

Tea Leaf

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Schoolin'

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One of the few no-brainers in the American economy today is the high value of education. An increasingly sophisticated economy demands that successful workers in nearly all employment sectors have the initial education/training to comprehend what is expected of them, as well as the ability to “learn-as-they-go” on the job.

The disparity between the education “haves” and “have nots” will likely continue to widen as rising sophistication of the American and global economies develops. Workers without education are equivalent to boxers with one arm tied behind their backs.

The \$\$

Various measures of income suggest that college graduates make between 75% and 100% more than high school graduates. Such a relationship 25 years ago was closer to a 25% differential.

The correlation between higher levels of educational attainment and higher incomes was not always so clear. The first 60 years of the 20th Century was a period when physical strength was as important as mental agility in many industries, including most within the manufacturing sector.

Extraordinary productivity gains in the manufacturing sector, combined with the powerful rise of the Information Age, have changed this prior dynamic forever. Contrary to information pushed by the liberal national media, U.S. manufacturing has not declined. This nation produces more goods each year than before.

The difference is in regards to the number of people utilized in the manufacturing process. Greater use of automation, robotics, and powerful software has created the need for fewer workers even as output climbs.

More & More

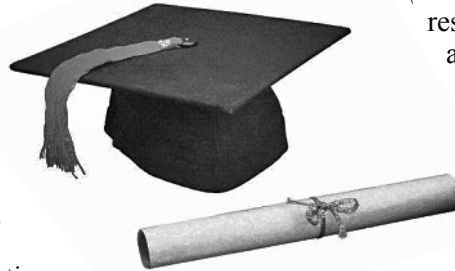
Educational attainment of Americans has grown sharply over the past century.

As recently as 1910, 25% of American workers had only a 5th grade education, while only one worker in seven had completed high school. Less than 3% had completed four years of college

(*Investor's Business Daily*). These respective levels today are 2%, 83%, and 25%.

One could argue that the enormous rise in educational attainment of the average American combines with the sharp rise in average lifespan

as two of the most powerful developments of the past 100 years.



Then...and Now

Workers in the nation's “blue collar” manufacturing sector were perhaps the most vulnerable to job losses to lower cost locations over the past 25 years. Jobs lost to Mexico and more recently to China and other low cost Asian nations have been painful for tens of thousands of American workers.

More recently, job losses among higher educated people became center stage. The loss of “white collar” jobs to India of recent years has been significant, with many of these jobs in architecture, engineering, financial services, and research of all types.

Not Ready for Prime Time...

Critics of American primary and secondary schools decry the poor educational skills of many young people leaving high schools today. Too many of these graduates simply do not possess the workplace skills of grammar, mathematics, and social interaction that contribute to being effective workers from the get-go.

Various education advocates clamor for greater educational funding, while others argue that a lack of teacher and administrative accountability is the problem. These critics suggest that the two major national teachers' unions stifle accountability of teachers and limit competition between educational styles, including charter schools and vouchers. There is plenty of blame to go around.

There is little argument that tens of thousands of young people leave public schools in the nation's inner cities with severely limited skills to compete. Too many companies are forced to provide remedial instruction for new workers. This shortfall in the educational output in our inner cities is perhaps America's greatest educational shortcoming.

The CC Connection

Numerous communities around the nation have created major successes by putting local employers and educators in the same room to discuss and define the skills necessary for new labor force entrants to be successful...

...what a concept!

The nation's community colleges and trade schools have seen their roles expand as the critical liaison between employers and students. As the American labor force becomes tighter and tighter, this community college/trade school role of matchmaker will become even more critical.

The role of education is not simply to teach numbers, relationships, and theories to be regurgitated in testing environments. Today's most effective high schools, colleges, universities and other purveyors of education help their students learn HOW to learn, which is something quite different.

One challenge for America is that much of the world is chasing...and catching...the U.S. as far as educational attainment. The U.S. leads the world in the share of people ages 35 to 64 with a college degree. However, the U.S. ranks 7th when considering 25- to 34-year olds with college degrees (*USA TODAY*).

One of America's strengths is the quality and diversity of our higher learning institutions. American universities compete for students, professors, funding, research grants, and even athletes. As a result, high profile institutions cannot rest on their laurels.

American universities have also led the way in forging links between academia and industry, with American



universities earning more than \$1 billion annually in royalties and licensing fees (*The Economist*).

One of our strengths is a lack of central control over these institutions, with most university funding having limited connection to taxes. This reality contrasts with the European system, where governments provide a majority of funding, and demand excessive influence regarding programs...

...another example of failed European central planning and control

A Path

Note: I served as an adjunct professor of finance at the University of Utah for 17 years, teaching upper-division classes in the evening. I would provide my students two key views...

The first was that a future employer really didn't care what the student learned in my class or any other class. The employers would teach the student what the employer wanted them to know, and how to best use the information.

Second, I would suggest to my students that their careers would likely follow paths much different than they expected. I suggested that many of these students would end up in occupations that had little if anything to do with their undergraduate training.

I used myself as an example. My undergraduate degree is in business administration. I was required to take three "econ" classes...and liked none of them.

It wasn't until I had spent a number of years in the real world of bank portfolio management that "econ" became interesting. It was also at that time that my superiors told me I was going back to school. They said I was evolving into an economist, but needed the academic training. I have now *worked* as an economist for the past 30 years or so...

...yes, the term is used loosely

A handwritten signature in black ink, appearing to be the name 'Jeff'.

"TEA"ser

If you think education's expensive...try ignorance.

—Derek Bok



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