

# Capabilities, human capital and education

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## Abstract

Using recent advancements in the Capability Approach, we firstly characterize capabilities as fuzzy entities, and then propose a closed loop, where investments in human capital, capabilities and modes of economic production are combined. We argue that, given the complex relations between human capital accumulation and capability enlargements, educational policies have to be designed to include their direct and indirect effects on human development. In doing this, the United Nations Development Program's capacity development principles can be a useful reference point. These principles are consistent with the Capability Approach view of education as an empowerment process, in which not only job-oriented, but also life-oriented skills are provided. Moreover, the capacity development principles suggest how to organize educational policies operatively in order to give people crucial capabilities. Finally, we argue that network organizations are possible environments in which educational policies can be implemented.

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## 1. Introduction

Education is one of the critical dimensions through which public policies for economic growth and human development can be assessed and analyzed. By increasing individual skills, abilities and competencies *human capital*<sup>2</sup> accumulates and enlarges individual freedom by making self-empowerment, civic engagement and social participation easier to achieve. The central role of

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<sup>2</sup> Several definitions of human capital exist. On the one hand we have a *narrow* view in which human capital is equal to school levels achieved; on the other hand there is a *wider* view, in which not only school results, but also other formal and informal skills are included in the definition. In this article, we shall refer to the latter view.

human capital in economic development has recently been recognized in endogenous growth theories, proposed and discussed during the 1990s,<sup>3</sup> and repeatedly emphasized by international institutions and political declarations (from the 1990 World Declaration on Education for All to the 2004 World Bank Development Report; see WB (2004)). However, what education quality really means is a highly debatable issue, and huge diversities about ways of defining or measuring educational outcomes exist. For illustrative purposes, we consider two main approaches.

On the one hand, we have a *Productive Approach* (PA, henceforth), in which educational outcomes are given by technical combinations of educational inputs. Among the latter, education quality (i.e., teachers' CVs, the teacher/student ratio, etc. . . .), natural ability, good parenting, in-school facilities and peer-to-peer relations have been recognized as crucial for specific and generic human capital accumulation.<sup>4</sup> Consistently with this view, school performance is described and measured by learning outcomes (*test scores*) and the after-school earnings/productivity of graduates. Human capital is here conceived as the attributes of a person that are productive in a given economic context, and education is seen as an investment whose returns are mainly private. In this context, social returns and the intrinsic value of education are of less importance than its instrumental and private value.<sup>5</sup>

Despite its shortfalls (e.g., reducing education to a productive issue, and not taking into account external benefits, connecting input and educational attainment through a questionable education production function,<sup>6</sup> etc. . . .), this approach is largely operative, empirically verifiable and politically consistent with the market (or quasi-market) reforms of education, because of its managerial flavor. However, as O'Shea (1999) stresses, it risks undermining the view that education must be personally, socially and culturally enabling, and hence that educational policies must be judged in terms of the *enrichment of human life*, and not simply through job market earnings or productivity.

On the other hand, the *Capability Approach* (CA, henceforth) sees education as more strongly connected with human freedom.<sup>7</sup> Under this view, education benefits and results are viewed as multidimensional, not *value-free*, and are measured by substantial achievements in freedom. This freedom can be expressed in terms of *human capabilities* or/and *functionings* all referred to (politically and ethically accepted) dimensions of human development.<sup>8</sup> Roughly speaking, human productivity is simply viewed as a mean of human development. Hence, social and cultural educational achievements, as well as education's role in promoting socially sustainable developmental paths, receive greater attention. Thus, in the CA, the overall value of education is defined by the sum of *instrumental values* (wages, test scores, certificates, etc. . . .), *intrinsic values* (achievements in agency, autonomy and well-being) and *positional values* (established social

<sup>3</sup> Seminal contributions on endogenous growth are Lucas (1988) and Romer (1990). For a compendium of recent advancements in this field, see Aghion and Howitt (1998).

<sup>4</sup> On education quality and efficiency, see Hanushek (1986, 1992), Robertson and Symons (1996), Feinstein and Symons (1999). On education quality effects on human capital accumulation see Dewey et al. (2000). An analysis of school dropout is provided by Eckstein and Wolpin (1999). Crane (1991) underlines the importance for educational attainments of peer-group inputs and Rivkin (2001) proposes a clear-cut empirical model, in which positive correlation between peer-to-peer relations, parental involvement and economic conditions is observed. Finally, in Light (2001), in-school job experience is seen as a powerful tool for improving specific human capital accumulation.

<sup>5</sup> For a survey of these issues see Psacharopoulos (1996).

<sup>6</sup> For instance, see Jaminson and Lau (1982).

<sup>7</sup> On the Capability Approach and its applications to education see Sen (1999), Nussbaum (2003), Unterhalter and Bridhouse (2003), Radja et al. (2003) and Saito (2003).

<sup>8</sup> Classical references for foundations and evolutions of the CA are Sen (1985, 1992), Nussbaum and Sen (1993) and Alkire (2002a,b).

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