



The New Economy: How the United States is Adapting to the Knowledge-Based Economy of the Twenty-First Century

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Southern Illinois Economic Development Conference
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Outline

- Recent Economic Conditions
- The New National Economy
 - Employment
 - Productivity
 - Income Distribution
 - Globalization
 - Technology
- State and Regional Impacts



Recent Economic Conditions

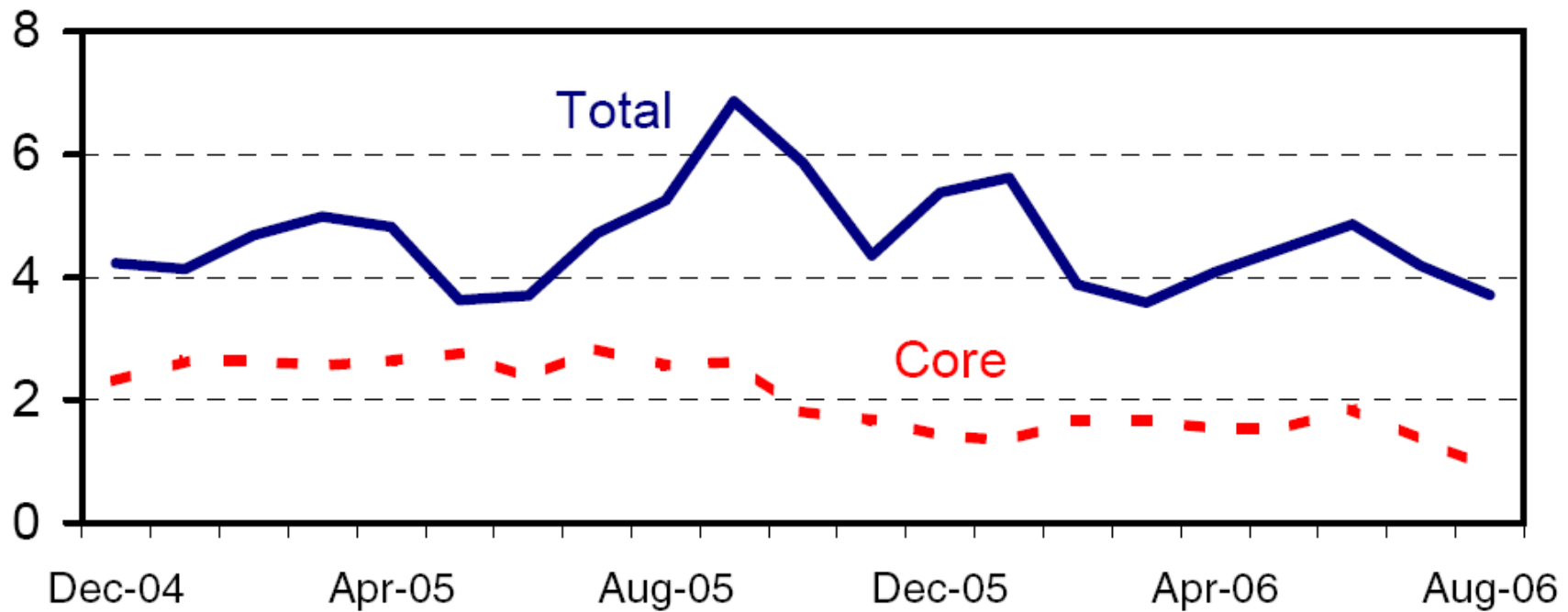


Good News -- Economy strong overall

- Real output grew at a 2.9 percent pace Q2
 - Up 3.6 percent from year ago
- New jobs: 135,000 month average 2006
 - Near potential, given labor force growth
- Inflation:
 - CPI: 4% last 4 quarters
 - Core CPI: 2.8% last 12 months
 - Core PCE: 2.3% last four quarters



Producer Price Index % ch from 12 Months Earlier



Source: Macroeconomic Advisers



Good News -

- Business investment spending strong
 - Nonresidential construction up 23% YOY
 - Producers durable equipment up
 - IT equipment up 16% YOY
 - Industrial equipment up 11% YOY
- Exports
 - Real exports up 8% YOY (Q2)
 - Forecasters: real export growth 7-8% YOY
 - World economic growth: ~ 5% 2006, 2007



Sort-of Good News – Slowing Activity

- Majority of forecasters ~ 2.5% rate of increase real GDP, next 4 quarters
 - Blue Chip consensus: 2.8% Q4/Q4 2007
- Employment growth steady
 - Blue Chip survey: ~ 120,000 per month
 - Unemployment rate expected to creep up
- Inflation moderate
 - CPI ~ 2.5% pace next 4 quarters
 - Core PCE ~ 2% next 4 quarters



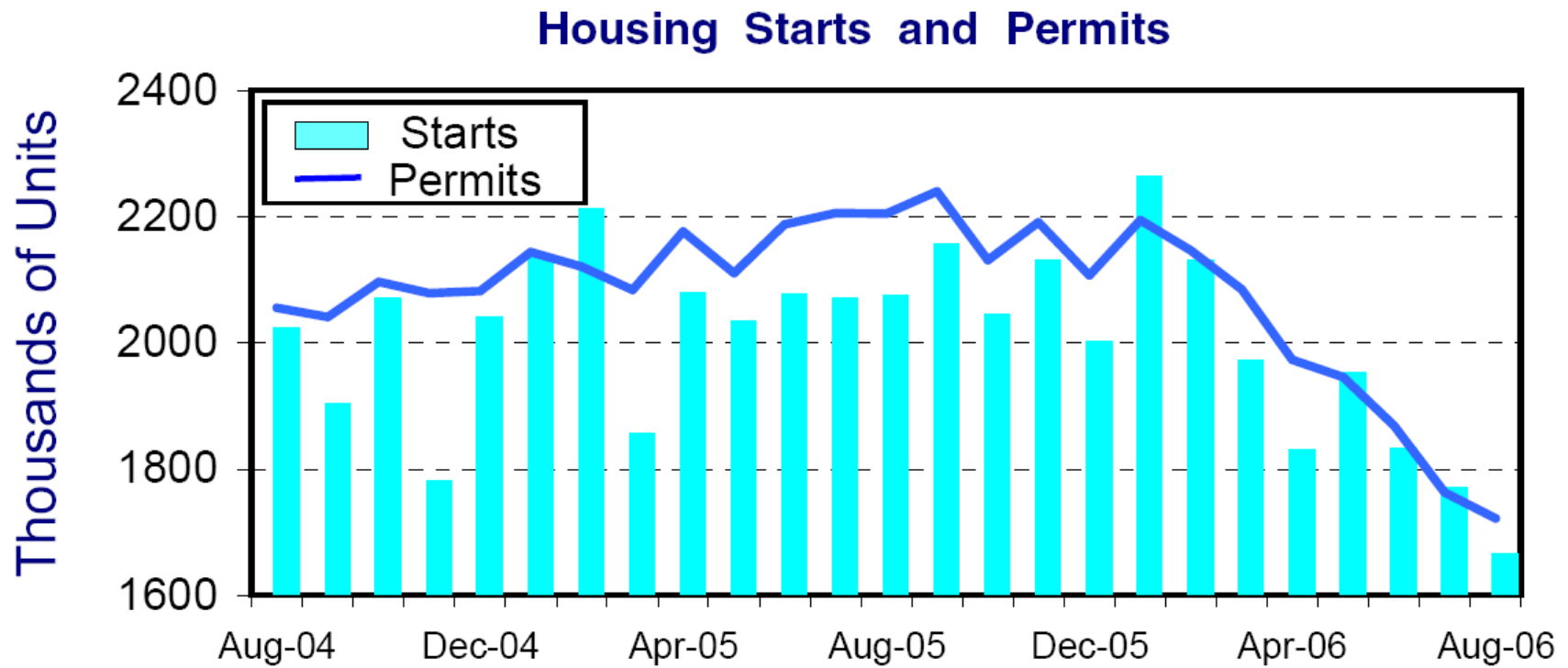
Recent Economic Conditions

Bad News – Housing and Trade Deficit

- Housing weakening
 - Main engine of the economy since 2001
 - July: new and existing sales fell 4.5 to 5%
 - New home inventory/sales ratio highest since 1995
- Trade deficit
 - July: \$68B, record level
 - Exports: \$120B, Imports: \$188B
 - ⇒ Borrowing \$2B/day from rest of the world
 - ⇒ Much from Middle East and China



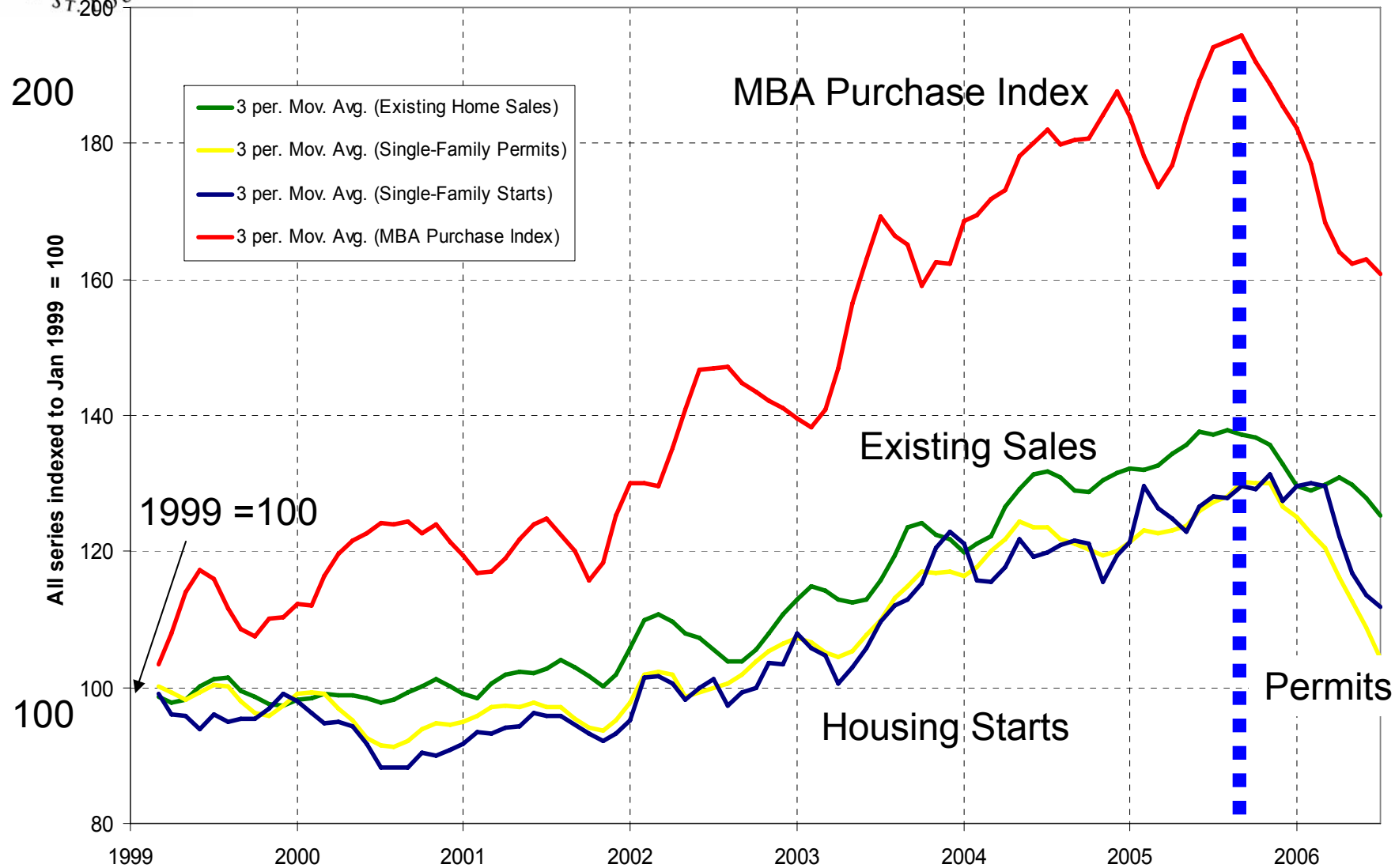
Recent Economic Conditions



Source: Macroeconomic Advisers



Selected Housing Indicators: 1999-2006



Source: Mortgage Bankers Assoc, National Assoc of Realtors, Bureau of the Census



Outlook for the Rest of the World 1

- Asia: Growth has been due to rapid accumulation of physical and human capital + rapid productivity increases
- China and India: Productivity gains have accounted for more of growth than input increases!
 - China: increasingly efficient manufacturing
 - India: increasingly efficient services



Outlook for the Rest of the World 2

- Productivity growth has offset rising commodity prices (emerging markets)
 - Investment has not slowed as commodity prices have increased
 - Inflation has been contained
 - Household incomes and business profits strong



Outlook for the Rest of the World

- Metals prices \uparrow 180% in real terms last four years:
Results? Not as expected!
 - Little output price inflation
 - Steady profit margins
 - Steady/higher wages
 - Robust economic growth
- China: 50% of increased world demand for major metals last 4 years (aluminum, copper, steel)
 - Price increases offset by large productivity gains



Bad News – Storm Clouds for World Trade

- Global productivity and prosperity due to:
 - Revolution in information and communication technology
 - Rationalization of production through global supply chains
- Past leadership is responsible for current prosperity – where are current leaders?
- Collapse of Doha trade talks
- Pandering politicians
 - Use disruption and inequality for their gain
 - Little leadership regarding sharing prosperity



A Knowledge-Based Economy



A Knowledge-Based Economy

- Not a new idea:
 - Karl Marx
 - Joseph Schumpeter (1911)
 - Alfred Marshall (1916)
- In economics, “knowledge” is capital
 - Intellectual property, industrial/technical secrets (theft of British weaving/loom secrets in 18th century)
 - Human capital (education, experience)
 - ALL economic growth is knowledge-driven (ways of doing things)



A Knowledge-Based Economy

- Change in relative importance of sectors
 - Producing “knowledge” versus producing “goods” by using knowledge
 - Increased importance of sectors that produce knowledge
 - Increased use of knowledge within sectors that produce goods



A Knowledge-Based Economy

“The balance between knowledge and resources has shifted so far towards the former that knowledge has become by far the most important factor determining standards of living—more important than land, capital or labor. Today’s most advanced economies are fundamentally knowledge-based.”

- Cooke and Leydesdorff, *Journal of Technology Transfer* (2006), commenting on other studies



A Knowledge-Based Economy

- New requirements/demands on workers
 - Increased wage premium for education
 - More freedom of location
- New requirements/demands on business
 - Increased demand for skilled/educated workers
 - More freedom of location
- New requirements/demands on government
 - Facilitate infrastructure (?)
 - Protection of intellectual property



A Knowledge-Based Economy

Economic Indicators for the New Economy

- Employment (95-05 changes)
 - Wages
 - FDI
 - Venture Capital
 - Patents Granted
 - Innovative Small Business Loans
 - Education Levels
 - Technology
- Rural and urban America in the new economy



A Knowledge-Based Economy

- “Workers must be equipped not simply with technical know-how but also with the ability to create, analyze, and transform information and to interact effectively with others. Moreover, learning will increasingly be a lifelong activity”
- “States with flexible labor markets, skilled work forces, and a reputation for supporting innovation and entrepreneurship will be prime locations for firms at the cutting edge of technology.”

-- Alan Greenspan (2000)



Principles of the Knowledge Economy

- Knowledge has characteristics of a public good:
 - Once knowledge is discovered and made public, there is cost little to allowing its widespread use
 - All ideas build on the work of others
- Enforcing intellectual property rights stimulates knowledge creation
 - But strengthening intellectual property rights also raises the price of “a key ingredient” into future research-knowledge



Principles of the Knowledge Economy

- **Public Policy**
 - Education: higher cognitive skills, training in science and technology, mathematics
 - Research: support basic research, avoid fancy projects
 - Tax policy: treat capital gains on R&D/innovation differently than capital gains on real estate



Globalization



Globalization: Chinese Firm Building British Cars in Oklahoma

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REVIVAL OF MG BRAND ANNOUNCED AS PART OF NANJING MOTORS GLOBAL INITIATIVE

New global business model encompasses Asia, Europe and
North America, private and public sector investors

July 12, 2006 (Oklahoma City, OK) --- Senior officials of Nanjing Automobile (Group) Corporation (NAC) today announced the revival of the historic MG brand of vehicles, as well as plans to build a new MG product in Oklahoma, with the formation of MG Motors North America, Inc., in ceremonies held today in Oklahoma City.

MG vehicles will not only be built in Nanjing, China, (NAC's home), but also at the Longbridge assembly plant near Birmingham, England and at a new American assembly plant to be built at the Ardmore Air Park in Ardmore, Oklahoma. Headquarters for MG sales, marketing and distribution (outside of Asia) will be located in Oklahoma City. Research and development will be in Norman at the University of Oklahoma.



Globalization

In the New Economy:

- Globalization is a fact of life
- Business source supplies internationally
- Businesses market internationally
- U.S. workers compete in foreign markets
- Foreign workers compete in U.S. markets
- “The World Is [Almost] Flat”



Globalization

Characteristics

- Growing trade in goods and services
- Expanding capital flows
- Rapid transfer of knowledge and technology
- Mobile populations

Due to: Inexpensive, rapid communications and information transmission due to IT revolution



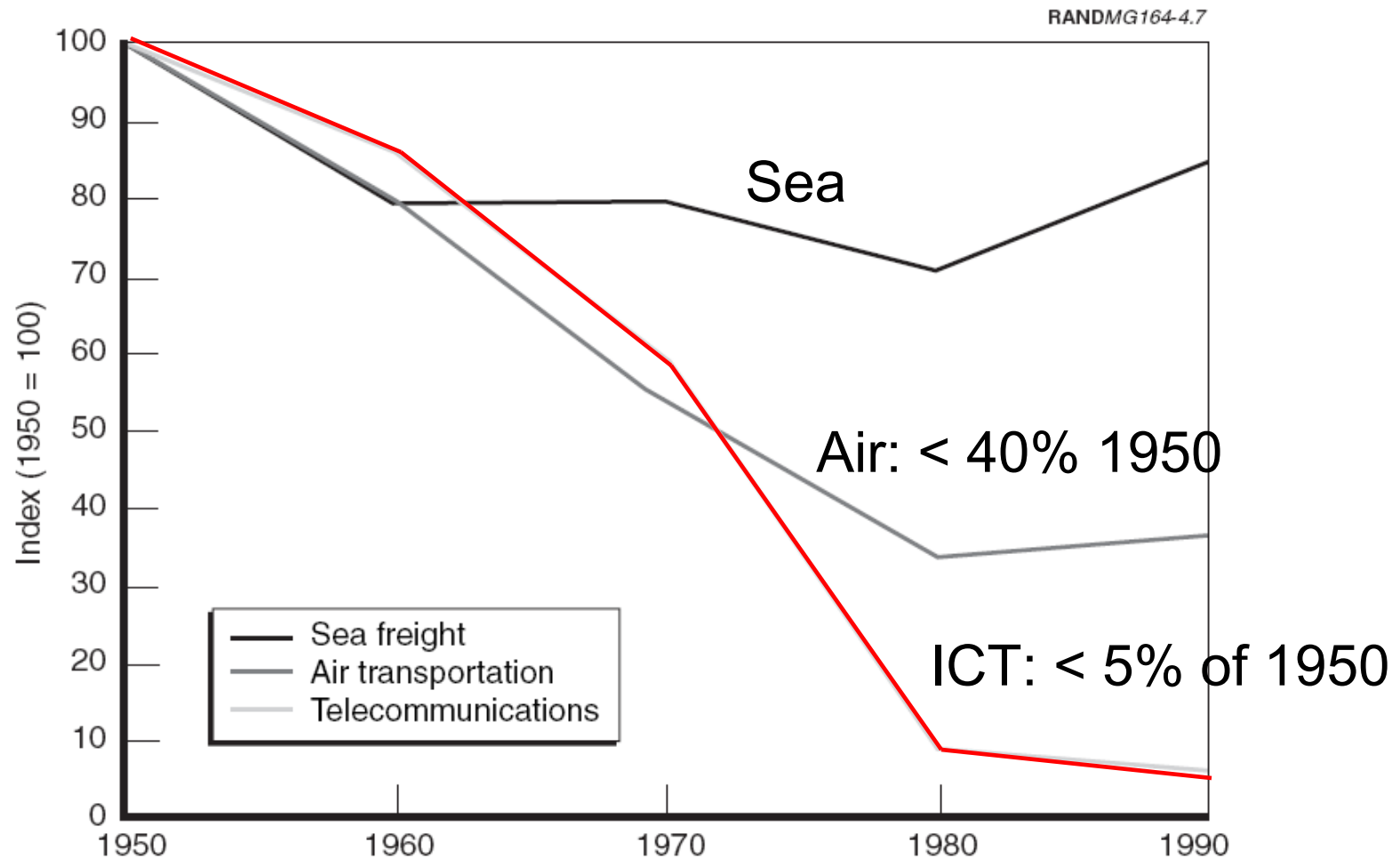
Globalization

Economic benefits

- New markets for our products
- New sources for less expensive products
- New job opportunities for our children in world business
- Significant short-term and longer-term disruptions (job losses/changes)
- Life as we know it could not continue without international trade



Globalization: Falling Transport Costs





What Is Globalization?

The closer integration of countries due to the ICT revolution, lower transportation costs, and elimination of man-made trade barriers.

Larger markets (“rational” supply decisions) increase living standards for both developed and developing nations.



What Is Globalization?

World trade is not new

- 2000 B.C. Sumerians traded widely by land and water (later, Phoenicians)
- Romans traded widely
- 1500: Navigation of open oceans eased by new instruments, rapid growth of countries along the Atlantic
- 1815 to 1913: Golden Age of Globalization
- In mid-1980s, world trade, relative to world GDP, regained 1913 levels.



What Is Globalization?

Five **new aspects** of modern world trade

- “Intra-trade”: trade in similar goods between similar countries
- “Slicing value chain” – highly disaggregate supply decisions
- “Supertrader” countries – exports much greater than GDP
- Large exports of manufactures from low-wage to high-wage countries
- Large inflows of capital to U.S. from developing countries

Source: derived from Krugman, Cooper and Srinivasan (1995)



Has Globalization Benefited All?

Losers in developed countries

- Competition from low-wage workers abroad
- Competition for higher-skilled workers
 - Outsourcing (actual/feared/threatened)
 - Success of education in developing countries
- Response?
 - “We just need to up-skill”
 - “We didn’t care about those low-wage jobs”

Source: derived from Stiglitz (2005)



Has Globalization Benefited All?

Winners in developed countries

- Reduced costs when bidding for contract work
 - Outsource routine tasks to lower-cost suppliers
 - E.g., U.S. firms bidding for worldwide IT work outsourcing programming to India
- Reduced cost of purchased inputs, supplies, components, machinery
 - Lower cost of new cars due to lower-cost components
- General lower cost of manufacturers
- Higher-skilled workers gain the most

Source: derived from Stiglitz (2005)



Has Globalization Benefited All?

Mixed record in developing countries

- East Asia: Rapid growth
 - Globalization of technology, markets
 - Large foreign direct investment
- “Managed” globalization
 - Slow to open markets
 - Capital controls (cannot repatriate earnings)
 - Weak protection of intellectual property (sometimes government-sponsored theft)



Has Globalization Benefited All?

