How to Navigate Today's Economy
Guest: Charles Hugh Smith
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***Charles Hugh Smith runs the blog Of Two Minds and is the author of numerous books, most recently* Get a Job, Build a Real Career, and Defy a Bewildering Economy.**

WOODS: Before we went on I was telling you that I am surprised it has taken this long for a book like this to come out, a book that isn't just a bunch of platitudes, that doesn't just repeat Ben Franklin's advice about getting up early in the morning or whatever, but that really explains what's gone on with the economy and navigates you through it with specific advice.

What is it that's different about this economy today in 2014 that is different from the economy say 30 years ago in 1984 or even in the 1990s? When I graduated from college in '94, everybody was in great spirits because we all knew we were all going to go out and be successful. We left college, the sky was the limit, and there were jobs aplenty. All you had to do was follow the traditional career paths—go to college, major in anything—and you would be successful. That's all changed. Why? What happened?

SMITH: Well, Tom, I think that's what's bewildering to virtually all of us, because change happens without explaining itself. We're observers, and then we have to seek out explanations of what we're observing, and one of the key drivers of the change is, as we all know, technology, and the way I describe the changes—robotics and software started replacing factory assembly labor way back in the '70s, and the result was hundreds of thousands of jobs in the auto industry and steel and traditional manufacturing disappeared because it was just so much cheaper and better to have machines do this kind of assembly work. And now technology has advanced with the speed of processing, and the cheap memory, and all the things we know about. It's now moved from the factory floor to the service sector where most of the jobs are and where most of the middle class jobs are now, and so that has really changed the environment of how you create value in an economy where robotics and software are replacing any kind of human labor that's a process.

WOODS: So that's really what every person who intends to enter the labor market has to ask himself. It can't just be a matter of just expecting that a job will come to you automatically or

that by following the path blazed by your father or his father that you're guaranteed any kind of stability in an economy like this. Let me ask you a specific question that will be relevant to a good many of my listeners, many of whom are young. Some people may say college is a waste of time for a lot of people, and a lot of people have no business being there, and they are just blowing an enormous amount of their parents' money to party for four years, and then we find in surveys they don't know anything additional at the end of the four years than they knew when they entered. But at the same time, given that a college degree is used by a great many private employers as at least an indication that you've completed something—it's easy for us to tell people, it's not so clear that you all need to go to college. It's easy for us to say that, but then when they try to get that job, won't they just be vainly protesting that no, I do have skills? I do have knowledge that you need. How do they convey that to an employer without the college degree which has played that sifting role of candidates for so long?

SMITH: Well, Tom, I think you've just perfectly encapsulated the real dilemma facing anybody of college age and the parents and families of college: the credential of a college degree is still used as a filter, if we can use that word, to filter out who is potentially qualified to do some job. But on the other hand, the economy is changing underneath all that from a credential-based economy to a what I call a do-ocracy, where what you can do, what you can accomplish, is becoming more important than your credential. As an example, there's a lot of computer coding schools popping up around the country where these are intensive programs that last a few months, no more than six months, where all day long you're taught to code and, you know, programming in a way that employers will hire you right out of the gate. In other words, your skills are up to date, and they are specific. So a lot of these schools are running into government bureaucracy that demands, well, to explain your curriculum and how do you credential things, and it's all like, the schools are kind of caught off guard, like, we're not, we don't care about credentials. We are teaching skills that get these people employed. Our focus is not on credentialing. That illustrates the divide between the value of the credential, which is declining, and the value of actually being able to do stuff that creates value in the real economy, which is gaining in value. But we're in that awkward period where we don't have a good third choice? And so these coding schools that are arising, they are like a third way. In other words, they are teaching you real skills of value, but they are not a four-year bachelor's degree.

WOODS: Now, you think very cynically about the higher education system. You have some bullet points at one point in the book in which you make some claims that will sound startling to some people about what higher education is all about. It sounds to me as if you're saying it's kind of a racket, when you think of how much they are charging for something that today ought to be extremely inexpensive given then ability we have to deliver it inexpensively. Let's contrast this with what you're describing as the nearly free university model. What do you mean by that?

