

**MINNESOTA'S
INDUSTRIAL
DEVELOPMENT**

There is
NO LACK OF MARKETS
Increase Our Purchasing Power



The Report of the House of Representatives
Interim Commission on Industrial Development

8546

The Honorable Speaker,
House of Representatives,
State of Minnesota.

March 14, 1939.

Honorable Sir:

I have the honor to submit the REPORT of the HOUSE OF REPRESENTATIVES INTERIM COMMISSION ON INDUSTRIAL DEVELOPMENT.

Your Interim Commission has carried on its investigation pursuant to a Resolution adopted on the forty-third day (July 22) of the Extra Session of 1937.—

"H. F. No. 251, A resolution authorizing the creation of an interim commission of the House of Representatives of the State of Minnesota to study the industrial and commercial resources of Minnesota, to examine the various factors affecting their development and to make recommendations for any legislation that will be helpful in preserving the industrial and commercial assets of the state and promoting their expansion, and providing for payment of the expenses of said commission."—

and a resolution adopted on the thirty-fourth day of 1939 Session, continuing the life of the Commission until March 15, 1939.

The cooperation of the Minnesota Resources Commission (then the Minnesota State Planning Board) was secured for the preparation of the factual material on which our Report is based. Beginning early in 1938 a special Committee on Industrial Trends, appointed by the State Planning Board, carried on an extensive investigation of available census data relating to Minnesota's industrial development. This committee was under the chairmanship of Mr. Jay Hornel of Austin, who was assisted by Mr. Charles Egley of South St. Paul, Mr. R. W. Higgins of Duluth, Mr. W. P. Hilger of St. Cloud, Mr. George Leonard of Minneapolis, Dean Russell Stevenson of the University of Minnesota, Mr. David Winton of Minneapolis, and Mr. Harold Wood of St. Paul. This Committee secured a Works Progress Administration grant of \$35,000, with which it instituted a research project under the supervision of Dr. Richard Kozelka, Associate Professor of the faculty of the University of Minnesota.

A copy of the report of the State Resources Commission's Industrial Trends Committee will shortly be presented to you. You will note that this report contains much interesting information impossible to entirely include in our summary findings. Interested citizens may secure copies from the office of the Resources Commission.

Your Interim Commission has also had the benefit of a number of conferences with various members of the faculty of the University of Minnesota. It should perhaps be emphasized that the assistance of both the Minnesota Resources Commission and the University of Minnesota faculty members was confined to the compilation of statistical material, and that your Interim Commission is itself solely responsible for the Report which follows.

Respectfully yours,
S. H. BELLMAN, Chairman
House Interim Commission on Industrial Development.

THERE IS
NO LACK OF MARKETS

Increase Our Purchasing Power

THE REPORT
OF THE
HOUSE OF REPRESENTATIVES
(Fiftieth Session)
INTERIM COMMISSION

ON

INDUSTRIAL
DEVELOPMENT

John F. Barrett
JOHN F. BARRETT
40th District

HAROLD L. PETERSON
25th District

Harold L. Peterson

Oscar Widstrand
OSCAR WIDSTRAND
60th District

JOHN M. ZWACH
14th District

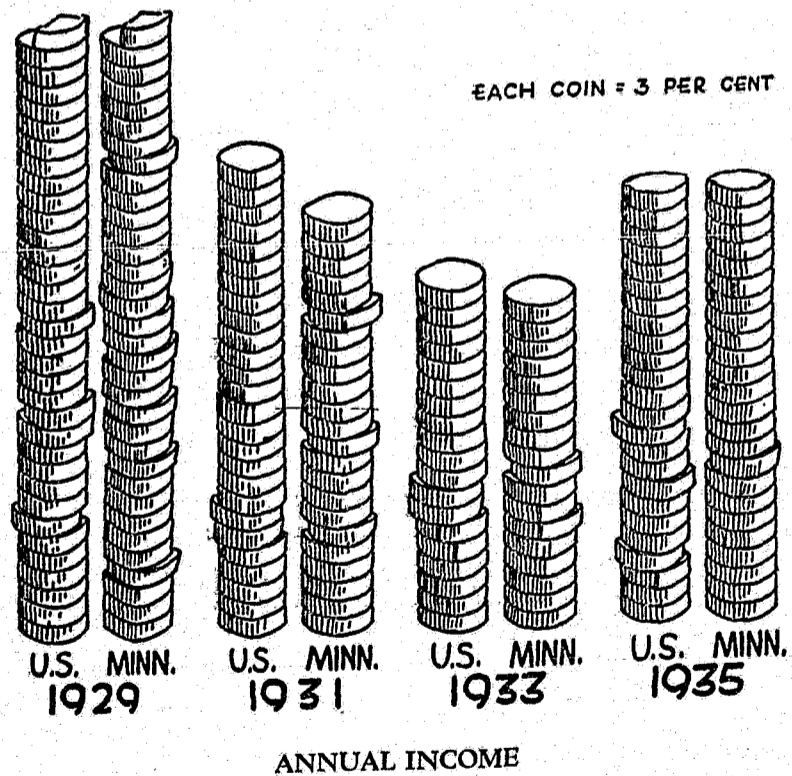
John M. Zwach
S. H. BELLMAN, Chairman

S. H. Bellman

MARCH 1939



Minnesota Dropped Further in the Depression . . .



