

950620

**THE MINNESOTA ECONOMY:
STRUCTURE AND TRENDS**

prepared by

Economic Analysis Unit
Office of Information, Analysis and Evaluation
Business and Community Development Division
Minnesota Department of Trade and Economic Development

November 1995

Minnesota's economy is among the most diversified in the nation. This diversity provides strength to the state economy, propelling growth and helping to diminish the impact of economic recession. Unemployment in Minnesota is among the lowest in the nation and economic growth during the last two decades has outpaced the growth of the national economy.

A variety of data and information helps to illustrate Minnesota's economic structure and trends. The following sections describe the state's demographics, industry structure, corporate presence, foreign trade and recent economic performance. Much of the information is presented with comparative state and national data to show Minnesota's economy in the context of the regional economy and the national economy.

DEMOGRAPHICS

With 4.6 million people, Minnesota is the twentieth largest state.¹ The state has a work force of approximately 2.6 million.² The labor force participation rate of 73.6 percent is the highest in the nation and is more than seven percentage points above the national average.³ The state has five metropolitan statistical areas: Minneapolis-St. Paul, Duluth-Superior, Fargo-Moorhead, St. Cloud, and Rochester. The Minneapolis-St. Paul metropolitan area, also known as the Twin Cities, includes the two major cities of Minneapolis and St. Paul and is the fifteenth largest metropolitan area in the United States.⁴ The Twin Cities metropolitan area comprises 57 percent of the state's population and 65 percent of the state's nonfarm jobs.^{5,6}

INDUSTRY STRUCTURE

Minnesota's economy is characterized by a diverse industrial sector and a natural resource base of timber, agriculture and iron ore. As shown in Tables 1 and 2, Minnesota's distribution of employment and gross state product (GSP) among the major economic sectors closely reflect the national distribution. Studies completed by the Minnesota Department of Trade and Economic Development indicate that only six states have a more diverse economy. A 1990 study by Goldman Sachs found that of the 50 states Minnesota's sectoral distribution of employment most closely reflected that of the national economy.

This section identifies the largest industrial specializations in Minnesota in terms of employment, and compares them to national employment in these industries. The importance of agriculture to the state's economy also is discussed.

RECEIVED

DEC 20 1995

LEGISLATIVE REFERENCE LIBRARY
STATE OFFICE BUILDING
ST. PAUL, MN 55155

TABLE 1
EMPLOYMENT BY ECONOMIC SECTOR,
MINNESOTA AND UNITED STATES, 1994

<u>Sector</u>	<u>Minnesota</u> <u>(thousands)</u>	<u>Percentage</u> <u>of Total</u> <u>Minnesota</u>	<u>Percentage</u> <u>of Total</u> <u>U.S.</u>
Mining	7.6	0.3	0.5
Construction	80.6	3.5	4.3
Manufacturing	416.0	18.0	15.9
Transportation and Public Utilities	113.9	4.9	5.2
Wholesale and Retail Trade	559.2	24.2	23.2
Finance, Insurance and Real Estate	140.1	6.1	6.0
Services	635.9	27.5	28.0
Government	358.2	15.5	16.8
TOTAL	2,311.5	100.0	100.0

Note: Totals may not add due to rounding.

Source: U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings*, May 1995

TABLE 2
GROSS STATE PRODUCT BY INDUSTRY,
MINNESOTA AND UNITED STATES, 1992

<u>Industry</u>	<u>Minnesota</u> <u>(\$ millions)</u>	<u>Percentage</u> <u>of Total</u> <u>Minnesota</u>	<u>Percentage</u> <u>of Total</u> <u>U.S.</u>
Farms	3,001	2.7	1.4
Agricultural Services, Forestry and Fishery	466	0.4	0.5
Mining	656	0.6	1.4
Construction	4,200	3.8	3.7
Manufacturing	22,938	20.8	17.7
Durable Goods	11,978	10.9	9.5
Nondurable Goods	10,960	9.9	8.3
Transportation and Public Utilities	8,508	7.7	8.8
Wholesale Trade	8,775	8.0	6.6
Retail Trade	10,156	9.2	9.3
Finance, Insurance, Real Estate	19,392	17.6	18.5
Services	20,182	18.3	19.7
Federal Civilian Government	2,188	2.0	2.6
Federal Military	297	0.3	1.3
State and Local Government	9,517	8.6	8.5
TOTAL	110,276	100.0	100.0

