



International Economy

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**EDUCATION
AS A STRUCTURAL ELEMENT
OF THE USA HUMAN CAPITAL**

Abstract

The role of education in the formation, motivation, establishment and development of the US human capital is analyzed. The most important factors, mechanisms of influence of education on the human resource and the last trends of its development in the countries of high competitive status are characterized.

Key words:

Human capital, human potential, state education policy, social partnership.

JEL: I20.

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Problem definition. In conditions of economy of knowledge outspread, the component of the economic of education, which from the sidelines of economic support is characterized by the high intellect of the nation, organic combination of science technology and production, is based on the innovation model of the development and methodological trend of the education system shows that the important object of the state policy is human capital. In its turn, education is the basement of the human capital development, which is not only the source of the economic possibilities but also characterizes the economic efficiency at all levels. A special interest in the given context is directed on the national strategies of the development of the US human development – countries-locomotives of the global economy, countries with more progressive, in comparison with other countries of the world branch and reproduces structures, countries, whose leadership as a competitiveness of the human capital requires no proof.

Analysis of the latest publications and researches. The research problems of the role of education and professional training, performance evaluation and its influence on the USA human resource were investigated by such foreign scholars-economists as H. Beker, K. Belfield, Kh. Boyen, M. Vudkhol, M. Kats, L. Kuban, F. Makhlop, L. Turou, J. Shvabysh, T. Shuller, R. Kheivman and others.

There are some scientific works concerning human capital conception: extension of the investigation methodology of the social and economic category of the human capital, human capital significance in case of US economic development, influence of different institutional, demographic, economic, political, ecological factors on macrolevel as well as economic physical psychological factors – on microlevel etc. It is noticed that the correlative relationship between the education indicators and indicators of the US economy on the whole was analyzed as well as the competitiveness efficiency in the branch of education and its globalization and influence on the human capital. However, in economic science, the system analysis of the mechanism of influence of education on the formation and development of the human capital (hereinafter referred to as HC), its main branches, and latent reserves of HC development is not investigated completely. A lot of aspects of the given problem are still debatable and need further research.

The main tasks of the article. To investigate the role of education in the formation, motivation, and development of the US human capital, to analyze the factors, mechanisms of influence on the human resource as well as the last trends of HC development in the countries of the high competitive status.

Statement of the topic examined. The history of the American higher education is phenomenal, whereas it appeared on the territory of the modern USA by means of the European emigrants' efforts, which only in 1636 founded Harvard College on the model of which the institutions of local significance were formed, as

well as colleges of free art on the model of English technological colleges. Shortly thereafter the agriculture colleges appeared almost in all states. And less than in three centuries the American education became one of the best and wide-ranging in the world; it played an important role in the human resources development and achievement of the high competitive status of the USA.

The American scholar P. Salberg thinks that the educational reforms are divided into reforms of financing, standardization, moderation, restructuring [8, p. 70]. On his opinion, they are rarely met separately, mostly their symbiosis occurred. Likewise, it is occurred in the USA.

