Minnesota provide almost 13 percent each of the total. South Dakota is also a favorite vacation spot for people from Iowa, Michigan, Wisconsin and Nebraska.

Although tourists in aggregate bring a great deal of money to a vacation area, individually they hardly fit the stereotype of the big spender. Urban families in the $3,000 to $7,000 income category (57 percent of the nonfarm families in the United States) account for 63 percent of all vacation trips in the nation. Persons with higher incomes are more likely to travel for business purposes; tourism as a manner of spending leisure time decreases, except for foreign travel, as incomes rise above the $7,000 level. Families with incomes of under $3,000 (15 percent of the nonfarm population) account for 21 percent of all pleasure trips.

Tourist expenditures seem to average about the same amount throughout the district. A 1958 study showed Montana's average tourist spent $6.87 a day while in the state. In South Dakota, according to a 1954 study, the average expenditure per person was $6.85. Although the state had 25 percent more tourists that year than in 1949, total



expenditures climbed only 5 percent, indicating the tourist is becoming increasingly cost-conscious. About the same amount was spent per tourist on lodging and food during the two study periods, but in 1954 less was spent on miscellaneous items such as souvenirs. A vacation survey of 19 northern Minnesota counties showed comparable expenditures of $6.82 per person per day.

Over half the total tourist expenditures typically go to food and lodging (in northern Minnesota, up to 63 percent). Car expenditures or other transportation costs vary more considerably, from a tenth to a fourth of the total. The effect of tourism on service stations is indicated by the 85 to 450 percent increase in gasoline sales which occurs throughout Upper Michigan during the favorite travel months of July and August. Part of the variation in this category may result from the failure of tourists queried to remember car expenditures. Campers and canoers, of course, are likely to spend less on their trips, particularly on transportation, once they have reached their general destination.

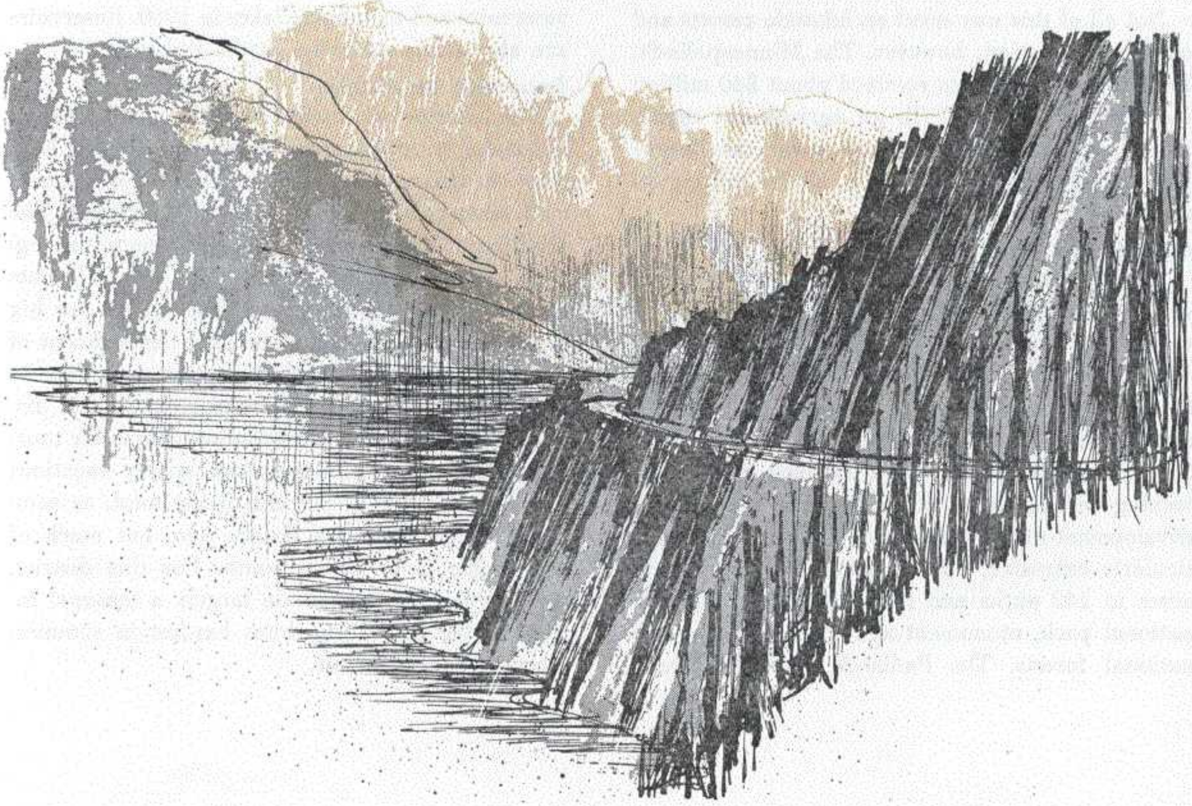
Recreation and entertainment costs may account for as much as 10 percent of total expenditures. Retail store purchases sometimes claim up to 14 cents of the tourist dollar.

