# Comments on Human Capital and Development

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# Overall summary of paper

- Tour of education and growth literature
- What determines individual HC investment?: HC production function at individual level
- Evidence on what works for HC programs: learning, parenting

# Some highlights of paper

- Human capital is not just one thing & different types of HC investment matter more at different stages of development (VAM 2006 extended)

- Human capital increases capacity for technology adoption– in low-income settings, too

- HC returns constrained by investments in physical capital, job & entrepreneurship opportunities (but returns to ed still about 10%)

# My comments

1. What is human capital (and where does the concept come from)?

2. Is human capital in developing countries increasing?

3. Why so little progress on learning?

4. Strong coherence with upcoming WB human capital report

"Human capital consists of the knowledge, skills, and health that people accumulate throughout their lives, enabling them to realize their potential as productive members of society."

Individual/govt spending on education, health, nutrition (and other things!) is ***investment*** with later economic payoff for individual and country

The American Economic Review

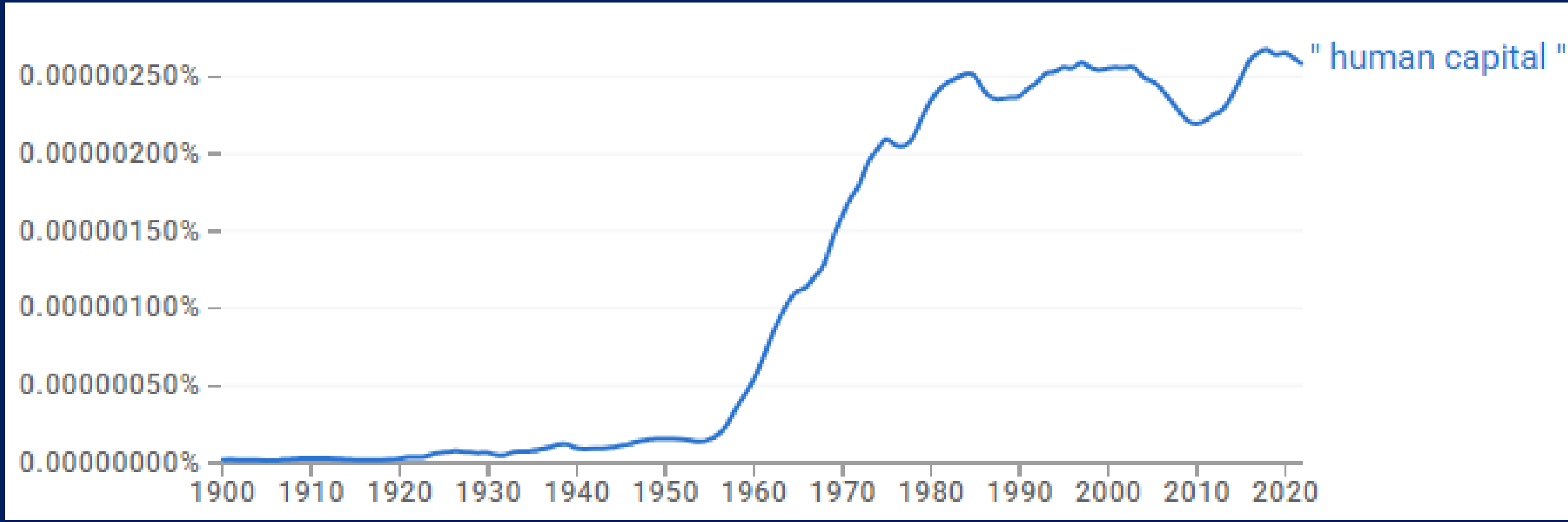
VOLUME LI MARCH 1961 NUMBER ONE

# INVESTMENT IN HUMAN CAPITAL*

*By* THEODORE W. SCHULTZ

Although it is obvious that people acquire useful skills and knowledge, it is not obvious that these skills and knowledge are a form of capital, that this capital is in substantial part a product of deliberate investment, that it has grown in Western societies at a much faster rate than conventional (nonhuman) capital, and that its growth may well be the most distinctive feature of the economic system. It has been widely observed that increases in national output have been large compared with the increases of land, man-hours, and physical reproducible capital. Investment in human capital is probably the major explanation for this difference.

