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## Outstate manufacturing-job growth paces state

Manufacturing has done surprisingly well in Minnesota. The state's manufacturing industries outperformed the nation and other midwestern states during the 1980s. Look at these facts:

- From 1977 to 1987, Minnesota increased its manufacturing jobs by 13 percent, while the nation lost 3 percent and the midwestern region lost 12 percent (Table 1). From 1987 to 1990, Minnesota

added 8 percent more manufacturing jobs, compared with a 2 percent national increase.

- In both 1977 and 1986, Minnesota's manufacturing industries contributed 21 percent of gross state product (GSP), while most other states experienced a decline in manufacturing share of GSP.

by Lee W. Munnich Jr.

- Manufacturing value added per employee, which is a measure of productivity, increased 121 percent in Minnesota from 1977 to 1987, compared with 108 percent for the nation.

- Since 1984, Greater Minnesota has increased its manufacturing employment faster than the Twin Cities region. From 1984 to 1989, manufacturing jobs in Greater Minnesota expanded 17 percent, while Twin Cities manufacturing jobs grew just 2 percent.

- Minnesota's economy is much more diverse now than it was 30

years ago. A recent study by Goldman Sachs found that Minnesota's economy now comes the closest of all 50 states to the structure of the national economy.

These and many more facts about Minnesota's industries and economic performance are contained in the *1991 Economic Report to the Governor*. This year's report draws heavily from recently released business censuses, conducted every five years by the U.S. Department of Commerce, to present a detailed sectoral analysis of Minnesota's private industries.

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## U S West plans videotex offering in Twin Cities

by Stephen Alnes

U S West Communications plans to bring its version of videotex to the Twin Cities in the fourth quarter of this year.

Videotex is a system through which a customer uses a computer terminal and telephone line to call up on a screen a variety of information and graphics about products and services. In the case of some services, the customer can use the system to arrange a transaction—reserve an airline ticket, make hotel reservations, buy a concert ticket for a specific seat—while sitting in front the screen.

Videotex is not new. The French Minitel system has millions of customers and several thousand

services. But early videotex operations found the going tough in the U.S., and several experiments were terminated. Earlier this month, Nynex Corp., White Plains, N.Y., said it will drop its videotex operations in Burlington, Vt., Boston and New York City after suffering "several million dollars a year in losses."

Nynex, like U S West, is one of the regional Bell telephone companies split off from AT&T in 1984 in a consent decree ending a federal antitrust action. Bell South and Bell Atlantic have relatively small videotex trials under way, according to the *Wall Street Journal*.

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## Cities-Outstate division not a sharp enough tool

by J. H. Fonkert

New York has the City and Upstate. Illinois has Chicago and Downstate. In Minnesota, we have the Twin Cities and Outstate.

Granted, in polite company "Greater Minnesota" has replaced "Outstate," but the idea remains the same: There are two Minnesotas, the urban Twin Cities and the rural balance of the state.

We stereotype our state this way because it is convenient. As with

most stereotypes, there is some truth to it—clearly Ramsey County is urban and completely different from Kittson County, which is rural. But, like most stereotypes, this one oversimplifies reality.

A recent State Planning Agency report entitled "Regional Diversity: Reexamining the Urban-Rural Dichotomy," debunks the traditional urban-rural view of Minne-

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# Use environmental fund for serious problems

The scene was social. The group was serious. We'd worked more than a year on recommendations to create a bold partnership between industry and government to reduce the volume of solid waste and recover more materials for recycling.

The tab for doing this is daunting, our scheme for raising that revenue controversial. So I asked this high-ranking legislator among us, "How about using the Environmental Trust Fund? After all, we're talking here about whether we'll have any groundwater worth drinking."

At the very mention of the trust fund, he looked at me with all the patronizing sympathy you'd normally reserve for someone who says he's going over Niagara Falls in a barrel.

"But look," I persisted, "cleaning up the Superfund sites (Minnesota has dozens of them) and doing everything we can to get toxic chemicals out of the current waste stream is about the most critical environmental thing we could be doing."

## Free Estimate

by Curtis W. Johnson

Sure it is, he admitted, but he added that I'd have to be crazy to try to tap the Environmental Trust Fund. Didn't I understand? he asked. That money, he said, is for game and fish stuff.

Oh? Well pardon me if I don't think so. I don't recall the constitutional amendment being promoted that narrowly. And I don't think that's what all those people thought they were voting for when the constitutional amendment passed dedicating upwards of 40 percent of lottery proceeds to environmental causes. It is what legislators later decided to do.

And they can decide differently, if they want to. Plans and priorities are set by the Legislative Commission on Minnesota Resources — 16 legislators who recommend a slate of appropriations. In these relatively tough times for the state, it is a near scandal if this fund gets used only for purposes

related to recreation for one admittedly politically powerful group.

The state's budget, including funds such as this one, ought to reflect our basic priorities. Our environmental priorities should say we are going to clean up the Superfund sites, or legislators should stop the breastbeating over the threat they represent. We should invest in the modernization of our waste-disposal system and the sophistication of materials recovery so that reliable markets can emerge in the private sector that make recycling the rule rather than the exception.

If we wanted to, we could, in this decade, set a scene where politicians could tell any crowd in any community: It's okay to put a landfill here, because nothing's going in it that poses any danger. We could do that, but only if we put resources behind strategies to

make that possible.

It's not that the trust fund is wasted. The appropriations proposed to date are all for decent, worthwhile things. And the funded list is, in fact, broader than game and fish, but arguably trivial compared with more fundamental challenges.

How high up the priority ladder should we regard monitoring of Minnesota songbirds, or developing an integrated system of information about streams and watersheds, or expanding production of county geologic atlases, or studying the ecological impacts of aeration on lakes, or completing a plan for development of environmental-learning centers, or digitizing maps, or computerizing the database on plants, or developing an environmental-education communications network?

The Legislature could do better in 1991. But who am I to question? I haven't yet bought my first lottery ticket. Not that I'm against taking chances on long shots, as this commentary suggests.

