



***Building on Strength:
A Competitive Minnesota Economic Strategy***

*public affairs
research and education
in the Minneapolis-Saint Paul
metropolitan area*

CITIZENS LEAGUE

Citizens League Report

**BUILDING ON STRENGTH!
A COMPETITIVE MINNESOTA ECONOMIC STRATEGY**

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**Approved by
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INTRODUCTION

In late Summer 1983, as the state and the nation fought their way out of a recession, the Citizens League Board of Directors created a Committee on the Economy to consider whether state government could take any action, pursue any course, that would enhance the state's economic performance in a changed and changing environment.

The directors said: "The principal charge to this committee shall be to identify options for intervention by Minnesota state government to enhance economic development, to evaluate their potential effectiveness, and to determine what having a state industrial policy might mean to Minnesota."

The charge continued: "The study should assess objectively the present condition, with some attention to the history of the state's economic development; determine what the economic future will look like if the public policy framework remains what it is today, using as a context forecasts, trend projections and an understanding of the state's comparative advantages. This study should assess the feasibility of formulating industrial policy within the political jurisdiction of a state." (Emphasis added)

Perhaps inevitably, the committee found itself wrapped up in Minnesota's long-playing "business climate" debate. It also found it necessary to separate and define, to the extent possible, such terms as "industrial policy," "business climate" and "economic development."

"Industrial policy" was defined to mean an explicit government policy intended to encourage certain industries and industrial sectors expected to grow more rapidly than others in the medium- and long-term. The emphasis is on being explicit, on the time frame involved, and a choice among industrial sectors.

"Business climate" was defined as the current combination of tax and regulatory practices which affect the daily operations of businesses and which affect the views of business people about Minnesota as a place to conduct business. Although individual elements of the "business climate" were deliberately created, the sum of their effects, while not quite accidental, does not meet the test of being an explicit state industrial policy targeted to certain economic sectors.

The committee also identified a group of programs designed to promote or assist the location and timing of an individual company, commercial or industrial project or business. Examples include state appropriations to promote tourism, grants or low-cost loans to individual businesses, tax incentives or breaks for certain industries and issuance of tax-free bonds to finance an industrial park, export financing, relocation of a business or construction or redevelopment of buildings for individual businesses. These activities are grouped under the title "economic development."

Obviously, the activities covered by these three definitions blur the lines intended to separate them. But those are the definitions used by the committee in succeeding pages when it concludes that: 1) Minnesota should not create an explicit industrial policy aimed at helping a select band of industries; 2) Minnesota must recognize that its business climate is being judged for its competitiveness and thus must elevate the understanding of and the debate concerning the subject; and 3) locational development activities of government should be required beforehand to meet explicit criteria and audited after the fact to determine whether they accomplished their purposes.

In response to the charge to identify "options for intervention" by state government, the committee found that the most important single thing the state can do is to improve the potential productivity of its people through education.

The committee is aware that its call for educational improvements might be judged as contradictory to its contention that Minnesota also must strive for a more competitive business climate which might mean restraining public taxing and spending. Good education cannot be bought cheaply. Education already is the largest item in the Minnesota budget, and Minnesota spends more than the national per capita average on education.

But a case can be made that Minnesota's economy has done as well as it has despite its high tax status because the state has chosen to invest a significant portion of its tax revenues in the productivity of its people. Thus the committee is not recommending that the state seek a better business climate by reducing spending on education.

Rather it proposes that the state invest its educational dollars in a tailored manner designed to give Minnesota an educational system from kindergarten through graduate school that is acknowledged by established agencies to be among the best in the nation.

The purpose is to enable individual Minnesotans to maximize their own economic potential and to do it in a way that compels national recognition. That would be a major state contribution to a vibrant economy.

The challenge, of course, is to accomplish the educational goals while also improving the business climate. More specifically, the state should seek an educational system of the first rank but not, in the process, create a tax system which drives its graduates away. The committee believes it possible to accomplish this over a relatively short period of years by restraining spending increases and by gradually bringing Minnesota's taxes close enough to those of other states so that they are not a central matter of concern in business locational and expansion decisions. Now, when state government is enjoying revenue surpluses generated by a resurgent economy and high tax rates, is a good time to begin.

FINDINGS

- I. Minnesota, by most available quantitative data, has done better economically than the nation as a whole. The economy of the Twin Cities metropolitan area has done better than the state's.
 - A. Looking at such measures as personal income growth, employment, growth in jobs, and growth in manufacturing jobs, Minnesota has outperformed the nation as a whole over the past decade. Several states have done better than Minnesota, but not most. The data also show that Minnesota suffered more severely in the recent recession than the nation as a whole. Some of the most recent economic indicators show some sectors of the Minnesota economy are now recovering from recession more rapidly than the nation.

Performance inside Minnesota is uneven. The Twin Cities metropolitan area has higher personal income and lower unemployment than the rest of the state. State averages may, therefore, obscure the true picture in different parts of the state. The 1980 Census found, for example, that the median per capita income in Minnesota was \$7,451. In urban areas, the median per capita income was \$8,208, compared to a rural average of \$5,924. For the Twin Cities metropolitan area, the median was \$8,632. Unemployment is lower in the metropolitan area than the state as a whole.

The recent recession had a differential impact on different parts of the state, according to the August 1984 Review of Labor and Economic Conditions, published by the Minnesota Department of Economic Security. An article charting employment and unemployment in eight regions of the state showed that employment has exceeded pre-recession highs and is expanding in the metropolitan, central and southeastern regions of the state at the end of 1983, even though these sectors have had more rapid labor force growth than other regions.

Employment. Minnesota has traditionally had lower unemployment rates than the nation. Unemployment in Minnesota stood at 5.6 percent, compared to a national rate of 7.3 percent, according to the Minnesota Department of Economic Security. Unemployment in the Twin Cities metropolitan area (including Chisago and Wright Counties) was 4.5 percent. Unemployment in some Minnesota counties, especially in the northeastern part of the state, was much higher than statewide averages.

According to a background paper for the Minnesota Tax Study Commission, Minnesota generated jobs faster than most of the North Central states and the nation as a whole during the period 1969-1983. Employment increased 26 percent in Minnesota compared to 22 percent nationally.

Minnesota's overall job total is at an all-time high, in contrast to some other states which have still not exceeded pre-recession levels.

Manufacturing employment in Minnesota has also increased faster than in the nation as a whole, according to state economist William Toal. Statistics developed by his office show that from 1972 to 1982, Minnesota's durable and non-durable manufacturing employment increased

while in the nation as a whole it decreased. Total manufacturing employment in Minnesota grew by 51,500 from 1970 to 1980, more than any midwestern state with the exception of Kansas and Wisconsin, according to the state economist's office.

Income. Personal income in Minnesota grew faster than the national average in recent years. Real earned income per capita (inflation adjusted) grew by 16.2 percent, compared to a national figure of 14.8 percent, for the 1969-1982 period, according to Tax Study Commission research.

Minnesota ranked 18th in personal income per capita in 1981, a ranking it held in 1980 and 1970, according to the U.S. Department of Commerce. Minnesota's real per capita personal income growth from 1970 to 1980 was 29.6 percent, compared to a national figure of 24.6. In contrast, however, real per capita income grew 25.6 percent in Minnesota and 28.3 percent for the nation as a whole from 1979 to 1982.

Thus, although Minnesota outperformed the nation in personal income growth over the 10-year period, it did not keep up with the nation during the recent recession. More recent Department of Commerce statistics show that from the first quarter of 1983 to the first quarter of 1984, Minnesota's per capita personal income growth was 11.0 percent, outperforming the national rate of 9.9 percent.

Output. Gross state product grew by 37.5 percent in Minnesota between 1970 and 1980, compared to a national rate of 36.2 percent, according to statistics developed by Professor Wilbur Maki and reported in the Minneapolis Star and Tribune.

- B. Some projections hold that job and personal income growth for Minnesota will continue to be healthy, although any such predictions are open to question.

Professor Maki's paper "Minnesota's Economic Outlook to 1990" projected per capita income in 1990 just slightly below the U.S. average. Maki notes that per worker income in Minnesota is expected to be below the national average, but because a higher proportion of Minnesota's population is in the workforce, the per capita average is higher than the national average.

The Minnesota Department of Finance's October 1984 economic forecast (produced by D.R.I., an independent, private economic consultant) showed the following projections for wage and salary income increase for Minnesota and the United States:

	<u>Actual</u> <u>1982</u>	<u>1983</u>	<u>Projected</u> <u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
U.S.	5.1%	5.8%	8.7%	6.1%	6.7%	8.6%
MN	4.6	6.1	9.3	8.5	7.0	8.6

A research paper developed for the Minnesota Tax Study Commission showed a statistical correlation between states with progressive tax systems and lower-than-average employment in the wholesale trade, retail trade, and finance/insurance/real estate sectors. It also showed a correlation between faster-than-average increases in taxation and slower-than-average overall job growth. Minnesota, however, is a state with a progressive tax system which has seen faster-than-average growth, an exception to the pattern. Because Minnesota did not have faster-than-average tax increases, the faster-than-average job growth here fits the overall pattern.

- E. Expansion of Minnesota business and new business startups are the driving force for job growth, not the relocation of out-of-state businesses here or the expansion of out-of-state businesses in Minnesota.

Data developed by Prof. David Birch of the Massachusetts Institute of Technology show a fairly constant rate of business dissolution, about 8 percent per year, throughout all regions of the nation. His statistics show that whether a region is increasing in jobs or not, the percentage of businesses closing up shop is constant. Birch and other economists studying business employment patterns concluded business relocations are not significant distributors of jobs.

"Practically all of the leverage lies in affecting where new firms locate and where existing firms choose to expand," Birch said.

- F. University of Minnesota Professor John A. Borchert, in a paper prepared for the Commission on Minnesota's Future in 1975, argued that entrepreneurship has played a vital role in the past development of Minnesota's economy.

"In Minnesota local job entrepreneurship may well be even more necessary for local job creation than it is in some other parts of the United States. For this region has always lacked important resources or energy; it is on the geographical margin of the national market; and it is not a geographical concentration of low-priced labor. Circumstances would seem to demand that people within the state invent ways to serve the national and local markets and thus to create jobs that otherwise would not exist here. The alternatives would be either to move or to work for wages low enough to offset the cost of importing energy and reaching distant markets."

"The amount and performance of local entrepreneurship appears to have been quite high in comparison with the United States generally. It also appears not to be simply the result of a high degree of concentration of the regional economy in a single metropolitan area. There is evidence that this high rate of development of job-providing firms has been a continuing process at least from the 1850s through the 1960s. It appears that Minnesota enterprise not only accounts for virtually all job creation within the state but also contributes more to job creation in the nation as a whole than might be expected on the basis of the state's population.

not clear
KAT: evidence
Among the reasons cited for Minnesota's relative success is its diverse economy. According to the Tax Study Commission paper, Minnesota's economy is divided among the various economic sectors in an almost identical fashion to the national economy, with the exception of agriculture which is more important here. Diversity means greater strength and resiliency in the economy. In contrast, states and regions which depend on a few types of economic activity can be severely damaged when those economic activities are in downturns.

