

GROWTH AND DEVELOPMENT IN MINNESOTA

WHERE DO WE GO FROM HERE?

Remarks by

BRUCE K. MacLAURY
President
Federal Reserve Bank of Minneapolis

at the

Seminar on Minnesota's Future

KTCA-TV Studios

St. Paul, Minnesota

February 10, 1973

GROWTH AND DEVELOPMENT IN MINNESOTA -- WHERE DO WE GO FROM HERE?

In his book Design with Nature, Ian McHarg describes the jarring juxtaposition of vast riches, a delightful heritage, and the sad hodge-podge of unplanned commercialism that is the dilemma of modern America. "There are still great realms of empty ocean," he writes, "deserts reaching to the curvature of the earth, silent, ancient forests and rocky coasts, glaciers and volcanoes, but what will we do with them? There are rich contented farms, and idyllic villages, strong barns and white-steepled churches, tree-lined streets and covered bridges, but these are residues of another time." There is also "the hamburger stand, gas station, diner, the ubiquitous billboards, sagging wires, the parking lot, car cemetery, and that most complete conjunction of land rapacity and human disillusion, the subdivision." And so the cry today is plan! Map out the future! Control growth! But what kind of growth do we want? Where do we go from here?

To map out the future, we must first know where we are, and from whence we came. There is no consensus today as to what exactly should be called "growth", but by most traditional measures Minnesota has grown, and grown pretty well.

For example:

. . . population grew by 11½% between 1960 and 1970, an increase of some 400 thousand people.

. . . median family income also rose by more than 75%, a rate faster than the national average.

. . . employment, despite a marked decline in agriculture, rose by some 20%, substantially faster than the population increase, and unemployment during the 60's was consistently below the national average.

. . . and I can't resist mentioning the latest Fortune magazine that cites both the IDS Tower and our own Federal Reserve Bank as examples of a renaissance in creative architecture, another evidence of "growth".

Now it's obvious that these changes and others have occurred without benefit of any master plan for the state as a whole. Indeed there has been little comprehensive planning at any level of government. To say this is hardly an indictment of Minnesota, for in many ways we are ahead of our neighbors in planning efforts. I need mention only the State Planning Agency, the Metropolitan Council, or the Environmental Quality Council as examples of attempts to come to grips with various needs for planning. But the fact remains that the distinguishing characteristic of most planning efforts to date is their fragmented approach: they deal with particular problems or recommend specific solutions. It seems to me that we are now forced to recognize the intricate interrelationships between these various problems. We are being forced to look for an overall and integrated approach to our policies for growth.

Having said this, I'd be the first to admit that even without such comprehensive guides, Minnesota finds itself in good shape. Even outside observers put us right at the top in terms of "quality of life." So if we can do this well with "no hands," why try to devise some grand scheme?

There are at least two good reasons. First, it's true that the quality of life in Minnesota is attributable in part to judicious state policies -- policies in education, health, pollution control, urban development, etc. But we also have to admit that we are the fortunate heirs of a rich inheritance -- one we have not yet dissipated. I'm thinking, of course, of our boundless lakes, woods and streams, and our generally low

density of population. We must not take this good fortune as an excuse to postpone planning for the future; rather it should be a spur to start while we still have a largely unspoiled environment -- start while the problems are still manageable.

And second, we must remember that not all areas of the state have shared equally in the growth and development that has taken place up to now. It would be foolish to assume, of course, that any plan, no matter how comprehensive, could assure equal growth to all sections of the state. But we must at least give conscious consideration to policy choices that determine where and how growth takes place.

So where do we seem to be headed? A recent study by John Borchert and Donald Carroll entitled Minnesota Settlement and Land Use 1985 lays out a variety of projections of where we might find ourselves in ten to fifteen years. Starting with a state population in 1970 of approximately 3.8 million people, the study projects population increases by 1985 of somewhere between 150 and 850 thousand. This range is admittedly wide; the outcome depends in large measure on national growth policies in the intervening years. So let's say perhaps an increase of half a million souls as most likely. Where will this growth tend to take place?

As in the past, the projections in this study show a tendency for the bulk of this population growth to take place within the seven-county metropolitan area. But in contrast with the decade of the 1960's, when 60% of the counties in the state lost population, the projections indicate that out-state counties as a group are not likely to show absolute population declines in the next ten years or so.