SMITH: Well, Tom, I think that the main point of my book *The Nearly Free University,* is to explore what you just said, which was the technology we have now can deliver high-quality

education at nearly no cost, the cost of an Internet connection. So why is college costing hundreds of thousands of dollars in many cases when the cost of delivering a high quality education is near zero? And the only answer that I come up with is that higher education is a classical cartel, and we know that classic cartels, we speak of cartels like the oil cartel, or back in the bad, old days of capitalism in 1910 when Standard Oil had a lock on oil in the United States. But I see the higher education system as a cartel because they control the product that everybody is told they need, which is a college diploma. And so there is no real competition. If you look at the pricing of universities, it's all like, well, we only cost $29,000 a year and somebody else charges $38,000, but there's nobody charging say, $5,000 for an entire, four-year diploma, which I think is the market value if you had real competition.

WOODS: You talk in the book about accrediting yourself, and I take that to mean that we're not thinking in terms of using some other institution to do the accrediting, but you accredit yourself as a way of marketing yourself to businesses. Give us a flavor of how somebody goes about accrediting himself. This is something that you would have to do in this economy that you didn't have to do 20 or 30 years ago.

SMITH: That's right, Tom, and I think just as a sort of initial contextual comment I will say that one of the big reasons why the traditional path of just get the degree in anything, and you've got a job doesn't work anymore is there's an overcapacity in the entire global economy. In other words, there's pretty much more of everything except jobs. And so what we have an abundance of is people willing to work and people with college degrees who are willing to work, and what we have a shortage of is jobs that create a lot of value in the economy. And that's why an employer is going to hire you. I speak as someone who has started several businesses, hired a bunch of different people in the '80s, and I have also been an employee myself and worked for small business, and so I think I am pretty well situated to answer that question because I sat on both sides of the table. I am trying to find out whether you can do the work I need you to do, and I have also been trying to convince somebody that I can do the work they need done, and so "accredit yourself" is basically filling the information hole that a resume and diploma leaves.

In other words, if you're an employer, you get a diploma, somebody says I got a four-year degree, or even a master's degree, it doesn't really say anything about whether they have real-world skills, or whether they have the character traits that I need, which are integrity, accountability, ability to communicate, ability to work with others well. None of that comes through in a diploma. It's assumed, but there's no evidence for that. And then the same is true of a one-page resume. There's a thousand books about how to write a resume, but as an employer, I look at whatever you've got on your resume, and again, I am not really sure about what your skill set is. The accredit yourself idea is: show your potential employer that you can do these things by putting your projects online. And I would suggest not on a Facebook page, which is unprofessional, or a Tweet or something like that. You need a blog or a website that's yours and where you can post evidence that you have these skills, that you can work well with

others, that you can communicate effectively, that you're a problem solver, and that's how you get a job. You have to fill that information vacuum for your employer because a degree and a resume don't really say much.

WOODS: Your book has a lot of specific advice about exactly how to go about doing this. So I want to refer people to your book, which has the fantastic, grab-you-by-the-throat title, *Get a Job, Build a Real Career, and Defy a Bewildering Economy.*

At what age do you think young people should start thinking in this way, should start thinking about assembling a portfolio of whatever kind of work they are interested in doing, becoming at least somewhat familiar with designing a website? Of course, you can outsource that, but when you're 15 years old you might not have the allowance money to do that. So maybe you have to at least have a blog, which doesn't take that much work. When should you start thinking in this way?

