Thomas Mifflin and his wife, Sarah
By John Singleton Copley

Courtesy of the Historical Society of Pennsylvania
THE national income of the United States is more than one-third that of all the nations of the world, while its industrial capacity is now equal to that of all other countries combined. These ratios reflect measures of productivity and of economic power possessed by a country whose population is only about six per cent of that of the whole world.

The state of Pennsylvania represents a unique segment of this national economic potential. With only about seven and one-half per cent of the country's total population it stands high as an industrial state, as a mining state, and as an agricultural state. Whatever may be the impact of world economic developments upon the United States, it is certain that Pennsylvania can not insulate itself against the effect of these developments. Through prosperity and depression the state's trend of per capita income payments has always run more or less parallel with the national trend, although on a somewhat higher level. Because of the many and varied channels through which industry, mining, and agriculture in Pennsylvania contribute to the total production of goods and services, it is hardly to be expected that the state could effectively immunize itself against the economic currents beating against it from the outside.

Nevertheless, this simple statement of economic interdependence between the whole and the part falls far short of providing an answer to the basic questions relating to the economic future of Pennsylvania. Because of certain elements of peculiar strength and
endurance, which are inherent in the economic and social fiber of Pennsylvania, the real meaning of "Pennsylvania Week," which was observed recently, extends beyond the area of production statistics and competitive bidding for new industries.

It is appropriate that on this occasion we seek out and appraise the elements of both strength and weakness, signs of both the permanent and the transitory. In entering upon an economic diagnosis I confess to a certain sense of pride which perhaps may do violence to the historian's sense of objectivity. Why shouldn't a native York Countian call attention at once to the recent announcement by the Census Bureau that, among the hundreds of American cities, the municipality which made the record reduction in gross and net debt during 1945 was none other than the city of York? I am sure that he may also be forgiven for digging out of his dusty files Garret Garret's article of nearly twenty years ago entitled, "Where the Farmers Still Make a Profit."

Only recently we have been reminded by the state's secretary of agriculture that Pennsylvania ranks fourteenth in the value of agricultural output even though in farm acreage it ranks thirty-second. When Mr. Horst, in his speech of October 14, said that he had "little to fear for the future of Pennsylvania agriculture," he was strongly fortified by an important historic fact. In the late twenties, when foreclosures and bank failures characterized the economy of many major agricultural areas Mr. Garret went into York and Lancaster counties and "discovered" the nation's greatest exception to agricultural distress. It is perhaps appropriate to recall that, over a period of many years, Lancaster County on more than one occasion has won second place, behind Los Angeles County, in the dollar value of its agricultural products.

In order that the rest of agricultural Pennsylvania may get its due let me remind you that more than fifty per cent of the state's acreage consists of farm lands and that about half of this is in an improved condition. Since the national percentage of land acreage devoted to farming is slightly less than fifty-six it is apparent that Pennsylvania is, in fact, an agricultural state. The state's department of commerce reminds us that almost every commercial crop except cotton, citrus fruits, and peanuts is produced; that the state leads the nation in the production of buckwheat, cigar leaf tobacco, and in the value of milk retailed by farmers; also that it ranks second in farm cash income from chickens and eggs; while in the
production of maple sugar and dairy products it holds third place, and in the output of apples and potatoes it is exceeded by only three states.

In turning to the industrial, financial, and commercial aspects of the state’s economy, I would first call your attention to the recent unveiling of a monument in Washington to a great financier, the Swiss-born Albert Gallatin, who ranked high in statesmanship and who represented Pennsylvania for a short period in the United States Senate. Because of the war the placing of the statue was further delayed after a lapse of considerably more than a century since his services as Secretary of the Treasury. In bronze figure he now stands before the main entrance to the Treasury looking north toward Pennsylvania, his state of residence during the years of his greatest public service. Alexander Hamilton was similarly honored many years ago; but, as though he were penalized for gaining earlier recognition, he has to be content with the south entrance where he must cast his eyes across the Potomac over the state which gave the nation Thomas Jefferson!

The early development of Pennsylvania, like that of the country as a whole during the first half of the nineteenth century, was made possible by the availability of foreign capital, combined with the genius and foresight of Gallatin and his contemporaries. British and Dutch investment provided the real impetus to the growth of transportation facilities which ultimately brought the products of the agricultural west at low cost to the eastern seaboard. Long before the end of the century European capital was flowing into every form of economic enterprise. This in turn encouraged immigration which, after the middle of the century, rose and fell with the changes in the business cycle.

