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When it Comes to the Changing Times in the Financial and Educational Systems, People are Making the Same Fundamental Mistakes

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Abstract: The traditional education and financial systems were once perceived guarantees for obtaining and securing wealth. Currency used to be backed by gold, a physical asset and a degree almost guaranteed a better paying job, representing an education and relevant skills. Now, the US dollar is not backed by gold and whether or not a higher degree has a positive return on investment is highly debatable. Yet, many are still focusing on accumulating dollars and degrees as opposed to focusing on accumulating assets, education and skills which is where the true values lie. Once people take responsibility for these value judgments, both these systems will change for the better.

Key words: Traditional, financial, positive, investment, people, judgments

INTRODUCTION

The education and financial systems are tightly tied with financial success. The financial system's relevance to financial success is straightforward while the education system's relevance is less obvious. Historically, there has been a proportional relationship between advanced degrees and salaries as people with more or higher degrees have had better paying jobs on average. There is a recent trend, however that is undermining this traditional notion. "As recently as May of 2016, professional services firms pay scale and future workplace reported that 60% of employers believe new college graduates lack critical thinking skills, based on their survey of over 76, 000 managers and executives" (Jenkins, 2017). This is not only indicative of start-up companies but of huge corporations with longstanding tradition as well. Ernst and Young, one of so-called Big 4 accounting firms have relaxed their academic requirements for job applicants, stating, "Academic qualifications will still be taken into account and indeed remain an important consideration when assessing candidates as a whole but will no longer act as a barrier to getting a foot in the door" (EYGL, 2015).

Viewing these changes in traditional systems may seem intimidating to an individual as these types of 'guarantees' an asset-backed currency and a skill-backed degree are no longer certain. Better understanding of the financial and educational systems is the first move toward individuals taking responsibility for their decisions which in turn will have an effect on the systems themselves. Expecting that these systems will change on their own or that others will change them for someone else's benefit is a slippery slope of individual power concession. As Mark (2017) states "With great responsibility comes great power". Expanding on the logic behind this, he states, "The more we choose to accept responsibility for in our lives, the more power we will exercise over our lives. Accepting responsibility for our problems is the first step to solving them". Discussing what others need to change with people like those on wall street or within the education system is unlikely to be of any benefit unless an individual is personally in a position to make those changes happen. So, instead of depending completely on others, why not spend sufficient time to figure out what we need to do for ourselves? Starting with what people can do and need to do: to vote with their feet more often. Considering the world's progression toward integration, the speed in which things move can be extremely fast a double edged sword that is both scary and great as people who vote with their feet now affect change extremely fast as well. So, how can we vote with our feet? Firstly, we can educate ourselves on alternative options outside the traditional ones. What percent of people don't read books that were not assigned to them in some type of classroom setting? Education will always have value; the mistake is especially as we get older in allowing others to determine what is most important to learn.

MATERIALS AND METHODS

First, we will discuss the financial system to illustrate the major changes that have taken place over time. In 1971, President Nixon of the United States took the US dollar off the gold standard. In other words, the US dollar was no longer backed by gold. Prior to this event, one

dollar was worth one thirty-fifth of an ounce of gold. In order for America to have more dollars, America needed more gold to ensure that, there was a limit on the amount of currency the American government could print. Furthermore, the US dollar is the reserve currency-meaning all other currencies around the world were backed by the US dollar. By taking the US dollar off the gold standard, the American government effectively took all currencies off the gold standard.

Once off the gold standard, the American government could print as much currency as it wanted. This type of currency is called fiat currency one that is backed only by the promises of the government. Before, in essence, there was a guarantee that your money was worth something tangible; now, there is basically no guarantee. Hence, over time people have been progressively losing faith in the financial system.

With the help of the internet, the masses are turning to alternatives. Another type of currency other than fiat is a cryptocurrency (Vigna and Casey, 2015). This currency, however, in the researchers opinion is also backed only by promises. Examples of cryptocurrencies are the more common BitCoin and the less common Ether. There is supposedly a limit to the amount that will be in circulation, making it similar to the old gold standard. While this sounds good in theory, there are other digital currencies being created in unlimited supply no different than the present state of the US dollar, cryptocurrencies are just a medium of exchange: they have no real asset backing them.

In the past, a college degree almost guaranteed a job and a decent paying job at that. As this is no longer the case, many people are losing faith in the education system. There are more people now going to college and perhaps more full time jobs requiring advanced degrees, though the probability of full time employment with a degree seems to be trending down (Jenkins, 2017). Perhaps, this is a result of supply exceeding demand or a mismatch in qualifications and demand; regardless for many the surest thing degrees appear to guarantee is a large student loan. As with the financial system, people are turning to alternatives, especially people who have arisen from the digital age. For example, many people are now studying and getting an education via the internet, ranging from traditional universities that offer courses online to individuals informally teaching topics online via mediums like YouTube.

