

## After Economics

*Economic growth is not merely the enabler of higher consumption; it is in many ways the wellspring from which democracy and civil society flow.”*

Benjamin Friedman, Atlantic Monthly, July/August 2005

In previous framing documents, we have talked about a new, “flat” world, a landscape of Internet-connected individuals collaborating across continents, solving critical problems in multi-cultural teams, and creating innovative products using astonishing new technologies. Individuals with the appropriate skill sets should benefit greatly in this new world. Those without the needed skills to adapt, to communicate, to collaborate, and to create will be in danger of economic stagnation. Declining economic standards and reduced opportunities have distressing consequences for society, far beyond the daily despair of those individuals trapped in poverty.

In this flat world, wage gaps are already growing, increasing the spread between the salaries paid for higher order skills and the money that low-skilled workers earn. Economic analysts have various theories about the causes of wage and skill gaps, but few argue that the economy and society have changed:

- Wages are stagnant despite a rise in corporate profits
- Many college graduates with a four-year degree face a difficult job market and often depressed starting salaries
- The weak housing market may cause a national recession
- The boomer generation is beginning to retire, opening thousands of jobs but also increasing demand for special services related to health and wellness

### **It’s the economy, we think**

Occasionally, it is difficult to understand the nature or rate of changes. In January, The Press Democrat carried an alarming headline:

#### **“County losing jobs, workers”**

- “The county is still struggling to maintain a pattern of growth.”
- “The county registered 1,300 fewer jobs than it did a year ago in December, a somewhat cheerier picture than the ongoing job losses—2,000 to 2,900 a month the county has posted every month since July.”

The Press Democrat, January 20, 2007

If readers were depressed in January, they could find solace in March:

#### **“County economy looking better”**

- “Revised figures issued Friday by the state Employment Development Department showed the local economy was not losing jobs in the fall and winter, as state labor analysts had previously estimated, but actually gained jobs in each month of last year.”
- “Overall, employment grew 1.5 percent last year to 195,200 jobs. It was the strongest showing since 2001, when the county slipped into a two-year recession.”

The Press Democrat, March 9, 2007

Today, many economists remain undecided about the future of the local and the national economies. Housing is the unknown. No one denies we have witnessed a decline in housing values and a softening in the market. The lingering question: Will housing trigger a U.S. recession? Although the outlook remains murky, we do know that our students face challenges.

Students with two-year and four-year degrees are often vulnerable to changing demands in the workplace. Those with advanced degrees are more secure, while individuals with construction skills may, in the future, be the most fortunate workers: California will have to replace retiring workers or find new workers in a number of occupations that cannot be outsourced. California will need:

- 73,000 carpenters over the next seventeen years
- 25,000 electricians
- 12,000 construction managers. Note: for every one billion dollars in infrastructure bonds, 18,000 new jobs are created; California will have 40 billion dollars in bond-financed construction over the next ten years
- 11,000 machinists; 10,000 electronic and engineering technicians; 69,000 manufacturing sales personnel
- 100,000 Registered Nurses in the next ten years
- 38,000 auto technicians

### **Do I blame China or my computer?**

The twin forces of technology and globalization are variously praised or reviled for the changes in the economy and for societal upheavals.

“The influence of globalization on inequality has been moderate and almost surely less important than the effect of skill-based technological change.”

Ben Bernanke, Chair, US Federal Reserve  
The Press Democrat, February 7, 2007

These are the glory days of global capitalism. The mix of technology and economic integration transforming the world has created unparalleled prosperity....That promises to improve the lot of humanity as a whole incalculably. But in the rich world, labour’s share of Gross Domestic Product (GDP) has fallen to historic lows, while profits are soaring.

Economist.com, January 18, 2007

The GDP gap is widening even though wage gains began to pick up late last year. It wasn’t until September that average hourly wages surpassed the year-end 2001, adjusted for inflation, according to U. S. Labor Department Data....U.S. workers are only beginning to recover lost ground. After inflation, median family income of \$56,643 hasn’t grown since 2001....The U.S. economy is expanding steadily, with GDP forecast to rise 2.5 percent this year, according to a January survey of economists. Yet that wealth hasn’t translated into greater prosperity for many Americans.

San Francisco Chronicle, January 21, 2007

As this global model evolves, many educators understand that all disciplines (“academic” and “occupational”) provide foundation skills students need to succeed—in their college studies and then in their jobs.

These skills, which we’ll label “21<sup>st</sup> Century Work Skills,” apply across disciplines, occupations, and international borders. At SRJC, we may think we’re preparing students to work in local service jobs, but in fact, we are providing them opportunities to succeed in multiple jobs, over many years, in a global workplace.

Unhappily, students all over the United States are often not prepared to prosper in today’s economy, to function intelligently as responsible citizens, or to care for themselves and their families in an increasingly complex world.

“This is a story about the big public conversation the nation is not having about education...whether an entire generation of kids will fail to make the grade in the global economy because they can’t think their way through abstract problems, work in teams, distinguish good information from bad, or speak a language other than English.”

