

Inaugural Message
of
Governor Elmer A. Benson
To the Legislature of
Minnesota

St. Paul, Minnesota
Tuesday, January 5, 1937

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**FIRST INAUGURAL MESSAGE OF
GOVERNOR ELMER A. BENSON
TO THE LEGISLATURE
OF MINNESOTA
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If ever a law-making body received a clear mandate from the people, it is Minnesota's fiftieth Legislature.

On November third the overwhelming majority of our citizens said that they will no longer be content to suffer at the hands of a system which, during periods of so-called prosperity, gives them nothing more than a mere existence, and, during periods of depression, inflicts upon them misery, hunger and want.

There was a time when most people believed that those in economic distress were delinquents and misfits. We know better now. We know that no shortcomings on the part of the masses were responsible for the condition which threw millions upon millions of our wealth producers onto the breadlines.

Private industry has given ample proof of its inability to supply even our most elemental social and economic needs.

The people were rather slow in discovering how utterly incapable private industry is to guarantee security for anybody—even for itself. The big industrialists were the first to run to the government for assistance—the very government they despised and ridiculed and said should keep hands off business.

The railroad owners, virtually on bended knees, asked the government to save them from bankruptcy—and the government did. The big financiers, with tears in their eyes, pleaded with the government to rescue them when they were in dire financial need—and the government did. Our public utilities petitioned the government to guarantee to them handsome profits on their investments, even profits on watered stock—and the government did. But when our farmers asked the government to guarantee to them cost of production—this was sacrilege.

We have undergone a great transformation in our attitude towards government, and the things we expect government to do for us. Government is no longer a mere huge policeman, protector of the rights of private property; it is now the great guarantor of social and economic justice and security for all the people.

There also has been a change in our political concepts. Conservative spokesmen have discarded the term "conservative" and have adopted the term "liberal." They have pronounced themselves in favor of the principles of social security, collective bargaining, equal educational opportunities for all children, and the like. Therefore, when the conservatives of this Legislature join with the liberals in enacting a truly liberal program, they will in fact not only be carrying out the mandate of the people but they will also be carrying out their own campaign pledges and promises.

We can thus join in a common effort to do a real job for our people. Let us do it in a genuine and constructive way. I sincerely hope that this session will be free from petty politics, petty bickerings, petty maneuverings for political advantage. Let us display a common devotion to a common task.

In carrying out that task our guide must be the people's will. The people have a right to say under what kind of government and under what kind of laws they shall live. That is the essence of true democracy. We, as elected officials, have no right to substitute our will for theirs.

Before outlining to you what may be accomplished through state legislation, I should like to say just a few words on how Minnesota can lend its influence and prestige in influencing national legislation.

The state should take steps to avail its citizens of every benefit which can be derived from the various federal services and aids. For example, we must seek more soil erosion camps for this state; increase in seed and feed loans with a more lenient collection service; more Public Works Administration projects; more Rural Electrification Administration projects; more liberal grants under the Resettlement Administration; no curtailment of employment to farmers in the drouth

areas, and more Works Progress Administration projects generally.

MEMORIALIZING CONGRESS

There was a time when Minnesota's voice in the national councils was a small voice crying from the wilderness. That is no longer the case. The late great governor, Floyd B. Olson, gave Minnesota's liberal movement national recognition.

There are several matters of interest to the farm population upon which you should memorialize Congress:

Passage of the Frazier-Lemke refinancing bill; guarantee of cost of production to the farmer; crop insurance; elimination of the speculative marketing system; extension of government credit to farmers, merchants and cooperatives, and laws to assist tenants to become farm owners.

Farmers often must dispose of their crops during periods when markets are extremely unfavorable to them. You should memorialize Congress to establish facilities through the Farm Credit Administration which will permit farmers to borrow money on crops stored on their farms.

Congress should be urged to adopt a strong neutrality policy; prohibit sale and delivery of war contraband or the making of loans to nations engaged in any foreign war; take over and operate all munitions plants; conscript wealth in time of war, and make it a criminal offense to spread false propaganda designed to bring our nation into war.

I urge that you memorialize Congress on the passage of the American Youth Act; the Frazier-Lundeen social security bill; pensions for widows and orphans of war veterans; passage of the Peatengill Long and Short Haul Clause Repeal bill; prevention of the M. and St. L. dismemberment; giving Congress the exclusive and constitutional power to coin money and to regulate the value thereof; government ownership and control of the federal reserve banks, and ratification of the proposed treaty with Canada for building of the St. Lawrence-Great Lakes water way.

I recommend also that you petition Congress to submit a constitutional amendment which would remove from the Supreme Court its assumed power to declare unconstitutional laws passed by Congress pertaining to child labor, regulating working conditions in industry and agricultural and industrial production, providing security against old age, unemployment and sickness and social legislation generally. Progressive America stands helpless to enact needed social and economic reforms while a reactionary Supreme Court has usurped autocratic powers never intended by the framers of our Constitution.