# Google Ngram for “Human Capital”



# REPORT ON THE ECONOMY OF VENEZUELA

Date: January 24, 1949

Victor Urquidi (1919-2004)

take place. In other words, it is clearly realized that without roads, port construction, airports and water supply facilities the country could not progress rapidly. In addition, large amounts are being spent on schools, hospitals and sanitary construction, as well as on low-cost housing, that are in effect investments in human capital, which must in the long run (and in many cases in a short period of time) result in increased productivity

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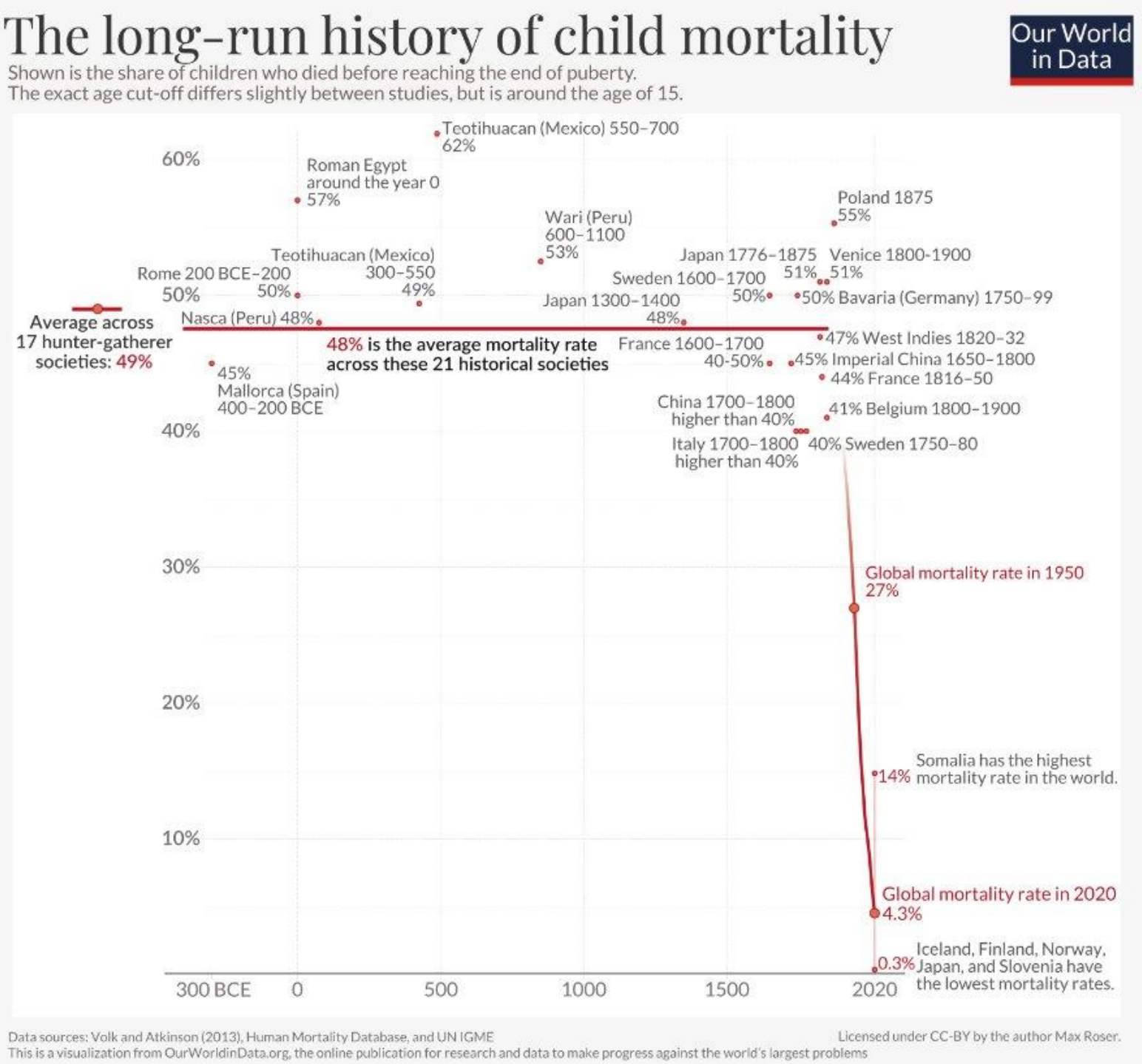
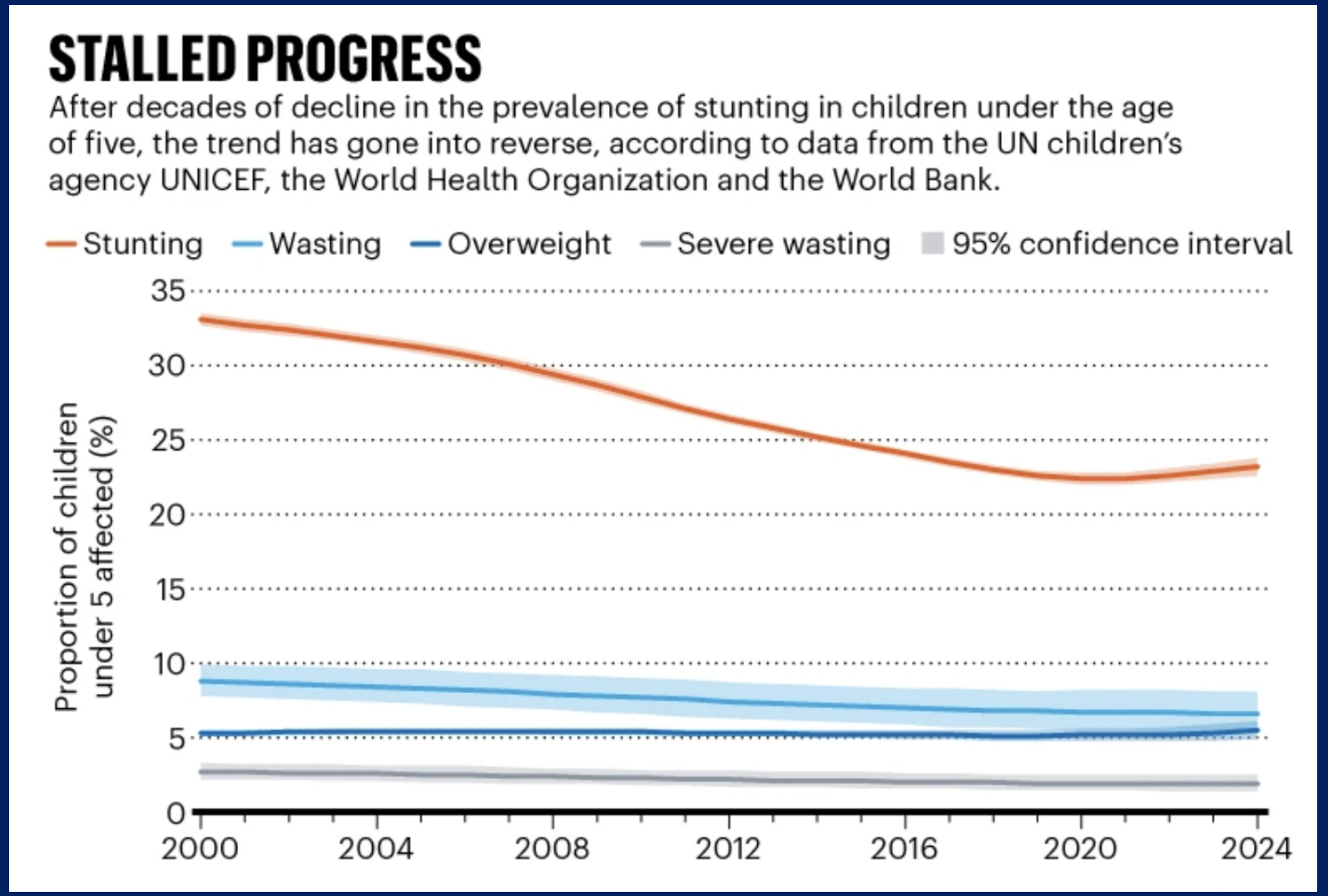
# Components of the Human Capital Index (new edition to be published in January)

