

1-1-1984

Education is Key To Economic Growth

Ralph P. Davidson

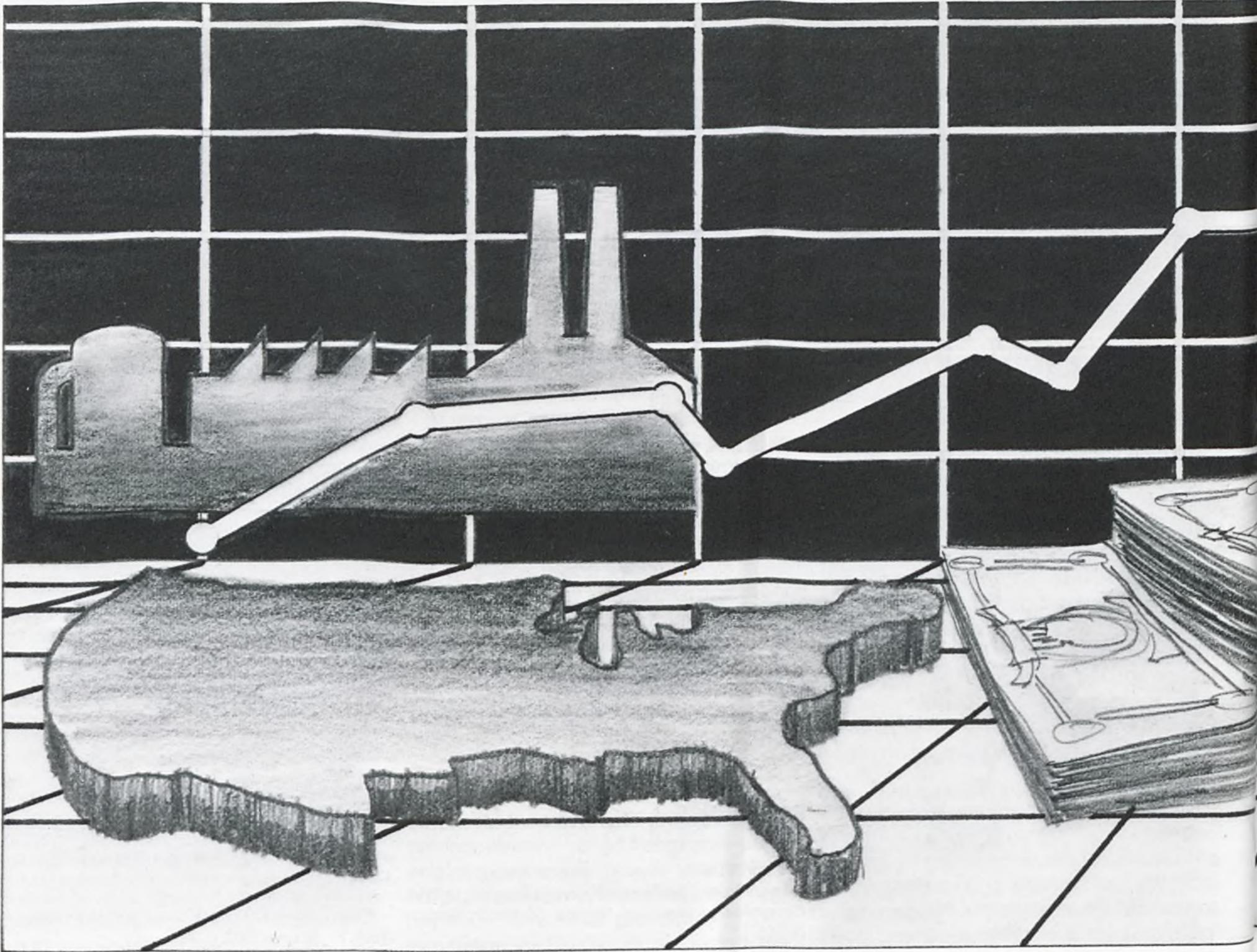
Follow this and additional works at: <https://dh.howard.edu/newdirections>

Recommended Citation

Davidson, Ralph P. (1984) "Education is Key To Economic Growth," *New Directions*: Vol. 11: Iss. 2, Article 7.