## Most deaths involve decision not to do something

Arthur Caplan, director, Center for Biomedical Ethics, at Citizens League meeting Jan. 29.

There are roughly 2 million deaths per year in the United States. And of that number, about 1.8 million take place in hospitals or nursing homes...Of that number...I would guess over 75 percent of all deaths are preceded by a decision...to not do something. That is, somebody decides not to try to resuscitate. Someone decides not to give antibiotics...

There...have been (no more than) 100 court cases at the state supreme court levels that have involved termination-of-treatment decisions...since 1976...(Since then) there have been about 20 million deaths...So despite all the brouhaha that surrounds the court cases, the overwhelming majority of deaths take place without anybody having a fight about what happens.

That may be because they don't understand it. It may be because they didn't know what took place.

But I suspect that's not true. I suspect that what happens in the overwhelming majority of instances where people die is that there is an agreement reached between the decision-makers about how they want this to proceed...

We tend to think of the termination-of-treatment issues as having to do only with old people or with people who have terminal illness. But that isn't true...(It is) a very common occurrence in the neonatal unit...

The other category of termination-of-treatment cases that you should keep in mind...concerns religious refusals of treatment. And, while it's interesting to try and figure out the politics of who lines up with who with respect to some of the debates that go on in public policy and with respect to private decision-making about termination of treatment, there are some odd alliances that get formed...

In the religious area, no one has tended to rally to the side of Christian Scientists, Jehovah's

Witnesses, Assembly of God devotees, Hmong people who, for all sorts of different reasons, may not want medical care given, except for the ACLU. They tend to be there filing suits to allow for the autonomous or individual choice of these various groups...

It is often said that we spend 60 percent of our Medicare and Medicaid funds on people in the last three months of life...However, I have to quickly add to that fact that it is impossible to forecast...currently who it is who's in the last three months of life...Even in the nursing-home setting, if you try and look at mass consumers of expenditure, roughly 15 percent of nursing-home patients account for the overwhelming majority of acute-care medical interventions that take place in nursing homes. But some pretty good recent studies have shown that the 15 percent turns over. It's not the same people...

It's a backdrop of high expenditure relative to some problems of ignorance that make it tough to

know exactly whether it's worth it...to spend certain amounts of money. It's also fair to say that in a system that has about 15 percent of its members uninsured, that money does play a role in terms of how treatment is managed. I have yet to find a case go up to state supreme-court level that involved an uninsured patient with respect to stopping care... What I suspect is true is not so much that people get shut off from high-tech treatments if they can't pay. My hunch is they don't get into the system, that they are people who basically wind up DOA from serious illness and aren't even getting as far as to be as frequently put on various kinds of high-tech intervention...

I believe pretty strongly that autonomy should be the driving and triumphing value in the resolution of these cases. That is to say, the bedside, I think the individual should pretty much be in control of whether they want the care. I believe that about the religious refusal of treatment, too...



# Merger, consolidation proposals put forth

**Education Commissioner** Gene Mammenga proposed a major school consolidation effort under which districts with fewer than 1,300 students in 1994 would be required to consolidate with other districts. Gov. Arne Carlson said he does not favor forcing consolidation.

**Gerald W. Christenson**, chancellor of the Community College System, told the Senate Higher Education Subcommittee that merger of the Community College System and Technical College System is "an idea whose time has come." The state has 21 community-college and 34 technical-college campuses.

**Rep. Phyllis Kahn**, DFL-Minneapolis, said she will introduce a bill reducing, through merger, Minnesota's 87 counties to 10.

**Physicians Health Plan and Share**, which have 40 percent of the state's health-maintenance organization market, said they will merge to form a new organization called Medica, which they said should be able to offer a wider range of insurance plans and provide better control of costs.

**The public school year** would increase from a minimum 170 days to 190 days by 2003 in steps to begin in 1993 under a plan proposed by House Speaker Robert Vanasek and other DFLers. School districts whose students don't meet state academic standards might lose state money. Districts with fewer than 1,000 students would have to share a su-

## Keeping Up

*Step by plodding step, Minnesota inches from the there and then to the here and now.*

perintendent with another district. The state share of school funding would rise from 62 percent to 72 percent.

**The Minnesota Center for Rural Health** was established in Duluth to address Minnesota rural health-care problems. It is a joint venture of the state's three medical schools, the associations of doctors, nurses and hospitals, the State Departments of Health and Human Services and other groups.

**St. Paul Police Chief William McCutcheon** denied he blamed black youths for crimes in the city's skyways, as a story in the *Pioneer Press* had reported. Many African Americans objected to the alleged comments. Mayor Jim Scheibel said he believes McCutcheon and refused to ask for his resignation.

**Average compensation** of legislators in 1990 was \$31,600, according to figures compiled by the House and Senate. The figures include the base salary of \$26,395 drawn by most legislators, plus daily expense payments. **Sen. Ted Mondale**, DFL-St. Louis Park, reported spending a record \$176,913 to be elected and said he will introduce legislation to

deny public funding to candidates who refuse to debate.

**The Minnesota Suburban Publications** chain of weekly newspapers was taken off the market when its parent firm, Guy Gannett Publishing Co., Portland, Maine, said it couldn't get an acceptable price.

**Farmington** will begin charging by the pound for garbage pickup, possibly in April.

**Fillmore County Board** passed a resolution opposing the local sales tax proposed by the City of Rochester.

**Faribault School Board** voted unanimously to join Faribault Technical College with Austin and Rochester Technical Colleges.

**Voters** in Underwood authorized the city to issue on-sale liquor licenses.

**The Moorhead Herberger's Store** announced a \$4.6 million expansion to double its retail space. **Komo Machine** of Sauk Rapids will expand and add 15 to 20 new employees. **Lake Center Switch plant** in Winona laid off 54 of its 320 production workers because

of reduced orders from the auto industry.