Data: Minnesota State Finance and Tax Survey.
U. S. Dept. of Commerce National Income Reports.

Then We Climbed Faster!

It is no secret that a great depression struck the United States in 1929. Business, for many years, has been "bad" all over the nation. Industry has also suffered in Minnesota.

Does that mean that "Industry has been driven from the State"?

In considering this problem it must be remembered that Minnesota is a part of the United States. We must look at the whole picture. What are the facts about prosperity in the Nation and prosperity in Minnesota?

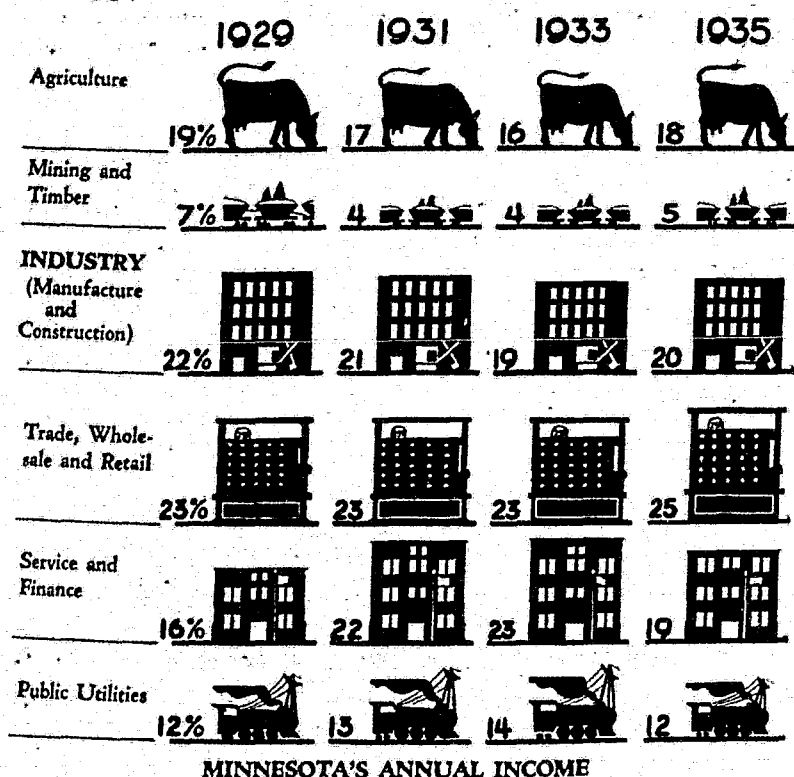
Not only industry, but also agriculture, mining, and all other economic activity have suffered from the depression. All are inter-related, and the total situation is what indicates prosperity or the lack thereof.

The Minnesota Income (the value of all the goods and services produced annually in the state) **FELL FURTHER** than the National Income (the total value of all the goods and services produced annually in the Nation) between 1929 and 1933.

After 1933 the Minnesota Income **ROSE MORE RAPIDLY** than the National Income. By 1933 the relative position of the Minnesota Income was again on a par with that of the National Income.

Minnesota has been rescued from a decline **SHARPER** than that of the rest of the nation and restored to prosperity **MORE RAPIDLY** than the rest of the nation!

Has Industry Been Driven From the State?



MINNESOTA'S ANNUAL INCOME

While Minnesota's total economy has fluctuated with the general depression what has been happening to Minnesota Industry? Has it suffered more or less than agriculture, than mining and timber, than trade, than service, than the utilities. What do the figures show?

All these types of economic activity have tended to suffer together and to prosper together. Each has continued to supply approximately the same percentage of the income of the people of Minnesota as it did in 1929.¹

Industry has obviously been afforded the same opportunity offered agriculture, trade, service, utilities, and mining and timber. Yet these others have never complained of being "driven from the state."

¹. State Resources Commission, "Industrial Trends Report," Table 5, page 12, based on the Minnesota State Finance and Tax Survey.

Is Minnesota an "Industrial State"?

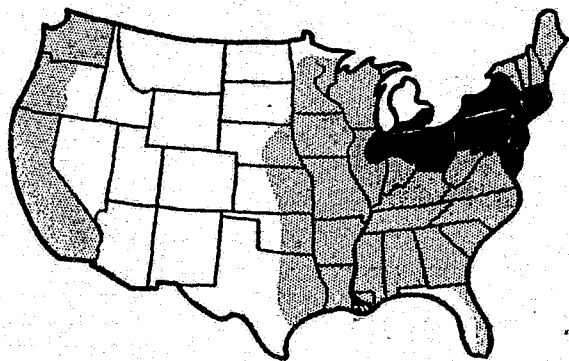
We usually think of Minnesota as primarily an agricultural state. Therefore it is somewhat surprising to see that the income from agriculture in 1935 was only about 18% of the total annual income of the people of Minnesota.