Using shift-share analysis, researchers for the Tax Study Commission calculated that Minnesota's economy does not contain a higher-than-average share of fast-growing industrial sectors. (Shift-share analysis measures how much of a share each industrial group has in the economy and measures how these various sectors have fared over time.)

"A state specialization in the rapidly expanding sectors of the national economy did not fully explain Minnesota's above-the-national-average rate of employment growth. In reality, Minnesota's industrial mix is about evenly split between those industries that grew rapidly at the national level and those that grew slowly at the national level.

"The factor that did account for Minnesota's above-average employment growth was the ability of most of its industries to outperform their national counterparts. Nearly all industry sectors grew faster in Minnesota than they did nationally. This allowed Minnesota to increase its share of the nation's total employment," the report said.

Minnesota has a large number of corporate headquarters, another factor often cited as a reason for Minnesota's economic success. It is 11th on the Fortune 500 list, a ranking of the largest industrial enterprises in the nation. With 40 of the largest firms headquartered here, Minnesota has more than its national share. If corporate headquarters were distributed among states on a per capita basis, Minnesota would be expected to have roughly 10.

Corporate headquarters jobs are more stable than jobs in sectors such as manufacturing and construction and also tend to pay well. The presence of many large corporate headquarters has generated spinoff businesses and the demand for business services such as legal, accounting, financial, and advertising services.

- D. How Minnesota's economy would have performed if another set of policies had been pursued is impossible to know. Critics of the state's business climate say Minnesota's economy would have grown even faster if policies were different.

A study by the Small Business Development Center in Saint Paul said as many as 80,000 jobs left or located outside Minnesota because of high state-induced business costs.

- G. Minnesota is probably a bad location for certain kinds of businesses. Industries which need many, low-skilled workers, or which will be at a competitive disadvantage because of transportation costs will not do well in Minnesota. Jenos Pizza moved from Duluth, for example, because shipping costs to eastern markets raised the cost of the product. Jenos opened a factory in Ohio in order to cut transportation costs.

Tonka Toys moved its assembly operations to Texas and Mexico to take advantage of low-wage labor there.

- II. Minnesota labor needs may outpace Minnesota's labor force. Demographic projections show the rate of increase of the Minnesota labor force will decline significantly. If job growth continues at anything like the pace it did in the 1970s, labor shortages will occur.

- A. During the 1970s, the baby boom generation and a higher percentage of the female population were assimilated into the Minnesota workforce. (All figures in this section are from the state demographer's office.) The Minnesota labor force grew 17.65 percent in the 1960s and 30.15 percent in the 1970s. Employment grew 18.72 percent in the 1960s and 28.77 percent in the 1970s.

The rate of labor force expansion is expected to slow in the 1980s to 16.5 percent. During the next decade, the 1990s, labor force expansion is projected at 6.7 percent.

If Minnesota's job-creation rates average what they did during past decades, unemployment in 1990 will be four percent. Under some extrapolations, Minnesota could have an unemployment rate approaching zero.

- B. In Minnesota, and elsewhere, certain people remain unemployed even in times of low general unemployment. For a variety of reasons, they do not become part of the labor force even during periods of expansion. In all likelihood, these people will need assistance even if the economy continues to generate many new jobs.
- C. If predictions about employment hold, public policy choices in the 1990s and beyond may need to be geared toward achievement in other economic indicators, such as personal income growth and productivity. Currently, much of the public debate centers on unemployment statistics and job creation. Most public programs which are established specifically to help the economy cite job creation as their central aim. Job creation and anti-unemployment programs will not be of central importance to overall public policy should these demographic predictions come true.

- III. The economic forces affecting Minnesota are increasingly global and national rather than regional and local.

- A. Decades ago, Minnesota companies did a higher proportion of their business locally. Now, many Minnesota companies are national and multinational in scope.

Because proximity to markets can be less important in service and communications businesses, Minnesota's competitive disadvantage for some growing segments of the economy has decreased.

Conversely, some of the traditional business service and headquarters functions which have grown up in the metropolitan area can now be more easily moved to other parts of the nation or upper midwest.

- C. Minnesota has a variety of advantages in a service-based, technology-oriented economy. The presence of a large number of corporate headquarters, a skilled workforce, a better-than-average education system, high technology companies, a positive cultural environment, and well-developed public-private channels of communication are among them. Some of these advantages, such as the education system and the skilled workforce, stem in significant part from public sector activity.
- D. Blue-collar jobs in traditional manufacturing industries offer high wages. These jobs have been an avenue for social advancement and created middle-class communities. Observers as diverse as business climate critic Don Larson and state Commissioner of Employee Relations Nina Rothchild predict difficulties for Minnesota as these sorts of jobs decline in importance. Manufacturing jobs are in general more highly paid than service jobs, it is often argued. Manufacturing industries also often provide the base around which service industries cluster.

Rothchild said that middle-income households lead to a cohesive community that is willing to invest in long-term benefits such as stable neighborhoods, good schools, and social equity. The community as a whole will change fundamentally if a bifurcation of income develops in a service-oriented economy, some observers hold.

Another concern about service industries is that they can move easily, leading to social disruption. Service businesses are easier to move because they are not tied to significant capital investments such as factories. New technologies make it possible to perform certain business functions anywhere, making low-wage, low-tax locations more attractive.

The September 1984 issue of Twin Cities Labor Market Information, published by the Minnesota Department of Economic Security, shows that average manufacturing earnings are not the highest of all sectors. Public utilities, construction, and some transportation sector earnings are higher than average manufacturing earnings, with trade, services, and finance/insurance/real estate lower. Within the various sectors, important differences exist. Legal and medical services, for example, pay quite well compared to most manufacturing jobs, and some manufacturing jobs, such as textiles and apparel, pay lower wages than many non-manufacturing sectors.

A 1984 survey on salaries conducted by the Minnesota Department of Economic Security shows that certain job categories exist in different industrial sectors. Stenographers, stock clerks, typists, system analysts, janitors, personnel managers, data entry operators, guards

and other job titles are present in all types of businesses. System analysts and personnel managers working for service and trade businesses are likely to make more money than guards or typists working for manufacturing firms.

The current low-wage status of certain occupations should not be taken for granted, either. Wages in many manufacturing industries began low but increased over time. The same may occur in other sectors as markets mature and pressure from workers for higher wages grows.

At present, there is little evidence that Minnesota is doing poorly in developing manufacturing jobs in any event. Minnesota is moving in the opposite direction of the nation, increasing the number of manufacturing jobs at a time when the number of manufacturing jobs in the nation dropping. It was pointed out to the committee, however, that because of the way in which statistics are tabulated, the determination of what a manufacturing job is -- as opposed to a service job -- may be difficult. A manufacturing firm will have its headquarters jobs categorized as manufacturing, even though the people may be sitting in offices, spending their time on the phone or operating word processors.

- E. A great deal of the discussion about service versus manufacturing businesses fails to take into account distinctions between different types of service industries. Some of the fast-growing service businesses -- such as medicine and business services -- tend to cluster around population centers, and cannot move more easily than any other type of business. Many personal services and trades, such as restaurants and retail, also must locate near population centers.

Concerns about a declining manufacturing base may be less well founded when considering a state, as opposed to a whole nation. The loss of the steel industry may be of concern for the nation as a whole, but the presence or absence of an industry in one state might not matter. Minnesota may specialize in services, headquarters, research and development, and agriculture and prosper without a strong steel or auto manufacturing sector.

- F. The rate of change, both technological and economic, is increasing. Technological advances are creating new products at a rapid rate. Because of the rapid pace of change, predicting the future accurately is difficult.

A 3M executive noted recently that roughly 25 percent of that company's products are less than five years old.

Technological change hits all businesses and activities and is not confined to a narrow band of "high tech" businesses. The effect of communications technology, for example, has revolutionized the banking and financial industries and altered the worklife of the people inside them. The increase in computer use increased the number of jobs at companies making computers, but has also reduced the number of clerks at insurance companies.

V. In an information/service economy, skills are the most important resource, not machines. Changes in manufacturing will also require a more skilled and trained workforce. Productivity in the emerging economy will likely stem more from human capital, not physical.

A. Presence of natural resources and access to capital were driving forces during the industrial age. The presence of population centers with technically-trained persons and entrepreneurs can be viewed as the analogous economic driving forces now.

Capital and natural resources will undoubtedly continue to be important factors in future economic growth. They do not carry the central importance which they did in the past.

B. Because of the importance of skills and technological knowledge, education is a key factor for the state's economic future.

Training occurs both in the workplace and in schools and colleges. Computer programming can be learned on the job, in college, or at a vocational-technical institute.

Training and retraining will likely become more important in a shifting economy.

C. The Minnesota High Technology Council was formed in 1982 to promote technology-oriented businesses in the state. A paper issued by the group cites "A Guide to Business Site Locations: The United States. For High Technology Businesses," (Auguste Thourard Corp., 1982) as identifying the following as the five most important criteria for locating high technology industry.

- * Proximity to major universities of national ranking.
- * Proximity to other major high-tech businesses.
- * Local quality of schools, surrounding community.
- * Level of education, surrounding population.
- * Concentration of scientists and engineers.

All of these factors have to do with people and skills or systems to help people adopt or learn new skills and none with natural resources or proximity to markets. The high value-added nature of many high technology products makes their quality the determining factor in sales and usefulness, not factors such as proximity to market.

D. A 1981 survey by Fortune magazine showed that quality of life for employees, personal preferences of company executives, and style of living for employees were ranked as the most important factors used by executives for locating corporate headquarters.

VI. Government at all levels has long been involved directly or indirectly in the economy. Recessions in the 1970s involved state and local government

in the economy in new and different ways. The involvement of state/local government on the economy has a limited impact.

- A. State and local governments historically were involved less directly and to a lesser degree than the federal government in economic policy. The federal government has more tools -- such as trade and tariff policy, fiscal and monetary policy, and more far-reaching tax incentives -- than state-local government.

State-local government has had the role of providing public services like education and infrastructure which support urban society and the industrial economy.

- B. Back-to-back recessions in the 1970s heightened governmental consciousness of the economy. The economy was a central issue in the 1980 and 1984 presidential campaigns.

The success of foreign competition in many industries led to proposals for federal initiatives -- including an industrial policy -- to strengthen the economy.

- C. In Minnesota, the impact of the recession of the late 1970s generated concern about the state's economic future. Gov. Rudy Perpich ran on a platform promising action to spur the state's economy.

The effect of state policies on the strength of the economy was a major issue in the 1984 legislative campaign.

- D. At the municipal level, public programs aimed at clearing slums and blight during the 1960s became by the 1980s programs aimed at generally enhancing economic activity. Minneapolis Mayor Donald Fraser, for example, said job creation is an important goal for city government.

- E. Although virtually all levels of government currently undertake programs geared to improving the economy, controversy exists over who should do what and what impact governmental involvement has had. Author Jane Jacobs and others point out that state-level activity has limitations because economic activity does not conform to state boundaries. Jacobs argues that metropolitan areas, not nations or states, are the most relevant economic units. Jacobs points out that some cities prosper in declining nations and some cities decline in prosperous nations.