**Nobles County** joined Lyon County's program for disposal of household hazardous wastes.

**Milroy City Council** closed its recyclables dropoff point, leaving Redwood County with no dropoff for area residents.

**Ninety percent** of Minnesota sixth- and ninth-graders were judged to be adequate or better writers in a statewide test, and 11th-graders fell just short.

**Contel of Minnesota** entered an agreement with the Public Utilities Commission to cut telephone rates in 112 communities. **The State Court of Appeals** held that Northern States Power Co. must refund to its customers some \$91 million it has collected under an interim rate even though it is awaiting the outcome of the appeal of a rate-increase denial.

**Gregory Davids**, Independent-Republican from Preston, defeated Harlin Taylor, DFL-Lanesboro, in a special election to fill the seat vacated by Elton Redalen, IR-Fountain, who resigned to become agriculture commissioner.

**Emmons School Board** voted to send secondary students to school in a nearby Iowa district starting in September.

## The Minnesota Journal

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## Defining basic medical benefits

*From a report by the Medical Benefits Task Force of the Minnesota Medical Association, February 1991.*

All citizens are entitled to access to basic medical benefit—an equitable, universal minimum below which no person should be allowed to fall. Not all forms of medical care are "basic," however...

(Task Force) members were asked to determine whether each service was "essential," desirable," or "optional." These terms were defined as follows: **Essential.** A service that must be included in any definition of a universal medical-benefits set. This does not necessarily mean that the service will

be available in an unlimited fashion. **Desirable.** A service that should be included if additional resources are available after all citizens had access to the minimum benefit set. **Optional.** A service that should be left to the individual, business or government to provide...

Those services considered "basic" with no limitations are: prenatal care and preventive checkups and immunizations for children.

Other basic services, with limits on how much could be spent or use of deductibles, or limits on specific diagnoses, include: emergency ambulance, blood, preventive dental and dental care for injuries, diagnostic services, dialysis

for chronic conditions, nonroutine eye care, certain family-planning services, nonroutine hearing exams and treatment, hospice services, inpatient and outpatient hospital services, implants of artificial hips, intraocular lenses and pacemakers, inhalation services, medical equipment, inpatient mental-illness treatment and outpatient for individual therapy, nuclear medicine, nursing care, obstetrical care, occupational therapy, pharmaceuticals, phenylketonuria treatment, physical therapy, physician treatment, specific plastic-surgical services, cancer and other disease screening, speech therapy, cornea and kidney transplants, well-baby care.



# Lower limit on campaign contributions urged

## On Balance

Minnesota editors ask: Anyone for tenets?

**Mankato Free Press** supported (Feb. 11) a proposal to lower the limit on the amount of money individuals and groups can contribute to a gubernatorial candidate in an election year. The amount is now \$60,000. "To state it bluntly, most people don't give a candidate more than \$50,000 unless they expect some kind of pay-back..."

**Pioneer Press** backed (Feb. 14) a proposal to lower the limit on contributions to gubernatorial campaigns from \$60,000 per individual or group to \$6,000 in election years.

**St. Cloud Times**, saying (Feb. 3) Minnesota's \$60,000 ceiling on contributions by a group or individual to a gubernatorial campaign is the highest in the nation, urged "major reform" during this legislative session.

**Pioneer Press** said (Feb. 13) Education Commissioner Gene Mammenga's proposal to force school consolidation of districts with fewer than 1,300 students "deserves serious consideration."

**Duluth News-Tribune** opposed (Feb. 12) the idea of imposing school consolidation upon school districts. "We're leery of the idea of forced consolidation—but also don't want this important issue to be ignored."

**West Central Tribune** said (Feb. 11) school districts should be given incentives to consolidate before they are required to and that districts that have paired should be allowed to continue to operate in that mode.

**St. Cloud Times** said (Feb. 10) the state should give all school districts the same per-pupil aid, get rid of all mandates and "let all districts sink or swim" rather than imposing a "big-brother approach" through forced consolidation.

**Star Tribune** lauded (Feb. 8) the North Branch school system for innovations that include a

summer semester, giving teachers more classroom budget authority and helping teachers develop curricula to meet the new state requirement that students demonstrate they know how to use what they learn.

**Duluth News-Tribune** said (Feb. 5) the dental-hygiene program at the University of Minnesota Duluth should be discontinued at that school but continued at some other institution of higher education in the region.

**St. Cloud Times** said (Feb. 4) the University of Minnesota's proposal to shut down its Waseca institution does not mean the U is turning its back on agriculture. "Closing Waseca is a regrettable, but necessary, start toward fixing a system in danger of providing... watered-down education."

**Pioneer Press** said (Feb. 12) efforts to keep St. Paul's skyways

safe for shoppers should focus on behavior rather than on race. "In trying to address the skyway crime dilemma...the city must create a larger problem in race relations." **Star Tribune** said (Feb. 15) St. Paul Police Chief William McCutcheon, who has denied making racist remarks about black youths in the skyways, should "participate in racial-sensitivity training with the rest of his department."

**West Central Tribune** said (Feb. 14) the idea of Rep. Phyllis Kahn, DFL-Minneapolis, to merge the state's 87 counties into 10 is "really off the wall" and is "just another idea among many that would detract from the quality of life in rural areas."

**Duluth News-Tribune** objected (Feb. 13) to a new St. Paul ordinance permitting police to seize cars of customers of prostitutes. It said that is "another example of police overkill in which innocent people suffer and punishment for a crime begins before guilt is established."

*Andrew Czajkowski, president and CEO, Blue Cross and Blue Shield of Minnesota, at Citizens League meeting Feb. 5.*

The problem...in the health-insurance market rests mainly in the small-employer market... where the largest number of people that are uninsured exist. There are many small employers who presently don't provide coverage for their employees and...feel that they can't afford to...

The Health Care Access Commission (proposal's) cost is estimated to be close to \$300 million...I think experience has shown with all government programs, when you get into health, that the costs generally are quite a bit more than what's anticipated. This has been true certainly of Medicare and Medicaid...