As a professor in the business school, this author interviews students that apply for an MBA program at his respective school. When asked about their purpose in applying to business school, many applicants responded that their end goals were to get an MBA. This type of response is troubling as the desire for the degree outweighs the desire for an education. This view that the value lies in the degree not in the skill set is a logical flaw. Furthermore, in an article discussing quality assurance in academia, "In a longitudinal comparison of nine colleges, for example, college students who admitted that they copied from other students on tests or exams increased from 26% in 1963-52% in 1993" (Arum, 2011). This is an underlying issue found in perceptions of both the education system and financial system: people make the assumption there is there is an intrinsic value backing them.

The general public often mistakes currency for an asset and focuses on accumulating currencies. In the past, when the dollar was backed by gold, there was a certain truth to that now, however, with respect to fiat currencies, this is a dangerous inaccuracy. So, instead of focusing on accumulating fiat currencies why do people not focus on accumulating assets directly instead?

When it comes to education, people often mistake degrees for skills which in itself is an issue of mistaking the appearance of something of value for the thing of value itself. In other words, money used to represent gold and degrees used to represent skills required for a job. Both had value and were assets while nowadays money does not represent gold and degrees do not equate to usable job skills.

The advent of technology has accelerated how fast the world changes and has also profoundly impacted the financial and educational systems. Technology has made a lot of jobs within the financial industry obsolete. For example, people can trade online without a broker, make a phone call, place an order, etc. There was also a study showing how index funds outperform mutual funds. Warren Buffett is the epitome of this, betting that the S&P 500 would outperform hedge funds and he is winning that bet. If hedge funds cannot beat the S&P 500 why should a layman even bother to attempt to? Thus, in many ways investing is perhaps easier now and many jobs are essentially redundant. Also, consider a 401 k plan: this typical retirement plan can be seen as similar to going to college. It is more than social security just as college is more than high school. The masses are pushed into both and those that don't go to college generally don't do as well as those that do the exceptions being statistical outliers.

So why, when technology has made it possible for the world to be a 'faster place' are the financial and educational systems taking so long to change? Perhaps the quotation by Upton Sinclair can shed some light on

this: "It is difficult to get a man to understand something, when his salary depends on his not understanding it". As modern technology advances, does it not seem obvious that different and more education would be necessary to accompany those advances? What if in reality, however, instead of more education we actually need less for many jobs? Seemingly counterintuitive, perhaps instead of more education, we may only need more specialized, focused training. For example, in the field of data analytics in the past programming skills were essential; now, there are many instances in which analyzing data has been reduced to a matter of "point and click". Such software that analyzes data is SPSS and JMP that does not require programming to do complex analyses of data (Peugh and Enders, 2005; Sall *et al*., 2005). Another example can be seen in web site design: in the past, programming was required to make a beautiful website; presently, there are many websites that allow for "point, click and drag". One such software for "instant" website creation is WordPress (Allen, 2008). As people pursue more advanced degrees after high school, college and graduate school, there is yet another danger of becoming overly qualified and being in a position with too much experience can have its own negative effect: job dissatisfaction (Green and Zhu, 2010).

Sinclair's quotation may also explain why change in the education system is also slow to occur. The claim that the advances in technology require more education not only protects present jobs but also creates more jobs within the education system. People perhaps will see this more clearly when they no longer think about degrees and focus instead on learning the skills needed to succeed. There are now numerous courses online from both traditional education institutions but also from people that, although with no formal education have accomplished what the student may desire to accomplish or to at least learn. People can vote with their feet by studying what they desire to learn not by seeking out a degree they simply wish to obtain with the vision that the degree itself leads to a career.

RESULTS AND DISCUSSION

In order to investigate the importance of getting a degree in the minds of students a survey was given, the assumption made being: "if universities did not offer degrees". The question was: "would you take the courses you are taking now? Yes or No?". There were 9 MBA students in total who were asked this question in an English program offered at a university in Thailand. Five students responded no and also that they would not be taking the courses they were presently taking. Four students answered yes. Thus, more than 50% of the students would do something different were it not for the requirements of obtaining a degree. Note at this university it is rare that students take courses above and beyond the total number of credits required to obtain the desired degree. Thus, the 5 students who responded no would most likely not take additional courses they may have found interesting, such as courses in other departments. How beneficial is it to force students to take courses they do not want to? Although, this may positive in some cases, it may actually be detrimental to those truly interested in learning.

CONCLUSION

The removal of the gold standard has drastically changed the nature of finance and before people blindly hand over the task of managing their finances to someone else, it is advisable that they at least learn the basics. Is it wise to consider other options, alternatives beyond paper assets such as stocks and bonds which like the aforementioned currency are only backed by faith. One such alternative is investing in real estate and this is not referring to buying a place to live but to the aspect of physically owning a property a tangible asset. There is also peer to peer lending. And the list goes on.

As for education, people need to study the courses they feel they need to learn to succeed, whether it be courses at universities in a classroom or online not only go for degrees. Rather, it is taking the necessary actions to obtain a useful, tangible skill set that will enable them to critically think and succeed. Otherwise, if degrees continue on their present trend, they will just end up being another type of fiat currency.

It may be scary to take a risk and do something different than what the majority of people are doing but at this point perhaps doing what everyone is doing is even riskier.

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