

The *Next* Global Imbalance

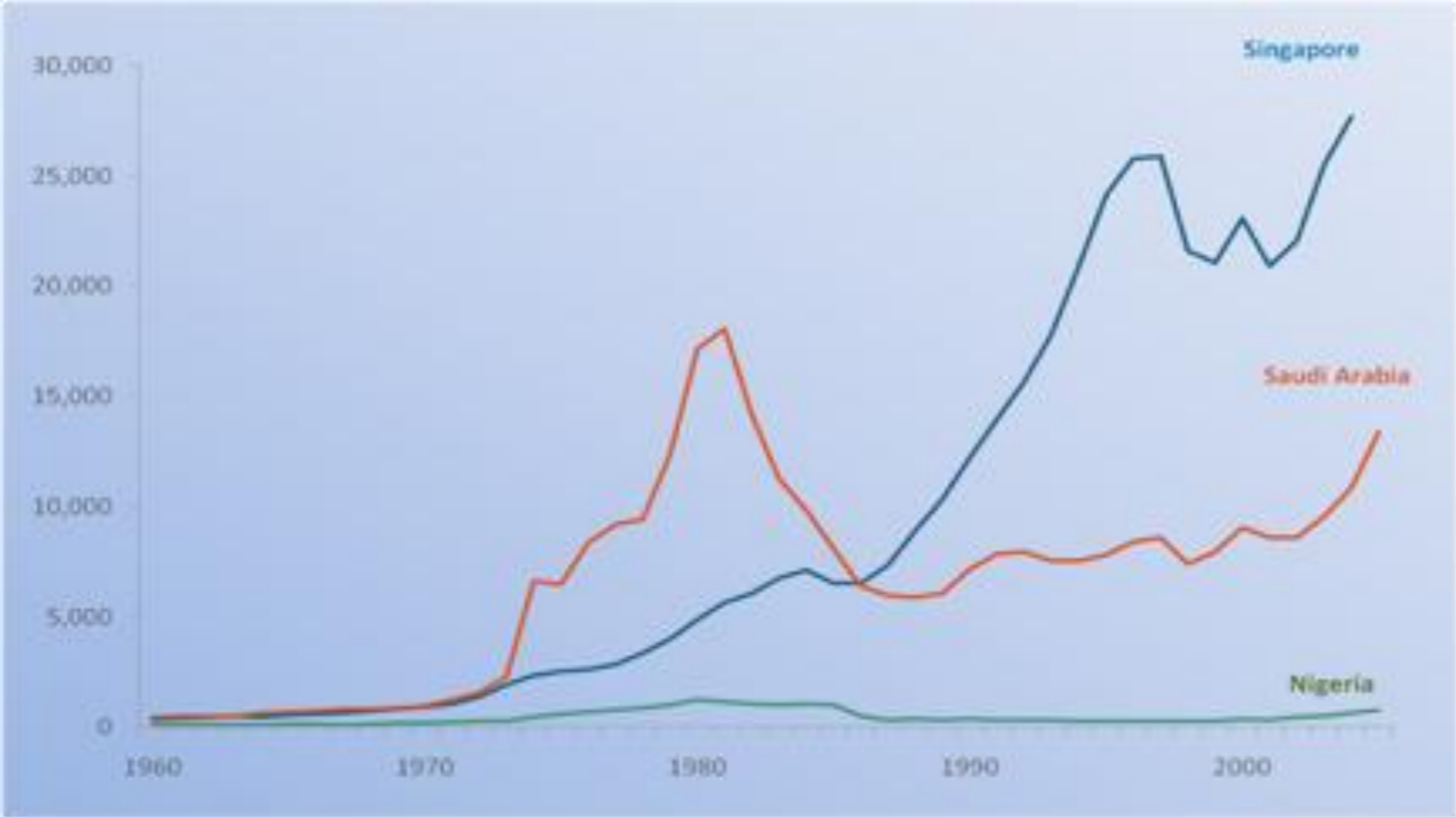
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A decade of knowledge economy evangelism...



```

class Patient {
public:
    static void main(String[] args) {
        int age = 5, sex = 1;
        int height = 11, weight = 8, OPTD = 2;
        Patient p = new Patient(1);
        // ...
    }
}
    
```



