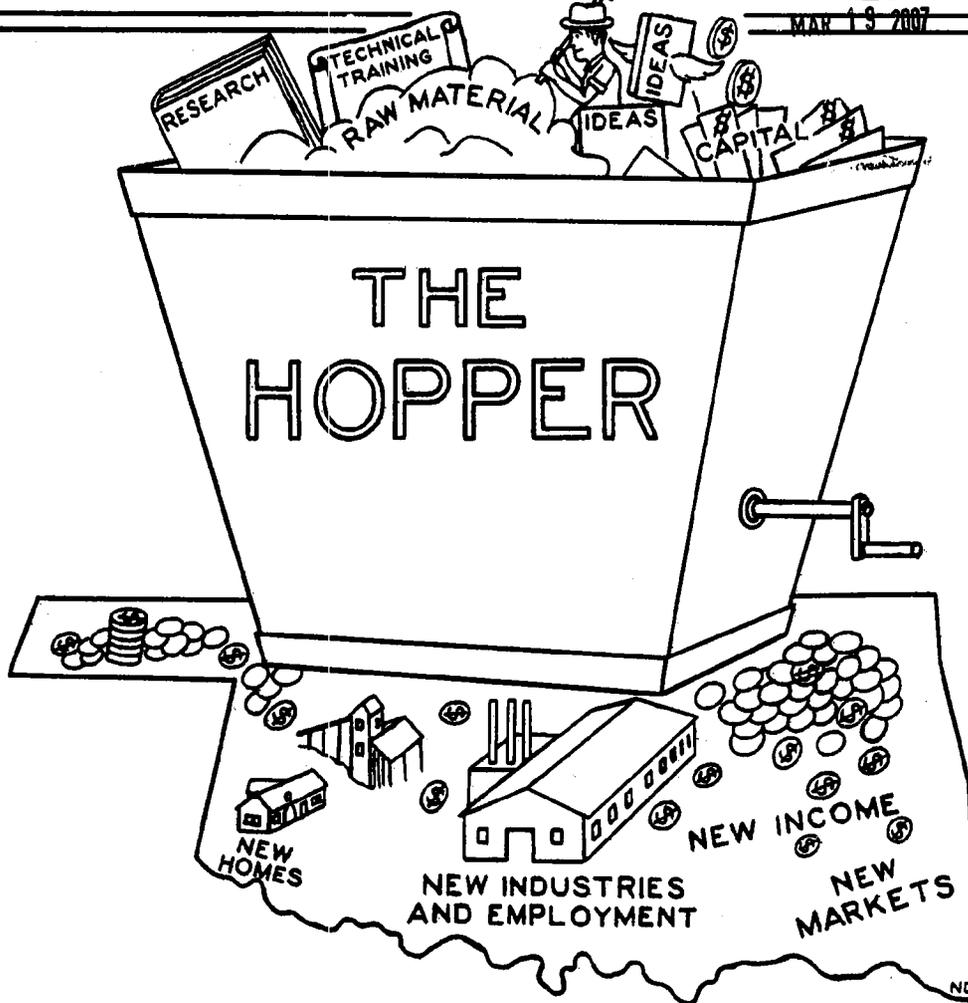


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UNFAVORABLE FACTORS IN OKLAHOMA AND THEIR REMEDIES

by

Senator James C. Nance

Before 1949 Oklahoma Industrial and Mineral
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Ladies and gentlemen, we are going to hear today from a number of experts and students of government on Unfavorable Factors Affecting the Location of Industries in Oklahoma and their Remedies.

This panel discussion should bring out a number of ideas and perhaps some controversial points which will stimulate thinking and be of benefit to the members of the legislative committee on Labor, Commerce, and Industries who are meeting in conjunction with this State Industrial Conference.

Before calling on the individual speakers, it will probably not be out of order for the panel chairman himself to make a few remarks and observations on the subject generally. I do not know what each of our speakers plans to say and may trespass a little on some of their subjects in what I say; but I will certainly not steal the thunder of anyone else in the general survey that I want to give you.

