

# Tea Leaf

...weekly since 1976

Your guide to understanding  
today's economy and  
financial markets

February 20, 2008

[view previous issues](#)

THREDGOLD  
**ECONOMIC**  
ASSOCIATES

The TEA Company  
A Professional Speaking and  
Economic Consulting Company  
1366 S Legend Hills Drive, Suite 150  
Clearfield, Utah 84015  
801-614-0403

[www.thredgold.com](http://www.thredgold.com)

Copyright © 2008 Thredgold  
Economic Associates, LLC.

Please call 1-888-847-3346  
for reprint permission.

## Learnin'

Written by Jeff Thredgold, CSP, President, Thredgold Economic Associates

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 continues to develop. Workers without adequate education are equivalent to boxers with one arm tied behind their backs.

### The \$\$

Various measures of income suggest that college graduates make between 75 percent and 100 percent more than high school graduates. Such a relationship 25 years ago was closer to a 25 percent differential. Earnings of those with advanced degrees are even higher.

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.

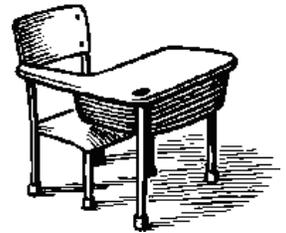
Extraordinary productivity gains in the manufacturing sector, combined with the powerful rise of the Information Age, have changed this prior dynamic forever. Contrary to information pushed by the national media, U.S. manufacturing has not declined. This nation produces more goods each year than before.

The difference is in regard to the number of people utilized in the manufacturing process. The greater use of automation, robotics, and powerful software has created the need for fewer workers even as manufacturing output climbs. This trend will only continue.

### More and More

Educational attainment of Americans has grown sharply over the past century. A hundred years ago, few workers were high

school graduates, while fewer still had attended or graduated from college. Most workers found jobs early in life out of a necessity to assist with family expenses or to work full-time on family farms. One could argue that the enormous rise in educational attainment of the average American combines with the sharp rise in the average American 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 jobs lost to lower-production-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 teacher unions stifle accountability of teachers and limit competition between educational styles. 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 and rural communities 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 Community College Connection

Numerous communities around the nation have enjoyed 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 crucial.

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.

## Higher Education

One challenge for America is that much of the world is chasing—and catching—the United States as far as educational attainment. While older working Americans still lead the world in average educational attainment, many younger workers around the world are matching or exceeding the education levels attained by American workers.

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 and musicians. As a result, high-profile institutions must constantly redefine their message and ensure their relevance.

American universities have also nurtured powerful connections between their institutions and the business world, with American universities earning substantial licensing fees and royalties each

year. A rising number of state legislatures around the nation now routinely provide "seed money" to universities to develop and enhance such relationships.

One of America's higher education 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 then demand excessive influence regarding programs.

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

## A Path

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 with two key views.

The first was that a future employer really did not care what the student learned in my class or any other class. Gaining a degree from an accredited college or university said something about one's intelligence and maturity. A degree "got you in the door," where the employer 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 economics classes and disliked all of them.

It was not until I had spent a number of years in the real world of bank portfolio management that economics became interesting. It was also at that time that my commercial banking 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.

...with the term *worked* used loosely

## "TEA"ser

Ninety percent of the politicians give the other ten percent a bad reputation.

—Henry Kissinger

THREDGOLD  
**ECONOMIC**  
ASSOCIATES

The *Tea Leaf* is delivered weekly as a link to a PDF file.

To receive the *Tea Leaf* free via email, email your name, email address and "subscribe Tea Leaf" to [subscriptions@thredgold.com](mailto:subscriptions@thredgold.com)

or fill out the form at [www.thredgold.com](http://www.thredgold.com)

Thredgold Economic Associates  
1366 S Legend Hills Drive, Suite 150  
Clearfield, Utah 84015  
[www.thredgold.com](http://www.thredgold.com)

Graphics and layout by Kendall Oliphant  
Research assistance by Shawn Thredgold