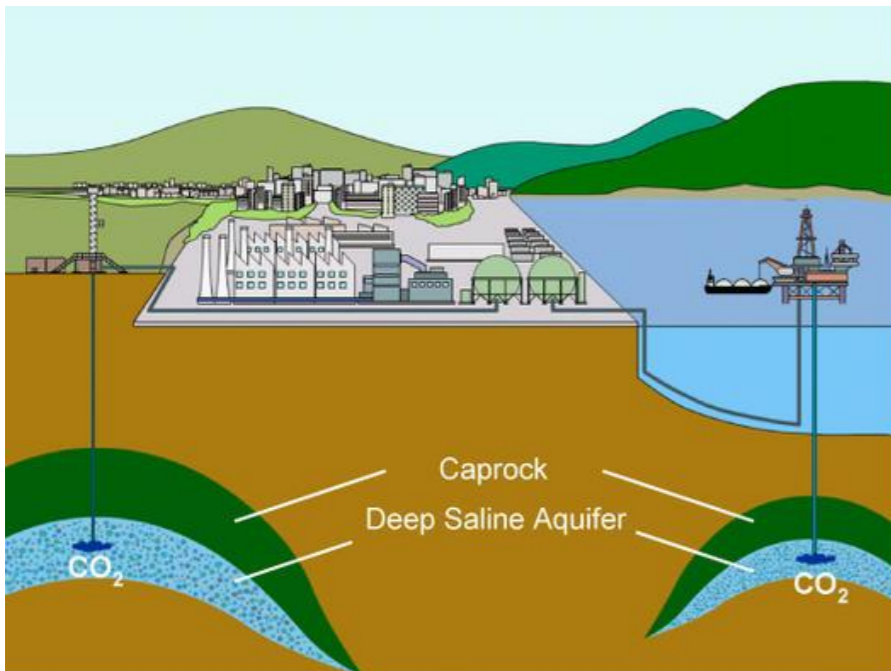
Is at risk



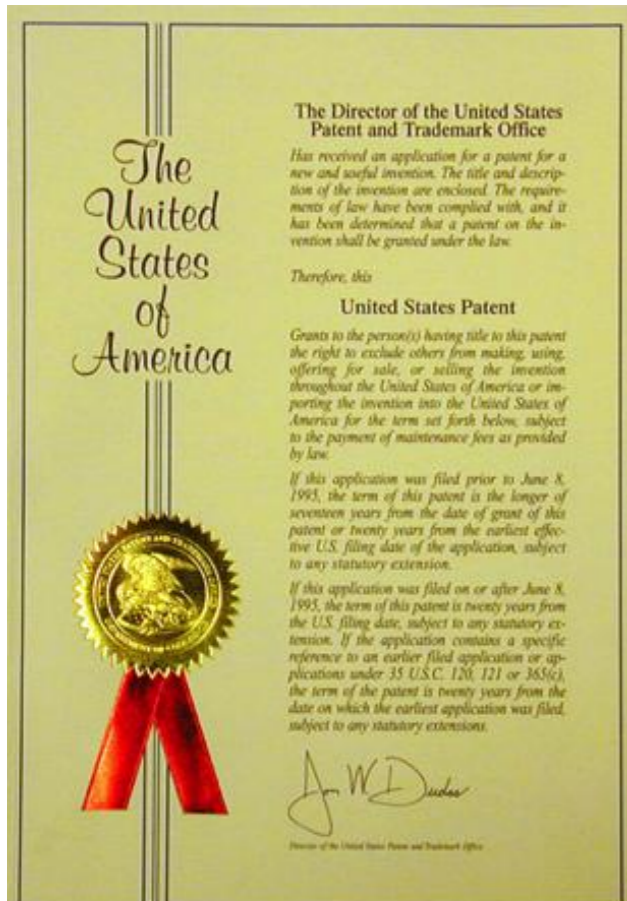
free



how exactly will the knowledge economy capture value?



Molecules and Bits



Economics

**Dueling Outlooks:
Paul Krugman
vs. John Paulson**

p4

Etc.