Note: Totals may not add due to rounding.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, unpublished data

Manufacturing Specializations

Manufacturing is the state's largest economic sector in terms of both GSP and wage income. When one examines Minnesota's employment structure in more detail, industrial specialties emerge: Minnesota is a high technology state with more than four times the national share of employment in the computer industry.⁷ Many high technology *Fortune* 500 companies are based in or operate in Minnesota, including Cray Research, Unisys, IBM, Seagate Technology and Cypress Semiconductor. The industrial machinery industry, which includes computer manufacturing, is the state's largest manufacturing industry, employing almost 80,000 workers, including more than 28,000 in computer manufacturing alone.⁸

Minnesota also is a leader in design and manufacture of scientific instruments. A variety of Minnesota-based firms dominate this industry, including Honeywell, Rosemount and Medtronic. Minnesota has more than twice the national share of employment in the measuring and controlling device industry and close to three times the national share of employment in the medical instruments industry. The state has six times the national share of employment in the design and manufacture of ordnance, also classified as a high technology industry.

Minnesota's second largest manufacturing industry is the printing and publishing industry. Employment in this area is almost 58,000, which represents a concentration of approximately 1.8 times that of the national average. Minnesota-based giants in these industries include Deluxe Corporation and West Publishing. Two subsets of this industry—book printing and publishing, and blank book printing—have concentrations that are roughly two and a half times the national share of employment.

Minnesota's industrial makeup also reflects its natural resource base of timber and farm land. Food products processing is Minnesota's third largest manufacturing industry, employing more than 56,000 workers. Among processed food products specializations, Minnesota has 2.9 times the national concentration of employment in dairy products processing and 4.1 times the national share of employment in grain products processing and milling. Minnesota's leading food processing corporations include such firms as Pillsbury (now a wholly owned subsidiary of Grand Metropolitan, PLC), General Mills, Land O'Lakes, International Multifoods and Cargill.

In its wood products industries, Minnesota specializes in the production of paper products, with 2.4 times the national share of employment. Minnesota is particularly concentrated in the converted paper activity, with close to four times the national concentration in this industry, which includes such products as 3M's Post-It Notes. Other corporations with a notable Minnesota presence in forest and/or paper product industries include Bemis, Pentair, Andersen Corporation, Marvin Lumber, Waldorf, Boise Cascade and Potlatch.

Business and Support Services

Because service activities largely depend on local markets, they differ from national patterns less than manufacturing activities. However, some interesting specializations still

emerge. Minnesota has a sophisticated financial services sector, employing 142,000 workers (August 1995) in small institutions and such major regional banks as Norwest and FirstBank Systems. When compared with the rest of the country, Minnesota specializes in the insurance industry, which employs a 20 percent higher share of the work force than the national average. The state has headquarters of such giants as St. Paul Companies, IDS Life Insurance and Reliastar.

Minnesota also has a well-developed transportation industry, specializing in air transportation. The Minneapolis-St. Paul International airport is the nation's fifteenth busiest airport and is the primary hub for Northwest Airlines. Minnesota's share of employment in the air transportation sector is close to 50 percent above the national share.

Minnesota's business services sector employs nearly 134,000 workers (August 1995), with a large number of nationally recognized advertising, management and training firms. According to *Advertising Age* magazine, Minneapolis ranks sixth among U.S. metropolitan areas in advertising agency billings.⁹

Consumer/Personal Services

Another service industry specialization in Minnesota is health services, which employs nearly 189,000 (August 1995). Minnesota has top quality renowned medical institutions. The world famous Mayo Clinic, 80 miles south of the Twin Cities, continues to grow in prestige for research and teaching as well as for patient care. The University of Minnesota is also among the nation's leaders in medical research, specializing in transplant procedures and heart care.

Among other health services activities, the state specializes in residential care facilities, with 1.8 times the national concentration of employment. Minnesota is home to some of the nation's best known residential health care facilities, such as the Hazelden Drug Rehabilitation Center, which attracts patients from around the world. In fact, nearly one-third of all revenue to the Twin Cities area drug treatment facilities comes from out-of-state patients.

Reflecting Minnesota's long and proud history of civic-mindedness, employment in civic organizations is seventy percent higher than the national share. Because of a significant industry geared to the state's tourism attractions, Minnesota has 21 percent more than the national share of employment in camps and recreational vehicle parks.