Prof. John Adams of the University of Minnesota told the committee that there is really no such thing as a state economy, but only local portions of larger national and international economies.

Other observers say that the relevant entity is the economic sector or activity, such as communications, agriculture, heavy manufacturing, or mining. A single industry -- such as textiles or taconite mining -- gains or declines in wealth as a result of its particular circumstances, not because of its location in a certain political boundary. Minnesota's current economic circumstances bear this out, with growth in manufacturing and decline in agriculture.

State-level public officials undertake many efforts to get large companies to locate factories and branch offices in their communities, but this has no net impact on the larger national economy.

Critics of municipal and state initiatives to develop jobs say these activities merely shift jobs which would have occurred anyway from one location to another, with no net increase. Public officials under pressure to "create jobs" willingly try to import businesses even though they might not represent real economic growth for the society as a whole or greater economic opportunities for residents of a given community.

Activities by the municipal industrial development authorities, for example, certainly result in the location of some businesses and factories in municipal industrial parks. But it is impossible to tell if those plants would simply have located elsewhere in the same city or in another city. The state of Minnesota recently offered financial incentives to get a waferboard factory to locate in Two Harbors. The International Falls Daily Journal worried editorially if the new competition to the Boise Cascade factory in International Falls will result in a shift of jobs from International Falls to Two Harbors.

- F. State public policies have limited impact on the economy. Most of the speakers who addressed this committee said global and national economic forces are the fundamental determinants of what happens to the economy. The current upswing in Minnesota employment, for example, is more directly a result of national economic growth than any state or local public policy. The state can do little to have an impact on the fundamental forces which have led to declines in demand for Minnesota farm products and taconite, or increased demand for printed goods, computers, and business services.

Long- and medium-term graphs of employment and income growth show that Minnesota, and other states, follow basically the same trends as the nation as a whole. When the national economy is in a recession, Minnesota will be hit too, although sometimes not as badly and other times somewhat worse.

- G. Programs and policies may have a dramatic impact on one type of business or industry and almost none on other ones. High personal income taxes, for example, may create difficulties for an engineering firm trying to attract top graduates in a national market. It is unlikely high income taxes have any effect on mining or agricultural operations.

Because businesses go through cycles and stages of development, policies and programs may have an impact at a one time for a certain business and not at others. Reduced interest loans, for example, are of little use to start-up ventures too small to do the paperwork to apply for them, but may be critical for an expanding manufacturer. World trade initiatives are unlikely to help multinationals like Honeywell or 3M market their products overseas because they already have sophisticated marketing systems, but may help businesses now serving only domestic markets expand into global markets.

The availability of space for expansion or venture capital at the right moment in a firm's growth may be a determining factor about whether the firm expands, goes out of business, or moves elsewhere.

- H. Most public activities geared towards development do not promote fundamental economic forces, such as productivity or innovation, but rather have an impact on location and timing of economic activity. Programs such as low-interest loans, enterprise zones, promotion of the state as a place to locate a business, and tax increment financing have a minimal impact on productivity or innovation.
- I. Besides its involvement in providing such services as education and infrastructure, government has a strong role in mitigating economic dislocations. Income support efforts and retraining, for example, are largely public responsibilities.

In the case of large-scale economic dislocations, such as the declining market for taconite, the public sector is called upon to mitigate the social dislocation. In the public discussion over the future of the Iron Range, few voices are calling on the steel companies to retrain or relocate workers, or to protect the economic health of the communities involved. These functions are assumed to be public responsibilities.

On an individual basis, when a person is totally without income, the person turns to the public sector for help. After a certain period, the former employer's responsibility is ended and economic support becomes a purely public endeavor.

VII Minnesota is perceived as having a negative business climate by many groups. The debate over business climate in Minnesota has been under way for decades and is polarized. The disagreement is characterized by contrasting analysis of available facts.

- A. Minnesota is and has been a high tax state. Minnesota's current rank in total per capita state-local taxation is 11th, roughly where it has been for decades.

In recent years, Minnesota's overall tax take has grown closer to, not farther from, national averages. Looking at individual taxes, however, reveals a different picture. Minnesota is substantially above the national average in personal income taxes and close to the average in sales and property taxes.

Expenditures in Minnesota are higher than the national average and, in contrast to taxes, are moving up, not down. The difference between taxes and spending is accounted for by federal aid, fees and charges, and interest income.

Minnesota has higher workers compensation insurance rates than neighboring states, but is about average nationally. The 1983 Legislature overhauled the workers compensation laws in response to criticism about high rates.

Unemployment compensation is also a frequent target for criticism. Data developed for a 1984 state task force on the issue showed that Minnesota is below the average in average employer contribution rates. Some businesses pay at a rate considerably higher than average, however, as a matter of public policy.

Regulatory policy was identified by some speakers as a disincentive to business.

Although the debate has gone on for many years, it sometimes is based on perceptions rather than facts. Businesses know what their government-induced burdens are but do not always have ready information on how their counterparts in other states are faring. During the last legislative session, for example, the business-labor-government task force on unemployment compensation cited above began work with the assumption that costs were well above the national norms. This turned out not to be the case for most Minnesota employers.

- B. A central issue in the business climate debate is the aggregate level of taxation and the resulting competitive disadvantage this creates for Minnesota business. A company doing business in many states, for example, may have to pay premium salaries or other additional financial compensation to attract top people in finance, advertising, law, engineering, or any other profession. The top people in these fields can choose among employers and are highly sought-after in national marketplaces. The Minnesota firm must pass those costs along to consumers of its products, making it more expensive to sell its products. This puts the company at a competitive disadvantage.

For small firms, the additional costs imposed by high taxes may price its products out of the market. For a multinational, high taxes make recruiting top talent more difficult.

- C. Defenders of Minnesota's business climate point to the performance of the economy over the years as evidence that the state's high taxes have not hampered growth. Some also contend that the short-term effect of cutting taxes would be to reduce public services, and quality public services are crucial to maintaining an attractive environment or quality of life for the region. Because mobile professionals choose to live in places with good schools, parks and recreation facilities, clean air and water, and good transportation facilities, hasty tax cutting which would put those services at risk is not a good policy, they would argue.
- D. Business climate studies will come out with different conclusions depending on what sort of business is under consideration. The Alexander Grant survey of general manufacturing business climates shows Minnesota well down the list while INC. magazine's ranking of desirable locations for new businesses, shows Minnesota at the top of list for many categories.

One view holds there is no such thing as a business climate because of the variable impact of state-local policies on different sorts of business activity. Taxes, unemployment compensation and workers compensation are basically unimportant for profitability in some economic sectors.

- E. In the end, business people, not public officials, decide where plants and offices are located and expanded. Business managers will make those decisions based on what they think is best for the company and how receptive they think an environment is to their company.

The perception of a negative business climate may be as harmful to the state as any fact or figure. Companies can exercise choices about where they expand. The relations between the business and public sectors in Minnesota historically have been positive, with the state often looked to as a national model for public-private cooperation. Any controversy which puts this positive relationship in jeopardy is an issue of valid public concern.

VIII Public activities designed to affect business location and spur development at more locations appear to be inevitable. At the local level, these efforts often take place at cross purposes. At the state level, they are sometimes a top priority for the governor and Legislature and other times are not.

- A. The Governor and Legislature are going to be involved in any perceived economic problems.

Elected officials have an interest in seeing more economic activity within their jurisdiction, even if the activity is merely moved from some other location.

For better or worse, public pressure builds up for officials to do something whenever there is an economic downturn. This pressure can lead to policies which are demonstrated to be counterproductive. The Legislature passed a "buy Minnesota" law, for example, a law widely conceded to be not in the best interests of the general public. Nonetheless, the law passed, had its predicted ill effects, and was later repealed.

- B. Many of the tools used by state and local government do not help the small, young businesses identified by Prof. Birch as the primary generators of new jobs. Low-interest, tax exempt loans are offered primarily to established business and do not help start-up firms.
- C. Some development tools, such as low-interest loans and new streets or sewers, are offered in most places, so they do not offer special help to communities in economic distress. They often work at cross purposes. With many Minnesota cities undertaking commercial and industrial development programs like revenue bonds, tax-increment financing, and other inducements for business location, it is not clear that the state as whole is better off through the effort. A recent report from the state auditor estimated the state tax loss from industrial revenue bonds as between \$10 million in 1980 and \$81 million in 1984. These expenditures may only serve to have a business locate in one town and not another, or in one city in the metropolitan area and not another.
- D. Some programs, such as enterprise zone or border cities legislation, are explicitly developed to help certain regions or depressed areas. As such, there is no attempt made to determine if the measures, which reduce state revenues, actually increase the net total of economic

activity or simply induce it to happen in one place instead of another.

Studies of the British enterprise zone program show no net job increase. Businesses, rather, locate in the enterprise zones instead of someplace else.

Policies which have a locational impact have validity in achieving their desired ends, but should be understood as directing location and not expanding the overall size of the economy.

- E. Because of the continuing state-to-state competition for business relocation and new plants, such programs as tax abatements, low-income loans and state promotional efforts are likely to continue.

Although this committee did not engage in a systematic effort to measure the degree to which states try to lure plants and businesses to them, such competition does seem to be increasing. A reader of business magazines and newspapers will spot numerous advertisements touting the various incentives and strengths available in different states.

Many states have developed sophisticated marketing programs including attractive brochures, booklets, and other materials designed to show the state in a good light. Entire magazines are devoted to advertising state development incentives.

- F. Locational development policies are rarely reviewed and evaluated, although the Office of the Legislative Auditor has begun a study of industrial revenue bonds and tax-increment financing and the state auditor's office recently issued a report critical of some development programs.

Officials of the agencies which engage in these activities have a great deal of anecdotal information about what goes on, but no rigorous statistical analysis done outside the involved agencies seems to exist.

The state auditor's report said that although IRB programs and tax increment financing are undertaken for the purpose of creating jobs it is difficult to verify that they are in fact doing so. The report found many instances of job-creation claims which were either incorrect or impossible to verify.

- IX. The provision of quality public services is an important function which has a direct and long-term impact on the economy. Without good roads, schools, police and fire protection, sewers, and other services delivered by government, the modern economy could not function.

- A. Educational institutions perform many societal functions, but their impact on the economy and the workforce has become a major public issue.

The Governor's Task Force on the Future of Post-secondary Education in Minnesota cited the work of colleges and universities as central to the state's economic future. It argued that, for Minnesota to remain

competitive economically, a higher proportion of the workforce needs post-secondary training and many people now in the workforce will need post-secondary level retraining as new job skills are needed and old ones become obsolete.

Several business leaders who addressed the committee cited the need for people with certain skills -- notably engineering skills. A major source of engineers and other trained personnel is from Minnesota's public educational institutions.

Minnesota's high level of educational services is often linked to its strong economic performance. More highly educated persons make more money. The connection between the extensive vocational-technical training system and a high quality workforce was cited frequently by both business people and academics in committee testimony.

