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# INAUGURAL MESSAGE

*of*

Governor Harold E. Stassen

To the Legislature of

Minnesota

St. Paul, Minnesota

Tuesday, January 3, 1939



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GOVERNOR HAROLD E. STASSEN TO A  
JOINT SESSION OF THE FIFTY-FIRST  
SESSION OF THE MINNESOTA LEGISLATURE  
DELIVERED AT THREE O'CLOCK P. M.,  
JANUARY 3, 1939, AND BROADCAST OVER A  
STATE-WIDE HOOK-UP OF RADIO STATIONS

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Mr. Speaker, Mr. President, Honored Guests,  
Members of the Senate and House of Representatives:

A New Year begins. The Fifty-first session of the legislature opens. We enter a period of progress, of good will, and of better conditions in our great state of Minnesota.

I welcome this invitation of the Senate and House of Representatives, in accordance with the constitutional provision, to address you at this time on the problems that are our joint responsibility. We begin this session of the legislature with a splendid spirit of cooperation and of mutual respect. I am confident that we shall end this session with a record of accomplishments in the public welfare, and with that same spirit of cooperation and mutual respect. It will be my policy in this message, and throughout this session of the legislature, to respect your prerogative, to recognize the division of powers between the branches of the government under the constitution, and to ask you, frankly, your help in reaching the objectives of our administration, and in fulfilling the desires of the people.

Our principal objectives and our program are not alone the program of the administration or of the Republican Party. It has been clearly demonstrated on November 8th that they are the objectives and the program of the people of Minnesota. It is a rare occasion when the people of a state, from the factory, the farm, the office and

the home, of all parties, creeds and nationalities are united on a program of progress in the manner that the people of Minnesota now stand together.

We must never permit narrow partisanship, the pressure of day to day problems, or minor differences of opinion, to cause us to lose sight of this broad fundamental fact, or to dim our vision to the future.

One of our first and most important problems is to raise the standards of public service and to improve the morale of state government. A place on the state payroll must be based upon doing a good day's work for the people of the state, for a day's pay received. Fairness and integrity and courtesy on the part of the employees toward the citizens must be fundamental. There must be no percentage collections by political bosses. Much can be accomplished in this regard by the executive branch of the government alone. We will take those steps.

Appointments are being made and shall be made to positions of public responsibility on the basis of the fundamental integrity of the men and women appointed, their ability to fill the positions to which they are appointed and their interest in the vital policies of our administration. They shall be continued in their positions only so long as they remain faithful to their public trust.

The action that the executive branch of the government can take in improving public service, is limited, however, unless the legislature enacts a real civil service law for state employees. The civil service council consisting of representatives of The League of Women Voters, Farm Bureau, Parent and Teachers' Association, Federation of Labor, Minnesota Education Association, The Junior Chamber of Commerce, The American Legion, and the Legion Auxiliary, The Federation of Teachers and The Federation of Business and Professional Women, have performed a splendid public service in preparing a good civil service law. I recommend that bill to you for your careful consideration. You may well find that in some provisions, in your judgment, improvements can

be made. It is of course your right, and properly so, that the bill as you finally pass it shall represent your judgment as the best civil service proposal that can be enacted, but I urge upon you that the fundamental principles of merit and of civil service, should be carefully regarded in any revisions that you undertake.

Some recommendations may be made to you to include in the bill a "blanketing in" provision of all present employees. Since this proposal comes at the conclusion of the ruthless rule of spoilsmen, such a proposal is, of course, unsound, since it would only serve to continue inefficiency, instead of providing merit and integrity in public employment. I would recommend to you complete competitive examinations of all employees, so that present employees and the thousands who are applying for public positions would each have a fair and full opportunity to demonstrate the merit and ability that they possess for the respective state positions, and so that we could secure the highest possible quality of state employees. The examination of the merit and ability of present employees and the investigation of those civil service systems now in effect in various departments of the government, should be a prerequisite to putting into effect the civil service system affecting those employees.

May I say to you that there is no single legislative proposal that has more widespread public support, or will give more lasting benefits and economies than the enactment of a good civil service law, which will become the cornerstone of our administration.

