

# human capital

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## outline

human capital (Green and Haines, 2012, ch 6)

education

Schooling Vs Education (Banfield, 1974, ch.7)

cost of higher education

## NECESSARY READINGS

- ◇ we kill creativity ([http://www.ted.com/talks/ken\\_robinson\\_says\\_schools\\_kill\\_creativity.html](http://www.ted.com/talks/ken_robinson_says_schools_kill_creativity.html))
- ◇ ecology (neigh, fam) determines college success (Tough, 2014)
- ◇ invest in kids (Heckman, 2013)

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## why we talk about education in this class?

- ◇ education helps with development
  - econs are obsessed about it! this is their single best fix for everything
  - any problem anywhere? get more education!
- ◇ Robert J. Barro, 2002, "Education as a determinant of economic growth," in a E. P. Lazear (ed.), Education in the Twenty-First Century, Stanford, Calif. Hoover Institution Press, pp. 9-24.
- ◇ without educ cannot use modern tools: computers, etc
  - having the phys cap doesn't help without human capital!
- ◇ education also helps with social capital and civ eng

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## what is human capital

- ◇ I define it as primarily education
  - plus: skills, ability, competencies, knowledge
  - but edu proxies those, and easy to measure
  - I wouldn't incl creativity under human capital
  - need some edu to have ideas
  - but at some point you become too "deep"
  - maybe some college is optimal
  - eg Jobs and Gates dropped out of the college
- ◇ but: scientific breakthroughs are made by academics
- ◇ what do you think ?



## education proxies perseverance?

- ◇ it seems to me that education diplomas may actually better proxy perseverance than IQ/knowledge
- ◇ very smart/talented people may not get any diplomas because they are not systematic, patient enough
- ◇ i know personally many people without much formal education that seem more talented/able than people with diplomas
- ◇ in fact, arguably, the less able you are, the more you may persevere

## education proxies marketing

- ◇ and it depends on how you sell your knowledge:
  - I have seen many talks by people who did not know much about the topic, there is not much meaning, but they are received very well because they “sell it well” (they have presentation skills)
- ◇ also see [Grant \(2013\)](#)

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## don't underestimate community colleges

- ◇ they may have higher value added than fancy universities
- ◇ community college can be a life-changer
- ◇ Ivy league—doesn't matter much—will be successful anyway
  - you're either super-smart or super-rich
  - either way: you don't really need a diploma!
- ◇ <http://www.economist.com/node/21553476>

## unemployment/underemployment and mismatch!

- ◇ under-employment: work less than you want to
- ◇ if gave up on job search: not counted as unemployed
- ◇ yet, employers cannot fill 600,000 positions in the US:
- ◇ <http://www.themanufacturinginstitute.org/News-Articles/2011/10/17-2011-Skills-Gap.aspx>
  - so need to educate/train in these areas
  - <http://www.economist.com/news/21566464-skills-gap-must-be-bridged-if-world-avoid-dire-consequences-argues-d>
  - 40% employers struggle to fill: inadequate skills
  - 45% young employees: work is unrelated to one's studies
- ◇ coordinate schooling with job requirements!

## role for planners: workforce development

- ◇ target occupations with potential: BLS OOH, LQ
- ◇ bring demand and supply together:
  - ask employers what they need and talk to schools to figure out the training
  - can also give incentives to employers to provide the training
  - eg: Markusen, Ann "Targeting Occupations in Regional and Community Economic Development" in Journal of the American Planning Association, Summer 2004; Vol. 70, No. 3, Summer 2004 pp 253-268



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## **school is overrated**

- ◇ seems that school does not teach many or most job skills
- ◇ new employees need to learn them on the job
- ◇ then why not less schooling and more job training
- ◇ and again, there are many jobs unfilled—employers cannot find people with the right skills
  - maybe better pay them to train instead of paying teachers for producing unsellable skills
- ◇ apprenticeship and part-time work as early as possible are a great idea too
  - employers can train workers better and cheaper



## **schools kill creativity**

- ◇ kids are penalized for creativity, autonomy, initiative, tolerance for ambiguity, and independence (Herbert Gintis)
  - and rewarded for docility, industry, ego control (p.151 Banfield, 1974)
- ◇ [http://www.ted.com/talks/ken\\_robinson\\_says\\_schools\\_kill\\_creativity.html](http://www.ted.com/talks/ken_robinson_says_schools_kill_creativity.html)
- ◇ so school's grades/credentials measure discipline/motivation
  - a waste of time?—many years to just get a measure?