And now I shall turn to matters which you as legislators can deal with directly.

CIVIL LIBERTIES

One need be no pessimist to view with alarm the dangers threatening our civil liberties.

It is true that we in this country enjoy liberties of speech and assembly which are denied citizens of many other countries. Yet this should not give us a false sense of security. There are powerful groups ever ready to support the liberties of one class at the expense of the liberties of another; some, like the misnamed American Liberty League, take on the cloak of democracy and respectability. We must be on guard against this deception. Secret, subversive organizations like the Black Legion, the Silver Shirts and the Ku Klux Klan present a constant threat to our freedom. And there are mighty leaders of industry who do not hesitate to ask autocratic control over the lives and liberties of their workers.

It rests upon you who make the laws of this state to guard our American heritage. Just yesterday the Supreme Court of the United States declared the Oregon criminal syndicalism law unconstitutional.

We can do something in that direction by repealing one of the most vicious laws upon our statute books—the Criminal Syndicalist law.

The law defines criminal syndicalism as "the doctrine which advocates crime, sabotage, violence or other unlawful methods of terrorism as a means of accomplishing industrial or political ends."

Laws of this kind are frequently used as a spear with which to destroy the trade union, farmers, and liberal political movements.

GENERAL LEGISLATION

The outstanding success of Minnesota's Bureau of Criminal Apprehension is an admitted fact. The facilities of the Bureau should be enlarged. One of the most potent weapons in the apprehension of criminals is the radio. The Bureau now functions with only one radio station. For a complete coverage of the state, five stations should be added.

The number of traffic deaths is still appalling, although in Minnesota we have done a better safety job than elsewhere. But our highways will be made safe and the number killed and injured each year greatly reduced only when we enact more effective motor vehicle laws and give our enforcement agencies additional power in enforcing them. The habitual careless driver and offender should be prevented from operating on the streets and highways. I urge that full consideration be given to the adoption of a standard driver's license law for the State of Minnesota as recommended by the National Safety Council.

Prosecutions arising from automobile fatalities due to criminal negligence come under the murder and manslaughter statutes. Successful prosecution of these types of cases under these statutes is virtually impossible. I recommend enactment of a law dealing specifically with deaths resulting from criminal negligence in the operation of a motor vehicle and classing the offense as a felony.

Paid lobbyists of special interests have had a corruptive influence over the law-making bodies of this country. I advocate passage of a law which would require registration of all persons engaged in lobby activities before the Legislature. You will make a great stride in the direction of honest government by passage of this kind of a law.

There is no denying that, under present liquor laws, regulation of the liquor traffic has broken down. With repeal of prohibition, we were promised by our Presi-

dent, by Congress, and by the state Legislature that the saloon would never return. Leaders of civic, religious, business and other groups were unanimous in their opposition to a return of this demoralizing institution. But no one who has been following the daily press can escape the conclusion that conditions now are worse than they were under the old system when we had the saloon. It is quite obvious that liquor traffic in private hands cannot be controlled.

The state is interested in the question primarily as a matter of temperance and social control. The matter of revenue is of secondary importance.

Publicly-owned liquor stores offer the most effective method of meeting the problem. You should give most careful consideration to the proposal of a state dispensary system.

Consideration also should be given to the proposal for a state-owned cement plant. There is no competition in the cement business; it is trust-controlled, and no matter from whom the state purchases this material, the price does not vary one iota.

I recommend passage of a loan shark bill with teeth in it so that its provisions can be enforced. Under various subterfuges, loan sharks shamefully exact an excessive rate of interest. These companies should not be permitted to charge more than the lawful contract interest rate and should be placed under the supervision of the state Banking Department.

The legal rate of interest should be lowered from six to four per cent. This will have a tendency to lower all interest rates which are oppressive.

The non-partisan method of electing legislators has proven confusing and inefficient. It eliminates party responsibility and confuses the voter. I therefore recommend legislation which will again place the Legislature on a partisan basis.

FARM LEGISLATION

The Farmer-Labor party is mandated to make a special effort in the direction of constructive legislation pertaining to the welfare of the farmer and the worker.

The Republican and the Democratic parties also are mandated by their platforms towards efforts to lift the economic standard of farmers and workers. Although this is essentially a national problem, there are certain things we can do through state action.

I recommend that you extend the mortgage moratorium law for a period of two years. Unless the law is continued in effect we again will witness a great increase in the number of mortgage foreclosures and consequent loss of homes and farms by their rightful owners.

The law pertaining to deficiency judgments should be repealed.

This law is not only oppressive; it is downright immoral, violating every rule of ethics and of equity. Even though the general public is invited to bid on a mortgage foreclosure sale, as a practical matter it is only the mortgagee who usually bids—and this bid is frequently less than the amount of the debt itself.

I strongly recommend for your consideration a graduated tax on the business of carrying on farming by chain farms. The ownership of farms by those who work them makes for a sounder and more stable citizenship. We are rapidly building up an absentee land ownership. In some counties as high as sixty-two per cent of the farmers are operating as tenants.

