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Introducing Human Capital

Economists have emphasized the importance of human capital and contemporary commentators have underscored the concept in the market place of ideas, generally using the idea of human capital in reference to the labor management with differentiated frames of reference on the workforce. As a theory of labor and human resource management from orthodox economic theory, human capital is not an entirely new idea in social organization. Nonetheless, different economists do have different perspectives on the labor force and human capital. In introducing Human Capital, widely recognized as a seminal work on the subject, Becker (1993: 11-17) notes: “Passions are easily aroused on this subject,” acknowledging that the phrase “human capital,” while it has become an accepted catchphrase in the mainstream and media, is often mistrusted. For this reason, the author hesitated in titling the book. From concerns over the exploitation of the labor force and issues related to human rights, it is easy to understand the way in which the idea “developed to understand the economic and social world has been thrust into ideological discussions” (Becker 1993: 16). From the historical origins of the concept and the use of human capital in contemporary theory, these ideological discussions are the primary research focus, due in part to the fact that where theories of human capital are mistrusted, in the historical development they are in some ways underestimated.

With usage of the concept today, though many might care to avoid such a topic, perspective on human capital and the different uses of the concept in theory and practice is necessary for a well-informed theory development. The contemporary theory from which the work of Becker originates simply emphasized training (education – with particular interest and concern for higher and postsecondary education – health care, etc.)

as a capital investment, developing their perspectives as theories of human capital, in some respects defining a new frame of reference while also following in the tradition of classical economic views on labor. In the post-Civil Rights Era, by some schools of thought from theories of rights in the political sciences, education in general might be more commonly viewed as a human right rather than a form of capital investment. The perspective taken in light of the contemporary theorists suggests that there is a relationship between them. Questions concern where theorists touch base with such a frame of reference (at least, in including practices as good human resources) and wherewithal, others differ in their definition and analyses of human capital. Accordingly, research develops beyond the linguistics of the theory to expand knowledge of human capital through a grounded and theory-based historical method; in conclusion, focused particularly on questions related to the economics of education.

Becker's work on human capital was introduced with others in 1962 through a supplemental volume for the *Journal of Political Economy*. Entitled "Investment in Human Beings," the volume featured several authors that have become known as seminal figures on contemporary theories of human capital. From the costs and returns for on-the-job training, to the costs and returns of migration, the investment in health care and education, among the scholars that argued for investment in the labor force was the introductory article by Schultz (1962) entitled "Reflections on Investment in Man." In detailing the methodology of economics, Blaug (1992: 206) defines human capital theory (rather, Human Capital Theory) from the work of Schultz as the "birth of human capital theory," noting the 1962 volume of scholarly articles and the later work by Becker. The contemporary theory then became influential with different approaches that gained

momentum into the 1970s. In preface to the first edition of his book, Becker (1993: 16) notes Schultz is the “major figure in the economics of education;” then in introducing human capital, mentions Schultz among pioneers Mincer, Rosen, and Friedman.

Schultz published an article that preceded the 1962 volume, entitled “Investment in Man: An Economist’s View,” in the *Social Science Review*, 1959, Vol. 33, No. 2. A contributor to the supplemental volume, Mincer published an even earlier article entitled “Investment in Human Capital and Personal Income Distribution” in the *Journal of Political Economy*, 1958, Vol. 66, No. 4. Schultz (1959: 109-117) discusses the long neglected study of human wealth and investment by economists since the “conventional restriction on the concept of capital” ignores issues such as training, education, health care, and the acquisition of new knowledge as forms of capital investments. Later Schultz (1961: 1-17) discusses the same, more definitively using the language of human capital with the analysis of skills and knowledge as investment largely not factored as a form of capital. Schultz (1962: 1-8) then develops these ideas in introducing the supplement volume of articles that argue the same; again, emphasizing investment in human capital, each of which are expanded upon by contributing authors in the areas of training, education, and health care. From the article and additional writings, the theorist became an influential figure in supporting economic investment in individuals.

The earlier essay by Mincer (1958: 281-302) undertakes a comparable perspective on capital investment in individuals and income distributions; the author provides a theoretical framework approaching “differences in training result in different levels of earnings among ‘occupations’ as well as in differences in life-paths of earnings among occupations.” The author refers to Friedman and the previous work of the economist

Pigou, also providing an empirical analysis of wage earnings throughout the late 1940s and early 1950s with correlation to Friedman's models of consumer choice. The two perspectives relate inasmuch as they support improving skills and knowledge as a form of capital investment, each defined in relation to human capital. From the initial work of the economists discussed, Blaug (1986: 150-177) emphasizes that the work undertaken by contemporary theorists provides a critically different approach to the subject than prior classical economists that followed and failed to follow in the tradition of Adam Smith's economic theory. Accordingly, we might acknowledge that there are different defining perspectives on human capital. In terms defined by Becker, (1993: 120-131) the contemporary theories themselves are identified as egalitarian and elitist approaches to human capital investment, or investing in human resource management.

With neoliberal thought in contemporary economics, an argument is made that the theory of human capital undertaken by contemporary theorists encompasses classical notions of "human capital," but is itself more a theory of human resource development (HRD). The distinction is important where human capital has again become a topic of interest in the economics of education; for example, where Guthrie and Pierce (1990: 179-205) note the recent emphasis on the "human capital imperative." Research included directions for further theory development from theories of the political economy. Following detail on the political economy, a perspective is presented to develop twenty-first century ideation into human capital and human resource development with systems theory as a frame of reference, as similarly discussed by Swanson (2001), Swanson and Holton (2001), Hatcher (1999), and Lee (2003). Arguing for the utility of interdisciplinary approaches to human capital and HRD, where research does not discuss

the statistical studies in depth the frame of reference underscores methodology over ideology. In that the philosophy of science is purposeful for further research into the statistical theory, understanding the epistemological foundations of economic theory is purposeful and provides insights in order to prevent misunderstandings and misuse of the contemporary theory. The political economy is thus important for critical investigation into, and ways of thinking about the theory; particularly true given the application of the theory to education with technological advance and increased economic globalism.

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