Indiana

Disappearing Indiana

Disappearing Indiana

Disappearing Indiana

Disappearing Indiana

Morton J. Marcus
for the Indianapolis Literary Club
April 20, 2009

What does it mean to "disappear"? Does it signify that one no longer exists? Or does it mean that one is no longer observed or noticed by others?

Indiana cannot disappear. It is nearly 36,000 square miles of land between Ohio and Illinois, between Lake Michigan and the Ohio River. It is smaller than Kentucky, but larger than Maine.

The legal entity known as Indiana might be erased from the roll of the states, but the physical reality would remain. A geologic catastrophe might swallow the land or bury it beneath water, ice, or debris, yet Indiana will remain in memory.

As Mitchell Parish wrote for the Hoagy Carmichael tune:

The nightingale tells his fairy tale
A paradise where roses bloom
Though I dream in vain
In my heart it will remain
My stardust melody.

This bit of open verse has no meaning to me, but something "Hoosier" is always well-received.

Now that we have taken care of the nostalgic view, let's consider the broader social aspect of Indiana's disappearance.

Indiana and the Nation

Indiana began to disappear when the Wabash and Erie canal was not completed in a timely fashion. Had Indiana built its canal, today Toledo might well be the hub of the Midwest. Without the Wabash and Erie Canal, Illinois built a canal from Lake Michigan to the Illinois River, thereby connecting the Mississippi with the Great Lakes. Fort Wayne might have become the milling point of the nation rather than Minneapolis.

Chicago, after 1852, became the great rail hub and the nation's center of transportation. Indiana was easily passed over. A short 140 miles from east to west, Indiana was "too close" to Chicago. after steam-powered trains began to move at speeds of 40 miles per hour or greater.[1]

Now I beg your indulgence as I offer some statistics.

In 1900, Indiana ranked eighth in population among the states. By 2007, it was 15th. From 3.3% of the nation's population, we declined to 2.1%. During the 20th century, the nation averaged 14% growth per decade; Indiana managed only 9%, or only 36th place in the population race.

The most obvious loss brought on by this relative decline in Indiana's population was a decrease of the numbers in our delegation to the U.S. House of Representatives. As a result of the 1900 Census, we enjoyed 13 of 386 seats (3.4%). The 2000 Census left us with 9 of 435 seats (2.1%).

While our state was shrinking relative to the nation in population, we were diminishing also as an economic force. Total personal income for Hoosiers fell from 2.4% of the U.S. in 1970 to 1.8% in

---

[1] The first steam-powered train to reach 60 miles per hour was the *Antelope* on the Boston & Maine RR in 1848.

2008. What difference does a 0.6% loss make? It meant $20 billion in foregone income for the Hoosier economy, or 11% of its actual size, in 2008.

"Now wait, isn't that loss in income due to the fact that we just didn't have the population growth of other states?" No. In 1970, Hoosier per capita personal income (PCPI) was 92.58% of the U.S. level; in 2008, it was 85.79%. Thus, adjusting for population, we had a substantial loss of $6.79 for every $100 of U.S. PCPI.

In the past ten years, we ranked 38th in the nation for growth in Gross Domestic Product. This pattern of slow growth persists in wages per job and other measures of economic performance. Indiana has not kept pace with the nation for more than 30 years.

Places that lag do not get attention, do not get investment, and rarely get sympathy or assistance. They disappear from the consciousness of political and economic leaders. When their plight is sufficiently severe, they become objects of pity and charity, subjects for TV documentaries.

Places (cities and towns) in Indiana

While Indiana's relative position in the nation was diminishing, dramatic changes were occurring also within the state. In 1900, Indiana had 44% of its population living in 378 cities and towns; by 2000, these numbers expanded to 66% of the state's population in 601 cities and towns.

During the 20th century, Indiana's cities and towns contributed 81% of the state's population growth.

At the beginning of the century, 95% of Indiana's cities and towns had fewer than 10,000 persons; they accounted for 49% people in cities and towns. By 2000, cities and towns with fewer than 10,000 persons had just 23% of the state's "urban"[2] population. Those smaller places under 10,000 accounted for just 13% of the growth. In contrast, more than 35% of that growth originated in just five cities[3]

The median size of Indiana cities and towns rose by a third during the century, from 890 to 1,180. As early as 1900, 49 of Indiana's cities and towns reached their population peaks while 154 places were at their low points for the 20th century. By 2000, 205 cities and towns were at their population peaks, but 93 were at their lows for the century.

Economies of scale and the lives of cities

As places grow, they may become smaller in relative terms. Their shares of population or income may shrink and leave them beyond the margin of consideration by advertisers, investors, politicians, and others who spread dollars around.

If you buy advertising space in newspapers, you want to know the cost per 1,000 persons reached. Let's imagine that all newspapers have the same cost/thousand. Do you place ads in all newspapers until you use up your budget? No. You place ads

---

[2] Urban is used here to mean any city or town; it is not the Census definition of 2,500 or more persons.

[3] Indianapolis, Fort Wayne, Gary, South Bend, Hammond

in as few papers as possible because every placement has an administrative cost to your agency.

If the Indianapolis Star offers access to 50,000 homes, you would prefer that paper to 10 papers that reach only 5,000 homes each. Economies of scale work against the interests of small towns. Even when marginal costs are the same, the existence of fixed costs tends to provide the bigger community with more opportunities.