The authors also expect the trend toward fewer but larger farms to

continue. By 1985, the number of farms may have declined by between 20 and 50 percent. An even more rapid drop might occur were it not expected that especially in the northern and metropolitan areas, more than half the farms will be operated on a part-time basis, with operators supplementing their income through jobs in towns.

Now, one may applaud, or be distressed by, these glimpses of Minnesota's future. But more important, we need to be aware of the trends. And the point is: do we like these trends? Is this where we want to go? And just as important, what can we do about it? The Borchert study, for example, concludes that these broad trends in major land use and population changes during the period ahead are probably inexorable. Forces pushing development in a particular direction at any point in time do indeed tend to be strong. They encompass not only economic incentives, but legal and political frameworks, and even social outlooks of a population. This cumulative momentum of the past is not something easily diverted. Such forces are not only strong, but often subtle and therefore difficult to come to grips with.

Nevertheless, we don't need to accept any given course of events as inevitable: the question is really one of benefits versus costs: how much are we willing to pay to shape our future. In certain situations, there may be little cost at all. Most of us can think of laws or regulations that are still on the books long after their original purpose has passed from the scene. Such anachronisms stand in the way of efficient progress, and their removal can in fact mean savings. I'm thinking of

building codes, for example, or local government boundaries that no longer make sense.

Another way to improve our environment at less cost than might appear is through the use of public policy to compensate for the failure of the market pricing system to incorporate all costs of a particular product or service. By now, many laymen are familiar with the concept that economists call "external diseconomies", that is, the costs of cleaning up the air or the rivers, of barring noise around airports or congestion in the city, of paying cleaning bills around factories, costs that fall on someone other than the polluter. When public policies require those who pollute to bear these costs, we are simply redistributing the costs in a more equitable fashion, not increasing them for society as a whole.

But not all attempts to guide our own destiny will be inexpensive. For example, we may decide that it pays to subsidize the output of certain industries or crops, or advocate an economically inefficient location for a particular plant simply because we believe the social benefits outweigh the additional cost. As a generalization, I think we must assume that the greater the change required to divert the natural unplanned course of events, the higher the price we are going to have to pay to bring about the change. For example, I would guess that to divert population growth from metropolitan areas to out-state districts in meaningful numbers will require costly disincentives for locating in the metropolitan area, together with costly incentives to settle elsewhere. In saying this, I mean no disrespect for our out-state communities. I simply mean that past population trends, and projections for the future, reflect a concentration of population in and around metropolitan areas; to change this trend in any meaningful way would

probably require costly countermeasures.

In effect, we need not accept any particular trend as given and inexorable. But we must understand that in most cases, the greater the change desired, the greater will be the cost. At the same time we must try to match such costs against the potential costs of doing nothing.

Another basic question, of course, is whether we want to grow at all. Growth after all is now a challenged concept. We've had forcibly brought home to us the fact that growth uses up resources, creates pollution, inflicts costs on the environment, and can erode human values. This is not to say that our ancestors were wrong in taking from the land all they could get. The pioneers, the builders of railroads, the great industrialists, built for us a great nation by operating under the principle of growth at any cost. But times change and we must now take a long hard look at the side effects of untrammelled growth.

For my part, I see no need for the state to take a view on the rate of overall population increase in Minnesota. There are more important issues where this state needs to take a stand. Moreover, we seem to be moving toward a low, if not zero population growth in any case. Second, I am unimpressed with the arguments for limits on growth in per capita income. Like most of my economist colleagues, I believe the issue is not how to adapt ourselves to a no growth world, but rather how to pattern our growth so that we avoid or minimize undesirable side effects of growth.

At this broad level of generalization, I would argue that the state should concern itself with three issues: 1) the distributional patterns of population changes, 2) a more equitable distribution of gains from growth among the state's present population, and 3) insure that increases

in living standards today are not at the expense of quality of life tomorrow. These are easy principles to enunciate, but harder to specify and even harder to implement.

So back to the question: where specifically do we want to go from here? We ask the question only to meet with new frustration. We know lots of things we don't want -- pollution, central city or rural decay, and so on. We even have some ideas in certain specific areas of what we do want -- in transportation facilities, housing, health care, education, and so on. Granted they are often conflicting ideas, but at least debate is going on. What we mainly lack is sufficient effort to integrate views on each one of these particular areas into an overall framework to guide the state's development. Buckminster Fuller is fond of saying "whenever I draw a circle, I immediately want to step outside of it." We too must step outside the small circles we draw around our special spheres of interest and attempt to see the whole picture, with all its many interrelationships. It's not an easy thing to do, especially for a people who historically have resisted planning in the name of too much government, who pride themselves on personal freedom and independence. But again times change, and interdependence in all aspects of life is now at least as important an organizing principle as independence was to our forebears.