First of all, Oklahoma's favorable and unfavorable factors are of two classes:

1. Those advantages or disadvantages which nature has given our new state, and
2. Those which man himself has created here.

You have heard previous speakers mention Oklahoma's great mineral resources and other raw materials available for processing; our excellent climate; our fine Oklahoma labor, and the easier and freer living conditions which people out in this section of the country enjoy.

While it is true that Oklahoma does not have access to the oceans and deep water transportation, such as Texas, Louisiana, and some other states do, nevertheless with the exception of this major industrial advantage, I think it can be truthfully stated that no other state has a larger share of natural advantages. I refer specifically to our great quantity and diversity of natural wealth in the form of raw materials and fuels on which many industries are based.

Moreover, we are in a generally favorable location to secure future growth and development. Next to the Pacific Coast, the southwest is the fastest growing region in the United States. This means an improving market in this region for goods made in Oklahoma, and proximity to market has always been a primary factor in industrial location.

So, with these facts in mind, let me mention some of the man-made factors which may, or may not, stand in the way of Oklahoma's future industrial progress, and which other members of the panel may discuss in more detail.

UNFRIENDLY ATTITUDE TOWARD INDUSTRY

If I were to try to put my finger on any one disadvantage, it would probably be the general indictment of the state which you hear now and then to the effect that the state's general attitude has been unfriendly and discriminatory toward industry.

There used to be more merit in that charge than there is today. Beginning in 1945, our state government and the legislature recognized the new conditions and opportunities confronting the state, and began to adjust many of its tax laws to eliminate hardships and handicaps to new capital investment in Oklahoma.

This program culminated in enactment during the 1947 session of most of the recommendations of the Joint Legislative Taxation Committee, including the following:

1. A reduction of one-third and more in the state's relatively high income tax rates.
2. Exemption of the new aviation industry from the 2 percent sales and use tax on all personal property purchased or brought into the state; and from the tax on aviation fuel.
3. Exemption from the 2 percent sales and use tax of machinery and equipment used in new or expanding manufacturing and processing plants, and supplies and materials consumed therein.
4. Elimination of the "300 percent penalty" clause in the unemployment tax on all employers who had greatly expanded their payrolls, which penalized those who were doing the most to provide new employment in Oklahoma.
5. Creation of a permanent legislative council to make continuing studies of state problems, and particularly industrial problems.
6. Establishment of a sound fiscal administration for Oklahoma, with a central accounting office and budget law to tighten up loose budgetary practices. And also providing greater continuity in operations and policies of the Oklahoma Tax Commission, by giving members of the Commission 6 year over-lapping terms--lifting them above the political level.

7. In addition, the 21st Legislature wrote a new business corporation code which has made Oklahoma an inviting state in which to organize and operate.

Many other recommendations were submitted and enacted into law, but these were the principal ones insofar as revising the state's tax structure to attract and encourage new industry was concerned:

The Legislative Council and the Joint Committee, through legislative study has considered four factors which have been and may be unfavorable to Oklahoma:

1. We must sell Oklahoma to Oklahomans. At first we were merely producers and shippers of raw materials. As we all know, the lowest possible income derives from merely producing and shipping. The good profit comes from processing, refining, and manufacturing. We were submitting to this until studies began to be made by such groups as the Planning and Resources Board, the Research Department of the University of Oklahoma, A & M, Tulsa Chamber of Commerce, Oklahoma City Chamber of Commerce, Oklahoma Chamber of Commerce. But the depression caused us to make the change-over. Our population decreased 230,000, and we lost our greatest natural resource--the young men and women of Oklahoma--because young people were compelled to seek employment in industry in other states.