Upgrading basic skill levels through better education has been identified by many speakers and studies as a way to enhance economic performance. Some groups, including the Citizens League, and individuals have called for major structural change in education in part or in whole to improve the state's economy.

A strong educational system is important to highly educated people already in the workforce. Charles Denny of the Minnesota High Technology Council and others said talented engineers from out-of-state will not move to a place with inferior schools. They want to send their children to good schools. This view is reinforced by the Fortune magazine survey which asked executives what factors are significant for headquarters location. That survey found education to be a frequently-cited factor.

- B. The University of Minnesota plays an important role in the development of certain industries. Several speakers and much of the literature indicate a strong link between major research institutions and successful technological businesses. Companies in technical fields locate close to universities at which leading-edge research is taking place.

Research and development activities at the University of Minnesota have had an economic payoff for Minnesota particularly in forestry, taconite mining, and agriculture.

A strong connection between the development of technology-based business and educational institutions can be found in the evolution of California's Silicon Valley, North Carolina's Research Triangle, and Massachusetts's Route 128. In these locations, the proximity of a major research institution is often cited as a vital element in business development.

- C. A critical element in securing Minnesota's economic future is to focus on quality services. Corporate decision makers, entrepreneurs, engineers, and other key people who can choose where to live like to live in place with a high quality of life; one with good schools, parks, a clean environment and low crime.

As with other business location factors, quality public services have a differential impact. A firm choosing where to locate a manufacturing facility will seek different services (streets, sewers) than a research office (proximity to a university, a pleasant environment).

The metropolitan area's success in developing regional parks, transportation facilities, and sewers, and in coordinating growth is an important economic plus for the region.

- D. The public sector has a unique long-term responsibility in public service delivery. The relatively better educational and transportation systems put in place years ago have an economic payoff now.

Especially in education, these services have traditionally been the province of the public sector in Minnesota. Other states have a stronger tradition of non-public education, both at the K-12 and higher education areas.

Minnesota's private colleges represent a substantial resource and supply a steady stream of talented people, but the only major research university in the state is public, in contrast to states like California, Massachusetts, New Jersey, and New York.

- X. An explicit state-level industrial policy would be a new venture and would carry some risks. The multitude of existing state policies and practices which affect business could be defined as a "default" industrial policy.
 - A. As described to the committee, an industrial policy would be an explicit government effort to promote growth in some industries and ease the decline in others. As has been noted, most of the proposals for this sort of activity have focused on national action, not state or local.

Leading proponents of a national industrial policy, including Harvard's Robert Reich, MIT economist Lester Thurow, and scholar Amitai Etzioni, have focused on the unimpressive performance of certain key industries, notably steel, autos, and consumer electronics. Foreign competition took away large portions of their markets. Frequently, the competition was assisted by or engaged in some sort of partnership with government.

The conclusion reached by industrial policy proponents is that similar governmental involvement, albeit tailored to American circumstances, could help economic performance here. Moreover, it is argued, that unless the government gets involved, other industries will be targeted by foreign competition.

At the same time, major American companies, like Lockheed and Chrysler, have sought and received governmental assistance. The steel, textile, apparel, shoe, automobile, and other industries have sought tariff or other trade protection involving the national government. Reich, Thurow, Etzioni and the others argue that government is already involved and should seek a systematic, coherent, long-range approach and not simply react to circumstances.

- B. The committee has not found any state undertaking an explicit policy of this sort. A proposal for an industrial policy was recently put to the voters of Rhode Island, who rejected it.

The Rhode Island proposal was characterized by direct state intervention to change the industrial profile of the state. At present, Rhode Island's economy includes concentrations of industries like textiles and jewelry which are anticipated to offer low-wage jobs and slow growth. Under the plan, the state would have encouraged technology and other growing businesses in the state.

Rhode Island industrial policy supporters included businessmen, bankers, academics, and public officials.

The proposal received wide attention and discussion and was put to a referendum, which failed. The voters' rejection of the initiative was largely attributed to a perception that the program would involve new public spending and that there was no reason to assume state involvement in directing the economy would insure economic success. Skepticism over direct involvement by politicians was also a factor.

- C. One argument for a Minnesota state industrial policy is that the state is already involved in direct intervention into the economy, but on an uncoordinated, ad hoc basis. Minnesota, for example, favors the agriculture and forestry industries through government-supported research and the Agricultural Extension Department of the University of Minnesota. The state has established a supercomputer institute to aid that industry.

Choices to support these industries have been undertaken in isolation, without attempts to coordinate them with other state activities. Proponents of an industrial policy say it would be better to try to coordinate all of these investments in a rational fashion.

- D. Academics, including Prof. Margaret Dewar, who have studied state industrial policy say public decisions about the allocation of capital are likely to be political. Frequently, decisions about resource allocation will be influenced by political forces. Existing industries and interest groups are the ones with political power now, it has been pointed out, and these groups are the ones likely to bring pressure to bear for public assistance intended to spur economic growth. This sort of "lemon socialism" proved to be unsuccessful in Britain, where older, less efficient industries received assistance, and not newer, more dynamic enterprises.

Moreover, this line of argument goes, the marketplace is likely to be a much better decision-making tool for capital allocation than any public entity even if the influence of self-interested parties could be removed.

Problems arise when specific industrial policy proposals are considered. If, for example, the state developed a new mining or agricultural technology, isolating its impact at the state level would be difficult. Mining companies and farmers outside of the state would also benefit.

- E. Industrial policy, as commonly defined, seeks to identify industries and categories of business which are likely to succeed. Industries tend to locate where they do for marketplace reasons and not because of public policy choices. Attempts to induce an industry or business to locate someplace it would not go otherwise, most economists would say, is risky because it runs counter to general economic influences.

CONCLUSIONS

- I. Among the governmental activities which affect the state's long-term economic well being, education is by far the most important. The impact of the educational system is greater than most public activities undertaken in the name of economic development.
 - A. A top-notch university and post-secondary education system is necessary for vigorous economic growth. Activities undertaken by the University of Minnesota in the areas of research and education have been important components in Minnesota's past growth. The result of University research has been important for a variety of economic sectors and is not confined to technology or technology-based entities.

The university and post-secondary system have two key functions with regard to economic growth: supplying trained personnel, especially at the graduate level, and conducting research.

The creation of a large pool of talent in business, medicine, law, architecture, engineering, and other fields is dependent on university training. Individuals with these skills generate new economic activity, opening employment opportunities for people at all skill levels. Although on-the-job training is also important, college and university training is a vital first step in skill development. The issue of a sufficient supply of trained engineers was cited several times as an important issue for the state's economic future.

The presence of these individuals in the community is important for economic growth and the quality of life. Although there is no assurance that someone trained at the University of Minnesota will remain in Minnesota, the fact is graduate students are likely to reside near where they went to school when they have finished. A study by the Minnesota High Technology Council showed that 60 percent of the engineers trained at the University of Minnesota take their first jobs in the state.

The university's research function is also vital. Basic research takes place in only a few places, universities among them.

Applied research by the university can also have a direct impact on economic growth, as is the case with Minnesota's agriculture, forestry, and mining industries.

These functions of supplying trained personnel and undertaking research are now carried out almost exclusively in a university setting. The private sector trains managers, engineers, and other professionals and does its own research and development, but it rarely grants degrees or conducts basic research.

The University of Minnesota has for generations been the central focus in Minnesota for advanced professional training and basic research. A basic economic responsibility of the governor and Legislature is to make sure the university continues to perform these vital responsibilities.

- B. Generalized upgrading of job skills and educational attainment is needed for Minnesota and its people to succeed. More and different technologies are certain to become important factors in our economic lives. Changes in the workplace will make new demands on the workforce. Global competition will force Minnesota graduates to be stacked up, in the marketplace, against graduates of Japanese and German high schools, technical institutes, and universities. That competition will undoubtedly be stiffer than what has existed so far.

- II. Delivery of other public services besides education is also important to the state's economic future, again more important than most of the programs undertaken in the name of economic development.

To a large degree, high-quality public services set Minnesota apart from its neighbors and many other parts of the country. Minnesota enjoys a reputation as a state in which it is pleasant to live. Concern about quality of life issues such as high crime, the environment, traffic congestion, and inadequate recreational facilities are important controversies in other American cities. To neglect public services important to the quality of life would be a risky course for Minnesota.

- III. Current tax and spending policies may put continued economic success in jeopardy. Spending to provide high quality services must be balanced against the need to have a tax and spending system which is not detrimental to economic growth.

- A. The tools and policies state-local government can use to spur the economy conflict or overlap with other public goals. Determination of economic policy involves tradeoffs between competing goals. The most significant tradeoff issue in Minnesota is providing a high level of public services without creating a tax structure so onerous it drives business away.

The tradeoff is most apparent in the most fundamental public decision -- levying taxes to support public purposes. Dollars taken out of private circulation reduce private economic activity, yet the public needs roads, schools, police, and other public services.

Minnesota's higher-than-average taxes support quality public services which have, over time, been helpful in stimulating a climate for a strong economy. At the same time, the higher-than-average taxes are a deterrent for certain types of businesses and the progressive tax structure and high taxes function as a disincentive for highly-paid professionals. These professionals, whether they are in industry, advertising, law, engineering, or another field, are important in making the economy productive and also are likely to be influential in decisions about where businesses expand or locate.

The dilemma is a central one for Minnesota policy makers today. Minnesota will likely be a high-tax state in order to support high quality services which in turn will lead to an environment in which

economic growth will occur. Service providers insist that even more money is necessary to provide quality schools, a world-class university, roads, and other public services. Yet, if taxes exceed practices elsewhere by too great a margin, Minnesota will be judged by many people to be a bad place to live and conduct business.

In many sectors, this tax and spending margin has been exceeded. The calls of so many businessmen and citizens for tax reduction signals the existence of a problem. The research of the Tax Study Commission confirms the presence of a problem.

Minnesota no longer enjoys the luxury of being able to make tax policy without regard to what other states and nations are doing. Minnesota has long regarded fairness to be an overriding principle for taxation and as a result fashioned one of the most progressive tax systems in the nation. To what degree this system harms economic performance is not clear, but new evidence generated by the Tax Study Commission suggests it does have an impact.

Continuing tension between the public and private sectors is counterproductive and could have serious negative repercussions for the state in the future.

Resolving the dilemma will be no easy matter.

Some sort of mechanism or method is needed to permit a fact-based, open, credible resolution of many of the issues of contention between the public and private sectors. Despite the presence of many cooperative ventures -- including Minnesota Wellspring, the Minnesota Business Partnership, the work of the various chambers of commerce, the task forces set up by the governor and legislature -- debate on business climate issues has not reached consensus and closure.

- B. The increasing state-to-state competition and global competition creates new risks and opportunities. New access to global markets meant a rapid increase in personal income for Minnesota farmers in the early 1970s. When the markets shifted, for reasons not under the control of Minnesota farmers, their personal income dropped sharply.

