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GOVERNOR'S COMMISSION ON ECONOMIC AND SOCIAL TRENDS IN IOWA

("Committee of One Hundred")

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Final Report of the Sub-Committee on

I N D U S T R Y

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PART I

INTRODUCTIONRationale

Iowans want -- for themselves and for their children -- a high and rising level of real income per person. They demand a high and rising standard of living. They can achieve these goals in the measure that (1) the nation's resources are fully employed, (2) output per worker the nation over rises with more and better tools, improved products, and the prompt application of modern methods, and (3) Iowans adjust -- in terms of the place and type of their employment and in terms of the type of life they will accept -- to the demands of these changes.

Specifically, Iowans must produce products demanded in today's markets and they must do so in those places using those methods which allow both competitive pricing and high and growing incomes to participants in production

-- workers and owners alike.

The changes required of Iowans may require some migration from the state if Iowans are to maximize both their personal incomes and their contribution to that total output in which we all share. However, such migration does pose problems. It requires a break in family, community, and occupational ties which are frequently difficult. It reduces aggregate income out of which essential governmental activities must be financed. It raises problems of caring for a disproportionately large group of older people. It means declining business opportunities for enterprises serving the local population. Finally -- and most damaging of all -- it may give rise to an acceptance of decline which leads to a continuous under-estimation of capacities and abilities. Certainly these results should not be accepted insofar as alert, farsighted, and vigorous action can forestall them by the discovery of income opportunities in Iowa.

The Situation.

Iowa's present situation grows out of changes in agriculture. More machinery and better methods in agriculture have increased agricultural output per agricultural worker more rapidly than the demand for farm output has grown. The result -- fewer farm jobs, fewer farm workers, and a declining farm population. Farm workers, freed by a productive farm community for production elsewhere, have joined the natural increase in the work force stemming from a growing population and the growing number of women seeking employment. A healthy increase in manufacturing jobs -- since 1939 at a rate more rapid in Iowa than in the nation -- has been insufficient to keep all potential workers in Iowa at incomes equal to those they can command elsewhere.

The Prospects.

Can income (job) opportunities yielding an income as high as available elsewhere (for we cannot expect persons to pay in lower incomes for the privilege of residing in Iowa) be created rapidly enough (in manufacturing or elsewhere) to significantly slow down the out-migration of people? To this question, there is now no certain answer. However, the nature of activities likely to contribute to this end can be spelled out.

Income opportunities of the type required exist when the output of a workers services, of managerial know-how, and of investor's capital can be sold to yield a revenue sufficient to cover all costs of materials and supplies and to leave to workers, management, and investors an income as large as they could earn elsewhere. These opportunities are basically determined in the market place. They must exist, or growth is impossible.

What then can be done? A great deal. Through research and education, a state can keep abreast of new techniques for reducing costs and increasing incomes. It can organize to make certain that no income opportunity goes unrecognized. It can work to bring income opportunities to the attention of those able to create enterprises to take advantage of them. It can make certain that its financial mechanism does not bar the creation of those enterprises. It can act to keep the regulated prices of things purchased outside the state favorable to its development. It can continuously review all of its governmental policies to make certain that none are inadvertently barring the embracing of income opportunities. Some activities along these lines are spelled out in detail in the sections to follow.

However, in the final analysis, these activities must aid in (1) the attraction of foreign (out-of-state) companies which erect plants in Iowa, (2)

the expansion in Iowa of industries already conducted here, or (3) "home-grown" development of new firms taking advantage of newly discovered opportunities. Any program of development must look to growth in all three areas. The local firm, its birth and its growth, is fully as important to Iowa as the attraction of branch plants.

PART II

NEEDS

Iowa's basic competitive position with respect to the economic, or pocketbook, factors affecting plant location (i.e., labor supply, rates and skills, site costs, transportation facilities, availability of materials, location relative to markets, etc.) has grown adequate to yield increases in manufacturing employment more rapid than for the nation as a whole. Yet, there is much which needs to be done to enlarge and to improve efforts to stimulate growth in manufacturing opportunities in Iowa.