Mixed record in developing countries

- Africa: decline in real incomes
- Middle East: Oil profit but stagnation
 - Heavy investment in U.S. assets
- Latin America: Failure?
 - Unemployment higher
 - Larger “informal” sectors (tax evasion?)
 - Poverty persists, low real growth rates
 - Even true for Mexico, despite access to U.S.

Source: derived from Stiglitz (2005)



Has Globalization Benefited All?

What happened?

- Bad political science and economics?
 - Does growth *require* liberalization of markets, privatization, price stability, transparency in government? (They help...)
- Overly optimistic expectations
- Failures have led to more radical governments and opposition to openness
- Too many special commercial interests?

Source: derived from Stiglitz (2005)



Has Globalization Benefited All?

WTO and Doha trade talks

- Agriculture most visible issue
- U.S. increased agriculture subsidies, refused reductions
- Europe refuses to open its markets
- Reflects “me, my, mine” views
- Lack of domestic political leadership

Source: derived from Stiglitz (2005)



The New Economy



The New Economy

The New Economy is:

- More rapid increases in output per hour of labor
- Decreased employment in manufacturing despite increased manufacturing activity
- Increased employment in services-producing sectors
- Increased international competition



The New Economy

The New Economy is:

- More rapid innovation and invention
 - Research and Development
 - Patents
- Risk we lose our R&D leadership
 - Strong educational systems abroad
 - Many times the number of science and engineering students



Labor Markets

In the New Economy:

- Business cycles continue to occur
- Employment rebounds slowly after recessions
- Income distribution has become more unequal
- Education pays better than ever
- Persons in lower parts of income distribution are poorer than in the past

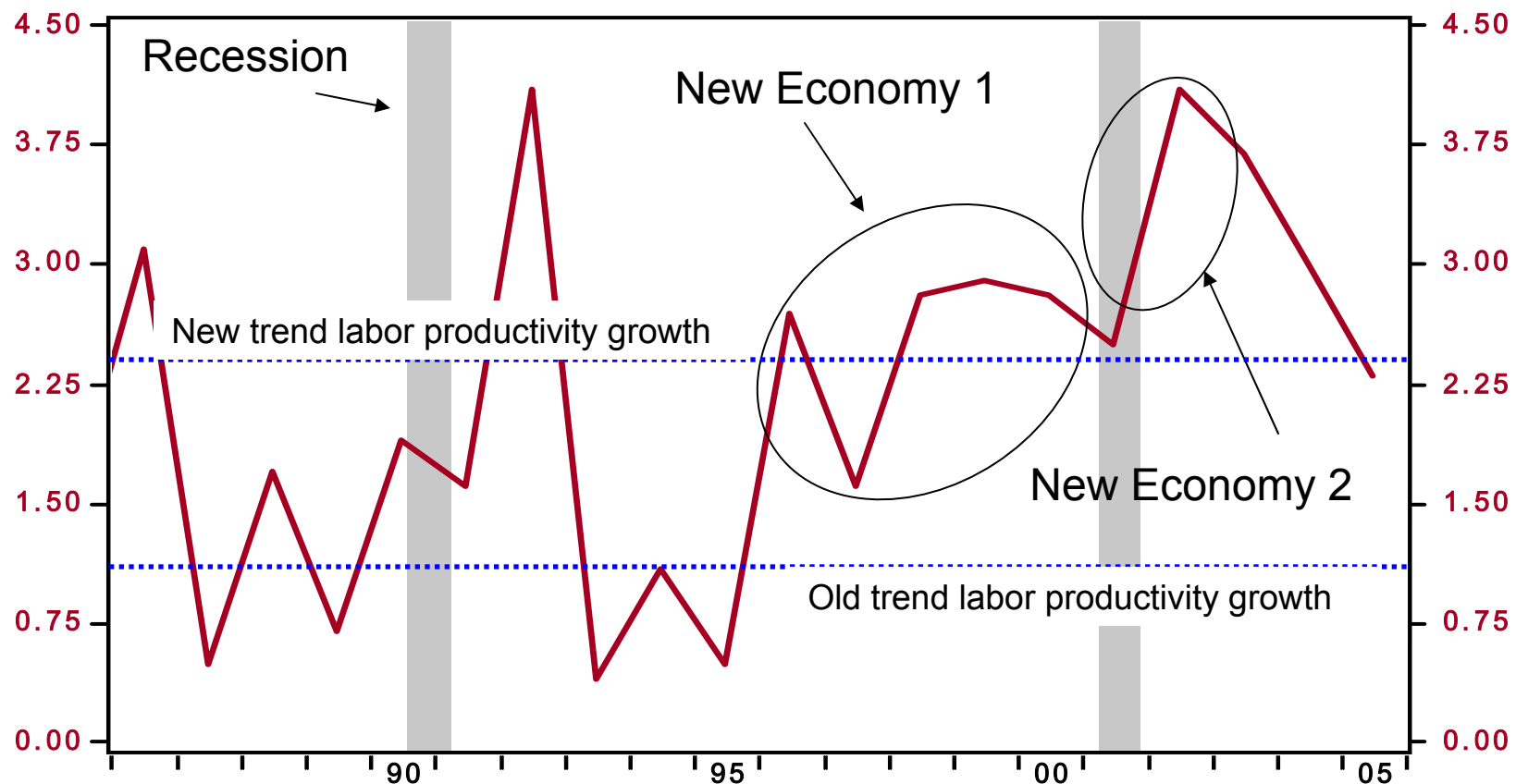


Epoch 1: manufacturing outpaced service sectors

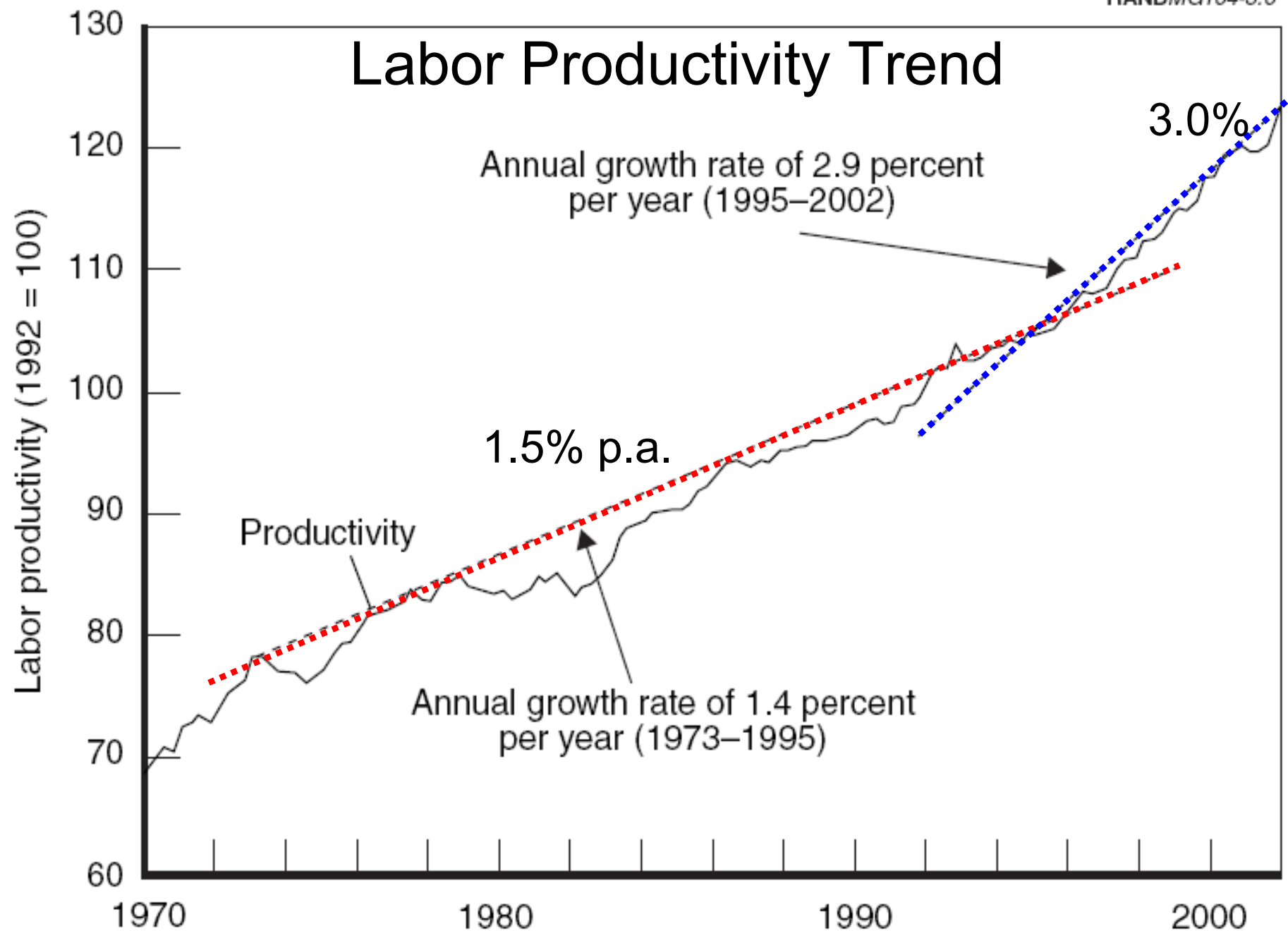
Epoch 2: service sectors outpaced manufacturing

Nonfarm Business Sector: Output per Hour of All Persons

Yr/Yr.%Chg



Source: Bureau of Labor Statistics /Haver Analytics

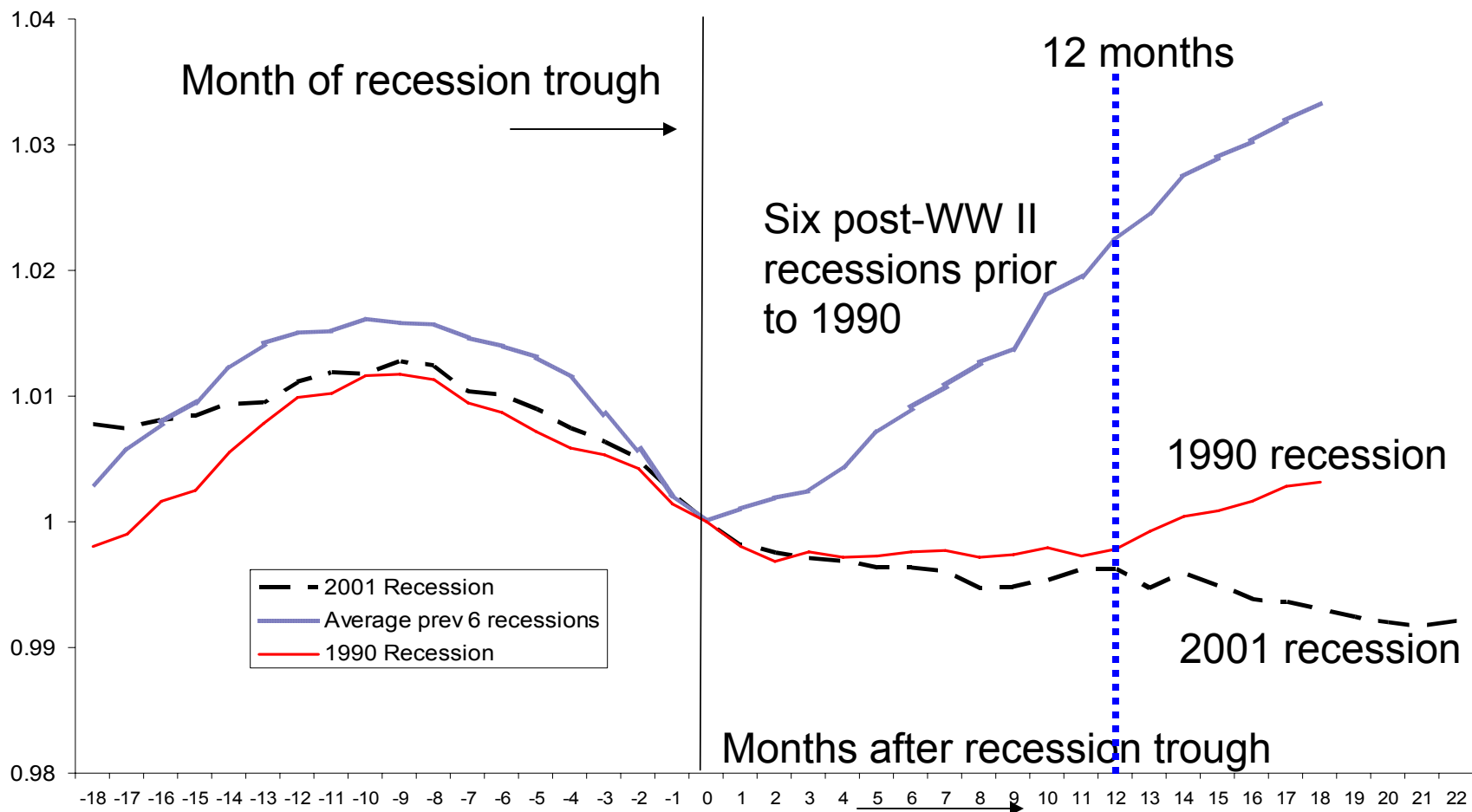


Source: Rand Corporation



Faster Productivity Growth in Services + Sluggish Manufacturing Recovery → Jobless Recovery

Payroll Employment: before and after recession

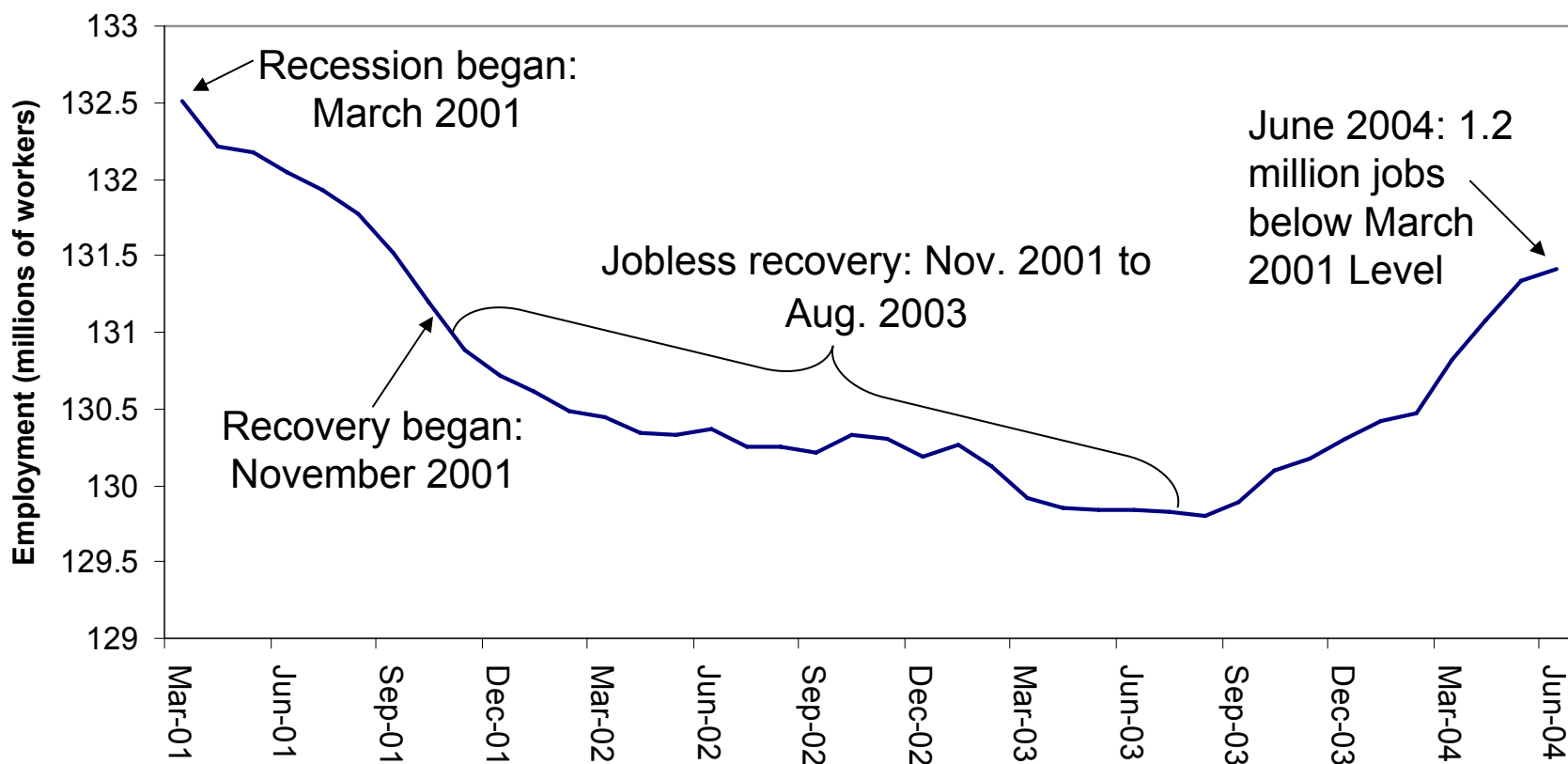


Source: National Bureau of Economic Research



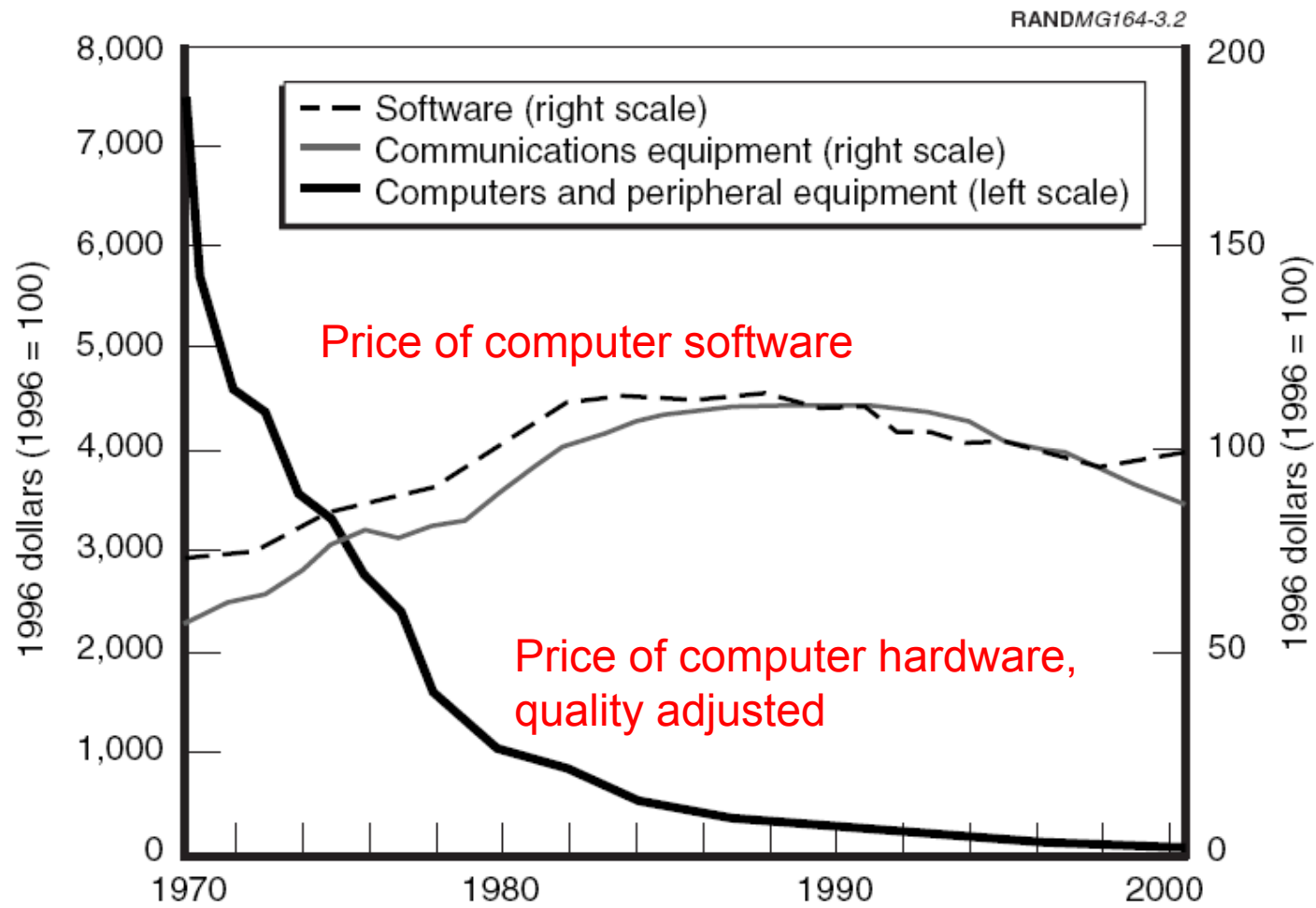
Faster Productivity Growth in Services + Sluggish Manufacturing Recovery → Jobless Recovery

Employment: 2001 recession and recovery





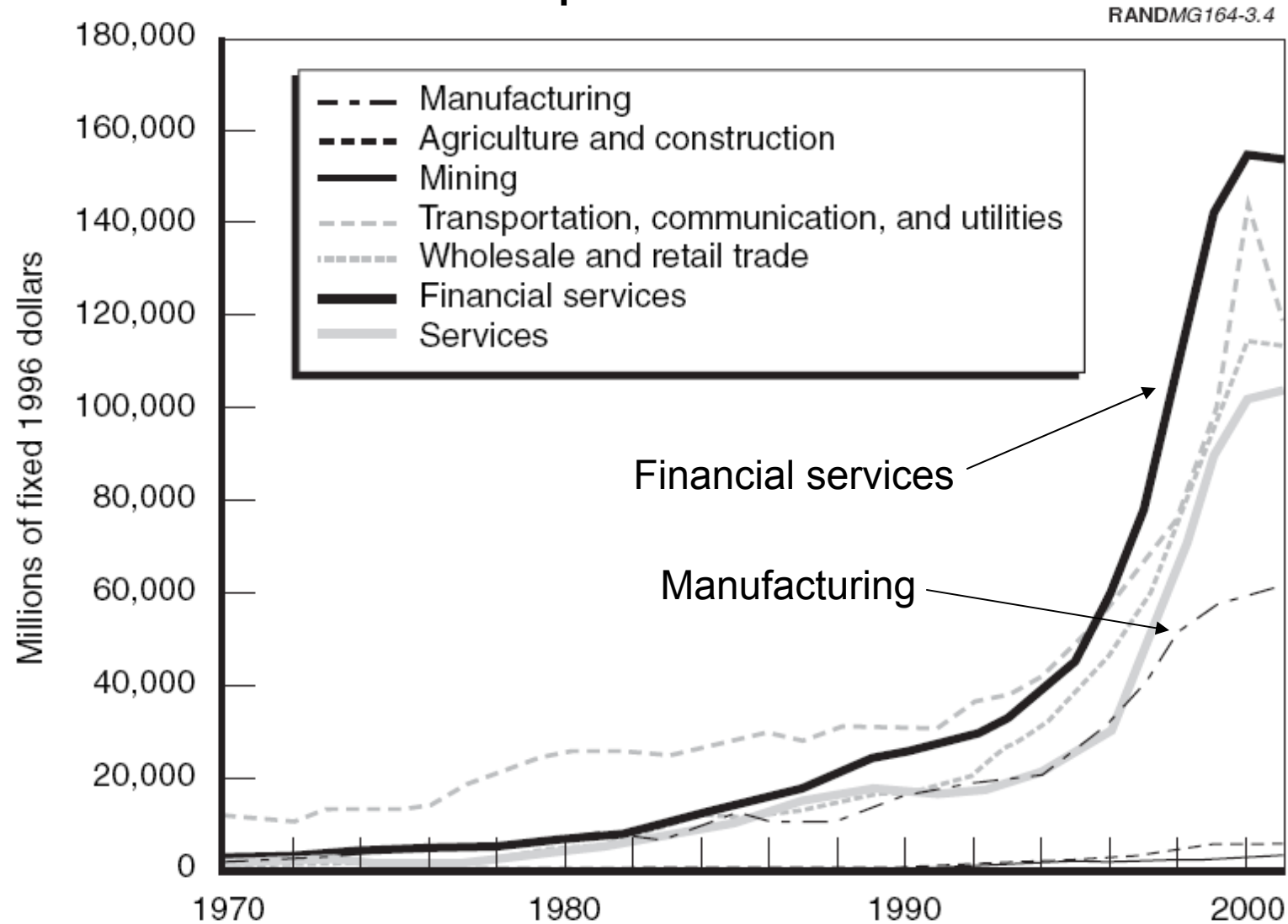
Price of Information Technology and Communications Equipment (index, per unit, 1996 dollars)



