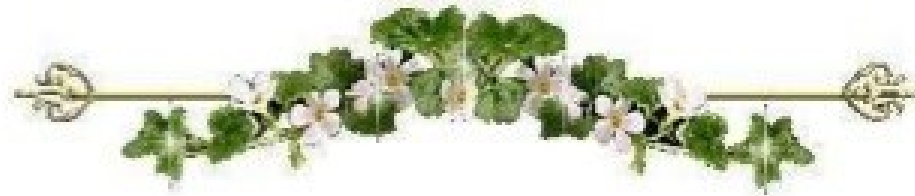


Overview

- **There is a robust relationship between education and earnings. Why ?**
- **What determines the level of education selected by an individual ?**
- **How can we define Human Productive Capacity?**
- **Individuals with more human capital receive higher pay; How ???**



Former President A P J Abdul Kalam said *Build special capacities through the education system to enable student growth and contribute towards economic development.*"

These capacities would enable students to meet the challenges in the mission of transforming India into a developed country by 2020, he said.



Education & Economics

- Every Country development is dependent on two main factors;
- **Natural Resource;**
- Fertile Countryside, Forests, Minerals, Canal & Rivers etc....
- **Human Capital**
- Well Educated, Skillful and Well Trained

Economic Definitions

- Adam Smith gave the Wealth Definition
- Alfred Marshall gave the Welfare Definition
- Lionel Ribbons gave the Scarcity Definition
- Paul Samuelson gave the Growth Definition

Wealth Definition

- Adam Smith (Father of Economics) in his book “Wealth of nations 1776” defined economics is the study of wealth
- J.B. Jay, J.S. Mill, Walker, B Price all agreed with Adam Smith
- In this definition wealth is given the first place and man is given the second place

Human Capital Model

- Human Capital; “an individual’s productive capacity.”
- **Human Capital may be increased by investments in:**
 - Education,
 - Training (Skill Development), and
 - Health Care
- **Individuals with more Human Capital receive Higher pay (since they are more productive).**

Education as Human Capital

- Education = Investment in Human Capital & Investment of Capital**
- Education is responsible for social and economic development.**
- Human Capital declines with immobility.**

Creation of Wealth and Education

- Elements in the creation of wealth (labor, physical capital, technology), are enhanced through education
- Educated workers are more productive
- All areas of resources are refined through education
- Human capital—greater productivity in management



Education: An Important Industry

- Education is the country's largest industry .
- There is a positive relationship between education and economic growth.

Marx

Keynes

Galbraith

Friedman

Smith

Communist; Economic philosophies affect fiscal matters and the educational program. **Communism;** advocacy of a classless society in which private ownership has been abolished and the means of production and subsistence belong to the community.

Government Intervention; Public ownership, which means that production and substance belongs to govt.

Liberal; An economic theory in favor of laissez-faire, the free market, and the gold standard.

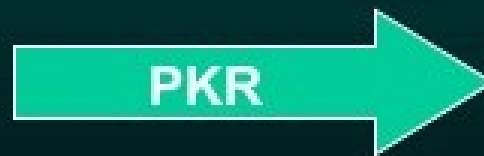
Conservative; (Monetarism) An economic policy based on controlling a country's money supply.

Capitalism; An economic system based on private ownership of capital

A Public Sector Responsibility

- Government through Policies produces education services
- Private sector organizations respond to consumer demand
- Education--a political responsibility at three levels of government through taxation
- Federal system-public education designed to produce equity

Private sector



Public sector

Taxation

A Public Sector Responsibility

- As educational services increases, economic productivity and wealth increases
- Educational system—result and determinant of social and economic progress
- Education produces no free services
 - Producer's Good—Human Capital
 - Consumer's Good—Purchaser of Education and wants as a consumer

Stimulates Economic Growth

- Education is important to increases in economic productivity
- The scope of educational services are determined by
 - Constituency Members' Experiences
 - Government Officials
 - Community (Society)
 - Those with no direct relationship to education interest group.

Economic Benefits of Education

- Range of Job Opportunities
- Job Security
- Taxes paid to state
- Life Expectancy
- Averages Earnings

• **Increasing Expenditures and the Economy**

- Human Capital more important than Natural Resources in wealth creation
- High Education development overcomes lack of natural resources
- Poor Education System—lower individual economic productivity

• **Expenditures Benefit Individuals and Society**

- Social mobility, higher status, increased appreciation for arts and culture, increased participation in democratic process
- Family, neighborhood, business, society and culture benefit