Available at: <https://dh.howard.edu/newdirections/vol11/iss2/7>

This Article is brought to you for free and open access by Digital Howard @ Howard University. It has been accepted for inclusion in New Directions by an authorized editor of Digital Howard @ Howard University. For more information, please contact digitalservices@howard.edu.



Education is Key to Economic Growth . . .



ILLUSTRATION: BRUCE FAGIN

By Ralph P. Davidson

The following was excerpted from the *Mordecai Wyatt Johnson Memorial Lecture* by the chairman of the board of *Time, Inc.*, October 12, 1983. The lecture series, now in its sixth year, is presented annually in honor of the 13th president of Howard University. —Ed.

“A mind is a terrible thing to waste” — goes the familiar advertising message of the United Negro College Fund.

For years, it has been a powerful reminder of countless individual tragedies. It speaks to our conscience about millions of young people whose lack of education and training leaves them in the shadows of life. It has touched all of us at a moral level.

But in recent years, it has taken on an added meaning to me — an economic one.

It refers to the economic costs to our nation of the wasted talent of millions of people eager, but unable to work — idled

by their lack of training and education.

It is a waste of what economists call human capital. As one economist has said, “Educated, healthy, trained and spirited people are the ultimate source of economic growth.”

To ensure this growth and to end this waste, we must invest our money and national will in education — and thereby in our human capital. That is something we have clearly not done in recent years.

As a percentage of gross national product, all spending on education has declined from a high of eight percent in 1975 to less than seven percent in 1981. By 1986, at current trends, it could fall below six percent.

This has been a major factor in the waste of our human capital. The costs of that waste have been high already.

But they could be staggering in a few years — measured by lower productivity, lower total output — as millions of people who could be producing — if they had the skills — are instead idle.

In a few years, we could find our coun-

try caught between a declining supply and a growing demand for skilled labor — as businesses turn to new technologies to compete in world markets — and at the same time confront a declining rate of labor supply growth.

I am not someone who believes that new technologies will result in millions of permanently unemployed workers. We’ve heard that fear for generations.

It’s true that many workers will be displaced, and many already have been, but most of them are finding other work. And our history has been one of unforeseen and strong demand for more and more workers.

Yet the surge of young workers into the labor force from the baby boom is over. Birth rates are far lower now, sharply reducing that number.

In the 1980s, three million fewer youngsters will reach working age than in the 1970s. In the 1990s, there will be seven million fewer who reach working age.

We’ve faced temporary shortages before in certain skills. Business has coped

34 by luring workers away from other companies, offering them higher pay. Computer engineers are a recent example.

But we've never before faced such a potentially large and long-term shortage of skilled labor as we do today.

As the Data General Corporation stated recently, "There looms on the not-too-distant horizon a massive shortage of human resources . . . that will dwarf all other obstacles to our company's growth and could topple the U.S. high technology and computer industry."

Throughout this presentation I've referred to skilled workers. That distinction is important, because I believe that the total number of workers we have are probably enough to sustain growth.

In fact, we face a shortage of skills, not people. And it's because we have failed to make the extra effort necessary to educate all of them, not just most of them.

The signs of that failure are all around us.

One out of 10 youngsters who tries to enlist in the armed services fails the aptitude test. In one state, one-third of all applicants flunked.

One out of five 17-year-olds is functionally illiterate—unable to read a package label, fill out a form, or follow a service manual.

Twenty-five million adults can't read or write at all.

And while we think that new technologies of work will require future workers to do less—they will require them to know more. They will require more reasoning and judgment, where the jobs they replaced called for muscle and dexterity.

The skills shortage is already a growing problem for business.

Training already accounts for an estimated \$30 billion in business costs—too much of which goes for basic skills which workers should have acquired in schools or colleges.