**Could Good
Management
Have Saved
The Beatles?**

p78



Technology

**Hardware
Sales are
Roaring Back**

p33

Plus

Radical Empiricists — p56

Fat Trees to Fix Jeep — p19

White-Collar Palookas — p69

Emirates' Really Big Planes — p16

The King of Cappuccino — p74

July 5 - July 11, 2010 | businessweek.com

Bloomberg Businessweek

5 July 2010

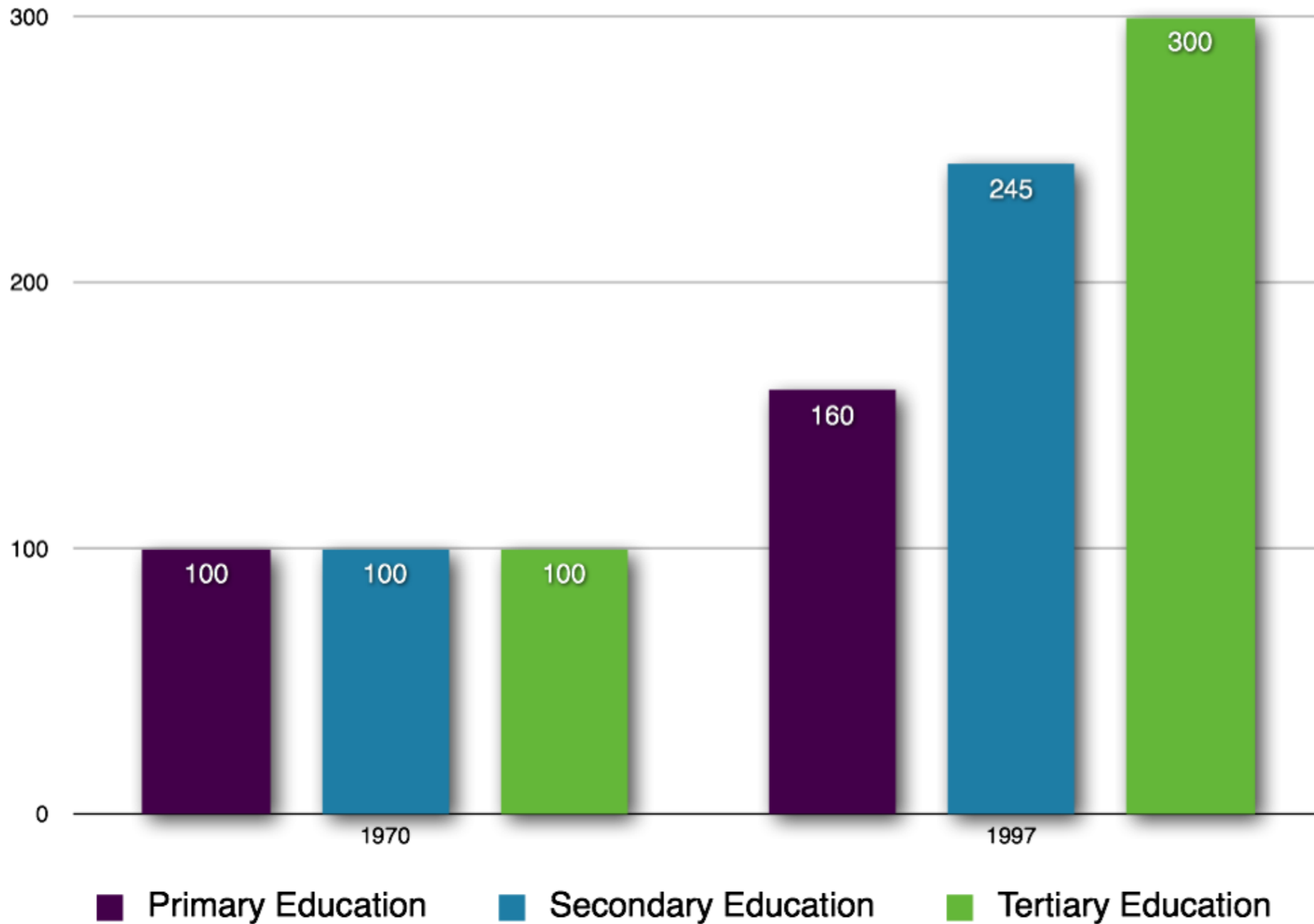
**HOW
TO
MAKE
AN
AMERICAN
JOB**
BY
**ANDY
GROVE**

