

# Farewell Message

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## Governor J. A. O. Preus to the Legislature of Minnesota



At Saint Paul, Minnesota

January 7, 1925

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### MEMBERS OF THE SENATE AND HOUSE OF REPRESENTATIVES:

It has been the custom for a retiring Governor to deliver a farewell message to the Legislature upon his retirement. It is fitting that a governor at the expiration of his term of office should make report of his stewardship.

In 1920 occurred a contest over the control of the state government where the issues were more clearly defined possibly than in any political campaign in the history of Minnesota. One party sought to establish in Minnesota a system of state socialism along the lines attempted before and since in North Dakota. Against this program the Republican party, and a large group of Democrats, proposed as relief to the farmers of the state, who were in a precarious financial condition, that a system of co-operative marketing among farmers be undertaken. The latter group was successful and on the platform of the Republican party which declared in favor of co-operative marketing as against state socialism, a decisive victory was won. The result has been that Minnesota has been saved the extravagant, destructive, impractical, and ruinous experience of North

Dakota with its state bank, its state hail insurance, its state owned mills, and its state loan associations.

Prior to 1920 co-operative activities were largely confined to local marketing agencies such as retail stores, elevators, creameries, cheese factories, live-stock shipping associations, telephone and hail insurance companies. There were about 4,000 such organizations doing a business annually of approximately \$140,000,000. The legislature which convened in 1921, taking cognizance of the promises made by the dominant group, enacted laws under which co-operative marketing could be further developed. These laws were extended in 1923. The results during this period of time are best shown by the fact that the five largest co-operative associations, with a few smaller ones organized since 1921, marketed \$75,000,000 worth of livestock and produce during 1924. In 1924, the co-operative local and terminal sales movement resulted in a total buying and selling business in excess of \$260,000,000. In other words, in four years, marketing of farmers' produce has not far from doubled in amounts.

It was further promised in that campaign and later recommended to the Legislature that the farmers through their co-operative associations should be permitted to be represented on the markets of the state and the nation in the same manner as other business agencies. This has been realized by the farmer. Today the farmer is marketing his grain directly to the miller, his livestock to the packer, his butter to the jobber and retailer, his poultry, eggs, and potatoes to similar markets. A sound basis for marketing has been provided and in the future good management of the organizations now or hereafter organized will mean more to the producers of Minnesota than anything that has taken place in the history of the state.

## IRON ORE TAXATION

The platform of the dominant party did not refer alone to co-operative marketing. Other planks in the platforms of 1920 and 1922 were diligently adhered to. The 1920 Republican platform declared in favor of a fair and equitable tonnage tax on iron ore. In conformity with the mandate given me by the people of the state, I recommended that such a tax be laid upon the mining companies. The taxation of iron ore on a tonnage basis had been a much agitated problem for a decade or more. Twice a measure had been passed but vetoed by a governor of the state. On April 9, 1921, a bill which has come to be known as the occupation tax law, was passed by the legislature and immediately upon its presentation to me, received my approval. In this connection it is but just to say that the legislature requested Attorney General Clifford L. Hilton to prepare a bill which he believed would stand the test in the courts. He did so. The constitutionality of the law was challenged by a number of mining companies and the question was carried to the Supreme Court of the United States. The statute which had been drafted by the Attorney General was sustained by the Supreme Court, and the Attorney General deserves great credit.

The taxes so far imposed under the law, exclusive of taxes for the year 1924, amount to \$11,805,368, the tax for the year 1921 being \$2,238,328, for 1922, \$3,440,597, and for 1923, \$6,126,443. Taxes for the year 1924 have not yet been computed, but inasmuch as the production of iron ore last year was considerably under the average output, it is probable that the tax will not greatly exceed \$3,500,000. But even at this figure, the annual yield of the occupation tax law since its enactment four years ago will average about \$3,825,000. Under normal business con-

ditions, the law should yield an average annual tax of about \$4,000,000.