The flow of foreign capital and foreign workers into the United States fanned out into many of the key industrial and mining areas of Pennsylvania. The state’s abundant coal resources encouraged the development of the iron and steel industry and made Pennsylvania the primary steel producer. With the discovery of oil and the development of processes for its industrial utilization Pennsylvania added considerably to its economic potential. During the nineteenth century the state set the course of national industrial development. Yet the nation’s resources were varied and widely distributed. The course of economic empire was westward.

With the shift of the country’s economic center westward—a
movement which was further accelerated by the recent war—the significance of Pennsylvania’s “keystone” position has not lessened, but we need to observe a shift in emphasis. The nature and extent of this shift are perhaps not clear until a new census of manufactures has been completed. On the basis of total income payments Pennsylvania has fallen from second to third position as a result of the rapid expansion of economic enterprise in the state of California during the past decade. Pennsylvania’s share of income payments in 1946 was 7.34 per cent of the national total, as compared with 8.88 per cent in 1929 and 8.21 per cent in 1940.

In 1929 Pennsylvania stood in eleventh place among the states of the union in per capita income payments. Its average of $767 compared with $680 for the country as a whole. By 1946 the state had fallen to seventeenth place with per capita income payments of $1,238, compared with $1,200 for the country as a whole. The Department of Commerce at Harrisburg has recently taken cognizance of this trend, in connection with the observance of “Pennsylvania Week,” by calling attention to the downward trend over some years in the volume of employment in the state’s mines and quarries, and in the failure of certain industries to expand in line with other segments of the economy.

In the field of manufactures Pennsylvania’s industries in 1939 (the year of the latest Census of Manufactures) accounted for 10.08 per cent of the total value added to the national output in the manufacturing process. This was more than the value added by manufacturing in all of the New England states combined, and second only to the state of New York which accounted for 13.54 per cent.

If we were to draw up a balance sheet of Pennsylvania’s economic assets and of the state’s transactions with outside areas we would no doubt see more clearly the shift in emphasis to which I have referred. Technological developments bring about an ebb and flow in the utilization of particular natural resources. The growing use of oil and gas as a household fuel and as a substitute for coal in certain industrial operations has given rise in some quarters to a fear that coal mining, especially in the anthracite regions, may become a permanently depressed portion of our national economy. Since the country’s beds of anthracite are virtually confined to Pennsylvania this may sound particularly ominous. I am not a mineral economist and therefore I shall confine my comment to a
quotation from a recent voluminous study, "America’s Needs and Resources," published by the Twentieth Century Fund: "We are clearly better off so far as coal is concerned than in the case of petroleum and natural gas. This is all the more significant when it is realized that we now depend on oil and gas for over forty per cent of our total energy, as compared with less than ten per cent at the turn of the century."

This statement appears to confirm our worst fears, but we must remember that technological progress tends in time to lift the utilization of all resources to higher and higher levels. The report continued its analysis by emphasizing that new supplies of oil have "probably passed the peak of discovery;" also, that the laboratory is directing its attention more and more to the use of coal as a possible source of oil as well as of gas. Several months ago I listened to an eminent mineral economist discussing the hydrogenation process of utilizing coal as a source of petroleum products. After he had outlined the reasons for the relatively high costs during the initial stages, he added pointedly, "Let's not fool ourselves; coal will always be one of our most valuable assets, no matter by what processes we use it."

In my balance sheet for Pennsylvania I would have an entry for a type of resource the real value of which we are too often inclined, more or less unconsciously, to relegate to a secondary position. I refer to scenery, historical monuments, and the means of travel. The biographer Boswell tells of an observation once made by the famous Dr. Johnson as he was about to leave on a trip to the Hebrides. He saw a supreme advantage in visiting distant parts because, he said, if you find a place better than your own you can improve your own; if the place you visit is worse you can come back and enjoy your own more. I am sure that Pennsylvania has a sufficient lure to attract not only the philosophical-minded, whether native or foreign, but also those guided by more material instincts.

