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It is a pleasure to be here at this session of the Fourth Annual Junior College-Community College Institute sponsored by Moorhead State College. I note with interest that the theme of this conference is "Institutional Self-Appraisal". In a sense this also is the theme of my talk tonight, but I use the words with different meanings than you do.

Whereas "institution" as you use it means college, or more particularly a community or junior college, I shall use it as meaning the political economy of Minnesota. "Self-appraisal" means much the same thing to you and to me but obviously I apply it to the state rather than to a collegiate institution. I appraise, however, the political economy of the state as a Minnesotan and as one who is greatly interested in education of Minnesotans. In this appraisal I shall try to be as objective as possible, as you people are supposed to be in your self-appraisals of your institutions.

I begin with an overview of the Minnesota economy during the post-World War II period. Most of the information I give you is drawn from a massive study of the economy of the Upper Midwest which has been carried on under the sponsorship of the Upper Midwest Research and Development Council and the University of Minnesota, financed in large part by grants from the Ford Foundation and funds provided by business in this region. The study has been directed by James Henderson of the University of Minnesota, but the work has been done by a number of economists in various colleges and universities in this region, as well as by those on the regular research staff. I have the honor to be a member of the Upper Midwest Council and the Chairman of its Research Committee which has overseen the study.

As most of you know, this state has undergone profound changes in its economy since World War II ended. Originally, as is true of most areas, the Minnesota economy was based on exploitation of its natural resources, particularly agriculture, mining and forests. As late as 1947 the employment pattern in the state showed more than a third of the workers in agriculture, about one-sixth each in manufacturing and trade, and one-third in all other lines. This pattern was in marked contrast to that of the nation as a whole where farm employment was just one-fifth of the total, manufacturing more than a quarter, trade about one-sixth, and the balance, about one-fourth, in all other lines.

In the years since World War II manufacturing employment has risen significantly more in Minnesota than in the United States and now is close to one-fifth of total employment. It is still, however, a smaller proportion of total employment than in the United States. Farm employment has declined in both state and nation and now is just over one-fifth of the total here and only one-tenth in the nation. Employment in trade and all other lines has grown by about the same relative amount in both state and nation.

It is quite significant to note that the annual growth rate in manufacturing employment from 1947 through 1962 in Minnesota was 1.1 per cent and in the United States just 0.5 per cent. The drop in farm employment per year in the state was 2.7 per cent, about the same as for the United States. But here is a very important point. Since the employment base in manufacturing is relatively much smaller in the state than in the nation, the bigger percentage gains per year in Minnesota represent more of a catch-up to national average than a surpassing of it. And, since the farm employment base in the state is relatively much larger than in the nation, the same rate of decline in farm employment represents a relatively much larger drop in employment here than in the United States. The net of these is that total employment has expanded less rapidly per annum in Minnesota than in the United States in the postwar years - 0.5 per cent per year as against 1.0 per cent per year. And this highlights one of the great economic transition problems of this state.

The problem, of course, is the provision of jobs in the nonagricultural sectors of the economy for not only a rising population but for those displaced by a highly productive agriculture. Minnesota, despite its high growth rate in manufacturing employment, simply has not done this. And this has led to two results, neither of which has been particularly favorable for Minnesota. Its annual rate of gain in personal income has lagged the national rate in the postwar years - not by much but by some. And a good many of its people have left the state to seek employment elsewhere.

This phenomenon is common to most regions undergoing transition from a heavily agricultural economy to a more industrial one, but it is particularly marked for this Upper Midwest region. We have fairly high birth rates here and a healthy population, so natural increase is quite favorable relative to the nation. But because of insufficient job opportunities outmigration rates are quite high. A study of migration indicates that much of the outmigrants represent young and vigorous people it would be desirable to keep. Let me give you just two figures to underline this point.

In this whole Upper Midwest region (Minnesota, the Dakotas, Montana and Upper Wisconsin and Michigan) 47 per cent of the people who were between 10 and 14 years old in 1950 had left the region by 1960. Almost a third of those who were between 15 and 19 years old in 1950 were gone by 1960. In other words, we lost a very large number of people in that ten years who now would be between 20 and 29 years old - the very backbone of the labor force.

What this means, of course, is that despite high natural rates of population increase, growth in net population, in labor force and in employment in Minnesota increased significantly less in the 1950's than they did in the United States. This is no way to grow in economic terms. And a good many of the outmigrants were educated here at our expense so that their leaving really represents a capital investment, the return on which accrues to other areas.

It represents something else also. The migration of these younger people leaves us with a higher proportion of very young and very old than is true of the nation as a whole. Thus we have relatively fewer highly productive people to produce income and relatively more unproductive people who have to be supported. In this region in 1960, 51 per cent of the population was under 20 or over 65 years old. The national percentage was 46.5.

Let us take one more look at the employment pattern from a different vantage point, one which highlights skills and education. If the employed workers are classed in terms of function and the functions are related to education and to income, we see the following pattern for the United States.

	% of total 1960	Number of Years of Educ. 1962	Income 1959
Professional and technical	11.8	16.2	$6,978
Managers, Officials, Proprietors	8.8	12.5	6,855
Clerical	15.1	12.5	5,216
Sales	7.5	12.5	5,747
Craftsmen and Foremen	14.2	11.2	5,444
Operatives	19.4	10.1	4,645
Service Workers	11.7	10.2	3,799
Laborers, nonfarm	5.1	8.9	3,504
Farm workers	6.5	8.7	2,213

The Minnesota distribution by function in 1960 differed from the United States pattern mainly in that the proportion of craftsmen, foremen and operatives was much lower and the proportion of farm workers much higher, as would be expected from our industrial-agricultural make-up. But the significant point is that the projected pattern for the United States for 1975, according to the Manpower Report shows a rise in the proportion of highly trained or skilled occupations and a decline in the less trained or less skilled.

