of the ten being aerospace and electronics firms) received 26.6 percent of the total awards compared to 35.8 percent in 1964.

Unlike the period of large weapon systems—such as ICBM's which could only be supplied by a few of the industrial giants—the demands of Vietnam result in numerous smaller contracts involving a great many and variety of medium-size firms as defense suppliers. Small business firms increased their share of defense contract awards from 19.6 percent in fiscal 1965 to 21.4 percent in fiscal 1966.

B. *Geographic shifts in defense activity*

There is also a geographic dimension to the changes in the military product mix. Large proportions of the companies working on Vietnam orders are located in the Upper Midwest and in other relatively older industrial states in the East. The Far West, which has been receiving so large a share of defense orders during the past decade, is experiencing some absolute as well as relative declines. Table 9 shows the highlights of these changes.

Several states received defense contracts in 1966 at rates of 40 to 50 percent above the previous year's levels. These include Connecticut, Illinois, Indiana, Maryland, Michigan, Minnesota, Ohio, Pennsylvania, and Texas. In contrast, Washington State, Utah, and Colorado have seen their defense contracts virtually cut in half during the past two years. California has remained at the 1963 level, despite the substantial growth in the overall military market which has occurred since then.[70]

TABLE 9.—*The changing geographic distribution of defense contracts*

[Percentage distribution of dollar volume]

Census region	Korean war (fiscal year 1952)	Cold war (fiscal year 1962)	Vietnam (fiscal year 1966)
Northeast:			
New England	8.1	10.9	11.9
Middle Atlantic	25.1	18.7	17.6
Subtotal	33.2	29.6	29.5
Midwest:			
East north-central	27.4	12.6	15.3
West north-central	6.8	6.7	7.6
Subtotal	34.2	19.3	22.9
South:			
South Atlantic	7.6	10.4	12.5
South central	6.4	7.8	12.2
Subtotal	14.0	18.2	24.7
Far West:			
Mountain	.7	4.7	2.5
Pacific	17.9	28.2	20.4
Subtotal	18.6	32.9	22.9
Total	100.0	100.0	100.0

Source: Computed from Department of Defense data.

The economic impacts of this shift in the location of the defense industry may not be as simple as would appear. The midwestern states have large, well diversified industrial bases and these recent increases in their defense orders, although dramatic, may be taken in stride as they will require relatively small proportions of existing manufacturing capacity. On the other hand, defense work in recent years has accounted for a proportionately large share of the total manufacturing employment of many western states and in several cases for virtually all the growth of such employment in the major metropolitan areas. The adjust-

[70] U.S. Department of Defense, *Military Prime Contract Awards by Region and State*, 1966.