p48



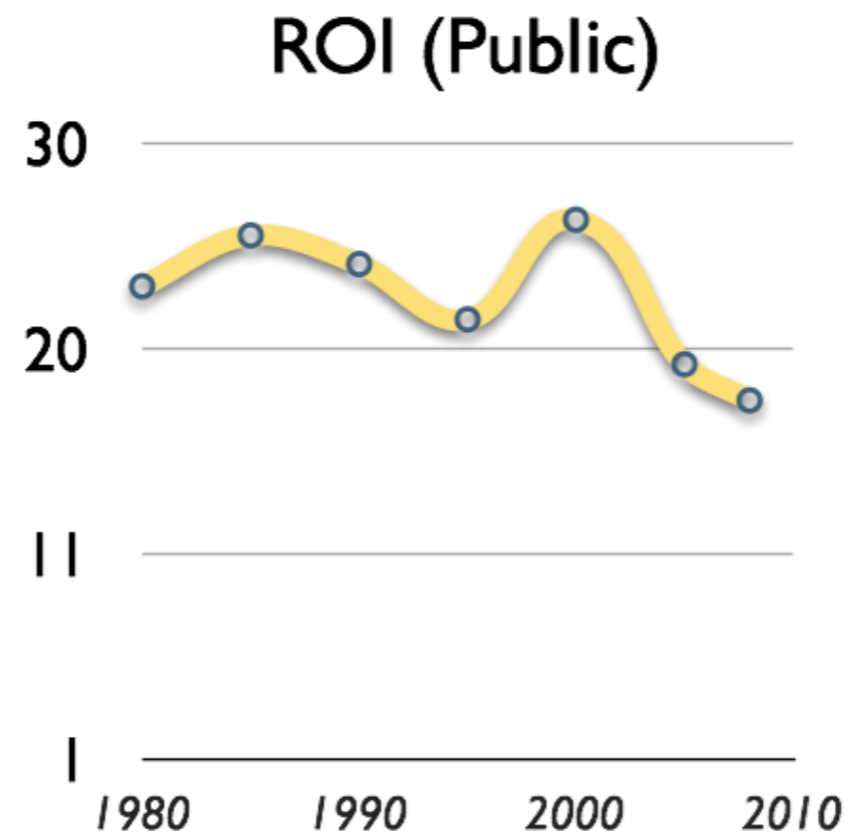
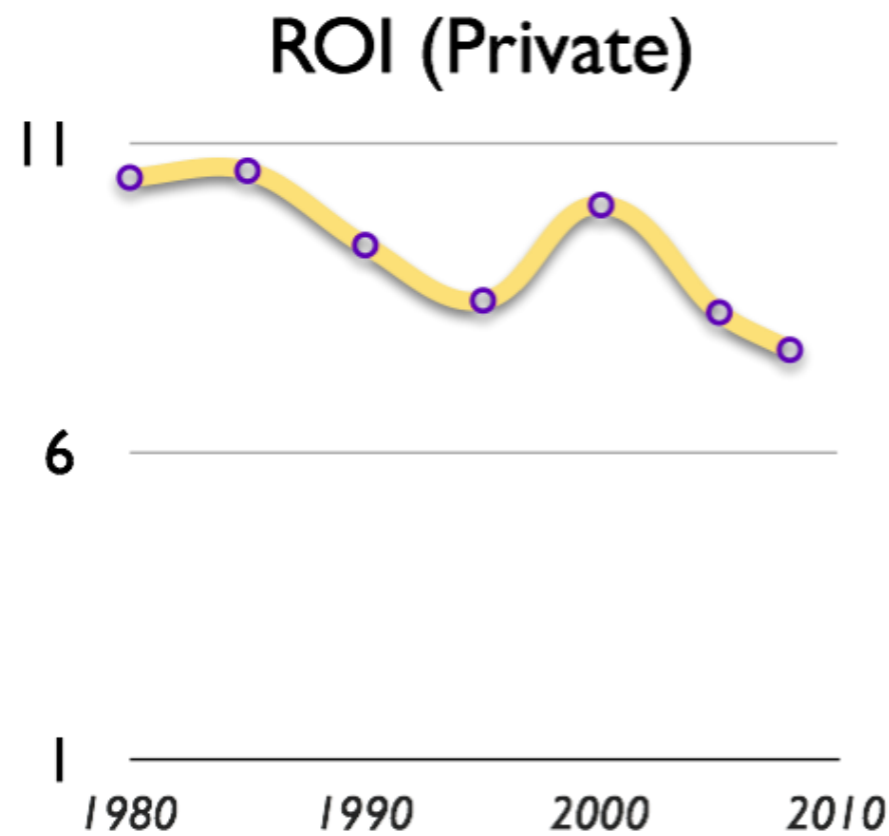
Where's the Human Capital Investment Going?