## schools don't matter (that much)

- ◇ facilities, curricula, staff don't explain much of the achievement variation
- ◇ but the family background does
- ◇ and more precisely, it's about attitudes and values
  - eg future-orientation and hard work
  - (and ability to navigate the system! (Tough, 2014))

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Rutgers is #1—in management bloat. Our Big Ten peers pay a median of 8% of total salaries to top administrators, while Rutgers pays a whopping 12%

|   |     |
|---|-----|
| Number of Rutgers administrators with annual salaries exceeding \$250,000 | 244 |
|---|-----|

|   |    |
|---|----|
| Number of Rutgers administrators with annual salaries exceeding \$500,000 | 38 |
|---|----|

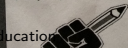
|   |       |
|---|-------|
| Increase in aggregate management salaries between 2014 & 2016 | 12.4% |
|---|-------|

|  |        |
|--|--------|
| Decrease in instruction salaries between 2014 & 2016 | -0.02% |
|--|--------|

|                       |             |
|-----------------------|-------------|
| Rutgers' total budget | \$4 billion |
|-----------------------|-------------|

|  |      |
|--|------|
| Percent of budget spent on wages for 3,000 Part-Time Lecturers | 0.8% |
|--|------|

|  |      |
|--|------|
| Percent of classes taught by Part-Time Lecturers | 30%+ |
|--|------|



Rutgers AAUP-AFT



fb.com/RutgersAAUP

## cost

- conspicuous consumption or waste !! see very insightful Veblen (2005a,b) on sports
- doesn't serve any good, no utility there, just waste!
- ◇ ballooning administration!
- ◇ campuses becoming more like golf-courses
- ◇ cost of edu increased 440% (2x medical) over 25yrs  
<http://chronicle.com/article/Will-Higher-Education-Be-the/44400>  
<http://www.economist.com/node/18926009>

## why higher ed?

- ◇ why are you getting higher education?
  - sure, student life, longer youth, intellectual curiosity...
- ◇ but it's about having that competitive edge over your peers in labor market
- ◇ but guess what
- ◇ your peers are getting more education, too

## education arms race (Bob Frank)

- ◇ education is at least to some (big) degree a positional good
- ◇ your education is good or bad depending on how it relates to others
- ◇ so invest more in education to be better than others
- ◇ but others are investing, too
- ◇ so the society ends up being more educated, but nobody is better off!
- ◇ for many jobs it used to be enough to have BA/BS, then MA/MS, then PhD, then PhD from a fancy university and so forth...

## education arms race (Bob Frank)

- ◇ in that sense, I think, education is overrated
  - better get some career networking, jobs skills, and experience
  - or start a company...
  - you can get first class free education online say at MIT or Stanford
- ◇ the only reason to pay for it is to enjoy student life and have “live lectures”



## education debt vs credit card debt

- ◇ And college loans for the first time in history exceeded credit card debt [http://www.nytimes.com/imagepages/2011/04/12/us/12college\\_graphic.html?ref=education](http://www.nytimes.com/imagepages/2011/04/12/us/12college_graphic.html?ref=education)
- ◇ More about student borrowing <http://pewsocialtrends.org/2010/11/23/the-rise-of-college-student-borrowing/>
- ◇ 75% of American adults say that the collage is unaffordable for most Americans  
<http://www.bloomberg.com/news/2011-05-16/u-s-college-education-isn-t-worth-price-pew-report-say.html>

## college still pays off (if you get a job)

- ◇ On the other hand, those who go to college will make over lifetime more than 550k than those who do not go to college
- ◇ <http://pewsocialtrends.org/2011/05/16/lifetime-earnings-of-college-graduates>
- ◇ And the gap between high school grads and college grads in incomes is widening – the ratio was 1.1 in 1976, increased to 1.5 in 2010 (p 13 <http://pewsocialtrends.org/files/2011/05/Is-College-Worth-It.pdf>)
- ◇ also see recent studies by Autor (MIT) along the same lines