Low farm prices account for this. If we measured the relative importance of agriculture in terms of persons employed and people supported it would have a far higher rank. Agriculture is indeed of far more importance to Minnesota than these figures indicate.

Agriculture has many natural advantages in Minnesota.

Industry has certain natural obstacles to overcome. It is necessary to face these facts without becoming either hysterical or discouraged.

The chief difficulty is Minnesota's distance from the market. A glance at the map below shows that Minnesota's chief industrial competitors are all far closer to the great centers of population. Minnesota, unfortunately on the edge of the heavy population zone, is at a disadvantage in reaching the main markets.



OVER 80 PEOPLE PER SQUARE MILE
10 TO 80 PEOPLE PER SQUARE MILE
UNDER 10 PEOPLE PER SQUARE MILE

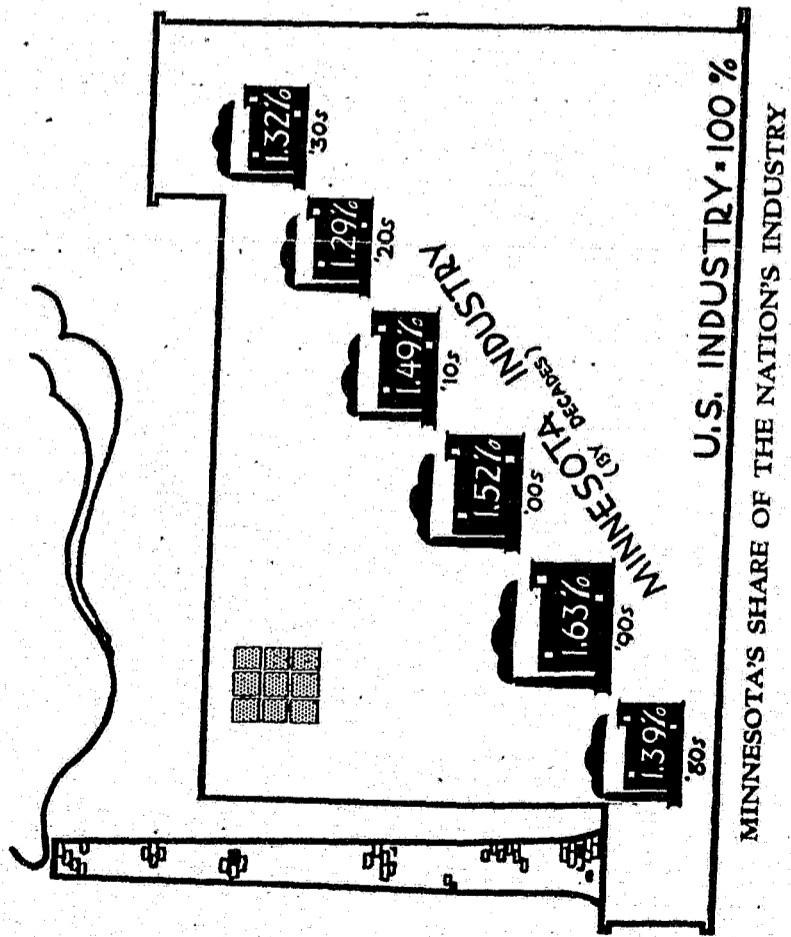
—National Resources Committee's Population Studies.

This difficulty is intensified by discriminatory freight rates which give an advantage to the chief industrial states.

Minnesota is further handicapped by lack of power resources. We have no coal and little water power. We have not yet learned how to use our peat deposits and we have failed to fully utilize the natural gas which can be brought into the state.

These are difficulties, not insurmountable handicaps. But we need not expect the miraculous transformation of Minnesota into a highly industrialized state.

Can Minnesota Industry Compete...



With Industry In Other States?

The fact that Minnesota industry was at its peak in the decade of the '90s will surprise many of our citizens. In that decade Minnesota produced a larger percentage of the nation's industrial output than in any decade before or since.¹

Since the '90s Minnesota's industrial output has been declining slightly in relation to the industrial output of the entire nation, with the exception of the past decade, when there has been a slight increase.²