Agriculture

Although farm output represents less than three percent of GSP, Minnesota is a leading farm state. Minnesota ranks seventh among the 50 states in cash receipts of farms.¹⁰ In 1994 the state was the nation's largest producer of sugar beets, second largest producer of turkeys, sweet corn and green peas, and third largest producer of soybeans, spring wheat, sunflowers, hay, flax and cheese.¹¹ Table 3 provides detailed data on cash receipts to farms and Minnesota's ranking for each product.

TABLE 3
CASH RECEIPTS TO FARMS AND MINNESOTA'S RANKING BY PRODUCT
1993

<u>Product</u>	Cash Receipts (\$000)	Percent of Total	Rank Among States
MAJOR CROPS AND LIVESTOCK			
Dairy Products	1,227.5	18.7	n/a
Cattle/Calves	1,087.5	16.5	11
Corn	888.0	13.5	6
Hogs	908.2	13.8	4
Soybeans	804.8	12.2	6
Wheat	325.3	4.9	11
Turkeys	285.2	4.3	2
Sugar Beets	255.4	3.9	1
MISCELLANEOUS CROPS			
Hay	114.0	1.7	8
Potatoes	75.9	1.2	10
Barley	69.7	1.1	4
Sunflower	45.2	0.7	3
Sweet Corn	28.2	0.4	3
Dry Beans	25.5	0.4	7
Oats	14.2	0.2	4
Green Peas	12.8	0.2	4
Apples	9.3	0.1	n/a
Rye	1.1	0.0	6
Other Crops	80.4	1.2	--
MISCELLANEOUS LIVESTOCK			
Eggs	103.2	1.6	10
Chickens (Broilers and Farm)	81.5	1.2	11
Sheep and Lambs	17.9	0.3	13
Honey	7.7	0.1	5
Other Livestock	55.7	0.8	--
TOTAL ALL CROPS AND LIVESTOCK	6,574.3	100.0	7

n/a = not available

Note: Rankings for individual crops or livestock are based on 1993 production, while the total is based on cash receipts for 1993.

Source: Minnesota Agricultural Statistics Service, *Minnesota Agricultural Statistics 1995 and 1994*

CORPORATE STRUCTURE

Minnesota's corporate structure includes firms of all sizes and types. This section illustrates the importance of both small and large firms to the Minnesota economy and describes how business journals have praised Minnesota's business climate.

Small Business

Several organizations and business journals recently have reported that Minnesota provides a business environment that nurtures young, fast-growing firms. The Corporation for Enterprise Development ranked Minnesota as one of the nation's five best states in economic performance, business vitality, and business development capacity. Using a set of eleven criteria, *Forbes ASAP* ranked Minneapolis-St. Paul as the eighth best metropolitan area for nurturing businesses for the information age.¹²

Many businesses have prospered in this excellent business environment. In 1995, *Business Week* magazine included four companies from Minnesota on its list of "Hot Growth Companies," which ranked Minnesota fifth on a per capita basis.¹³ The *Forbes* list of "The 200 Best Small Companies in America" included fifteen Minnesota companies.¹⁴ *INC.* magazine's 1995 list of the 500 fastest-growing private companies ranked Minnesota tenth with eighteen companies, nine of which are in the computer and software industry; the neighboring states of Wisconsin, Iowa, South Dakota and North Dakota together had only eleven companies on the list.¹⁵

Minnesota businesses have shown robust economic growth since 1990.¹⁶ The number of business establishments in Minnesota increased by 7.4 percent between 1990 and 1993, double the national rate for this period. This resulted in 112,000 net new jobs in Minnesota, or a 6.1 percent net increase. This growth rate was four times the 1.4 percent net increase in the U.S. during this period.

Between 1993 and 1994, Minnesota's small businesses added more than their share of employment. Firms employing less than 100 employees contributed 62 percent of all net job growth, while accounting for 41 percent of employment during this period.¹⁷

Large Business

No description of the state's economy would be complete without recognizing the importance of large firms. In Minnesota, large firms (employing 500 or more workers) represented 34 percent of jobs and 14 percent of employment growth from 1993 to 1994.¹⁸

The state has a high concentration of *Fortune* 500 firms. There are sixteen of these corporate giants headquartered in Minnesota, all but one of which are based in the Twin Cities metropolitan area.¹⁹ Dozens more *Fortune* 500 companies have significant operations in the state. In comparison, the neighboring states of Wisconsin, Iowa, North Dakota and South Dakota combined account for only thirteen *Fortune* 500 headquarters. Nationally, Minnesota ranks fourth among the 50 states in *Fortune* 500 company headquarters per capita

and eleventh in total number of *Fortune* 500 firms. Table 4 lists the *Fortune* 500 firms that are headquartered in Minnesota.