There is another respect in which you can be of immeasurable assistance to the administration in saving money and improving the service of the state government to the people. Our state government machinery now consists of at least sixty-four different governmental boards, bureaus, agencies and departments. There may be even more that have not yet come to my attention. Like Topsy, they have "just grown." They have arisen under a great multitude of laws and of circumstances. Their offices are scattered through the



Capitol, the State Office Building, and a number of other buildings rented by the state. They are manned by a great army of public employees. Their activities duplicate and overlap in many respects. They send inspectors and field agents trodding on each other's heels to far corners of the state. They place about the same handicap upon the administration in carrying out its responsibility to the people, as a team of oxen would place upon a farmer in plowing his field. They are a source of unnecessary expense and of confusion to the public, and to the administration as well. Here you can be of great service to the administration and to the people by effecting some consolidation of these agencies. This is of vital importance, for as government undertakes to perform an increasing number of functions and services for the people, it is ever more and more important that the governmental activities themselves be carried on as simply and economically and efficiently as possible.

An outstanding accomplishment in this regard would be the establishment by the legislature of a department of social security and public welfare. Such a department should be headed by an outstanding administrator, appointed by the governor with the advice and consent of the Senate, and it should be provided by law that said administrator shall have had at least two years' experience in the field of public welfare and social security administration, and that he shall not have been an official of any political party or campaign committee, and he should also be completely barred from political activities during his continuation in office.

Under this one department, there should be grouped the entire state activities in the social security and public welfare fields. This would include the activities now carried on under seven different agencies of the government—the relief department, the old age assistance, the soldiers' welfare, the unemployment compensation, the veterans' relief, the supervision of public institutions, and the entire field of special aid to distressed counties.

This would lead, under good administration, to the elimination of much of the chiseling that takes place when the same individual or family illegally secures aid from two or more of these different agencies. It would eliminate much of the duplication which occurs when different public agencies investigate the financial status of the same counties to determine their policies toward said counties. It would reduce the number of field representatives that are constantly traveling about the state calling on local boards and local representatives. It would bring about a more closely knit information upon our entire problem of security and welfare, and would lend itself to a more thorough study of the future of these problems. It would result in better service to those of our unfortunate citizens who are in need, and would eliminate to a greater degree the improper spending of public funds in this field and would reduce the total burden upon our people.

The same logical and unified grouping of activities could well be carried down to the county agencies in the state which would have direct relationship with the state agencies, but which would be independent of control by the state and would be selected by the local governmental units.

With respect to the so-called Big Three, I recommend its abolition to the following revision of its function: We find at the present time that the Comptroller, who is a member of the Big Three and therefore takes part in the letting of contracts and the supervision in general of the state functions, is at the same time in charge of the examining and auditing. Thus we find the strange situation where the Comptroller's employees are expected, in effect, to examine the results of his own work. This office should be divorced from the so-called Big Three. It should be given definite powers of pre-auditing and control of expenditures so that it is possible to prevent deficiencies, over-drafts, and illegal transactions before they occur. This department should also have charge of the installing of modern bookkeeping methods as the present bookkeeping in the state is very much out of date and it is practically impossible

for anyone to secure an accurate financial picture of the condition of the entire state government with its many departments. I know that those of your committees that have in the past struggled with the taxation and appropriation problems are keenly aware of the lack of an effective accounting procedure.

The second member of the Big Three, the Commissioner of Budget and Personnel, would lose his personnel powers upon the enactment of civil service, as these functions would be taken over by the new Civil Service Administrator. The budget making powers should be transferred to the Comptroller's office, since under good procedure this office would be in the best position to know the financial needs and standing of the various departments of the state. It is, in any event, the responsibility of the executive to recommend a budget to the legislature.

The Commissioner of Purchases, with its centralized purchasing is a sound practice and under honest and able administration should be of great service and of saving to the people of the state. This position should be continued and extended under the administrative branch of the government.

The new Commissioner of Purchases has been instructed to have open, competitive public bidding on all public contracts and to award the contracts to the lowest responsible bidder without politics. You might well strengthen the law in this regard and make open competitive bidding mandatory on all state contracts over five hundred dollars in amount.