We must do something to counteract that tendency.

As farm aid measures, I recommend a law requiring the use of a certain amount of barley in the manufacture of beer instead of only rice; an adequate and effective license tax on oleomargarine and other butter substitutes; authorization of the Department of Agriculture to carry on soil conservation activities and cooperate with the federal government and county and local agencies in promoting soil erosion control; a change in our law pertaining to butter standards so that we will have a single standard similar to the federal law.

In order to eliminate duplication and overlapping of activities, an agency should be created within the state Department of Agriculture wherein will center activities of the county agent system, the 4-H clubs, the Live-

stock Improvement Association, the Poultry Improvement Association, and similar activities.

I suggest also creation of a Consumers Research Bureau within the Department of Agriculture. In other states such bureaus have functioned in the interest of the general public and have done much to protect consumer and producer alike.

COOPERATIVES

The state should facilitate the development of cooperative enterprises of every description. The cooperative and public ownership enterprises of Sweden and other Scandinavian countries were largely responsible for the fact that the depression was felt there less than in those countries where business was confined almost entirely to individualistic enterprises. You should be liberal in appropriations to the Department of Agriculture in its activities relating to cooperatives.

I recommend a change in the cooperative law in order to permit cooperatives a greater latitude in the purchase of stock in other corporations. The change suggested, I believe, will materially aid their development and expansion.

LABOR

The greatness of a country, or a state, depends not upon the number of its millionaires, but upon the standard of living of its masses. We are vitally interested not only in the prosperity of our farming population but also in the economic welfare of all who work, by hand or brain.

The state itself is the largest single employer and should set an example for paying living wages. How can we expect private industry to pay decent wages when the state itself does not do so? I urge you to adopt the union standard of pay for all state employees and to restore all pay cuts.

The issue of economy should not be raised as a bar. If the salaries of every state employee paid from the general revenue fund were abolished completely, the savings to the taxpayer would be only one dollar and eighty-nine cents for each one hundred dollars in taxes.

I advocate a civil service law for all departments. The citizens have a right to expect at least the same degree of efficiency from state employees as is expected of employees in private enterprises. This cannot be done unless the state employee has some assurance of tenure in his job.

The State Employees Retirement Fund Act should be amended so as to require the state to pay annually into the fund an amount equal to the deficit of the past year. This will assure solvency of the fund at all times.

The Workmen's Compensation Act has many defects which prevent workers receiving the full benefits intended by the act. Workmen's compensation insurance is now optional with employers. There are about 15,000 employers in the state who have elected not to be bound by its provisions; the only protection thus afforded to their employees is that which they can receive through our civil courts.

The act should be made compulsory upon all employers. Also, all employers should be required to carry insurance coverage sufficient to meet all legal claims of employees. The files of the state Industrial Commission reveal that there are about three hundred and twenty awards of compensation totaling approximately three hundred and sixty thousand dollars which have not been paid to injured workmen or their widows and dependents because the employers carried no insurance and were themselves irresponsible financially. Insurance companies writing compensation insurance should be required to accept all risks tendered them by employers who comply with the safety code and who are able to pay the premium on the insurance.

You should increase compensation benefits generally, particularly benefits for permanent partial disability. Benefits due to fatalities should be increased from seven thousand five hundred dollars to ten thousand dollars.

Consideration should be given by you to the proposal for state fund workmen's compensation. This has worked out quite well in other states.

Importation of thugs and strike-breakers in labor disputes should be prohibited by law. Testimony bearing

on the use of thugs and professional strike-breakers presented before the LaFollette committee in the United States Senate shows the necessity for such a law.

The state should adopt a policy in regard to purchases and awards of contracts to give preference to firms that adhere to the principle of collective bargaining and pay union wages.

I recommend submission of an amendment to our state constitution giving the state the right to adopt laws pertaining to minimum wages and maximum hours of employment; liberalization of the present garnishment law so that all the wage earner possesses is not covered in the garnishment action; creation of a state agency for the collection of unpaid wages; a law regulating the length of trains, and a full crew bill as regards railroads.

HOUSING PROGRAM

One of the great problems today—national as well as state—is to provide adequate, modern housing facilities for our low-income groups. A low-cost housing program is essential.

Adequate low-cost housing is possible only upon the basis of an outright governmental grant of funds to pay land and construction costs. The state can set up a Public Housing Agency to cooperate with federal housing agencies and avail ourselves of all federal housing grants.

INDEPENDENT MERCHANT

The independent merchant still suffers from unfair chain store competition. He is part of our community life. He spends his money here. He keeps his wealth here. Chain stores are monopolistic enterprises whose owners reside outside the state. They contribute nothing toward community upbuilding. Their profits leave our borders, never to return.

I recommend that the chain store law be made more drastic and revised in the light of recent court decisions.