Source: Rand Corporation



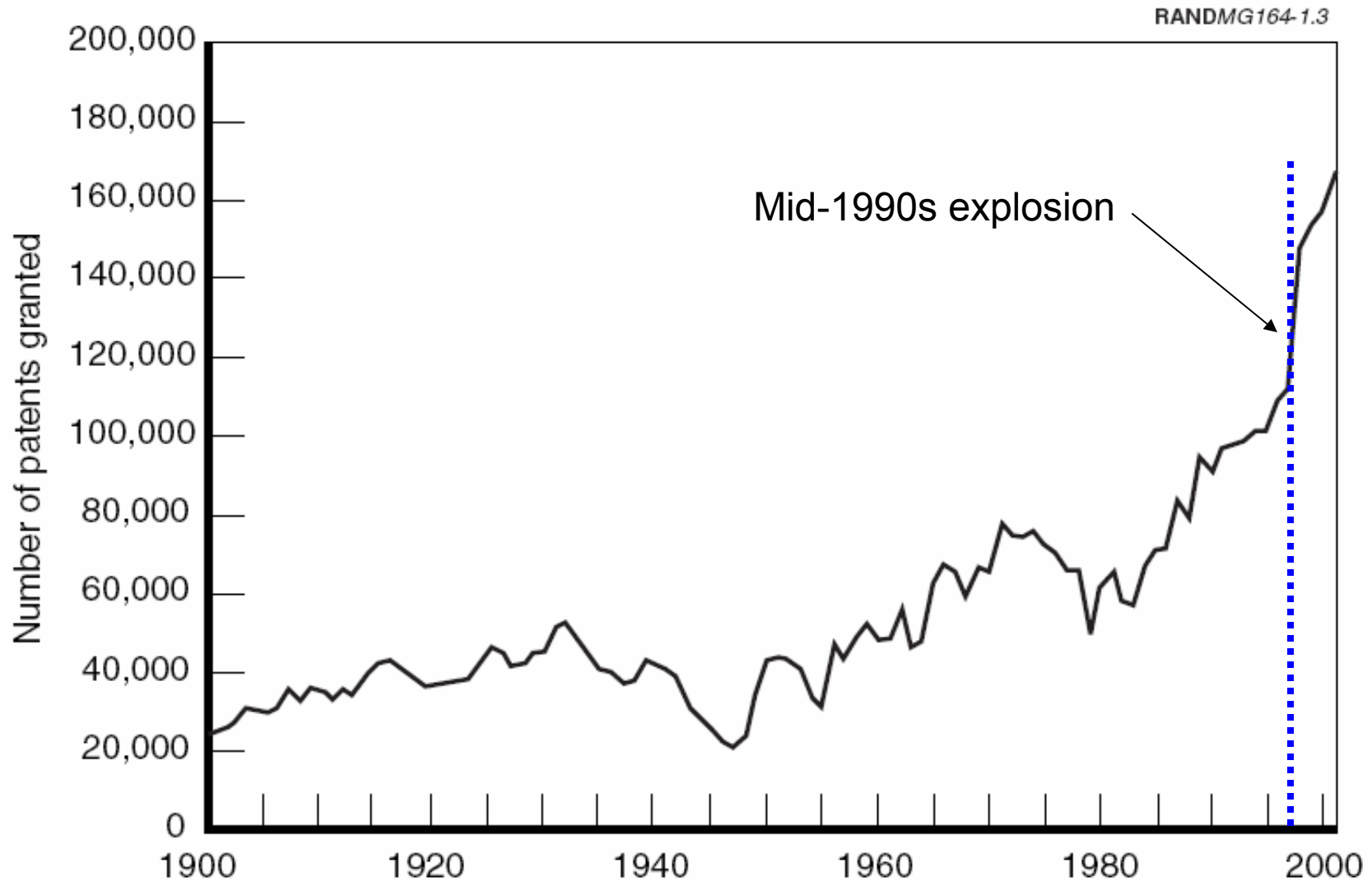
Investment Spending on Information Technology and Communications Exploded as Prices Fell



