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Minnesota's Economy Compares Favorably To That Of Neighboring States And The U.S.

By Terri Erickson and John D. Helmberger

ALLEGATIONS by various interest groups have given the impression that Minnesota's economy is lagging. This is not true!

It IS true that Minnesota's population has grown slower than has the total U.S. population. This fact is usually the basis of the pessimistic allegations. Minnesota has long experienced net outmigration. Agriculture's technological revolution has increased productivity to such an extent that an exodus has occurred. People in rural America have moved from farms and small towns to urban areas. Agriculture is relatively more important in Minnesota than in the U.S. as a whole, and Minnesota's urban areas could not absorb all its rural migrants—hence the net outmigration.

Total personal income has grown

Minnesota's total personal income and its per capita personal income have both been growing faster than has the national average. However, while its per capita personal income has been growing faster than the



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Table 1. Percent changes in personal income, per capita personal income, nonfarm income, and total net farm income for Minnesota, the U.S., and neighboring states

	Personal income*			Per capita personal income*			Nonfarm income			Total net farm income*
	1927-29 to 1971-73	1953-55 to 1971-73	1968-70 to 1971-73	1927-29 to 1971-73	1953-55 to 1971-73	1968-70 to 1971-73	1929 to 1972	1950 to 1972	1970 to 1972	1949-51 to 1970-72
United States	1051.22%	220.65%	26.75%	563.49%	148.35%	22.73%	1061.68%	334.82%	16.29%	27.66%
Wisconsin	924.85	203.48	26.79	556.20	141.41	22.92	964.11	308.66	15.75	24.19
Plains States	878.84	199.03	27.81	675.89	160.65	24.61	981.72	307.03	14.78	44.91
Minnesota	1054.61	226.28	27.51	655.65	161.43	23.41	1142.13	339.03	14.74	40.18
Iowa	824.08	188.03	27.34	687.48	164.09	24.15	948.13	293.53	15.21	40.65
Missouri	834.17	187.83	26.80	608.69	147.31	23.87	856.49	283.61	14.65	22.76
North Dakota	762.24	220.89	41.54	816.97	209.44	38.34	1153.85	302.47	16.64	39.15
South Dakota	794.76	188.18	28.01	800.48	177.58	25.72	1092.22	282.15	15.35	59.30
Nebraska	770.57	205.30	29.07	679.54	168.94	24.81	980.11	314.17	14.32	44.48
Kansas	930.75	188.74	26.98	746.17	160.32	25.23	1061.28	328.48	14.37	81.72

* The Department of Commerce uses 3-year averages when comparing states' economic performance including agriculture. Sources available upon request from the authors.

national average, it was lower than the national average to begin with. Minnesota has relatively twice as many farmers as the nation as a whole, and farm income has been lower than nonfarm income. Recent large increases in farm income increased Minnesota's per capita income to \$4,921 in 1973. This is compared to that year's national average

of \$4,918. So at least temporarily, Minnesota's per capita income is larger than the U.S. average.

Tables 1 and 2 compare Minnesota with other Plains States (Iowa, Missouri, North Dakota, South Dakota, Nebraska, and Kansas) and with adjoining Wisconsin and the U.S. as a whole.

Minnesota's personal income increased 1,055 percent from the 3-year average in 1927-29 to the 3-year average in 1971-73. This is compared to an increase of 1,051 percent for the U.S. as a whole. Minnesota's growth rate from the mid-fifties to 1971-73 was also greater than for the U.S.—226 percent and 221 percent, respectively.