Minnesota now sees itself as being in competition with other states for economic development. This understanding has led to discussions about what constitutes a "competitive" tax system and a "competitive" educational system. Competition for jobs and industry is likely to grow sharper and include more actors. A generation ago, it would have been unthinkable that Minnesota would have been in competition with Taiwan, Mexico, or Japan, but regulatory policy, wage levels and the success of the educational system here and in those countries will likely have a great deal to do with how people fare economically.

- C. Each public activity has an opportunity cost in addition to the displacement of private economic activity. Any activity undertaken in the name of economic development replaces some other activity. If a focus of the Legislature is emergency job training or promotion of tourism, the Legislature has less time and money to spend on developing successful educational programs or the AVTI programs.

The Legislature and governor have a limited amount of time and effort to devote to solving problems and setting policy. The policy-making agenda should be limited to the most important items and not cluttered with secondary and tertiary activities with little chance to have a major impact. Focusing on less important programs and activities hinders the ability of government to undertake successfully and complete important activities.

- IV. A healthy economy is desirable because it provides people with the greatest number of options and the greatest opportunity to maximize their own potential.

- A. Economic growth is not in and of itself desirable. Its utility lies in how it enriches the lives of people.

The public purpose in fostering a strong economy is to provide people with a broad variety of options about how to live their lives. The more jobs there are in Minnesota, the greater the options to Minnesotans with regard to employment. The faster the rate of personal income growth, the higher the standard of living, making possible greater choice about where to live, recreational opportunities, educational choices, and cultural enrichment.

- B. Many features of the income-support system encourage dependency, not self-sufficiency, creating an economic drain on the state. Because of the importance of people as resources, it is ironic that income support policies support some individual in counterproductive roles.

- V. The dramatic changes occurring in the economy make necessary continued public sector involvement to help citizens maximize their opportunities.

- A. The shift from manufacturing to services creates new risks, even though Minnesota has fared well so far. Because of the increasing pace of technological change, new businesses and industries grow and mature rapidly. Old products and services are frequently and swiftly replaced.

Although some of the special qualities that have made Minnesota economically successful in the past -- highly skilled workers, entrepreneurship, many corporate headquarters -- are known and are likely to continue, the community cannot assume that these special qualities are the ones needed to be successful in the future.

- B. The focus in years ahead will necessarily be on quality jobs, and not just any jobs. Minnesota will need a productive people and public policies should be oriented towards this end.

- VI. An industrial policy to choose which types of economic activity should be encouraged in the state would not work.

On balance, the various arguments against a state-level industrial policy are more persuasive than the arguments in favor. Politics are likely to be the determining factor in the distribution of any new state support for the economy. Government has no special ability to

identify likely economic winners. The impact of state activity is uncertain.

A more likely path to success is to focus on the fundamental responsibilities of the public sector. The public sector has many vital functions it must perform if the economy and the people of Minnesota are to prosper. Government should pay more attention to them than to new types of activities which have little certainty of success and significant possibility of mischief.

VII Minnesota needs, however, coherent public policies designed to influence basic economic forces such as individual productivity and the ability of individuals to perform successfully in a variety of economic circumstances.

A. Policies and programs which seek to influence business location and artificially induce types of industries to develop where they otherwise would not do not contribute basic energy to the economy. On the other hand, efforts to increase the ability of individuals to succeed economically do not need to predict the future of the economy to be successful.

Rather than trying to influence business location, state government should try to enable citizens to engage in productive economic functions. State-local government does this now through a variety of programs and activities, from education to emergency job subsidies. Current efforts are fragmented and ad hoc in nature.

Many of the existing programs, especially the ones which have an impact on business location, work at cross purposes. Taken as a whole, they present no coherent strategy or policy for the state. It is unlikely the sum total of the impact of tax-increment financing, revenue bonds, and enterprise zones could be made into a coherent package. An approach which targets the individual citizen as the relevant economic variable offers more promise. Each individual -- whether handicapped, currently not part of the labor force, or currently without marketable skills -- represents a resource to society.

B. Proponents of a state industrial policy are correct that new challenges lie ahead and that public policy will be an important variable in how they are met. The public sector will be called upon to take remedial steps in instances in which the economy breaks down. It makes sense, therefore, for state-local government to undertake measures to insure maximum employability and productivity of its citizens.

VIII More and more systematic attempts to evaluate and review locational development programs are needed by the state. A policy rationale for company-specific and industry-specific programs such as tax breaks, grants, and loans, should be developed.

Despite some rudimentary steps by the legislative auditor and state auditor, no systematic review and evaluation exists of programs like

industrial revenue bonds, tax-increment financing, enterprise zones, and border city legislation. Without mechanisms to accomplish evaluation and review, it is impossible to tell whether these programs work and should be retained.

RECOMMENDATIONS

- I. Minnesota does not need an industrial policy which spells out what types of business and industry should be encouraged in the state. State government should not be involved intimately in direct allocation of capital and the flow of resources to any particular industrial sector.

Getting state government involved in large-scale direction of the economy is a futile endeavor. Policies of that sort are likely to bring out the worst of the political process. Even if politics could be removed from the process altogether, the state has no special ability to foresee the future and could not be expected to outperform the marketplace at financial allocation.

The tools commonly mentioned as part of an industrial policy do not have an impact on most of the fundamental economic forces and cannot therefore be expected to offer a real, long-term strategy for the state's economic future. Even if the state could identify growth sectors in the economy -- and there is no certainty that it can -- it is not clear it has the tools needed to make capital, labor, and other resources flow into these sectors.

- II. The Governor should, as part of the normal budget procedure, submit a comparative fiscal analysis. A variety of specific tables, described below, should be part of this analysis.

In order to facilitate a more rational public debate on taxes and spending, the Governor's budget message should contain an analysis of his budget proposal. The analysis should compare key indicators of its fiscal impact to past budgets in Minnesota and the rest of the nation.

Specifically, the budget proposal should contain:

- * Charts showing how sales and income taxes compare to personal income and disposable personal income on a per capita and per taxpayer basis. (Calculations should be made on both a nominal and inflation-adjusted basis.)
- * Charts showing how proposed practices compare to past practice and practice in other states.
- * Comparisons of proposed state spending to past state spending and to national averages and trends for spending. It should be made clear what the proposed state spending increase would go for and to what degree proposed spending increases at the state level are anticipated to substitute for local expenditures.

The purpose of this analysis would be to put both policy makers and the public in a position to understand the impact of a proposed budget on the types of indicators which are commonly used now to compare Minnesota to other states. At present, Minnesota is compared to other states on the basis of national tax and expenditure rankings and on what percentage of personal income goes into public spending and taxing. The state budget is adopted generally without any attention to its impact on these indicators.

The analysis would shape public debate on the overall state taxing and spending profile. A political party or leader may -- for one reason or another -- choose to increase the percentage of income going into taxes. Voters are free to ratify this decision or reject it. Because of ups and downs in the business cycle, it may be necessary for goals to be missed or exceeded in any given year.

What is needed -- and what is not happening now -- is a public debate on the overall, larger direction of taxing and spending, and a set of goals about where, as a policy matter, those numbers should be.

- III. The state of Minnesota should adopt a goal of continuing for the balance of the decade the trend since the late 1970s of a decline in taxing as a percent of personal income.

The committee recognizes that Minnesota, to get the kinds of educational programs and public services necessary to sustain a vital and growing economy, probably will continue to be on the high side nationally of state and local spending. If the money is well spent, it will bring an economic dividend to the state.

In the 1985 Legislative session, for the first time in several years, the Legislature will be in a position to enact substantial tax reform. The research of the Tax Study Commission will offer a strategy for action and the presence of a budget surplus will allow a means to act. Before acting on a new budget, the Governor and Legislature should be sure the action they will take continues the trend of an overall reduction in tax take as a percentage of personal income. They should also examine the spending side to determine if overall public spending is expanding or shrinking as a percentage of the state's economy.

A more aggressive posture towards redesign of public services can bridge the gap between the need of the state to reduce taxes and have quality public services. The League, for several years, has offered suggestions for spending public money more efficiently and has sought to offer an alternative to the choices of less taxes, less service or more taxes, more services. Without considering the economic impact, a strategy of more efficient public spending makes good sense. Knowing the economic impact, it becomes an imperative.

- IV. Minnesota should launch a new and continuing effort to gather and analyze facts bearing on Minnesota's economic performance and the business climate debate.

- A. The goal of the new effort would be threefold:

First, it would generate new data to help the Governor and Legislature prepare policy generally and to assess the economic impact of past policies.

Second, it would, through research and publication, expand public consciousness and understanding on public policy-economy issues in much the same way the Tax Study Commission has clarified and explained facts on tax policy.

Third, it would offer a possibility of reaching some sort of consensus on the continuing debate over the state's business climate.

To be sure, the debate will continue, as it should. But the public would be better served by the debate if the opposing forces were arguing from the same set of facts.

For example, the taxes imposed on Minnesota businesses and business people are a matter of fact rather than conjecture. And they can be compared with those imposed by other states. The debaters can still disagree about the implications of those taxes and what should be done about them, but the facts themselves should be unimpeachable.

The escalating level of the tax and regulatory policy debate has produced some exemplary data-gathering efforts in recent months on the performance of the Minnesota economy -- notably the work of the Minnesota Tax Study Commission, the Minnesota Business Partnership and the Minneapolis Star and Tribune. Those one-time efforts to understand where Minnesota is and where it's going need to be sustained.

The model of the current Tax Study Commission is a good one. Rather than setting up a new agency or institute, scholars from around the nation should be tapped on a contract basis. Many University of Minnesota experts can offer their expertise. A suitable governing board to execute the contracts is needed. Such a board should be independent from government and thereby insulated from direct political pressure. It should be close enough to government to recognize the needs of public officials. It should also be representative of the various sectors of the community. Although public money might be needed to help pay for the effort, the initial financing should be private and enough of the continuing financing private to allow political independence.

- V. The Legislature should establish explicit goals and quantitative objectives to be obtained by the use of the economic development subsidies it authorizes. Regular program reviews should be conducted to measure accomplishments objectively, and program modifications should be adopted to insure goals are met.

The performance of subsidy programs such as industrial revenue bonds, tax increment financing, border community relief, export financing, and enterprise zones, is not measured by commonly accepted, quantitative indicators. Such indicators include real personal income growth and its personal and geographic distribution.

Objectives couched in terms of these indicators are needed before analysts can ascertain the relative success of these programs and their cost effectiveness in achieving their objectives.

Although we believe the analyses of economic development subsidies is a subject for scholarly research, the setting of responsible, measurable goals and objectives is a worthy task for the Legislature.

One indicator ought to be that the company or industry to be encouraged actually bring something new to Minnesota, rather than merely shift the jobs and the investment from one small town industrial park to another one.

Creation of genuinely new jobs in Minnesota, measurable generation of new industry revenues, or targeted income gains to certain groups of people ought to be the goals. If government incentives appear unlikely to achieve these goals, they should not be attempted. If they are attempted and measurably fail, they should be abandoned.

- VI. The Governor and Legislature should charge the regents of the University of Minnesota with developing a plan for the University of Minnesota to become recognized as one of the top public institutions in the nation.