Source: Rand Corporation



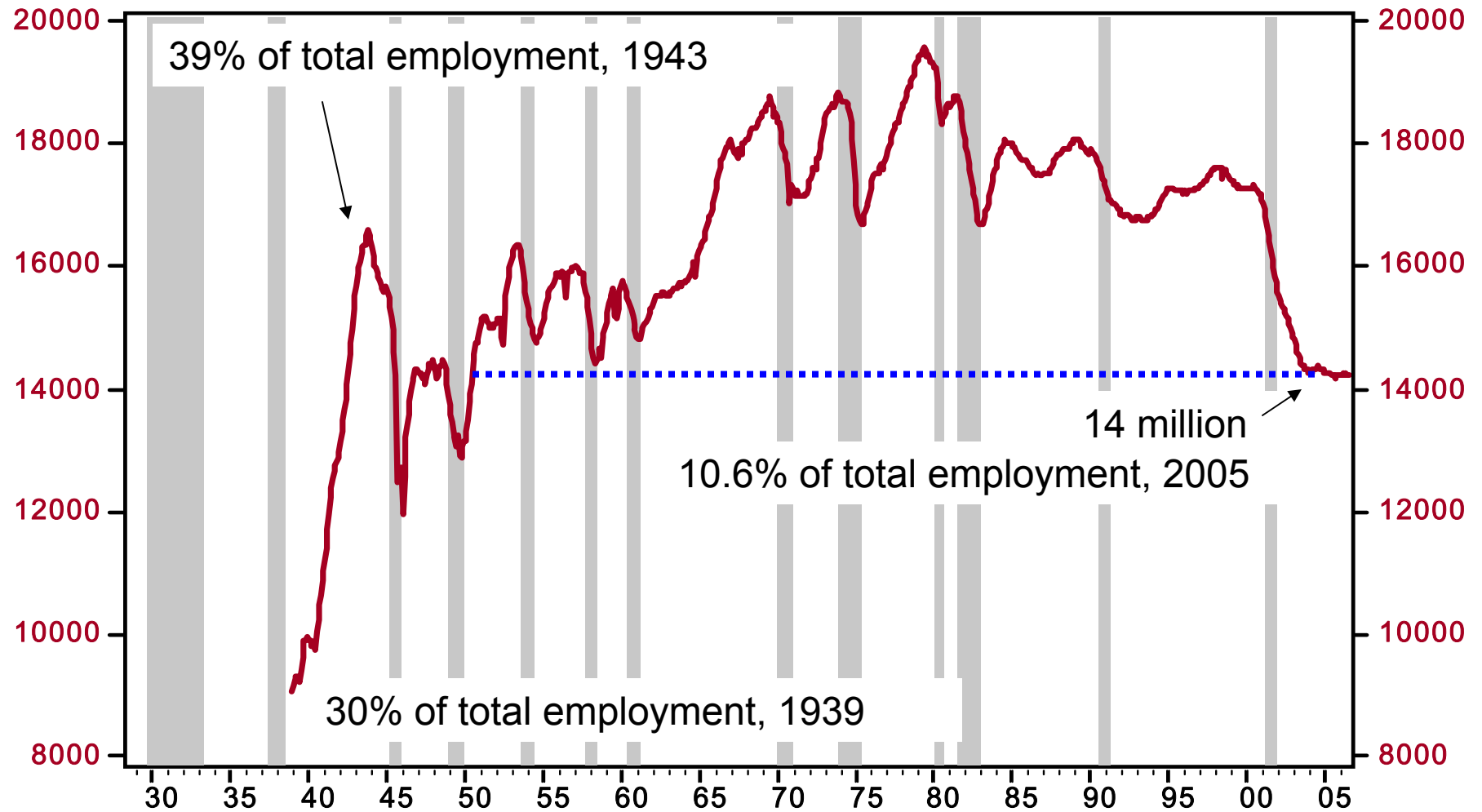
Number of Patents Granted Has Soared



Source: Rand Corporation and U.S. Patent Office

All Employees: Manufacturing

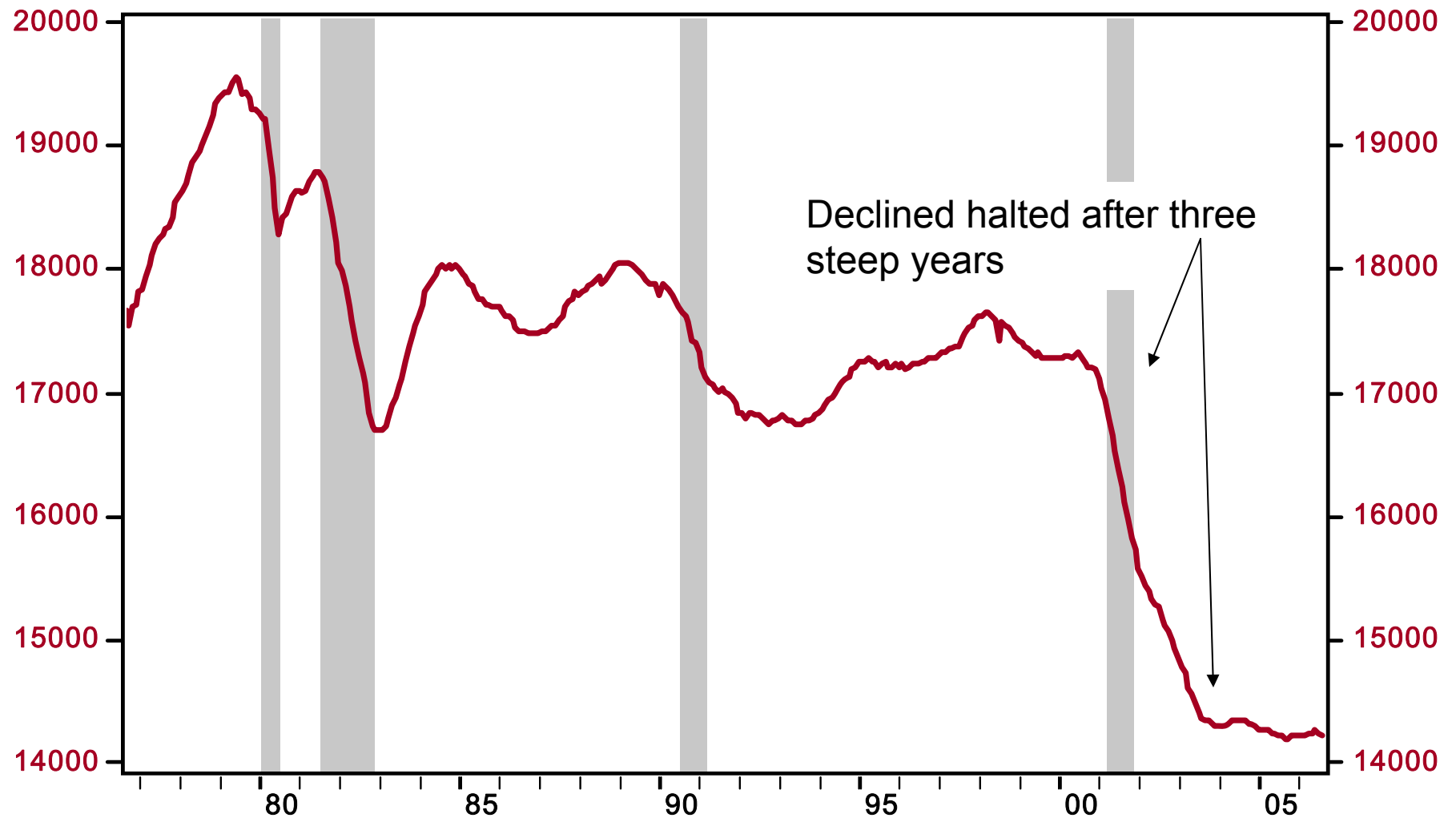
SA, Thous



Source: Bureau of Labor Statistics /Haver Analytics

All Employees: Manufacturing

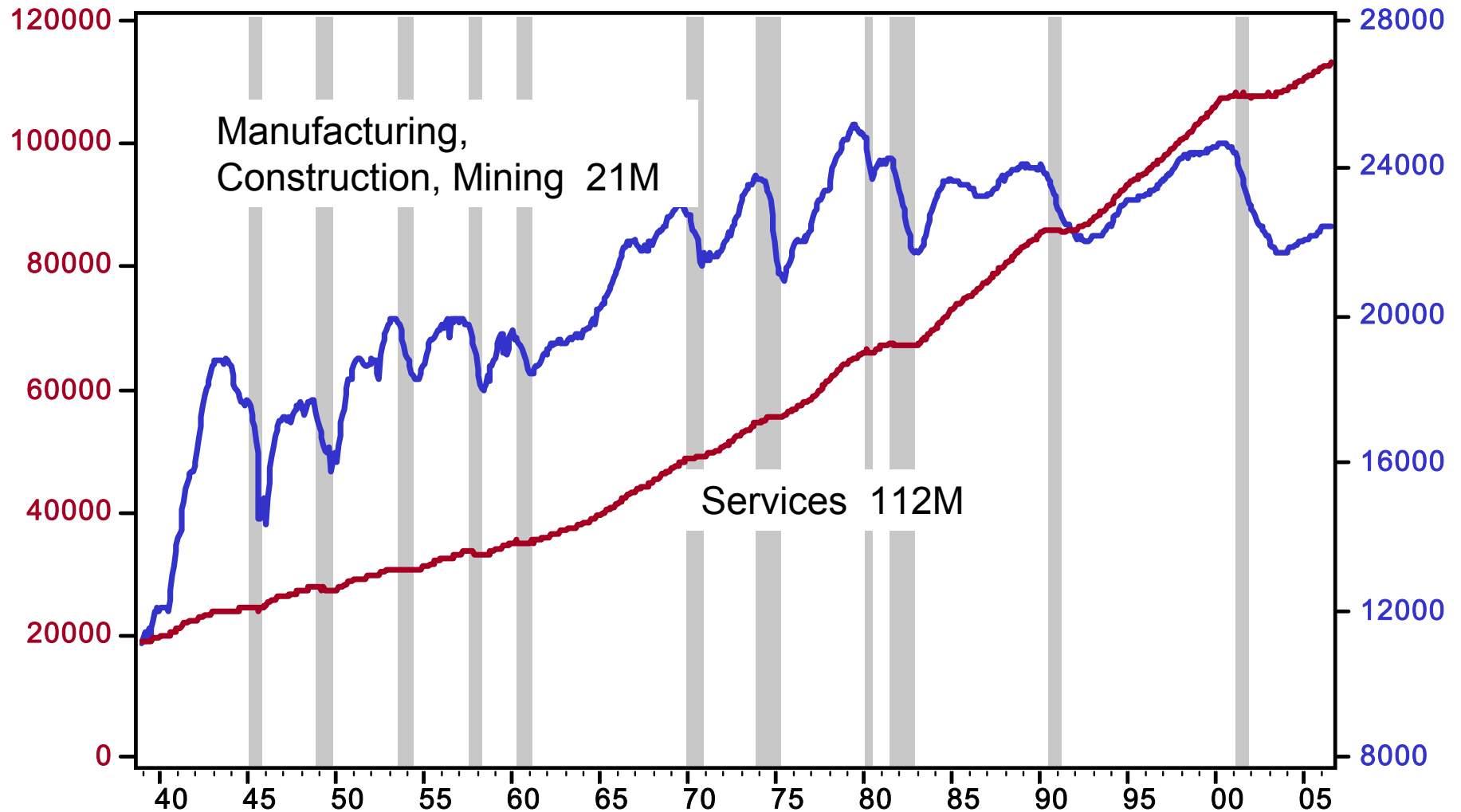
SA, Thous



Source: Bureau of Labor Statistics /Haver Analytics

All Employees: Service-providing Industries
SA, Thous

All Employees: Goods-producing Industries
SA, Thous



Source: Bureau of Labor Statistics /Haver Analytics



The Service Sector Rebounded from Recession. Manufacturing Did Also – But Weakly

All Employees: Private Service-providing Industries

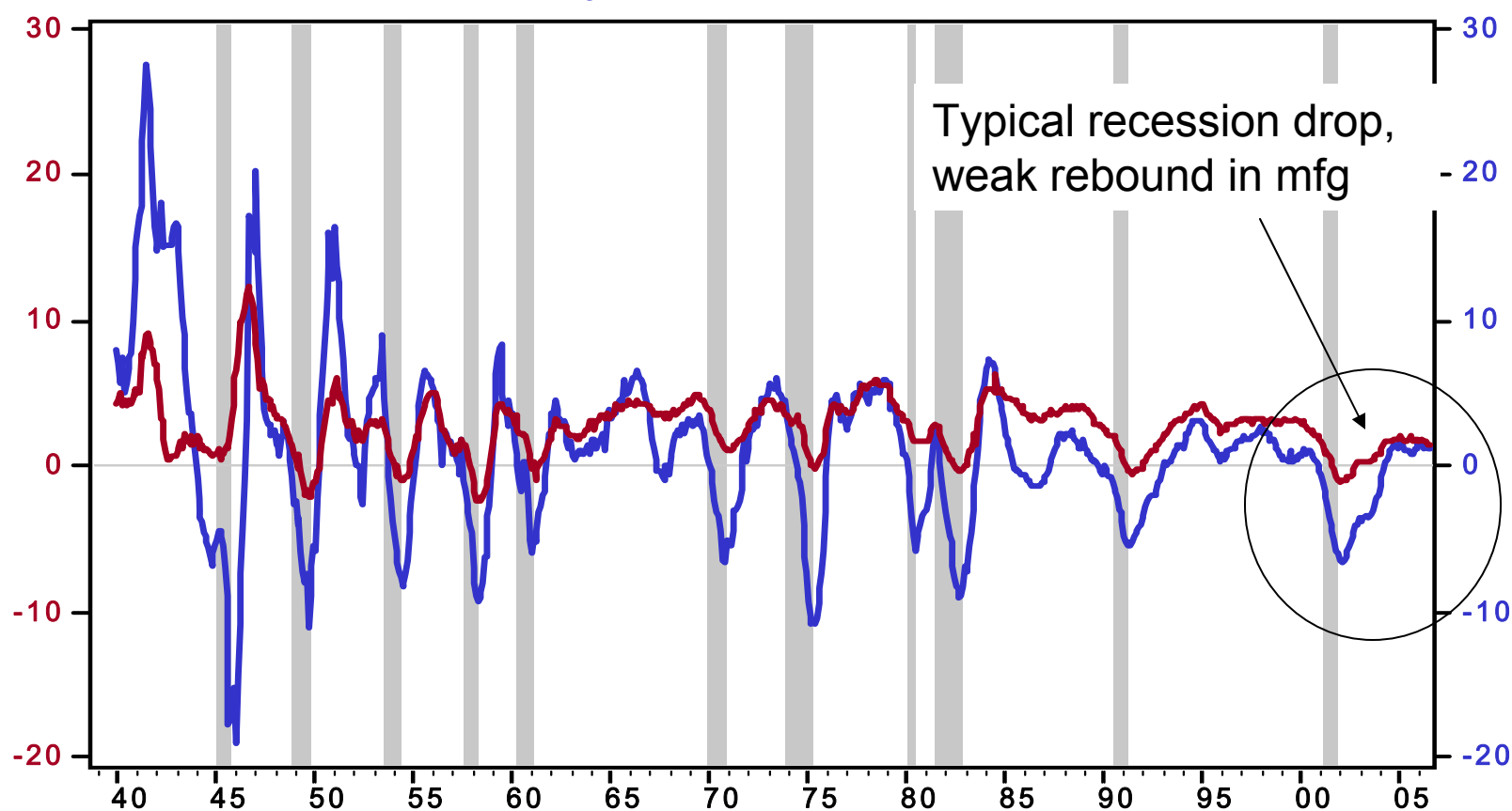
% Change - Year to Year

SA, Thous

All Employees: Goods-producing Industries

% Change - Year to Year

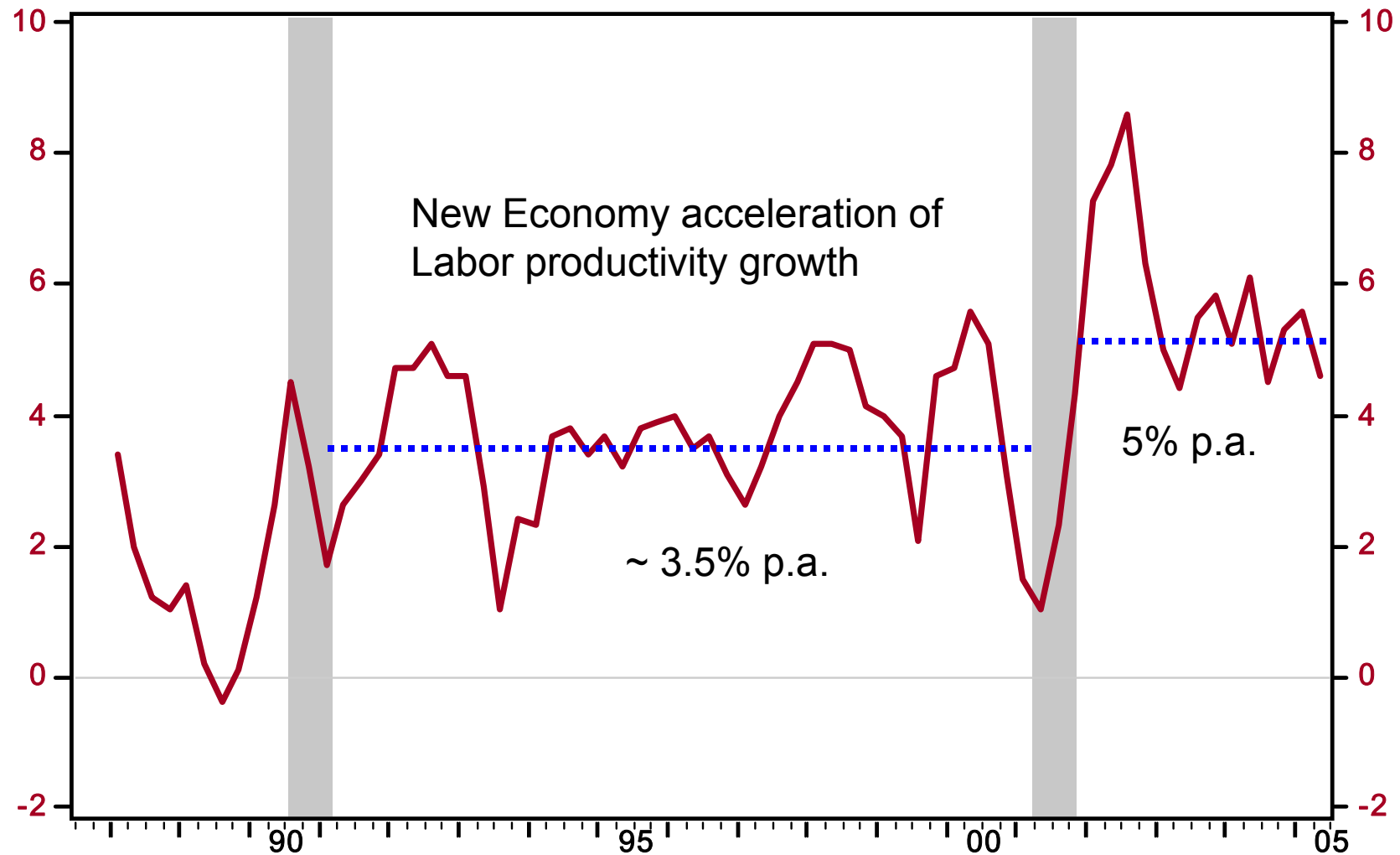
SA, Thous



Source: Bureau of Labor Statistics /Haver Analytics

Manufacturing Sector: Output Per Hour of All Persons

SA, % Chg Yr Ago

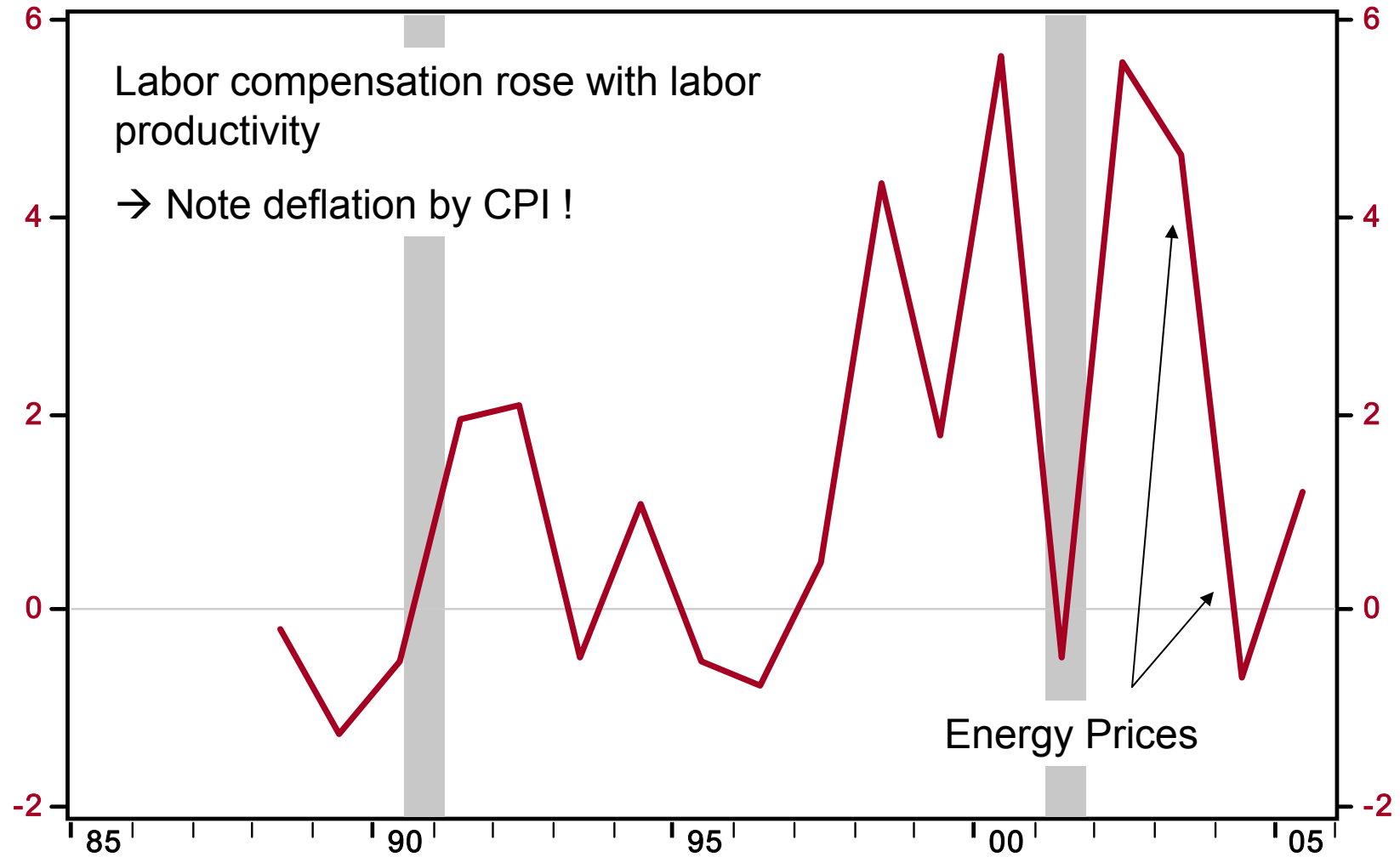


Source: Bureau of Labor Statistics /Haver Analytics

Manufacturing Sector: Real Compensation Per Hour

% Change - Year to Year

1992=100



Labor compensation rose with labor productivity

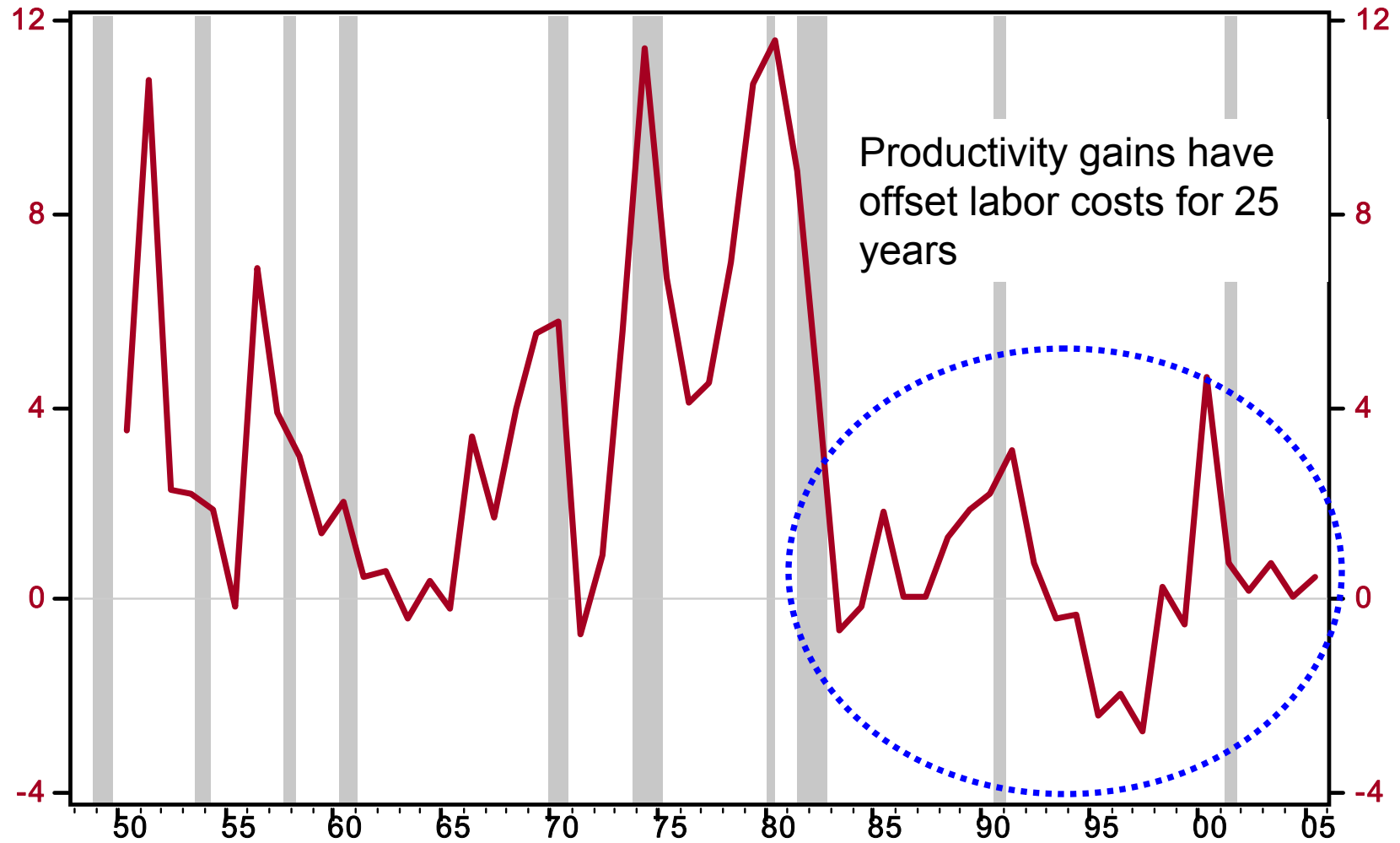
→ Note deflation by CPI !

Energy Prices

Source: Bureau of Labor Statistics /Haver Analytics

Manufacturing: Unit Labor Costs

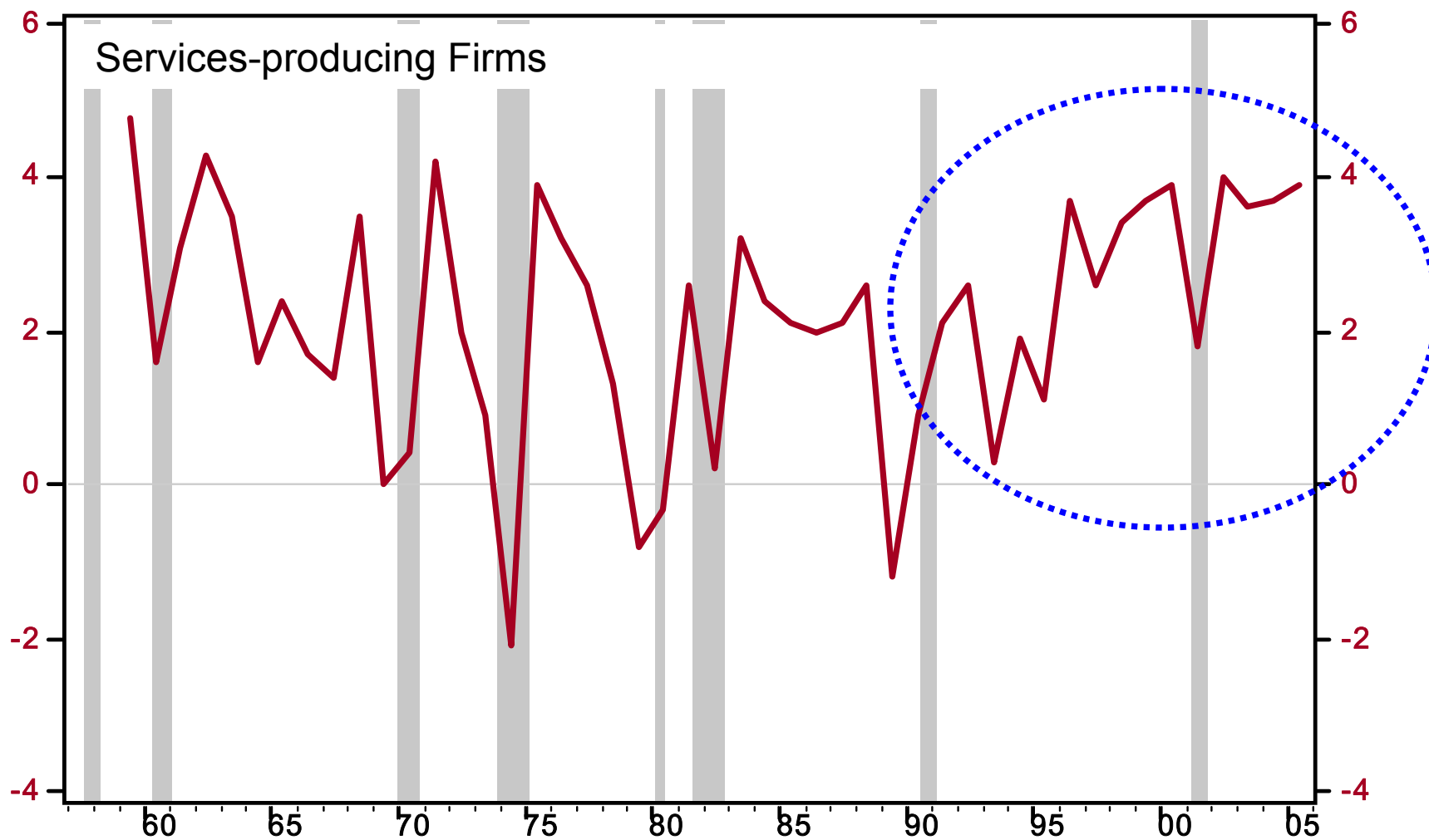
Yr/Yr.%Chg



Source: Bureau of Labor Statistics /Haver Analytics

Nonfinancial Corporations: Output per All Employee Hour

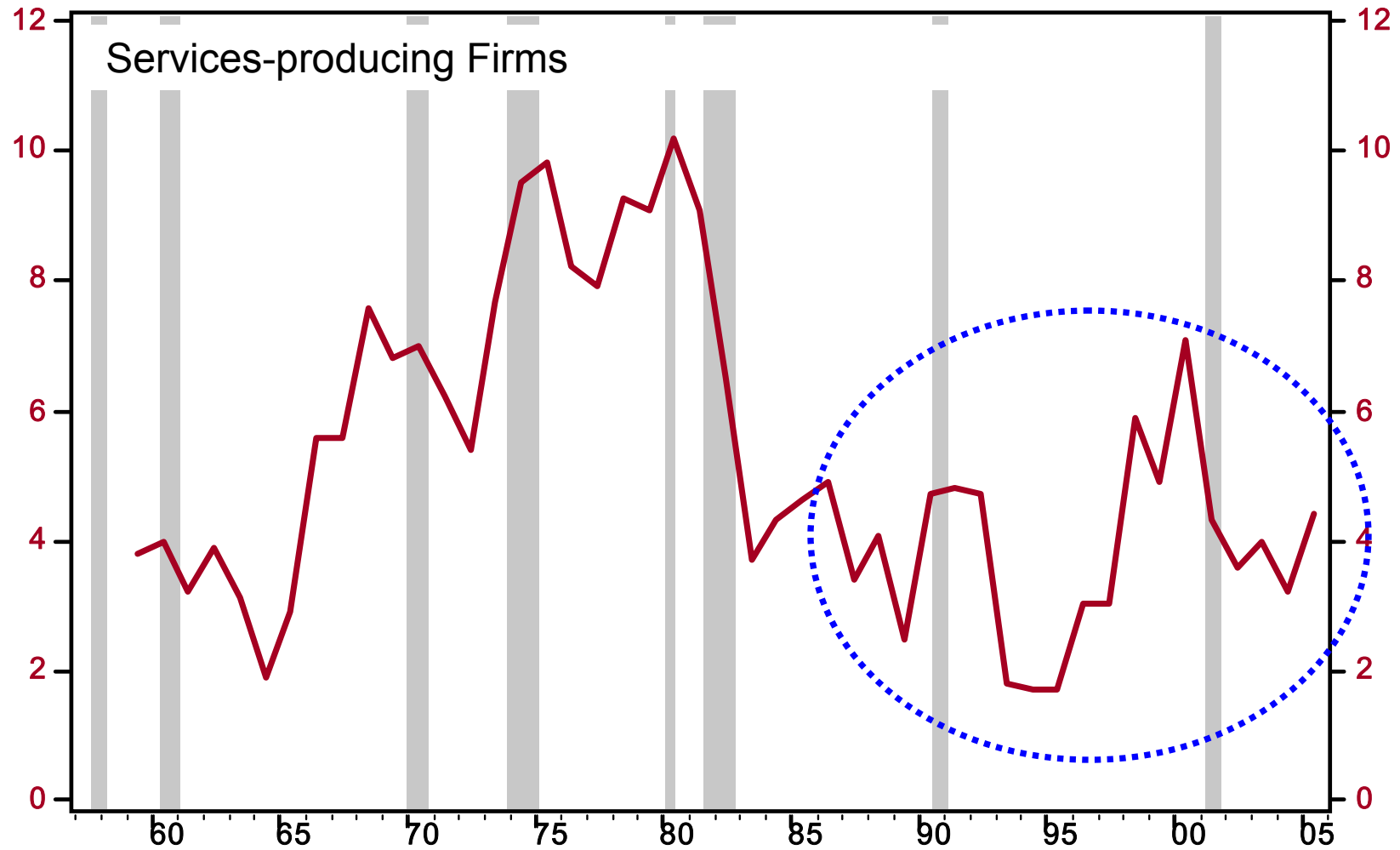
Yr/Yr % Chg



Source: Bureau of Labor Statistics /Haver Analytics

Nonfinancial Corporations: Hourly Compensation

Yr/Yr % Chg



Source: Bureau of Labor Statistics /Haver Analytics



Where Has Employment Increased?

Industry	2005 Employment (Thousands)	Avg Δ Decade (1995-2005)
Construction	7278	3.33%
Professional Business Services	16876	3.06%
Education and Health Services	17342	2.80%
Leisure and Hospitality	12799	2.18%
Other Services	5387	1.80%
Financial Activities	8142	1.57%
Government	21806	1.13%
Information Services	3065	1.13%
Trade, Transportation and Utilities	25906	1.05%
Natural Resources/Mining	625	-0.42%
Manufacturing	11% of jobs \longrightarrow 14234	-1.58%
Total Non-Farm	133459	1.43%

Source: Bureau of Labor Statistics, Establishment Survey (Table B-1)



Industry	2005 Wage (\$/Hour)	Avg Δ Decade (1995-2005)
Financial Activities	17.94	3.87%
Professional Business Services	18.07	3.68%
Education and Health Services	16.72	3.47%
Information Services	22.07	3.38%
Leisure and Hospitality	9.14	3.21%
Other Services	14.33	3.16%
Trade, Transportation and Utilities	14.93	2.99%
Manufacturing	16.56	2.94%
Construction	19.45	2.80%
Natural Resources/Mining	18.72	2.41%
Total Private	16.11	3.26%

Source: Bureau of Labor Statistics, Establishment Survey (Table B-3)



Labor Markets and Income Inequality



Labor Markets

In the New Economy there are:

- Wider income and wage differentials:
 - Larger group well-paid, high-skill workers
 - Larger group low-paid, less skilled workers
 - Falling real earnings for low-paid workers
 - Stagnant real earnings for average workers
- No obvious forces reversing this
- **Great uncertainty re extent!**



Labor Markets

In the New Economy:

- Real wages for some workers have stagnated
 - Distinguish “mean” from “median”
 - “Mean” (“average”) has done well
 - “Median” (“average”) has not done well
- Depends on price deflator/index
- Varies with time period



Labor Markets

Before the New Economy:

- “Rising tides” seemed to lift all boats, although perhaps not equally
- Tight labor markets:
 - Increased real earnings for most workers
 - Reduced income inequality
- Prior to 1973, real hourly wages for most workers rose about 2 percent per year



Labor Markets

In the New Economy, job growth has:

- been mostly in lower-paid service-type industries jobs
- been mostly in higher-paid managerial and professional jobs

⇒ Both are true!