Tertiary Education is Becoming the Baseline



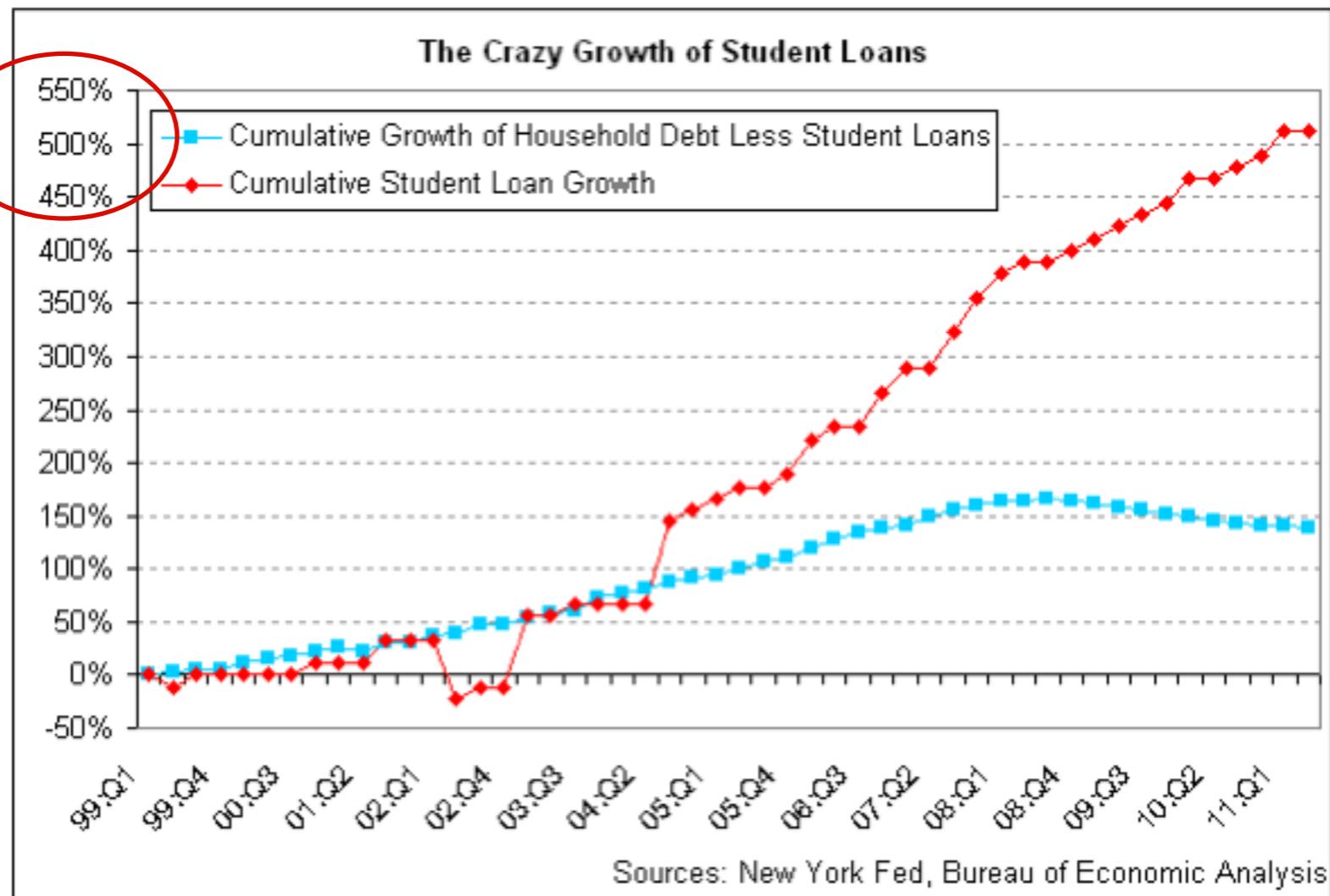
Increase in Global Student Population, normalized to 1970 population