Franklin and Frankfort, two of Indiana's hotdog cities, may have two stores with 10,000 customers each for twice-frozen ice cream bars. But Bloomington may have a single store with 20,000 such customers. One trip of the company truck, carrying 20,000 delights, is often more profitable than two trips of 10,000 items each. The truck and perhaps the driver are fixed costs.

The number of customers may be secondary to the number of dollars they command. A place of 10,000 persons with a per capita income of $10,000 is not as attractive to most retailers as a place of similar population size but a per capita income of $30,000.

Alternatively, for certain firms, a community of 10,000 persons with per capita income of $30,000 may not be as attractive as one with 20,000 residents at $10,000. Starbucks and Dollar General and not usually in adjacent stores.

Politicians may follow the number of voters, but commercial interests (like "non-profit" hospitals and fast food firms) often seek locales where there is "an underserved population" that has enough money to support the services and products offered.

If this pattern holds true, larger cities will offer greater diversity in goods and services. These in turn will attract larger populations, reinforcing the advantages of the larger cities. Only when congestion becomes an issue, is the larger city's growth likely to falter and give way to growth in a nearby place that has good access to the larger locale.

As economists are fond of saying:
> *Some is preferred to none.*
> *More is preferred to less,*
> *Until it is too much.*

This holds true for beer, pizza, and sex alike. It also holds true for traffic and a host of other features that make up collective living. Hermits don't have traffic problems.[4]

Small towns were an answer to transportation and distribution issues of earlier times. Small settlements provided protection from hostile forces; villagers could share limited capital equipment. However, 19th century America was the first nation in which farmers were required to settle on the land they worked. With farmers limited in how far they could travel in a day, scattered small towns were efficient. Fresh goods had to be sold within a short period of time or they would spoil. Shipments by riverboat or wagon were infrequent.

The small town could serve a small population of farm families who could travel a short distance at relatively low cost. When automobiles became available, the reach of the farm family expanded and larger places, with more offerings, were reachable.

---

[4] Nor do hermits' lives feature much beer, pizza, or sex, although I have no empirical evidence for these statements.

Refrigeration for rail cars, trucks, retail stores and homes also expanded the physical market reducing the attractiveness of small towns. Finally, and of greatest importance, was the system of rails and roads that helped establish many small towns. As years passed, each stop in a small place became an increased cost not offset by the aggregate value of the transportation service.

Small towns in Indiana and elsewhere have been sustained by federal policy. The United States Postal Service offices often defined the town. Even though many such offices were inefficient (unnecessary and obsolete), political forces retained their existence.

The federal government has been a champion of rural electrification which has served farmers and the residents of small towns alike. The same can be said of federal subsidies for rural telephone services. Environment concerns have provided many small towns with water and waste treatment facilities. Without this aid they could not have afforded such infrastructure modernization, hence prolonging their existence.

We have no way of knowing how much of our health care costs can be attributed to the wide dispersion of our population among smaller towns. Veterans and Medicaid patients utilize rural transit to reach health facilities that could not be sustained in small towns.

Historic preservation has helped many small towns to maintain their insignificant downtown areas as holy places. Although meaningful commercial activity is stretched along the roadside (see Kendallville), downtown areas and the myth of community are as sustained by federal, state, and foundation grants.

Are the social costs of maintaining small towns up for discussion in any legislative body? Or are we to hear only the sentimental voices endorsing a romanticized past?

The small town of the future

Perhaps the multitude of small towns in Indiana will turn out to be our economic development advantage. This is the fantasy of lost hope. The small town is idealized as the preserver of traditional values, the home for divergent personalities, and the guardian of individuality.

The internet and Federal Express, according to this view, will be the saviors of small towns. The internet removes the need to be near a big city. Except for a few medical or sexual services, all you could want is available through contemporary and future electronic wizardry.

Federal Express or some other cartage company will bring the material world to your door with the same alacrity as the internet brings ideas and grand concepts to you.

However, more likely, small towns will be no more than suburbs of larger towns. As Indianapolis and Anderson grow together they will swallow Pendleton. New small towns will form in unincorporated areas to avoid being part of another small town. What proud artifice will lie between Lebanon and Zionsville?

The stand-alone small town has been in decline for decades. Do such places actually exist today in Indiana? Montezuma (population 1,200) is linked to other western Indiana towns. Swayzee (pop. 1,100), the only Swayzee in the world, as their signs proclaim, is a shell for people economically dependent on

Marion or Kokomo. Ogden Dunes (pop. 1,300) is an established town with no commercial services. Winfield (pop. 2,300) is housing development that does not want to be part of Merrillville (pop. 30,600). The latter exists because it did not want to be part of Gary (pop. 102,700). And Gary exists because U.S. Steel wanted to process iron ore in a place with a good water supply and superior rail lines.

Some small towns have had the good sense to dissolve; Broad Ripple is an example. Some small cities refuse to exist. Granger (pop. 28,300) in St. Joseph County chooses to avoid the responsibilities of government. Its wealthy citizens know they can buy whatever kind of government services they want from neighbors or the county.

Supporters of small towns like Beech Grove (pop. 14,900) and Speedway (pop. 12,900) encourage us to believe that these places have distinct personalities. Perhaps a team of psychologists can make the necessary evaluation to determine if these places have any personality at all.

What does a town require to be a town? Has Shelbyville lost its right to be a city because one can no longer buy a man's suit within a block of the square? Is a post office necessary? Must there be a bank or will an ATM do? Are some medical facilities required? Can a place be a town if it does not have a school or a church or a Dairy Queen?

If these are prerequisites, then much of Indiana has already disappeared.