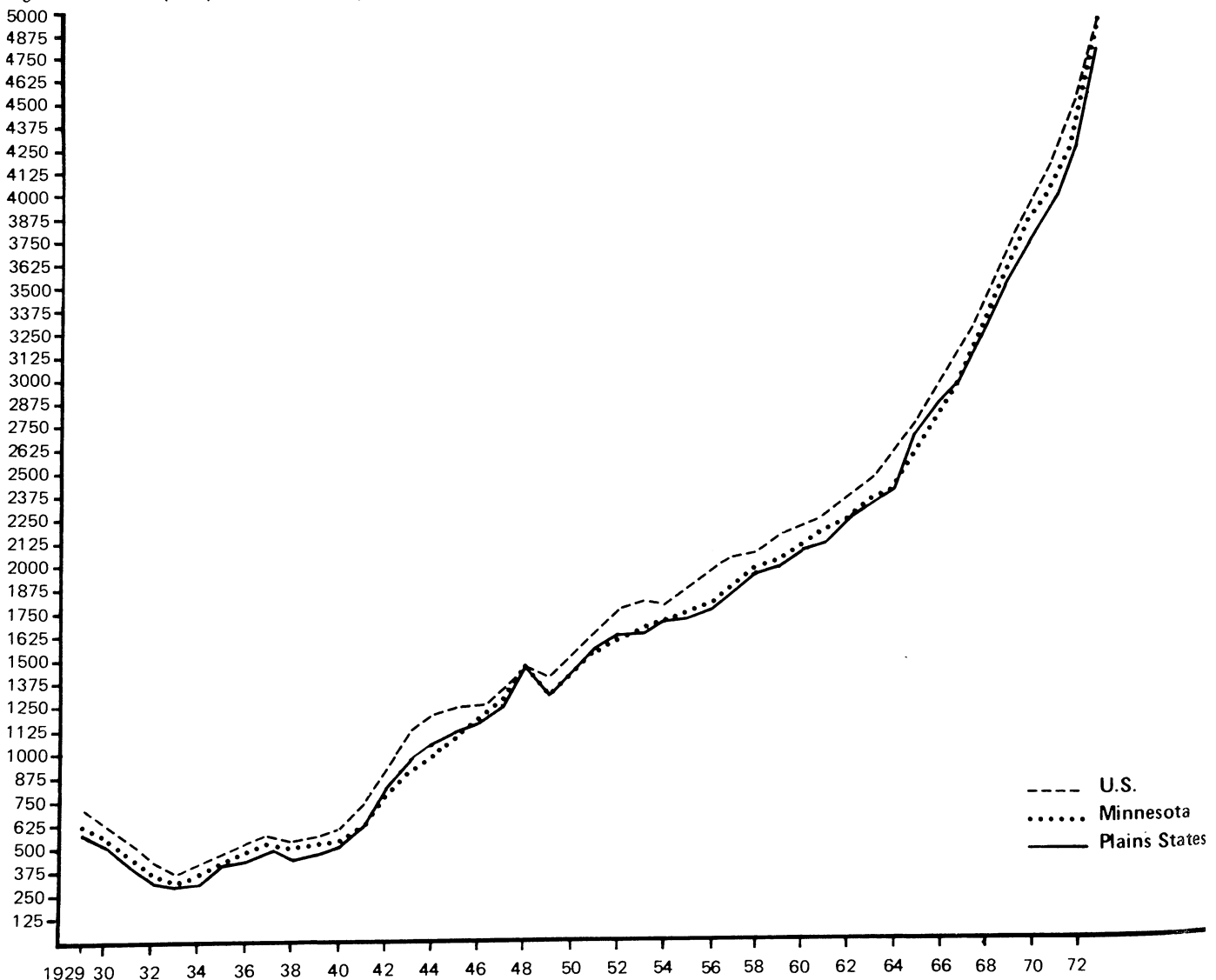
Table 2. Percent change in manufacturing payrolls and employment in manufacturing

	Manufacturing payrolls				Manufacturing employment			
	1929 to 1972	1970 to 1972	1971 to 1972	1940 to 1972	1960 to 1972	1970 to 1972	1971 to 1972	1972 to 1973
United States	993.07%	11.12%	9.58%	72.35%	13.40%	-2.15%	2.18%	4.7%
Wisconsin	888.71	12.21	10.66	76.47	7.21	-1.46	2.92	*
Plains States	1227.51	11.68	10.36	120.44	22.16	- .24	4.08	*
Minnesota	1424.08	8.78	9.97	161.48	33.87	-3.73	2.71	8.4%
Iowa	1490.08	16.30	12.53	133.58	26.44	3.62	6.74	*
Missouri	916.99	9.12	8.21	75.46	10.54	-2.69	1.64	*
North Dakota	1266.67	17.14	9.33	132.61	64.62	8.08	4.90	*
South Dakota	1280.00	20.00	12.20	122.22	37.40	13.92	9.09	*
Nebraska	1240.38	14.64	10.99	182.08	29.64	1.88	4.34	*
Kansas	1701.30	15.78	13.50	180.94	23.28	6.32	10.17	*

* Data not available.

Sources available upon request from the authors.

Figure 1. Per capita personal income, 1929-1973



The growth rate from the 3-year average 1968-70 to the 3-year average 1971-73 was also larger than for the U.S.—27.51 percent and 26.75 percent, respectively. (table 1).

