MINNESOTA'S AGRICULTURAL AND INDUSTRIAL RESOURCES
THEIR ADVANTAGES AND DISADVANTAGES

After accepting the Governor's invitation to address you on the topic, "Minnesota's Agricultural and Industrial Resources - Their Advantages and Disadvantages", I must say that I had cause for a lot of second thoughts about what I had let myself in for. The subject is quite a formidable one. I hardly need tell you, as leaders and professional workers in the agricultural community, that were we to single out the agricultural resource alone, and then to narrow our attention down to a single county, or better yet, a township, our search for the advantages and disadvantages of the agricultural resource would be no less formidable.

In truth, each operator of an agricultural enterprise, and in a sense each county agent, each leader of a farm organization, is engaged in a season-by-season quest for these sometimes elusive advantages, seeking to avert loss from the oftentimes unpredictable disadvantages. Most of you have spent the greater part of your lives in agriculture, working close to the local level with the operator who makes the decisions. I suspect that most would admit that there are probably still a few things about the advantages and disadvantages of agriculture in your own area that you're not quite so sure about. Well then what, I asked myself, could I tell a group obviously more experienced in agriculture and closer to the day-to-day workings of the industry than I, about the advantages and disadvantages of the agricultural resource of our state?

To answer "Nothing" to that question would have, of course, greatly shortened this speech. Fortunately, I believe we can make a profitable division...
of labor. For this purpose allow me to distinguish between specific advantages or disadvantages and general advantages or disadvantages. Specific advantages are the kind such that I should change places with you and sit as the audience while you inform me. I propose to speak to you about general advantages and disadvantages.

Let me show you what I mean by general advantages and disadvantages. This will result in a somewhat different approach to this topic of resources, and I hope it will be one that will be interesting and useful to you, and at the same time one that will impart some measure of perspective to the problem of Minnesota's resources and their use. First, let's clarify a few fundamental points.

When we look at the topic, "Minnesota's Agricultural and Industrial Resources", what do we mean? What is a "resource?" By the usual construction a resource is a natural endowment more or less fixed in its initial occurrence to a particular locality. Examples are: productive agricultural land (which might be spelled out more exactly as combinations of soils, climate, topography, and so on), forests, mineral deposits, and location. Yes, I said as the last one, location, and while it is one that does not usually appear in the listings of natural resources, it is one and an important one. Location with respect to raw materials, to markets, to labor supply, to specialized services - this in a sense is the "resource" being exploited by Minnesota's successful manufacturing plants and its great commercial establishments.

Then too, we usually consider resources to include another category, human resources. The human resource differs from the others we've listed in that it possesses a certain element of mobility. Of course, I must add that this is sometime a "perverse" mobility from the policy maker's standpoint; that is, the people who ought to be mobile often resist movement, while the sort of person we might most like to retain often moves out all too freely. But the problems of
human resources are special problems and they deserve the kind of separate attention that will be given to them later in this program. For our purposes we simply want to observe that when we talk about resources and the matter of allocation of resources, the sort of picture that usually comes to mind is one of the items from the list of natural endowments we have just constructed. Now let's turn to a slightly different way of viewing these things.

As a starting point let me indulge in a little elementary economic theory for a moment. A "resource" as we would use the term here, is any input to a productive process. The productive process yields an output which is either a final good to be consumed by consumers or a good which indirectly contributes to such final consumption. Here I don't distinguish "capital goods" from "consumption goods", since all of these are used up in the ultimate process, only at different rates. We might consider, for example, a house as a consumer capital good and food as a consumer consumption good. From our standpoint, both are used up - food rapidly, a house slowly - to yield the ultimate end product of the economic process: "service", in its broadest sense, to the individual, whether this takes the form of supplies of biological needs, material wealth, or a higher order of services (such as education) for man's spiritual enrichment.

There are two important points to be drawn from this. The first is to recognize the ultimate end goal or objective of the economic process - a process in which Minnesota's resources play a part, but only one part among many - and that is to promote the well being of all individuals served by our economy. I shall return to this point of goals later, so for now I will make no further reference to it. The second point is that the end results of the economic process - that is, services arising from the outputs of our economy - are always the result of a complex interweaving of several kinds of resources from the list we discussed earlier.
Thus we might consider our natural resources as the things we have from nature, things whose preliminary exploitation must be done on the site. To these we apply other resources; let's take the two textbook categories: capital and labor. The problem of allocation of resources from our national economy's standpoint is one of allocating capital and labor to the resources given by nature, or their intermediate products, say to Minnesota agricultural land or to Minnesota location. Furthermore, the outputs of this process go into our state, yes, but also into all corners of our nation, and indeed throughout the world.