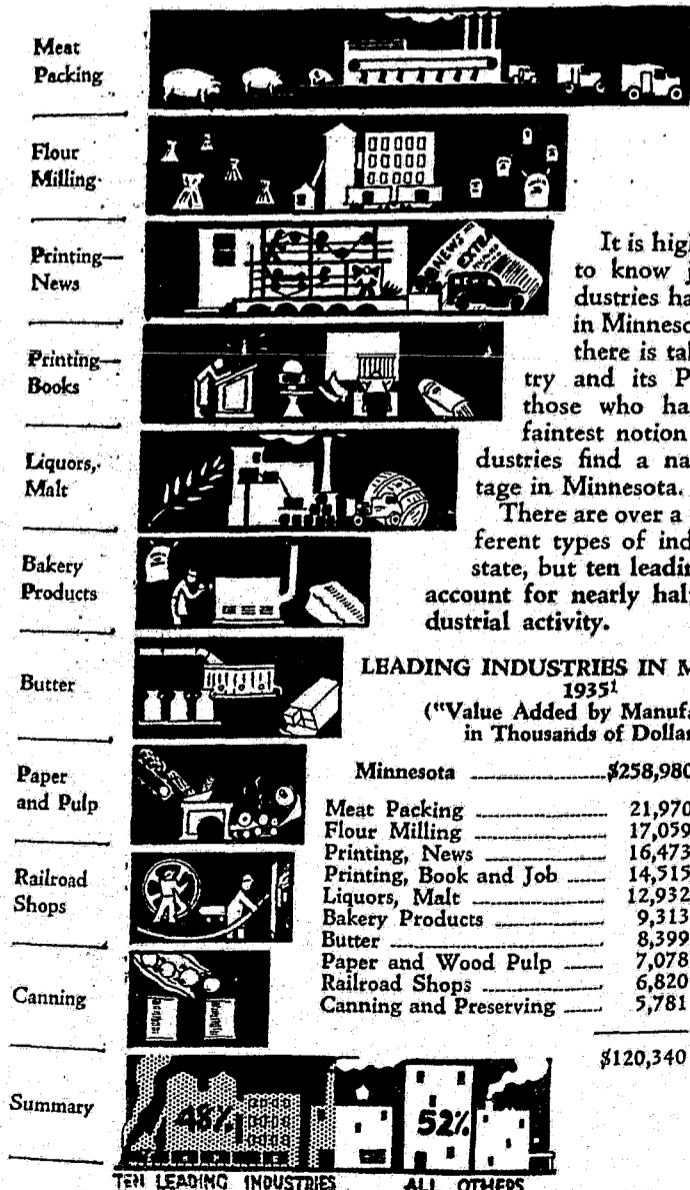
That this long-range trend has been reversed during the Depression is perhaps due in large part to the fact that the more highly industrialized sections of the country have been harder hit. Minnesota's major industries usually have proven more stable in depressions. As a result Minnesota's relative position has usually risen during the down-swing of the business cycle and fallen again during the upswing.

This long-range trend has persisted through many decades and many administrations. It is primarily a result of the tendency of American Industry to become centralized in a 200-mile wide belt extending west from Boston and New York on the Atlantic Coast to Chicago in the Mid-West.³

This trend however is not a very severe one. The total loss in three decades has been only three-tenths of one per cent of the nation's industrial output.

1. State Resources Commission, "Industrial Trends Report," Table I and supplement. This data is in terms of "Value Added by Manufacture," the difference between the total value of the finished product at the factory door and the cost of materials, containers, fuel and purchased power.
2. State Resources Commission, "Industrial Trends Report," Table I and supplement.
3. Garver, F. B., Boddy, F. N., Nixon, A. J.—"Location of Manufactures in United States 1899-1939," University of Minnesota Press.

What Is Minnesota's . . .



It is highly important to know just what industries have prospered in Minnesota. Too often there is talk of "Industry and its Problems" by those who have only the faintest notion of what industries find a natural advantage in Minnesota.

There are over a hundred different types of industry in the state, but ten leading industries account for nearly half of our industrial activity.

LEADING INDUSTRIES IN MINNESOTA 1935¹
 ("Value Added by Manufacture" in Thousands of Dollars)

Industry	Value Added (Thousands of Dollars)	Percentage of Total
Meat Packing	21,970	8.48
Flour Milling	17,059	6.59
Printing, News	16,473	6.36
Printing, Book and Job	14,515	5.60
Liquors, Malt	12,932	4.99
Bakery Products	9,313	3.60
Butter	8,399	3.24
Paper and Wood Pulp	7,078	2.73
Railroad Shops	6,820	2.63
Canning and Preserving	5,781	2.23

1. State Resources Commission, "Industrial Trends Report," Chart 5, page 19.

Industrial Future?

These leading Minnesota Industries fall into three groups:

1.

Industries such as News Printing, Bakery Products, and Railroad Shops supply needs which are best met locally at the present stage of technological development. Such industries grow or shrink as population shifts, tastes change, or substitutes are introduced.

News Printing and Bakery Products have remained stable in Minnesota. Railroad Shops have suffered a severe decline as a result of auto and bus competition and the loss of employment in this one industry alone accounts for more than half of Minnesota's total industrial employment drop.

2.

THE INDUSTRIES MOST IMPORTANT TO THE INDUSTRIAL FUTURE OF THE STATE ARE THOSE BASED ON OUR NATURAL RESOURCES.

Where these natural resources are adequate the industries dependent upon them are flourishing. Our position in Meat Packing has shown a steady increase, rising from less than 0.5% of the national total in 1879 to 6.6% in 1935. We lead all states in production of Butter. A rapidly increasing share of America's Canning and Preserving is produced here.

But where our natural resources have been wasted the dependent industries suffer. Minnesota barely holds its own in Paper and Pulp production. In other industries based on the forests we have long since ceased to be an important factor. Loss of employment in the lumber industry accounts for a third of our industrial employment drop.

A shift in land use from wheat to corn and the development of more favorably located wheat fields has resulted in a decline in Flour Milling. Employment losses in flour milling have been substantially greater than the drop in output.