⇒ Fewer jobs in the middle



Labor Markets

By Industry:

- The largest number of new jobs has been in service industries, paying less than manufacturing on average

By Occupation:

- Rapid growth in both high-paying and low-paying occupations



Labor Markets 10

By Sex:

- Women have done better than men.
- More rapid employment growth
- *and* Rising wages

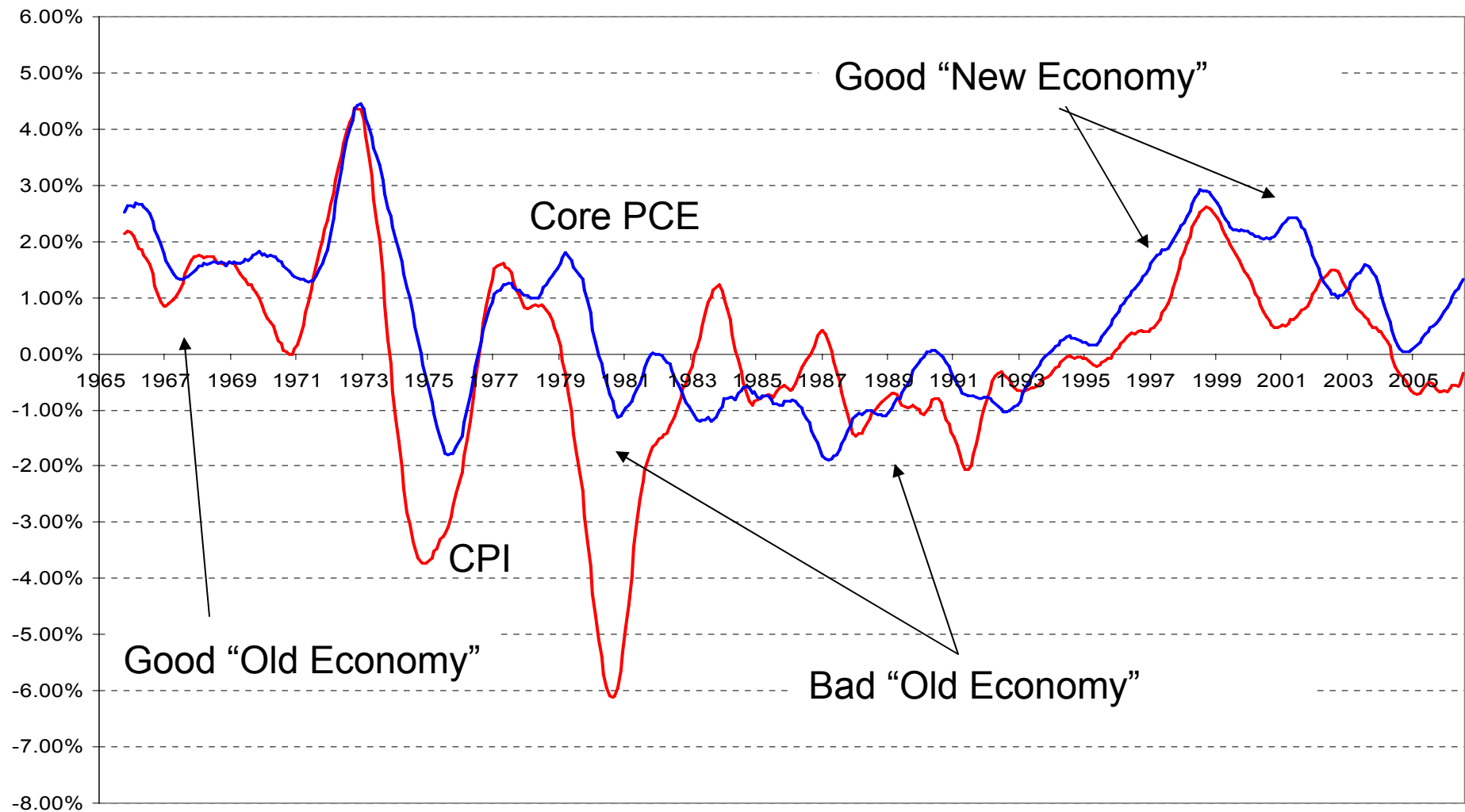
By Education:

- Lower educated men have done the worst
- Lower educated women saw wage losses, but not as much as men



“New Economy” vs “Old Economy”

Growth in Real Hourly Earnings by Deflator

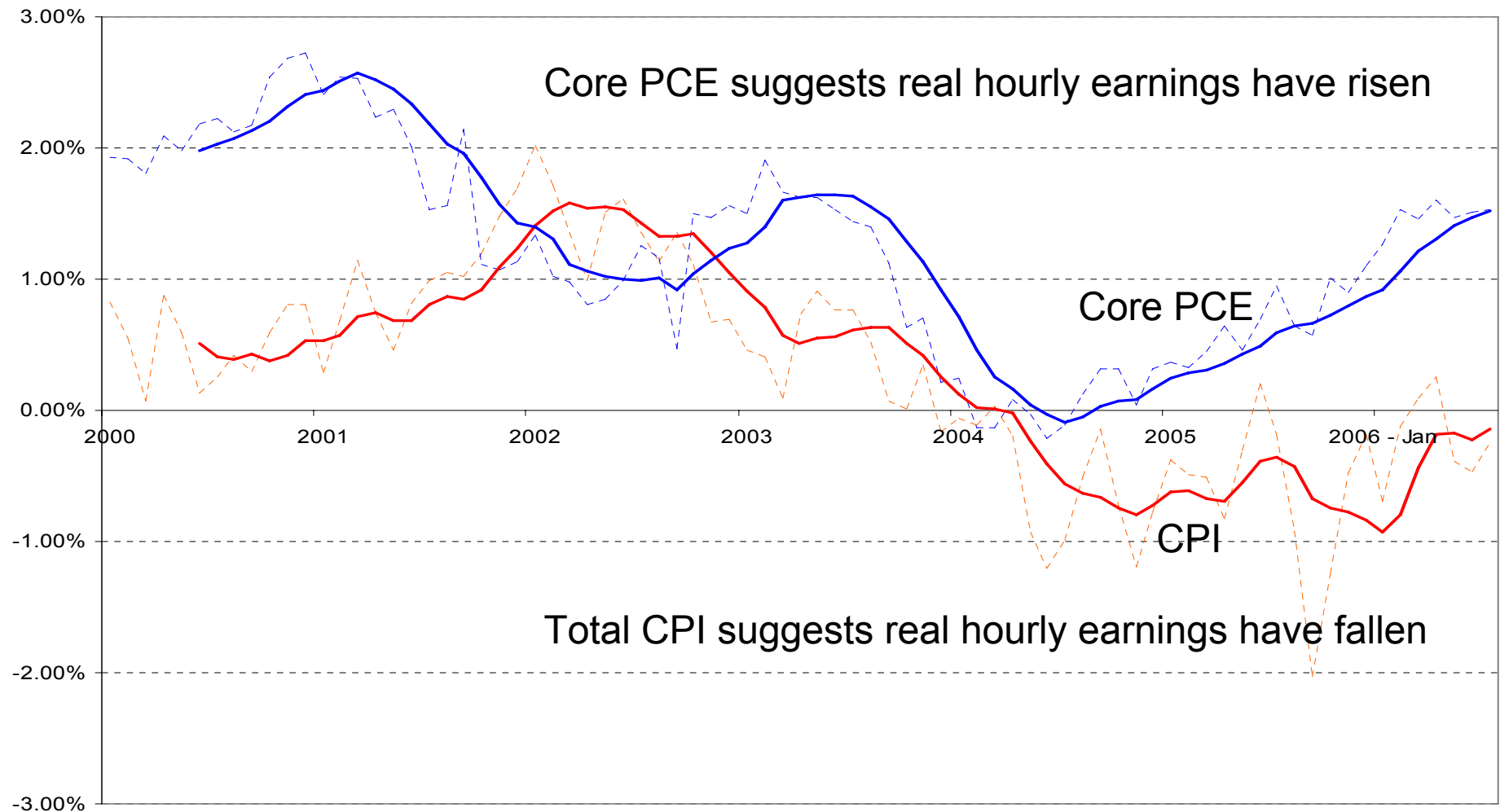




The Story Depends on the Data:

Average Hourly Earnings with Two Price Deflators

Growth in Real Hourly Earnings by Deflator



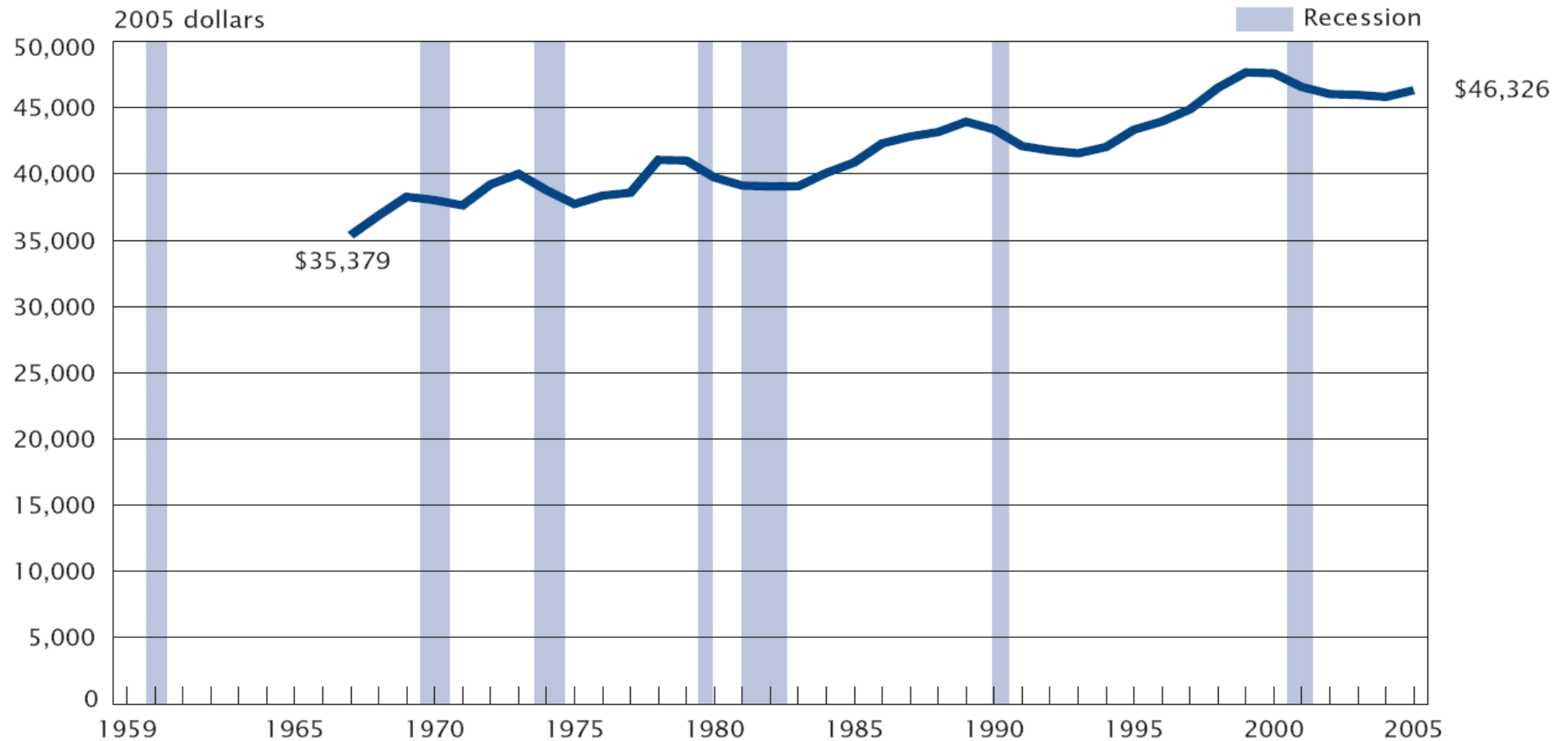


Real Median Household Income

- 1999 → 2005, -3% || 1993 → 2005, +11.5%

Figure 1.

Real Median Household Income: 1967 to 2005



Note: The data points are placed at the midpoints of the respective years. Median household income data are not available before 1967.

Source: U.S. Census Bureau, Current Population Survey, 1968 to 2006 Annual Social and Economic Supplements.



Labor Markets - 2

“Median” Income and Wage

- Household income (real)
 - Increased 11.5% 1993 → 2005
 - Decreased 3.0% 1999 → 2005
- Real median hourly wage
 - Increased 12.2% 1995 → 2003



Labor Markets - 2

“Median” Wage Growth

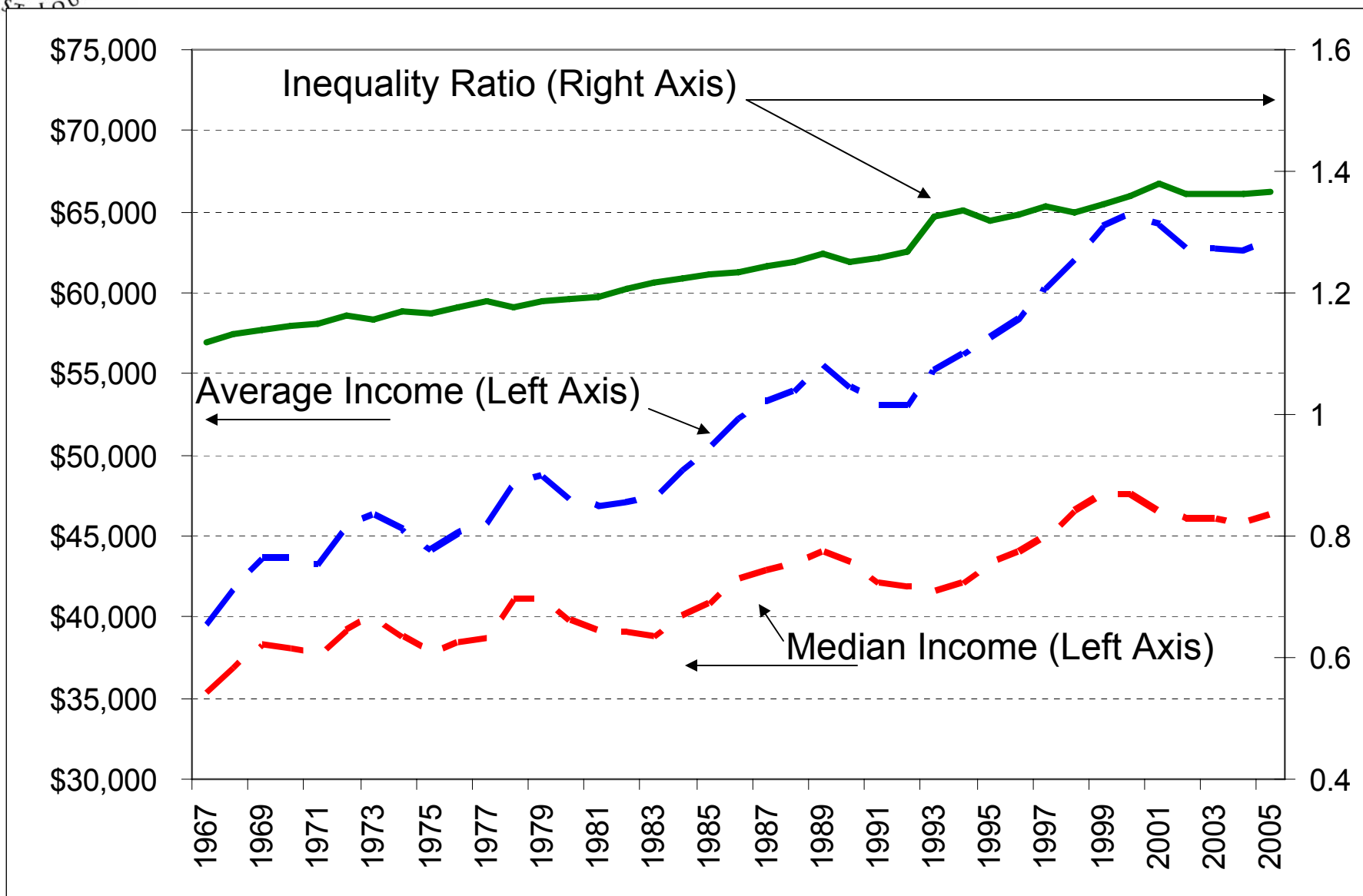
- Real median hourly wage, by percentile, 1995 → 2003
 - 20th: +14.0%
 - 50th: +12.2%
 - 80th: +11.6%
 - 90th: +14.6%
 - 95th: +15.0%

**No Big Differences
Across Groups!!**

Source: Mishel, Bernstein and Allegretto (2005), table 2.6



More Unequal Household Income: Premium to Education and Skills





Not much gain for median worker since 2001

Median Weekly Earnings of Wage and Salary Workers

	in 2001 dollars			Memo: Increase in CPI (percent)	
	Earnings	adjusted by the CPI	adjusted by the Core CPI	CPI	Core CPI
2001 Q2	\$595				
2003 Q2	\$616	\$559.36	\$578.27	3.5	4.0
2006 Q2	\$659	\$578.21	\$594.93	14.0	10.8

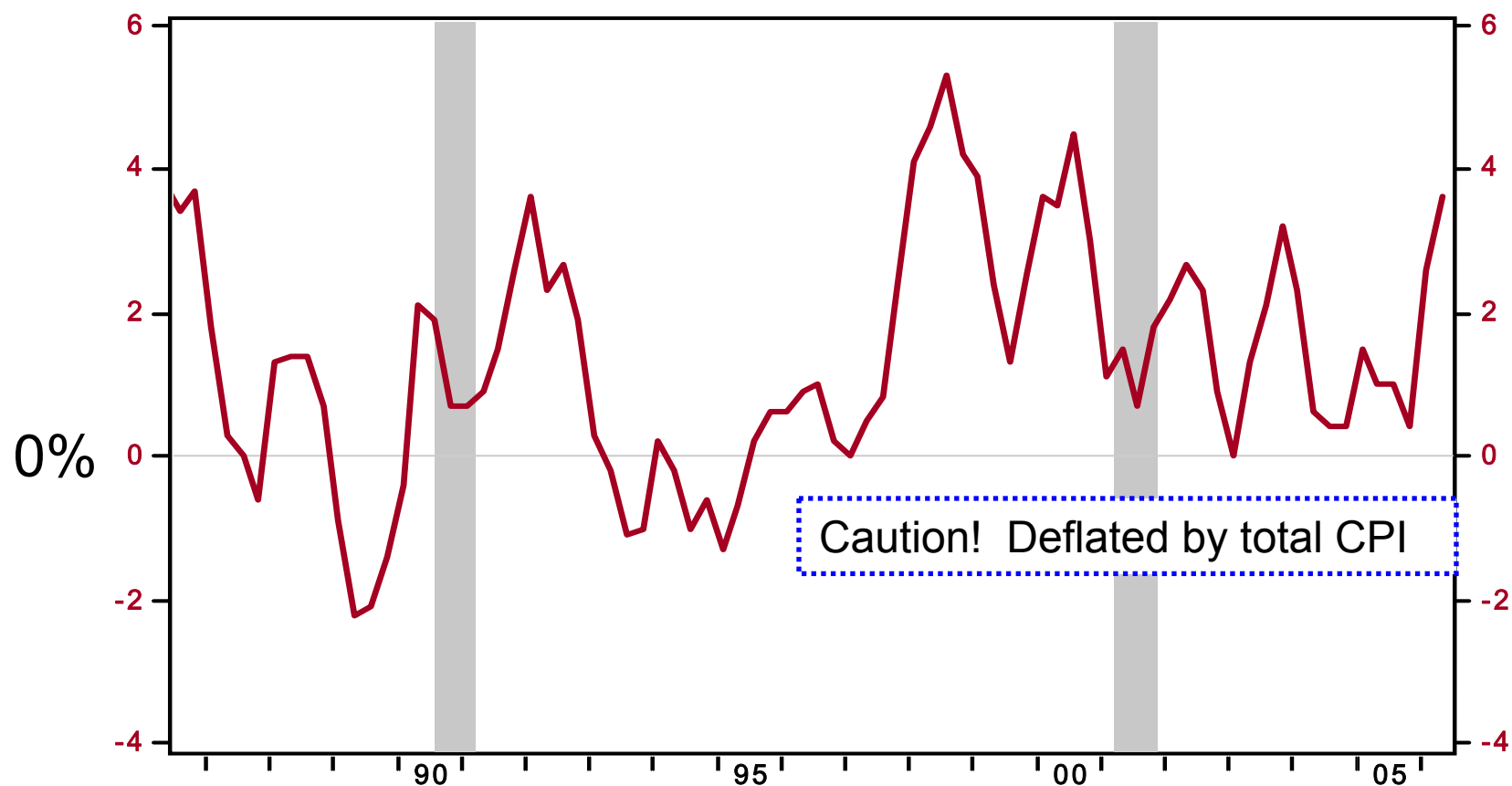
Source: Author's calculations from Bureau of Labor Statistics data



Even after energy, compensation has increased

Nonfarm Business Sector: Real Compensation Per Hour

SA, %Chg.Year.Ago



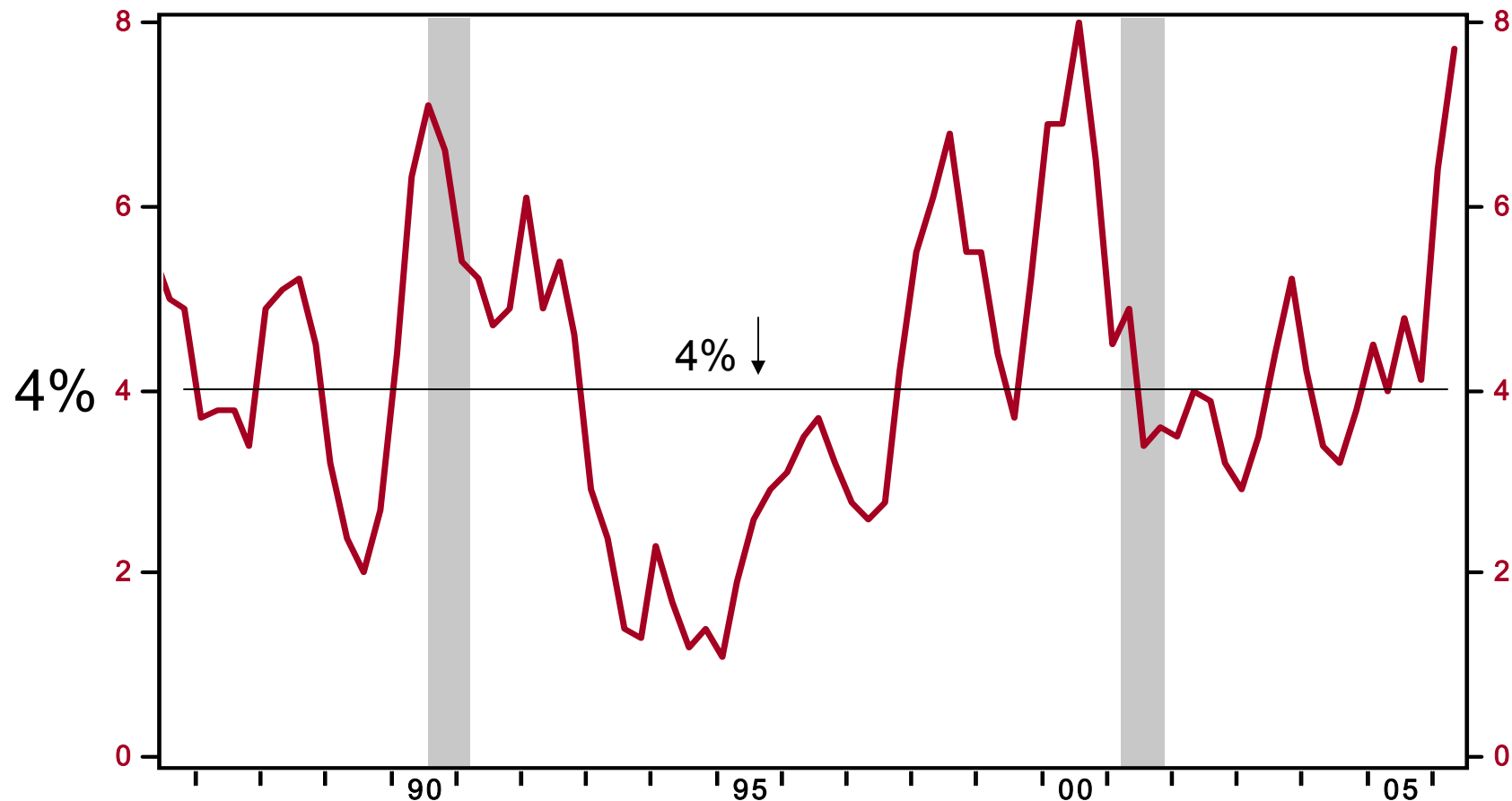
Source: Bureau of Labor Statistics /Haver Analytics