SMITH: Tom, I would recommend about age 16, while you are still in high school, and you are still preparing yourself for a career. I think we need to differentiate a bit between having a job and having a career. Most of us with ambitions for a satisfying work life and some sense of prosperity or security, we want a career, not just a job, and so that's a key difference—you might be able to get a job, but if it's a dead-end job, then you're not going to really have a career, and you want control over your career, and so that's going to require a lot of nurturing and you have to develop a lot of things in order to have a real career as opposed to just getting a job. So let's say at age 16 you can start asking yourself, what kind of work do I enjoy? What field of interest am I interested in? And then try to get some work experience in that field. Of course we all know about the sort of scam that a lot of businesses are running, where they offer you an internship unpaid and then you do some scut work and don't really learn much. You have to differentiate between an internship that you don't really learn anything in and a job, even if it's unpaid, where you're actually doing work in the sector you're interested in. And one example I often use is, so many people go to law school because they have been told this is the path to wealth and certain employment, but they never spend an hour in an actual law office practicing the field of law. Then they get the law degree, and they discover they hate the entire practice of law, the day-to-day work of the legal field. The same thing can be said of health care and a hundred other things. So it's really important to get out there and volunteer at a hospital in the summer if you're interested in that field, or if you're interested in the building trades, volunteer to help whoever's maintaining your church or this kind of community-level access to experience. That's what I recommend, because if you don't know whether you're really going to like the work, you don't want commit five years of your life to something and then discover you hate the actual day-to-day practice of it.

WOODS: Yeah, of course. That example of doing some volunteer work if necessary to get some experience and to show that you know what you're doing and to see if you actually like it is, of course, very good. When you gave the example of the building trades, it anticipated my follow-up question: I can understand how somebody who wants to go into some computer-related

field or some design field could assemble a portfolio even at age 16 or 17 and say, this is what I have already started working on. But how does somebody who is more suited, let's say, to traditional blue-collar work, how does he survive in this sort of economy? He is not going to be able to market himself in quite the same way, or is he?

SMITH: Well, Tom, I think the process is very similar, and I speak from experience because I earned my bachelor's degree in philosophy, a classically worthless degree in terms of applicable skills, but I worked my way through college in the building trades, and so by the time I graduated from college, I was already pretty handy with pouring concrete, installing drywall carpentry, you name it. And so I in a way had two degrees—one the academic degree, and the other one the practical degree. Many of us who are engaged in community activities or organizations—and these can be like bicycle clubs, churches, farmer's markets. There's just hundreds of community groups, most of which are desperate for go-to guys and gals. In other words, people who can get stuff done because the organization doesn't have enough money to pay some professional to do it. So the community economy is what I call that sector of our economy, and it usually has a lot of opportunities to get experience in everything from writing and distributing newsletters to leadership roles like leading a subcommittee that's going to take care of one particular task for the organization or maintenance. A lot of churches, for example, are decades old, and they often have maintenance issues, and that's one way to get involved in the trades. In terms of accrediting your skill in the trades, say you wanted to build cabinets, or you wanted to become a cabinet maker, and if you could find someone who would take you on as an apprentice or at least let you help, then you might learn enough to repair a cabinet, and then if you took photos of that process like what the problem was—the doors are falling off, and the hinges have pulled loose from the wood or something—take a photo of the problem, take a photo of how you solved the problem, and take a photo of the finished product.

WOODS: Nice!

SMITH: Yep, now, if I am an employer or a potential client, I would look at those, the short sequence, and I would say, gosh, this guy really knows how to solve problems, and now that probably is a good indication he can solve my problem. And I will be happy to pay him because people who can solve problems are actually pretty rare, and if you can become a problem solver, I think you have got guaranteed employment.

WOODS: There are all kinds of entrepreneurial ways to distinguish yourself and to find a niche for yourself in this economy. I have a friend who recommends helping local businesses promote themselves. A typical local businessman knows nothing about YouTube even though it's free. It's a free way to promote himself. He knows nothing about it. He doesn't know how to design a website, or a functioning one. There is so many things people need. In other words, sometimes you have to think in terms not of what I want to give—that's ideal; it would be nice if you could do what you most want to do—but if that's somehow closed off to you, you should think in terms of what do people want, and then you give them what they want. You have to think. Again, you can't do what I did in 1994, and just go out and say, well, I have got a history degree,

so my life is going to turn out great. And by the way, my life did turn out great because I happened to be born in 1972 and things worked out for me.