1. Child survival
2. Child nutrition
3. School enrollment
4. Learning

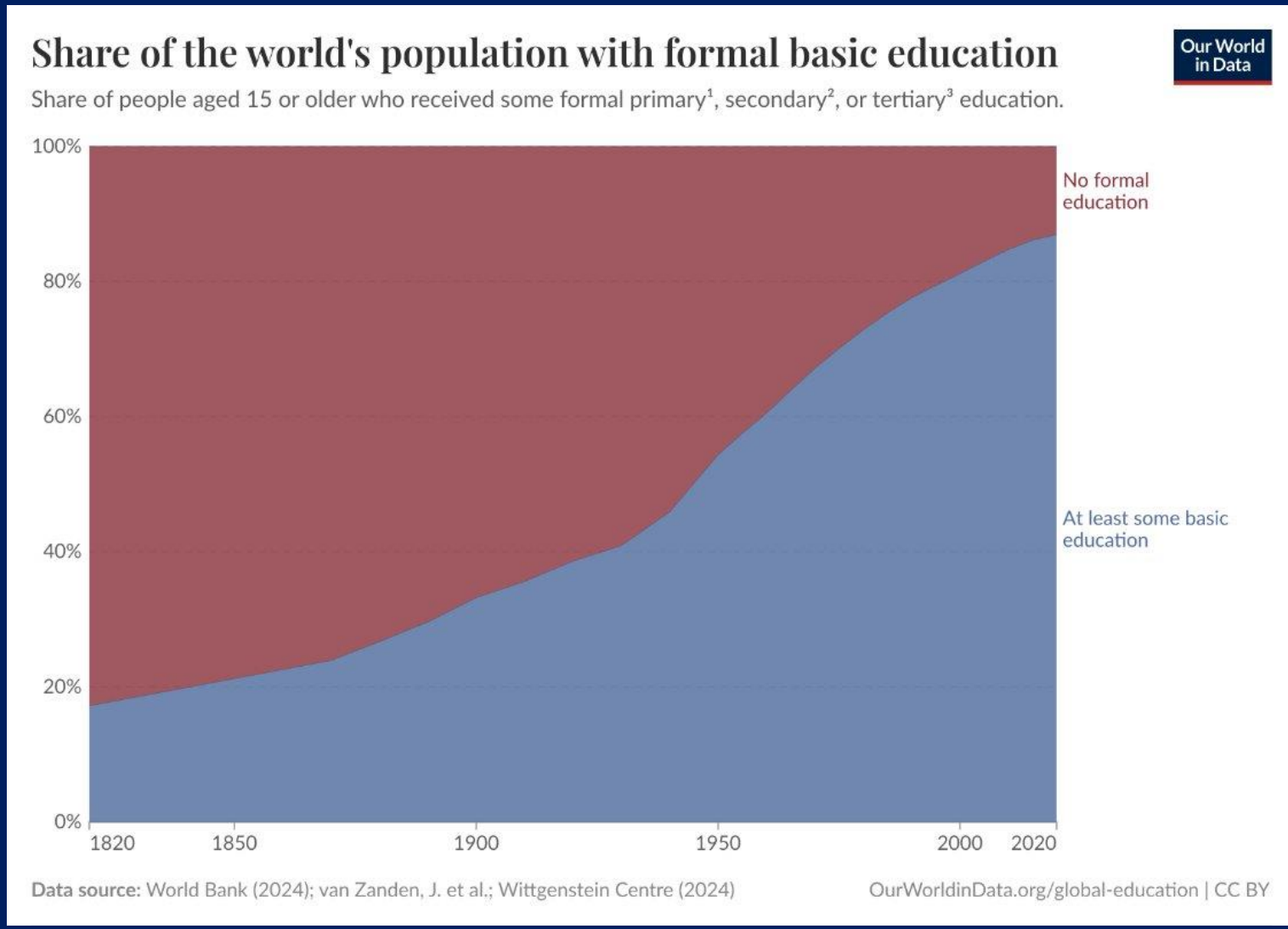
# Gigantic improvement in child survival over long term