TABLE 4
MINNESOTA'S *FORTUNE* 500 INDUSTRIAL FIRMS, 1994

<u>Company</u>	<u>Rank</u>	<u>Revenues</u> <u>(\$ millions)</u>
Dayton Hudson Corp.	30	21,311
Supervalu Stores Inc.	50	15,937
3M Co.	58	15,079
Northwest Airlines Inc.	125	9,143
General Mills Inc.	135	8,517
Honeywell Inc.	195	6,057
Norwest Corp.	197	6,032
St. Paul Companies Inc.	243	4,701
United Healthcare Corp.	303	3,769
George A. Hormel and Co.	363	3,065
Best Buy Company Inc.	373	3,007
Nash Finch Co.	398	2,832
Northern States Power Co.	452	2,487
First Bank System Inc.	470	2,375
International Multifoods Corp.	495	2,225
Lutheran Brotherhood	496	2,223

Source: *Fortune*, May 15, 1995, pp F-36 - F-37

Minnesota firms are also prominent in the *Forbes* listing of the top 500 private companies in the United States.²⁰ Cargill continues its dominance as the nation's largest privately held company, with annual revenues of \$47 billion, twice the revenues of the second-largest privately held company. Indeed, Cargill is often mentioned as one of the largest companies in the world. Schwan's, ranked 51st, and Carlson Companies, 63rd, are the other two Minnesota companies in the top 100, and ten others made the top 500.

FOREIGN TRADE

Foreign trade is important to the Minnesota economy. In 1994, Minnesota ranked nineteenth in the nation in value of manufactured exports at \$7.3 billion and seventeenth in value of manufactured exports per capita at \$1,598.²¹ Minnesota's top five exporting industries are industrial machinery (including computers), transportation equipment, scientific instruments, electronic equipment, and food products. Minnesota also exports an estimated \$1 billion in agricultural commodities annually. Table 5 provides data on Minnesota manufactured exports by industry.

TABLE 5
MINNESOTA MANUFACTURED EXPORTS, 1994

<u>SIC</u> <u>Code</u>	<u>Industry</u>	<u>Value</u> <u>(\$000s)</u>	<u>Percent</u> <u>Change</u> <u>1991 - 1994</u>	<u>Percent</u> <u>of Total</u>
20	Food and Kindred Products	574,007	83.7	7.9
22	Textile Mill Products	19,660	-52.5	0.3
23	Apparel	20,026	-33.5	0.3
24	Lumber and Wood Products	52,485	38.1	0.7
25	Furniture and Fixtures	25,531	61.2	0.3
26	Paper and Allied Products	144,021	-38.2	2.0
27	Printing and Publishing	64,103	-0.5	0.9
28	Chemical and Allied Products	211,161	-15.1	2.9
29	Petroleum Refining	7,293	23.5	0.1
30	Rubber and Misc. Plastic	209,195	-6.3	2.9
31	Leather and Leather Products	40,523	178.1	0.6
32	Stone, Clay and Glass Products	200,530	101.9	2.7
33	Primary Metal Products	77,406	91.5	1.1
34	Fabricated Metal Products	322,998	68.5	4.4
35	Industrial Machinery	2,140,562	-5.6	29.3
36	Electronic Equipment	942,096	45.8	12.9
37	Transportation Equipment	1,088,678	106.2	14.9
38	Scientific Instruments	1,052,137	16.2	14.4
39	Miscellaneous Manufacturing	107,139	53.8	1.5
	Total	7,299,551	22.2	100.0

Source: U.S. Department of Commerce and University of Massachusetts, MISER

Nearly 57 percent of the value of Minnesota's manufactured exports comes from high technology goods, with 29 percent from exports of computers and other industrial machinery. This is a somewhat more concentrated export portfolio compared to the United States as a whole, for which 42 percent of manufactured exports come from high technology goods, including nineteen percent from computers and other industrial machinery.