New Economy: increased compensation per hour

Nonfarm Business Sector: Compensation Per Hour

SA, %Change.Year.Ago



Source: Bureau of Labor Statistics /Haver Analytics



The Story Depends on the Data: Average Hourly Earnings, Production Workers

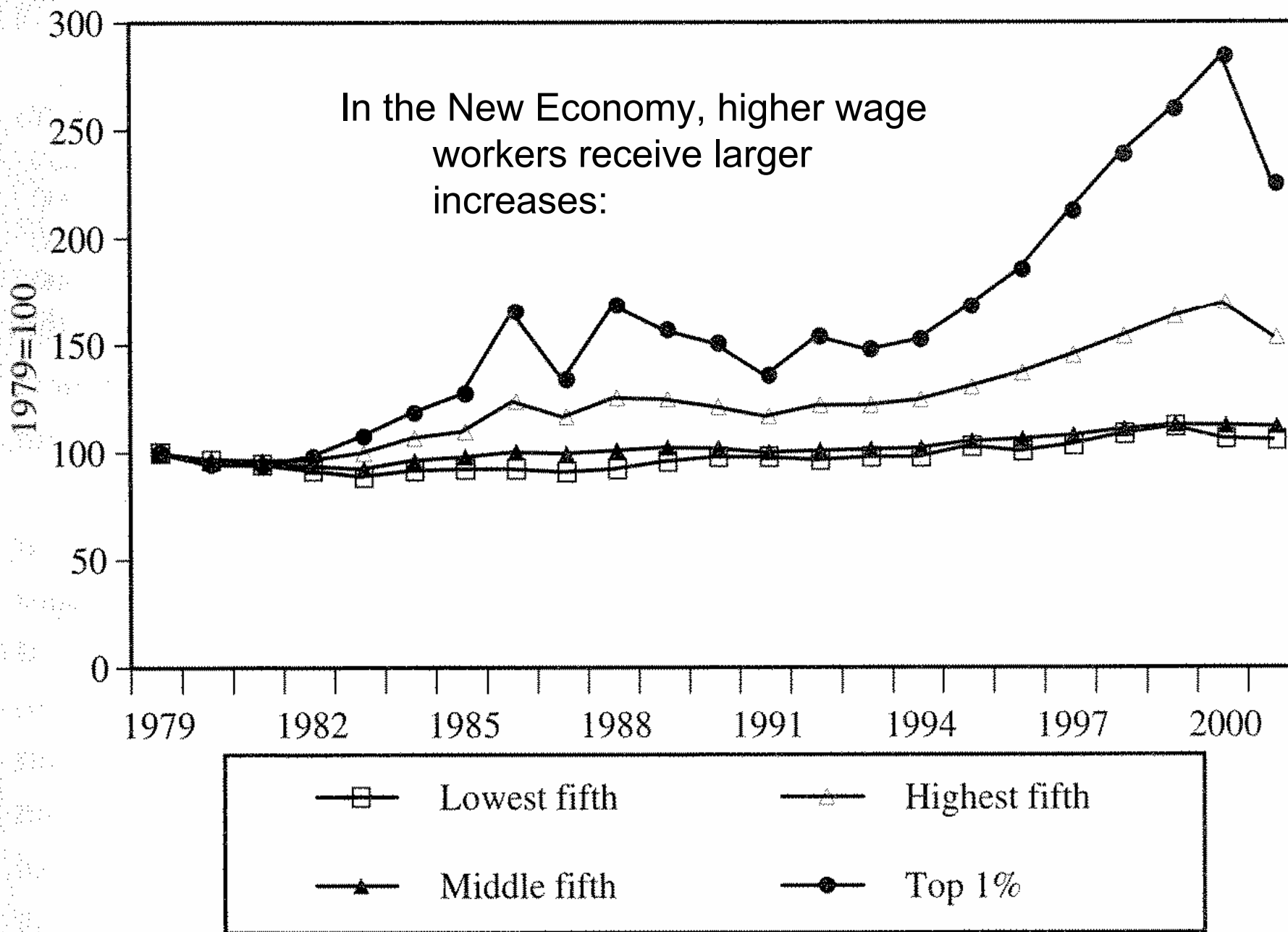
Average Hourly Earnings: Total Private Industries

% Change - Year to Year

SA, \$/Hour



Source: Bureau of Labor Statistics /Haver Analytics

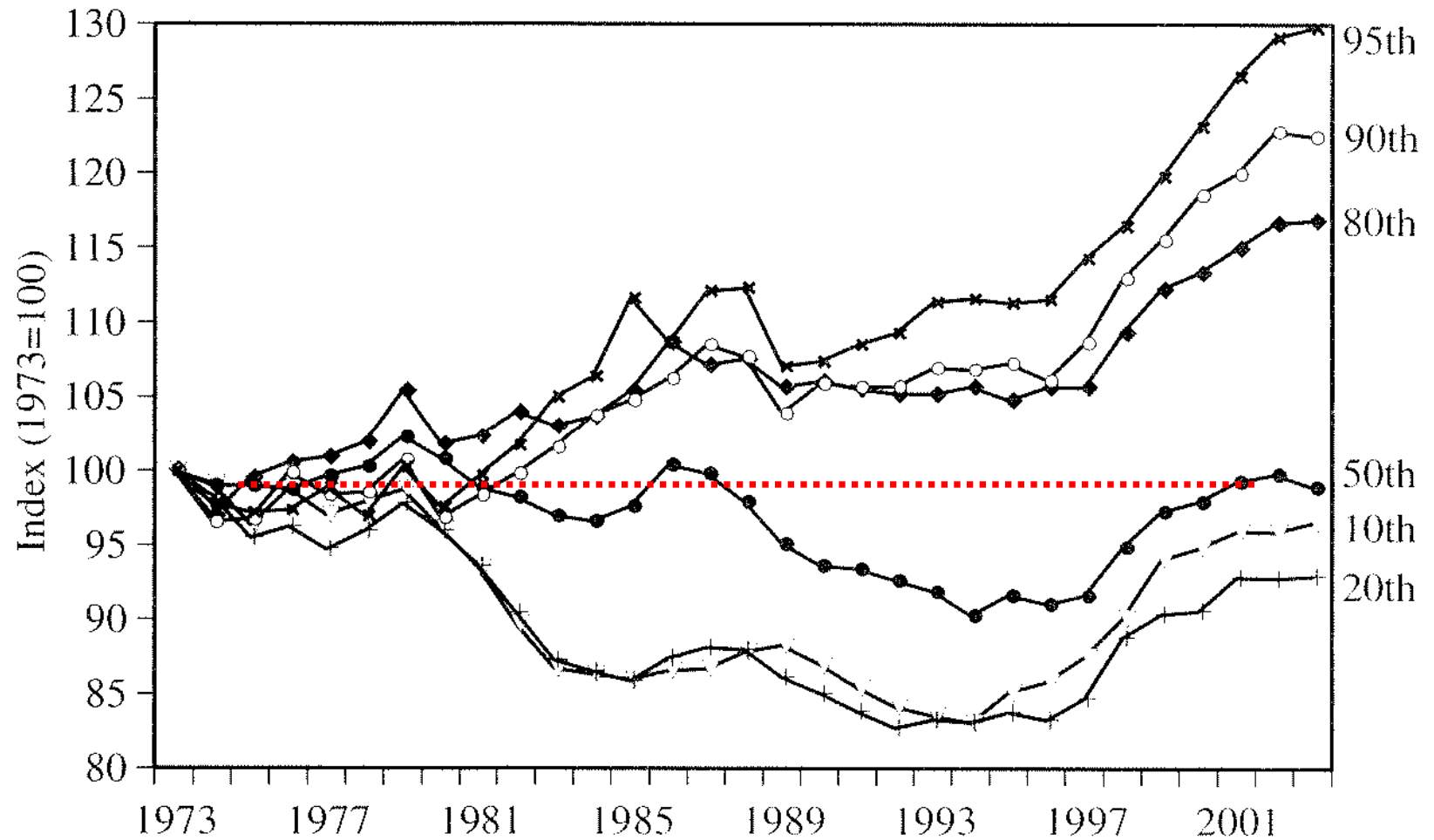


Source: Mishel, Bernstein and Allegretto (2005)



Labor Markets 6

Men, change in real hourly wage by wage percentile

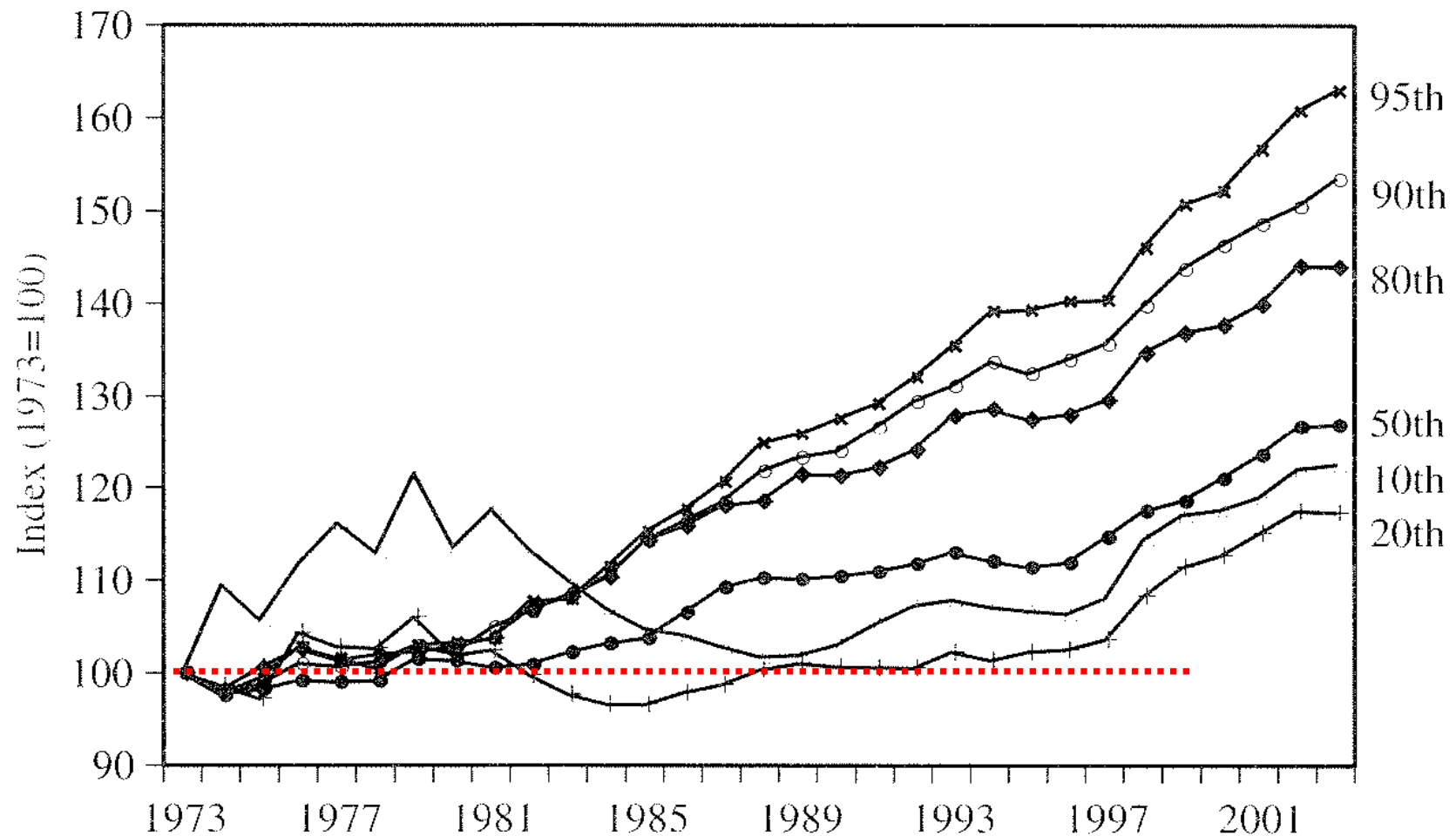


Source: Mishel, Bernstein and Allegretto (2005)



Labor Markets 7

Women, change in real hourly wage by wage percentile



Source: Mishel, Bernstein, and Allegretto (2005)



Labor Markets - 2

“Mean” Wage and Benefit Growth

- Real mean hourly wage, 1995 → 2003
 - 9.7%
- Benefits
 - 0.0%
- Total Compensation
 - 7.8%

Less than the
median increase

Source: Mishel, Bernstein and Allegretto (2005), table 2.3



International Trade

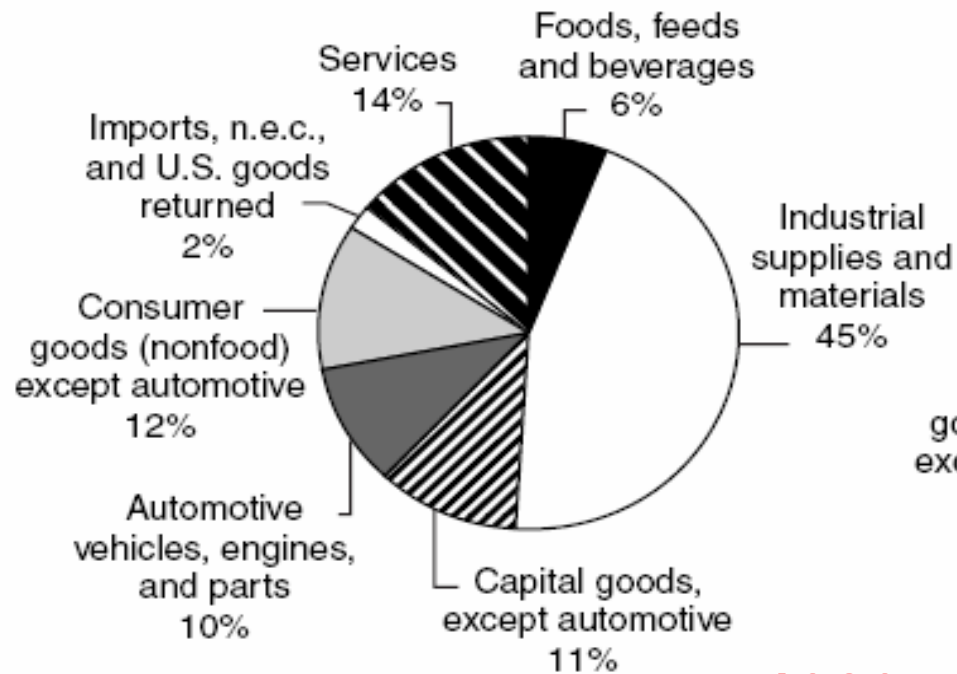


Trade Facts

- 2005 Trade Deficit: -\$705 billion
 - Goods: -\$783 billion
 - Services: +\$66 billion
- Exports: \$1.28 trillion (~ 10% GDP)
 - Goods: \$895 B, Services: \$380 B
- Imports: \$1.99 T (~ 16% GDP)
 - Goods \$1.67 T, Services \$314 B

C. Imports by Sector, 1980

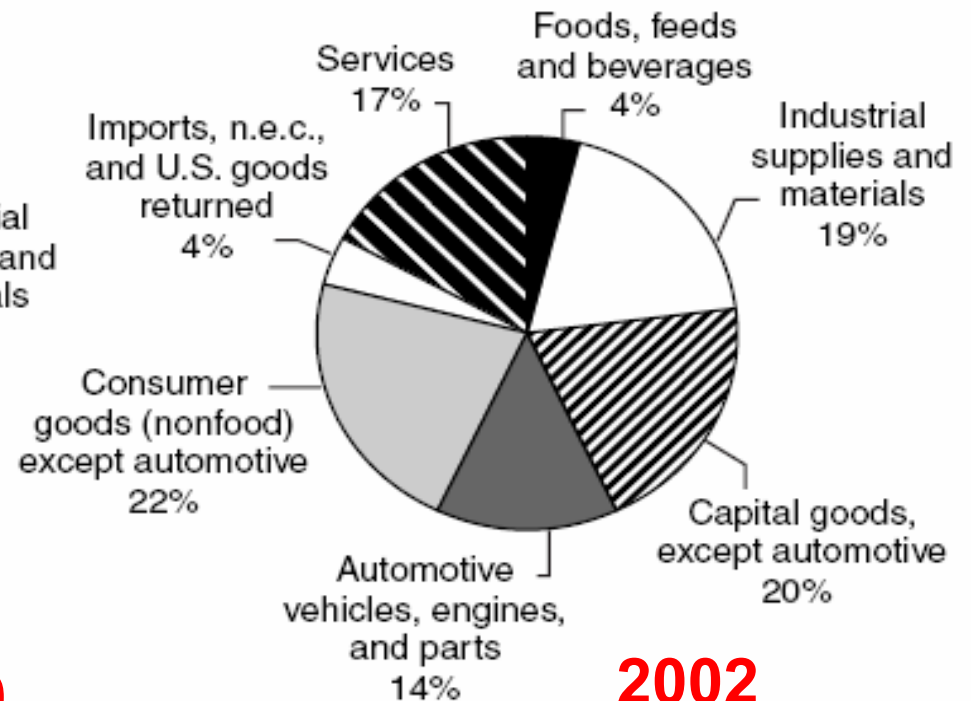
Total Value of Imports:
\$291.2 billion



1980

D. Imports by Sector, 2002

Total Value of Imports:
\$1,407.4 billion



2002

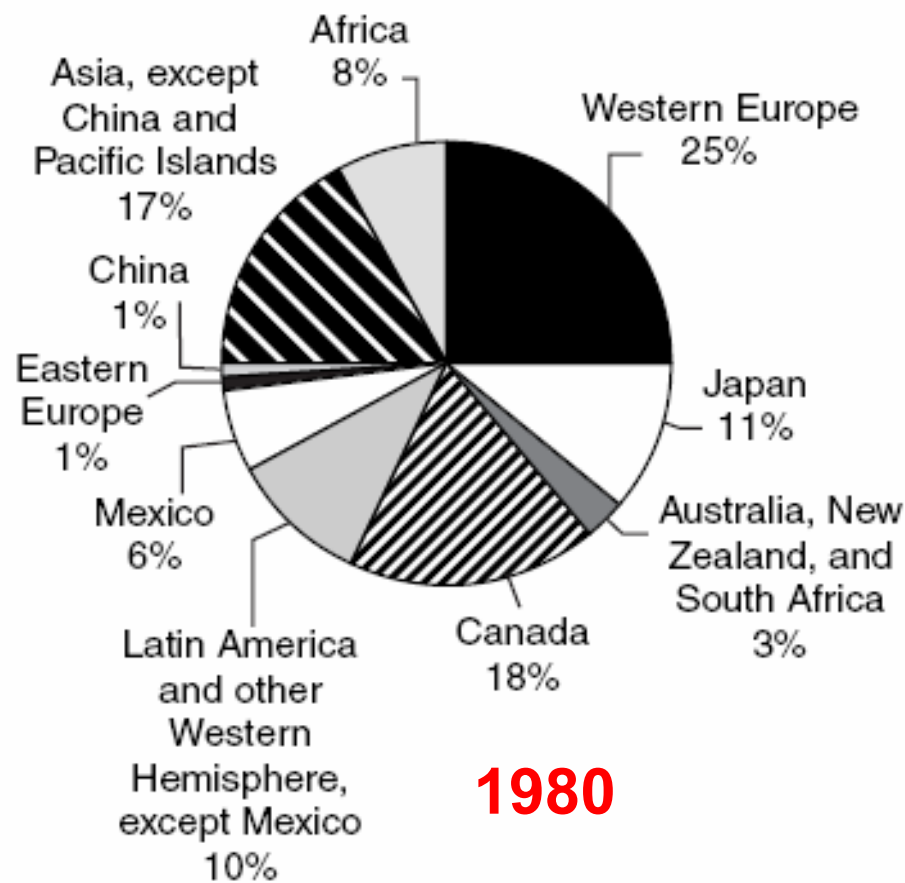
Share of Consumer goods has doubled.

Share of capital goods (machinery, equipment) has doubled.

Share of supplies and materials has halved.

A. Goods, Exports, and Imports by Region, 1980

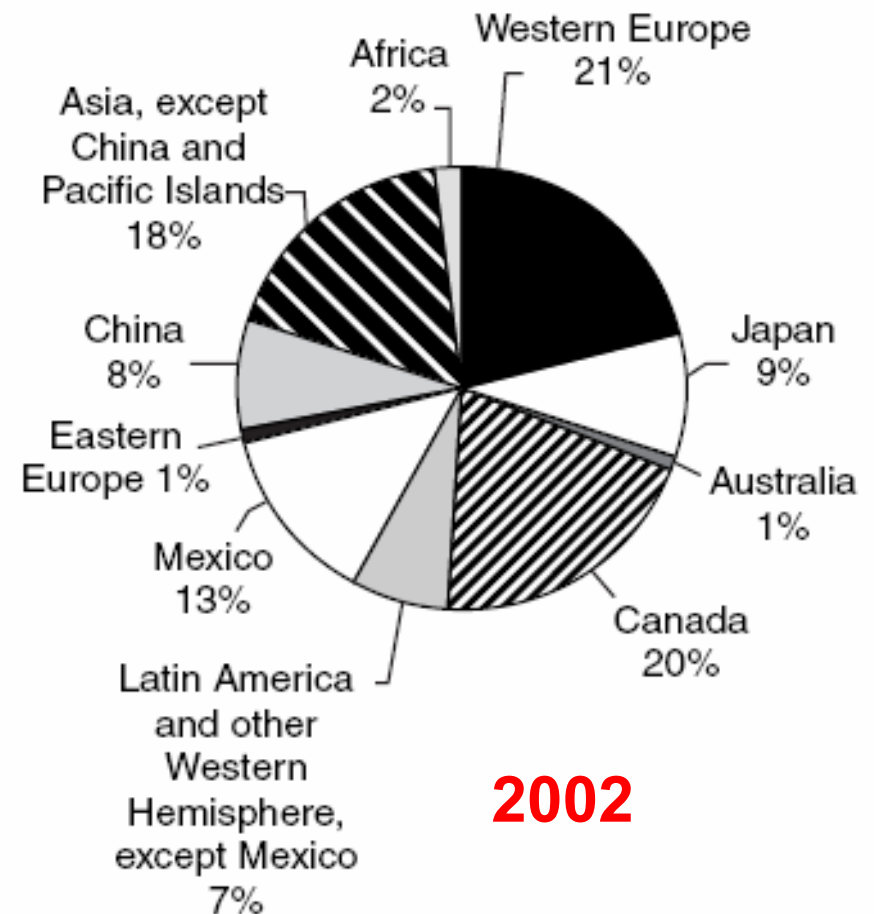
Total Value of Goods
Exports and Imports:
\$474.0 billion



1980

B. Goods, Exports, and Imports by Region, 2002

Total Value of Goods
Exports and Imports:
\$1,849.5 billion

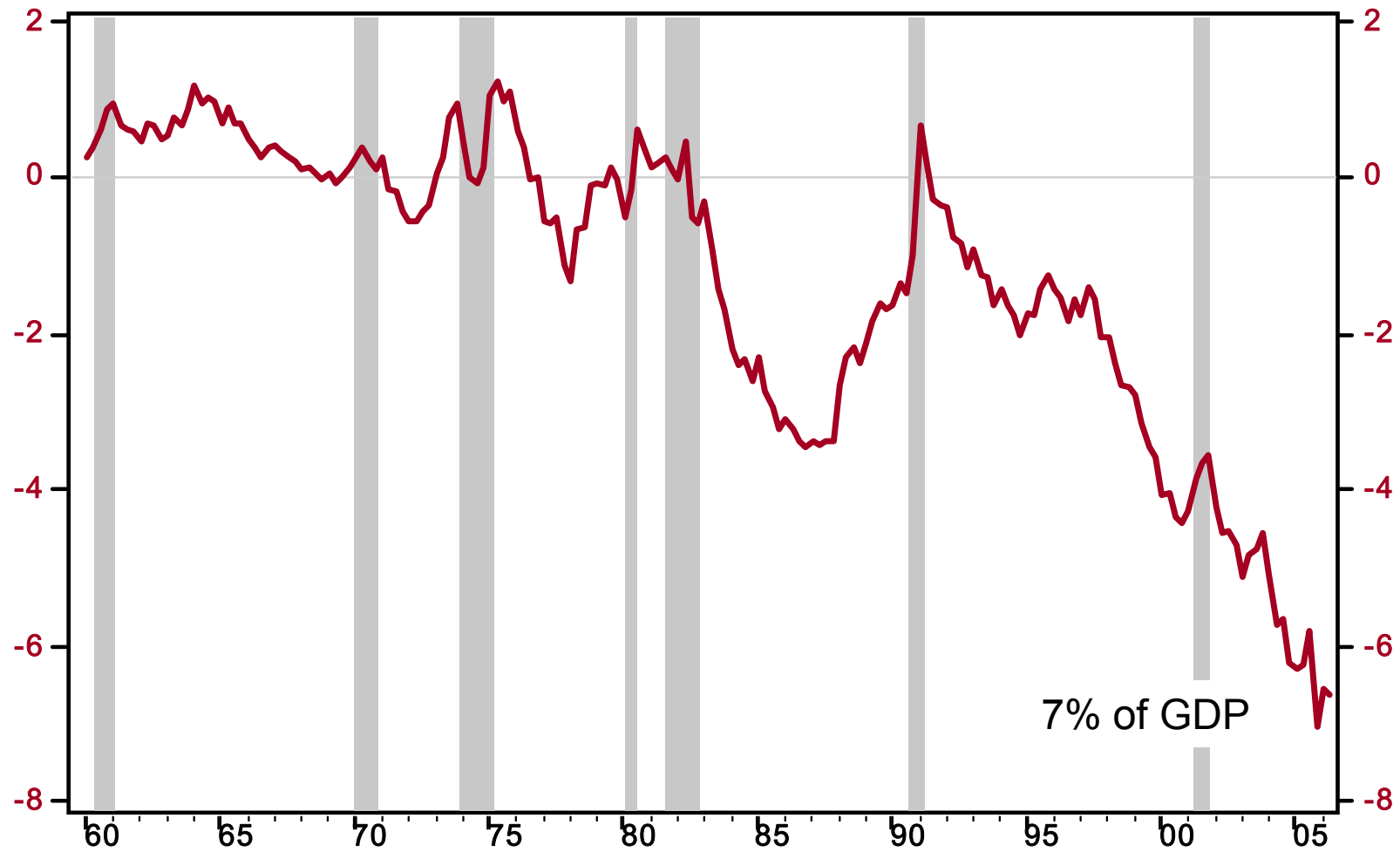


2002

Most Important Trade Partners: Europe, Canada, Asia excl. China

Balance on Current Account as a % of GDP

SAAR, %



7% of GDP

Source: Bureau of Economic Analysis/Haver Analytics



State and Regional Analysis



Required Reading!

