

MINNESOTA'S ECONOMY
SUMMARY OF REPORT TO COMMISSION ON MINNESOTA'S FUTURE

Outline of Remarks Made

by

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to

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MINNESOTA ECONOMY

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As citizens of this state we are obviously concerned about our life, our future, our children's future and all that goes on around us. This conference, I think, is testimony to that fact. I'd like to summarize some of the information that has been presented to us in The Commission on Minnesota's Future about the state in which we live, the people, what they do, how they earn their livings, how well off they are and how well off they are likely to be. I'd like to look at this in three steps: (1) the kinds of forces that are at work in the world that shape our future, our present and our past for us; (2) how we have been shaped as a state by those forces; (3) a brief look at what we might be like in the future and some of the implications of that.

It doesn't take an expert to say that as one of 50 states in this country and as one part of a much larger world, a large part of what we are is determined outside of our own ability to influence it. We are, first and foremost, a group within a nation within a

* This is an edited, condensed version of Bruce MacLaury's presentation. Audio recordings of original Conference on Rural America presentations are available through the Minnesota Humanities Commission, Metro Square 258, St. Paul, Minnesota 55101.

world and cannot isolate ourselves from that broader context. In that sense, it's not surprising that the broad patterns of economic development in the state of Minnesota follow the patterns of the U.S.

If there is one characteristic that I would cite about economic growth and development in the state and the country, it is the element of change. We see changes in production techniques, nowhere more dramatically than in agriculture itself. We see changes in the methods of organization, in the ways we get jobs done. We see new products that simply didn't exist a few years ago.

Looking at Minnesota, we also have to recognize that the ways in which the federal government influences us have been changing — in the forms of its regulations, its transfer payments, and the inducements provided to local communities to fit into the national picture. Our state of Minnesota either prospers or falls behind to the extent that we can benefit from, adapt to, or even profit from the kinds of changes that are going on around us. The ability to adapt not only to the technological changes that have occurred in the agricultural sector but also to the population shifts that have grown out of those technological changes — this indicates an ability on the part of people in this state to see both opportunities and adversity, and to adapt to them.

John Borchert from the University of Minnesota has spelled out to our Commission on Minnesota's Future the idea of entrepreneurship in the corporate sector in this state. He called to our attention that of the Fortune 500 largest industrial firms in the U.S. in 1974, something like 13 of those 500 were based in Minnesota and 12 of those 13 had been started by Minnesotans. That proportion is greater than one would expect, looking at the fact that we have 2% of the population and not that great a degree of wealth. Of the new manufacturing jobs that were developed in out-state Minnesota between 1947 and 1972, some 70% are attributable to firms started by Minnesotans. We have seen opportunities and we have taken them. We have, in fact, adapted to change. But I don't think all of that means we are captains of our own fate entirely.

Within the framework of national and international forces in which we operate, one can cite three characteristics that help determine the shape of how we make our living in the state of Minnesota: (1) the natural resources of the state — the farm lands, the timberland and the raw materials, the minerals that exist within the state; (2) since we still operate in a profit-oriented economy, we can't ignore the pull of markets where we can sell what we produce and, likewise, where we can get the labor and the other inputs we need to make a product; (3) we can't overlook the impact of federal, state and local governments upon our economic geography in this state.

I emphasize that of these forces — the natural resources, markets and labor, government — the only one we really have control over is what we can do at the state and local government level. One of the obvious things in that context is the transportation system and particularly the road system within the state of Minnesota. Another institution that makes a real difference in the way the state develops is the state college system, the universities and private colleges as well.

What have those forces produced? Let's look briefly at some of our characteristics in Minnesota as people, how we make our income and what we make in the way of income. It's obvious that we have been a growing population. Back in 1940 there were less than three million people in the state and today we are very nearly four million people. We have been growing within the state at a slightly slower rate than the nation as a whole, largely because there has been out-migration from this state to other parts of the country. My own impression is that, given what we know about birth rates, we are probably going to be growing in terms of people at a slower rate over the next few years than we have over the last 30 years.