The last Congress enacted a fair trade practices bill known as the Robinson-Patman bill. I recommend that

you pass a state fair trade practices bill which will prevent harmful and undesirable business practices such as unfair rebates, and other recognized unfair methods of doing business.

YOUTH

The pathetic condition of youth during this depression is a challenge to those who believe in perpetuating the present order.

Thousands of our young folks who have spent the best years of their life acquiring an education, training themselves for a life's vocation in either the trades or professions, many with college and university degrees, not a few who have graduated with marks of distinction, find that society has no use for their abilities and their talents. They knock from door to door in quest of employment, which is denied them.

Youth requires security even more so than do their elders. Destroy the faith and hope of youth and you destroy the future not only of the nation but of a civilization itself.

Minnesota can promptly take the leadership in the movement in behalf of youth. The late Governor Olson was the first state executive in America to outline a youth plan, which later became a pattern for the nation and was adopted by the federal government.

The work thus started must be continued and advanced. I recommend enactment of a Minnesota youth act which should include creation of a state youth commission with power to determine the actual needs and conditions of youth, and formation of social, recreational and employment centers, particularly in the rural areas.

Necessary funds should be appropriated to create works projects of such a nature as to make contributions to the vocational and educational training of youth. The Department of Education could cooperate in formulating such a program. We should aid needy students to pursue their education. Some form of joint federal-state action is desirable, and funds should be jointly

provided by the state and federal governments. The National Youth Administration forms a basis for cooperation.

Education for our youth is one concrete way of demonstrating to young men and women our faith in them. We need an expanded college aid program and adequate means to assist in the general program of youth planning. Minnesota must not standardize living, particularly for its young, on a poverty basis. It must find the means to offer to youth something better than a pauper existence.

EDUCATION

Our national, as well as our individual, welfare depends upon an informed people. We must ever seek to attain a higher level of public education.

I recommend payment of all state aids in full. Minnesota in the past enacted desirable educational laws designed to equalize educational opportunity for children through furnishing a minimum program. But insufficient appropriations necessitate the pro-rating of the special state aids to education and thereby prevent the attainment of the minimum program fixed by law.

I urge consideration of expansion of educational facilities for unfortunate people suffering from any type of handicap. Likewise I believe the Department of Education should effect a much closer cooperation than exists at the present time with the Board of Control in the matter of an educational program for the wards in our various state institutions.

I urge the passage of a bill, together with such appropriations as may be needed, to furnish free transportation to all rural high school pupils. Urban centers of population and of wealth owe a great educational debt to the rural territories of this state. And yet the sad fact exists that the rural child today has fewer and poorer educational facilities than other children in the state. Forty-four per cent of rural children of high school age in Minnesota are not now in high school because their parents, in many cases, cannot afford to pay the cost of transportation.

Appropriations in the general field of health and recreational services sufficient to enable the Department of Education adequately to carry out a real program should be made. There is great need for health programs and instruction in the field of health. A proper health program must proceed through a thorough-going educational program in health instruction, which can be carefully coordinated with a state-wide program in the field of recreation. If the youth of this state can be made into healthier and better citizens through this, the little that the state may expend will represent money well spent.

Adult education should become an integral part of our state educational program. In those countries which have undertaken it on a large scale adult education has clearly contributed to a higher standard of living.

These educational recommendations will, of course, require more money. But if you proceed upon the broad principle of equalization of educational opportunity and provide the means to effectively accomplish that ideal, you can make no mistake.

However, I need not point out to you that state aids to education act as a replacement tax, thereby relieving the tax burden of the local community.

I recommend that an interim committee be appointed to codify the school law and make such suggested recommendations in school law revision as will insure better and more effective educational planning in the future.

TEACHER'S TENURE

The members of the teaching profession must undergo in preparation for their work one of the most rigorous trainings of any of the professions; yet they are public employees with no occupational tenure.

I urge you to enact some measure designed to give a greater degree of security to the teaching profession in the pursuit of its work. I suggest for your consideration enactment of a law which will place teachers under continuous contract, subject to dismissal for cause only, and after the reasons for dismissal are stated in writing

and concurred in by a majority of the Board of Education.

STATE PLANNING

Intelligent state planning can be delayed no longer. We cannot afford to stumble along blindly, not knowing where we are going nor how we are going to get there.

Our lack of a land use policy in Minnesota cost us dearly not only in treasure but in wreckage of human lives. I need not tell you of the disastrous results of efforts to develop agricultural settlements on drained peat and other land in northern Minnesota, land never intended by nature for farming. We do not want to repeat these experiments.

The first step ever taken in Minnesota in the direction of land use studies was the appointment by Governor Olson of a Land Use Committee in 1933. At present there is a Land Use Committee, created by legislative act, composed of the heads of various state departments. Its activities, because of lack of funds and other causes, have been rather negligible.