Minnesota lost export share between 1991 and 1994. Exports from Minnesota increased by 22 percent in this time period compared to a nationwide increase of 24 percent, dropping the state from the nation's seventeenth largest exporting state to nineteenth. This reversed the pattern from 1980 to 1987, when exports of manufactured products from Minnesota grew faster than the national average. This slowing of growth is due in part to the poor performance of the industrial machinery sector, including computer exports, and other high technology industries. From 1991 to 1994, Minnesota exports of industrial machinery decreased 5.6 percent while U.S. exports in this industry increased by almost 27 percent. Although Minnesota exports in high technology industries other than industrial machinery have been increasing in this period, they have not kept pace with U.S. exports. Minnesota exports in other (non-high technology) industries increased by 39 percent in this period, while

increasing by 23 percent for the United States. Minnesota's fourth and fifth largest export industries, transportation equipment and food and kindred products, grew much faster than for the United States as a whole.

Minnesota is also more concentrated in the destinations for its exports than the nation. In 1994, the ten countries receiving the largest amounts of Minnesota's manufactured goods accounted for nearly 77 percent of the state's export value. These same ten represented the destination for less than two-thirds of the U.S. manufactured exports.

Canada is the most important market for Minnesota goods. Exports to Canada totaled \$2.2 billion in 1994, 35 percent of total Minnesota exports. Japan is the second most important destination for Minnesota goods, with exports of nearly \$700 million in 1994. The next largest markets for Minnesota products are the Netherlands (\$415 million), the United Kingdom (\$403 million), Germany (\$371 million), South Korea (\$257 million), Mexico (\$234 million), Singapore (\$233 million), Malaysia (\$222 million), and Thailand (\$210 million). This list of the top ten export markets has shifted from Europe to Asia in the 1990s. In 1990, the list included five European countries and just two Asian countries, whereas now there are five Asian countries and three European countries on the list.

ECONOMIC TRENDS

This section provides data on recent trends for Minnesota's employment, income and gross state product. The information provided is comparative in nature and shows that, in these areas, Minnesota's economy has performed as well as most of its neighbors and better than the nation as a whole.

Employment

For the years 1985 to 1994, employment in Minnesota grew at a faster rate than for the entire United States, and Minnesota added more jobs than any surrounding state other than Wisconsin.²² This overall strong growth in employment was far from even, however. While all of the major industry groups other than mining added jobs between 1985 and 1994, the majority of new jobs were in non-goods producing industries. The services sector added 202,000 of the 445,000 jobs added in this period, or 45 percent, and the wholesale and retail trade industries added 92,000 jobs, or 21 percent. Table 6 shows comparison of employment growth among neighboring states.

TABLE 6
NONFARM EMPLOYMENT GROWTH, 1985-1994

	<u>Number of Jobs Added (000s)</u>	<u>Percent Growth</u>	1994 <u>Unemployment Rate</u>
U.S.	16,042.0	16.5%	6.1%
Minnesota	445.3	23.9%	4.0%
Iowa	244.5	22.8%	3.7%
North Dakota	43.5	17.3%	3.9%
South Dakota	85.2	34.4%	3.3%
Wisconsin	505.7	25.6%	4.7%

Source: U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings*, May 1995 and May 1986

As shown in Table 7, Minnesota's manufacturing employment grew by eleven percent between 1985 and 1994, compared to national growth of -6.2 percent. Comparing manufacturing employment growth rates with the four surrounding states can be somewhat misleading, because the five states have differently structured economies. For example, although South Dakota's manufacturing employment increased by almost 60 percent from 1985 to 1994, it is still only thirteen percent of South Dakota's total employment and less than one-fifth the size of Minnesota's manufacturing sector. Thus, it can be more meaningful to compare Minnesota with other states with well-developed manufacturing sectors. Of the 25 states with at least 16.1 percent of employment in manufacturing, which is the percentage for the United States as a whole, Minnesota's growth rate in manufacturing employment ranked sixth during the nine year period of 1985 to 1994.

