

Assignment One. Part One: Human Capital Theory

To explain the benefits of education and its role in society, several theories have been proposed. Schultz (1961) explains that similar to investing in financial markets, humans invest in themselves and expect returns. When applied to education this could indicate expanded options, which may lead to additional freedom and enhanced welfare. He elaborates on this notion of human rights by explaining that even if monetary aid is available in developing countries, that money can't be absorbed and utilized properly without educating the public and workforce (1961). In other words, material goods may be purchased, but without an educated workforce to do something with those goods, the public is merely shopping. While goods may be purchased from abroad, investing in human capital requires an internal educational structure to be developed, which takes time and effort. This is perhaps the main argument in favor of human capital theory, for importance of education is highlighted for the success of society. Schultz (1961) states that without education, only manual labor and poverty remain, with a exception for those who own property.

However Schultz (1961) also describes limits to the usefulness of this theory in describing the benefits of education for society. In developing nations, food is a producer good, needed by workers to sustain themselves as they work (1961, p. 9). The same can be said for clothing, housing, and education. But at some point as a society continues to develop, the investments that result in increased output become consumption that no longer results in output and may in fact reduce output. Food is a perfect example of this in the developed world, for now instead of being made to nourish the body, most food lack nutrients and instead cause obesity and damage the body. There is no reason to think that education in the developed world has also changed into something beyond its original purpose. Wolf (2002) explains that education is

beneficial to society and has been proven to be more directly beneficial to the person. Incomes are higher for the educated and this increasing income gap between the educated and uneducated will continue to widen (2002). The reality is nuanced. For instance American lawyers have become wealthy due to overly complicated rules that make lawyers necessary for navigating the system. However, most lawyers may not produce goods, educate the public, keep society and the public healthy or otherwise contribute to society in meaningful ways. Along the same lines, education is sometimes used not necessarily as a measure of skills or productivity, but as a means to rank potential employees for employers. The educated may be perceived as smarter, more motivated and organized for having completed additional education; or otherwise be perceived as better candidates in the selection-by-credentials method which is legal and convenient for employers.