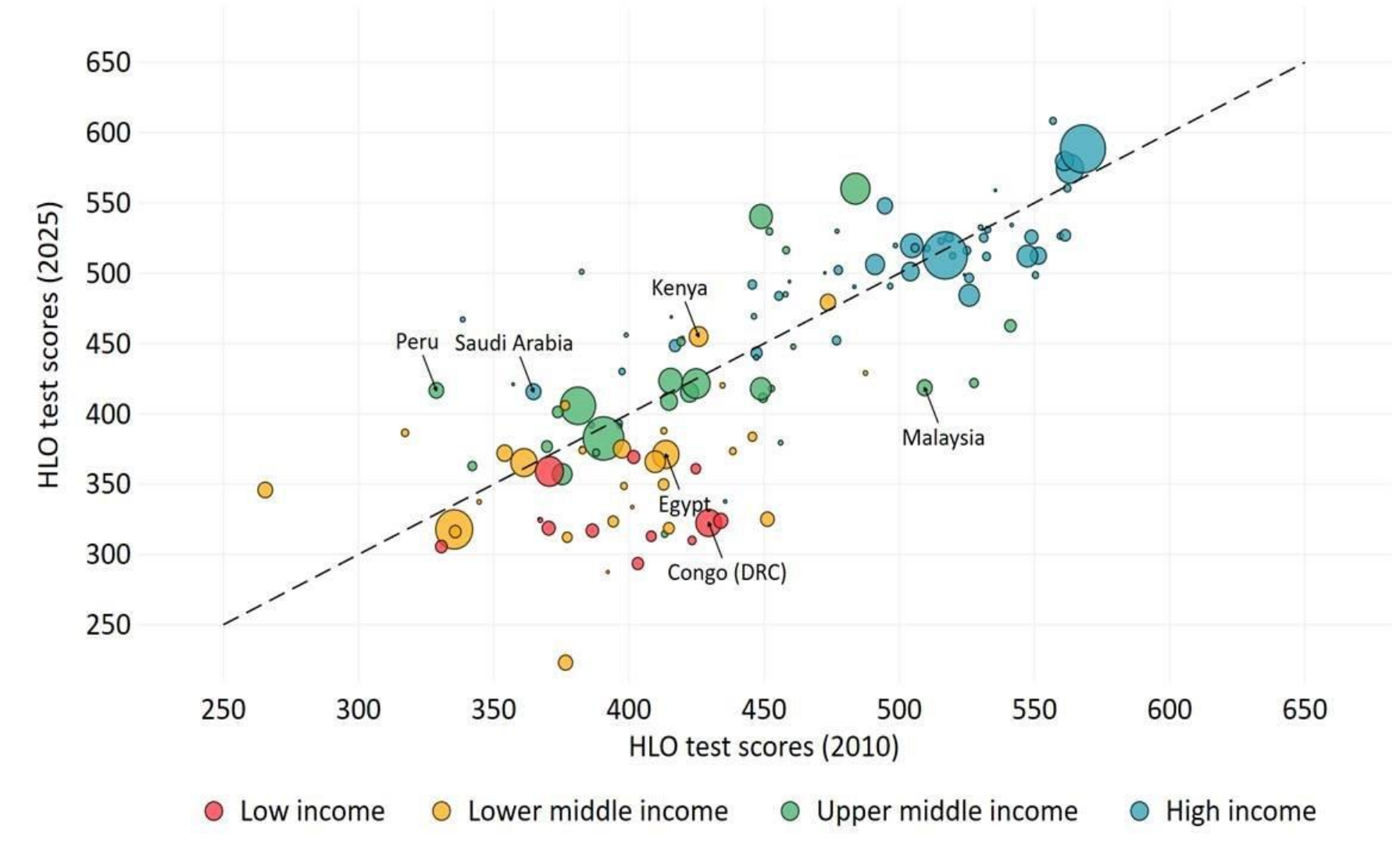
# Large improvement in child nutrition but stagnation since 2019