Three years ago President Roosevelt suggested to the various Governors that they appoint state planning boards to study the natural resources of their respective states for the purpose of developing an immediate and a long-time public works program. A board appointed by Governor Olson has functioned with very beneficial results. Supplied with some funds by the State Executive Council, it has been able to conduct studies and to lay out plans and make recommendations on problems such as water conservation, social security and public welfare, taxation in its relation to income, educational administration, development of recreational facilities, transportation, rural electrification, public health and sanitation, and metropolitan and urban planning. At the present time it is carrying on an agricultural land debt survey and a thorough-going study of the welfare needs of our state for a period of years.

I recommend that a state planning board be created and supplied with sufficient funds. I suggest that this board be made up of citizens appointed by the Governor,

working without pay, with heads of state departments as ex-officio members, and a paid working staff of experts and persons of experience. The Board would act in a purely advisory capacity, gathering data and laying out plans to be used as a basis for adoption of policies and programs by the elected representatives of the people.

INTERSTATE COOPERATION

In the course of this session, a bill for the establishment of a Commission on Interstate Cooperation, substantially the same as bills being acted upon by the legislatures of other states, will be presented for your consideration. In the past year and a half, seventeen states in the Union have created commissions on interstate cooperation for the purpose of mutual consideration of pressing problems calling for cooperative action, not only between the states, but with the federal government. I recommend your careful consideration on this subject.

ELECTRIC POWER

Cheap electric power is one of the essentials of our modern civilization.

Approximately eighty-five per cent of the farms in Minnesota are without electric service. Many of the farms which have electric power are paying exorbitant rates. Electric rates in Minnesota differ in nearly every community. A recent survey by the Federal Trade Commission showed rates varying all the way from two cents to thirteen and a half cents per kilowatt hour.

Long experience has shown that regulation by state commissions will not bring the desired results. Endless litigation and prohibitive expense make it impossible for the state to procure any real reduction in rates through the courts.

In view of the unprecedented activity of the federal government in the field of rural electrification, the State of Minnesota should take an active interest in power problems.

During the next ten years four hundred and ten million dollars in federal funds will be available for rural electrification purposes. It seems obvious that we should be in a position to make the most of this aid.

The Minnesota Planning Board has made a study of the power question and has recommended a State Advisory Power Commission. The purposes of this commission would be to survey existing power plants, rates, and services; to prepare a comprehensive plan for the economic inter-connection of existing sources of electricity in the state; to prepare a state-wide plan for rural electrification; and to furnish information and recommendations pertaining to electric service.

A commission of this kind would be able to uncover the facts which are so sadly lacking today and would pave the way for a greater enjoyment of the benefits of electric power for the citizens of this state. I recommend an act creating such a commission supplied with sufficient funds to carry on its work.

I further urge the removal of restrictive legislation hampering the normal development of the facilities of municipal power plants. There are in Minnesota fifty cities owning their own generating plants. Eighty cities and towns own power distributing plants, and fifty-seven counties have established electric power cooperatives.

The removal of restrictive legislation, such as the present law which prevents municipal power plants from extending their lines more than thirty miles from the boundaries of the municipality, would permit these cities and towns to band together into municipal leagues for large-scale operation, and it would also permit them to unite with rural cooperative power associations wherever this appears feasible.

I urge the submission to the voters of a constitutional amendment which would enable the state to produce electrical power and sell this power to municipalities at their gates for their own retailing and distribution.

CONSERVATION

The stage of academic discussion on matters of conservation is past. Problems affecting the use of tax

reverted lands, forest management, water conservation and recreation are of immediate concern in planning for future long-time needs. Millions of acres of land, unsuited for agriculture, from which the forest growth and other sources of income have been removed, are now reverting to the state.

In retrospect we see the mistakes of the past, but unless we profit by these mistakes the northern counties will again be at the threshold of another cycle of discouragements and failures due to new owners on the one hand, and renewed efforts by taxing units to keep these lands on the tax rolls on the other.

Under the present law, lands reverting to the state are to be held in trust for the taxing units. No one has been able to determine just what the legislature had in mind when it placed this cloud upon the title of reverted lands. The law should be amended so as to make the lands revert to the state in fee simple and not be subject to the trust limitation.

The zoning of reverted land for agricultural and non-agricultural uses by counties should be required by statute. When such zoning affects state forests, state trust fund lands, and conservation areas, zoning plans, before being adopted by county boards, should receive approval by the Department of Conservation. Unless some system of zoning is put into effect a long-time program of forest development cannot be realized.

Although Minnesota is a region of streams and lakes, it is at the bottom of the ladder in water conservation laws. There should be enacted a law for the operation and maintenance of water control works by the Department of Conservation.

We still have within the borders of our state some nineteen million cords of available pulp wood of which fourteen million are of the better pulping kinds of trees. The annual growth of pulpwood is over one million cords while the consumption is only six hundred thousand cords. Under good practical forest management, our forests could not only maintain this supply permanently but provide room for growth.

The wood lots of the state comprise some four and a quarter million acres of salable timber. The farmers should be extended aid in the proper management and marketing of their wood-lot products through encouragement of cooperative marketing and finding new uses for the different kinds of timber grown on wood lots.