2. We do not want to encounter the experiences of the 30's in the matter of depression and bankruptcy. We must plan to use our present earnings to turn back into natural resources, and we must develop a new balance plan of economy. We can never have a durable prosperity until the agricultural and mineral industries begin to use industrial operations. We must expand to provide employment for our own population and for other people who come here. Manufacturing, processing, and refining

could have carried us through the depression, but the legislators did not understand the situation. This conference is for the purpose of informing both legislators and others in a program in industrial expansion. Technicians must help to inform legislators. Industry, government, and research must be teamed together.

3. Unstable political conditions often cause industrial faults. Once I, as chairman of the appropriations Committee, tried to abolish geological research. Oklahoma must try to develop new ideas and not depend upon old ones.

4. Not only unstable political conditions, but the tax structure of a state is likely to be an unfavorable factor. Our 6 percent tax on corporations, 1 to 9 percent tax on individual incomes need revision. The 21st legislature reduced income tax rates by more than one third. We have recognized aviation as a new industry and have exempted the tax on aviation gasoline and on personal property brought into the state by aviation. We have exempted machinery and equipment and supplies used in new, expanding manufacturing and processing plants.

Oklahoma is more nearly ideal today than it has been in 35 years. People are optimistic, willing to cooperate, and the future is brighter. This Conference today is one reason for our hope for a good future. More corporations and groups are doing research. They cooperate and try to strengthen their community.

The 22nd Legislature this year generally continued this tax program and policy, and we have seen a very considerable growth in new industries and industrial payrolls in many cities and towns in Oklahoma since the close of the war as a result, at least in part, of this new state policy, and of the

generally low ad valorem tax burden in most of our cities and counties in Oklahoma.

WORKMANS COMPENSATION INSURANCE RATES

But, in addition to taxes, other state laws have been pointed to as evidence of Oklahoma's unfriendly attitude toward industrial development: Our workmens compensation statutes are said to be responsible in large measure for the excessive compensation insurance rates against industrial payrolls in Oklahoma.

For some reason the legislature has never been quite able to put its finger on the cause or causes of the excessive compensation insurance rates charged in Oklahoma. But it keeps on trying: A committee of the House made a study and report on this barrier in the recent session, and I understand a committee of the Legislative Council down here today has a report to make on recent progress achieved in reducing these insurance rates.

Still other indictments have been laid at the door of our state government, which may or may not have a bearing on our industrial progress. I might mention a few of them before I close and call on the other speakers.

EXCESSIVE WELFARE COSTS

Some have charged that our state has been overzealous in taking care of its unfortunate wards - the hundred thousand or more old folks and the 60,000 or more dependent children and our 2700 blind. These and other pressure groups, it is said, put pressure on the Legislature for relief which adds to the load that must be carried by productive industry; and that industry shies away from states where such groups have too much influence on state policy and state finances. I don't know whether this is true or not, but recent constitutional

amendments and legislation in Colorado, California, and a few other states which pledge the state to much higher welfare payments than we have in Oklahoma, ought to provide a test as to their effect on state industrial development. Be that as it may, we have enacted a welfare program, and this alone has helped stabilize politics so we may now center our attention on more vital issues.

LEGISLATIVE REAPPORTIONMENT

Failure to reapportion legislative representation to conform to shifting population and the rapid growth of cities, has also been cited as an example of lack of industrial mindedness on the part of state government. This gives rural areas, where there may not be so much appreciation of need for industrial growth, more representation than it is entitled to in the legislature and gives the urban, industrial centers less influence in determining state policy.

EFFECT OF SLOPPY ADMINISTRATION

The state's slowness to adopt sound personnel policies and other business methods may also have some injurious effect on state development. Political patronage no doubt increases the cost of government, causes citizens generally to have less respect for it, and maybe causes them to be a little bit reluctant or careful where they invest their capital.

A good business-like operation of state departments and agencies is a distinct credit to the state and makes a favorable impression on those who come in contact with it. We have had a good example of this here in Oklahoma in the Oklahoma Tax Commission since 1931, and more recently in the state Budget Department. Both of these agencies have the most modern of office equipment and business machines. As rapidly as possible, all other

state departments and agencies should also be analyzed and their business methods modernized.

