"NON-ECONOMIC DIVIDENDS FROM EDUCATION"

Summary of Remarks by

Monroe Kimbrel, President
Federal Reserve Bank of Atlanta

At the Symposium, "The South in the Next 20 Years"
1968 Annual Meeting of Southern Regional Education Board
Atlanta, Georgia
June 11, 1968

I am delighted to join with you in observing the twentieth year of activation of the Southern Regional Education Board for several reasons. In the first place, it is always a pleasure to get together with old friends who have common interests and with whom one has worked over the years. In addition, as a person who was born and bred and has spent his working life in the South, I feel a great deal of satisfaction in taking part in any affair that not only can point to some success in bettering Southern conditions but also has the future as its principal focus.

My being here today, however, gives me a chance to emphasize how intimately the Federal Reserve Bank of Atlanta, as a part of the Federal Reserve System, is concerned with the welfare of the region it serves. I welcome the opportunity to point out once again that the fundamental purpose of the Federal Reserve System is to
promote the general welfare. The Federal Reserve System is able to promote the general welfare by influencing the availability of money and credit. This leaves a large part of our economy outside its sphere of influence since the way our economy behaves results from many nonmonetary as well as monetary forces. Nevertheless, the success of the Federal Reserve System is ultimately measured by the extent to which it contributes to economic growth and maintaining stability in our monetary and economic system.

The Federal Reserve Bank of Atlanta has long been concerned with the problems of economic and structural change within the six-state Southern region it serves. We know at the Bank that, although money and monetary conditions are important, they are not the sole—and sometimes not even the most important—forces molding the shape of a region's economic growth. For this reason, we have long recognized the important contribution education can make to economic growth and welfare in the South.

To demonstrate this interest, I am going to read to you a quotation from an issue of the Monthly Review of the Federal Reserve Bank of Atlanta published over twenty years ago. In September
1946, our Review contained an article entitled "Education as an Investment in the Sixth District Economic Progress." After discussing some of the relationships between the level of education and economic conditions in the part of the South served by the Bank and some of the deficiencies in the educational establishment, the author concluded with these words: "Raising the District's income to a national level is something that will not happen in a year or two. It is a long-term problem....What the region's relative economic standing will be twenty or thirty years hence, however, will be governed greatly by the education the region gives its children today."

This attention to education's possible contribution to Southern advancement was, of course, shared by many persons and organizations at that time. However, as Professor Grantham has noted, it was not until the first quarter of this century that there began to develop a wider interest in education as a public responsibility. It is probably safe to say that it was not until after World War II that this interest became strong enough to result in the organization of such a body as the Southern Regional Education Board.

I am sure that at the time the author of the
study published in our Monthly Review made his prophecy he considered twenty years a long way in the future. Years pass rapidly, however, so that now we have the opportunity to test some of the implications of that prophecy.

Professors Grantham and Maddox in their papers and in the comments they made today have a great deal of information that we can use in forming the answer to the question, "Does the South's economic standing today reflect the kind of education we gave our children twenty years ago?" The ultimate answer must be made by each one of us individually, however, on the basis of our own personal judgment. This morning, therefore, I should like to discuss briefly with you what the materials they have presented in their papers have suggested to me.

Both Professors Maddox and Grantham document the economic progress that the South has made in the last twenty years. Figures given in Professor Maddox's paper show a growth in per capita income from $377 in 1940 to $1,727 in 1960, bringing the South's per capita income from 63.4 percent of the national average to 78 percent. How much did education contribute to this economic growth? How much more economic progress could have been achieved had the South devoted even more of its resources to improve education?
It is, of course, impossible to answer these questions with any degree of exactitude. Part of the economic growth, as Professor Maddox has indicated, can be ascribed to the expansion of the nation's economy; the South merely shared in that growth. But surely this cannot be the sole explanation, since in this period the South not only grew economically speaking but increased its share of the nation's expanding economy.

During this period, Southerners had devoted an increasing part of their resources to education at all levels. I am sure that the resulting improved education was a major force in helping increase the South's share of the national income if for no other reason than it facilitated the process of change that was basic to economic growth. In 1940, Professor Maddox tells us, employment in agriculture in the South was 32.4 percent of total employment. By 1960, the proportion had declined to 9.6 percent. Manufacturing employment had increased from 15.9 percent to 21 percent; in service-producing industries, from 42.7 percent to 56.2 percent. This shift in employment was, of course—as we all know—accompanied by a technical revolution in agriculture. It was accompanied by a shift of population
from the country to urban areas, and it was accompanied by a major change in industrialization. The process, as Professor Maddox has pointed out, increased the productivity of Southern workers.