# Huge increase in levels of education over time



# No gain in learning on average since 2010




Source: Forthcoming World Bank Human Capital Report

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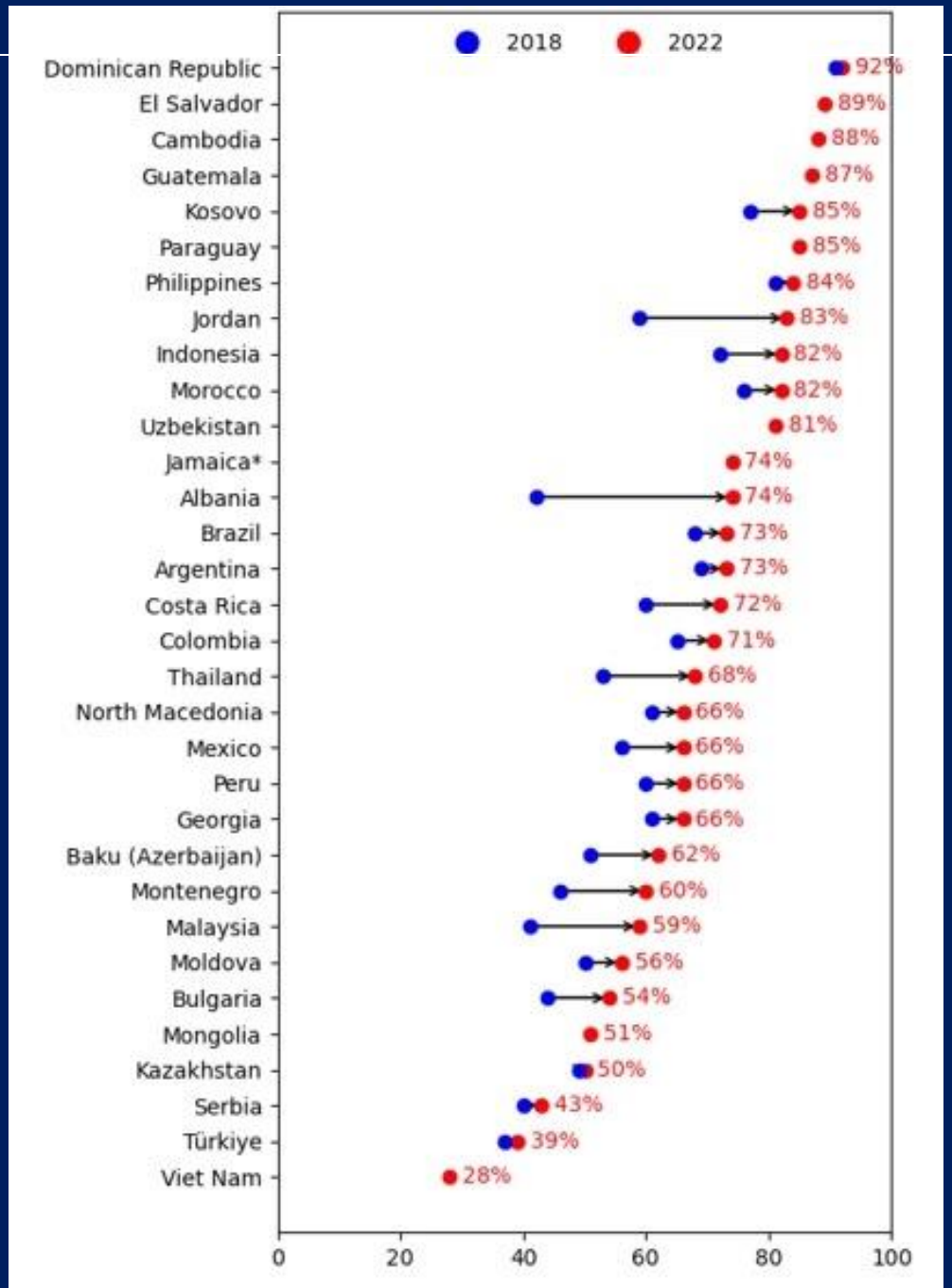
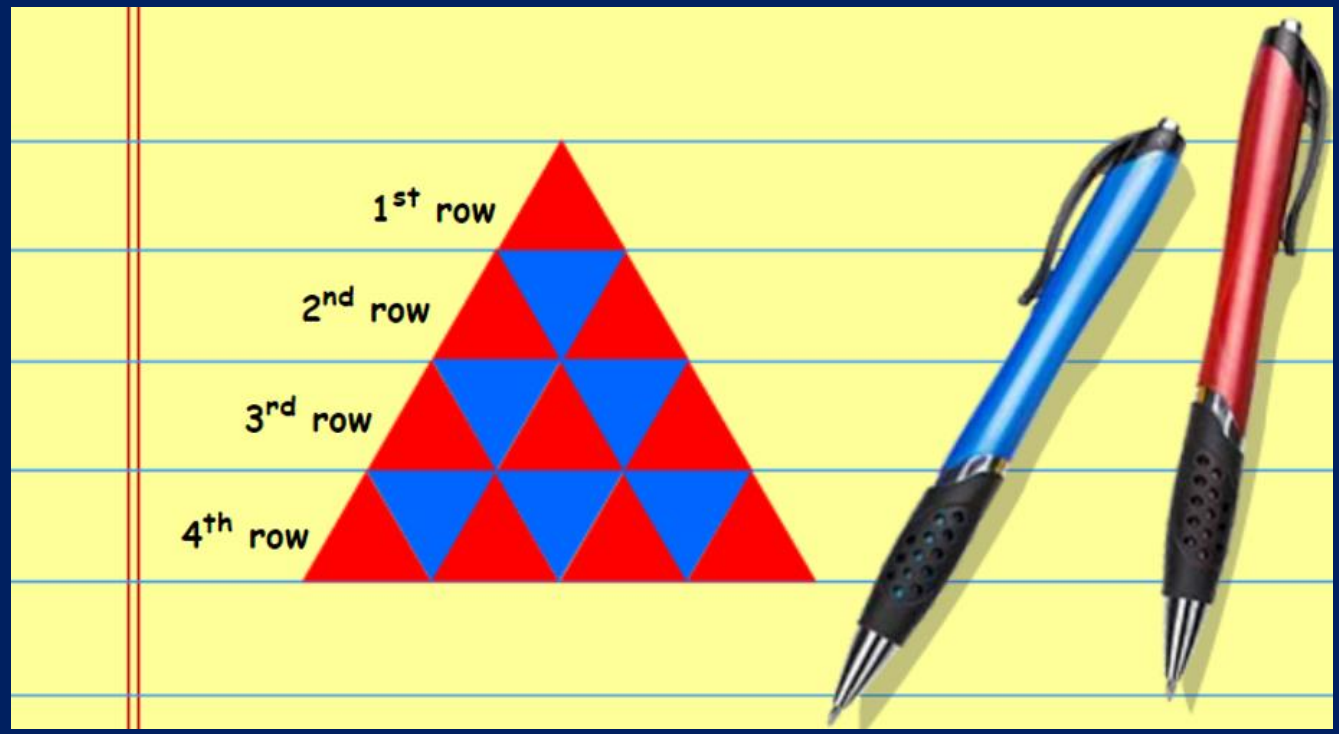
## Share of students below basic proficiency in math at age 15