It should be understood that this is a super or additional tax, as all mining property is subject to the general ad valorem tax. For the past several years the average ad valorem tax imposed on the mining industry of the state has amounted to approximately \$18,775,000 annually. This amount, together with the occupation tax, represents an annual tax of a little over 75 cents on each ton of ore mined during the past four years, or more than 40 per cent of its average annual net value.

It is a matter of some personal gratification to me to know that the long struggle for a tonnage tax was brought to a successful conclusion during my administration. Giving all possible force to the theory of natural heritage and diminishing values, it seems to me that caution should always be exercised lest an industry be hampered in its development by reason of excessive taxation.

## GOOD ROADS

The 1919 legislature submitted to the people of the State of Minnesota a proposed constitutional amendment providing that a 7,000-mile system of primary or trunk highways be built and maintained by the State of Minnesota, relieving counties of main highway expense, and releasing road and bridge funds for local road purposes. The prevailing party at the following election favored the adoption of this system, and in my inaugural message, I urged upon the legislature that a law be passed

which would carry out the wishes of the people of the state as regards roads.

In less than four years our road system has greatly improved. The mileage of grading has been more than trebled. Graveling has been more than quadrupled, and we have five times as much pavement as we had before the law was passed. We now have on primary highways 4,797 miles of grading, 5,330 of graveling, and 556 miles of pavement. The plan has extended still greater betterments in farm to market county and township roads. Much bridge construction has been carried on, and the maintenance provided over the system has attracted international attention for its effectiveness. Last summer the highway departments of the Republics of South America visited Minnesota in a body to study our system. The Minnesota trunk highways are generally conceded to be the best maintained and best marked system of their kind in the world. That Minnesota highway markings are unsurpassed is evidenced by the fact that the plan was endorsed for universal adoption both as to general and color scheme by the National Association of State Highways. This plan, which covered illuminating warning signs and colors, was conceived and carried out by C. M. Babcock, Commissioner of Highways. Undoubtedly nothing has occurred in the history of Minnesota to make it a more desirable place to live than the adoption of the road program referred to and which is now being carried out. To mention it, without a word of commendation for Mr. Babcock, who devised the plan and is carrying it out, would be most unjust.

#### RURAL CREDITS

The 1922 platform declared in favor of a rural credits amendment to the state constitution. This

amendment had been submitted to the people for approval through the efforts of Honorable Theodore Christianson, who today succeeds me as Governor. The amendment was approved by the people, and in my second inaugural message, I recommended to the legislature that a rural credits bureau be established. A system was provided for and a limitation of \$40,000,000 placed upon the amount of money that could be loaned. Up to December 29th the Rural Credits Bureau had closed a total of 6,384 loans aggregating \$32,711,700. The bureau on October 1st ceased receiving applications for loans, as the loans closed together with the applications approved or pending then exceeded the total which the board might loan at one time.

This money has been loaned to the farmers of our state on improved lands where the owner himself lives. The money has been loaned to them at  $5\frac{1}{4}$  per cent, the life of the loan being thirty-four and one-half years. The borrower pays each year a sum equal to  $6\frac{1}{4}$  per cent of the principal, the difference between this and the interest being applied on the principal until the loan is fully paid. Under this easy credit system, a great many farmers have been greatly aided and many of them have saved their farms.

#### INDUSTRIAL COMMISSION

The Republican platform of 1920 made clear its attitude in regard to labor. The most just compensation to an injured workman was sought under this measure. A new compensation law was passed, the Industrial Commission created, and compensations under the act have been given to the injured laboring man in a fair and wise manner.

## “PITTSBURGH PLUS”

During the last few decades a system known as “Pittsburgh Plus” had grown up in the steel industry, which it was felt was very unfair to the Northwest because it compelled consumers here to pay the Pittsburgh price plus the freight from Pittsburgh, regardless of where the steel was manufactured. The 1923 Legislature designated the governor and the attorney general as a committee to protect the State of Minnesota and the people thereof against this practice.