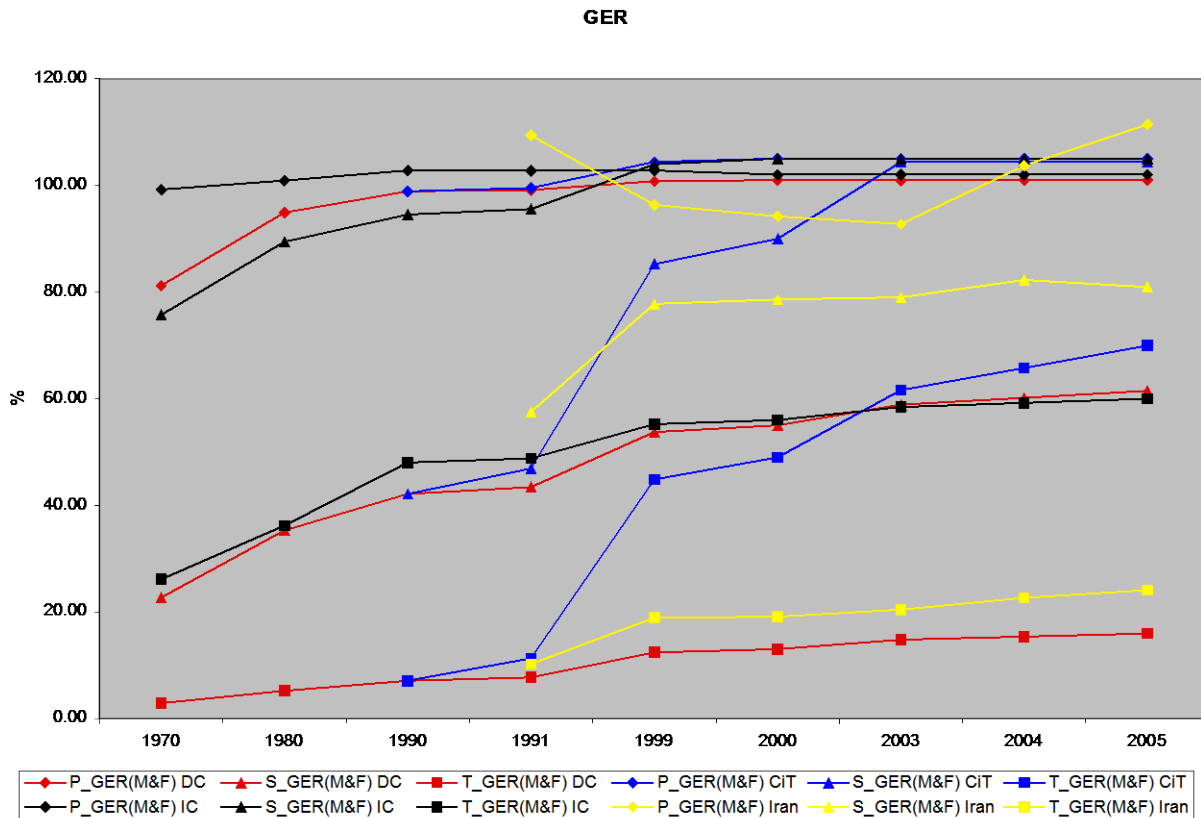
Perhaps, the developed western world has reached the stage where it has too much education for the work that needs to be performed. As Schultz (1961) mentions we have surpassed the production stage and are in consumption mode. This allows society and its employers to use education as a means of selection, not necessarily as a means of acquiring skills that contribute to society's well being. Previously, a Master's degree may have been the distinguishing mark, but now that many more have this degree a PhD or multiple degrees may be required. Pritchett (2001) describes this signaling theory as a way to let employers know of one's brilliance and dedication, even if not much of substance has been produced by this education. This consumption of education for personal gain has become a mark of the developed world with a separation between those that seek education to gain practical skills for jobs (the lower classes) and those that seek education for the purposes described above (the upper classes).

It can be seen that depending on the developmental status of a society and its policies, education may serve different purposes. Education may be used to produce or it may be used as assimilation into the system in order to participate in it and consume from it. Perhaps in advanced societies education has more characteristics of consumption, and fewer characteristics of human capital used for production. That being said, education does have clear benefits including reduced child mortality, increased socialization skills, increased cognitive skills, and additional options in choosing one's way in life. Education may be abused and some fields of education may have more practical benefits than others, but a society without education is doomed and will not be able to utilize its population to full potential. Rumble (2007) explains that to be human we must ensure everyone is protected from having a bad life. For those in the middle and lower classes that see education as a means to gain skills to participate in the workforce, education is a liberating force. Cost-effective distance education in particular can allow those who wish to be productive to obtain the skills needed.