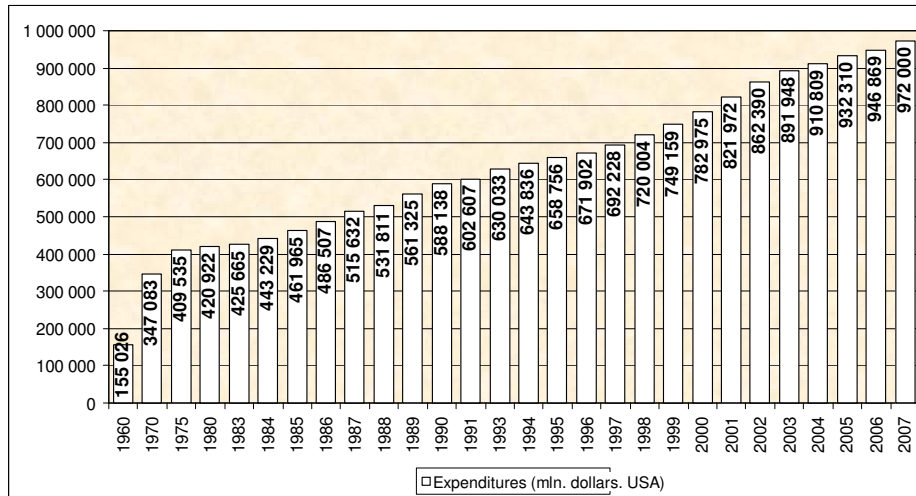
We should admit that restructuring of the education (by means of administrative levers, legislation) played the decisive role, by virtue of legislative acts, laws, particularly the Law of the USA «On Education», «On retraining of the veterans of war», «On education on behalf of the national security», «On primary and secondary education», «On improvement of the school education», «On engagement of pupils» etc, the rethinking of the role of human capital for the economic growth took place. The adoption of laws promoted the growth of high school appropriations, Scientific and Technical Progress promotion, improvement of the technical equipment in the higher educational institutions, enhancement of the quality of education. Thus, the Law «On material support of the higher educational establishments» of 1963 allowed universities and colleges augment the number of students on the average of 8,1 %. And after the adoption of the anti-discriminatory law in 1960-s, the right of the racial and ethnic minority upsides with the white Americans to study in any higher educational institutions was established. The number of the Afro-Americans, who annually get the education augmented from 8,3 mln. in 1980 to nearly 11 mln. in 2007. Among the Hispanic people – correspondingly 4,3 mln. and 13,4 mln. [9].

The advantage of restructuring is the fact that the education has in its composition different variants: 8+4 years, 6+3+3, 6+6, 4+4+4 year. Such variety enables each pupil of America to choose the most acceptable variant for him in contradistinction to the other countries where there are only one-two variations. Besides it, during the last year of school some pupils try to study more profound those disciplines, which they are going to choose in the higher educational establishments.

Except legislation, the economic security, it's financing influenced on the formation and development of the nation's human capital. We should mark that H. Beker supposed that according to profitability the educational activity in the USA in 60-s of XX century exceeded the other kinds of commercial activity at the average on 10–15 % [3, p. 234–235]. The other scholar R. Solou defined that by means of investments into the education, the national income of the USA 1957 to 1982 increased on 13 %. Thus, the education development is invested very good (picture 1). Costs, invested into education in 2007 correspond to the GDP of such countries as Korea, Netherlands, and Turkey. During the XX century the educational investments per capita were systematically increased, insomuch it became the highest in the world – nearly 8 thousand dollars (14 % of GDP).

Picture 1.

USA expenditures on education [10]



It is specifically that the USA education is financed not only by means of state and regional budgets but also by virtue of public funds and enterprises. The Ministry of Education of the USA provides such programs of the students' financial assistance: Pell Federal Grants, Federal Family Education Loans – FFEL), operated from 1965, Federal Direct Student Loans – FDSL), operated from 1993, as well TRIO и GEAR UP Programs. The most popular program is Pell grant, which is rendered correspondingly to the student's financial situation. The sum of money is calculated by the Pell special index by the formula, included student's financial possibilities, family income and other information. In respect of FFEL and FDSL, they are operated through the system of organizations, which at the beginning of the XXI century comprehended more than 7 thousand of commercial organizations and 36 non-commercial institutions, 90 mediatory organizations and 12 service companies [1, p. 73]. Nearly 50 % of families with the income of 100 thousand dollars borrowed money for the tuition payment.

Such programs as TRIO, GEAR UP became a significant advantage of the American system of education. The first consists of 8 educational programs for students, who live in needy families and students invalids (for example there were psychologists, sociologists and other specialists, which helped children with disabilities to adapt; from the end of the 90-s the number of such students increased to 6 mln.), the second (GEAR UP) – the federal problem, which gives the possibility to increase the number of students from the families with small income thanks to the grants of 6 years, and also helps to enter the college. A spe-

cial attention is paid to the talented and gifted students. The system of education and financial assistance is permanently controlled and improved.

The conception of permanent education is very popular. The important factor of its realization is a new policy in the sphere of higher education, which was formed in the USA and Western Europe 70-s years of the XX century. The main point of it is the transition from the high education for the elite to the massive and more flexible forms, which were presented in the new types of educational establishments: for example, the institutes of constricted education; programs and courses, differ by the social composition of the participants, content and final courses of the educational process (diversification of the higher education).

