

There is also a geographic dimension to this change 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 had been receiving so large a share of defense orders during the past decade, is experiencing some absolute as well as relative declines. Table 4 shows the highlights of these changes.

Several States have been receiving defense contracts at rates of 40 to 50 percent above last 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 2 years. California is now at the 1963 level, despite the substantial growth in the overall military market which has occurred since then.

TABLE 4.—*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

The economic impacts of this shift in the location of 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 adjustment to the changing military market may be especially difficult for those Western States that are not participating in the simultaneous expansion in the commercial aircraft market.

On balance, I would expect that the reorientation of defense spending toward greater emphasis on limited war equipment, which seems likely to outlast the current Vietnam buildup, will have important differential effects on the relative rates of growth in population, income,