You have a section in the book on what you call the eight essential skills of professionalism. These are skills that you're not generally taught, or going to learn, in the traditional educational setting. Take maybe two of these, tell us about them, and tell us where you do learn them.

SMITH: I am glad you brought that up, Tom, because as—once you are in the world of work, what you want in your colleagues and either your subordinates, your colleagues, your boss, everybody you work with, what you want most is a professional, someone who leaves their home life and problems out of the work environment, someone who can communicate clearly, who can keep learning, so that they are able to be flexible as the problem sets that arise change. So what we're really talking about in these eight skills is the skills of professionalism that make you a person that everybody wants to work with, and if you become the person everybody wants to work with, well then, you've got guaranteed work for your entire life, you're the one that gets the choice. So say in an environment like we have now, where change is speeding up, the ability to be flexible is critical. That's one of my key skills. And what does it mean to be flexible? Well, it means you have to keep learning. You have to learn how to learn, if you will, and recognize that one of your key skills going forward is lifelong learning. There's never going to be a point now at which you can say oh, I got a degree in, say, chemistry, and I have learned everything I need to know, and now I can just keep doing the same work for 30 years. Even traditional careers like law enforcement, nursing, you name it, it's a constant flow of new technology and new learning, so you've got to have the ability to learn constantly.

Then I think it's often lost on us because we deal with so many bureaucracies that accountability is a key professional skill. In other words, when you say you're going to do something that you actually can do it, and you acquire the resources you need to get it done. And if there's a problem, you get out there and find someone who can help you solve that problem and keep moving forward. Bureaucracies are basically designed to eliminate accountability, and that's a lot of our structural problems, you know, in government and in global corporations. People are basically finding a way to avoid accountability. But in the real world of doing productive work you've got to be accountable. So these are two or three examples of these eight skills.

WOODS: Charles, you have a blog that is pretty well thought of. How can people find that?

SMITH: I would love to have you visit me at oftwominds.com, and see what I have to offer. Tom, I want to go back real quickly to something that we were talking about in terms of what kind of work is going to make you a career, and you brought up an excellent example about social media. What I wanted to develop on that is I know a lot of small business people that aren't quite as tech savvy as myself, and you are absolutely right. There's a crying need across thousands of businesses for someone to help them understand how to promote their business with social media. What I have found, just to develop that thought, is there's a lot of people

advertising “I’ll help you with your social media,” but they are not personally present to the business. They are off somewhere else. And where the real value proposition is, is that the small business person wants to meet a real, live human being they can discuss this with. And so there’s a real strong value proposition there in being local. In other words, and I think that this is one of the key points that I want young people to understand, the opportunities are global in the sense that you can do work for somebody in another country or another state, but they are also intensely local. Bringing these global kinds of technology skills and stuff to the local community is a crying need.

WOODS: And I have seen, because I was involved to one degree or another in Ron Paul’s presidential campaigns, and he had a lot of young people, and they were so many of them very, very tech savvy at a very young age, so this is the sort of skill that a lot of young people have already, they just don’t know how to monetize it, or it had never occurred to them to monetize it, and now here it is.

SMITH: Right, and Tom, economists use these terms “human capital” and “social capital” and we—those terms are used to differentiate the capital that’s represented by your knowledge and your skills as opposed to, say, a machine or financial capital. Another large-scale trend in our economy is the cost of tools that make money is declining rapidly, and of course, we all know computers are falling, so you can get a very good computer for $500. You can get a table saw for $500, and nowadays you can get a 3-D fabrication, you know, so-called printer for about $550 as well—a low-end, 3-D printer. What matters here is the costly part of the equation of creating value is now human capital. It’s the human skills that take these cheap tools and generate value. And the other kind of capital is social capital. And that’s the ability to find groups that you can work with, that you can collaborate with, and that will help promote your business and skills, so that’s a key element. Social media is good, but it doesn’t replace face-to-face contact with a group of collaborators and peers whom you can learn from, who can help you promote your business, whom you can help do their work, and that’s how you get clients, that’s how you get jobs.