

Acknowledgments

“What D’Ya Know?” was written by W. Michael Cox and Richard Alm. The essay is based on research conducted by Cox, senior vice president and chief economist, Federal Reserve Bank of Dallas. Alm is an economics writer in the Bank’s Research Department. Julia K. Carter, an economic analyst at the Bank, provided important research assistance on the project. Charlene Howell assisted with photo research.

Notes

¹ The hierarchy of human talents is discussed in greater detail in the Dallas Fed’s 2003 Annual Report essay, “A Better Way: Productivity and Reorganization in the American Economy,” at www.dallasfed.org.

² For more on the issue of school choice, see “The Theory and Practice of School Choice,” by Paul E. Peterson, in *The Legacy of Milton and Rose Friedman’s Free to Choose*, Dallas: Federal Reserve Bank of Dallas, December 2004, pages 37–54.

³ Price Pritchett, chairman and CEO of Pritchett LP in Dallas, coined the term *3-pound tool* to describe the brain.

Exhibit Notes and Data Sources

All dollar amounts in text and exhibits are in 2004 U.S. dollars; international data are adjusted for purchasing power.

Exhibit 1

Data in the table are for year-round, full-time workers. Lifetime earnings are estimated assuming 40 years of full-time work at average annual earnings prevailing in 2003. Census

Bureau, Current Population Survey (CPS), 2004 Annual Social and Economic Supplement, table PINC-04.

“Schooling, Experience Reduce Unemployment”
Bureau of Labor Statistics (BLS), unpublished 2003 data.

“Helping Economies Grow Richer”
Estimating the relationship between state per capita income and the percentage of population age 25 and over that holds a bachelor’s degree gives $INCOME = \$11,903 + 729.17 \cdot BACHELOR’S$, with the coefficient t values of 6.24 and 10.42, respectively, and $\bar{R}^2 = .68$.

Census Bureau, CPS, historical table A-1 and table 13 (2003). Bureau of Economic Analysis, national income and product accounts and regional economic accounts (2003).

Exhibit 2

Average starting salary for bachelor’s degree: National Association of Colleges and Employers, *Salary Survey*, Fall 2004. Average salary for experienced workers: BLS, Occupational Employment Statistics, May 2003.

Exhibit 3

The vertical axis scale is logarithmic to the base 2. Estimating the relationship between per capita GDP, years of schooling and economic freedom (which ranges from 1 to 5, with 1 being freest) gives the result $\log_2 GDP = 13.92 + .30 \cdot SCHOOLING - 1.10 \cdot FREEDOM$, with the t values on $SCHOOLING$ and $FREEDOM$ being 9.63 and -9.18 , respectively, and $\bar{R}^2 = .79$. Each of the solid lines represents the per capita GDP levels predicted within that peer group—from the freest countries (in green) to least free (in orange)—holding the economic freedom index constant at the median within-peer-group values of 2.00, 2.95 and 3.74, respectively.

Robert Barro and Jong-Wha Lee data set (2000), Center for International Development, Harvard University. World Bank, World Development Indicators (2000). *2002 Index of Economic Freedom*, Gerald P. O’Driscoll, Jr., Kim R. Holmes and Mary Anastasia O’Grady, eds., Washington, D.C.: The Heritage Foundation/Wall Street Journal (2000 scores).

Exhibit 4

Census Bureau, CPS, historical table A-1.

Exhibit 5

“American Students Lose Ground...”
Council on Competitiveness, www.compete.org.

“...Despite Hefty Outlays for Schooling”

Estimating the relationship between the average of math, science and reading scores for 15-year-olds and per student expenditures gives $SCORES = 443 + .01 \cdot EXPENDITURES$, with the coefficient t values of 26.04 and 3.36, respectively, and $\bar{R}^2 = .29$.

Organization for Economic Cooperation and Development, *Education at a Glance 2004*.

“Teaching Gets Less of the Money”
U.S. data on educational expenditures are for public schools only. National Center for Education Statistics, *Digest of Education Statistics, 2003*.

Photo Credits

ATI Technical Training Center, Dallas, TX, 214-352-2222, p. 10;
University of Wisconsin, p. 13;
Blonde Productions Group, p. 16.

The picture on page 15 was taken at a Mi Escuelita Preschool in Dallas.