To enter such institutions, some countries even don't demand the Certificate of Secondary Education. It is considered that the considerable growth of students in the USA in the end of XX century was achieved by means of extension of the network of two-year colleges [2, p. 60].

The pattern of formation and establishment of the HC in the USA will be incomplete, if we don't mention the about the development of the capital culture. In 1996 The USA Congress implemented a social reform, which said that marriage is the basis of social prosperity, and paternity and maternity support is fundamental in the successful development and upbringing of children. Annually, the state budget allocates 70 mln. dollars on educational programs, which proclaim the formation of convictions for the purpose of which the preservation of purity before the marriage effected and in the future preservation of the conjugal fidelity. Those programs (there are more than 100 of them) are for children and teenagers in the age of 9–18 years and are in force only in 25 states.

The development of the social partnership also takes place here. By means of tax and other benefits, the state promotes the corporations, which try to adapt the support and insurance programs, concerning personnel and members of their families, their upgrade qualifications. There are conditions for organization of special training centres by means of federal budget, budget of different states, local government's costs as well as private companies' fees.

Thus, personnel control the fulfillment of all conditions of state and private programs on staff training and retraining. During the presidency of young G. Bush, the main priorities were defense, antiterrorism protection as well as democracy, education development, social sphere. B.Obama considers the overcoming of crisis, infrastructure modernization, innovations and a priori business structure assistance as the main priorities of his policy. The state educational policy of these presidents and their administrations has similar and different features (table 1).

Table 1.

**The state educational policy of G. Bush and B. Obama
at the beginning of the XXI century.**

| Similar | Different |
|---|--|
| <p>1. The extension of the college accessibility. The higher education «should be accessible for all Americans» and the enrollment to the higher educational establishments should be based on «their potential and possibilities» – this is the opinion of both presidents.</p> <p>2. The raise of the maximum level of Pell grant from 5100 dollars (Bush) to 5500 (Obama) for the first year students; the raise of the college allocations – challenge-grants in the amount of 1,5 billions for five years.</p> <p>3. The destination vector of efficiency increase of training programs (TRIO, GEAR UP); allocations were correspondingly 828 and 303 mln dollars in 2007 (Bush) and 900 and 313 in 2009 (Obama).</p> <p>4. The build up of control of state programs efficiency. Allocations, directed on non-efficiency programs are redirected. In 2006 5 programs were liquidated. This enabled to save 26 mln. dollars. The Program on schools safety and the Program of the equal start for all the children was shortened. Moreover, 89 programs were looked through.</p> <p>5. A new Program within the frameworks «Equal opportunities» – The Program of American competitive growth (American Competitiveness Initiative – ACI), which foresee the increase of investments for the scientific researches, teacher training. As it is known, Americans show the low level in mathematics and other exact sciences. Consequently, within the frameworks of the Program, the national mathematical organization was created in order to investigate and work out instructions on teaching mathematics. 44 mln dollars for this Program were allocated in 2008, in 2009. The amount was 175 mln. dollars [4, p. 56].</p> <p>6. The extension of the sphere of state and private partnership, its new interpretation.</p> | <p>1. The different financing of the ethnic higher educational establishments and assistance for the children-invalids while getting education. During the presidency of Bush from 2001 to 2008 allocations for the needs of Afro-Americans higher educational establishments increase from 230 mln. dollars. to 296 mln. dollars [5, p. 55]. In 2009 they reduced to 120 mln., and in 2011 they are foreseen to be increased to 186 mln.</p> <p>2. B. Obama's policy is mostly directed on the innovations at the different educational levels (in the educational budget, there is a chapter called innovations, which in 2011 will get 500 mln. dollars), what about Bush, his priority was education and development of human capital.</p> <p>3. Bush's policy was aimed at comprehension and development of all the components of education, at the same time B. Obama pays much attention to the improvement of the secondary and primary education. One of his targets is the leading role of the USA due to the number of people, which have secondary education, in 2011 it is appropriated 1,8 billion dollars.</p> <p>4. The system of grants and awards for the most capable teachers and principles of educational establishments is one of the items in the educational program of B. Obama.</p> |

