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Discussion on *Investment on Human Capital*

This paper provides a discussion of the effectiveness and limitations of the arguments presented in the article *Investment in Human Capital* written by Thomas Schultz. First, this paper provides a summary of the article under discussion. Next, this paper discusses the strengths and weaknesses of the arguments presented in the article *Investment in Human Capital*. Finally, this paper discusses how the value stance shaped the argument of Schultz’s article and my value stance on this topic. By looking at human capital, technological advances and social capital, we can see how these factors influence economic growth, and this is important because understanding the implication of these factors allows the accurate and responsible allocation of limited national resources.

**Summary**

There are five sections in the article under discussion. The first section introduces the concept that human “skills and knowledge are a form of capital” (Schultz, 1961, p. 1). Why economists hesitate to discuss human investment as this “seems to reduce man once again to a mere material component, to something akin to property” (Shultz, 1961, p. 2) comprises the second section. This section introduces Adam Smith, H. von Thünen and Irving Fisher as proponents of human capital. The third section first outlines the earning differences among various populations. Schultz then moves onto “major perplexing questions closely connected with the riddle of economic growth” (1961, p. 5). A discussion of the scope and substance of human investment constitute the fourth section. Finally, the article concludes with a series of the author’s comments and questions on policy related to human capital.

This article explains how various educational investments in human capital account for increases in personal and national income. The climactic statement of the article indicates “estimates also imply that between 36 and 70 per cent of the hitherto unexplained rise in the earnings of labor is explained by returns to the additional education of workers” (Schultz, 1961, p. 13). Immediately following this statement Schultz concludes the article with a list of social implications as well as their impact on current policy.

**Strengths and Weaknesses**

The main strength of the article lies in the passion the author has for the subject matter. Schultz (1961) attempts to find answers to the “major perplexing questions closely connected with the riddle of economic growth” (p. 5). While the geographic area under discussion consists primarily of the United States, Schultz (1961) looks outside the country to Asia and India for additional insight to the problem under discussion. Schultz (1961) also refers to other authors for confirmation to build this argument. This passion for the topic clearly leads to additional analysis in finding support for the article’s value stance.

Unflinching bias comprises the main weakness of the article under discussion. The first paragraph introduces the concept that educational investment in human capital fuels the growth of Western society. The final paragraph concludes that the growth of human capital ensures the enrichment of society. This theme reiterates throughout the entire article. When discussing activities that improve human capabilities, three of the five categories are directly linked to education (Schultz, 1961).

**Value Stance**

Schultz’s value stance primarily rests on the belief that productivity of human beings improves through participation in education. Shultz (1961) cites the work economists undertook to determine the length of time of recovery from wartime losses after World War II (Schultz, 1961). Schultz states the human capital factor missing from the initial evaluation accounts for the fact the recovery occurred more quickly than anticipated (1961). When presented with the questions resulting from the “many paradoxes and puzzles about our dynamic, growing economy” (Schultz, 1961, p. 3), turning to human capital once again as an answer to the conundrum appears an easy one based on the previous deduction. Couple this with the observation that “investment in education has risen at a rapid rate and by itself may well account for a substantial part of the otherwise unexplained rise in earnings” completes the author’s value stance (Schultz, 1961, p. 10).

My value stance explains that multiple intangible factors including human capital contribute to economic growth. Dettori, Marrocu, and Paci (2012) conducted research that provided “robust evidence on the role played by technological, human, and social capital in enhancing economic growth and social cohesion” (p. 1411). While Dettori et al. (2012) determined that educated workers contribute to growth, these workers did not account for the entire growth. Technology constitutes another factor responsible for economic growth (Dettori et al., 2012). Schultz (1961) cites the rise in educational investment but neglects to mention technological advancements in the same time period. One advance in technology included “electrical power … and its widespread adoption in the 1920s” (Carter, 2004, p. 12) that created efficiencies in production flow. Finally, social capital encompasses the concept “that social ties can be efficacious in providing information, influence, and solidarity” in the workplace (Seok-Woo, K., & Adler, P. S., 2014, p. 419). This efficiency also reaps economic rewards (Dettori et al., 2012).

References

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