Profitwise

News and Views

Special Edition

Published by the Consumer and Community Affairs Division

July 2006

The Future of Economic Development in Rural America



Index

Introduction *Page 1*

Overview of Midwest Agriculture and Rural Development Issues *Page 2*

Rural Depopulation: What Does it Mean for the Future Economic Health of Rural Areas and the Community Banks that Support Them? *Page 4*

Infrastructure in Rural Areas: Rural Quality

FEDERAL RESERVE BANK
OF CHICAGO



Regional Analysis 1

In the New Economy:

- Skilled workers relocate to areas with skilled workers
- Firms react – locate in areas with skilled workers: skilled labor + technology
- New technology requires new business rules, systems and practices (and perhaps workers)
- Skilled workers receive higher wages in areas with many skilled workers
- Affects manufacturing and service sectors



State Income Differences 1

Since 1929, differences in state per capita incomes have narrowed

- In 1929, income in the highest state was 5 times income in the lowest
- In 2005, the ratio was 2:1
- Differences narrowed almost continuously 1929 to 1980
- Differences have changed little since 1980



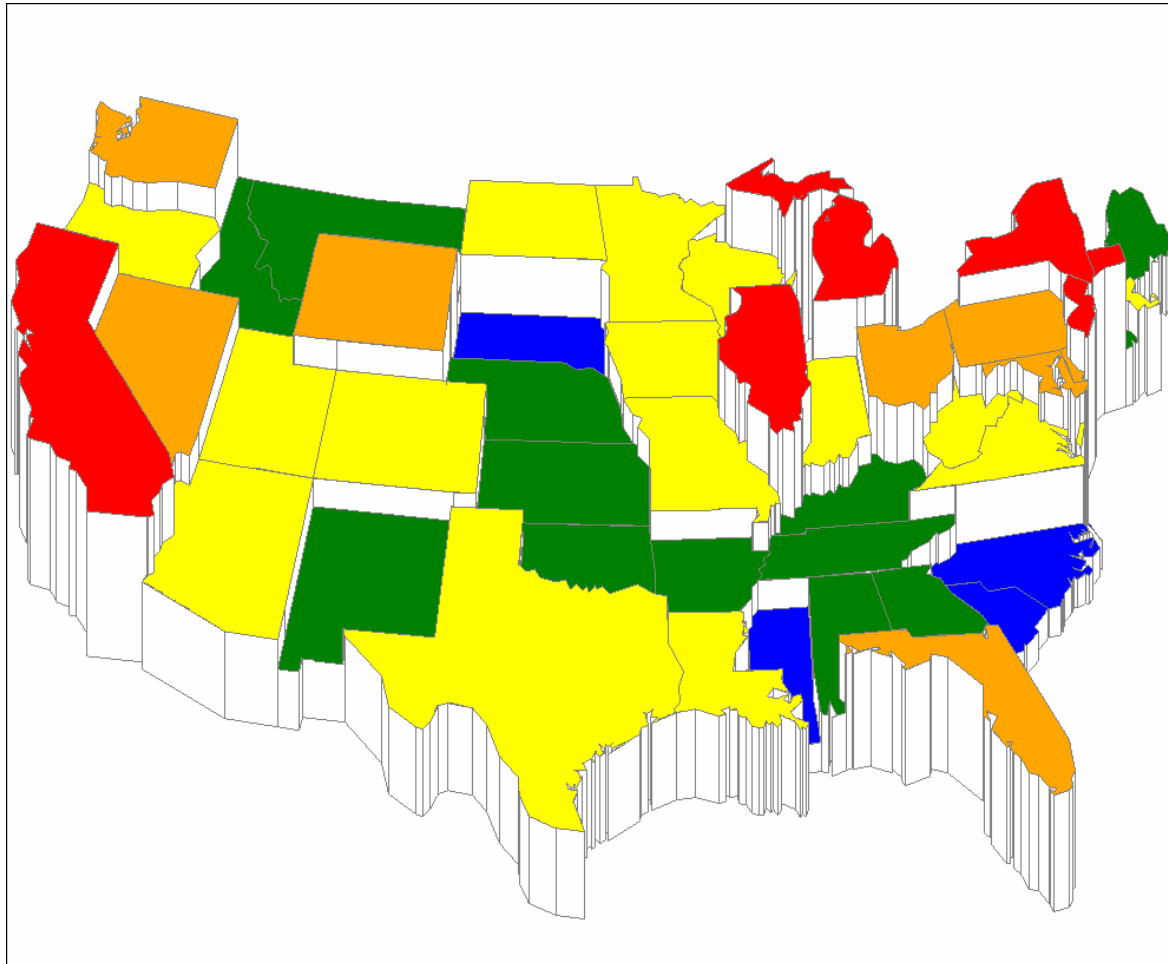
State Income Differences 2

Empirical research finds two factors explain state income differences:

- “Knowledge” = HS and college education of its population
- “Patent Stock” = patents held by firms in state (measure of innovation, R&D, entrepreneurship)



Real Personal Income per Total Employment



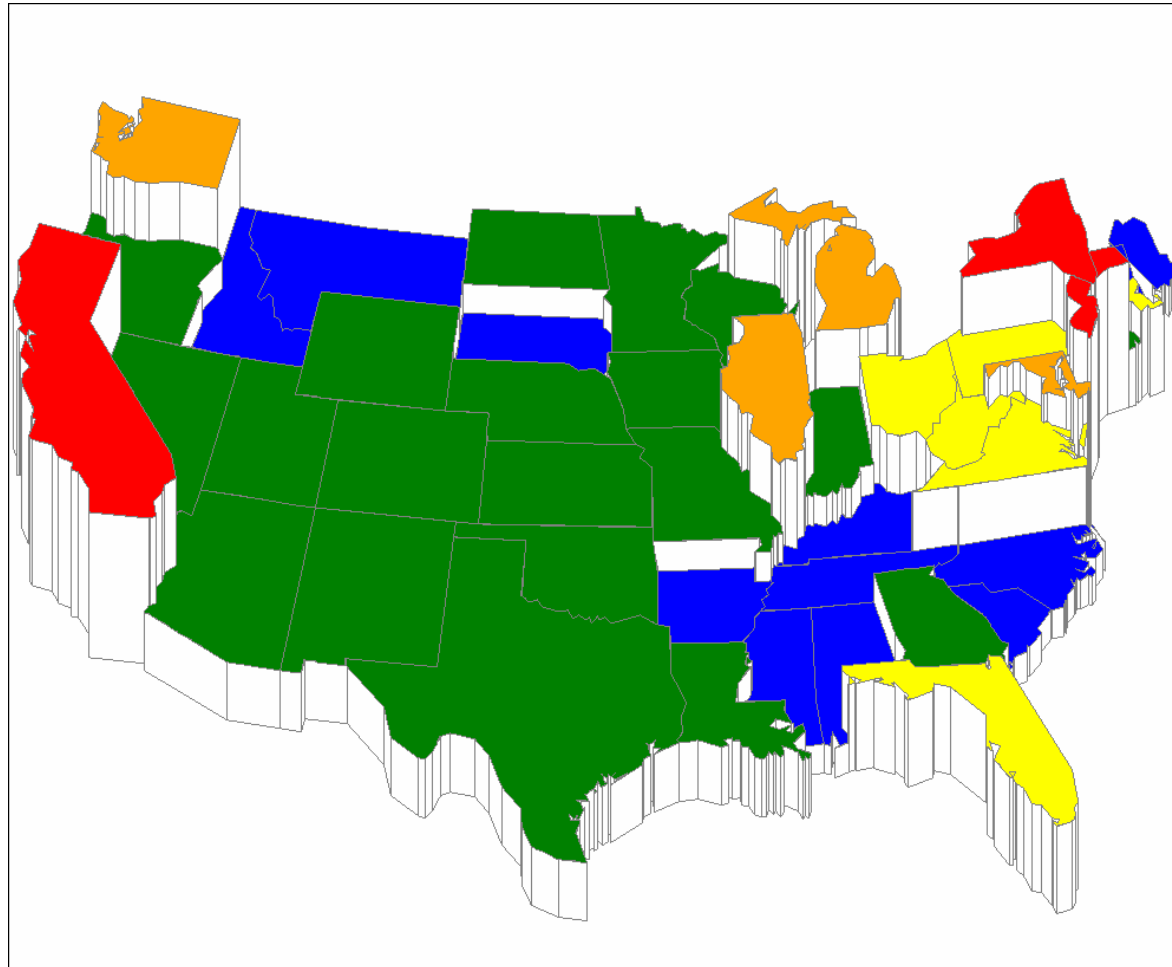
1978

1978		
	# States	Color
Highest Income	6	Red
	8	Orange
	15	Yellow
	14	Green
Lowest Income	5	Blue
Mean	\$41,785	
Median	\$41,210	
Range	\$16,623	
Number of States below Mean: 27		

1978		
Group	Range	
5	\$50,550	\$47,226
4	\$47,226	\$43,901
3	\$43,901	\$40,576
2	\$40,576	\$37,252
1	\$37,252	\$33,927



Real Personal Income per Total Employment



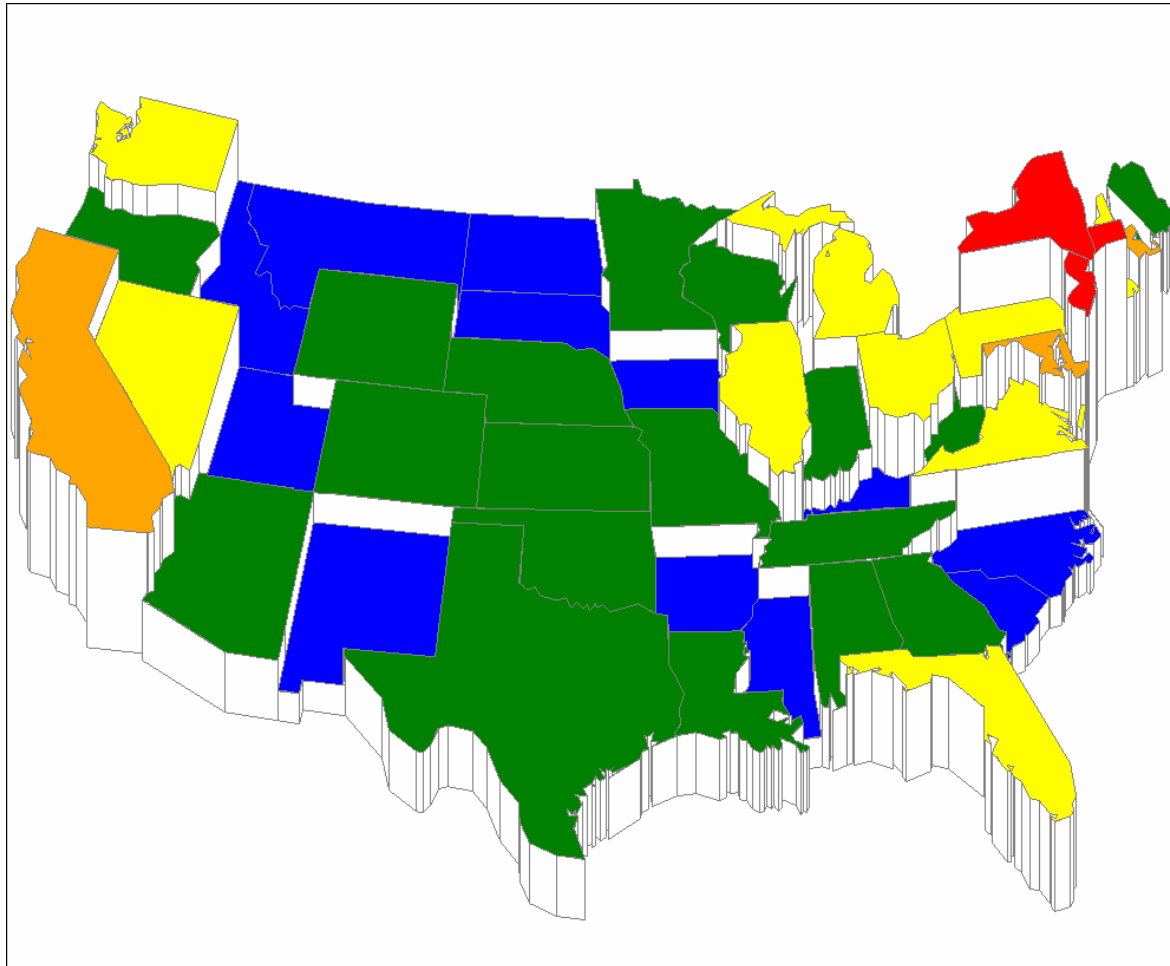
1984

1984		
	# States	Color
Highest Income	4	Red
	4	Orange
	7	Yellow
	21	Green
Lowest Income	12	Blue
Mean	\$ 45,040	
Median	\$ 44,227	
Range	\$19,588	
Number of States Below Mean: 28		

1984		
Group	Range	
5	\$57,497	\$53,579
4	\$53,579	\$49,662
3	\$49,662	\$45,744
2	\$45,744	\$41,826
1	\$41,826	\$37,909



Real Personal Income per Total Employment



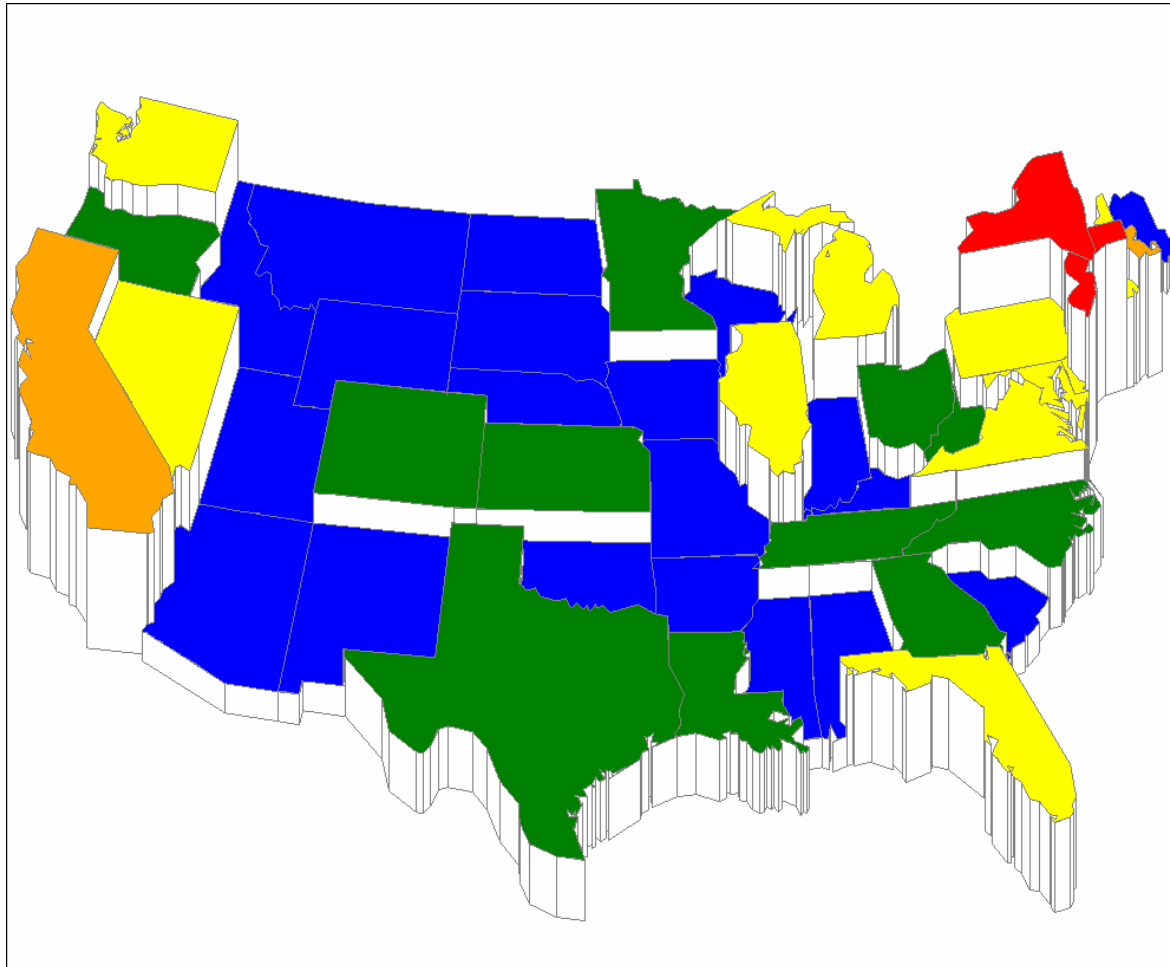
1990

1990		
	# States	Color
Highest Income	3	Red
	3	Orange
	11	Yellow
	18	Green
Lowest Income	13	Blue
Mean	\$ 47,417	
Median	\$ 45,610	
Range	\$24,510	
Number of State Below Mean: 31		

1990		
Group	Range	
5	\$63,142	\$58,240
4	\$58,240	\$53,338
3	\$53,338	\$48,436
2	\$48,436	\$43,534
1	\$43,534	\$38,632



Real Personal Income per Total Employment



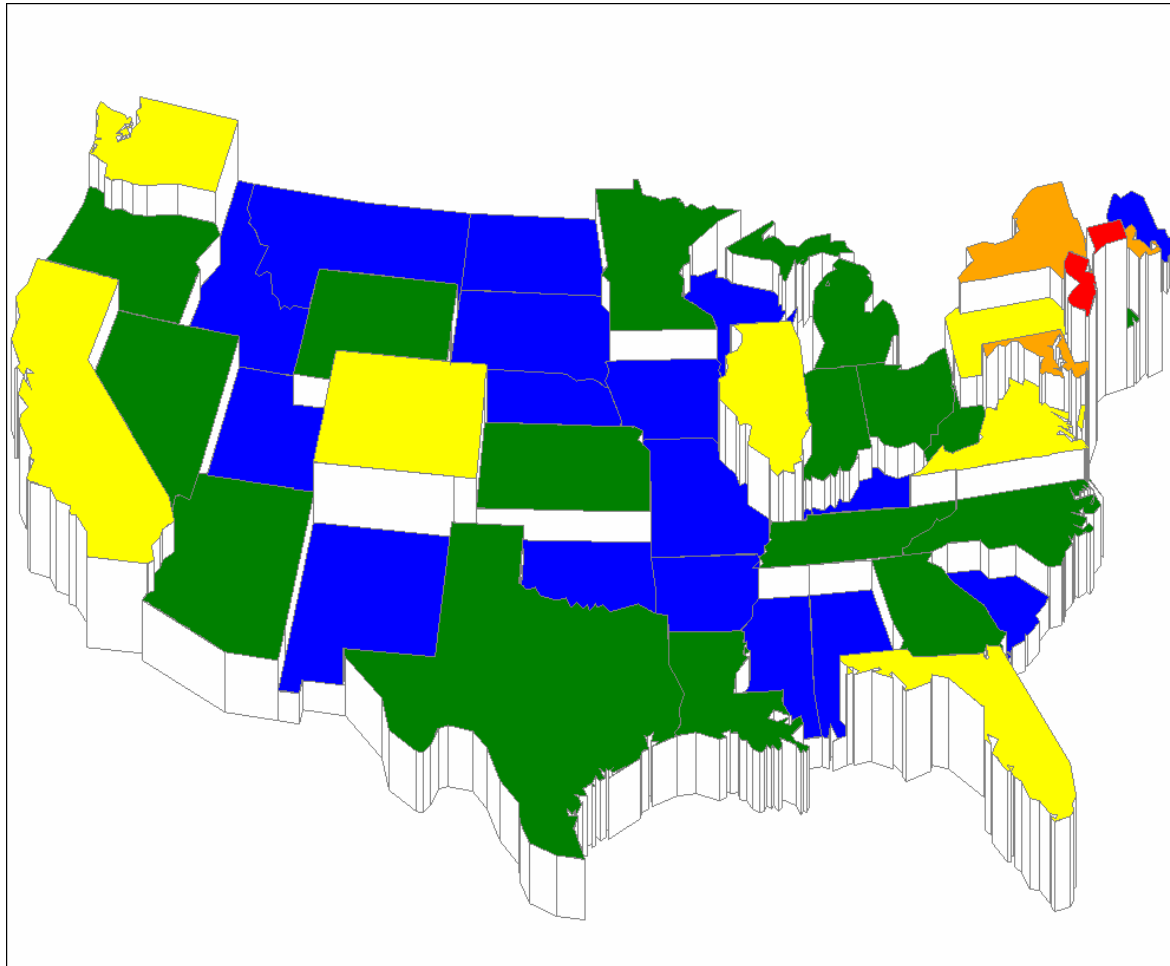
1996

1996		
	# States	Color
Highest Income	3	Red
	2	Orange
	11	Yellow
	11	Green
Lowest Income	21	Blue
Mean	\$ 50,941	
Median	\$ 48,762	
Range	\$26,971	
Number of States Below Mean: 30		

