The Future of Making Things, Building Things, Inventing Things, and Innovating Things

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Ron Crouch

New Demographic Realities

The United States, as well as the World, is going through a major demographic revolution. World population is expected to grow by 3 billion or 50% between 2000 and 2050 from 6.4 billion to 9.4 billion people. This growth is due primarily to increasing longevity of the World's population and not fertility and high birth rates. We are living longer but not having more children. World population projections indicate around 2050 the World's fertility rate will be below the replacement level and World population will start declining.

"...the United States has moved from an economy based on making things, building things, inventing things, and innovating things to a financial economy."

The vast majority of developed countries now have a fertility rate well below the replacement level of 2.1 children, one for each parent and 0.1 for infant mortality. All European countries as well as China, Korea and Japan are quickly heading to population decline. The new book, "The Next Asia" by Stephen Roach, Chairman of Morgan Stanley Asia has a chapter on China titled, "Unstable, Unbalanced, Uncoordinated, and Unsustainable" concerning the Chinese economy's future. China is an aging country, with a shrinking population of young workers, and no social safety net for its dramatically aging population and moving beyond its 25 year "demographic dividend", one child policy.

Only countries in central Africa and the Middle East continue to have high fertility rates. Of all the developed countries only Australia, Canada, and the United States are growing countries. We are growing because we are a settler nation that has been open to immigration and without immigration we would also be a nation in population decline. Maybe we need to tell the Minutemen they need to stop talking about building walls and instead help build lemonade stands and hand out cookies to immigrants to keep our country from a declining population. We don't necessarily need to have population growth but a declining aging population is not a prescription for a sound economy.

All states east of the Mississippi River, except Georgia at a fertility rate of 2.14, are below replacement level and Kentucky at a fertility rate of 1.99 is one of the least likely states to have children.

Kentucky has no more children today than we had 100 years ago even though our state's population has grown from 2,000,000 to over 4,000,000 in the past 100 years. Projected population growth by the Census Bureau is for almost all growth in Kentucky to be age 65 and over between 2010 and 2020. Similar longevity trends are happening across most states as well as most countries.

The good news for Kentucky is that within the United States 89% of domestic migration is moving to the Southeast with major domestic out-migration from the Northeast and the Midwest and the significant growth in the West being from foreign immigration. The South has the potential to be the new economic engine of the United States if we play our cards right. And the upper south, Kentucky, North Carolina, Tennessee, and Virginia have the most potential to progress. You know trees are smart and if people were as smart as trees we would be a lot better off. Trees know you grow where there is water, and you don't grow if there is not water there. What does it mean for the housing economy of Southern California, Arizona, Nevada, and Florida when water becomes the new oil? Do Kentucky, North Carolina, Tennessee, and Virginia have water? What about countries such China and India with major water shortages looming?

The New False Economy

Over the past few decades the United States has moved from an economy based on making things, building things, inventing things,

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and innovating things to a financial economy. Throughout history, countries that financialize their economies became economies in decline.

In the March, 2010, issue of the Atlantic Magazine the lead article titled "The Recession's Long Shadow" mentions an article in the Harvard Business Review and quotes Phelps and Tilman; "argue that dynamism in the U.S. has actually been in decline for a decade; with the housing bubble fueling easy (but unsustainable) growth for much of that time, that we didn't notice. Phelps and Tilman finger several culprits: a patent system that's become stifling, an increasingly myopic focus among public companies on quarterly results, rather than long- term value creation, and, not least, a financial industry that for a generation has focused its talent and resources not on funding business innovation but on proprietary trading, regulatory arbitrage, and arcane financial engineering."

In their new book, "This Time is Different: Eight Centuries of Financial Folly" Reinhart and Rogoff state, talking about residential housing, "Between 1996 and 2006 (the year when prices peaked), the real price increase was about 92 percent-more than three times the 27 percent cumulative increase from 1890 to 1996!

Paul Volcker, former chairman of the Federal Reserve, stated on CNN's GPS program on February 14, 2010 when asked if he made the statement that the only financial innovation that you believe has added any real value in recent years is the ATM machine, "Yes, and I guess I have to add the ATM machine was a mechanical innovation."

Gearing Up for the New Old Economy

The United States and Kentucky need to refocus our efforts again on making things, building things, inventing things and innovating things. We are a country that made our future and we can do it again. We need to see government and the private sector working together again for the "common good or commonwealth". When we bought into the idea thirty years ago that government was not part of the solution, but the problem we launched an assault on the public/private partnership that made this country great.

> ***"We need to re-regulate our banks so they are again making commercial loans to small and medium size businesses that built jobs and our economy, not gambling with other peoples' money in the proprietary trading and arcane financial engineering that set our economy on fire."***

We need to say if you are too big to fail, you are too big to exist! We need public investments in our infrastructure of roads and bridges, water and sewer systems, and other public infrastructure that serve our system of capitalism and lays the groundwork for our businesses and our economy to operate successfully.

We need to make investments in a high quality educational system that prepares the workforce for the jobs of tomorrow, not just educating our young but also reeducating, retraining, and retooling our entire workforce. We need a commitment to an educational system of lifelong learning which stresses hands on learning not just testing, vocational and technical education and practical life skills, along with college and professional degrees. Jobs of tomorrow will require a smarter better educated and trained workforce to compete in a changing global economy.

The opportunity is ours. We need to ask and answer the question of again having an economy that makes things, builds things, invents things, and innovates things. Are we going to tell our leaders to be more interested in attacking our problems and reinventing our future or continuing to attack each other and engaging in the politics of mutual self destruction?

Ron currently serves as Director of Research and Statistics, Kentucky Education and Workforce Development Cabinet overseeing the development of databases on demographic, social, educational, workforce, and economic issues and trends relating to the state of Kentucky, October, 2009 to present. Research and Statistics is developing tables, spreadsheets, and ARCGIS maps looking at national, regional, and Kentucky realities.

Ron served as Director of the Kentucky State Data Center, KSDC, located at the University of Louisville from August, 1988 until his retirement at the end of May, 2009, nearly 21 years. The Kentucky State Data Center is the official clearinghouse for Census data for the state of Kentucky. KSDC provides data on population, housing, education, employment, and other social indicators. Historical data, current data, and projections are provided to help understand trends and issues facing individual states and the country as a whole.

He is a graduate of the University of Louisville with a major in Sociology, and minors in Political Science and Economics. He holds Masters degrees in Sociology, MA, and in Social Work, MSSW, from the University of Louisville, and a Master in Business Administration, MBA, from Bellarmine University. He did doctoral work in Sociology at the University of Kentucky.