Since we don't have a ready-made blueprint for growth, where do we look for models to guide our thinking. First, I think we can learn something from our European neighbors, who have been living in closer proximity for a longer time than we have. Last summer, a Congressional study group on urban growth policies surveyed six European countries* to

*United Kingdom, France, Sweden, Finland, Poland, Hungary

determine what lessons might be transferred from the European experience to our own. I cannot take time here to describe the policy measures adopted by these various governments -- many would not be transferable to our environment in any case -- but we should not overlook the relevant experiences of our overseas friends.

Looking closer to home, our own federal government has been trying to come to grips with a national growth policy for at least the last three years. I frankly feel these efforts have not yet borne much fruit. Indeed, I've begun to question whether it is desirable, or even possible, to specify a single growth policy at the national level, given our size and diversity. For this very reason, I have the impression that Congress will soon pass legislation that will provide strong inducements for states to develop their own land use policies.

Federal land use bills, as they stood when the last Congress adjourned, would require states to prepare an inventory of land and natural resources, project land use needs, provide for public hearings and participation in the planning process. The bills would require the state to identify and exercise state authority over the use and development of land 1) for "key facilities", such as airports, major highway interchanges, recreational facilities, and power plants; 2) for "large-scale development" that presents issues of more than local significance; and 3) for the use and development of land in "areas of critical environmental concern", such as shorelands and flood plains, etc. There are other provisions in the bills, such as providing for regulation of large-scale subdivisions, that clearly indicate that the Congress is serious about land use planning.

The fact is, of course, that many states have not waited for

federal leadership. Within the last few years, we have seen a number of states take large strides on their own in the direction of land use planning. In 1969, Oregon and Maine joined Hawaii in establishing state-wide zoning. A number of states have taken steps to control development in environmentally sensitive areas like wetlands, ocean fronts, lakeshores, and so on. Vermont in 1970 enacted a new land use law which authorized the state to control development at areas above 2500 feet elevation, and to control all large-scale development.

By far the most detailed and comprehensive plan I'm aware of was compiled by a group of private citizens in California. It is called "The California Tomorrow Plan". It is a well organized discussion, laying out the problems as they exist, the likely shape of the future if these problems continue to be attacked on a piecemeal basis, and an alternative future predicated on a comprehensively planned attack on what are considered to be the root causes of the problems. Twenty-one problem areas are cited, such as energy resources, water quality, transportation, housing, employment, and security, to name just a few. They are grouped under three broad headings: those arising from depletion or pollution of land, air, or water; those arising from breakdowns or shortages of physical structures; and those associated with individual waste or social failure in the use of human resources. Four underlying causes for these problems are identified: lack of individual political strength, lack of individual economic strength, damaging distribution of population, and damaging patterns of resource consumption. And finally, the responsibilities of various governmental levels within the state to coordinate attacks on these "causes of disruption" are spelled out in detail.

Not everyone, of course, would agree with the recommendations in the California plan. But it is an impressive effort, and it stands as a challenge to others to come forward with equally well-thought-out plans of their own. Nor is this simply a pie-in-the-sky pipe dream; a conscientious attempt is made to price out alternative costs of attacking the problems piecemeal as compared with a comprehensive approach.

Finally, we can look in our own backyard for guidelines. There have been various recommendations by the Citizens League, including a suggestion last summer that there be established a Minnesota Governmental Policy Institute to determine the consequences of current policies, to analyze alternative courses of action, and to anticipate future problems. The Borchert study from which I quoted earlier represented a useful attempt to peer into the future. Just recently I came across the report of a sub-committee of the Environmental Quality Council that took a very broad-gauge look at our present policies and problems in the state, with thoughtful recommendations in each area that impacts the environment. Finally, and by no means least, I applaud the work of the State Planning Agency and today's recommendation by the Governor for a commission on Minnesota's future.

So if we don't yet know where we want to go, there are a variety of models at which we can look, and a good deal of interest and activity aimed at coming up with some comprehensive planning capabilities.