During 1924 the fight before the Federal Trade Commission against this practice ended in an order by the commission upholding the contention of Minnesota and the states which had joined with us in the fight. The steel manufacturers have announced that they will not appeal from the order. The decision will mean a large saving each year to all buyers of steel products in the Northwest. Substantial reductions in the prices of farm machinery have been recently announced, for which the commission’s order is believed to be, in part at least, responsible.

## STATE FORESTRY SERVICE

One of the resources of Minnesota and one which should be watched with the greatest care is the forests of the state. In years past unwise lumbering policies and methods and terrific fires have reduced us from a great lumbering state to one of much lesser importance. Reforestation is one of the great problems before us. During my term of service, the forestry department has been reorganized and the first year shows a marvelous improvement. Favorable weather played an important part in the results; but it is noteworthy that in the fourteen years of the department’s existence, the losses through fires were

less this year than during any similar period. The State Forester in the last issue of its bulletin said:

“Citizens of Minnesota, and particularly friends of forestry, have cause to feel grateful to the governor for placing on the State Forestry Board men of ability and sound business judgment who realize their obligation to the State to the extent of giving to it freely of their time and energies. This move has lifted the Department out of a rut and converted a more or less lackadaisical system into an aggressive, harmonious organization which handles the State’s forest resources on sane and practical lines, this constituting a guarantee of measurable success in the future.”

#### RESOLUTIONS

The 1923 legislature passed a resolution requesting the Governor to appoint a commission to bring greetings from the people of the State of Minnesota to the World’s Fair which was held at Gothenburg, Sweden, commemorating the 300th anniversary of the granting of the charter making Gothenburg a city. A report has been made by this commission which is printed and will be referred to your body. This resolution was passed because Sweden has contributed a very large and useful portion of the population of Minnesota.

It might be in order to mention in this connection that 1925 marks the 100th anniversary of the coming of the Norwegian ship “Resturationen” to America bringing the first large number of Norwegian immigrants to America. This event will be celebrated on our state fair grounds this summer and in line with the sentiment expressed to the Swedish people you may see fit to give recognition to the coming event.

## MEMORIAL TO SENATOR NELSON

On April 28th, 1923, America was shocked by the death of Minnesota's most distinguished son, Senator Knute Nelson. In his eighty-first year, while traveling from Washington to his home in Alexandria, Minnesota, he suffered an attack of heart failure and died.

Probably no man in recent American public life has given longer, more faithful, or wiser service to this nation than Senator Nelson. His life will be an inspiration to the young and poor because he rose from the humblest station to the highest through the opportunities offered in this country to men of perseverance, industry and character.

It seems fitting that his life and service should be commemorated and constantly held forth to coming generations in Minnesota. Therefore, I appointed a committee to conduct a campaign for popular subscriptions for the erection of a monument across the walk from the one erected for our beloved Governor John A. Johnson. The campaign is now being carried on.

I hope you ladies and gentlemen of the Legislature will authorize the erection of a monument to correspond with the John A. Johnson monument now in front of the Capitol.

## CONCLUSION

In conclusion, permit me to state that it has been a source of gratification to me that all the men whom I have placed in high executive positions during my administration have reflected credit upon themselves. Never has a word of scandal attached to any of their public acts. For this I wish to express to them all my heartiest appreciation.

In all of the countries which engaged in the great World War the burdens of economic and political depression have been felt far more than in our beloved country. Public confidence in our form of government and our officials has been far more quickly rehabilitated than elsewhere. The same must be said of the economic condition of the country.

To have had an opportunity to serve as Executive of this great state during this period has been a privilege. For many years it has been my fortune to be placed by the people of this state in a position of trust. For these opportunities I today express my sincere gratitude. For Minnesota and its people I wish the greatest prosperity and happiness.