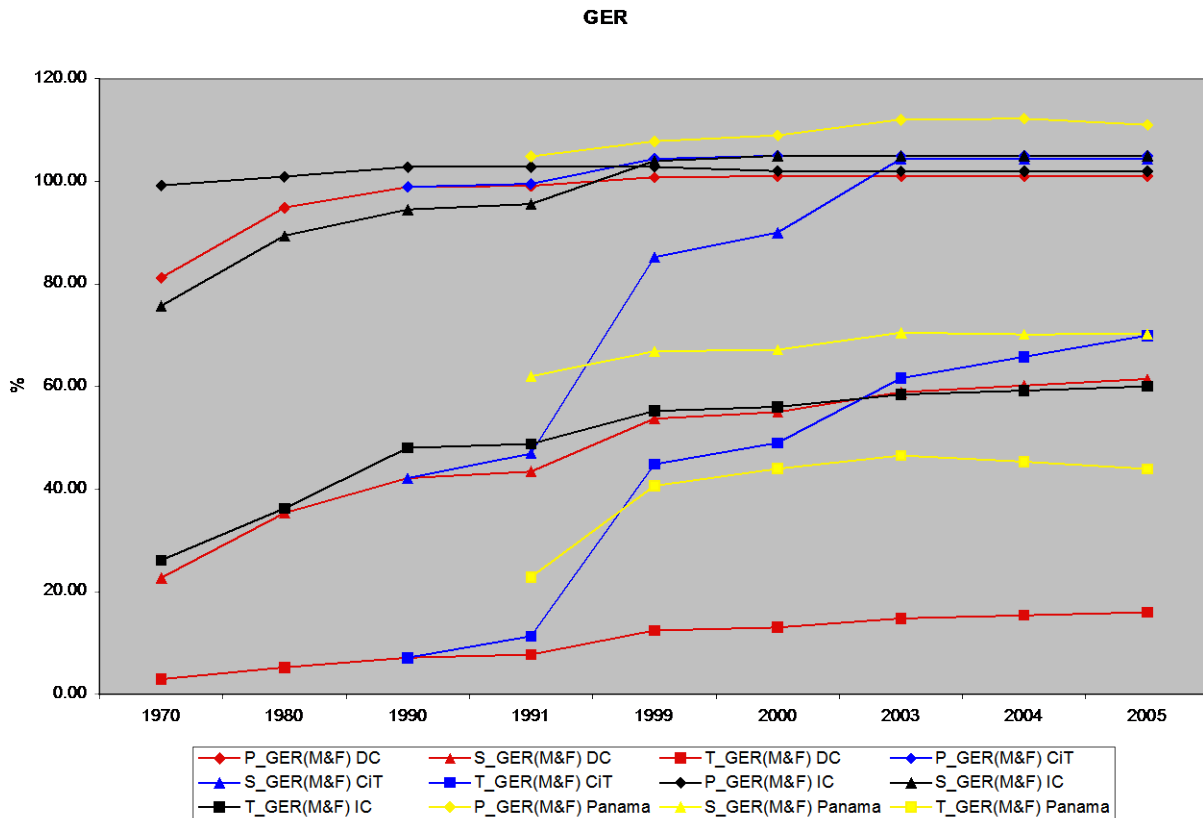
Assignment One. Part Two: Expansion of Education

Primary, secondary, and tertiary attendance data for Iran, Panama, and the United States were plotted and compared against aggregate data for developing countries, countries in transition, and industrialized countries. We see that in all nation types, as well as Iran, primary education has reached saturation since 1990 and may at this time be considered a basic education level achieved by all. In secondary education we see that industrialized nations achieved saturation in the early 1990s, with countries in transition following closely behind and achieving rapid growth in the 1990s. Developing countries have achieved some growth in secondary education attendance rates since 1990 but they show stagnating rates and are currently at 60%.