For example, AT&T spends \$6 million a year to teach basic writing and arithmetic to its employees. Metropolitan Life devotes some 40 percent of its training



money to teaching basic English and math.

When I mentioned the one youngster out of five who is functionally illiterate—that amounts to 20 percent of our workforce unsuited for meaningful work in our future economy.

It amounts to a dangerous squandering of our human capital.

In short, if we were keeping a ledger, we'd clearly see that we are spending more human capital than we are replacing. And a huge bill is coming due.

As a college president once said, "If you think education is expensive—try ignorance."

Support for Education

I submit that we need, as a nation, to stop thinking of education as an expense. We need to reverse our declining support for education—to regard it instead as the most crucial investment we can make in our economic future—far more important even than new factories and machinery.

Not only that, we need to regard equal opportunity in education for minorities as not simply a moral good—which it clearly is—but also as an investment in human capital that will yield a crucial margin of economic safety.

Moreover, we can find support in the growing number of economists who are measuring the benefits of education—and are confirming what many of us have believed intuitively.

Machines, after all, are human artifacts, and it is human talent which invents, improves and makes those machines productive.

Nobel laureate Theodore Schultz makes a powerful case for education in his book, "Investing in People." Schultz asserts that 80 percent of the wealth in our nation is attributable to human capital, while only 20 percent is due to physical capital.

Even some of the most hard-nosed capitalists around are beginning to see the light.

A New York Stock Exchange report recently stated, that "school is a long-term

investment in human capital and that productivity suffers when that investment is neglected. The disturbing fact is that, even if we were to reverse that neglect tomorrow, we may spend years before we overcome its legacy."

I'm not as pessimistic as that. As a nation, we have a remarkable ability to tackle problems like this and solve them.

I'm heartened by the new energy that business is showing in helping to improve schools and colleges. Where I work and live, the New York City Partnership is mobilizing companies to donate money, time and management help to improve schools.

In Washington, D.C., private businesses have helped to establish a communications curriculum in one of the high schools, an engineering program at another, and an information technology program at another.

I'm also heartened by the redoubled efforts by many state governments — from California to Mississippi — to raise the quality and funding of public education. In fact, the California Roundtable of some 80 business chief executives lobbied for increased spending on schools there, funded partly by higher business taxes.

I wish I could say that these two efforts alone can solve our educational problems — but that's not the case.

We need renewed leadership by the federal government to begin expanding our human capital again.

I happen to support many of President Reagan's sweeping changes to control the growth of government. We have long needed to bring government spending under better control.

But let's not take it from the wrong places.

For the sake of relatively small federal budget savings, the Reagan administration has cut programs from Headstart to graduate student aid — the very programs we need to expand our human capital.

Federal aid to education has dropped drastically in the last few years. Not only

that, the President's 1984 budget calls for a 25 percent cut in the actual buying power of aid to education in the next few years.

Moreover, we must renew the special efforts by the federal government to improve the education of minorities.

When I look at the horrendous unemployment figures for minorities and especially Black youngsters in this country, I see an unacknowledged, untapped, and absolutely essential national resource.

For every Black youngster who lacks the most basic skills, I see someone who — with the effort of our educational system — could be a productive worker, building a future for him or herself.

The young men and women being left behind in our educational system today are an important resource for the future. Successfully taking up the challenge can make the difference between an adequate supply of skilled workers and an inadequate one.

The predominantly Black colleges have an important role in all this. Only one out of six Black college students attends a college like Howard. Yet they produce half of all Black graduates — and an even greater share of Black professionals.

As Dr. James E. Cheek has said, "Poor in resources, but rich in resolve, this country's historically Black colleges have been and continue to be the weapons of our people's liberation and the instruments of our nation's salvation and redemption."

In the 1950s and '60s, our nation's Black college graduates were on the front lines of our struggle for civil rights. In the 1970s and beyond, they will be on the front lines of our struggle for economic progress.

We cannot — through our neglect of education — permit that one-fifth of our children to languish in idleness and dependency in decades to come. We cannot — out of simple human decency. And we cannot — out of economic necessity. □