Another glaring need for revision and simplification is the administering and collecting of taxes and revenue for the state. We now have at least seven different agencies administering and collecting taxes and revenue. We have the gasoline taxes collected and refunds made by the chief oil inspector, who, strange to say, is under the Department of Agriculture. We have the liquor taxes collected by the Liquor Commissioner, the inheritance taxes by the Attorney General, the game and fish licenses under the Department of Con-

servation, and numerous other departments collecting money for the state. This scattered and careless procedure in the handling of state funds has recently resulted in two former state employees being sentenced to prison terms in connection with embezzlement of state funds. Sound business practice requires the centralization of these tax collecting and administering activities under a single department of taxation and finance, and in the State Treasurer's Office.

There are other consolidations that might well be made and that your committees may consider, and that we may jointly confer upon as your work proceeds. I feel strongly that it is possible by diligent work and sincere cooperation, to work out and to pass before the conclusion of this session, legislation that will in a large measure meet these crying needs for simplification and that will result in major economies and in the elimination of corruption and waste in the functioning of our state government.

Labor relations legislation is another outstanding problem before this session, and it is a field in which by careful consideration you can make an outstanding contribution, not only to the future peace and progress of industry and labor and of the people as a whole in Minnesota, but it is also a field in which you can place Minnesota in a position of national leadership. There is a widespread demand on the part of the people of this state, joined in by the farmers, and by the members of organized labor, that legislation should be enacted to provide the peaceful means of settling the disputes that naturally arise between the employer and labor, without the suffering and loss and bitterness caused by strikes and lockouts. In recognition of this need and of this demand, the State Federation of Labor is presenting to you a proposed labor relations law.

As a matter of public service, a committee of eleven member of the State Bar Association has for many months carefully studied labor relations legislation in other states and in other countries. They have gone a long ways in finding the strength and the weaknesses of the legislation now

in active force in five of the states of the union, and in the national labor relations act, and also in those of foreign countries, particularly of Norway and Sweden and Denmark. This committee of the Bar Association likewise have drafted an act which will be available for your consideration. Just last Friday evening, over fifty of the leaders of business and of labor, with some representatives of agriculture and of the public, met with me in a long serious conference at which we considered these two proposals and discussed the problems they involved. The extent of the progress toward agreement on an act and the fairness of the attitude displayed on both sides was encouraging. To be successful such an act, of course, must have at its outset the confidence and support of a great majority of labor and of the employers and of the general public as well. Both proposed measures have in common, provision for the establishment of a labor relations board, with powers and functions that emphasize the conciliation of difficulties before they break out in violence, and that further provides for the adjustment and correction of abuses without the necessity of resorting to direct action. Both agree that compulsory arbitration is not advisable and is not a solution to the problem. Both provide for voluntary arbitration. Both provide simple means of elections to determine representatives for collective bargaining purposes. Both wisely refrain from giving to the board excessive or arbitrary powers of rule-making, recognizing that the real service of the board will come in the encouragement of peaceful solutions with the support of public opinion. By careful consideration in cooperation with the interested groups, it is within your power to draft and to pass a labor relations law that will go a long ways toward the conciliation of difference, the avoidance of strikes and lockouts, with its suffering and unemployment, and toward the stabilization of labor relations and the encouragement of more jobs and more business in Minnesota. In fact, it is within your grasp during these next ninety legislative days to place upon our statute

books a law which will become the outstanding labor relations law of the United States.

The fourth major problem before you is one that spreads out and affects all other problems, and directly concerns every man and woman in the state. That is the problem of the financial condition of the state and our tax program for the next biennium. In this regard I know you are all interested, as I was, in knowing what it is that we are inheriting from the administration that we succeed. We find that our position might well be characterized by the predicament of Mother Hubbard in that nursery rhyme. For on this day, as we get to the cupboard, we find that it is quite bare. We find in the first instance that in order to complete the six months to July 1st, which were properly a part of the last budget, and which under our financial system are part of the last biennium, the departments of the state are asking for and it will be necessary to make, some emergency deficiency appropriations to the extent of over four million dollars. In other words, to close out the two-year period from July 1st, 1937 to July 1st, 1939, provisions for which were made by the last session of the legislature, it will be necessary for you to appropriate three million forty-four thousand eighty-two dollars for direct relief, six hundred fifty-two thousand dollars for old age assistance and mothers' pensions, and approximately a half million dollars for miscellaneous purposes. In addition to this, a careful analysis of the state's financial condition indicates that there will be a shortage in income to meet the present budget of five million dollars on the basis of using four million dollars of the income tax money that is available for general revenue purposes after meeting the school needs.