TABLE 7
MANUFACTURING EMPLOYMENT GROWTH, 1985-1994

	<u>Number of Jobs Added (000s)</u>	<u>Percent Growth</u>
U.S.	-1,185.0	-6.2%
Minnesota	41.1	11.0%
Iowa	40.0	19.5%
North Dakota	5.8	37.7%
South Dakota	16.3	59.5%
Wisconsin	67.5	13.1%

Source: U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings*, May 1995 and May 1986

One positive result of the strong overall growth in employment is Minnesota's low unemployment rate. Minnesota's 1994 average unemployment rate was 4.0 percent, while

nationwide rate was 6.1 percent and the rate for the five-state midwest region was 4.2 percent.²³

Labor force constraints, however, may pose a serious threat to future economic growth in Minnesota. Minnesota's labor force has grown significantly in recent years, increasing by about 30 percent in the 1970s and sixteen percent in the 1980s. This rate of increase is expected to slow, however, to eight percent between 2000 and 2010 and two percent between 2010 and 2020, with the greatest growth occurring in suburban counties of the Twin Cities.²⁴ The two primary reasons for the slowdown are that baby boomers have already entered the work force and that the increase in women's labor force participation will slow down because many women have already entered the labor force. Because Minnesota already has a high level of labor force participation, there is not as much opportunity to expand the work force with non-traditional workers as in other states. As a result, without significant immigration or productivity gains, Minnesota may face labor supply problems in the future.

Income

Between 1985 and 1994, Minnesota's personal income grew slightly faster than all of the surrounding states except South Dakota. Minnesota's personal income of \$22,257 per capita ranks it higher than any of its neighboring states.

Personal income has grown faster in Minnesota than the nation as a whole since 1990. As a result, Minnesota's per capita personal income has increased from 100.2 percent of the national average in 1990 to 102.6 percent of the national average in 1994, and the state has moved from the nineteenth ranked state to the sixteenth.²⁵ Table 8 compares Minnesota's personal income with that of the United States and surrounding states.

TABLE 8
PERSONAL INCOME, 1985-1994

	Personal Income			Per Capita Personal Income		
	1985 (millions)	1994 (millions)	Percent Change	1985	1994	Percent Change
US	\$3,317,239	\$5,649,010	70.3%	\$13,895	\$21,699	56.2%
Minnesota	\$59,289	\$101,654	71.5%	\$14,149	\$22,257	57.3%
Iowa	\$36,208	\$57,083	57.7%	\$12,570	\$20,176	60.5%
North Dakota	\$8,163	\$11,880	45.5%	\$11,921	\$18,621	56.2%
South Dakota	\$7,801	\$14,156	81.5%	\$11,017	\$19,630	78.2%
Wisconsin	\$62,906	\$106,142	68.7%	\$13,174	\$20,887	58.5%

Source: U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*, August 1995 and August 1988

Gross State Product

Economists generally prefer to measure economic activity by gauging the gross state product (GSP), the value of gross output of the economy. GSP growth includes not only growth generated by expanding employment, but also economic activity generated by capital investment and productivity improvements.

Between 1977 and 1992, real GSP grew at an annual rate of 2.8 percent in Minnesota and at an annual rate of 2.5 percent for the nation.²⁶ Even while the nation's economy was declining slightly in 1991, Minnesota's GSP increased by almost seven-tenths of one percent; and the following year, as the nation's economy recovered with a growth rate of 2.5 percent, Minnesota's GSP increased at the much faster rate of 4.3 percent.

The data suggest, however, that productivity growth, which is a major source of economic growth, has been slower in Minnesota than the rest of the nation. Manufacturing output per production worker hour increased by just less than thirteen percent in Minnesota between 1987 and 1991 while expanding by almost nineteen percent for the nation, excluding computer and office equipment manufacturing.²⁷ This reverses the 1977-1982 period, during which productivity in Minnesota grew at a rate more than three times the national average.

CONCLUSIONS

Minnesota has a healthy, well-diversified economy with a large high technology manufacturing sector, a highly sophisticated service sector, and a significant agricultural sector. The overall business climate is exceptional, with many large corporations and strong growth among small companies. Recent reductions in workers' compensation costs, unemployment insurance and business sales taxes will enhance this business climate. Economic growth in recent years has been strong, with high levels of personal income, employment and growth in the overall economy. The only drawbacks are possible labor force constraints and state productivity growth that lags behind the rest of the nation.