Our proposal is...more modest... but we think (it) does address the problems of the uninsured...without the need of tax dollars. It's a program...for insurance reform in the small-group market...

What we're trying to get at here is

## Insuring small business

to stimulate more small employers to purchase health-insurance coverage for their employees...The small-group market is defined as groups of two employees to 49 employees...We would provide a guaranteed acceptance of all groups...We would establish a 12-month transition period which would allow employers to take advantage of this guaranteed acceptance. After that, there would be preexisting conditions (standards) in order to eliminate the potential for adverse selection—that is, the group waiting until they had a severe health problem, then taking out the coverage.

There would be a mandatory reinsurance pool. The idea of this is to spread the catastrophic cases over a larger number. And all (insurance) companies who did business in the State of Minnesota would be required to participate in this reinsurance pool...If you were a small company and you had some large claims in your small pool, those would be spread over all of the numbers, which ac-

tuarily is more sound and would eliminate those swings in the rates that would affect smaller groups...

We would (reduce) the spread between the lowest and the highest rate that could be charged by a carrier to a small employer... There's quite a large variation in the rates that can be charged, and we're proposing to narrow this down...

We're proposing to...eliminate most mandated benefits and have a basic benefit which would be essentially hospital-physicians coverage. This is what our surveys indicated people wanted. We would continue to offer all of the mandated benefits to all employers. And if an employer had the wherewithal to afford all of them, he could still purchase them... They could take a program that they felt they could afford and later add on those additional mandates...

The rate increases that they (a carrier) could put into effect

couldn't be over a certain percentage...They would have to look at their total pool experience, and there could only be a 15 percent adjustment for experience. So that would limit the amount. Now they can adjust 50 to 100 percent for experience...

As part of this program, we are proposing that there be a strong managed-care initiative built into this, that carriers would be encouraged to manage the cost of the system. From your perception, it may appear that there isn't anybody acting in your behalf, but there are lot of things that are being done by carriers to control costs. We, for example, do negotiate rates with the hospitals every year. And we have a negotiated schedule with physicians as well, which puts a limit on the amount of increase that can take place in any one year...We did introduce a new way of reimbursing hospitals, which is based on severity and outcomes...We are looking at ways to build incentives into the system to reward providers who are truly doing an efficient job and not reward those that aren't...



# Minnesota

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...and urges policymakers to think more carefully about adapting policies and programs to diversity.

We use the word "dichotomy" to dramatize the strength of the urban-rural way of viewing Minnesota. "Dichotomy" refers to the division of a whole into two contradictory parts, whose contents are mutually exclusive. In Minnesota, we almost without thinking divide the state into two mutually exclusive parts—the seven-county Twin Cities metropolitan area and the remaining 80 "Greater Minnesota" counties.

The idea of two Minnesotas is deeply ingrained in the minds of citizens and policymakers. It is so compelling, in part, because the Twin Cities area stands out as the single dominant metropolitan area in the state. By the mid-1960s, there was a growing awareness that a multicounty area centered on Minneapolis and St. Paul was a region unto itself, requiring a unique set of institutions and programs. State creation of a seven-county planning region under the jurisdiction of the Metropolitan Council helped cement the Metropolitan-Greater Minnesota division in people's minds.

The two-Minnesota idea has dominated public-policy analysis and discussion over the past 20 years. The typical study compares such things as income levels, population growth, housing costs or crime rates of the two areas. Public-opinion polls commonly differentiate between attitudes of respondents living in the two areas.

The State Planning Agency study takes the Metropolitan-Greater Minnesota framework to task for two reasons. First, as an analytical device, it oversimplifies reality and obscures important diversity. Second, when used to target public policy, it can result in policies ill-fitted to local conditions.

The study was grounded on the assumption that sound public policy depends on a clear and accurate understanding of how needs, expectations and resources vary across the state. Politicians, mindful of their local constituencies, try to be sensitive to differing local needs, but they can only do



*"...I'm really a metro person...kind of... actually, ...  
I suppose I'd be considered outstate...sort of..."*

so much. Because it is impossible to treat each of more than 850 communities differently, they must find ways to simplify the picture.

One way is to design different standards or programs for urban and rural places. But who is urban, and who is rural? The simplest answer is to treat the seven Twin Cities counties as urban and the rest of the state as rural. For example, the 1989 SCORE Act set different recycling goals for the seven-county metropolitan area and Greater Minnesota. Cities in the metropolitan area must adopt comprehensive plans; cities in Greater Minnesota need not. The Twin Cities area shares growth in industrial-commercial tax base; the other parts of the state have no comparable program. The metropolitan-Greater Minnesota division is easy, but does it reflect reality?

One part of the study evaluated the usefulness of the metropolitan-Greater Minnesota dichotomy for describing Minnesota. We found that the nature of both the metropolitan area and Greater Minnesota has changed so much that the dichotomy dangerously oversimplifies reality.

In the metropolitan area, population and economic activity continue to move outward from the central cities. The stable urban cores and older, built-up inner-ring suburbs have entirely different problems from those of the rapidly growing outer-ring suburbs. And some small towns on the outer fringe remain essentially rural.

Greater Minnesota is also too varied to be grouped in a single category. Population, jobs and trade are increasingly concentrated in and near a dozen regional trade and service centers. Not all these centers are growing in population, but they generally have much higher per capita income and retail trade than the rest of rural Minnesota.

On the other hand, some comparisons of the Twin Cities metropolitan area and Greater Minnesota are still worth making. For example, it is not insignificant that economic activity is increasingly concentrated in the metropolitan area. The 10-county federally designated metropolitan statistical area (the seven counties plus Chicago, Isanti and Wright Counties) includes 68 percent of the state's jobs, compared with 55 percent of the state's population. The state's total population increased by 290,000 during the 1980s; the 10 counties gained 320,000.

The 1990 census confirmed the rearrangement of Minnesota settlement patterns. Even though the central cities and many older, close-in suburbs such as Richfield, South St. Paul, Fridley, Edina and Columbia Heights were either stable or declining in population during the 1980s, the seven-county Twin Cities area still grew by 15 percent.