In other words, our inheritance in this connection alone will be an increase in indebtedness to the extent of nine million dollars.

As a still further phase of our financial difficulty, we find that many of the departments of the state have in the first six months of this fiscal year spent more than they should have spent, and that consequently in these last six months of



the fiscal year, many of our departments will have financial difficulties. Perhaps outstanding in this regard is the highway department, where almost two million dollars of outstanding bills are unpaid today because of a shortage of funds, and where our federal aid has been stopped temporarily by reason thereof. These financial problems both as to expenditures and as to taxation and income will of necessity be of major concern to all of us and will be the subject of continuing conferences and investigation, and of a special budget message which I shall present to you the latter part of this month after securing the necessary additional facts.

Permit me to say at this time, however, that whereas the Budget Commissioner of the former administration has prepared and presented to me a budget that would call for an increase in expenditures of fifteen million dollars, I wish to make it perfectly clear at this time that I do not concur in that budget. Obviously it has not been possible for me to prepare a complete budget at this time, nor has it been possible to revise the budget which I have just recently received from the former Budget Commissioner, and which I understand he is placing upon your desks.

I also wish to present at this time the objectives toward which we are working in our consideration of the budget and tax program. On the basis of securing civil service and the consolidation of State bureaus, we are determined that in this next biennium we shall spend less money than in the two years that have gone by. We are further determined that at the conclusion of the next two years, our state shall have a smaller indebtedness than it now has, and finally, notwithstanding, the acute financial condition that we inherit, we shall not have a sales tax, and we shall seek to avoid any increase in real estate taxes. The complete details of our recommended budget and tax program, as I have stated before, will be outlined in a subsequent message to you.

These four matters of civil service, consolidation and simplification of the government, labor relations legislation, and our financial problems,

are the major considerations before you. They are the measures upon which the people of the state have clearly expressed their wishes. There are numerous other matters that are of importance and will be considered by you. Some of them may well be the subject of special communications from the governor's office to you from time to time.

I wish at this time to especially mention legislation to curb the small loan sharks, who are daily preying upon small wage-earners of our principal cities, and as they ply their vicious tactics are leaving in their wake a toll of suffering and despair and want and desperation such as no other single activity has done. There will be presented to you, supported by the Federation of Labor and many civic organizations, legislation to curb the activities of these leeches who were recently exposed in the City of Minneapolis, by the action of the County Attorney's office of that city, to be collecting from four hundred to a thousand per cent interest. Legislation which has been successful in most of the other states of the union in curbing and regulating this activity and in making it possible for small wage-earners who are confronted with emergency needs for money, to secure small loans at reasonable rates of interest, should be passed by this session of the legislature.

There are certain general principles that I urge that you do not lose sight of at any time during this session of the legislature. The first is the fact that agriculture is the very basic industry in Minnesota. The farmers of the state have suffered and are suffering from their lack of parity. The low prices of agricultural products presents an acute condition. The high taxes on their real estate and the high cost of interest on their mortgages and indebtedness, and the very vital place that agriculture plays in the future of the state, makes this entire problem one of major concern for us. Although this is a problem of national scope and of necessity requires national action, it is a situation which you should never lose sight of in the consideration of any legislative proposal that affects agriculture. Likewise, you should recog-



nize the responsibility of Minnesota as one of the outstanding agricultural states of the nation to take a position of leadership, in cooperation with its farmers, and in urging national action to meet their problems.