Time Magazine, December 18, 2006

Today’s workplace demands multiple skills and interdisciplinary combinations—design and technology, mathematics and art. “We have to emphasize communication skills, the ability to work in teams, and with people from different cultures.”

Lockheed Martin CEO Norman Augustine

The Conference Board, a non-profit organization that compiles economic information and conducts research about economic trends, has created a framework for 21<sup>st</sup> Century Skills. The Board believes every student should be taught skills spanning several disciplines. At the risk of causing your eyes to glaze (but also to add joy to those folks who really like lists), here is the breakdown:

1. *Core Subjects*

English	Reading or Language Arts
Mathematics	Science
Foreign Languages	Civics
Government	Economics
Arts	History & Geography

2. *Thinking and Learning Skills*

Critical Thinking & Problem Solving	Creativity and Innovation
Communication & Information	Collaboration

3. *Information and Communications Technology (ICT) Literacy (use of technology to accomplish Thinking and Learning Skills):*

Critical Thinking & Problem Solving	Creativity and Innovation
Communication & Information	Collaboration

#### 4. Life Skills

Leadership	Ethics
Accountability	Adaptability
Personal Productivity	Personal Responsibility
Personal Interactions with People	Self-Direction
Social Responsibility	

#### 5. 21<sup>st</sup> Century Content

Global Awareness	Financial, Economic, Business & Entrepreneurial Literacy
Civic Literacy	Health & Wellness Awareness

### **We have much more to worry about . . .**

The Educational Testing Service (ETS) recently released its own study of the forces shaping this century. The ETS notes that theirs is not the first study of issues facing American education in particular and society in general: “Over the past two decades, a series of reports have been published that focus on the links between educational performance, literacy skills, and the U.S. economy.”

The ETS researchers are, however, more pessimistic than previous writers, in large part because those earlier reports had not resulted in substantive change. The ETS report, “America’s Perfect Storm,” identifies three forces that the ETS believes are powerful individually--and collectively contain the possibility of unhinging not only America’s economic progress but also its civic and cultural bonds. The forces or issues ETS identifies are:

- Substantial disparities in the distribution of skills
- World economic restructuring
- Changing U.S. demographics

Taken singly, these forces are daunting; combined, they may be overpowering:

#### I. Distribution of Skills:

- U.S. high school graduation rates are about 70%; for disadvantaged minorities, the rate is closer to 50%.
- Large numbers of U.S. adults (individuals sixteen and older) “do not demonstrate sufficient literacy and numeracy skills needed to fully participate in an increasingly competitive work environment.”
- With half of U.S. adults lacking reading and math skills, they face challenges fulfilling their roles as parents, citizens, and workers.

- International surveys of student and adult populations indicate that while our average performance (literacy and numeracy) is no better than mediocre, our degree of inequality (the gap between our best and least proficient) is among the highest in developed nations.

## II. Restructuring of the economy

- In 1950, manufacturing's share of the total employment in the U.S. was 33.1%. By 1989, it was down to 18.2% and, by 2003, it was 10.7%.
- Two-thirds of the growth in jobs was in positions requiring college-level education.
- College labor market clusters (professional, management, technical, and high-level sales) will generate about 46% of U.S. job growth by 2014.
- The expected lifetime earnings of males with a bachelor's degree in 2004 were 96% higher than for males with only a high school diploma.
- New sources of wealth, new patterns in international trade, and a shift in the balance of capital over labor are causing a profound restructuring of the workplace.

## III. Demographic changes

- The U.S. labor force is projected to grow more slowly over the next 20 years than it did between 1980 and 2000. None of this projected growth is predicted to come from native-born workers of prime working age.
- Between 2000 and 2015, net international migration will account for more than half of our nation's population growth.
- Currently, 34% of new immigrants do not have a high school diploma and 80% do not speak English well, if at all.
- Over the next twenty-five years, as better-educated individuals leave the workforce, they will be replaced by those who, on average, have lower levels of education and skill. Over this same period, nearly half of the projected job growth will be concentrated in occupations associated with high education and skills levels. This means that tens of millions more of our students and adults will be less able to qualify for higher-paying jobs. Instead, they will be competing not only with each other and millions of newly arrived immigrants but also with equally (or better) skilled workers in lower-wage economies around the world.

The report summary by the Educational Testing Service is not cheery:

“We are in the midst of a perfect storm in which these three powerful forces are combining to generate waves that already have had a considerable impact on our nation. If we continue on our present heading and fail to take effective action, the storm will have a number of predictable and dire implications for future generations, with consequences that extend well beyond the economic realm to the ethos of our society.”

In analyzing the information contained in this paper, it's useful to note that we have relied heavily on the work of economists--and to remember the opinions of selected observers about economists:

In Canada there is a small radical group that refuses to speak English and no one can understand them. They are called separatists. In this country (USA) we have the same kind of group. They are called economists.

Nation's Business

"An economist is someone who sees something working in practice and asks whether it would work in principle."

Stephen M. Goldfeld, *The Journal of Money, Credit and Banking*, 1984

Chuck Robbins  
SRJC Economic Development Institute  
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