Minnesota's growth is especially good considering that the state has more than its proportionate share of farmers. In 1929, Minnesota's farm income accounted for 17 percent of the state's personal income, while such income accounted for 8.5 percent of U.S. personal income. These figures declined to 5.3 percent and 2.6 percent, respectively, by 1972. All the states with relatively more than their share of farmers have experienced net outmigration except for Virginia. That state receives population overflow from Washington, D.C.

The more important farming is, the greater is a state's outmigration. All the other Plains States, except Missouri and Wisconsin have experienced a greater rate of outmigration than has Minnesota. All have had a smaller rate of increase in personal income than has Minnesota.

Per capita growth better measure

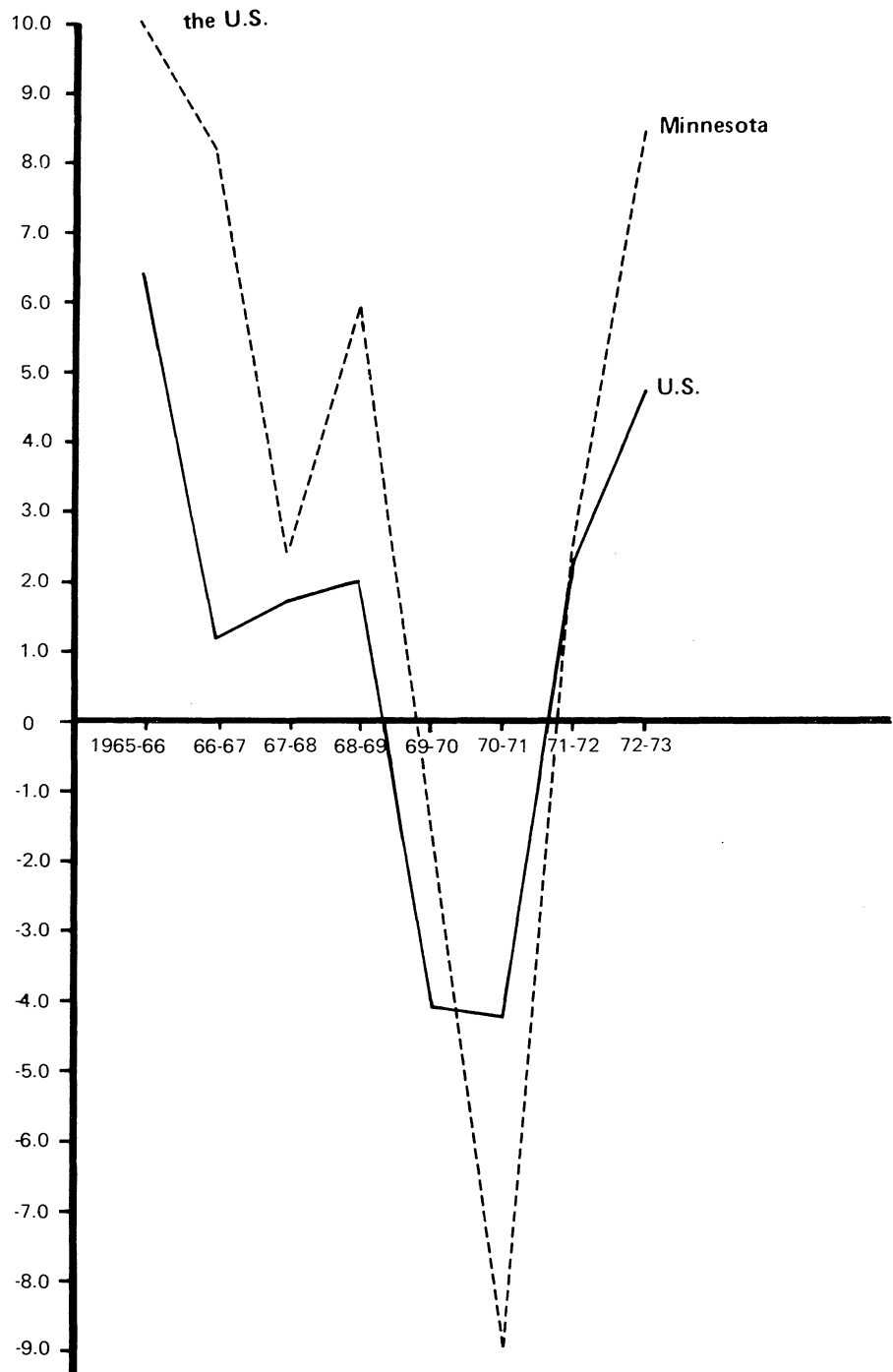
Growth in personal income per capita is a better measure of welfare than is the increase in total personal income. It is increasing income per capita that measures material well-being. Table 1 reveals that per capita personal income in Minnesota increased 656 percent between the 3-year period 1927-29 and the 3-year period 1971-73. Between those periods, it increased 563 percent in the U.S. as a whole. Per capita income in Minnesota increased from \$598 in 1929 to \$4,921 in 1973, while per capita income for the U.S. as a whole increased from \$703 to \$4,918.