Our committee heard a good deal about the University. Business people stressed the need for qualified personnel. The impact of university research on forestry, agriculture and technology industries is clear. The successful functioning of the institution is therefore important in the economic success of the state and its people. Because our committee was not in a position to evaluate all of the various strategies and proposals for change in the university and other post-secondary systems, we cannot recommend a specific path to success.

We do, however, propose to those public entities which have the responsibility for the University's performance -- the Legislature and the regents -- that they act now to secure the future of the institution and increase the ability of Minnesotans to succeed economically.

At a time of a change in leadership and increased attention to education in the society at large, new initiatives are possible. Moreover, the university is likely to see changes in its size and structure as a result of projected declining enrollments.

The goal for the University of Minnesota should be to achieve recognition in commonly used measures of performance that places selective colleges within among the top programs in the nation.

The regents, as the direct governing board, are the ones to propose a course of action. The Legislature, because it is responsible to the public and because it controls state appropriations, must be the group to evaluate proposed changes and, if necessary, come up with the resources needed to accomplish an ambitious goal.

The Legislature should make sure that there is a plan in place for the University of Minnesota to attain the stature necessary to prepare Minnesotans for a successful future before committing new financial resources.

A variety of non-financial alternatives is available to enhance the University's effectiveness. More attention should be paid to output and efficiency. An automatic connection between more money and better performance does not exist. At the same time, the possibility of additional resources -- when a case has been made that they are vital and will lead to increased performance and enhanced standing -- may be

Our proposal focuses on the University and not the entire post-secondary system mainly because the role of the University is unique and central to economic growth. Clearly, a comprehensive strategy would include important roles for the other systems, but because no consensus exists about the roles for other systems, choosing a policy or program is not possible.

- VII. The Governor and Legislature should adopt a strategy to insure Minnesota high school graduates are competitive with current standards. Various proposals for major structural reform in education have been advanced. The Governor and Legislature should choose among them.

One of the comparative advantages which can be brought to bear by Minnesota's public sector is the creation of a better educated workforce. Given the nature of the changes in the economy, human capital's importance will increase. The one public action which has a broad impact on the workforce in general is the functioning of the school system.

Many recent studies have identified problems and issues in elementary-secondary education. The need for better output in that sector is bound to increase, not decrease.

The League has proposed family-choice, selective deregulation, and a restoration of the professional status of teachers as a means for spurring creativity and innovation in schools. Another idea is the imposition of state-set achievement examinations, similar to New York State's Regents Examinations, to force a greater awareness of academic achievement. Stricter academic entrance examinations have been proposed for the state's public colleges and universities as another option.

In late 1984, a spate of new proposals and studies on elementary-secondary education are before the public.

The Minnesota Business Partnership has proposed a comprehensive, sweeping package of proposals which would fundamentally alter education's structure. The Higher Education Coordinating Board proposed changes in teacher education. A gubernatorial commission on the connection between education and the economy has developed an agenda for change.

All of these reports and proposals contain many good ideas and the stated view that current elementary-secondary educational output is not what it could or should be.

Failure to adopt a major new initiative to enhance educational quality will put in jeopardy the state's economic future. Relying on past practices and existing institutional arrangements is folly.

WORK OF THE COMMITTEE

This League study committee was convened to look at ways in which state and local government could usefully intervene in the economy. In order to do this, the committee first sought to understand the nature of the economy in Minnesota, the forces which are likely to change it, and the different public policy actions proposed to shape the economy.

The charge to the committee is as follows:

Minnesota's role in the redeveloping economy. Much is now being said and done regarding our state's prospects for participation in the recovery from the recession and prospering in the emerging international economy. The discussion centers often on the challenge to basic industries, such as iron ore, as structural shifts cause major shrinkages in the Minnesota part of this business; even more often the discussion reveals a strong belief that strategies based on high technology are the answer to current economic questions. Wrapped around this activity are some lingering questions: Is there such a thing as a state economy, or a regional economy? Are those, at best, simply convenient descriptions for the aggregate picture of the relative success that people and industries located here manage to achieve? Further, is there anything that government can do to intervene in the otherwise inexorable unfolding of economic developments? Can a state have an industrial policy, defined here as a deliberate strategy for shaping the economic development and expanding jobs for citizens?

The principal charge to this committee shall be to identify options for intervention by Minnesota state government to enhance economic development, to evaluate their potential effectiveness, and to determine what having a state industrial policy might mean to Minnesota. The study should assess objectively the present condition, with some attention to the history of the state's economic development; determine what economic future will look like if the public policy framework remains what it is today, using as a context forecasts, trend projections and an understanding of the state's comparative advantages. This study should assess the feasibility of formulating industrial policy within the political jurisdiction of a state. For example, is it more practical to rely on the sum total of small jurisdictions, such as cities, combined with building a regional compact on industrial policy among Upper Midwest states? What, in effect, is it possible for the state to do. The term "industrial policy" as expressed in this charge should not be interpreted as applying narrowly to manufacturing or industry in the traditional sense. Instead it is a broad term, encompassing all elements which contribute to the economy.

The committee should make recommendations, if possible, on the direction of preferred industrial policy; suggest the policy tools the state should use to facilitate implementation of the policy. Which forms of intervention have the best potential for each objective, in making some things happen rather than others, in accelerating or reducing the rate of change, in reducing vulnerability or capitalizing on advantages?

The committee should consult broadly with persons who study economic developments, including persons in the academic community and economists both in the private and public sectors, with business and labor leaders, and others.

COMMITTEE MEMBERSHIP

The following people participated on the committee on a regular basis:

Steve Aines, Chair	Peggy Lexau
Harold Chucker	Rick London
Wally Conhaim	Constance Pepin
Glenn Dorfman	James Pratt
Janet Garlock	Sheila Pratt
Raul Gasteazoro, Jr.	Mary Jane Rachner
Leah Harvey	David Rodbourne
J. David Hutcheson	Irma Sletten
Stephen Kelley	Michael Stutzer
Steve Kotvis	Wally Swan

COMMITTEE WORK

The committee began work on November 3, 1983 and met 38 times. The last meeting was held on November 15, 1984. The committee met with economists, other scholars, public officials, business people, and journalists. It also called on an extensive body of literature, including state and federal reports and statistics about the economy, a variety of reports from independent groups calling for public policy changes, research from public sector entities in other states, academic journals, and relevant economic literature.

Detailed minutes of each meeting are available from the League office, as are the documents collected by the committee.

Because of the scope of the inquiry, the committee developed a framework of analysis which sought to categorize the different sets of economic public policies. It eventually arrived at a four-part formulation, described in the report's introduction.

With regards to the central question in the charge to the committee -- does Minnesota need an industrial policy -- the committee said it does not, using the prevailing definition of an industrial policy as an explicit attempt to encourage certain types of business activity. The committee proposed action in the other major areas of public controversy over economic policies: the business climate, economic development activities, and public service delivery, notably in the area of education.

COMMITTEE RESOURCE GUESTS

John Adams, professor of Geography, University of Minnesota
Elmer Andersen, chair, Task Force on Future of Minnesota
Mark Anderson, vice president, Economic Development & Fiscal Policy, Minnesota Association of Commerce and Industry
Charles Arnason, executive director, Minneapolis Technology Corridor
Bill Blazar, research consultant
Chris Burns, consultant
Monte Bute, coordinator, Jobs Now Coalition
John Cairns, executive director, Minnesota Business Partnership
Lis Christenson, research associate, Minnesota Wellspring
Earl Craig, president, The Earl Craig Company
Mark Dayton, commissioner, Minnesota Department of Energy & Economic Development

Charles Denny, president, Magnetic Controls
Margaret Dewar, professor, Hubert H. Humphrey Institute of Public Affairs
Willis Drake, retired chair, Data Card Corporation
Bob Ebel, executive director, Minnesota Tax Study Commission
Al France, president, Lake Superior Industrial Bureau
Tom Gillaspy, state demographer, State Planning Agency
Joe Graba, director, State Board of Vocational-Technical Education
Randy Halvorson, chair, Citizens League Income Assistance Committee
John Hoyt, consultant, Ag Extension Service, U of M
Ed Hunter, manager, Policy Analysis, Minnesota Department of Energy and Economic Development
Phyllis Kahn, state representative
Anne Kanten, assistant commissioner, Minnesota Department of Agriculture
Gene Kraut, general manager, St. Paul Port Authority
Don Larson, former business editor, St. Paul Pioneer Press & Dispatch
Wilbur Maki, professor, Ag & Applied Economics, U of M
Monica Manning, executive director, Minnesota Job Skills Partnership
Sally Martin, executive director, Governor's Office of Science & Technology
David Morris, president, Institute for Local Self-Reliance
Lee Munnich, research associate, Minnesota Business Partnership
Hazel Reinhardt, director, research, Minneapolis Star & Tribune Company
Joe Rigert, reporter, Minneapolis Star & Tribune
Lisa Roden, senior research analyst, Minnesota Tax Study Commission
Nina Rothchild, commissioner, Minnesota Department of Employee Relations
William Toal, state economist
Representative John Tomlinson, chair, House Tax Committee
Tom Triplett, director, State Planning Agency
Harold Zigmund, chair, Blandin Paper Company

The committee and League would like to thank them for their invaluable time and effort.

The committee was assisted in its work by Robert de la Vega, Charlene Greenwald, Donna Keller, Joann Latulippe, and Constance Pepin of the Citizens League staff.

APPENDIX 1

Minnesota taxing and spending policy is a significant item in the debate about public involvement in the economy. People who spoke to the committee had divergent views about the nature of the policy and such fundamental questions as whether taxing was going up or down and how Minnesota compared to other states.

The committee, with the assistance of committee member Michael Stutzer, undertook some independent research on the subject and developed the tables here. The initial data sources are federal statistics.

Table one shows real general revenue taxes as a percentage of real personal income in Minnesota and the United States. General revenue taxation excludes fees, charges, tuition, interest income, and federal revenues passed along to state-local government. The table confirms the overall picture that a smaller percentage of real personal income is going to state-local taxation in Minnesota and the nation as a whole than did in the past. From 1981 to 1982, the last years shown on the chart, the line for Minnesota shows a steep upward direction, which may or may not be the beginning of a trend.

The second table shows real general revenue taxes compared to real disposable income. The difference between real disposable income and real personal income is that disposable income is income after taxes. Tables one and two show a similar picture with regard to the overall trend.

Table three shows real expenditures -- not taxes -- as a percentage of real personal income for Minnesota and the United States. The pattern here is different than what was evident for taxes. During the 1960s, taxes and spending in Minnesota and the nation moved basically in the same pattern. During the 1970s, the expenditure line begins to show substantial fluctuation from year to year, in contrast to taxes, which has a generally downward trend. During the last years shown on the table, expenditures in Minnesota move away from the pattern for the nation as a whole.

The last recession may explain the pattern here. During the recession, Minnesota's income-sensitive tax system, with its heavy reliance on sales and personal incomes taxes, had its yield decline sharply. Public spending was cut somewhat, but not as much as the decline in taxes.