I urge that we continue efforts in these directions and would like to close with a few thoughts of my own on where we ought to be headed. First though, I must confess that I come with very few credentials as planner or futurist. My interest in this subject has simply grown out of my professional responsibilities. As a regional institution, the Federal Reserve

Bank is very much interested in the economic development of the entire Ninth District, which stretches from Montana to Upper Michigan. For what they are worth then, here are a few rather disjointed thoughts.

First, I wholeheartedly endorse the idea of some form of public policy institute for Minnesota. Its function would be to offer us choices of alternative futures, together with their costs and consequences. I am not clear in my own mind whether this "institute" ought to be publicly or privately funded, or some combination of the two. And decisions would have to be made as to the emphasis put on original research, drawing together and presenting the ideas of others, and proselytizing on behalf of its own preferred policies. I also question whether we need to start from scratch -- there are a number of groups such as the Citizens League, the Upper Midwest Council, Northstar Research, and the new Spring Hill Foundation, to name a few, that have been actively working in this general area. Possibly their talents could be combined with resources from the Environmental Quality Council and the University, as a nucleus for the proposed institute.

Second, I'm convinced that we need an inventory of land and resource uses in the state. Related to this is a need to establish a state-wide zoning authority with power to designate certain areas for particular kinds of development.

Third, I see little merit in using public funds to divert population growth from metropolitan areas. Instead, such funds as are available should be used to preserve, and enhance, the urban environment to meet human needs.

Fourth, I believe that efforts to induce industry to move to the

out-state areas and particularly to the smaller towns are likely to be self-defeating. I believe we will achieve more by concentrating our efforts on specified growth centers in various regions of the state. The chances for self-sustained growth increase, and greater benefits accrue to the surrounding rural areas, if we concentrate our efforts and dollars on selected cities rather than scatter our resources in an effort to bring all along together.

Fifth, the Minnesota Experimental City, as its name implies, could serve as a model from which we could learn how better to structure our existing cities. It would be a costly model, however, and it's advocates do not contend that new cities can absorb any significant part of the increase in our population. Thus, I think it makes sense only if substantial federal funding can be obtained to help finance it.

Sixth, I believe it would be desirable to expand public land ownership in the state, particularly in urban areas. Early acquisition of land by public authorities, as is now done through the use of land banks in France and Sweden, would permit greater control over metropolitan growth. Similarly, by making public land available for private development on a long-term lease basis, such land would revert to the community for reevaluation of use once every, say, 50 years, without having to pay from the public treasury the cost of land values which rose in the intervening period.

Seventh, two suggestions in the California Tomorrow Study are intriguing, and deserve further study. To protect open land from speculative pressures for development and encourage appropriate development in urban areas, land could be taxed according to its zoning category, and not

according to its potential for development. Related to this, buyers of raw land would no longer be permitted to take capital gains tax rates on their profits when they sold.

Eighth, I applaud Minnesota's initiatives in the area of equalizing property tax burdens. The strong start toward equalization of education tax burdens on property in the 1971 Tax Law was an important step in this direction, as was the Fiscal Disparities Law which was unfortunately declared unconstitutional by the district court. While these laws may have had their genesis in efforts to equalize tax burdens, they also have beneficial impacts on development patterns within the state.

Ninth, I believe it's important to make progress on restructuring local governments. The state's Regional Development Act of 1969 provided the framework for the establishment of regional development commissions. I am pleased to see that recently one more commission got underway. At the same time, it's necessary to work toward a consolidation of local governments. I was impressed with the progress that seems to have been made in Sweden on this score. From a total of 2,500 municipal units in 1952, the number has been reduced to 464 in 1971, and the final figure is slated to be 270 in 1974. The assumption was that effective administration of municipal services would require a population level of 8,000 as a minimum. Similarly, within our own state, the number of school districts has been reduced from some 7,600 in 1946 to only 450 today. With changes in population distribution and new technologies for effective distribution of municipal services, municipal boundary lines that made sense 50 years ago or more are bound to be irrelevant today.

I deeply appreciate this opportunity to contribute to the

discussion of Minnesota's future. If my thoughts seem uninformed, or unnecessarily offend local sensibilities, I hope you will put it down to the fact that I'm a relative newcomer among you. But being a newcomer has advantages too. I perhaps see with fresh eyes the great heritage that has been bestowed upon us in Minnesota, the opportunities that exist to contribute to the quality of life for future generations, that great sense of hopefulness that this state offers in serving as a model for the future of what can be done before we get bogged down in a mire of despair. We will all see these opportunities differently, of course, and we will all have different solutions to offer, but it is not too soon to get debate underway.