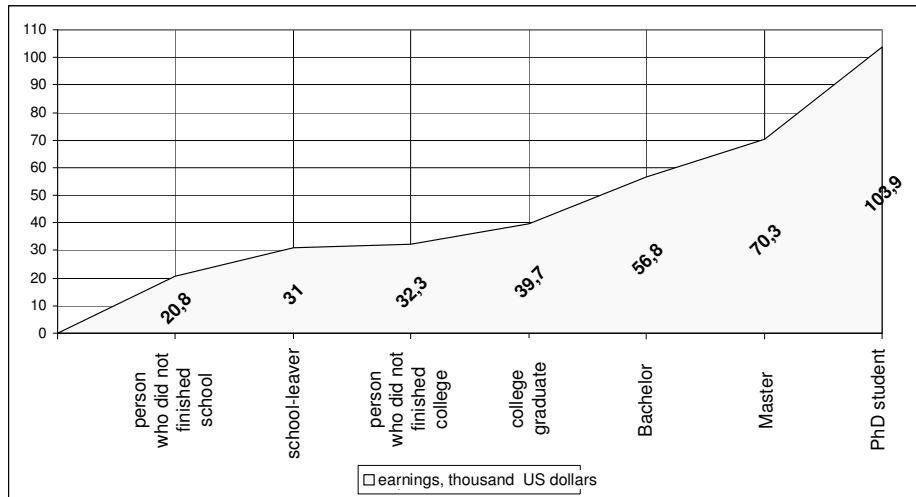
Consequently, the governmental educational policy has its advantages. The USA is the leader in getting the high level of knowledge among its citizens. In obedience to the information of National Centre of Educational Statistics for the beginning 2008 the share of 25 years old people, who finished college 35,6 %, those who got the Bachelor degree – 18,9 %. At that, 45 % of Americans at the age of 18 continue to study [6]. Such positive results occurred thanks to the extension of the acceptability of the secondary professional and higher education. Training on-the-job, special training centers of the private companies of training and retraining were popular too.

Educational globalization occurred uneven and meanwhile dominated in the USA, which controls the one third of the international market of educational services, then goes Great Britain – 13 %, Germany – 10 %, France – 9 % [2, p. 62]. Also USA significantly outruns the united countries of Europe towards a number of indicators in the system of education: for example, the number of the already qualified specialists, having higher education (in the USA – 36 %, in Europe – only 20 %).

Nowadays, the situation with the difference in the earnings of the USA workers with the different qualification level demonstrates the effectuality of the human capital conception: the more investments, time and possibilities are put into the education and personal development, the higher income and result is got (picture 2). In the USA the graduates of the higher educational institutions earn money thrice as much as personnel without higher.

Picture 2.

The difference in the earnings of workers with different education, 2009 [7]



Besides it, in the end of 2009 weekly newspaper Times Higher Education published the list of the best higher educational establishments of the world. The dominant position of the USA is obvious, more than the fourth (62 from 200) of the universities in this list are the universities of the USA. Moreover, in time of the Noble Prize existing (1901–2010) most of the Noble Prize winners were among Americans (320), then goes Great Britain (116), Germany (103), France (57), Switzerland (25).

Conclusions. There is a fundamental connection between the educational development, human capital of the country and its economic growth. That is why, the development of the human capital and the USA economic growth is phenomenal, taking into consideration that the first higher educational establishment was founded there only in the half of the XVII century. Less than in three centuries, the American education becomes one of the best and the most competitive in the world, it plays an important role in the development of the human resources and provides a country to get a high competitive status.

In consequence of the investigation, it was discovered that the educational reforms of financing, standardization, restructuring and evenness are implemented in the USA. The effectiveness of the system of higher education is achieved by means of such events:

- by adoption of the corresponding normative acts and laws;
- by financing from different sources at all levels;
- by practice and improvement of the educational credits accommodation;
- by conclusion of the long-term agreements between educational establishments, country and corporations on financing of special educational programs (social partnership);
- by the system of grants and discounts in the education fee for the gifted students;
- by subsidies for invalids and needy families;
- by the development of the culture capital;
- by innovations in the system of education;
- by the competitiveness between teachers, institutions and their principles in order to get the better financing;
- by control over the effectiveness of the state educational programs, their permanent improvement;
- by introduction of the conception of the permanent education, its ideological support on the part of mass media and its financial support on the part of the country.

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The article was received on April 20, 2010.