Pennsylvania’s unique position in the national economy has continually been influenced by geography. The state is virtually an isthmus connecting the northeast and the original "hinterland." Because of the Alleghenies, the state belongs to both the East and the West, or, perhaps more correctly today, to the Mississippi Valley. The course of trade has followed the course of the rivers. As a result part of the state has always looked toward the seaboard;
the rest has bound its fortunes to the frontier, to the great central valley of the Mississippi, and to the Port of New Orleans.

From the beginning Pennsylvania held the economic forces of a growing nation together and became, in effect, a guarantor of national unity. From north to south and from east to west, Pennsylvania became historic ground where the nation's political and economic streams merged into a common national purpose. As a result the "Keystone State" acquired a national flavor which, as Claude Bowers has so clearly shown in his *Jefferson and Hamilton*, persisted until well into the nineteenth century.

Through the ports of Philadelphia on the Delaware, Pittsburgh at the point where two rivers form the Ohio, and Erie in the northwest, Pennsylvania looks out beyond its boundaries and sends its goods into national and world markets. Many of the products flowing out of these ports are indigenous; others are the end-products of industrial processes in which raw materials from outside the state are combined with native workmanship and business ingenuity.

Philadelphia has traditionally been an outlet for a substantial part of the country's exports as well as a port of entry for a large volume of imports. It has had a proud history and Pennsylvania would not be Pennsylvania without the city and its port facilities. Through its port petroleum, coal, grain, flour, and other products move into foreign markets. Since most of these exports are bulk products, Philadelphia ranks fourth among the ports of the United States, while on the basis of export values it occupies seventh place. Products imported include iron ore, sugar, drugs and chemicals, iron manufactures, hemp, jute, flax, and many others. As a port of entry Philadelphia at present ranks third on the basis of both tonnage and value.

Yet the future of the port can not be taken for granted. In the August 1944 issue of *Philadelphia*, the official organ of the Chamber of Commerce and Board of Trade, the city's port facilities are spoken of as excellent "provided the necessary improvements are made." In an address before the Foreign Traders Association of Philadelphia on September 14, 1944, Mr. Thomas E. Lyons, Secretary of the United States Foreign Trade Zones Board, proposed that the solution lies in the establishment of a foreign-trade zone such as has been established by the ports of
New York and New Orleans. This is no occasion to discuss technical problems relating to Philadelphia's export and import trade, but since we are looking into the future it is perhaps appropriate that I quote further from Mr. Lyons: "Although the foregoing figures indicate that the Port of Philadelphia enjoys extensive foreign shipping activities, much of the traffic is restricted to a few trade routes and with countries which are not large consumers of our manufactures. Consequently, due to lack of shipping services, Philadelphia manufacturers and shippers who trade in other world areas must at additional expense forward their products to other ports for export. If a foreign-trade zone were established in Philadelphia it would attract additional imports directly to the port."

It is certain that various United States ports will attempt to build up their facilities for handling exports and imports. Philadelphia's future position will be influenced, if not determined, by the methods employed in dealing with the problem so succinctly posed by the Philadelphia Chamber of Commerce and Board of Trade.

A few weeks ago I addressed an inquiry to the chamber of commerce of each of the principal cities of Pennsylvania. I confined my inquiry to a simple request for readily available circulars or pamphlets relating to the current business developments and prospects in the area. I was very much interested in this type of information but particularly anxious to observe the manner in which it was interpreted and presented. I wanted to see, if possible, why each community believes in its own future. I found the results enlightening and significant. Two distinct threads of strength and durability are clearly discernible. One is the recognized worth and influence of the local institutions of higher education upon the economic progress and stability of the community. The second is industry's obvious pride in the harmonious relationship existing in many industrial towns and cities between labor and management. One city proudly combines the two elements of strength and progress by reporting that "a large proportion of those employed in industry are high school graduates. The general high level of intelligence among industrial workers has resulted in great efficiency in the operations of the various industries."

Pennsylvania's resources, its minerals, its forests, its factories, and rich lands are sources of boundless wealth, but they are not
the sole factors of primary importance. More lasting are the initiative, the energy, and the traditions of its people. The vibrant character of Pennsylvania's contemporary economic life bears strong testimony to the fact that the recent years of depression and war have neither weakened initiative nor sapped the state's economic strength. Herein lies the state's real economic future.