It must also be a principle that we adequately meet the needs of those men and women who through no fault of their own are in need of public assistance. More jobs for our unemployed should be the watchword of our administration. Even since November 8th the attitude of confidence and of encouragement on the part of business has resulted in numerous announcements of extensions of plants and new activities and more jobs within the state. By your actions and the manner in which you carry them on, you can help materially in increasing and continuing this confidence and this development to build up Minnesota and create more and more jobs for our people.

Our administration will also enter into an extensive program for youth. The fact that thousands and thousands of our young men and young women are unable to secure a place in productive employment; that they are left to drift year after year following the completion of their education, is one of the major tragedies and real losses resulting from our conditions of social and economic maladjustment. The administration, through the juvenile placement divisions of the employment service, through the State Planning Board, through all educational institutions, in cooperation with the federal youth programs, and through the encouragement of aviation, television, chemical research and other new activities that give youth special opportunities, will be endeavoring to make a real contribution toward our youth problem. There may be some respects in which we shall seek legislative assistance in these matters.

In considering ways and means of building up the business and resources and jobs in the State of Minnesota, we should not overlook the fact that our tourist business is a major industry of the state and should be greatly expanded. No state in the union has the outstanding natural resources

and the widely diversified facilities as a vacation-land that we have. We should take every possible action to encourage citizens of other states to come to Minnesota and enjoy with us the restful beauties and the healthful activities of the playgrounds of our North Star State. As one specific step on your part in encouraging tourists to come to Minnesota, you should reduce the non-resident fishing license, which has caused a resentment on the part of visitors from other states. The executive department will also take definite steps to assist in publicizing and developing the tourist trade in Minnesota.

I know that you are interested in determining what has taken place in some of the departments of the state during the past few years. As you know, the grand jury and county attorney's office of Ramsey County is at present engaged in some investigations of some of the activities in the State Government. This has already resulted in the conviction of a number of men of various crimes against the state. I want you to know that I have instructed the Comptroller's Office to immediately audit and investigate the various departments of the State Government in order that we may know what the conditions of these departments are as we take over the responsibility for their administration. We will see that there is reported to you and to your regular committees the facts determined in such investigation for your information and for your guidance in further action on your part. May I suggest that a small emergency appropriation to the Comptroller's Office to assist in this audit and investigation would be helpful and would be beneficial to the welfare of the state. The Comptroller's Office and the various heads of the departments as they are appointed are also instructed to cooperate with the Grand Jury of Ramsey County and the County Attorney's Office in the investigations that they are making of definite state activities. I believe that these methods will prove most effective in determining the true state of affairs in our state government.

I know that you will give careful consideration to the reports of the various departments of the state government of their activities in the past two years and their recommendations for legislative action. From the financial side I will make more specific recommendations regarding these reports in my budget and financial message to you and on their proposed legislation I may from time to time communicate with you as to my views.

It is my conviction that after our difficult years of depression, and the uncertain days of experimentation and trial, we have now reached the point where, with an attitude of mutual understanding and cooperation between government and its citizens, with a spirit of encouragement to business, but a firm protection of the citizens against abuse, with the development of tolerance of one toward another, we can set out on a steady progress toward a future of better conditions and more jobs for our people, of a higher income and an approach to parity for agriculture, of a sound and well administered social security program—all under an enlightened democracy.

While we in Minnesota have experienced the extremes of all these problems, and while we therefore today are confronted by a situation of unusual difficulties, yet by that same token we are also in the position wherein we have the opportunity to lead the way in the development of sound adjustments of these problems and to make a very real contribution not only to the welfare of our citizens, but to the nation as a whole. It is in full realization of this responsibility and opportunity that I know you join with me in this first day of our administration, setting out upon our task, with our eyes to the future.

Minnesota

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(C.C.H. - 1/5/39)

MESSAGE

of

H. E. STASSEN

Governor of Minnesota

Regular Session

(Issued, January 3, 1939)

MR. SPEAKER, MR. PRESIDENT, honored guests, members of the Senate and House of Representatives:

A New Year begins.

The fifty-first session of the Legislature opens. We enter a period of progress, of good will, and of better conditions in our great state of Minnesota.