3.

Where Minnesota industry has developed special skills it has tended to prosper. There are several such industries found in the state but the only one ranking among the first ten is Book Printing. In the past decade this has shown an encouraging growth.

Many of the state's smaller industries suffer from the handicaps discussed on page seven (distance from the market, transportation rate handicaps, lack of power). While the future of these industries is far from dismal it is necessary to realize that the real industrial future of Minnesota lies in those industries based on our natural resources. The fact is, that far from being driven out of the state, **MANY OF THESE INDUSTRIES HAVE BEEN DEVELOPING AT A FASTER RATE THAN IN ANY OTHER STATE IN THE UNION!**¹

1. State Resources Commission, "Industrial Trends Report," Tables 11 (p. 27), 13 (p. 33), 14 (p. 36).

· Increase Our Purchasing Power ·

There is only one answer. **Increase our Purchasing Power.** There is no lack of markets. When people can buy, industry will boom.

For many decades America had a frontier requiring development. Concentration of income made possible the accumulation of savings for investment in building the nation.

But the frontier is gone. Even the conservative Brookings Institute warns that the share of the annual income to the wage-earners and farmers must be higher, annual profits to the investing classes lower.¹ Increased purchasing power must replace the vanished frontier.

The usual retort to this analysis is "Remove governmental restrictions, then industry will boom, increased employment will follow—and then you will have an increased purchasing power." May we point out that more money is on hand for investment than ever before but that "overproduction" in all fields is the real reason capital is hesitant to still further increase our productive facilities. With increased purchasing power this illusionary "overproduction" will rapidly disappear. The argument is a simple case of putting the cart before the horse.

Never did the rugged individualists have a fairer field than in the Post-War days. The Crash of 1929 was the only result. Nor did freedom from current governmental corrective measures prevent the depressions of 1819, 1827, 1834, 1837, 1843, 1857, 1861, 1865, 1873, 1884, 1893, 1896, 1903, 1907, 1914, and 1921!!!²

RECOMMENDATION NUMBER ONE—

In order that industry may profit from an increased market, the only sound basis for future industrial expansion, we recommend:

(A) **Helping the farmer to secure the Cost of Production.** Industry cannot possibly flourish alongside of an impoverished agriculture.

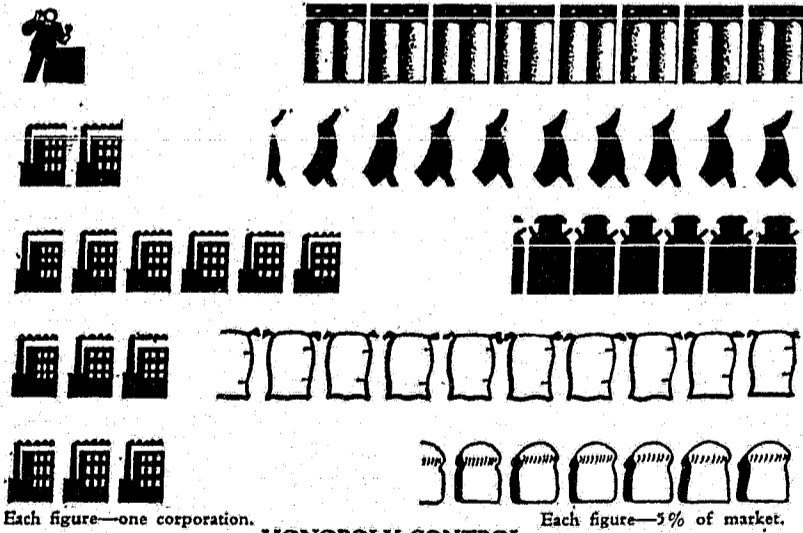
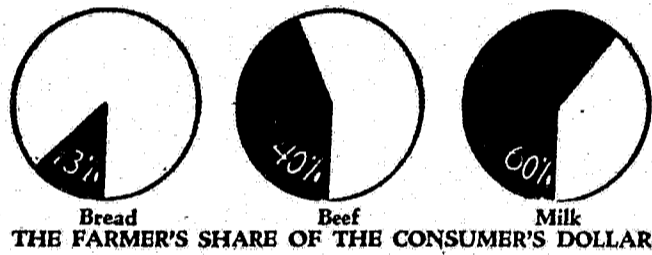
(B) **Upholding labor's power to bargain for a fair wage.** Agriculture cannot possibly flourish unless the purchasing power of labor is maintained and security established.

(C) **Taxation according to ability to pay.** Increased reliance on the taxation of income and a corresponding reduction of the taxation on property.