A 1994 study by Dun & Bradstreet supports these conclusions. The study found that Minnesota's well-diversified economy was able to withstand the 1991 recession and continues to grow. The author of the study, Vernon Gerety, was quoted in the *Star Tribune* as saying "I don't see a downside [to the state's economy]."²⁸

State economist Tom Stinson summed up the situation in a recent interview in the *Star Tribune*. After noting that job growth in Minnesota has been strong and that the unemployment rate has been much lower than in the rest of the nation, Stinson said, "The economy here has been better than we've had any right to expect."²⁹

ENDNOTES

1. U.S. Department of Commerce, Bureau of the Census, *Census and You*, January 1995, p 3.
2. Minnesota Department of Economic Security, *Minnesota Labor Market Review*, September 1995, p 6.
3. Ken LeVasseur, U.S. Department of Labor, Bureau of Labor Statistics, facsimile to author, November 2, 1995. Data to be published in U.S. Department of Labor, Bureau of Labor Statistics, *Geographic Profile of Employment and Unemployment, 1994*. Labor force participation rate is defined as percentage of civilian noninstitutional population sixteen years and over in the labor force.
4. U.S. Department of Commerce, Bureau of the Census, PPL-27, Table 1.
5. Minnesota Planning, *Population Notes*, June 1995, p 3.
6. Minnesota Department of Economic Security, *Minnesota Labor Market Review*, September 1995, pp 3 - 4.
7. All comparisons of the concentrations of employment in Minnesota to the United States as a whole are based on unpublished data from the U.S. Department of Labor, Bureau of Labor Statistics, 1993.
8. All employment numbers for specific industries are from Minnesota Department of Economic Security, *Minnesota Labor Market Review*, September 1995, p 3.
9. *Advertising Age*, "Top 25 U.S. Cities by Billing," April 10, 1995, p S-20.
10. Minnesota Department of Agriculture, Agricultural Statistics Service, *Minnesota Agricultural Statistics 1995*, p 3. Data from 1994.
11. Minnesota Department of Agriculture, Agricultural Statistics Service, *Minnesota Agricultural Statistics 1995*, p 3. Data from 1994.
12. *Forbes ASAP*, "Best and Worst Cities," February 27, 1995, pp 46 - 55.
13. *Business Week*, "Hot Growth Companies," May 22, 1995, pp 68 - 89.
14. *Forbes*, "The Best Small Companies," November 6, 1995, pp 227 - 338.
15. *INC.*, "The INC. 500: The Fastest-Growing Private Companies," October 1995.
16. U.S. Department of Commerce, Bureau of the Census, *County Business Patterns, 1993 and 1990*.
17. Minnesota Department of Trade and Economic Development, *Business Tracking System Quarterly Report*, September 1995, p 1.
18. Minnesota Department of Trade and Economic Development, *Business Tracking System Quarterly Report*, September 1995, p 1.
19. *Fortune*, May 15, 1995, F-31 - F-37.
20. *Forbes*, December 5, 1994.
21. Unless otherwise noted, all information in this section comes from data obtained from the U.S. Department of Commerce and University of Massachusetts, MISER, as presented in Minnesota Department of Trade and

Economic Development, *Minnesota Trade Statistics: A Factbook of Exports and Foreign Direct Investment*, July 1995.

22. Unless otherwise noted, all information in this section is taken from U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings*, May 1995 and May 1986, Table B-1 and Table 1.

23. U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings*, May 1995, Table A-1 and Table 3.

24. Minnesota Planning, *Tomorrow's Labor Force: The Next 30 Years*, July 1994. See also, Meyer, Harvey, "Can't Find Good Help?" in *Twin Cities Business Monthly*, April 1995, pp 51 - 55.

25. U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*, August 1995, p 40.

26. U.S. Lance Daugherty, U.S. Department of Commerce, Bureau of Economic Analysis, facsimile to author, October 31, 1995.

27. U.S. Department of Commerce, Bureau of the Census, *Annual Survey of Manufactures, Geographic Area Statistics, 1991 and 1989*, Table 1 and Table 2; U.S. Department of Commerce, Bureau of the Census, *1987 Census of Manufactures, Geographic Area Series, Minnesota*, Table 5; U.S. Department of Commerce, Bureau of the Census, *1987 Census of Manufactures, Subject Series, General Summary*, Table 3.

28. Josephine Marcotty, "State economy praised in Dun & Bradstreet study," in *Star Tribune*, May 12, 1994, p 1D.

29. Mike Meyers, "Economy will continue to grow in '96, panelists agree," in *Star Tribune*, November 13, 1995, p D3.