I welcome this invitation of the Senate and House of Representatives, in accordance with the constitutional provision, to address you at this time on the problems that are our joint responsibility. We began this session of the Legislature with a splendid spirit of co-operation and of mutual respect. I am confident that we shall end this session with a record of accomplishments in the public welfare and with that same spirit of co-operation and mutual respect.

It will be my policy in this message, and throughout this session of the Legislature, to respect your prerogatives, to recognize the division of powers between the branches of the government under the constitution, and to ask of you, frankly, your help in reaching the objectives of our administration, and in fulfilling the desires of the people, as they have expressed them.

Our principal objectives and our program are not alone the program of the administration or of the Republican party. It has been clearly demonstrated on November 8 that they are the objectives and the program of the people of Minnesota. It is a rare occasion when the people of a state, from the factory, the farm, the office and the home, of all parties, creeds and nationalities, are united on a program of progress in the manner that the people of Minnesota now stand together.

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One of our first and most important problems is to raise the standards of public service and to improve the morale of state government. A place on the state payroll must be based upon doing a good day's work for the people of the state, for a day's pay received. Fairness and integrity and courtesy on the part of the employes toward the citizens must be fundamental. There must be no percentage collection by political bosses. Much can be accomplished in this regard by the executive branch of the government alone. We will take those steps.



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There are other consolidations that might well be made and that your committees may consider, and that we may jointly confer upon as your work proceeds. I feel strongly that it is possible by diligent work and sincere co-operation to work out and to pass before the conclusion of this session, legislation that will in a large measure meet these crying needs for simplification and that will result in major economies and in the elimination of corruption and waste in the functioning of our state government.

Labor relations legislation is another outstanding problem before this session, and it is a field in which by careful consideration you can make an outstanding contribution, not only to the future peace and progress of industry and labor and of the people as a whole in Minnesota, but it is also a field in which you can place Minnesota in a position of national leadership.

There is a widespread demand on the part of the people of this state, joined in by the farmers and by the members of organized labor, that legislation should be enacted to provide the peaceful means of settling the disputes that naturally arise between the employer and labor, without the suffering and loss and bitterness caused by strikes and lockouts.



In recognition of this need and of this demand, the State Federation of Labor is presenting to you a proposed labor relations law.

As a matter of public service, a committee of eleven members of the State Bar association has for many months carefully studied labor relations legislation in other states and in other countries. They have gone a long ways in finding the strength and the weaknesses of the legislation now in active force in five of the states of the Union, and the National Labor Relations act, and those of foreign countries, particularly of Norway and Sweden and Denmark. This committee of the Bar association likewise has drafted an act which will be available for your consideration.

Just last Friday evening, over 50 of the leaders of business and of labor, with some representatives of agriculture and of the public, met with me in a long serious conference at which we considered these two proposals and discussed the problems they involved. The extent of the progress toward agreement on an act and the fairness of the attitude displayed on both sides was encouraging. To be successful such an act, of course, must have at its outset the confidence and support of a great majority of labor and of the employers and of the general public as well.

Both proposed measures have in common provision for the establishment of a labor relations board with powers and functions that emphasize the conciliation of difficulties before they break out into violence and that further provides for the adjustment and correction of abuses without the necessity of resorting to direct action. Both agree that compulsory arbitration is not advisable and is not a solution to the problem. Both provide for voluntary arbitration. Both provide simple means of elections to determine representatives for collective bargaining purposes. Both wisely refrain from giving to the board excessive or arbitrary powers of rule-making, recognizing that the real service of the board will come in the encouragement of peaceful solutions with the support of public opinion.

By careful consideration in co-operation with the interested groups, it is within your power to draft and to pass a labor relations law that will go a long ways toward the conciliation of difference, the avoidance of strikes and lockouts with its suffering and unemployment, and toward the stabilization of labor relations and the encouragement of more jobs and more business in Minnesota.

In fact, it is within your grasp during these next 90 legislative days to place upon our statute books a law which will become the outstanding labor relations law of the United States.

The fourth major problem before you is one that spreads out and affects all other problems, and directly concerns every man and woman in the state. That is the problem of the financial condition of the state and our tax program for the next biennium.