The divergent pattern of taxing and spending found in these charts is similar to what one sees in research from the Advisory Commission on Intergovernmental Relations (ACIR). According to the ACIR, Minnesota in 1982 (the most recent year available) had a tax index of 109.1 (100 being the national average), which is not substantially different from where the state had been during the late 1970s and down from the 1960s and 1950s. On the other hand, the ACIR expenditure index for Minnesota in 1982 showed a figure of 123.4 percent, up from the late 1970s.

TABLE 1

GENERAL REVENUE TAXES/REAL PERSONAL INCOME MINNESOTA VS. U.S.

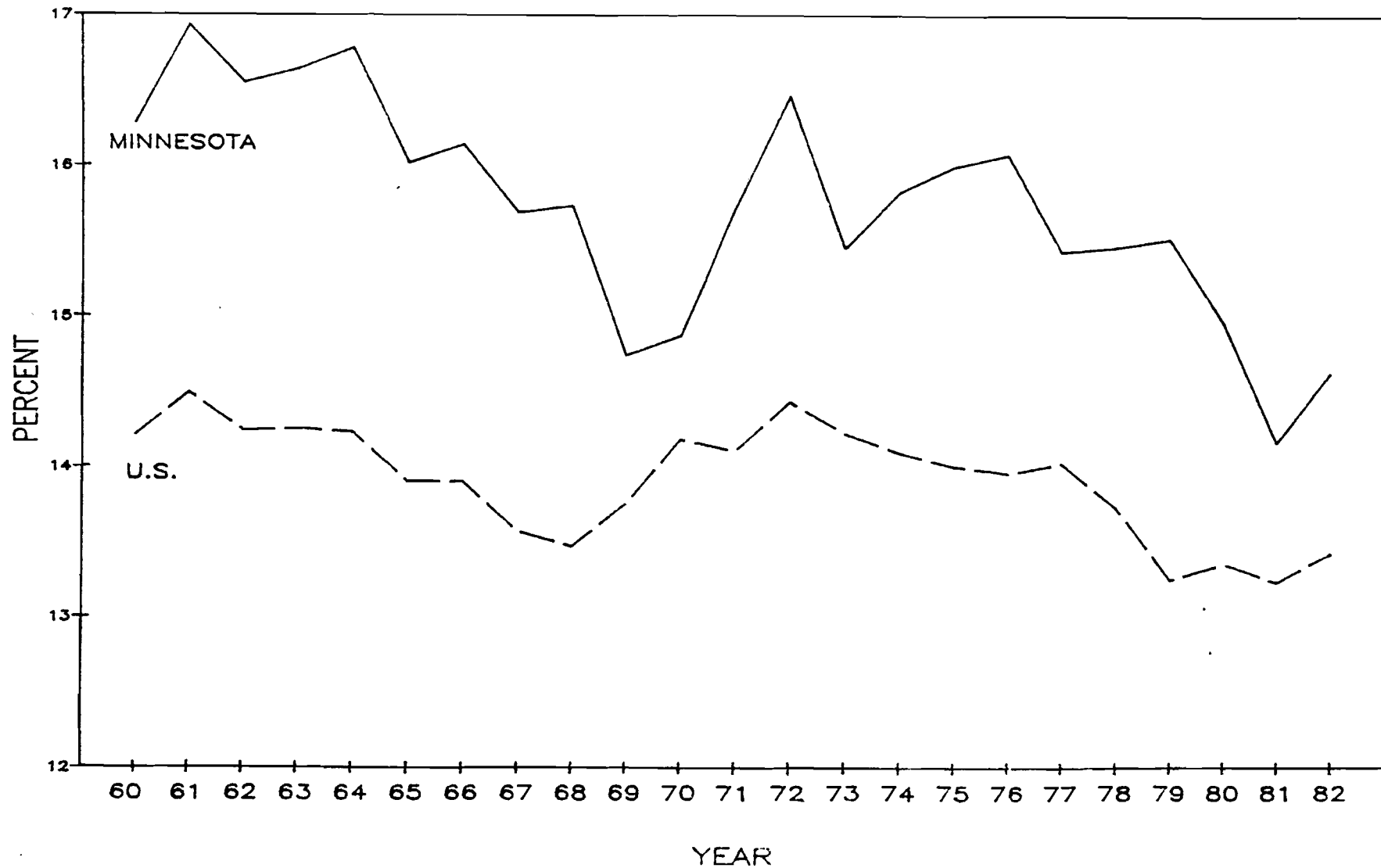


TABLE 2

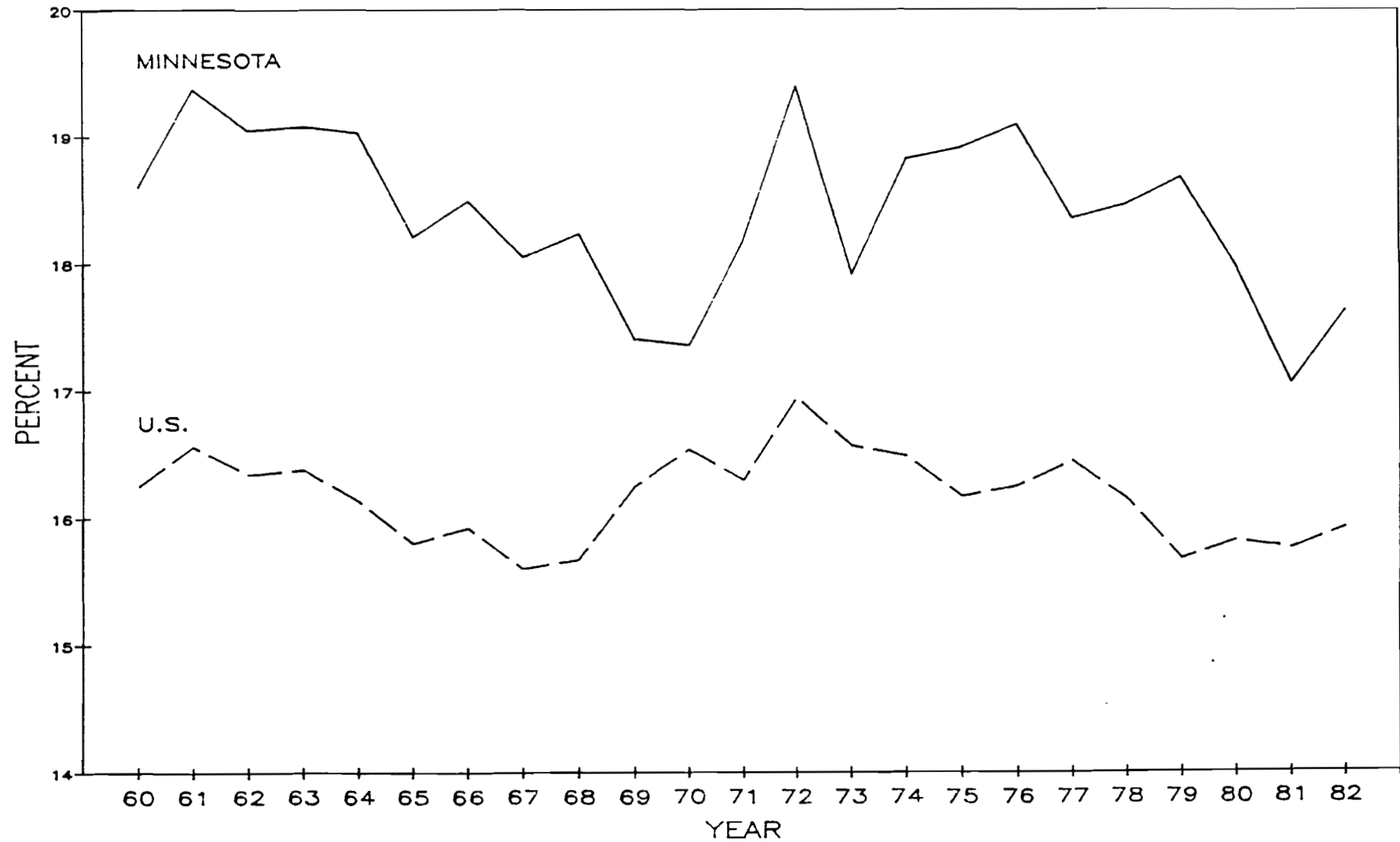
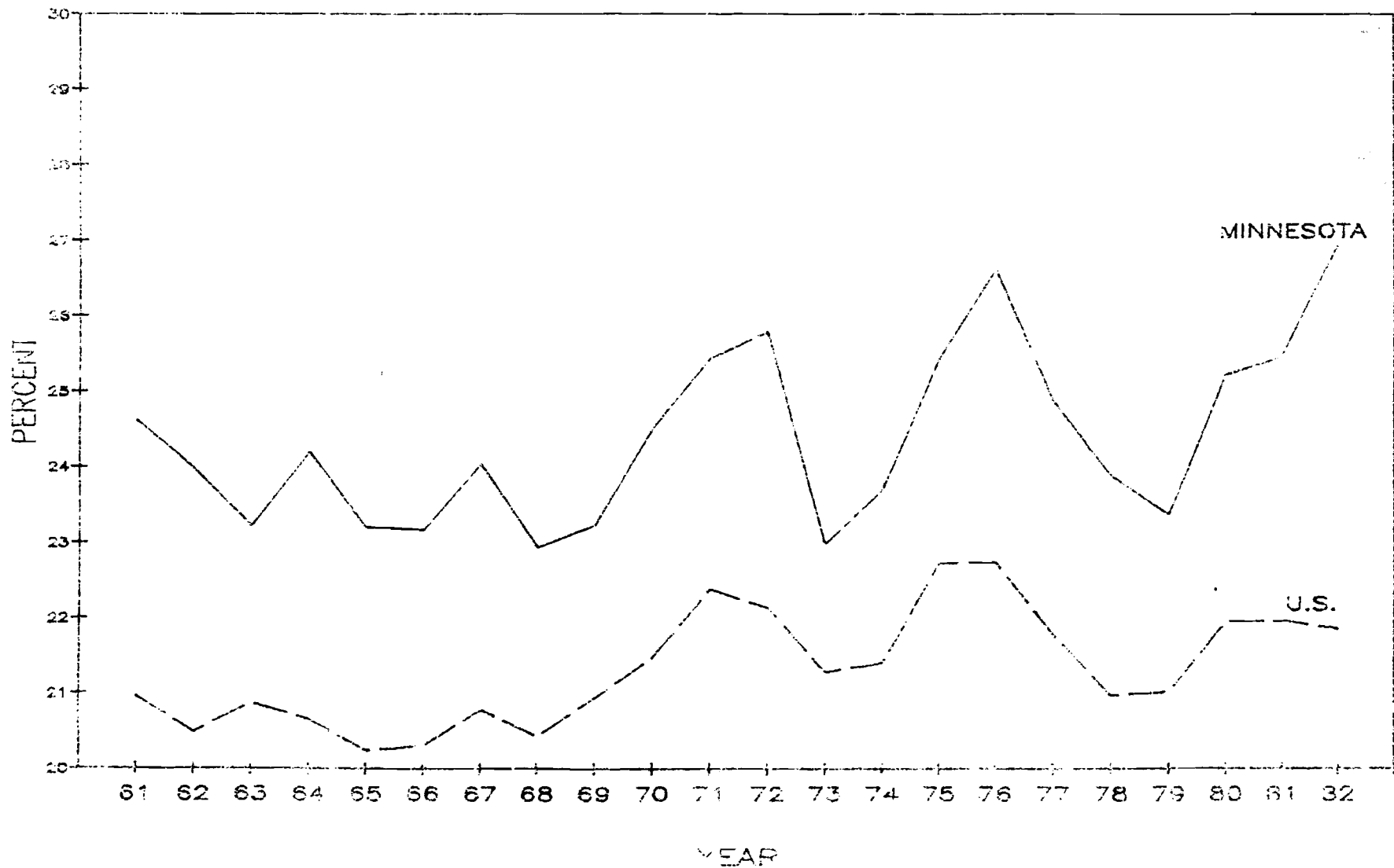
GENERAL REVENUE TAXES/REAL DISPOSABLE INCOME
MINNESOTA VS. U.S.