But Returns to HE Investment in United States are Falling



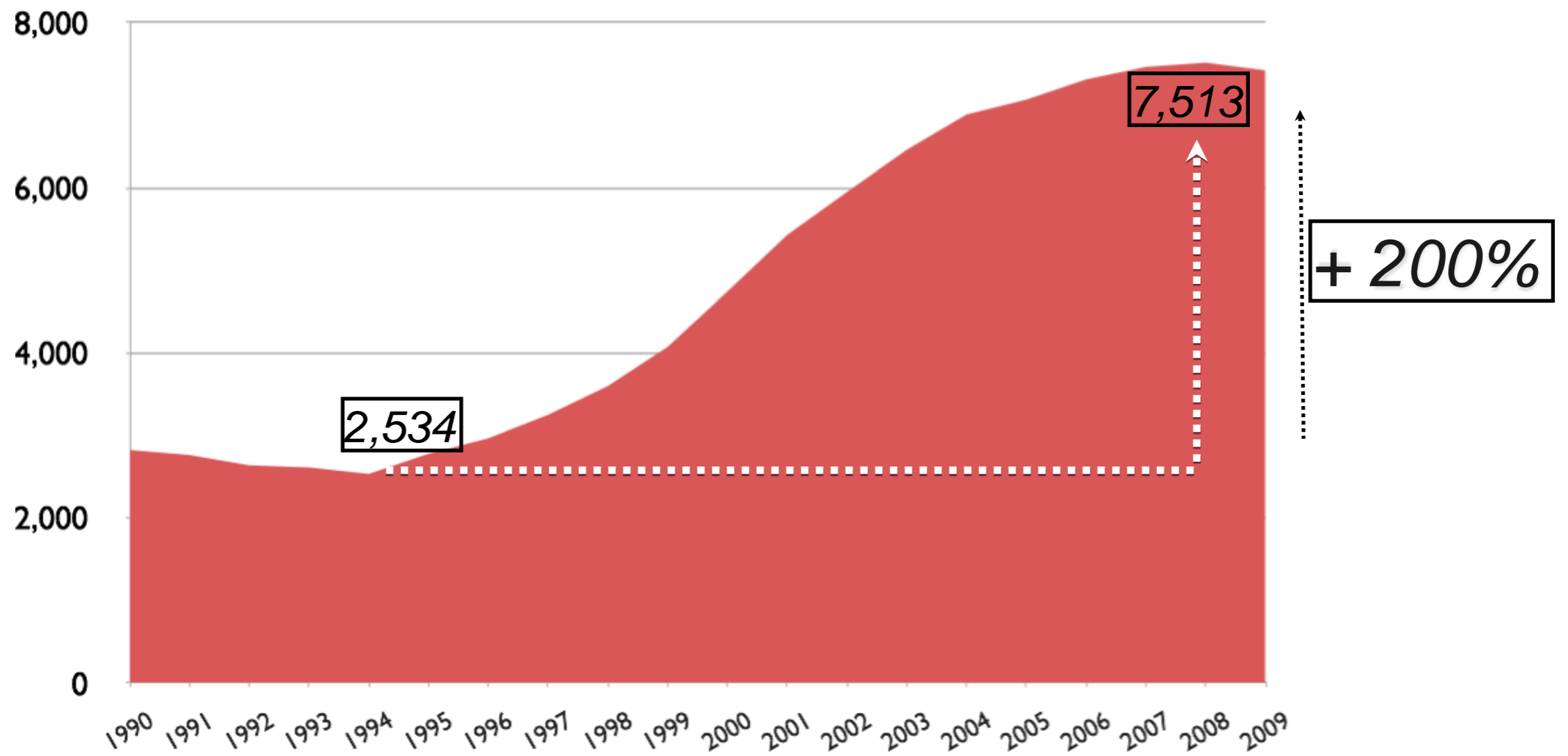
Entirely Predictable Result: Bad Debt in College Loans