In this regard I know you are all interested, as I was in knowing what it is that we are inheriting from the administration that we succeed. We find that our position might well be characterized by the predicament of Mother Hubbard in that nursery rhyme. For on this day, as we get to the cupboard, we find that it is quite bare.

We find in the first instance that in order to complete the six months to July 1, which were properly a part of the last budget, and which under our financial system are part of the last biennium, the departments of the state are asking for, and it will be necessary to make, some emergency deficiency appropriations to the extent of over four million dollars. In other words, to close out the two-year period from July 1, 1937, to July 1, 1939, provisions for which were made by the last session of the Legislature, it will be necessary for you to appropriate \$3,044,082 for direct

relief, \$652,000 for old age assistance and mothers' pensions, and approximately a half million dollars for miscellaneous purposes.

In addition to this, a careful analysis of the state's financial condition indicates that there will be a shortage in income to meet the present budget of five million dollars on the basis of using four million dollars of the income tax money that is available for general revenue purposes after meeting the school needs.

In other words, our inheritance in this connection alone will be an increase in indebtedness to the extent of nine million dollars.

As a still further phase of our financial difficulty, we find that many of the departments of the state have in the first six months of this fiscal year spent more than they should have spent, and that consequently in these last six months of the fiscal year, many of our departments will have financial difficulties.

Perhaps outstanding in this regard is the Highway department, where almost two million dollars of outstanding bills are unpaid today because of a shortage of funds, and where our Federal aid has been stopped temporarily by reason thereof.

These financial problems both as to expenditures and as to taxation and income will of necessity be of major concern to all of us and will be the subject of continuing conferences and investigation, and of a special budget message which I shall present to you the latter part of this month after securing the necessary additional facts.

Permit me to say at this time, however, that whereas the budget commissioner of the former administration has prepared and presented to me a budget that would call for an increase in expenditures of fifteen million dollars, I wish to make it perfectly clear at this time that I do not concur in that budget. Obviously it has not been possible for me to prepare a complete budget at this time, nor has it been possible to revise the budget which I have just recently received from the former budget commissioner, and consequently I have determined that the best procedure would be to transmit the former budget commissioner's budget to you for such information that it may contain, but with a specific statement that I do not concur in its recommendations.

I also wish to present at this time the objectives toward which we are working in our consideration of the budget and tax program. On the basis of securing civil service and the consolidation of state bureaus, we are determined that in this next biennium we shall spend less money than in the two years that have gone by. We are further determined that at the conclusion of the next two years our state shall have a smaller indebtedness than it now has, and finally, notwithstanding, the acute financial condition that we inherit, we shall not have a sales tax, and we shall seek to avoid any increase in real estate taxes. The complete details of our recommended budget and tax program, as I have stated before, will be outlined in a subsequent message to you.

These four matters of civil service, consolidation and simplification of the government, labor relations legislation, and our financial problems, are the major considerations before you. They are the measures upon which the people of the state have clearly expressed their wishes. There are numerous other matters that are of importance and will be considered by you. Some of them may well be the subject of special communications from the governor's office to you from time to time.

I wish at this time to especially mention legislation to curb the lean sharks, who are daily preying upon small wage-earners of our principal cities, and as they

ply their vicious tactics are leaving in their wake a toll of suffering and despair and want and desperation such as no other single activity has done.

There will be presented to you, supported by the Federation of Labor and many civic organizations, legislation to curb the activities of these leeches who were recently exposed in the City of Minneapolis, by the action of the county attorney's office of that city, to be collecting from 400 to 1,000 per cent interest. Legislation which has been successful in most of the other states of the Union in curbing and regulating this activity and in making it possible for small wage-earners who are confronted with emergency needs for money to secure small loans at reasonable rates of interest should be passed by this session of the Legislature.

There are certain general principles that I urge that you do not lose sight of at any time during this session of the Legislature. The first is the fact that agriculture is the very basic industry in Minnesota. The farmers of the state have suffered and are suffering from their lack of parity. The low prices of agricultural products presents an acute condition. The high taxes on their real estate and the high cost of interest on their mortgages and indebtedness, and the very vital place that agriculture plays in the future of the state, makes this entire problem one of major concern for us.