Now, I am sure that a better educated population had more ability to make these changes than one with lesser educational preparation. A better education furnished some of the entrepreneurial background needed to take advantage of the economic opportunities and to profitably use the South's human and natural resources. Undoubtedly, increased skills, higher literacy, and adaptability resulting from better education all contributed to income growth. Even though we cannot put an exact figure on them, we are reaping the dividends today in the form of higher incomes for Southerners from the investment we have made previously in education.

I think we need to remind ourselves, however, that we should expect far more from education than economic growth. Sometimes we need to remind ourselves that America's devotion to education originated not so much to improve the economic status of its citizens as to prepare its citizens to take an active and intelligent part in our democratic process. Its purpose
was to create the well-informed and thoughtful citizenry that is essential for the operation of a governmental and economic system such as ours. I should, therefore, think it is a mistake to measure the dividend from the investment we have made in education solely in economic terms.

Thus, perhaps we should find satisfaction enough from our investment in education even if there had been no improvement in the relative standing of the South in terms of per capita income at all if at the same time Southerners had learned to live better with what they had, to improve their political structures, to reduce social unrest, and to widen opportunities for individual development.

Both economic development and social improvements are inevitably tied together, of course. This is evident from the two papers that have been prepared for this session. Professor Grantham, writing from the point of view of an historian, could not avoid stressing economic factors in his essay in contemporary history. On the other hand, Professor Maddox, an economist, could not avoid discussing both as a background and currently some of the noneconomic highlights of Southern history.
Would we be better off today—measured both in terms of income growth and social adjustments—if in the past we had devoted more of our resources to education? Both Professors Maddox and Grantham point out that, despite the progress made in the South, there is still some way to go before the South can provide its people with the level of income enjoyed in many other parts of the country. And we have only to look around to see that the South has many social problems to solve. Would more education have speeded up the process of change, eliminated some of the frictions, and brought us a little further along toward solving our economic and social problems?

We cannot be sure, of course, that, had change been more rapid, the South could have absorbed the changes without crippling frictions. As Professor Grantham has noted, in the past twenty years there had been a conflict between change and continuity in Southern life that has carried with it at times bitterness and frustrations. In the process, there have been changes in the attitudes of race relations and political and urban-rural relationships. But, despite these changes in Southern attitudes, he also notes the South's environment, including industrialization and urbanization, has changed far more than the attitudes of its people.
I think it would be too much to have expected that merely devoting more resources to education would have eliminated all of these problems and tensions. I cannot help but wonder, however, if it might not have been worth trying.

But it is to the future that this symposium is directed, and both Professors Maddox and Grantham ask about the same question. Professor Grantham asks: "Will the dynamic pace of Southern economic development since 1940 continue during the next generation and narrow further the long-time disparities of income and standard of living between the South and other regions?" Professor Maddox asks: "Is the Southern economy likely to continue to change in the same direction and at approximately the same rates between 1940 and 1960, or have foundations been laid for more rapid rates of growth in the future?"

Both professors reply, "It depends." May I add that I hope the realizations are fulfilled.

Professor Maddox stresses that the South's position relative to the rest of the nation depends greatly upon its competitive position. He sees an improvement in this competitive position, and on that basis he is optimistic about the South's future.
Among the improvements, he lists the better quality of Southern education. Professor Grantham sees that at least the momentum developed during the last twenty-five years should carry the South's economic development forward. "The South is going to change whether or not its people find change desirable," he states. How painful or how constructive this change will be, he points out, depends upon the response of its leaders in politics, business, religion, education, and other fields. The need for developing effective leadership is echoed by Professor Maddox.

Developing the kind of leaders that the South will need or, in fact, needs now I firmly believe should be of prime concern in developing educational plans for the future, especially in plans for higher education. I am convinced that the future of the South will depend just as much upon the kinds of leaders it develops as upon its ability to train scientists, engineers, and technicians.

I believe that we have, as a result of the changes that have already taken place, certain advantages that help us face the future as the authors of the two papers point out. For one thing, we have become accustomed to change. Perhaps at one time when we were confronted with any change, our immediate reaction was to say to
ourselves: "This really can't be," or "How can we stop it?"

Perhaps we have learned to recognize that some changes are eminently desirable. Perhaps we have recognized that some are inevitable. Perhaps we have learned that we need to adapt to change or, indeed, need to institute changes ourselves. Let us hope that this is the case. If it is, we should not only help promote Southern progress but we shall find life much easier. This is what I hope education will do for the South.