in less than
a decade



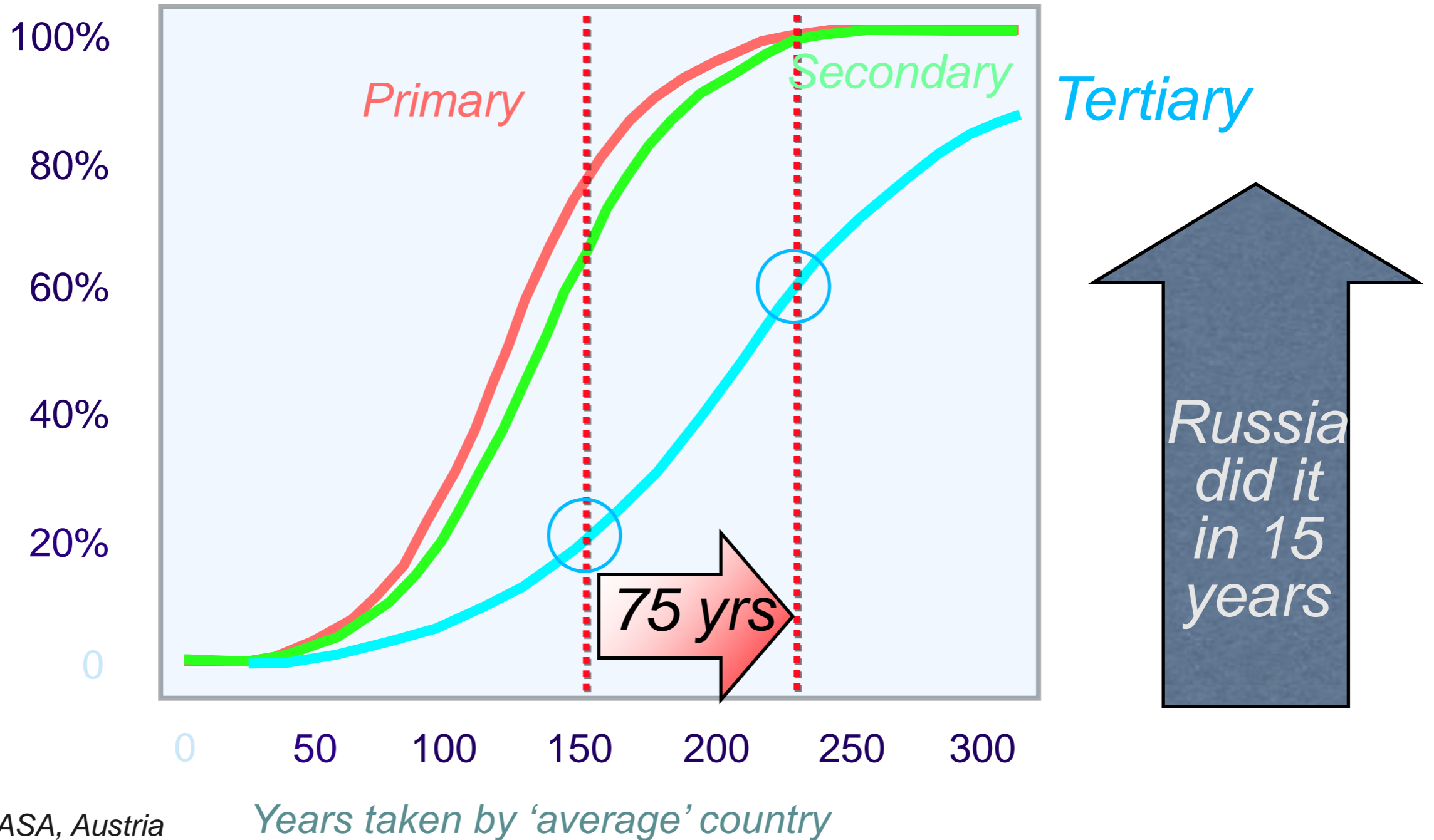
University Enrollment in Russia

Students (000)



