

BY WILLIAM H. FREY

According to census

figures released in June, one-quarter of Americans now have college degrees – an all-time high. During the 1990s, the number of people with a sheepskin increased by well over a third, while high-school dropouts declined. But the bounty of the educated is not evenly distributed across the country.

States and local communities wishing to improve their tax bases, and cash in on the knowledge economy, have done their best to lure the best and the brightest. At the same

time, new immigrants with below-average education are locating in gateway regions where affluence has driven demand for low-skill services – restaurant workers, office

LARGE METROS WITH HIGHEST “BRAINS TO BRAWN” RATIOS

Metro areas over one million population with highest ratios of college graduates to high school dropouts*

1. Minneapolis-St. Paul, MN-WI (3.53)
2. Seattle-Tacoma-Bremerton, WA (3.04)
3. Raleigh-Durham-Chapel Hill, NC (2.66)
4. Denver-Boulder-Greeley, CO (2.66)
5. Washington-Baltimore, DC-MD-VA-WV (2.46)
6. Austin-San Marcos, TX (2.41)
7. San Francisco-Oakland-San Jose, CA (2.32)

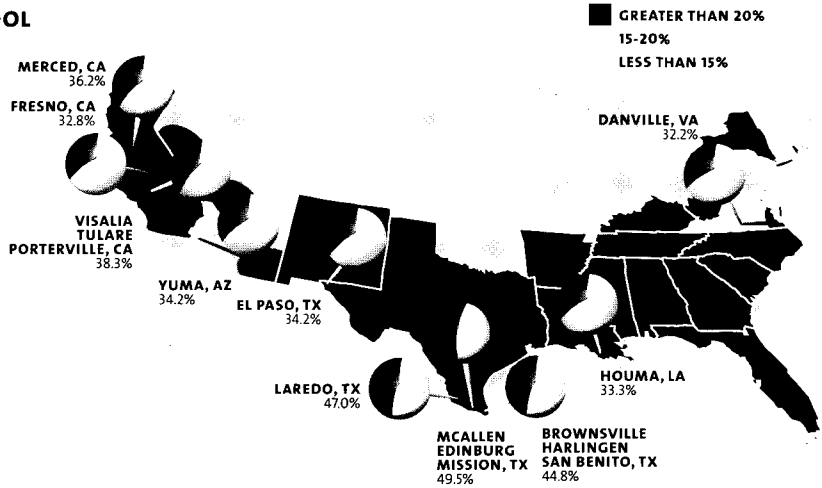
LARGE METROS WITH LOWEST “BRAINS TO BRAWN” RATIOS

Metro areas over one million population with lowest ratios of college graduates to high school dropouts*

1. Las Vegas, NV-AZ (0.79)
2. Miami-Fort Lauderdale, FL (0.88)
3. Los Angeles-Riverside-Orange County, CA (0.90)
4. San Antonio, TX (0.99)
5. New Orleans, LA (1.01)
6. Greensboro-Winston-Salem-High Point, NC (1.07)
7. Houston-Galveston-Brazoria, TX (1.12)

*Persons age 25 and above who graduated from college, divided by persons aged 25 and above who did not complete high school

**PERCENT HIGH SCHOOL
DROPOUTS, 2000**
BY STATE, WITH TOP-10
METRO AREAS



CORVALLIS, OR
47.4%



**PERCENT WITH COLLEGE
SHEEPSKINS, 2000**
BY STATE, WITH TOP-10
METRO AREAS

cleaners and the like. This creates the potential for local “barbell economies,” with bulges at both ends of the education scale.