In the southern and southwestern counties of our state many of the groves and shelter belts have suffered considerable damage through the present drouth. Among works designed for relief of unemployment, the rehabilitation of these groves and shelter belts should receive serious attention.

For a number of years conservation activities were directed by a five-man commission. Such a commission at the time of its creation was considered as providing the best possible medium for administering and directing conservation. In some states this commission form of organization worked very effectively. In others a conservation commissioner appointed by the Governor gave equally good results. The five-man commission was in the nature of an experiment.

I am strongly inclined to the view that a conservation commissioner appointed by the Governor will center responsibility and make possible a more efficient carrying out of conservation policies. The five-man commission, under our law, is the policy-making body, while the commissioner is the administrative head of the department. No one has yet been able to define exactly what constitutes policy and what constitutes administration, and where the line between the two is drawn. The result has been constant confusions and irritations. I recommend the abolishment of the Conservation Commission.

We must look to the development of our recreational facilities so that they are accessible to our entire population. We have here, also, a field for great cultural development.

Conservation and fish experts are agreed as to the necessity of removing rough fish from the lakes. Their removal, however, presents not only a conservation but a commercial problem as well. The experience of the department in dealing with commercial fishermen has not been in either the best interests of the state or of

conservation. You should consider the feasibility of the state itself removing the rough fish instead of leaving the lakes to commercial fishermen.

The time when the present known supplies of high grade ores in state-owned mines will have been exhausted is in sight. Already research has developed methods of treating low grade ores and to make them salable. In this field there is no precedent established in any other state as this problem is unique to Minnesota. Provision should be made for the expansion of the research facilities of the Department of Conservation and the University School of Mines.

UNEMPLOYMENT RELIEF

The continued unemployment of millions of workers throughout the country presents not only a gigantic relief problem, but makes necessary a complete revision in our approach to the problem of relief generally. The unemployed person in need of relief is not one requiring special social care; he is a victim of a system and of factors over which he has no control. Those who still require special social care should be separated from the jobless, whose sole need is work, or the income which he would derive from work.

A new national and state policy reflecting this new attitude towards the unemployed is vitally needed. Unemployment assistance should start not after the person out of work has expended all of his or her resources and has come to the stage of actual pauperization, but as soon as he or she becomes jobless.

The income of the jobless, of course, should come through social insurance, but until adequate social insurance can be established covering all workers, it is patent that either jobs must be supplied by the government or cash allowances or unemployment assistance given.

A provisional work program could be administered through the Industrial Commission. Such a plan could take effect with grants by the federal government through the Works Progress Administration. We must impress upon the federal government that full continu-

ance, and even increase of the Works Progress Administration is imperative.

The unemployment problem, of course, is national in scope, and state and local governments cannot carry the burden. The federal government must assume its full responsibility.

GENERAL RELIEF

The necessity for general relief will continue. General relief is designed to meet the needs of those persons and families who do not fall into any of the categories of the federal social security and employment programs; those who may become eligible later on but who are not currently permitted to participate in the several types of state aid, and those who are eligible for the federal employment and other programs but who, because of the nature of the programs themselves, are not permitted to participate regularly.

Due to the rapidly changing programs themselves and the variable factors which enter into them, it is most difficult at this time to accurately estimate the financial needs of general relief. The Works Progress Administration, the Resettlement Administration, and kindred activities, as well as the degree of pick-up we can expect from private business, are important variables which make forecasting of general relief needs hazardous.

It must be remembered that any great change in the variable factors will correspondingly change the need one way or the other. Accurate estimates can probably be made after it is known what Congress intends to do with the works program, and when the results of studies now under way are made available. These results I shall communicate to you as soon as I receive them.

But we cannot escape our responsibility to our unfortunates and deny adequate care to those in need. Such a denial is unthinkable, particularly in the face of the economic forces over which the individual has no control.

PUBLIC WELFARE ADMINISTRATION

The state is lacking in administrative machinery to properly handle the work of public welfare. All public welfare services, with the exception of supervision of public institutions now under the state Board of Control, should be centered in a new Department of Public Welfare. This would include administration of federal aids under the Social Security Act, such as old age assistance, assistance to dependent children, aid to the blind, as well as general home relief. It would call for the cooperation of the various counties through establishment of county welfare boards which would administer social assistance and treatment under the supervision of the state department.

The various forms of veterans' relief now are scattered in a number of agencies. Though it may be said that it is in the best interests of the veterans that they should avail themselves of needed services as set up in the state agencies, nevertheless as a group they themselves have felt the need of a special program to meet their special circumstances.

I recommend, therefore, that you establish a veterans' bureau which would have the function of supervising the Soldiers' Home and organizing general home relief and assistance to veterans and their families. This would mean consolidation of several state activities now separately organized or within other departments, such as War veterans' relief agency; Soldiers' Home Board; division of soldiers' welfare; and veterans' claims handled in the Adjutant General's office.