Human Capital Accumulation Race

Population attaining educational level

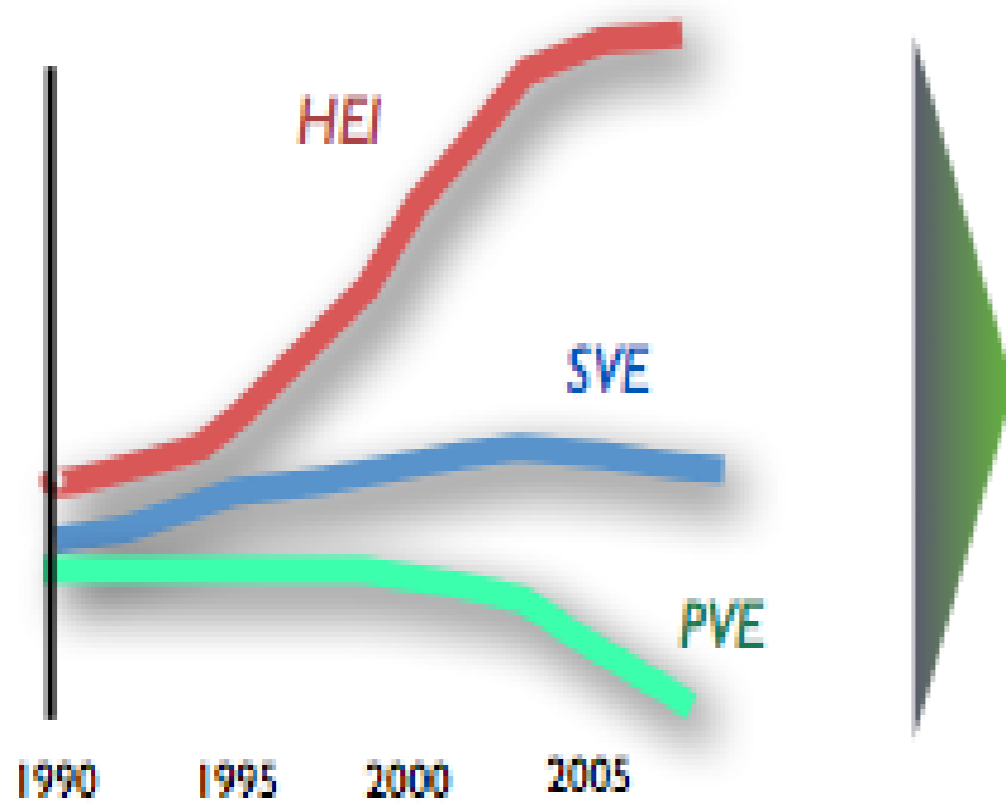


Source: IIASA, Austria

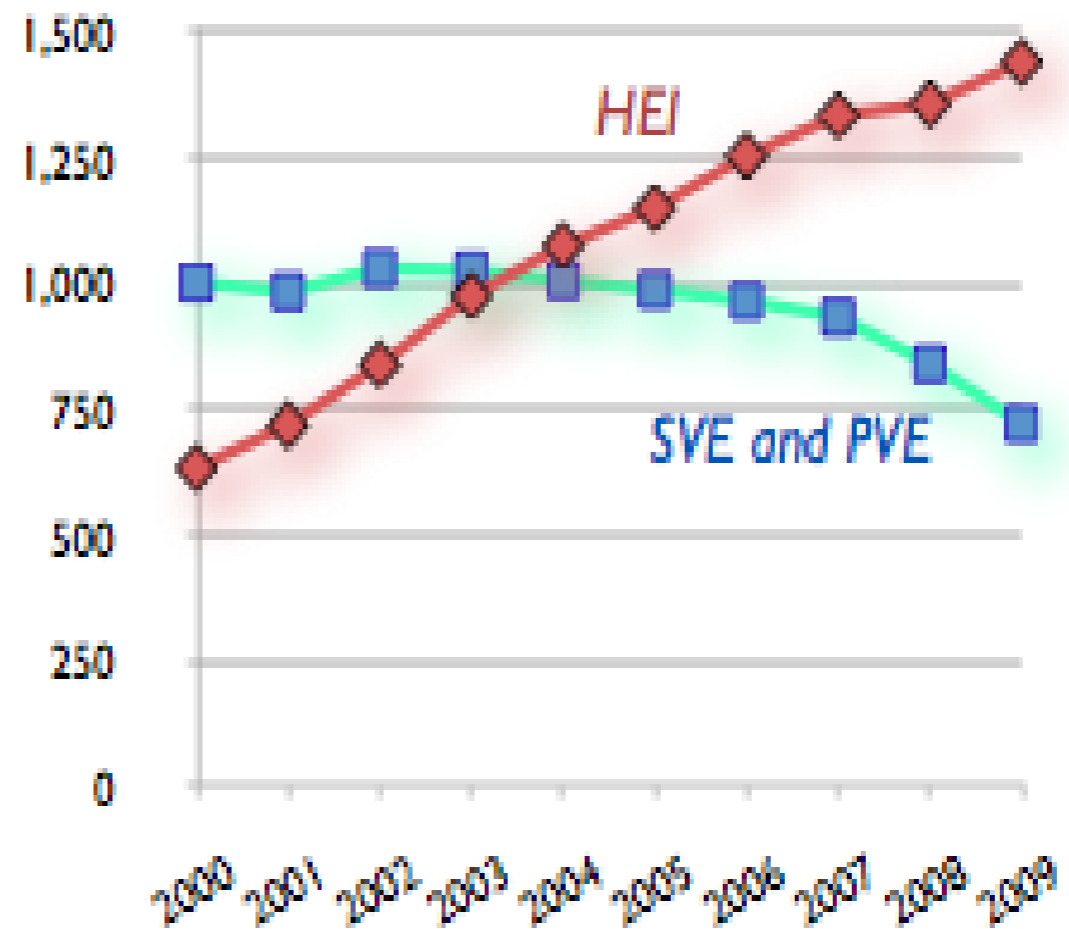
Years taken by 'average' country

From Worker's Paradise to University Nation

(a) Student Enrollment Growth Trajectories



(b) University (HEI) vs. Vocational Education Graduates (000)



Can KE Scale?

Slender Demand,
Oversupply

International Competition

Mobile and Fickle Human
Capital

Uncertain IP Rights

Many Marginal Products,
Demand Volatile

Computation Advances More Quickly Than Robotics

A new global imbalance?

**Knowledge Economy
Underemployment**

Knowledge Economy Underemployment World

- First order misallocation of human capital -- with long amortization period
- Significant "Class" of The Young, Educated, Under-employed and likely Disillusioned, burdened with Excessive Debt
- Further Disillusionment/Rejection of US-led, 'global' development 'memes' associated with the complex of existing international institution
- Corruption Bazaar
- Corrosion in Domestic Consensus to Invest in Education
- A challenge to the exceptionalism of democracy
- Who will fix the pipes??