The typical tourist party in the district consists of three or four persons; numbers are evenly divided between men, women and children. Studies seem to indicate that people take vacations often until they reach the ages of 35 to 55, when they take infrequent but extensive trips. During these middle years, the costs of acquiring a home and of rearing and educating a family are heaviest. After age 55, people resume taking a greater number of trips.

### A lake vacation

The amount of money a state derives from tourists depends on what attractions it has to offer and how well it promotes them. The Ninth district's vactionlands are highly varied in type and have been advertised with varying degrees of enthusiasm and success.

The eastern sector of the district is a haven for lake lovers. Minnesota has over 11,000 lakes and



Upper Michigan over 4,000. The majority of Wisconsin's 8,500 lakes are found in the Ninth district portions, including one of the world's most concentrated lake regions. Part of Minnesota's border is defined by Lake Superior's rocky North Shore, and Upper Michigan has 1,700 miles of shoreline on three of the five Great Lakes.

This area, which also abounds in forests, rivers and waterfalls, attracts many in-and-out-of-staters as permanent summer cottagers, as well as the usual vacationers. Many of the scenic and historic sites are found within the boundaries of parks and recreational areas. Upper Michigan has 16 state parks with 83,000 areas. Northwestern Wisconsin's 7 state parks total 4,600 acres. Minnesota's 68 state parks and recreational areas, totaling 105,000 acres, attracted nearly 3 million visitors in 1959. The three states also have several national forests, and Minnesota has one national monument.

The total tourist take in Upper Michigan in 1959 was estimated at an all-time high of over $152 million; Minnesota's revenue from vacationers was around $300 million.

Not all of this was spent on lakeside resorts and outdoor recreation, however. The Minneapolis-St. Paul metropolitan area received about $40 million from tourists in 1960. In an agricultural region like the Ninth district, many rural vacationers undoubtedly get away from it all by treking to the cities.

### Or try the West

The district's western states offer a different vacation atmosphere: spacious prairies and beautiful mountains with an aura of the old West.

South Dakota's tourist industry has been aggressively promoted since 1939, when the annual tourist influx totaled about 400,000. Now between 2 and 3 million persons visit the state every year, leaving behind some $106 million. Commercial development of the Black Hills area has been particularly extensive, but the state also has 93,000 acres in 142 parks and recreational areas plus a national park, monument and memorial and two national forests. The Badlands National Monument is a favorite, along with such non-scenic attractions as the passion play and rodeos.

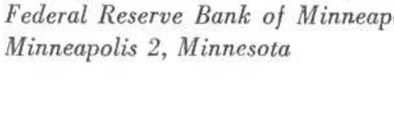
North Dakota's tourist industry is relatively smaller, having accounted for about $24 million in 1959. The state has 63 state parks and recreational areas with 4,400 acres, in addition to the two-unit Teddy Roosevelt National Memorial Park. This badlands park attracted 223,000 visitors in 1960. Recently, attempts have been made to attract "through" traffic into the state, and to persuade tourists on their way elsewhere to linger longer.

Montana in 1959 attracted 1,300,000 out-of-state tourists who spent $90 million. The state has some of the northern Rockies most spectacular mountain terrain. There are two national parks, including Glacier, one of the nation's most popular, two national monuments and six national forests. The 23 state parks and recreational areas total 9,000 acres.

In the western states, where lakes are relatively scarce, the big river developments have proved a boon to water enthusiasts. More than 200,000 persons visited Montana's 12 Bureau of Reclamation reservoirs and man-made lakes in 1960. Reservoirs are also a big attraction in the Dakotas.

### Seasonal headache

The extreme seasonality of tourism is its biggest headache to commercial operators, particularly since in this northern region summer-only units cost almost as much as winterized lodging. The addition of fishing and hunting seasons to the regular summer tourist season does help alleviate the problem in areas where these sports are big drawing cards. In recent years the development of ski areas and the promotion of other winter sports has aided the industry, particularly in the district's eastern states, by bringing off-season tourists to the area. In the nation, winter vacations now account for 17 percent of the total, as compared to 10 percent a decade ago, but much of this traffic is to points south. For this district, tourism is likely to remain largely a seasonal industry; the travel bug bites hardest in summer, when resistance is low.



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