The Iowa Development Commission, the agency of state government, intended to discover income opportunities in Iowa and to "sell" them to interested business firms, is lumbering along on a budget of \$150,000 annually. All expenses are paid from this budget; there are no special funds. This contrasts sharply with Florida's budget of \$1,000,000 for advertising that state. Compared with surrounding states (our principal competitors in the quest for industry), Iowa has one of the lower annual appropriations to its development commission. Expanded allocations to the Iowa Development Commission would not automatically insure more new industries but they would strengthen the state's sales effort.

More funds for the Development Commission would, among other things, provide higher salaries for key Commission employees. In the past, good men have served the Development Commission. These men have risen to the top of the pay scale and have been frustrated by their inability to receive a growing re-

muneration conforming to their widening and ever developing skills. As a result, they have taken their experience and training, gained at the taxpayer's expense, to other employment.

Freight rates, particularly rail, are major determinants of where industry can profitably operate. There is in Iowa no organization designed specifically to keep a watchful eye on developments in this field and to organize effectively for obtaining desirable changes. To be sure, several of the state's larger cities have traffic bureaus which serve a vital function for local industry, but there is no really unified organization both to protect the legitimate interests of all existing industries within the state and to gain changes favorable to the organization of new firms in the state.

Intelligent planning for industrial growth requires the systematic marshalling of all existing information and the following -- via research -- of all leads likely to suggest new, or expanded income opportunities. Excellent research work is now being performed at our State colleges and universities, as well as private institutions of higher learning and other public and private agencies. The problem is the lack of coordination and making practical use of the work being done. Because of our pre-eminent agriculture production, Iowa is in a strong chemurgic position. More research into the industrial use of agricultural products would surely bring results. Our present industries serve many and diverse markets. It could prove very worth-while to study these various market areas and determine what is happening in each which might adversely or favorably affect Iowa manufacturers.

State and local governments have responsibilities in many directions. Industrial development is not their only concern. Nonetheless, they should not, to achieve other goals, inadvertently take actions which reduce ability to expand industry and obtain a growing number of jobs at high and growing incomes. Industry does not expect favored treatment -- just fair treatment. Subsidies are becoming highly suspect to most industries, although a few marginal producers still look kindly toward them. Iowans must realize that unfavorable

legislation will perform a hysterectomy on the goose which lays the golden eggs of more jobs, payrolls, and tax revenues.

"To attract, a community must be attractive". No business will locate in a city or town which is run down at the heels -- a city where schools, recreation facilities, municipal facilities and roads have been abused, neglected, or inadequately planned. Zoning is an integral part of over-all city planning. Any city desirous of growth must plan for the future; it must have a place (zoning) for industry, and another for residential and commercial property. Few Iowa communities have an active City Planning Commission, and fewer have a comprehensive City plan for the logical and orderly growth of their schools and municipal facilities. Industries are impressed with "planned progress". They like to become a part of a well-planned and growing city. A City plan lets them know what to expect in the way of increased tax burdens to support better schools and better government.

Such planning is also desirable on a county-wide basis. This is particularly true for those counties with larger cities. Indeed, with growing problems of suburban development, such county-wide planning is imperative if business is to be able to accurately assess the situation into which it is entering.

Adequate finances are the life blood of a successful business enterprise. Securing needed capital has not always been easy in Iowa. Many banking institutions, particularly in smaller towns, are agriculturally oriented. For this reason they have not been sufficiently concerned with the capital needs of commercial and industrial enterprises. They are not fully aware of the capital and loan requirements of industry. This lack of concern may well be a definite handicap in Iowa's quest for new business.

Much publicity has been given to Development Credit Corporations. These "private enterprise" institutions have made venture (risk) capital available to promising companies not able to secure needed financing through regular

banking channels. The record of accomplishments of these development corporations has been outstanding. In addition to funds loaned to industry, these credit organizations have loaned money to local development organizations to erect buildings and to buy sites for industries locating in a community. This Committee did not have an opportunity to go into detail with regard to these corporations but it does feel that they warrant closer scrutiny.