What about our population structure? Despite the radical movement from the rural areas into the urban areas, we in Minnesota are still less urbanized than the nation as a whole. That's not strange as one looks around at the nature of our landscape. In 1970, the last census, something like 57% of the people in this state lived in counties which are

described by the census as urbanized. That compared with something like 70% for the nation as a whole.

What about the age of the population? This is important in the context of jobs, markets, etc. Over the last 30 years, the median age of the population in this state has been dropping. That is in the process of reversing itself. We are going to see, with the decline in the birth rate, the movement of younger people into the labor force and fewer young people proportionately coming on. So the median age in the state and country is going to be rising.

What does that mean as far as the economy is concerned? We'll be making fewer baby bottles and producing more geriatric pills, to take the extreme. It means a very substantial shift in housing. As the baby boom of the late 1950's is now moving into the labor force and into the family formation years, the need for a place to live is going to be at a peak over the next few years. We face that against the fact that housing is increasingly expensive in relation to incomes. In the past, with the baby boom of the late 1950's, we had a very large proportion of our population in so-called dependence. They were dependent upon those of us who were working to provide for them. They will now be moving into the work force and will be able to support more easily (more easily is the key) those who are coming after them to be educated. The proportion of those in the work force will increase and those dependent (not making incomes) are going to be proportionately less. This has a great deal to do also with public services and their costs.

Just as dramatic as the change in population patterns in the rural areas, based upon agricultural technology, has been the shift in the composition of the work force in this state and the U.S. as a whole. I'm referring to the fact that more women are working. Go back to 1940 and you find that only 20% of adult women were working. If you look at 1970, you find that proportion has doubled: 40% of the women 25 years of age and older are in the work force. If you take the decade 1960-1970 in Minnesota, you find that of

new entrants into the labor force, 180,000 were women and 76,000 were men. That has tremendous implications for the state and nation.

Finally, let's look at education. I was surprised at the changes that have taken place in one generation. In 1950, half of the people in this state had only an eighth grade education or less. By 1970, only 30% had no more than an eighth grade education. At the other end of the spectrum, the proportion of people in this state with college degrees, meaning four years of college education or more, had doubled from something like 5% of the total population to 11% of the population. This has vast implications for the kinds of jobs that we can expect to have in this state and, perhaps more important, for our ability to adapt to the changing environment around us.

Dealing with occupational structure, the proportion of the work force in the state involved directly in agriculture dropped from something like 17% back in 1958 to 7% in 1974. The fast-growing sectors in that same period of time were retail trade, wholesale trade, service sectors and government, state and local government in particular. It was partly the baby boom, again, that influenced educational requirements and caused those involved with state and local government to increase in numbers.

Over the past 15 years or so manufacturing jobs in Minnesota have expanded, particularly in the out-state regions. For the U.S. as a whole, in contrast, there has not been a net growth in manufacturing jobs. We are in a so-called post-industrial society; we have moved through the industrial revolution. We are now in an era where we are not working in factories as much as we are in banks, in professions and otherwise providing services to those who already have the physical comforts they need. There are obviously great variations in occupations across the state. The geography of the state partly determines that — with agriculture strong in the west and the south, mining in the northeast, and services in the metropolitan areas.

What about income? Are we well off or are we not? As we can measure it, Minnesota has been below the national average in per capita income until just the last

couple of years. We in this state earned about 90% of the national average. We were behind but we have been — even before the agricultural income gains of 1974–75 — catching up. Within Minnesota there are very substantial differences in income, determined primarily by the proportion of people in agriculture and the proportion of people in either manufacturing or in service industries. Ten years or even five years ago, incomes outside metropolitan counties were about $\frac{3}{4}$ of the average for the state, and incomes in the metropolitan area were about $1\frac{1}{4}$ times the average for the state — a very substantial discrepancy.

What's happened? In the last few years, 1974 in particular, there was a very dramatic increase in agriculture incomes. Largely under the impetus of these higher agricultural incomes, Minnesota did catch up with the national average. In 1974, not only were citizens in this state making as much on the average as people elsewhere in the U.S., but that discrepancy between out-state and the metropolitan counties also leveled out.