Alex drew the following pattern of red and blue triangles. The first four rows of the pattern are shown below. If Alex were to extend the pattern to a fifth row, what would be the percentage of blue triangles in all five rows of the pattern?

1 ) 40.0%  2) 50.0%  3) 60.0%  4) 66.7%

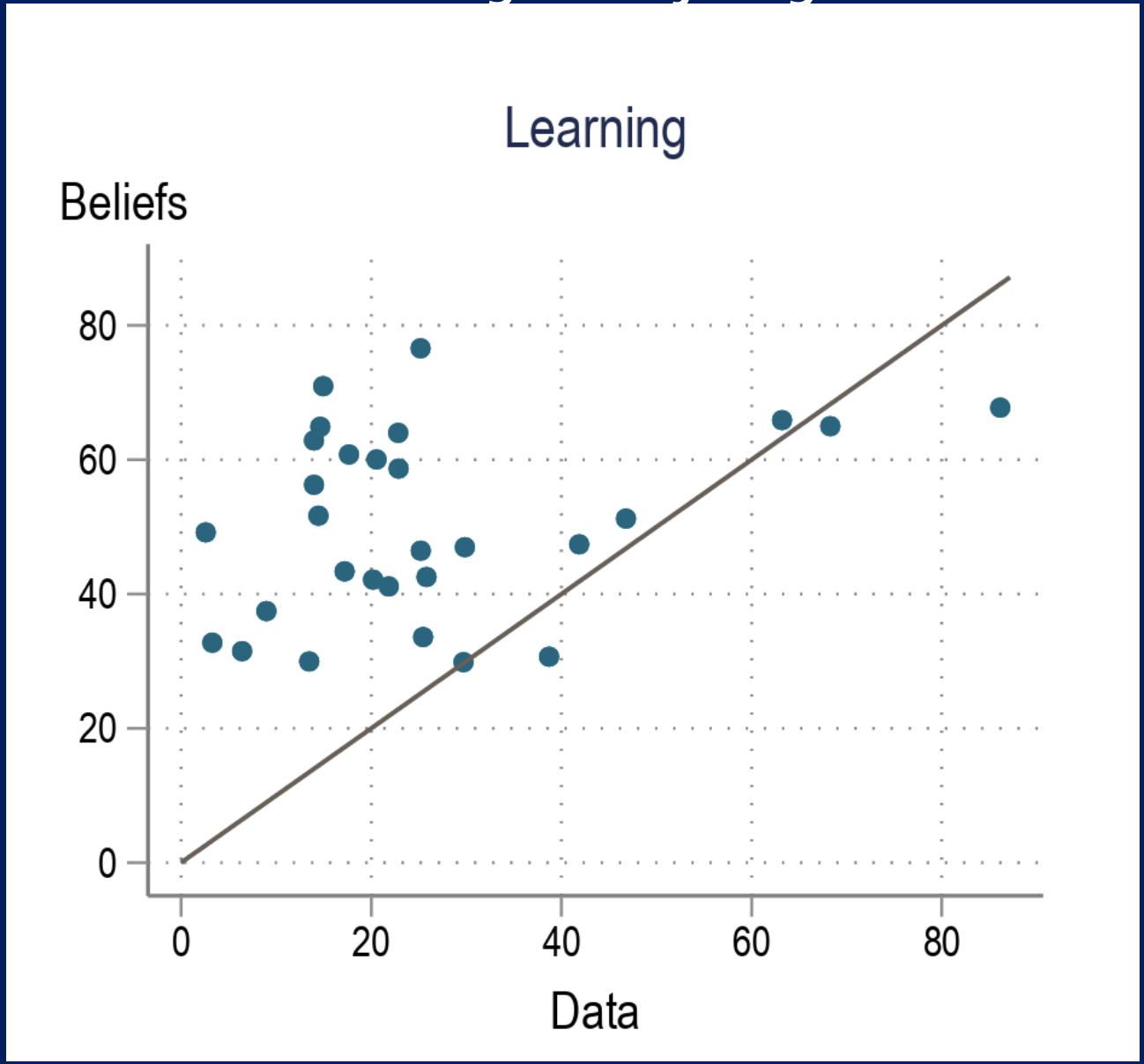


# Why so little progress on learning?

- Policymakers don't realize learning levels are low?
- Policymakers don't know what works?
- Too hard to improve education given institutional constraints?
- Policymakers don't care/have incentive to improve learning?
- Voters/elites don't care about public schools?

*Policymaker beliefs vs data on share of 10 year olds who meet minimum learning levels for age*

# Evidence shows that policymakers overestimate learning levels




Source: Crawfurd et al. (2021) "Understanding Education Policy Preferences: Survey Experiments with Policymakers in 35 Developing Countries"

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**FIGURE 1** **HUMAN CAPITAL IS BUILT AT HOME, IN THE NEIGHBORHOOD, AND AT WORK**

# Recommended references

**Deming, David J. (2022) "Four Facts about Human Capital." Journal of Economic Perspectives 36 (3): 75–102.**

*"Overall, the best evidence suggests that human capital accounts for at least one-third of the variation in labor earnings within countries, and at least one-half of the variation in earnings per worker across countries."*

**Gethin, Amory. (2025). "Distributional Growth Accounting: Education and the Reduction of Global Poverty, 1980–2019", The Quarterly Journal of Economics 140(4): 2571–2618.**

*"Education can account for about 45% of global economic growth and 60% of pretax income growth among the world's poorest 20% from 1980 to 2019."*

**Montenegro, C.E. and Patrinos, H.A. (2023), "A data set of comparable estimates of the private rate of return to schooling in the world, 1970–2014", International Journal of Manpower 44(6): 1248-1268.**

*"The authors estimate an average private rate of return to schooling of 10%."*