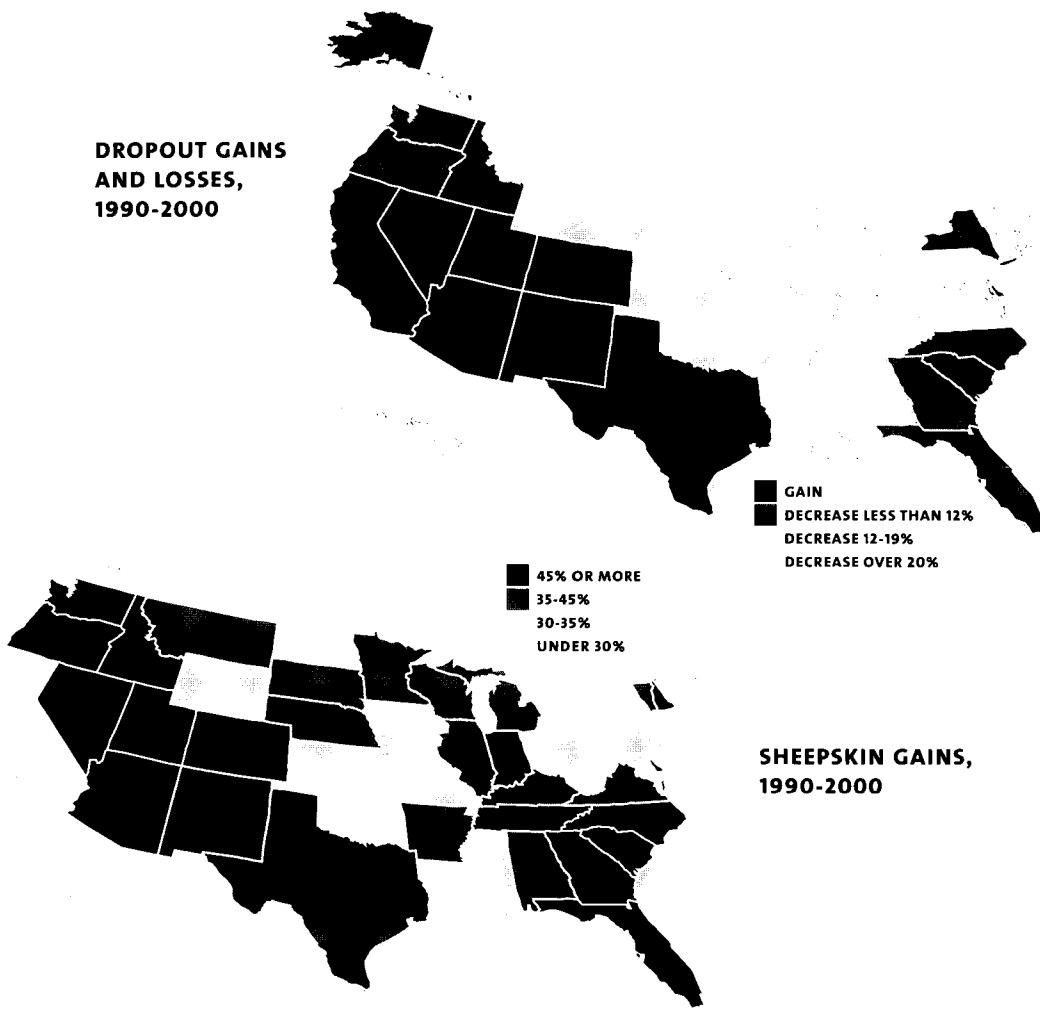
EDUCATION LEADERS AND LAGGARDS

In the District of Columbia, nearly four out of 10 residents have college degrees, while one in three are so blessed in Massachusetts. The comparable number for West Virginia is just one in seven.

Vestiges of the South’s lag in education show up in its high proportion of high-school dropouts. In Mississippi, Kentucky and Louisiana, more than one out of four adults did not finish high school, compared to about one in eight in Minnesota, New Hampshire and Utah.

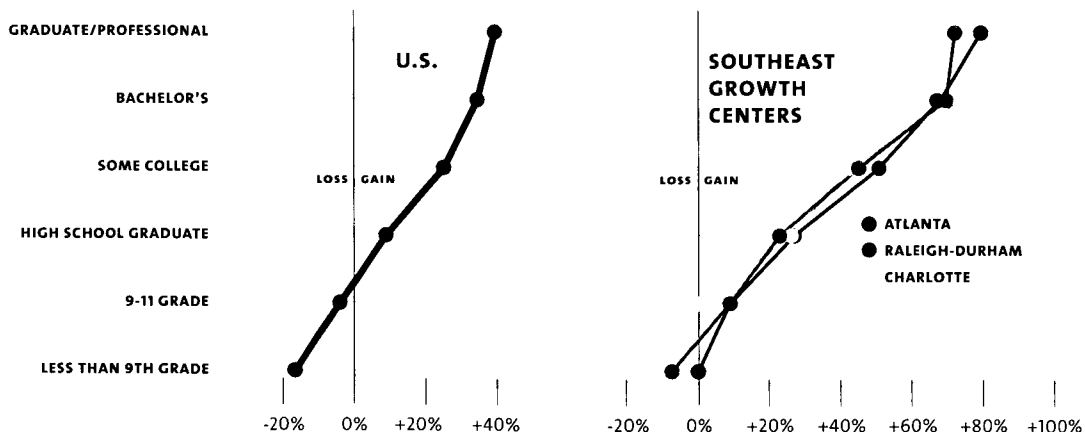
Not surprisingly, university towns – Iowa City, Madison, Charlottesville and Bloomington – are rich in grey matter. But college

DROPOUT GAINS AND LOSSES, 1990-2000



SHEEPSKIN GAINS, 1990-2000

1990s SHIFTS BY EDUCATION LEVEL (PERCENT CHANGE)



graduates shine in “new economy” metros, too – think Raleigh-Durham, San Francisco, DC, Austin, Boston and Seattle. At the other end of the spectrum, Latino border metros show large concentrations of dropouts – McAllen, Laredo, Brownsville and El Paso, not to mention Los Angeles and Miami.