(D) **Provision of adequate relief to maintain purchasing power during the periods when private industry does not provide employment at regular wages.**

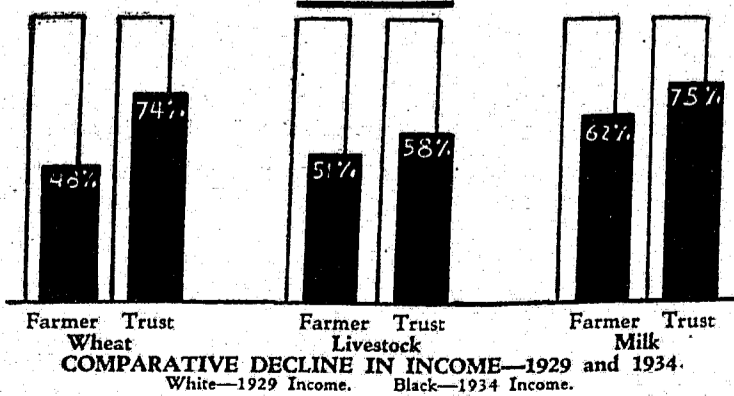
1. Moulton, Harold G., "Income and Economic Progress," Brookings Institute, Washington, D. C.
2. Ayres, Leonard P., "American Business Activity Since 1790," Cleveland Trust Co., Cleveland, Ohio.

Our People Work Hard, Receive Little



MONOPOLY CONTROL

Chicago Elevators — Meat Packing — Milk — Flour — Bread



Break the Grip of the Monopolies

Nearly a million Minnesotans were gainfully employed in 1930. Today, despite the ravages of the general depression, very nearly as many labor in our fields, mines and factories. Hard work. Day-in-and-day-out toil. Yet at the end of the year they share the national income in the same shameful manner disclosed on page twelve.

Where does the profit from this labor go? Why doesn't the producer receive a fairer share?

A recent Federal Trade Commission investigation¹ provides a clue. This investigation disclosed:

1. The farmer's share of the consumer's dollar (shown in the first illustration on the opposite page) is alarmingly small.
2. Powerful monopolies control each of the major farm products (second illustration, opposite page).
3. During the depression the position of the farmer has become worse. The food trusts, with the power of monopolistic control, have protected their profits at the expense of the producer (third illustration, opposite page).

Agriculture is of basic importance to Minnesota's prosperity and the trusts in this field are of special importance. But the same condition which exists in agriculture also exists in industry.

Today corporative control of American industry is more extensive than ever. No wonder the American producer works so hard, receives so little!

These monopolies have maintained a high price level throughout the depression. Meanwhile industrial employment and farm prices have suffered. This failure to make a corresponding price reduction is one of the basic causes of the depression.

Small business, the farmer and the worker alike suffer from this condition. Until the problem of monopolies is successfully solved Minnesota will never fully recover its economic prosperity.

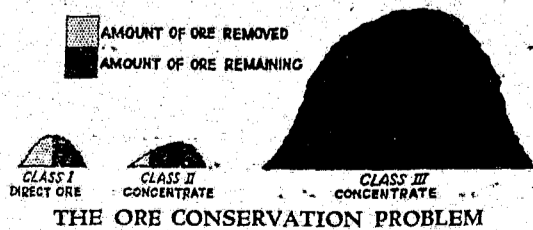
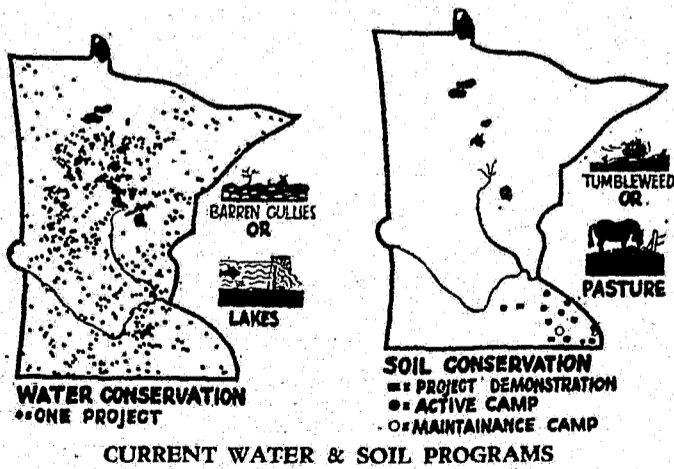
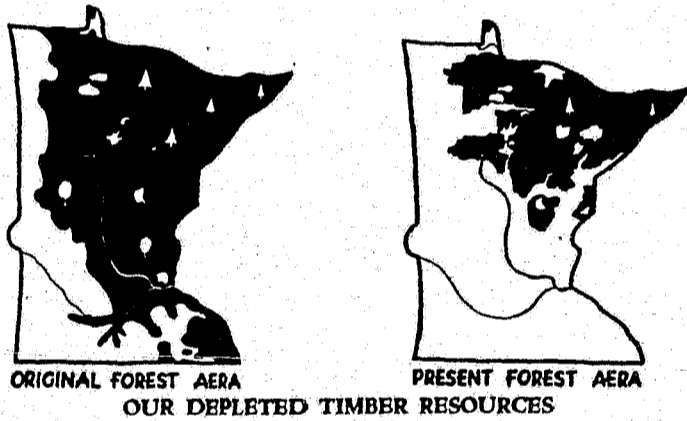
RECOMMENDATION NUMBER TWO—

In order that industry may benefit through the elimination of those abuses which threaten its existence, we recommend:

- (A) Utilize the State's power (lodged by law in the hands of the Commissioner of Agriculture) to investigate agricultural monopolies. Cooperate with the Federal investigation of monopolies.
- (B) Increased governmental regulation of monopolies for the double purpose of giving the consumer more for his dollar and the producer a greater share of this dollar.