The whole point of this is then that when we talk about Minnesota's agricultural and industrial resources we are in fact talking about a resource complex, or a resource combination, which involves, in part, Minnesota's resources and, in part, the resources of the rest of the nation and of the world. Minnesota's resources are inextricably interwoven with the world outside of Minnesota, and some of their principal advantages and disadvantages stem from this relationship.

Let me emphasize this feature. The State of Minnesota has certain, given, natural resources peculiar to it geographically.

Capital (financial and material) flows in and out to be applied to these natural resources. Through the well organized capital markets, we have at hand the world's capital.

Labor is to a lesser degree mobile. Nonetheless we draw on national, and to some extent world, supplies of particular specialties (e.g., University presidents and football players, technicians and corporation management). We also give of our locally grown labor and human resources to the outside.

Our products and services flow out into national and international markets and even compete in our own state with products from other parts of the nation and the world. We affect them through prices and returns in the market and they affect us.
Minnesota's agricultural and industrial resources are then in the broadest sense the world's resources. We draw on them, we yield to them, we are inseparably interwoven with them.

Well if this is true, in the broad sense, then what can we say about the advantages and disadvantages of what we have called in the title of this talk "Minnesota's resources", and what can we say about the problems and adjustments that we know we face locally in every single one of the industries based upon the state's major natural endowments - mines, forest, croplands, and location. Let's look at that for a moment.

I have no doubt that the greatest advantage that Minnesota's resources possess stems from the interrelationship we have described: the fact that we have an inseparable tie to the dynamics of the American national economy, that we have access to the inventiveness, the technological thrust, the financial resources, the human skills of the nation to which we belong. It is to this relationship - not to the physical endowments that nature has left within the borders of Minnesota - that we owe the buoyancy in our historical rise in standard of living and upon which we may most firmly depend for optimism about our future. These are the general advantages that I have chosen to discuss in contrast to the specific advantages you could better tell me about.

But also from this interdependence come many of our problems - you might say, the general "disadvantages" of Minnesota's resources. All of the natural endowments, whether they be depletable or renewable, are subject to the sometimes severe adjustments that come from the sweep of technology, the dynamic movement of world and national economic change. I think the key word here is adjustment. Adjustments that are in a sense imposed upon our state from outside - by virtue of our full and complete interdependence - adjustments that we mark well from the past and adjustments that we, even with our dim human foresight, can count on to be powerful and omnipresent in the future.
There are two ways one can approach the matter of adjustments. One can fight them, or one can facilitate them. Perhaps if adjustments were painless and were, additionally, recognized as inevitable, they would be made automatically. Adaptability and adjustability lend advantage to all resources.

We must recognize that our resources, no matter how they may be affected by the forces that well beyond our state, would find great advantage in adaptability - ability to adjust to changed and changing circumstances. However, sometimes this poses difficult problems for the state and for its communities. For we must consider immediate and local needs, we must be sensitive to the plight of our neighbors. These are social policy problems which I do not propose to treat for they can be much better handled by others.

Our greatest regional problems from the standpoint of resource policy result from our inability to recognize what adjustments are required of us, or our inability to agree on the inevitability of the required adjustment.

Therefore, from the standpoint of our industries and our natural resources, we can see the importance of better understanding the nature of impending adjustments and the extent of economic pressures upon our own resources for future adjustment. And this is where the importance of knowledge about specific advantages and disadvantages comes in. Here is where the study of our local resources, their physical and economic characteristics, has a significant contribution to make.

The Upper Midwest Economic Study, sponsored by the Upper Midwest Research and Development Council and the University of Minnesota, should for this reason be watched with great interest. Already in the early stages of the agricultural phase of the study, for example, some estimates have been developed of the potential further pressure for farm consolidation in our area. It would appear now that this perplexing movement toward reduction of farm numbers has only begun to gather steam. The net implication, of course, is that continued
challenge to our powers to adjust and adapt will be forthcoming in future years. All the experience and knowledge of you, as leaders in agriculture, all the effort of the scholars and the ingenuity of the policy advisers to such groups as the Upper Midwest Economic Study will be needed if we are to make an adequate approach to this matter of adjustment.