SMART GROWTH

Migration of knowledge workers drove growth in the economically vibrant states of the Southeast and West. A good example is Georgia, which increased its college graduate population by 62 percent over the 1990s. Charlotte, Raleigh, Atlanta and Austin each increased their college graduate populations by more than 70 percent.

EMERGING “BARBELL” ECONOMIES

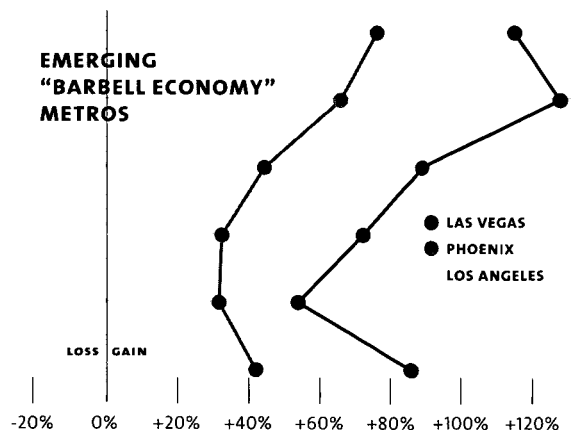
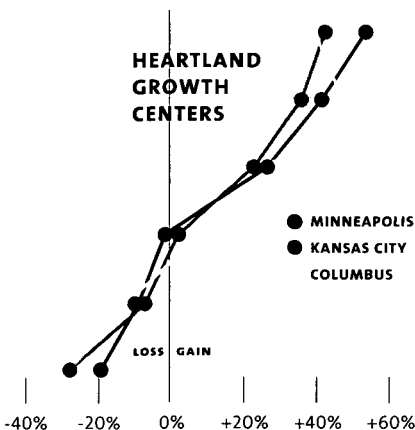
The nation as a whole showed a decline in high-school dropouts, but seven Western states plus Texas bucked the trend. The common thread: significant increases in Latino populations. Several states with dropout gains were also states with big gains in college graduates. The resulting barbell effect is even more pronounced in Las Vegas, Phoenix and other metros – a selective migration pattern

long evident in the more mature gateway area of Los Angeles, which is a magnet to low-skilled service workers from Latin America.

BRAINS VS. BRAWN

I have calculated a “brains to brawn” index – the ratio of college graduates to high-school dropouts. Among the nation’s largest metropolitan areas, a clear pecking order emerges. Minneapolis-St. Paul and Seattle have more than three college graduates for every high-school dropout. At the other extreme are barbell economy metros – Las Vegas, Miami, Los Angeles and San Antonio – where there are fewer college graduates than high-school dropouts. Low brains-to-brawn scores can also be found in a host of smaller metropolitan areas – some with new immigrant populations, others with aging native unskilled workers in the deep South and the Rust Belt. Indeed, about one-third of the nation’s metros have more high-school dropouts than college graduates. It seems we’re getting smarter all the time, but some places are getting smarter than others. **M**

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Only yesterday, the American system of corporate disclosure was championed as a model for the rest of the world. Indeed, the Asian financial crisis of 1997-98, which was marked by revelations of a woeful lack of transparency in financial markets, led to a chorus of demands for the adoption of U.S.-style disclosure systems.

What a difference a metaphorical day makes. The number of American corporations whose earnings have been restated passed 200 in 1999. Numerous high-profile lawsuits have been filed against accounting firms for auditing failure, generating a number of

Fixing Corporate

After Enron

By Robert E. Litan

multimillion dollar settlements. Nothing has done more, however, to generate concern about the adequacy of corporate disclosure than the failure of Enron last fall and news that its auditor, Arthur Andersen, knew about the company's problems beforehand, did not force their disclosure, and later shredded documents in an apparent effort to cover up its liability.

Many fixes have been proposed, and at this writing, some are being seriously considered by the Congress. But even as policymakers deliberate, the market itself is driving change. Corporate managers and directors are paying far more attention to disclosure, and some companies whose stock prices were hammered after Enron's failure (notably AIG, GE and IBM) have provided more details about their operations and risks. The various gatekeepers who failed so miserably in warning of Enron's problems – accountants, analysts, and ratings agencies – have also tightened up their practices. The New York Stock Exchange has issued far-reaching proposals for changes in corporate governance. And the SEC has been far more aggressive about pursuing accounting discrepancies.