1. Federal Trade Commission Report, "Agricultural Income," March 2, 1937.

**But
Our Factories Need Raw Materials**



Restore Our Natural Resources

We are convinced that a solid industrial future for Minnesota must be based on the increased processing of the state's raw materials. Yet an alarming percentage of our natural resources have been dissipated! How can industry prosper while this condition is permitted?

Much of our state was once magnificent forest. Today this section is largely "cut-over"—and unemployment and poor business conditions are rife. Aggressive action is needed to replace our timber resources. Meanwhile the entire state will continue to suffer from the load thus imposed.

Unwise drainage has robbed us of much of our water resources, with consequent loss to agriculture. A few years ago climatic conditions forced this problem on our attention. Today, luckily, the situation is better. Yet the basic problem largely remains.

Minnesota suffers less than many of her sister states from soil erosion. Nevertheless soil conservation should receive our unremitting attention if agriculture and the industries based on agriculture are to continuously prosper. The Earth is the mother of us all; the soil requires a duty of man which we have been too slow to recognize.

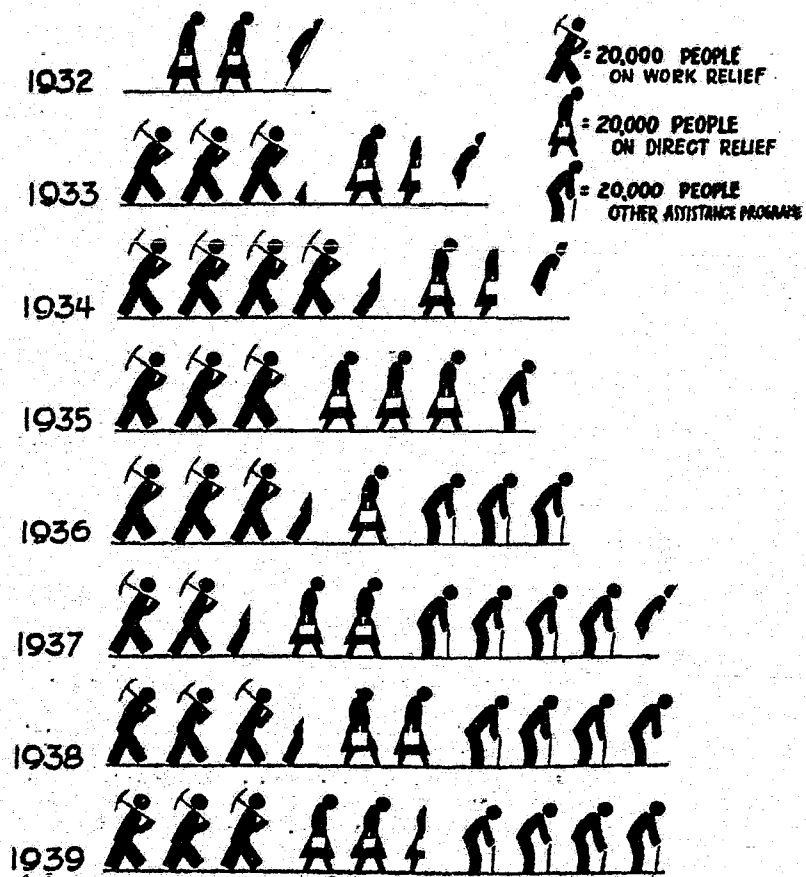
Concerning the state's ore resources there has been much talk and little action. We feel that there is far from enough reliable data and that a courageous study of this problem is needed.

RECOMMENDATION NUMBER THREE—

In order that industry may be soundly based on an adequate supply of raw materials, we recommend:

- (A) Timber conservation through—
 1. Clarification of the ownership status of tax-delinquent lands. At the present moment one-third of the potential forest lands of this state cannot be utilized by anyone because of legal confusion as to ownership.
 2. State grants to secure enlarged reforestation projects.
 3. Permissive zoning legislation, allowing proper control of future land use and avoidance of past mistakes.
- (B) Water and Soil conservation through increased support for such programs.
- (C) Ore conservation through—
 1. The accurate measurement of our resources.
 2. Safeguards for state-owned resources.
 3. Bipartisan interim study of the problem.

And Permanent Recovery Requires Foresight



GROWTH OF THE RELIEF PROBLEM

Annual Maximum. Data: Minn. WPA.

Utilize Long-Range Planning

Today we wish that the generations which preceded ours had planned better. We see clearly that such planning would have saved us from many of the difficulties which besiege us.

Yet how much better are we?

Today in Minnesota there is only one (semi-) public research agency charged with developing the state's industries. This agency relies almost solely on such private funds as are contributed. Our educational institutions assist in this field but are hampered by lack of sufficient funds for this function. Minnesota is one of only four states without a state planning body based on legislative enactment.

Many of our industrial problems cut across state lines yet, being thus handicapped, cooperation with national and regional planning efforts is difficult.

