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## Creating a Culture of Aspiration: Higher Education, Human Capital and Social Change<sup>i</sup>

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### Abstract

In the United States, developing human capital for both economic and social benefits is an idea as old as the nation itself and led to the world's first mass higher education system. Now most other nations are racing to expand access to universities and colleges and to expand their role in society. Higher education will grow markedly in its importance for building a culture of aspiration and, in turn, the formation of human capital, the promotion of social economic mobility, and for determining national economic competitiveness. This essay briefly discusses the vital role of human capital for national economies, past and future. It also examines the public and private benefits of higher education, the effort of nation-states, and region, to build a culture of aspiration, and the convergence of approaches towards building a "Structured Opportunity Market" in higher education. Increasingly institutions and developed and developing nations, and, in some cases, supranational entities such as the European Union, will move to most if not all of the components of the Structure Opportunity Market; those that don't will be compelled to offer in both domestic and international forums a rational reason why they are not adopting some aspects of the model. The paper concludes with a few observations on the emerging and growing higher education system in China.

It is probably not too much of an exaggeration to say that the both the social and economic future of nations and regions will depend heavily on the educational attainment of their population, and, as a corollary, both the size and quality of their higher education institutions and systems. In postmodern economies, and increasingly in developing economies, there will be growing dependency on supported and expanding "knowledge accumulation" that will be vital for greater national productivity and global competitiveness.

As the first nation to pioneer the idea of mass higher education, the United States has essentially provided the proving ground for the simple idea that the talent, training, and creativity of its citizens is as important a factor for generating economic prosperity as a nation's natural resources, or its strategic geographic location, or its military, political, or cultural influence.

How do economists and historians explain long-term economic growth of nations, and their comparable competitive position? A consensus has emerged: one major factor is vibrancy and the maturity of their public and private higher education institutions. In the United States, and throughout the world, hard working people are not enough to produce prosperity and vibrant society. There is also the culture of aspiration-the sense that the individual has the freedom and the means to better themselves, to advance their knowledge, skills, and position in society.

This essay discusses the vital role of human capital in national economies, and provides a brief look at the convergence of approaches by national and supranational governments towards a "structured opportunity market," offering a comparative look at the US, the EU, and others parts of the world.

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### 1. Human Capital and Fate of Nations

In the United States, developing human capital for both economic and social benefits is an idea as old as the nation itself. And within the US, the state of California was particularly early in not only recognizing this fundamental truth; it was the first to develop a coordinated network of colleges and universities to push access to higher education. But it was not until the 1960s that economists began to offer significant analyses of its key role in economic development.

Garry Becker and T.W. Schultz famously offered evidence that more than 30% of the increased per-capita income between the 1930s and the 1960s was attributable to increased schooling, and that investment in a college-educated workforce provided a greater rate of return than any other single investment, such as machinery. They also predicted that the private rate of return for an individual of attending and graduating from college would grow substantially when compared to those who attained only a high school diploma.<sup>ii</sup>

The work of Becker and Schultz, and others, spawned a significant body of economic research on human capital formation and the role of education in the US economy, with increasing interest in the link of investment in higher education with technological innovation. A 1999 study by Claudia Goldin and Lawrence F. Katz estimated that during the last century about a quarter of US growth in income per worker was due to the rise in educational attainment.<sup>iii</sup>

Similarly, David Mitch found that investment in secondary and postsecondary education in Europe over the last century had a large impact on general economic growth, although not as large as in the US.<sup>iv</sup> “Education plays an important role in accounting for the time pattern of economic growth and the cross-country variation in income per capita,” explains economist Elhanan Helpman.<sup>v</sup> And that assertion holds not just for those who attend college; there is evidence that in US cities with large concentrations of college graduates, wages are higher for other workers. “This implies,” noted Helpman, “that the social rate of return on higher education is higher than the private rates of return.”<sup>vi</sup>

Other recent studies continue to demonstrate the importance of college participation rates and how they produce both private and public benefits vital to nations, particularly those with post-modern economies. The private benefit afforded individuals who participate in higher education, and particularly those that graduate with a degree, has continued to grow.<sup>vii</sup>

While salaries for all Americans have generally been stagnant over the past five years, the gap between the lifetime income of college graduates and that of high school graduates has continued to grow and is the highest among OECD countries; the income gap is also, not surprisingly, growing dramatically between college graduates and the nation’s growing pool of high school dropouts.<sup>viii</sup> In 2004, the workforce population over age twenty-five with a bachelor’s degree had an average personal income of \$48,400; those with only a high school diploma earned on average only \$23,000.<sup>ix</sup>

	PRIVATE BENEFITS	PUBLIC BENEFITS
<b>ECONOMIC</b>	<ul style="list-style-type: none"> <li>• Greater Economic Mobility</li> <li>• Higher Lifetime Income</li> <li>• Higher Employment Rates</li> <li>• Higher Levels of Personal Saving</li> </ul>	<ul style="list-style-type: none"> <li>• Greater Economic Equity</li> <li>• Lower Unemployment Rates</li> <li>• Greater Productivity</li> <li>• More Flexible Workforce</li> <li>• Lower Welfare Rates</li> </ul>
<b>SOCIAL</b>	<ul style="list-style-type: none"> <li>• Greater Social Mobility</li> <li>• Improved Health/Lifespan</li> <li>• Improved Economic/Health Chances for Offspring</li> <li>• Improved Consumers</li> </ul>	<ul style="list-style-type: none"> <li>• Greater Social Equity</li> <li>• Greater Social Tolerance</li> <li>• Greater Civic Involvement</li> <li>• Increased Charitable Giving</li> <li>• Lower Crime Rates</li> <li>• Higher Education Persistence Rates Among Next Generation</li> </ul>

Fig. 1 Private and Public Benefits of Higher Education Participation

Source: John Aubrey Douglass, *The Conditions for Admission, Access, Equity and the Social Contract of Public Universities* (Stanford CA: Stanford University Press, 2007).

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