COMPLIANCE WITH FEDERAL SOCIAL SECURITY ACT

Passage by Congress of the federal Social Security Act meant that government recognized its obligation as guarantor of the social and economic security of the people. The standards which the law sets are still far from desirable, but at least it is a beginning. Ultimately, security must be on the basis of a high American standard of living. Towards that goal we must strive, as well as towards an economy of abundance rather than of

scarcity. We must fight not only against a lowering living standard for our masses, but for a constantly higher standard—a standard, I should say, limited only by America's capacity to produce wealth.

The special session called by the late Governor Olson passed an old age assistance act to enable this state to qualify for federal old age assistance. I recommend more liberal allowance so that our old folks can enjoy at least a measure of comfort, and liberalization of the law in other respects.

The administration of old age assistance is in the hands of the Board of County Commissioners, with the exception of two counties, where it is administered by the Board of Poor Commissioners. The county contributes one-sixth of the share. The weakness of the law is that if one county should fail to pay old age assistance, the law is suspended for the entire state.

This is not a remote possibility. On two occasions, a certain northern county passed a resolution stating that no funds were available to meet the county's share, but in each case the state agency succeeded in having county funds transferred for that purpose. There is no assurance that this can always be done. There are perhaps fifteen other counties in similar financial straits, and the danger of suspension of old age assistance for the state is always present.

Another feature is that it does not permit the state agency to exercise sufficient supervision. This results in a continuous compromise of the basic provisions of the act and prevents putting into effect a uniform plan throughout the state. A uniform plan is also a basic requirement of the federal act, and our inability to carry this out, under the present state law, may get us into difficulties later.

I recommend that the law be amended so that the counties are absolved from contributing their shares.

The last special session passed an Unemployment Insurance Act to qualify under the federal Social Security Act. I suggest some changes in the law.

The present act denies benefits to workers who, even though their grievances be just, are compelled to go on strike. Workers on strike must live and their families also must live. They have a right to attempt to better their economic condition. Had it not been for the strike weapon exercised by the American workingman I am certain that the living standard of the workers of this country would today be no higher than it is in most of the European countries. Workers on strike because of just grievances should be entitled to benefits under the law and I so recommend.

I believe also that the act is endangered through the system of merit rating of employers. The greatest determining factor contributing to steadiness of employment is the nature of the industry itself. Why should the employer in an industry which by nature is unstable or seasonable be placed in a disadvantageous position with the employers in an industry which, because of its nature, is able to stabilize unemployment. Furthermore, the operation of the so-called merit system will narrow the tax base and endanger the successful operation of the law.

I recommend that you abolish the merit rating provisions of the law.

I recommend that you abolish the merit rating provision be raised from six dollars to eight dollars and the maximum from fifteen dollars to eighteen dollars, leaving the alternative provision of three-fourths of the weekly full-time wage.

The waiting period provided for by the act is two weeks. In my opinion, this waiting period is too long. Many families are required by circumstances to live so close to the subsistence line that they will suffer serious want if two weeks must elapse before they can secure unemployment compensation. I recommend that the waiting period be reduced to one week.

In order to receive the full benefits from the federal Social Security Act as pertaining to aid to dependent children and aid to the blind, our state laws must be changed. Bills will be introduced whose passage will qualify the state to receive federal grants in both of these aids.

No change in our present laws is necessary to qualify the state to share in grants under the federal act for maternal and child health service; service for crippled children; child welfare service, vocational rehabilitation, and public health work.

TAXATION

I shall now discuss with you the very important subject of taxation.

I have indicated to you what the people in their insistence upon liberal and humane government expect of us. We must either discharge our obligations to the fullest, courageously and honorably, or we must frankly tell the people that our form of government has not the capacities and the resourcefulness to do the things the people expect of government.

The new obligations which government must assume require additional expenditures. We may as well face the issue frankly and lay our plans. It is a long-time program upon which we are embarking, a program which squares with the most enlightened theories of modern government. There is no turning back from it, because the people will never want us to turn back—no more so than they would want us to return to the days of human slavery.

These increased expenditures must be regarded as current expenditures and must be met by current revenues. It would be unfair to meet them through bond issues or through increasing the state's indebtedness.

Our tax system must be revised first to remove the unjust tax load which now rests upon the home owner and farmer, and, second, to levy a tax upon wealth, upon those with capacity to pay, sufficient to meet governmental needs. As a means of aiding the home and farm owner I recommend that all homesteads and farms operated by their owners be exempted from the state tax levy for at least the first four thousand dollars of assessed valuation. You can make the exemption even higher or exempt them entirely from the state levy. The amount of revenue the state will lose thereby could easily be made up through other forms of taxation.

I recommend a substantial increase in iron ore taxes. When iron ore is shipped outside the state it is forever dissipated as a source of tax revenue. Our high grade iron mines, it is estimated, will be exhausted in about thirty years. For this reason, this transitory asset should produce a greater tax than that paid by the home owner and farmer, who will always be with us. Under our present system of taxation, the iron mining companies pay a far smaller proportionate tax than does the farmer and owners of real property.