The St. Cloud and Rochester metropolitan areas matched the Twin Cities' growth rate. The 14 counties comprising the federally designated Twin Cities, St. Cloud and Rochester metropolitan areas gained 362,000 persons. The rest of the state lost 63,000.

But even the nonmetropolitan areas had some bright spots. Areas just beyond the Twin Cities, like Rice, Steele, McLeod and Meeker Counties, fared well. Regional trade and service centers like Winona, Willmar, Mankato, Moorhead, Bemidji and Brainerd grew. Cities in agricultural areas, like Austin, Albert Lea, Worthington, Crookston and Thief River Falls, lost population. St. Louis County's population fell more than 10 percent. Many regional centers, especially in the lake areas, are rapidly suburbanizing and have growth-management problems more akin to Twin Cities suburbs than the rest of rural Minnesota.

A second major part of the report raises an even more fundamental warning for policymakers. Before rushing to divide the state into urban and rural parts, don't lose sight of the real question: What are the fundamental differences among communities that need to be taken into account when designing policies or programs? The report identifies five dimensions: remoteness, or geographical isolation; scale, which is a function of size; fiscal capacity; administrative capacity; and socioeconomic characteristics.

Remoteness, for example, affects the economics of recycling and access to health care, scale affects wastewater treatment affordability, and administrative capacity affects ability to manage programs for dislocated workers.

Distinctions between urban and rural capture some of the variations among communities on the five dimensions, as does the usual Metropolitan-Greater Minnesota distinction, but both do so imperfectly.

Policymakers should try to make policies sensitive to urban and rural differences, but should not assume that the traditional Metropolitan-Greater Minnesota division, or any other geographical division, is appropriate. Policymakers need to concentrate on the differences most critical to the policy at hand, and use groupings that best address those differences. It's not just Metro and Greater Minnesota anymore.

*J.H. Fonkert is manager of the trend-analysis section of the State Planning Agency and was research coordinator of the regional-diversity study.*

Continued from Page 1

Despite the problems and slow going, videotex entrepreneurs keep trying. One of them, Prodigy, a joint venture of IBM and Sears, is now operating in several markets in the nation, including the Twin Cities, offering electronic shopping, travel reservations, news and stock information, banking services, games and more.

The Twin Cities, according to *Computer User*, has anywhere from 150 to 250 electronic "bulletin boards," most of them not for profit and without graphics, providing a wide variety of information and conversation typed on a screen. It also has The Connection, which offers a telephone information and reservation service as well as a computer bank of information that users can access through their own computers and telephones.

One of the problems with getting videotex going has been that relatively few households have the necessary computers and telephone modems. U S West is different from its Bell siblings and most other U. S. videotex purveyors in that it will also market low-cost computer terminals that the customer can use to hook into the system. A customer who already has a computer and modem may also be able to use the U S West system.

The company has tested its Community Link in Omaha-Council Bluffs for more than a year. It leases one terminal for \$7.95 a month or sells it for \$279. A somewhat fancier terminal rents for \$11.95 a month or sells for \$325. Prices have been discounted during special promotional efforts, according to R. H. Berry, manager of market development.

These are so-called "dumb" terminals; they are merely devices for communicating with the computers where all the information is stored. Berry said Community Link is also accessible by modem from an IBM PC or compatible, a Commodore computer and Apple or Macintosh computers; less than 100K of memory is needed. In contrast, for IBM systems, Prodigy requires 512K of memory. Berry said 30 percent of Twin Cities-area households have com-

puters.

During the year's test in Omaha, Berry said, Community Link has been used by 3 percent of the households—about 6,900—in the community. About 2,000 had used it in the last 30 days preceding this interview. Minneapolis-St. Paul will be the second market in U S West's 14-state territory to get the service.

The problem of making videotex profitable has two sides to it: getting providers of services to make them available over a system that has few customers and getting customers to use a system that offers few services.

But Berry added, the Omaha-Council Bluffs test "by and large has gone well. We had initially speculated that if we had 100—some of us even fantasized 200—services on line by the end of our first year of operation we would be doing exceedingly well. At one point, we had over 750 services on it." However, that number is down to between 300 and 400 now. The *Omaha World-Herald* announced in mid-month it is discontinuing its service.

"We're going through some shake-out right now," Berry said. "We've made some mistakes. Some of our participants have made some mistakes. We're all learning... We can't prohibit services from coming on line. And we perhaps encouraged more services... than there was a user base ready to use." For example, he said, if there are more game services than the market will support, some of them are going to drop out because of the competition.

(Community Link does prohibit services that are sexually explicit or that violate the law, Berry said. For example, a California wine-country tour-guide and information service allowed Community Link customers to order cases of wine shipped to their homes and

charged on a credit card. That's against Nebraska law, and the service was dropped, Berry said.)

One of the shortcomings of the Omaha-Council Bluffs Community Link offerings, Berry conceded, is that few of them actually permit transactions—ordering a ticket, making restaurant reservations, buying a product. Most services provide little more than information displayed on a screen.

There are notable exceptions. "We've had some very exciting entrepreneurial small businesses," Berry said. One of them is The Cookie Company, run by two women "who own a little cookie booth in a mall" and take orders through Community Link to send cookies, with a card, to any destination in the world and charge it to the customer's credit card.

"They're sending cookies all over... That's the way they've been able to expand their market and to reach new markets that they couldn't reach by selling cookies over the counter," Berry said. "It also opens their door 24 hours a day, seven days a week."

Another local business allows the customer to order groceries and provides home delivery "within two hours." Another offers ordering and home delivery of videos. Eaasy (spelled with two a's) Sabre is a reservations system for 650 airlines worldwide, some 20,000 hotels and 50 car rental agencies. Comp-U-Store offers more than 250,000 products such as clothes, home furnishings, toys and VCRs.

One service permits the customer to see on the screen the same information on airline departure and arrival times that is displayed at the airport.