Being thus poorly provided with fact-finding agencies it is perhaps understandable why so many misstatements regarding the situation of industry in Minnesota have reached the public. Yet these same mis-statements are in part responsible for our lack of greater industrial progress.

Yet many of those who cry that industry should be developed have shown least concern for the development of the long-range fact-finding and planning so essential to sound industrial growth!

RECOMMENDATION NUMBER FOUR—

In order that industrial growth may be encouraged through adequate fact-finding and planning, we recommend:

- (A) The continuation of the study of the industrial development of Minnesota, herein briefly assisted by your Commission, through:
 - 1. Public grants, with adequate safeguards, to a public industrial research laboratory.
 - 2. Increased support of the appropriate departments of the University of Minnesota.
 - 3. The legislative establishment of a State Resources Commission.
 - 4. The memorialization of Congress on behalf of the legislative establishment by that body of a National Resources Committee.
- (B) Immediate attention by such bodies to the following important problems relating to Minnesota's industrial development:
 - 1. Transportation Rates.
 - 2. Energy Resources (peat, natural gas, water power).
 - 3. Distribution of Income in Minnesota.

Panaceas Will Only Delay Recovery

One important reason why industry does not boom is the epidemic of panaceas which have distracted our attention from the real problem. The most highly touted of these nostrums require a moment's attention:

1. **Tax Concessions** to "attract industry" are a favorite scheme.

Transfer of the unemployment problem to some other state is the chief result. Since Minnesota sells a large percentage of its industrial products outside its border we do not gain when increasing unemployment cuts into this outside market.

Transfer of the tax burden to other classes of our population is another result of this scheme. All other industries are penalized.

The type of industry which is attracted by tax concessions usually migrates to a fresh "sucker" state at the end of the concession period.

2. **Advertising Campaigns**, not without some merit, too often result in a similar transfer of the unemployment problem. When nearly one-half of all American families have an annual income of less than \$1,000 all the advertising in the world can't increase the consumption on which industrial growth depends.

3. **"Boost Population"** is another dubious cry, since population throughout the United States, and throughout the entire Western world, is stabilizing.

Panaceas merely mislead us and only delay recovery.

Calamity Howling Hurts The State

Another main hindrance to industrial recovery are the calamity howlers, those who shriek from the house tops that "Industry is being driven from the state."

How false this cry is has been disclosed by the facts presented in this report. However it may be of interest to analysis briefly the principal fallacies promulgated:

1. Confusion between "Depression" and "Migration" accounts for much of the alarmist propaganda. This is by no means confined to Minnesota. During the period in which your Commission was investigating this problem at least fifteen other states, including all the states to which Minnesota has allegedly been losing its industry, have likewise had the same problem under investigation.
2. Comparisons between Minnesota and carefully(?) selected highly industrial and more densely populated states has been the basis for some highly misleading reports presented to the citizens of Minnesota.
3. Data on industrial trends based on selected years featured by abnormal business conditions or discarded census methods has also been occasionally presented to the public.

This calamity howling has done considerable harm to Minnesota. The cooperation of all citizens will be necessary in order that the true picture may be presented to the nation.

Minnesota's Industrial Recovery . . .

The difficulties which plague industry are not peculiar to Minnesota. Nor are they of recent origin. The Depression is nation- and world-wide; it is a full decade old.

The condition is not one which can be solved by the suggestion of a few fine-sounding measures capable of immediate enactment into legislation. Your Commission has resisted all temptation to thus appear in a demagogic role.

We realize that some would prefer to be lulled with fair assurances. Despite the clamour which will arise we are resolved to have no share in any such "rabbit-from-the-hat" performance.

We believe that it is necessary first to thoroughly weigh the important facts which this investigation has disclosed:

1. The United States suffered a general economic depression beginning in 1929. Minnesota likewise felt the effects of this depression. Minnesota's economy fell further, rose more rapidly.
2. All branches of Minnesota's economy, including industry, suffered equally, contracting and expanding in the same proportion.
3. Minnesota enjoyed its largest share of the nation's industry in the decade of the '90s. Since then there has been a small but constant decline until the present decade.
4. Minnesota's brightest industrial future would seemingly lie in the field of the processing of the state's raw materials.

Requires Fundamental Measures

With these facts in mind we urge consideration of all measures required to accomplish the following:

THERE IS NO LACK OF MARKETS—
INCREASE OUR PURCHASING POWER

OUR PEOPLE WORK HARD, RECEIVE LITTLE—
BREAK THE GRIP OF THE MONOPOLIES

BUT OUR FACTORIES NEED RAW MATERIALS—
RESTORE OUR NATURAL RESOURCES

AND PERMANENT RECOVERY REQUIRES FORESIGHT—
UTILIZE LONG-RANGE PLANNING

• • •

PARITY FOR AGRICULTURE
SECURITY FOR LABOR
STABILITY FOR INDUSTRY
ABUNDANCE FOR ALL

~~SECRET~~

STATE OF MINNESOTA
DEPARTMENT OF STATE
FILED
MAR 14 1939

W. H. Johnson
Secretary of State.