The personnel problem remains to be solved by the legislature. It is the one big problem that we have not yet touched. A start was made in the recent session, but the answer remains to be found. The recent session also made a step toward a better state purchasing system, but only a beginning has been made in that field.

FREIGHT RATES

Another state handicap to industrial development is the discriminating freight rate structure which affects all states in this area more or less alike. This is something that the legislature and state government may not control. A bill is pending in Congress modifying the effect of the Supreme Court's recent decision knocking out the "basing point" system in the steel industry, which many think will retard industrial development in this region unless modified. Perhaps some member of the panel will go into the matter of freight rate handicaps.

Finally, I would like to touch on an aspect of our industrial development problem that is seldom mentioned. Usually, the complaint is that the legislature or the state has passed an injurious measure that hurts and should be repealed.

A MODERN HIGHWAY SYSTEM

But what of the things which the state might do of a positive nature that would encourage industry? Let me give you an example of what I mean. How much would it be worth to Oklahoma from the standpoint of economic progress, to have a really modern \$300 million dollar state highway system?

There are those who believe such a highway program would be the starting trigger on an era of growth and progress never before experienced in this fast growing young state. Nothing we could do in Oklahoma would give more encouragement and impetus to the agricultural and industrial program. It would spark a quarter century of progress such as we have never known, and which would enable such a program to be easily financed from highway user revenues alone, without recourse to ad valorem or other taxes.

Yes, many things might be done to encourage Oklahoma's continued industrialization. The problem presents a challenge to the state government, and the legislature; and also to the individual business man, chambers of commerce, and business groups and organizations.

It will call for the best minds and the best thinking we have in Oklahoma. And, above all, it will demand coordination of planning and effort between the state government on the one hand, and private industry on the other. Working together, as we have begun to learn to do in recent years, there are no limits to Oklahoma's future.

* * * * *

FOOTNOTES TO TABLE ON NEXT PAGE

- 1/ Value included under "Miscellaneous"
- 2/ Figures obtained through cooperation with Bureau of the Census.
- 3/ Sold or used; value of clay used in cement and heavy clay products is included here but is not included in total value.
- 4/ Not valued as ore; value of recoverable metal content included with the metals.
- 5/ From zinc smelting.
- 6/ Value not included in total value for State.
- 7/ Includes minerals indicated by "1" above.

MINERAL PRODUCTION OF OKLAHOMA, 1948

(Collected by U. S. Bureau of Mines and Oklahoma Geological Survey)

PRODUCT	QUANTITY	VALUE
Asphalt (native).short tons	(1)	(1)
Cement.....barrels	(1)	(1)
Clay:		
Products, heavy clay (other than pottery and refractories).....	-----	1,399,000 ^{2/}
Raw.....short tons	510,316 ^{3/}	389,903 ^{3/}
Coal..... " "	2,925,000	13,075,000
Gypsum (crude)... " "	(1)	(1)
Lead..... " "	16,918	6,056,644
Lime..... " "	(1)	(1)
Natural gas....M cubic feet	480,573,000	23,356,000
Natural gasoline and allied products		
Natural gasoline..gallons	273,010,000	25,431,000
Liquefied petroleum gases.....gallons	197,131,000	10,980,000
Ores (crude), etc.:		
Lead.....short tons	95,686	(5)
Zinc..... " "	2,375,557	(5)
Zinc-lead..... " "	1,867,061	(5)
Petroleum.....barrels	154,032,000	397,365,000
Pumice and pumicite.....short tons	(1)	(1)
Salt..... " "	(1)	(1)
Sand and gravel.. " "	2,004,512	1,088,003
Stone..... " "	4,027,630	4,141,379
Sulfuric acid ^{5/} .. " "	(1,7)	(1,7)
Zinc..... " "	43,821	11,656,386
Miscellaneous ^{7/}	-----	8,486,021
Total value, eliminating duplications	-----	503,654,000

Footnotes on preceding page.