Adjustment is really the principal theme in all of our region's major resources, not alone in agriculture. Iron mining, for example, is undergoing a most profound and far-reaching adjustment, which is only in part a result of the changing grade of available ores here. Part of the adjustment is thrust upon our region by technological revolution currently going on in iron and steel making arts. Our cutover forests have long been in transition, and location adjustments have been imposed upon such local industries as flour milling, clothing manufacture, and merchandise distribution, sometimes to our "advantage" and sometimes to our "disadvantage".

These adjustments (and I am sure you could cite other examples) are to a large extent played upon the specific elements in our regional picture. They reflect specific advantages and disadvantages of our state's natural resources. Earlier I commented that it is important to examine general attributes as well, to analyze our local resources within the larger world in which they are imbedded, as resource complexes, where our resources are combined with and supplemented by other forms of resources from without our district. Therefore, to return to my earlier theme, I would like to stress that the most important advantage that each of Minnesota's natural resources possesses is that it is associated with a strong and growing national economy. This is the groundswell, this provides the essential over-riding momentum for economic betterment of the citizens within our state.
In terms of the distinction we started out with, that is, in terms of specific versus general advantages, the conclusion I am suggesting is this: the specific factors of adjustment are real and important, but the general factors are the more powerful. These are the factors that affect all regions. These are the factors that operate on the national level. Let me illustrate this with one example. It was not many decades ago that the Lake states were blanketed with vast stands of magnificent forests, much of it in prime lumber species. The wholesale cutting and burning of these stands, including several million acres in Minnesota, certainly wrought a change in the character of the land and the natural resource base. It was poorer in a real sense. Much of the land originally in softwood species came back in brush and "popple" or aspen, the latter being considered little more than a weed to the timber industry of the day. Certainly this was a severe and specific adjustment, and our state's resource was left with a specific disadvantage relative to, say, the later flourishing timber lands of the west coast. But today, aspen is our principal forest crop, creating significant returns and substantial job opportunities within the state each year. What has brought about this change? Principally the general features of national growth coupled with the advance of available technology. National growth gave rise to tremendous demands for pulp products in the form of paper of all types, building board and so on, demands that couldn't be satisfied using only the remaining high-grade raw materials. Technology gradually unlocked a whole new warehouse of raw materials in the form of aspen and other hardwoods. Now our second growth forests, though a mere pale image of their antecedents, support a major industry.

Other examples come to mind. And this is what I mean by saying that general advantages, usually arising at the national level, often outweigh specific disadvantages that may appear to exist for resources within an area. Hence, I am
convinced that, above all else, the most significant harbinger of future profitable use of Minnesota's specific resources is the prospect of continued national economic growth. It is to this problem that I turn for my concluding remarks.

Because of the tie-in just discussed, anyone affected by local resources has more than a passing interest in the attainment of a maximum rate of economic growth as a national goal. And indeed we may speak of certain opportunities we have on a local level to participate in promotion of such national goals, or perhaps even certain obligations on our part toward fostering fullest national growth.

About a year ago, the Report of the President's Commission on National Goals was completed and published. This study, by a group of distinguished citizens, came up with a list of eleven "goals at home" - domestic goals. The first five of these dealt largely with enhancing the individual and individual expression through such basic things as political liberty, equality of opportunity, occupational preparedness, and cultural expression. While only one goal named economic growth specifically, at least three other goals were essentially counterparts of economic growth more broadly construed: including (a) promoting an efficient economic system compatible with democracy, (b) promoting and facilitating technological change, and (c) promoting the adjustment of agriculture to a more equitable and sustainable relationship with the rest of the economy.

The most important contribution Minnesota's resources can make to national goals, is that of making as rapid and smooth an adjustment as possible, guided in the direction of economic efficiency, as the interplay between our local specific resource factors and the general national economic needs takes form. Thus the care, study, and attention of Minnesotan's, of leaders such as yourselves, on the matter of needed adjustments as well as the development of
practical methods for facilitating any transitions that are required, will help to assure that Minnesota's resources contribute their full potential to our goal of national economic growth.

To achieve maximum growth, there is, in addition, much to be done on the national level. The Federal government must maintain a proper environment for growth through the maintenance of sound monetary and fiscal policies (for example, the avoidance of inflation dangers) and the selection of wise policies in any legislation affecting the operation of our economic system. Even here, local leadership through its influence and bearing on national policies, has a role to play in helping to guide Federal action toward these national goals.

I am convinced that any contribution Minnesota can make by better capitalizing on specific resource advantages and by speeding adjustments to specific resource disadvantages, will return to the state's net gain. National growth and expanding national efficiency spawn the sort of general advantages that have historically buoyed and bettered the lot of residents of the state of Minnesota - and all other states.