

“All But in Name: Historical and Philosophical Reflections on the Theory of Human Capital”

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Since Gary S. Becker received the Noble Prize in 1992, his path-breaking work on the theory of human capital has become deeply entrenched in mainstream economics. Becker discerned that economic growth during the twentieth century could not be attributed exclusively to labor and physical capital. As a result, he motivated the concept of human capital—the investment in knowledge and skills with an eye to a pecuniary return—to serve as the missing factor. He also attempted to measure the incentives for these investments. Human capital, however, is beset with unresolved problems. Insofar as physical capital goods are observable and can be traded on the open market, human capital is by definition unobservable and non-transferrable (there is no market for human capital per se). Furthermore, while the correlations between investments in education and future earnings, for both individuals and nations as a whole, have been adequately established by empirical studies, the causes at work are still subject to much debate. It is not yet clear whether it is the quantity or quality of the education at the early or late stages, that matters most, or even at all. Some scholars discredit schooling as nothing more than signaling to employers that their employees have inculcated certain behavioral traits conducive to the workplace. Education, some argue, has little in common with the training required for the majority of jobs and hence there is a distinct possibility of over-investment in education that outweighs the economic gains. The problems are compounded if one assumes, as holds true for most physical capital, that there is ongoing depreciation. This talk will trace the historical roots of the concept of human capital—notably the contributions of John Locke, David Hume, Adam

Smith—and motivate some criticisms of Becker's efforts to make rigorous the causal ascriptions of human capital. The concept may turn out to be a category mistake.

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