But most services provide such things as stock quotes, news items, help-wanted ads, answers to horticultural and agricultural questions, information on meet-

ings and seminars, "conversation" (through typing), an opinion forum, a dating service, government information, events calendar, a list of physicians and their specialties, games (either computer-based games or games such as poker with other players on the system), restaurant directory, cable TV schedules and funeral "pre-planning" information.

Berry emphasized that U S West is not itself allowed by law and the consent decree to provide any services on the system other than its white-pages directory or even to influence what goes on the system other than through trying to sell the providers on the idea. Rather, what it does is provide a single place—a "gateway," as the industry calls it—through which the customer can gain access to many computer-based services with a single identification code.

U S West's revenue from Community Link comes from the customer who leases or buys a terminal—Berry said they're provided at cost to buyers—and from the providers of services. Berry said he did not know, at the time of the interview, what charges in Minnesota would be.

In Omaha-Council Bluffs, a provider is charged an initial fee that might run as high as \$1,500 to \$2,000 for one-time costs such as establishing a dedicated channel between the provider's computer and Community Link. Berry said that fee is often waived or reduced. Providers are also charged a monthly rate in the \$150-\$200 range for leasing the channel. And they are charged 5 cents a minute for each minute the consumer is connected to their service.

The providers, in turn, may charge the customer a per-minute fee for use of the service—13 cents, 20 cents, 36 cents, a dollar are typical fees. The company may handle billing for the provider, put it on the phone bill and charge a fee to the provider for doing so. U S West does not charge the consumer specifically for use of the service, although a customer on metered service might run up a higher bill as a result of using Community Link.

U S West was preparing to file tariffs for Community Link with the Public Utilities Commission at the time of this interview. Berry said the firm hoped for a decision in 30 to 60 days.





# Manufacture

Continued from Page 1



Whatever happened to the service economy? The information economy? The postindustrial age? Is Minnesota going back to factories and smokestacks as the rest of the world moves forward? Hardly.

The reality is that many manufacturing jobs are no longer in factories and many factories no longer have smokestacks. Services have become more important to manufacturing businesses as well as to the service industries. Information technology is now critical to the success of the modern manufacturing firm.

Employment in headquarters and auxiliary establishments of Minnesota manufacturing firms has grown much faster than jobs in production facilities. These auxiliary establishments include administrative offices, warehouses and research and development laboratories. These jobs in the nonmanufacturing offices of manufacturing firms are included in the totals as manufacturing jobs.

From 1977 to 1987, jobs in auxiliary establishments of Minnesota's manufacturing firms grew by 43 percent, compared with overall manufacturing job growth of 13 percent. And these auxiliary jobs pay more than the production jobs. In 1987, Minnesota production workers earned an average

annual wage of \$21,000. Plant management and support employees earned an average of \$33,800 during the year. Staff who worked in headquarters, R&D laboratories and other auxiliary facilities of manufacturing companies in Minnesota were paid the highest salaries, an average of \$39,500 per employee.

Quality is the watchword—management leadership, customer satisfaction, employee involvement, continuous improvement, employee training. Soft stuff? Not really. Managers in Minnesota's manufacturing companies are mastering these principles, and it's paying off in productivity and profitability, not to mention jobs and survival in the world marketplace.

Companies such as 3M, IBM/Rochester (which just won the Malcolm Baldrige National Quality Award) and Tennant are leading the way in Minnesota, but many more small and medium-sized manufacturers are also taking the quality message seriously. Ironically, service industries have had more difficulty grasping the concepts of quality service, and it shows in their sluggish productivity growth (Table 2).

Productivity growth may be a key reason why Minnesota manufacturing industries have outperformed their counterparts in other states. Minnesota companies that had the highest growth in productivity as measured by value added per employee also had the highest growth in employment and paid the highest wages.

Minnesota's five highest growth industries from 1977 to 1987 were instruments, furniture, printing and publishing, rubber and plastics, and computers. Employment in these industries, along with their auxiliary establishments, grew by 45 percent in Minnesota compared with 28 percent growth nationwide. Value added per employee in these five industries grew 136 percent in Minnesota, compared with a 115 percent increase for the nation.

As a good Minnesotan, I must remind everyone not to be smug about Minnesota's manufacturing performance during the 1980s. The computer industry, which drove the Minnesota economy from the 1960s through the mid-1980s, has faced tougher times recently. Fortunately, other industries, such as the ever-robust printing and publishing, furniture and wood products, and, believe it or not, transportation equipment and food processing, have picked up to continue Minnesota's strong performance in the late 1980s.

Our diversity has helped us, but we still face serious challenges during the 1990s. To name a few:

**Quality and productivity.** First and foremost. This not just a passing fad. Those companies that take quality seriously may survive. Those that don't will disappear.

**Research and development.** The Europeans and Japanese are investing enormous sums in R&D, while the U.S. is still tinkering and worrying about marketing. U.S. production of scientists and engineers is abysmal, compared with other countries. Watch out, we can really fall behind here. Minnesota's strength in computers and information technology could give us an advantage in the 1990s if we maintain our edge through research and development.

**International trade.** Minnesota has been a national leader among states in promoting free trade and economic and cultural ties with other countries. Keep up the good work! These ties will be important to be successful in the international marketplace. By the way, when will we join the rest of the world and adopt the metric system?

**Rural development.** Even though manufacturing did well in Greater Minnesota during the late 1980s, many rural communities are still

Table 2.

## Annual percent change in labor productivity by sector Minnesota 1977-1986

	% Change
All sectors	1.1
<b>Above average growth sectors</b>	
Manufacturing	5.7
Agriculture	3.2
Wholesale trade	2.1
<b>Below average growth sectors</b>	
Retail trade	0.5
Transportation, communications, utilities	0.5
<b>Declining sectors</b>	
Government	-0.2
Services	-0.2
Mining	-0.9
Construction	-4.2

Source: U.S. Bureau of Economic Analysis

experiencing difficulties in stabilizing their economic and population bases. Manufacturers in the Twin Cities rely heavily on suppliers in Greater Minnesota. Policymakers must understand and encourage urban/rural linkages.