I submit for your consideration the following suggestions:

An increase in the occupational tax to eight per cent of the gross valuation of all ores at the mouth of the mine, eliminating all statutory and non-statutory deductions.

The present tax is levied on the net value of ore at the mouth of the mine, derived at by using the mythical Lake Erie price of ore as a base. This mythical value is fixed by the very firms who are to be taxed. From this gross mythical price, six statutory and nine non-statutory deductions are made, leaving a net valuation of about one dollar and nineteen cents per ton, upon which a six per cent occupational tax is levied.

I recommend repeal of those provisions of the income tax law which give exemption to iron mining companies.

Iron ore properties should be revalued also for ad valorem tax purposes on the basis of the average yearly price of basic pig iron rather than the mythical Lake Erie price and a fee of twenty-five cents per ton charged by the state for weighing, testing, sampling and grading iron ore, and service needed to protect the interests of the state.

All townships in which mineral bodies are located should be resurveyed in conjunction with the state. The present section and subdivisional corners are established by Oliver Iron Mining Company monuments. Gross errors in surveys have come to light. These surveys involve all state mineral leases from which extensive revenues are derived.

Minnesota in 1892 issued a number of mineral leases for fifty year periods, which stipulate that the state receive a royalty of twenty-five cents per ton mined. Efforts unquestionably will be made to renew these leases under the same favorable terms to the mine operators. Operators have been able to lease valuable properties from the state and sublease them to other operators at a very handsome profit to themselves. The state should receive at least the same royalties in leasing its properties as is received by private owners who lease these properties to mine operators. Such has not been the case in the past.

The three laws passed by the 1935 Legislature which further reduced the tax limitations affecting the village and school district of Hibbing and the township of Stuntz should be repealed, but proper legislation should be enacted to compensate the property owners of North Hibbing for damages which they incurred because of mining operations in that area.

I should like to say a word about the recent Supreme Court decision on iron ore taxes. It has been traditional in this country that the judiciary never impose its judgment against the discretionary acts of administrative officers of government. Yet in its recent iron ore tax decision, our Supreme Court wrote into the law as a mandate a specific formula which our taxing authorities are expected to follow. In doing so, the court, in my opinion, overstepped its authority and even went so far as to pass legislation. Here we have a good example of usurpation of power by the courts.

In conformity with the principle of taxation based upon ability and capacity to pay—a theory to which all the political parties in the last election declared they subscribed—I shall submit bills for the following:

Increase in monies and credits tax together with a change in the method of collection; increase in the income tax in the higher brackets; tax on utility company franchises; increase in taxes on public utilities, including railroads, telephone companies, express companies, and the like; increase in estate, gifts and inheritance taxes, and increase in taxes of insurance companies.

Tax experts who have studied these proposals inform me that they will produce an additional revenue of many millions of dollars.

Thus, if you adopt a tax revision program in accordance with ability to pay, we need have no fear that the state will be unable to meet all of its obligations to its citizens in full. This is the proper method for raising governmental revenue, recognized by tax experts throughout the world. As a matter of fact, the cost of all social security should be borne by a tax on wealth—state and federal. It is perfectly proper for you to urge Congress to revise our national tax system so that social security will be paid by wealth and not by the masses who can ill afford it.

In conclusion, may I say that the program I have outlined to you is the kind of program the voters on November third said they wanted adopted in this state. If you will carefully examine the political documents of the last election, you will find support for this program not only in the utterances of the spokesmen of the party to which I belong, but of the spokesmen of the opposition as well. There is no reason, then, why political considerations should be a bar to a union of all parties represented in this body to bring about its realization.

Let us, therefore, unite in a common effort for a common cause. As Governor, I shall extend every possible cooperation to the Legislature and assist in making possible, enactment of laws so sorely needed today.

I sincerely hope that out of this session will come a better understanding of the needs of our people and a desire to build and to work together for a better world and a better life for all the people.

In closing I should like to discuss with you a matter outside the field of the general subjects I have had the privilege of presenting to you. This is something which is in the thoughts of thousands of our citizens. It is the proposal to erect a fitting memorial to our late great Governor, Floyd B. Olson,

I need not tell you about Governor Olson, nor his human and intellectual qualities; you all knew him—most of you personally. Many of you belong to a differ-

ent political faith than did Governor Olson. But regardless of your beliefs, I know that you all admired him for his rugged, sterling character, his statesmanship, his courage, his devotion to the cause which he believed right. The great masses of our state loved and adored him; his name has become a symbol in America for the struggle of the common man against the forces of greed, avarice, and social and economic injustice. He was Minnesota's first and outstanding citizen, a true champion of the people.

May I suggest formation by you of an Olson memorial committee to study and to lay plans, interview friends of the late Governor who desire to cooperate in such an undertaking, and report to this session of the Legislature. I thank you.