So much for the economic profile of Minnesota today and the changes in it during the recent past. Let me turn now to the educational profile of this region. According to the 1960 census the urban population of the Upper Midwest ranked high in educational attainments (years of school completed). Among the regions of the United States it ranked first in percentage of those completing elementary education and was second only to the Far West in percentage of those completing high school and college. The region's rural population, however, showed almost the reverse of this with most of the nation's regions showing higher percentages of high school and college completions than did the Upper Midwest. In general, only the rural population of the South showed smaller percentages.

But that picture is for the total population of the region. The proportion of Upper Midwest people between 16 and 24 years old who were enrolled in school in 1960 was significantly higher than that for the United States, and college enrollment in this region increased 39 per cent from 1950 to 1960 in contrast to 36 per cent for the nation. That higher figure for this area is doubly striking when it is recalled that population growth rates here were just half the national growth rate.

We are evidently preparing well for tomorrow's needs in terms of educational and skill requirements. And this should help the region to grow. The Upper Midwest Economic Study to which I have referred expects higher growth rates in the next 15 years than in the previous decade in both labor force and employment. But the expected rates still are not as high as those projected for the nation as a whole and there is still expectation of outmigration.

We come now face to face with some very difficult problems. The Upper Midwest studies have produced what we call neutral projections for 1975. These projections are "neutral" in the sense that they assume that the United States will grow in the coming years and that the various economic activities in this region will grow at national rates. Differences in total growth rates between region and nation then will reflect the different mix of economic activity that now prevails. No allowance is made for regional actions that could lead to greater or lesser growth. The projections thus do not purport to represent what will be but what could be if nothing were done to promote faster regional growth. They might be viewed as "take-off" projections - our job is really to prove them wrong.

These neutral projections therefore allow for continued outmigration although at somewhat slower rates than prevailed between 1950 and 1960. But even so, they show very marked increases in school age population and in college level enrollment between 1960 and 1975. Remember that the latter date is now only a decade away.

For Minnesota, the number of college age population, those between 18 and 24, in 1960 was 285,000. That number becomes 355,000 in 1965, 425,000 in 1970, and 491,000 in 1975. That is 206,000 more in 1975 than there was in 1960. Actual enrollment in college is expected to rise from 66,000 in 1960 to 156,000 in 1975, or a gain of 90,000. This projection allows for both population increase and a rising proportion of college attendance. Putting the two factors together we get a 5.8 per cent per year gain in the 15-year period.

Obviously, if these numbers are even close to being correct, we face a formidable educational job ahead. And that job simply has to be done, partly because the people will demand it, partly because the economy will require it. But the educational job is only part of the problem. If we want to realize on the investment, we shall have to find employment here for those we educate or we will continue to face a deficit on what we might call unrequited capital export.

Now let me give you one final shock, also distilled from the Upper Midwest Economic Study. Data for state and local expenditure and revenue for 1960 were used as a base and projections made for 1975. These projections also are "neutral" projections and were derived as follows: Nationwide projections of the National Planning Association were taken as a base for expenditure projections. Their per capita rates of change for education, highway and other expenditures were applied to 1960 levels for Minnesota (and other Upper Midwest states). Total expenditures were obtained by multiplying the per capita projections by the "neutral" population projections mentioned previously. Tax revenue projections represent 1975 revenues obtainable from 1960 taxes applied to "neutral" projections of income. They assume no new taxes and no rate changes. Federal grants were assumed to double in size. Other revenues were assumed to equal their projected expenditures.

The projections indicate that state and local expenditures in Minnesota will grow from $1.3 billion in 1960 to $2.9 billion in 1975, a rise of $1.6 billion. $500 million of this increase is for education. Revenues are projected to increase from $1.2 billion to $2.4 billion, a rise of $1.2 billion. The deficit in 1975 on state and local account thus is projected at $450 million.

Now obviously this number is not a real number. First, the projection technique may be inadequate although it is the best we can do now. And the rates of increase shown for both expenditure and revenue are smaller than we have experienced in the recent past, about half those experienced between 1957 and 1960. More importantly, however, a deficit of the size projected simply will not be allowed to occur. There will be changes in taxes and tax rates. It should be noted, of course, that a deficit does not have to be covered in that particular year by increased taxes. A large part of the deficit will represent capital expenditure and will be covered by borrowing. Even so, the figure is staggering.

Finally, it should be noted that faster economic growth will not solve this financial problem. For faster growth will retain more people and add about as much to expenditure as to revenue, perhaps more. The reason for this is fairly easy to see. The tax structure of the local community is geared strongly to the property tax which does not rise anything like proportionate to income rise. The state tax structure is better linked to income growth but is still not sufficiently linked to capitalize on it fully.

But the Federal tax structure is linked closely to economic growth and the projected growth of the national economy should produce rising Federal revenues. This could, and in my opinion should, lead to two developments. One - it should be possible to further reduce Federal taxes and thus leave more room for new state and local taxes. Two - new methods of channelling Federal surpluses to state and local governments should be found, methods which would involve minimum transfer costs and minimum Federal controls.

It is an interesting coincidence that the projected increase in education expenditures is just a bit larger than the projected deficit. One way to reduce the deficit on this account could well be more Federal funds for school construction since this will be a heavy expenditure item. Another would be more direct Federal aid to education. I suspect that many of us may have to reappraise our positions on this subject. And, I suspect also that many of us may have to reappraise our positions concerning certain kinds of state and local taxes.