**Business cycles.** Minnesota's stronger than average performance during the current economic downturn has rekindled the hope that our state is somehow business-cycle resistant. This is a false hope. While the management expertise and productivity of Minnesota businesses may help us weather a recession better than other states, the state's economy is highly dependent on the performance of the national economy.

**People.** Minnesota businesses have benefitted from a well-educated, motivated and hard-working labor force. Minnesota must continue to encourage these traits through investments in education and training and by rewarding those who are creative and take risks.

*Lee Munnich served as deputy commissioner of business development and analysis for the Minnesota Department of Trade and Economic Development until Feb. 1. Copies of the report on which this article is based can be obtained by calling 612/296-8341.*

Table 1.

## Manufacturing employment growth, 1977-1987 (000s)

Upper Midwest States	1977	1987	Change	%
Minnesota	331.7	374.0	42.3	12.8
Wisconsin	535.0	512.7	-22.3	-4.2
Iowa	240.3	206.1	-34.2	-14.2
South Dakota	22.5	27.3	4.3	21.3
North Dakota	13.8	15.4	1.6	11.6
Totals	1143.3	1135.5	-7.8	-0.7
Lower Midwest States*	6271.3	5498.0	-773.3	-12.3
United States	19487.4	18933.6	-553.8	-3.3

\* Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin.

Source: Census of Manufactures, 1977-1987.



State manufacturing does well.—Page 1.

Using environmental trust fund.—Page 2.

Decisions about death.—Page 2.

Lower campaign contribution urged.—Page 4.

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## Outstate manufacturing-job growth paces state

Manufacturing has done surprisingly well in Minnesota. The state's manufacturing industries outperformed the nation and other midwestern states during the 1980s. Look at these facts:

- From 1977 to 1987, Minnesota increased its manufacturing jobs by 13 percent, while the nation lost 3 percent and the midwestern region lost 12 percent (Table 1). From 1987 to 1990, Minnesota

added 8 percent more manufacturing jobs, compared with a 2 percent national increase.

- In both 1977 and 1986, Minnesota's manufacturing industries contributed 21 percent of gross state product (GSP), while most other states experienced a decline in manufacturing share of GSP.

by Lee W. Munnich Jr.

- Manufacturing value added per employee, which is a measure of productivity, increased 121 percent in Minnesota from 1977 to 1987, compared with 108 percent for the nation.

- Since 1984, Greater Minnesota has increased its manufacturing employment faster than the Twin Cities region. From 1984 to 1989, manufacturing jobs in Greater Minnesota expanded 17 percent, while Twin Cities manufacturing jobs grew just 2 percent.

- Minnesota's economy is much more diverse now than it was 30

years ago. A recent study by Goldman Sachs found that Minnesota's economy now comes the closest of all 50 states to the structure of the national economy.

These and many more facts about Minnesota's industries and economic performance are contained in the *1991 Economic Report to the Governor*. This year's report draws heavily from recently released business censuses, conducted every five years by the U.S. Department of Commerce, to present a detailed sectoral analysis of Minnesota's private industries.

Continued on Page 7

## U S West plans videotex offering in Twin Cities

by Stephen Alnes

U S West Communications plans to bring its version of videotex to the Twin Cities in the fourth quarter of this year.

Videotex is a system through which a customer uses a computer terminal and telephone line to call up on a screen a variety of information and graphics about products and services. In the case of some services, the customer can use the system to arrange a transaction—reserve an airline ticket, make hotel reservations, buy a concert ticket for a specific seat—while sitting in front of the screen.

Videotex is not new. The French Minitel system has millions of customers and several thousand

services. But early videotex operations found the going tough in the U.S., and several experiments were terminated. Earlier this month, Nynex Corp., White Plains, N.Y., said it will drop its videotex operations in Burlington, Vt., Boston and New York City after suffering "several million dollars a year in losses."

Nynex, like U S West, is one of the regional Bell telephone companies split off from AT&T in 1984 in a consent decree ending a federal antitrust action. Bell South and Bell Atlantic have relatively small videotex trials under way, according to the *Wall Street Journal*.

Continued on Page 6

## Cities-Outstate division not a sharp enough tool

by J. H. Fonkert

New York has the City and Upstate. Illinois has Chicago and Downstate. In Minnesota, we have the Twin Cities and Outstate.

Granted, in polite company "Greater Minnesota" has replaced "Outstate," but the idea remains the same: There are two Minnesotas, the urban Twin Cities and the rural balance of the state.

We stereotype our state this way because it is convenient. As with

most stereotypes, there is some truth to it—clearly Ramsey County is urban and completely different from Kittson County, which is rural. But, like most stereotypes, this one oversimplifies reality.

A recent State Planning Agency report entitled "Regional Diversity: Reexamining the Urban-Rural Dichotomy," debunks the traditional urban-rural view of Minne-

Continued on Page 5





# Citizens League Matters

February 26, 1991

News for Citizens League Members

## Welcome new members

- Joanne Johnson
- Sharon Johnson
- Susan Smith-Cunnien

## Thank you recruiter

- John Gessner

## Thanks to renewing corporate members

- ADC Telecommunications
- Abbott-Northwestern Hospital Corp.
- Al Johnson Construction Co.
- Alnes Resources, Inc.
- Apogee Enterprises
- Bassford, Heckt, Lockhart, Truesdell & Briggs
- Bell Lumber & Pole Co.
- Bemis Company Inc.
- Blue Cross & Blue Shield of MN
- Bureau of Engraving
- Charles B. & Margaret L. Sweatt Family Fund
- Cobb, Strecker, Dunphy & Zimmerman

## Board discusses report from libraries study committee

### *Directors approve regional library services but question taxing authority*

The Citizens League Board of Directors approved the report of the Libraries study committee, chaired by Steve Schewe, with one reservation. The Board agreed with therecommendation to take a regional approach to improving certain library

provide clear accountability.