Although this is a problem of national scope and of necessity requires national action, it is a situation which you should never lose sight of in the consideration of any legislative proposal that effects agriculture.

Likewise, you should recognize the responsibility of Minnesota as one of the outstanding agricultural states of the nation to take a position of leadership in co-operation with its farmers and in urging national action to meet their problems.

It must also be a principle that we adequately meet the needs of those men and women who through no fault of their own are in need of public assistance. More jobs for our unemployed should be the watchword of our administration.

Even since November 8 the attitude of confidence and of encouragement on the part of business has resulted in numerous announcements of extensions of plants and new activities and more jobs within the state. By your actions and the manner in which you carry them on, you can help materially in increasing and continuing this confidence and this development to build up Minnesota and create more and more jobs for our people.

Our administration will also enter into an extensive program for youth. The fact that thousands and thousands of our young men and young women are unable to secure a place in productive employment; that they are left to drift year after year following the completion of their education, is one of the major tragedies and real losses resulting from our conditions of social and economic maladjustment.

The administration, through the juvenile placement divisions of the employment service, through the State Planning board, through all educational institutions, in co-operation with the Federal youth programs, and through the encouragement of aviation, television, chemical research and other new activities that give youth special opportunities, will be endeavoring to make a real contribution toward our youth problem. There may be some respects in which we shall seek legislative assistance in these matters.

In considering ways and means of building up the business and resources and jobs in the State of Minnesota, we should not overlook the fact that our tourist business is a major industry of the state and should be greatly expanded. No state in the



Union has the outstanding natural resources and the widely diversified facilities as a vacationland that we have. We should take every possible action to encourage citizens of other states to come to Minnesota and enjoy with us the restful beauties and the healthful activities of the playgrounds of our North Star state.

As one specific step on your part in encouraging tourists to come to Minnesota, you should reduce the non-resident fishing license, which has caused a resentment on the part of visitors from other states. The executive department will also take definite steps to assist in publicizing and developing the tourist trade in Minnesota.

I know that you are interested in determining what has taken place in some of the departments of the state during the past few years. As you know, the grand jury and county attorney's office of Ramsey county are at present engaged in some investigations of some of the activities of the state government. This has already resulted in the conviction of a number of men of various crimes against the state.

I want you to know that I have instructed the comptroller's office to immediately audit and investigate the various departments of the state government in order that we may know what the conditions of these departments are as we take over the responsibility for their administration.

We will see that there is reported to you and to your regular committees the facts determined in such investigation for your information and for your guidance in further action on your part. May I suggest that a small emergency appropriation to the comptroller's office to assist in this audit and investigation would be helpful and would be beneficial to the welfare of the state. The comptroller's office and the various heads of the departments as they are appointed are also instructed to co-operate with the grand jury of Ramsey county and the county attorney's office in the investigations that they are making of definite state activities. I believe that these methods will prove most effective in determining the true state of affair in our state government.

I know that you will give careful consideration to the reports of the various departments of the state government of their activities in the past two years and their recommendation for legislative action. From the financial side I will make more specific recommendations regarding these reports in my budget and financial message to you on their proposed legislation I may from time to time communicate with you as to my views.

It is my conviction that after our difficult years of depression, and the uncertain days of experimentation and trial, we have now reached the point where, with an attitude of mutual understanding and co-operation between government and its citizens, with a spirit of encouragement to business, but a firm protection of the citizens against abuse, with the development of tolerance of one toward another, we can set out on a steady progress toward a future of better conditions and more jobs for our people, of a higher income and an approach to parity for agriculture, of a sound and well-administered social security program--all under an enlightened democracy.

While we in Minnesota have experienced the extremes of all these problems, and while we therefore today are confronted by a situation of unusual difficulties, yet by that same token we are also in the position wherein we have the opportunity to lead the way in the development of sound adjustments of these problems and to make a very real contribution not only to the welfare of our citizens, but to the nation as a whole.

It is in full realization of this responsibility and opportunity that I know you join with me in this first day of our administration, setting out upon our task, with our eyes to the future.



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