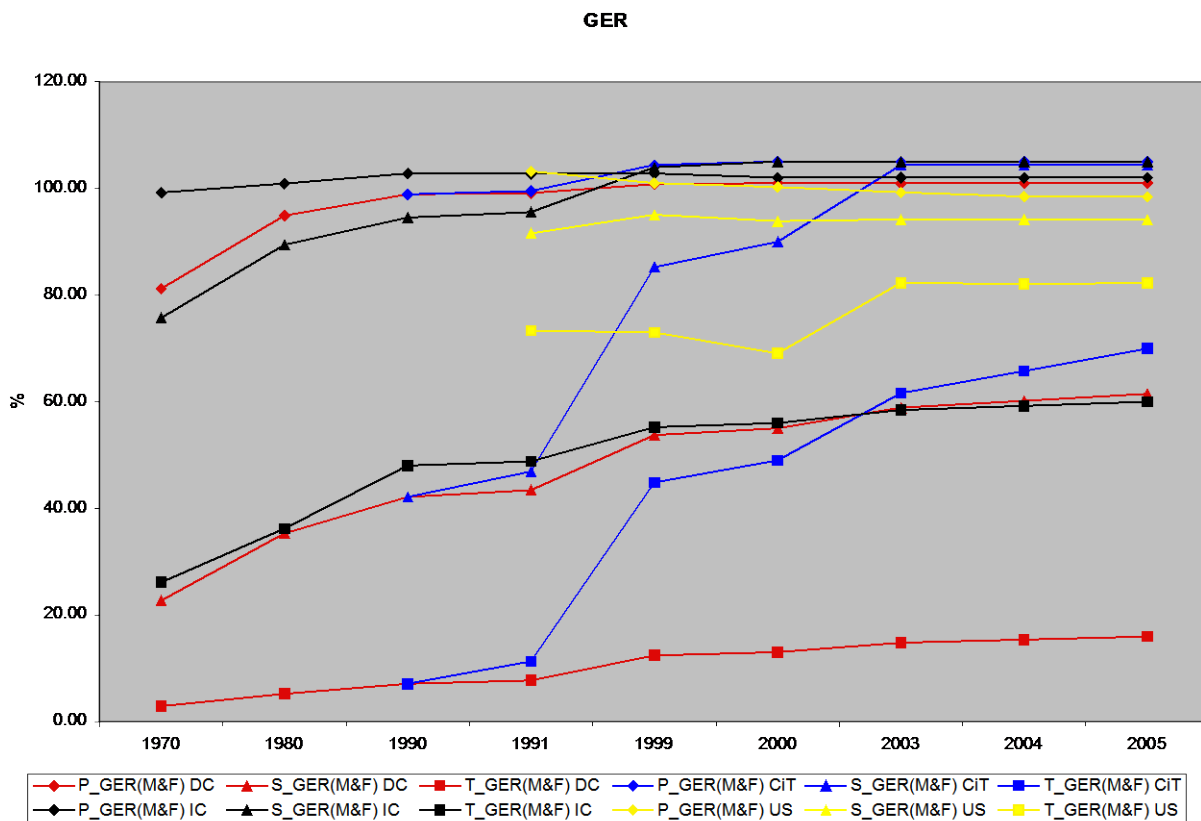
Similar to countries in transition, Iran shows rapid secondary education growth during the 1990s, however it has stagnated for the last 10 years and is currently at 80%, a rate between that of industrialized and developing nations. This may be due to high drop out rates in a country with high rates of drug addiction, unemployment and underemployment. Tertiary education has seen the most rapid growth in countries in transition, and although Iran's rate is higher than developing countries, it remains well below countries in transition and industrialized societies. Although Iran has excellent institutions of higher education, many young people face bad employment prospects upon graduating and it is possible this is the reason for low tertiary education attendance. It is probable that once employment increases, tertiary education may begin to look more like that of countries in transition.



Panama appears to have relatively healthy attendance in all levels of education, compared to other country types. Primary education is strong, however secondary education is comparatively, and perhaps surprisingly low when considering the relatively high rates of tertiary education. Panama is known for having sophisticated financial and information technology economic sectors, and services much of Central and South America. Since Latin America in general is an area of high growth, it is probable that the education percentages in Panama will increase. However, the relatively high rates of tertiary combined with soft secondary numbers may suggest poverty that holds back a portion of the population from achieving success in secondary education, while those that have the means proceed to become college educated.



Lastly, we see the United States, which has high rates of primary, secondary, and tertiary education. The US has high primary education rate and has leveled off at 95% percent for secondary education, slightly lower than countries in transition and industrialized countries that have reached saturation in this area. This may be due to the fragile structure of the family in the United States that may lead to some drop out, although the secondary education rate is still well above developing countries. Tertiary education while higher than all other nation types, has not improved very much since 1990. Although tertiary education has become a norm in the US, it is possible that competition for growth from other countries such as China or India may have reduced some of the need for tertiary education in this wealthy country.



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