1996		
Group	Range	
5	\$69,685	\$64,291
4	\$64,291	\$58,897
3	\$58,897	\$53,503
2	\$53,503	\$48,108
1	\$48,108	\$42,714



Real Personal Income per Total Employment



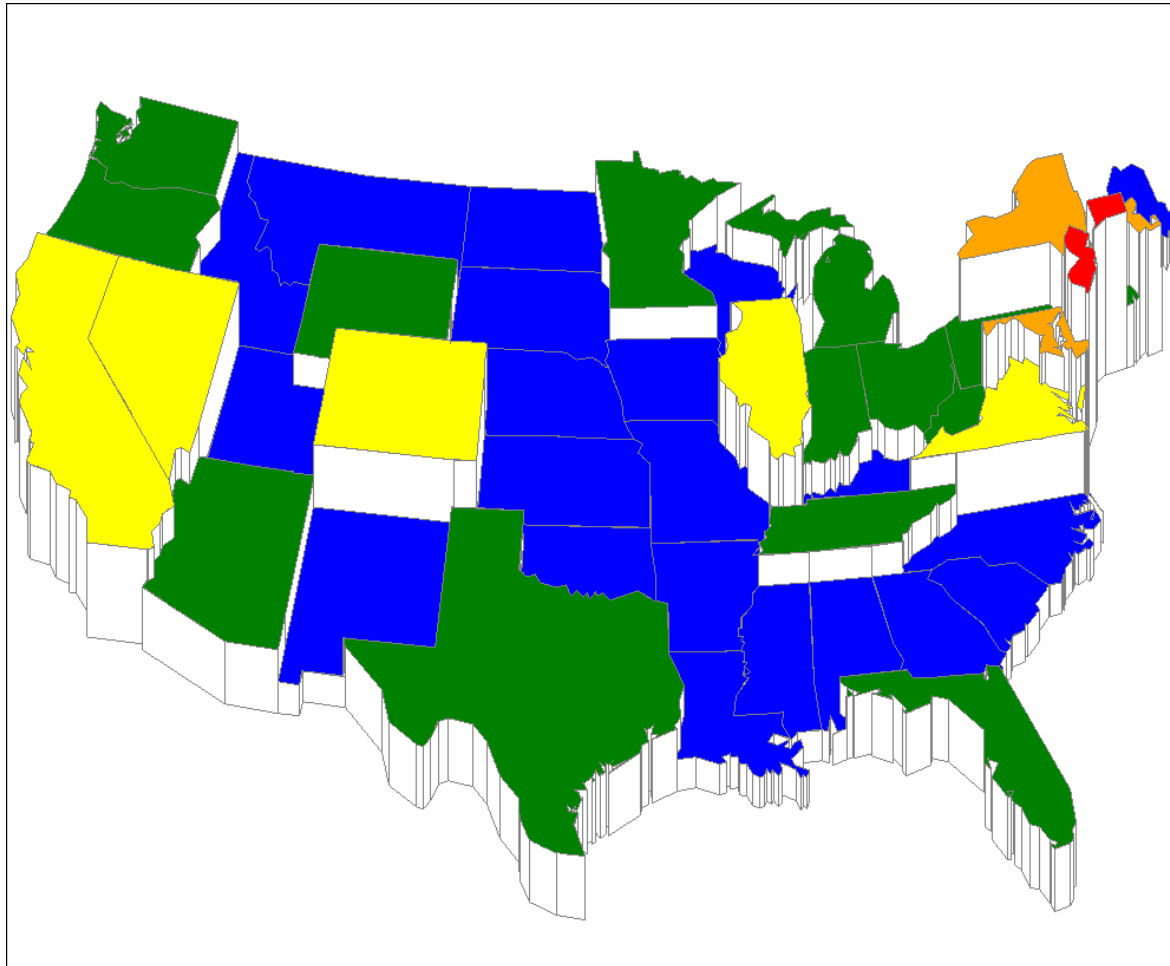
2002

2002		
	# States	Color
Highest Income	2	Red
	3	Orange
	8	Yellow
	17	Green
Lowest Income	18	Blue
Mean	\$ 58,928	
Median	\$ 56,956	
Range	\$35,195	
Number of States Below Mean: 28		

2002		
Group	Range	
5	\$83,256	\$76,217
4	\$79,154	\$72,115
3	\$74,856	\$67,817
2	\$74,448	\$67,409
1	\$70,285	\$63,246



Real Personal Income per Total Employment



2005

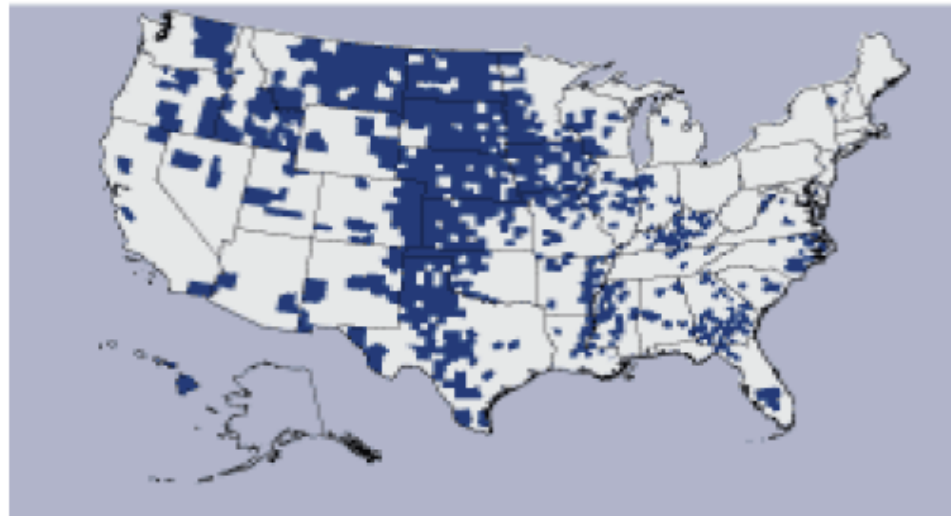
2005		
	# States	Color
Highest Income	2	Red
	3	Orange
	6	Yellow
	15	Green
Lowest Income	22	Blue
Mean	\$ 62,773	
Median	\$ 60,607	
Range	\$36,913	
Number of States Below Mean: 24		

2005		
Group	Range	
5	\$89,067	\$81,685
4	\$81,685	\$74,302
3	\$74,302	\$66,919
2	\$66,919	\$59,537
1	\$59,537	\$52,154

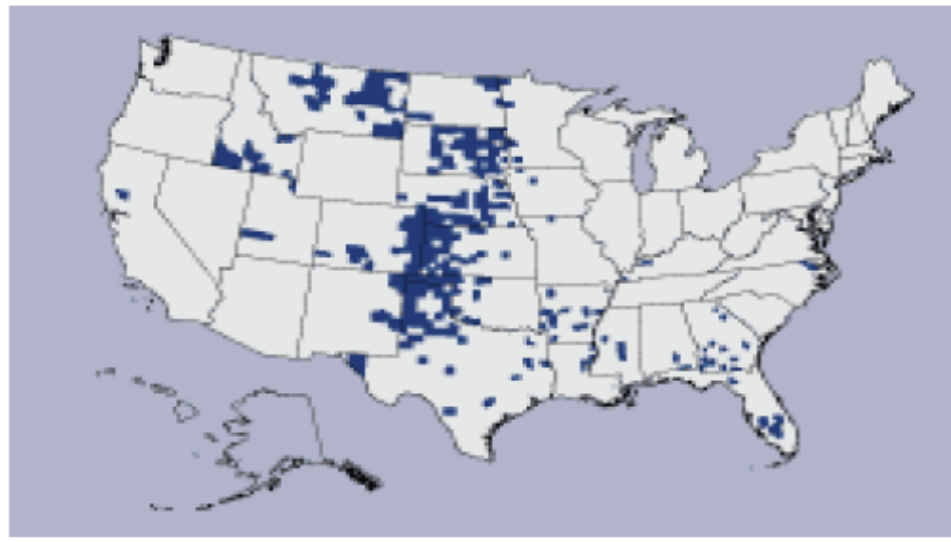


Figure 01: The Decline of Rural Agriculture

In 1969, farming accounted for 20 percent or more of earnings in 935 nonmetro counties...



...versus just 262 nonmetro counties in 1999

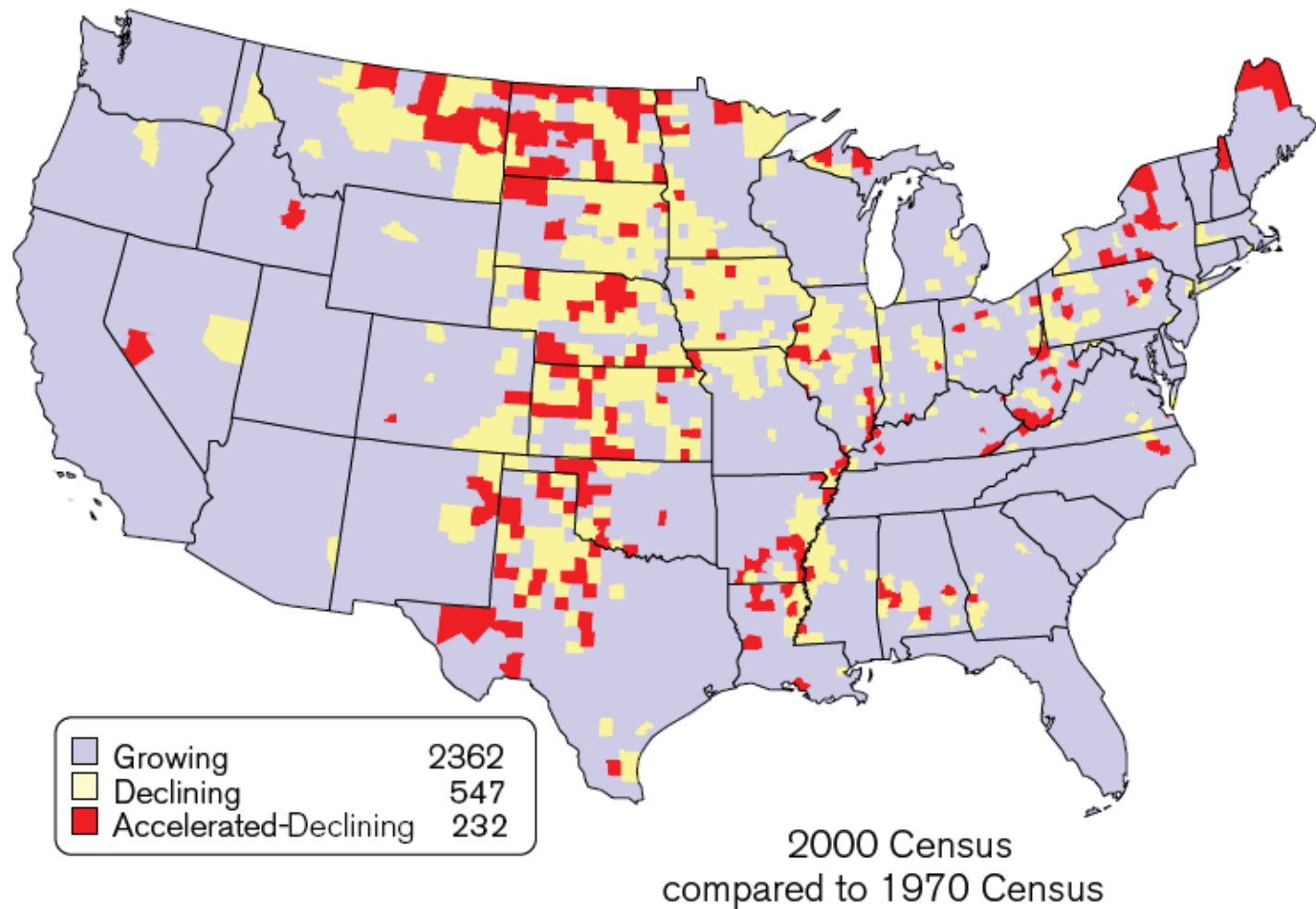


FEDERAL RESERVE BANK
OF CHICAGO

Source: Federal Reserve Bank of Chicago

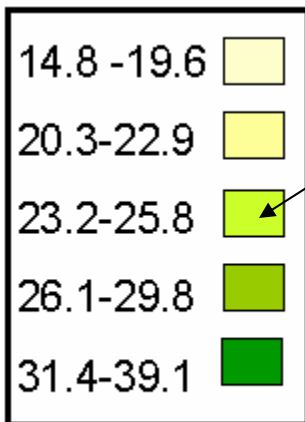
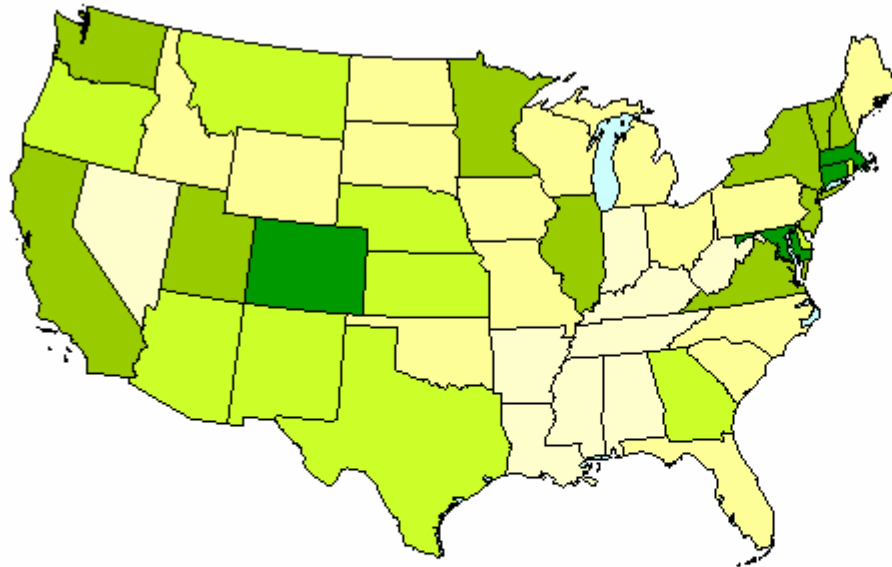


**Figure A1: Depopulation is Most Prevalent
in the Center of the Country**

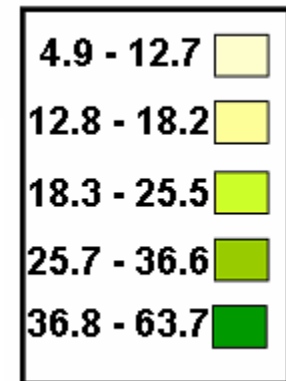
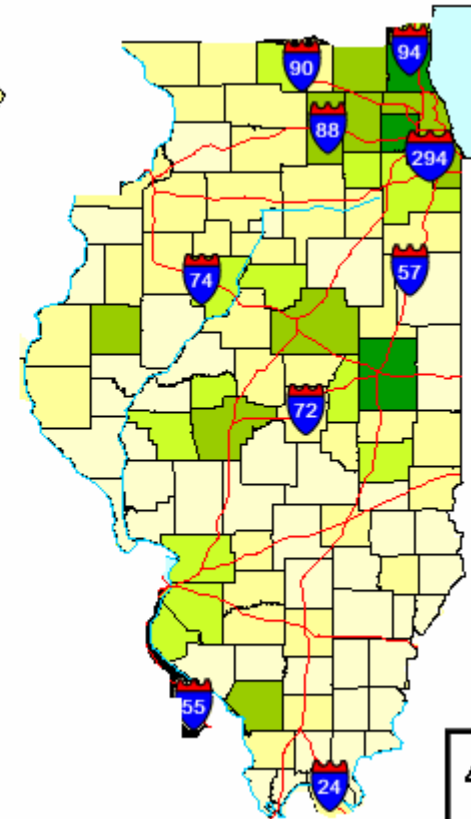




Percent of Population with a College Degree

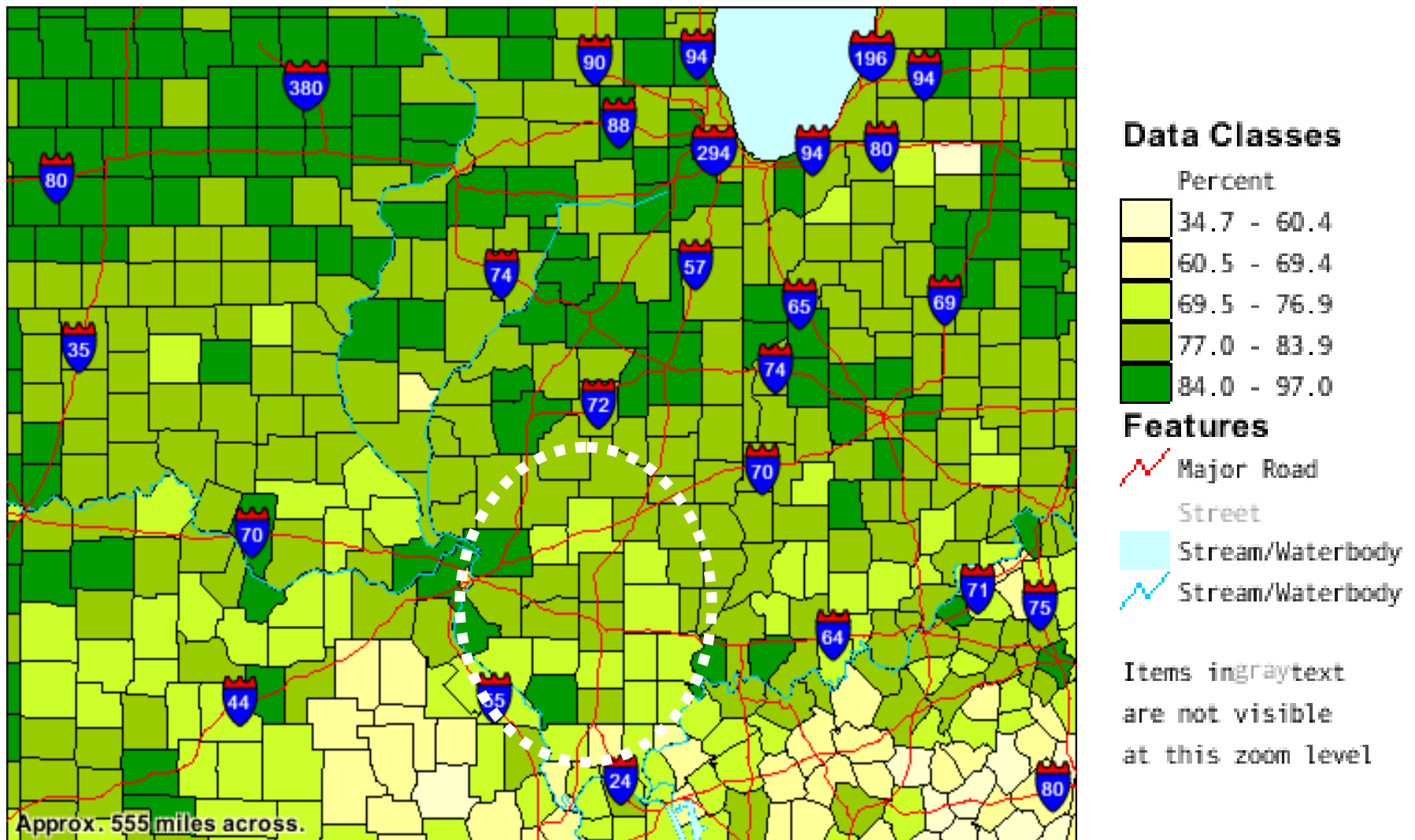


National Average: 24.4%





% of the population over 25 with H.S Degree

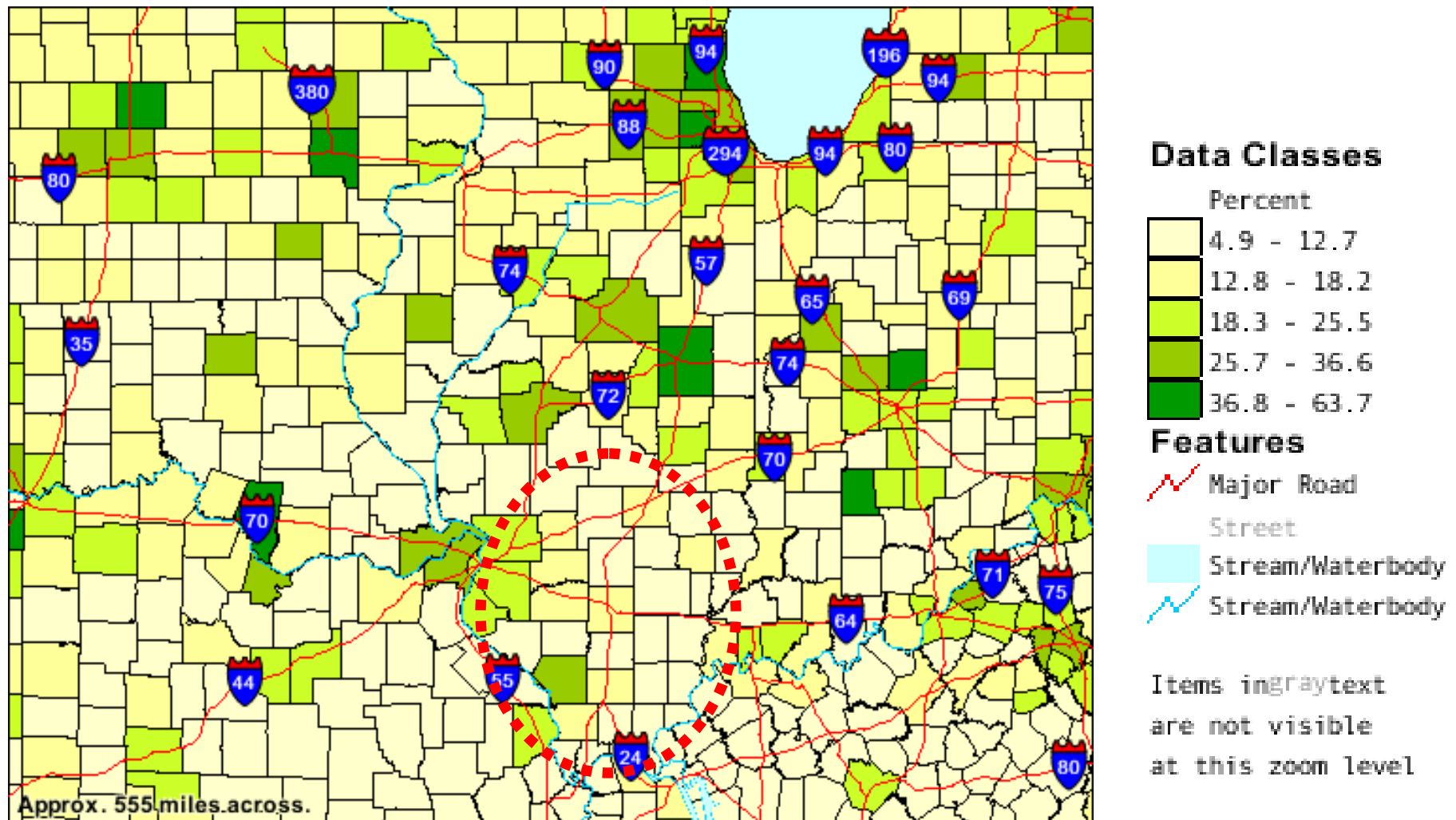


National Average 80.4%

Source: U.S Census



% of Population over 25 with Bachelor Degree or Higher



National Average 24.4% Source: U.S Census



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