Iowa is quite homogeneous with respect to its economic and social composition but it is still varied enough to make generalization sometimes unwise and unwarranted. There are different problems, either in scope or nature, in different parts of Iowa. There are "communities of enlightened self-interest" in this State. Yet, it is not at all uncommon for two or more cities of fairly equal population, not more than 25-50 miles apart, to fight each other for industry. Neither is it uncommon for the larger cities to ignore the needs of their satellite communities. Competition between cities is healthy -- but so is cooperation of the kind which recognizes that even if an industry does not locate in "my" town, it's still "our" area, and will help us to grow and to prosper. This is the kind of cooperation which say, "if we can't have it, we'll sure help our neighbor city get the industry" -- the kind of cooperation which eliminates duplication and waste in local promotion efforts and joins together to boost an area -- the kind of cooperation that recognizes that in unity there is strength. Iowa needs to develop a fine sense of balance between the wisdom of fierce, healthy competition among cities and the need for mutual cooperation to locate industry in an area.

All over this nation people in increasing numbers are taking the highways and byways for vacation fun. These people spend millions of dollars annually. Tourist trade is big business. Iowa has some attractions for tourists which, if promoted more widely, would bring broad economic returns. Some states doing a big tourist business are using this as a tool for soliciting industrial plant location.

PART III

RECOMMENDATIONS

The Industry Committee, mindful of the needs of our state as outlined in Part II of this report, makes these recommendations:

1. Iowa Development Commission

a. To show dramatic evidence of the state's desire for industry and to enable Iowa Development Commission to more forcefully perform its assigned responsibilities, the State legislature in 1959 and thereafter should appropriate much greater funds to the Commission for an expanded performance of the Commission's competitive functions.

b. To allow for greater stability in the staff of the Development Commission and to allow it to retain the services of capable people, a salary structure commensurate with responsibilities taken should be established.

c. That the Iowa Development Commission should use a portion of its increased budget to expand its program of tourist promotion.

2. Freight Rates

a. Establish within the Iowa Development Commission a "Department of Transportation" staffed by persons thoroughly familiar with freight rates. It should be the sole function of this department to continuously analyze the freight rate structure and to press for desirable revision.

3. Expanded Research

a. The Iowa Development Commission should expand its research activities. Particularly the Commission should identify research projects likely to result in expanded job opportunities. They should cooperate with existing research agencies, private and public, and with business associations and firms who may actually perform many of the needed research activities.

4. Economic Climate

a. The State General Assembly should review all current and proposed

legislation toward the end that these will continue to exist a climate most suitable to further industrial growth.

5. Comprehensive County and City Planning

a. Counties and cities must be prepared for growth and for its consequences. This requires -- and the Committee recommends -- comprehensive planning by both counties and cities.

b. Specifically, in accordance with Section 701 of the Federal Housing Act, the 59th General Assembly is urged to pass the necessary enabling legislation and to appropriate the needed matching State funds to provide for that program of comprehensive City planning envisioned by this Federal Legislation. *See footnote at end of report.

6. Industrial Loans and Capital Requirements

a. To develop a deeper understanding of the capital problems of industry, the appropriate financial institutions and associations should undertake programs of education to create an awareness of this problem.

7. Development Credit Corporation

a. A study should be made to determine whether or not the establishment of a development credit corporation will provide needed venture capital not now available to new and expanding enterprises or to local industrial development corporations.

8. Regional (Area) Promotion

a. The Iowa Development Commission should encourage metropolitan area, county and/or multi-county organization for cooperative activities.

Beyond the scope of this Committee's function, but still tied rather closely to its field of interest, is the matter of a centralized State Planning Authority. Many states have found such agencies desirable in planning the over-

all growth and progress of state governmental facilities (including health, education, highway, recreation, flood control, and other capital expenditures). This planning authority is usually directly attached to the Governor's office. This lends the necessary dignity and prestige to the planning function. Each state department maintains its ordinary planning facilities. The central authority coordinates a workable plan for over-all state capital improvements which would be workable and acceptable. The Committee recommends consideration of such an authority for Iowa.

*Several states are taking advantage of this Federal Legislation which, when certain conditions are met, states that the Federal Government will pay fifty percent of the cost of developing a city plan; the "other" fifty percent to be paid by the city undertaking the planning project, or the State Government. Many states use the technique whereby the city pays twenty-five percent and the State twenty-five percent. So if the State legislature were to appropriate \$50,000 a year in matching funds for city planning, it would buy \$200,000 worth of local planning. This "701" program is applicable only to cities under 25,000 population. The general purpose of this program is to encourage city planning and eliminate tomorrow's potential problems.