Some Board members were concerned that although regional library services were important, many other services are also in demand. They asked whether granting special taxation

### *Should an organization for regional library services have tax powers?*

services. However, some directors questioned granting taxing authority to the Metropolitan Library Service Agency (MELSA), which would be the vehicle for organizing services on a regional basis. Board members asked whether such authority to MELSA — a nonelected body — would

authority for regional library services might set an unwise precedent.

Board members asked Schewe to work with staff and interested committee members to revise the regional structure component of its recommendations. The Board will take up the matter at its meeting on February 25.

## Make volunteer time do double duty

Citizens League members who work for some local employers can leverage their contributions of time and money to the League. Northwestern National Life Insurance Company (NWNL) recently announced that it would join the ranks of local companies that match their employees' volunteer support of nonprofit organizations. Under the program, if an NWNL employee gives 42 hours of volunteer work in a year for a nonprofit, NWNL will donate \$250 to the nonprofit.

In addition NWNL will match up to an additional \$250 for donations made by the member.

Other companies offering similar programs include Cray, Ecolab, First Bank, IDS, Piper Jaffray, Soo Line, Western Life, and US West. League members who work for those companies should contact the corporate contributions office for information about how they can make their time do double duty.

## Accolades to trucks committee

The Citizens League report *Big Trucks: A Small Piece of a Larger Problem*, approved by the Board in January, was a product of the collective work of 28 League members. Ellen Benavides chaired the committee, assisted by vice-chair Rob Fulton. The other committee members who actively participated in the deliberations of the report are:

John Bartlett, Dennis Cavanaugh, Roger Conant, Ann Duff, Hugh Faville, Ruth Hass, David Hols, Curt Hubbard, James Krause, Fred Lange, Larry Long, Alan Mingo, Valdemar Olson, Calvin Pipal.

Larry Schmitz, Minnie Schroeder, Linda Schutz, William Smith, Karen Swenson, William Tarbell, Robert Teetshorn, Ronald Tomczik, Roger Urban, Jane Vanderpoel, Chris Welsh.

The League thanks these members for their input to the Trucks Committee.

## Welcome new corporate members

The League thanks the following corporations for recently joining its family of members:

Displaymasters, Inc.  
J.A. Development, Inc.  
Lang, Pauly & Gregerson, Ltd.  
The Hartfiel Co.



# Mind Openers ask about restructuring education

## Speakers to address consolidation

At the next series of Mind Opener breakfasts **Gerald Christenson**, chancellor of the Minnesota Community College system, and **Gene Mammenga**, commissioner of the Minnesota Department of Education, will describe how and why Minnesota should restructure some of its education systems.

On March 12, Education Commissioner Mammenga will describe the proposal he made to the House Education Committee in which the number of Minnesota public school districts would be reduced from about 425 to 300.

All Mind Opener breakfasts

## How will proposed structural changes make a difference?

On Tuesday, March 5, Chancellor Christenson will explain the proposal to merge the state's 21 community colleges with the 34 technical colleges into a network of 41 comprehensive institutions. The merger has not before been actively pushed by representatives of the postsecondary system.

are held at the Central Lutheran Church located at 333 East 14th Street in Minneapolis. When parking in the church parking lot please park on the south side of the lot, near 15th Street. The rows closest to the church are for contract parkers. Mind Openers begin at 7:30 a.m. and adjourn at 8:30. Call 338-0791 to make a reservation.

# Reports receive hearings

Over the past few weeks Citizens League reports have been the focus of discussion in a variety of settings.

At the State Capitol, the League testified on health care, government restructuring, transit and precinct caucuses. Executive Director **Curt Johnson** spoke to the House of Representatives Government Operations Committee on ideas for restructuring state government. Research Associate **Jody Hauer** spoke on state-imposed health insurance mandates before the House Committee on Health and Human Services. Hauer also updated the Elections Division of the House General Legislation, Veterans Affairs and Gaming Committee on the League's committee studying precinct caucuses.

**Ted Kolderie**, chair of the League's subcommittee that produced the LRT statement, described the League's recommendations to the Senate

Transportation Committee.

Associate Director **Allan Baumgarten** laid out the League's positions on the state and local fiscal system on Minnesota Public Radio and before a North Central cable television audience. Hauer described the League's fiscal recommendations to: the Leadership Duluth group sponsored by the Duluth Chamber of Commerce, and to the North Hennepin Chamber of Commerce.

Communications Director **Pete Baumgarten** also met with the North Hennepin Chamber of Commerce to discuss the League's report on mandated health benefits.

**Vanderpoel** is participating the effort spearheaded by the Association of Metropolitan Municipalities to create an advisory commission for appointments to the Metropolitan Council.

## CL Calendar at a Glance: February 25 - March 8, 1991

Monday	Tuesday	Wednesday	Thursday	Friday
<b>25</b> <b>Board of Directors</b> , noon-2:00 p.m., Piper Jaffray & Hopwood, Minneapolis	<b>26</b> <b>Mind-Opener</b> , 7:30-8:30 a.m., Central Lutheran Church, Minneapolis	<b>27</b>	<b>28</b> Does your employer match volunteer contributions? Make your time do double duty.	<b>1</b> <b>Community Information Committee</b> , 7:30-9:00 a.m., Tay Do Restaurant, St. Paul
<b>4</b> Got a problem? Should the Citizens League study it? Let the Program Committee know about it by calling 338-0791.	<b>5</b> <b>Mind-Opener</b> , 7:30-9:00 a.m., Central Lutheran Church, Minneapolis	<b>6</b> <b>Board of Directors</b> , noon-2:00 p.m., Town and Country Club, St. Paul	<b>7</b> <b>Marketing &amp; Communications</b> , 7:30-9:00 a.m., Thresher Square Building, Minneapolis <b>Program</b> , 5:30-7:00 p.m., MN Department of Health, Minneapolis	<b>8</b>