A big question is whether or not this is a lasting phenomenon. Can we expect farm incomes to hold anywhere close to the high levels of 1974–75? The cost of inputs has continued to go up and the prices of '74 are no longer with us. I have some feelings that we are vulnerable. Land values have risen dramatically. In fact, we have already capitalized into land values a large part of those incomes that were with us a couple of years ago. How sustainable are they?

Phil Raup from the University of Minnesota has pointed out to The Commission on Minnesota's Future a couple of changes that concern him: (1) A major shift in the nature of agriculture within this state over the last five years has been the expansion in terms of millions of acres, as you know, of harvested crops at the expense of livestock. (2) A very substantial shift in the nature of the crops; three crops that are particularly sensitive to international markets — wheat, soybeans and sugar beets — jumped from something like 10% of cash receipts in this state in 1968 to something like 25% of cash

receipts in 1974. The question is: have we built ourselves a vulnerability to fluctuations in world prices as a result of the shifts that have been made in response to world prices — shifts that can let us down maybe as bumpily as the rise was pleasant?

On this question of income, consider one last point. The 1970 census indicated that one out of ten people in Minnesota lived below the poverty level as it was then defined by the Social Security Administration. Of the approximately 400,000 people that represented back in 1970, only one in 12, about 8% of those people below the poverty line were reported as drawing public assistance from the state. That tells me we are still, even if in poverty, a very self-reliant and proud people. Over the last 20 years or so there has been an improvement in the distribution of income. There is now a higher proportion of the population in the state in what can be described as the middle income area. That was true in 1970. It doesn't take into account any of the changes that may have resulted from the rise in agricultural income since 1970.

What are the best kinds of guesses — and I emphasize the word "guess" — about changes we are likely to see over the next 25 years? That's something that all of us want to know. Although those of us on The Commission on Minnesota's Future have been increasingly frustrated in our efforts to get a clear crystal ball, let me share with you some of the ideas that were put before us which make sense to me. The best guesses about life in Minnesota over the next quarter century are: that population growth will not be as rapid in the future as it has been in the past; that we will have a larger labor force, not so much because of population growth but because a higher proportion of the total population is moving (by age group) into the labor force and because a still higher proportion of women will move into the labor force.

The employment structure will have a number of shifts in it. In agriculture and mining, the best guess is that the number of people employed there will be stable. We can guess the following: that there will be some further increase in those employed in manufacturing, particularly in out-state regions; that there will be an increase in state

and local government services; that incomes in the state will continue to grow at about the same rate as for the nation as a whole; that the rural economy will continue to diversify and there will be more of a diversification of industry out to the larger towns in rural areas; that urbanization of larger towns will continue. The center cities, whether we're talking about the Twin Cities, Fargo-Moorhead, or a number of others out-state, have not been gaining in population; they have been losing. There has been a spreading of population around those urban areas, and I think that's what we would expect to see continue. I personally question whether we are going to see state and local government continue to grow as it has grown over the last ten years.

Again, these are guesses. Let me read you a quotation about similar projections in the past: "A presidential commission appointed by Herbert Hoover in 1929 later reported to Franklin Roosevelt on how to plot the course through 1952. The report had 13 volumes prepared by 500 researchers. The summary required 1,600 pages and yet there was not one word in it about atomic energy, jet propulsion, antibiotics, transistors or other significant developments. Similarly, Herman Kahn in his major work about the year 2,000 really never mentioned pollution or the environment and there was no real emphasis on the energy shortage." That's a cautionary tale to remember whenever anyone tries to look ahead at what the future holds. Even those guesses make no allowance for wars, famines, technological breakthroughs; they do not make allowance for any resurgence of the birth rate, were that to occur; and they do not contemplate either a new energy crisis or the resolution of the energy crisis.

Barring calamities that we can't see, I think that the future of this state is bright. It's bright primarily because of the people who live in it and the resources that God gave us to work with. It's frustrating to me, and perhaps to you, to feel that we can't set out for ourselves some challenge, some major new way to improve the way we live and the environment in which we live. I came as an outsider from New York into this state and now, having lived here five years and having turned down "opportunities" to go back to

New York, I think I can tell you that we — you — are very fortunate people. If we can continue to build on the kind of heritage that we have, I think Minnesota is in a good way to being as strong and resilient in the future as I think it has been in the past.