TABLE 3

TOTAL EXPENDITURES/REAL PERSONAL INCOME MINNESOTA VS. U.S.



APPENDIX 2

The charts in this appendix were derived from the Employment and Earnings data series developed by the Department of Commerce. The tabulations were done by the Citizens League.

They show the changes in employment and income share for the major sectors of the Minnesota and national economy.

Throughout, Minnesota's agricultural sector represents a larger share of both employment and earning than in the nation as a whole. In the other sectors, Minnesota does not vary markedly from the national figures, although some differences are identifiable. Minnesota has a larger share of wholesale trade, retail trade, and service workers than the nation as a whole. Minnesota exceeds the nation by more than one percentage point in these categories in almost every year shown.

In sectors such as construction, transportation and utilities, and finance, insurance, and real estate, Minnesota is within half a percentage point of the nation for most of the years in question.

For government employment, Minnesota is below the national share for all government employment, but above in state and local government workers. In mining, Minnesota begins the series with a higher-than-national average employment share and ends with half the national share, although the picture for any one year in an industrial sector with the volatility of mining may not be representative.

The trends for employment in Minnesota and the nation show similar patterns in some areas. Manufacturing employment, for example, represents a smaller share of the state's and the nation's employment in the 1980s than it did in 1970. Manufacturing earning's share, however, did not decline as much.

Overall in Minnesota from 1970 to 1980, forestry, fishing, and agricultural services, mining, construction, manufacturing, transportation and utilities, and government employment declined as a proportion of the total, with wholesale trade, retail trade, services, and finance, insurance and real estate taking up a larger share. In the nation over the same time, the same pattern is evident, with the exception of mining and forestry, fishing, and agricultural services which grew in share nationally but declined in Minnesota.

During the time period shown, Minnesota moved from below to above the national average in per capita personal income. Minnesota's higher-than-average labor force participation was cited to the committee as one reason for the higher per capita personal income.

The League would like to thank David Rademacher of the State Planning Agency for his assistance in making these figures available.

APPENDIX 2

<u>Headings</u>	1970		1975		1975		1975	
	<u>MN</u> <u>Earnings</u>	<u>Employ</u>	<u>US</u> <u>Earnings</u>	<u>Employ</u>	<u>MN</u> <u>Earnings</u>	<u>Employ</u>	<u>US</u> <u>Earnings</u>	<u>Employ</u>
Total Income*	14,850,928	1,380,953	803,922,000	78,488,000	23,075,869	1,575,185	1,258,643,000	83,905,200
Per Capita*	3,893	--	3,945	--	5,878	--	5,842	--
Farm*	914,454 (62%)	25,824 (1.9%)	18,131,000 (2.3%)	1,244,000 (1.6%)	1,356,837 (5.9%)	42,868 (2.7%)	30,264,000 (2.4%)	1,360,200 (1.6%)
Non-farm*	13,936,474 (93.8%)	1,355,129 (98.1%)	785,791,000 (97.7%)	77,244,000 (98.4%)	21,719,032 (94.1%)	1,532,317 (97.3%)	1,228,379,000 (97.6%)	82,545,000 (98.4%)
FFAG#	.4%	.2%	.4%	.4%	.3%	.3%	.4%	.4%
Mining	1.3%	1.1%	1.1%	.8%	1.5%	.9%	1.5%	.9%
Construct.	7.5%	4.7%	6.5%	4.6%	6.5%	4.1%	6.0%	4.3%
Manufact.	26.9%	23.4%	28.1%	25.1%	25.2%	20.4%	26.0%	22.2%
-Non-Dur.	11.2%	10.1%	10.6%	10.6%	10.5%	8.7%	9.6%	9.2%
-Durable	15.6%	13.3%	17.5%	14.6%	14.7%	11.7%	16.4%	13.0%
Trans. & Utilities	7.9%	6.2%	7.5%	5.8%	8.3%	5.9%	7.6%	5.5%
Wholesale Trade	7.7%	5.9%	6.2%	4.9%	9.3%	6.8%	6.9%	5.4%
Retail Trade	12.3%	16.9%	11.1%	14.8%	11.1%	17.3%	10.6%	15.4%
FIRE@	5.5%	4.7%	5.4%	4.8%	5.4%	5.0%	5.3%	5.2%
Services	14.8%	17.6%	15.9%	17.6%	15.6%	20.0%	16.8%	19.2%
All Govt.	15.7%	19.4%	17.9%	21.0%	16.8%	19.1%	18.8%	21.4%
State & Local	12.5%	15.1%	11.0%	13.2%	13.8%	15.7%	12.4%	14.8%

*These figures are expressed as total personal income. All other income figures on the chart are earnings.

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Appendix 2 Continued on Next Page

APPENDIX 2

<u>Headings</u>	1980				1982			
	<u>MN</u> <u>Earnings</u>	<u>Employ</u>	<u>US</u> <u>Earnings</u>	<u>Employ</u>	<u>MN</u> <u>Earnings</u>	<u>Employ</u>	<u>US</u> <u>Earnings</u>	<u>Employ</u>
Total Income*	39,553,059	1,838,132	2,158,658,000	96,479,000	46,184,151	1,773,284	2,571,517,000	95,898,000
Per Capita*	9,688	--	9,503	--	11,175	--	11,000	--
Farm*	1,529,639 (3.9%)	30,942 (1.7%)	31,237,000 (1.4%)	1,337,000 (1.4%)	1,464,442 (3.2%)	33,987 (1.9%)	33,474,000 (1.3%)	1,301,000 (1.4%)
Non-farm*	38,023,420 (96.1%)	1,806,721 (98.3%)	2,127,448,000 (98.6%)	95,142,000 (98.6%)	44,719,709 (96.8%)	1,739,297 (98.1%)	2,538,043,000 (98.7%)	94,597,000 (98.6%)
FFAG#	.3%	.4%	.4%	.6%	.3%	.5%	.4%	.6%
Mining	1.5%	.9%	1.8%	1.1%	1.0%	.6%	2.1%	1.2%
Construct.	6.5%	4.2%	6.0%	4.5%	5.2%	3.4%	5.4%	4.1%
Manufact.	26.4%	20.6%	26.3%	21.4%	26.4%	19.9%	24.9%	19.9%
-Non-Dur.	10.0%	8.0%	9.3%	8.5%	10.4%	8.0%	9.2%	8.2%
-Durable	16.3%	12.5%	17.0%	12.9%	16.0%	11.9%	15.7%	11.7%
Trans. & Utilities	8.4%	5.5%	7.9%	5.4%	8.3%	5.4%	8.1%	5.4%
Wholesale Trade	8.7%	6.5%	7.0%	5.6%	8.6%	6.5%	7.0%	5.6%
Retail Trade	10.4%	18.0%	9.8%	15.8%	10.2%	18.3%	9.6%	16.1%
FIRE@	6.0%	5.4%	5.9%	5.5%	6.3%	5.7%	6.3%	5.8%
Services	17.1%	21.6%	18.0%	20.4%	18.4%	23.0%	19.1%	21.6%
All Govt.	14.6%	17.0%	16.8%	19.7%	15.2%	16.7%	17.3%	19.7%
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*These figures are expressed as total personal income. All other income figures on the chart are earnings.

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Formed in 1952, the Citizens League is an independent public affairs education and research organization in the Twin Cities metropolitan area.

Volunteer research committees of the Citizens League develop reports which explain the problem at length, make findings and conclusions on what needs to be accomplished, and propose specific workable solutions.

Over the years, the League's research reports have been among the most helpful and reliable sources of information for governmental and civic leaders, and others concerned with the problems of our area.

The League is supported by membership dues of individual members and membership contributions from businesses, foundations and other organizations throughout the metropolitan area.

You are invited to join the League, or, if already a member, invite a friend to join. An application blank is provided for your convenience.

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- * Each committee works an average of 2 hours every week, normally for 6-10 months.
- * Annually over 250 resource persons made presentations to an average of 25 members per session.
- * A fulltime staff of eight provides direct committee assistance.
- * An average in excess of 100 persons follow committee hearings with summary minutes prepared by staff.
- * Full reports (normally 40-75 pages) are distributed to 1,000-3,000 persons.

CL PUBLICATIONS

- * Minnesota Journal - eight pages; published every two weeks; mailed to all members; public affairs news, analysis and commentary.
- * CL Matters reports activities of the Citizens League; meetings, publications, studies in progress, pending issues.
- * Public Affairs Directory - 40 pages containing listings of Twin Cities area agencies, organizations and public officials.

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- * Members of League study committees are called on frequently to pursue the work further with governmental or nongovernmental agencies.
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- * Public officials and community leaders discuss timely subjects in the areas of their competence and expertise for the benefit of the general public.
- * Held from September through May.
- * Minneapolis breakfasts are held each Tuesday from 7:30-8:30 a.m. at the Lutheran Brotherhood.
- * St. Paul luncheons are held every other Thursday from noon to 1 p.m. at the Landmark Center.
- * South Suburban breakfasts are held the last Thursday of each month from 7:30 - 8:30 a.m. at the Lincoln Del, 494 and France Avenue South, Bloomington.
- * An average of 35 persons attend the 64 breakfasts and luncheons each year.
- * Each year several Q & A luncheons are held throughout the metropolitan area featuring national or local authorities, who respond to questions from a panel on key public policy issues.
- * The programs attract good news coverage in the daily press, television and radio.

SEMINARS

- * At least six single-evening meetings a year.
- * Opportunity for individuals to participate in background presentations and discussions on major public policy issues.
- * An average of 100 persons attend each session.

INFORMATION ASSISTANCE

- * The League responds to many requests for information and provides speakers to community groups on topics studied.
- * A clearinghouse for local public affairs information.

Citizens League

84 South 6th Street
Minneapolis, Minnesota 55402
Telephone (612) 338-0791



Membership Information

Please check one: ☐ Individual (\$25) ☐ Family (\$35) ☐ Contributing (\$45-\$99)
☐ Sustaining (\$100 and up) ☐ Full-time Student (\$15) ☐ Business membership (\$100)
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