Minnesota's per capita income gained both absolutely and relatively (figure 1). Of the seven Plains States and Wisconsin, only Kansas had a higher per capita income than Minnesota for the 1971-73 period and for the single year 1973. In the 1927-29 period, two of the eight states in the area—Wisconsin and Missouri—had a higher per capita income than did Minnesota; in the 1953-55 period, three states—Wisconsin, Missouri, and Kansas—had a higher per capita income; in 1968-70 and in 1971-73, only Kansas had a higher per capita income.

Payrolls growing faster than average

Average weekly manufacturing wages are greater in Minnesota than

Figure 2. Percent change year-to-year in manufacturing employment in Minnesota and



the national average, and manufacturing payrolls in Minnesota have been growing faster than the national average. In Minnesota, such payrolls increased 1,424 percent between 1929 and 1972, while the U.S. manufacturing payrolls increased 993 percent. Of the neighboring states, only Kansas and Iowa had more rapid manufacturing growth (table 2).

Between 1970 and 1971, manufacturing payrolls in Minnesota

dropped, while such payrolls increased in each of the neighboring states and in the U.S. as a whole. This drop is due to national policy changes which sharply reduced the demand for electronics equipment. Electronics equipment is a substantial part of Minnesota's manufacturing. Between 1971 and 1972, manufacturing payrolls increased faster in Minnesota than did the national average, though not as fast as in neighboring states (table 2).

Employment in Minnesota manufacturing grew more than twice as rapidly as it did in the U.S. as a whole. This is true whether we measure the rate of growth from 1940 to 1972 or from 1960-1972. The growth rate in Minnesota employment was also generally higher than in neighboring states. Since 1960, only the Dakotas, among the area's eight states, experienced a more rapid growth rate in manufacturing employment. It is often alleged that Minnesota has a favorable growth rate because it started from a small base. However, five of the other Plains States had a lower base, but only two grew more rapidly. Half of the severe drop in Minnesota manufacturing employment between 1970-71 is accounted for by the decline in employment in the electrical machinery industry. Between 1971 and 1972, manufacturing employment in Minnesota again increased faster than did the national average, but not as fast as its neighbors.

Electrical machinery industry has recovered

However, the electrical machinery industry has fully recovered since then. Between 1972 and 1973, total manufacturing employment increased more than 8 percent in Minnesota,

while it increased less than 5 percent nationwide (table 2 and figure 2).

According to the Department of Commerce, nonfarm income figures are a better statistical series for estimating trends than is personal income. This is because nonfarm income figures abstract from the volatility of—and waning relative importance of—farm income. Nonfarm income in Minnesota increased 1,142 percent between 1929 and 1972, while the U.S. nonfarm income increased 1,062 percent. Minnesota's rate of increase was higher than that for any neighboring state except North Dakota. For the period 1950-72, Minnesota's nonfarm income grew faster than did all its neighbors (table 1). Again, the 1970-72 record for Minnesota is less satisfactory. But in table 2, note the recovery in manufacturing employment and payrolls since 1972.

Farm income is more volatile than is nonfarm income. This explains why the Department of Commerce uses 3-year averages when comparing states' economic performance that includes agriculture. A state's personal income may compare very favorably with other states in a particular year (or very unfavorably) simply because it had a very good crop year (or a very

bad one). Between 1949-51 and 1970-72, Minnesota's total net farm income grew faster (40 percent) than did the national average (28 percent). Among the other Plains States and Wisconsin, farm income in four states grew faster than in Minnesota. It grew more slowly in the remaining three.

Prospects are good

Minnesota's prospects for a better-than-average growth rate are good. This is suggested because of the declining significance of the fact that agriculture is relatively more important in Minnesota. Rapid long term growth in such growth industries as electronics and other industries requiring highly skilled and professional labor also suggests good prospects for Minnesota. This includes growth in total personal income despite continued outmigration (if it continues) as well as growth in farm income and per capita personal income.

Whether we measure growth by total personal income, per capita personal income, manufacturing payrolls, employment in manufacturing, nonfarm income, or farm income, Minnesota's rate of growth is faster than the national average. Minnesota's economy is not lagging.



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