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Human capital and economic development: The axiological perspective^{*}

Abstract

Global capitalism is both an outcome and a stimulant of spreading not only the same market economy standards and lifestyles but moral relativism as well. Its origin goes back to Anglo-Saxon liberalism that limits the individuals to maximize their personal benefits that are measured according to the market values. The perception of human nature adopted in this ideology determines solutions as for how to achieve individual and communitarian goals and meet criteria of their validation. As a result, the development of human capital understood as the knowledge necessary to act, is focused on its subjective functions. Thus, human capital plays a more important role in the multiplication of individual benefit than in the improvement of the value of human life. Such developed human capital results in growing disparities in the knowledge assets enabling the harmonization of personal benefit with the responsibility for the valuable life of present and future generations. These disparities lead to an increase in risk of global threats to humanity.

The reaction to these threats cannot be based on the development of globalization. The concept that respects the multi-faceted nature of a human being seems to be an appropriate alternative. Due to these efforts, new economics might be developed that may provide applicable educational and institutional tools for long-term sustained economic development and improve the quality of life of an individual.

Keywords: economic growth and development, business ethics

JEL Classification: A13, M14, O15

^{*} The article is an updated version of the paper published in Polish in the *Annales. Ethics in Economic Life*, 10(1), 189–197.

1. Introduction

In the 21st century, certain local communities and the whole of humanity, depending on how advanced the competitive order is, face the hopes and threats associated with the development of the knowledge-based economy (hereafter: KBE). To turn resulting benefits to good account, one needs to identify the process of generating human capital a fundamental determinant of development both in individual and social terms.

It is assumed that human capital, understood as the stock of knowledge, skills, health and vital energy possessed by society, though passed on in the genetic characteristics of an individual, can be increased by investing in a human being (Domański, 1993, p. 19). Hence, it becomes a factor in economic growth, which can depend on people's conscious decisions, including the economic policy. Since the scale of investment in human beings determines the workforce of each domestic economy and, more importantly, its quality, human capital becomes, to a certain extent, a function of GDP per capita. It is, therefore, clear that in impoverished countries, the scarcity of domestic savings creates serious problems with increasing the investment in humans. Moreover, if human capital is the foundation for sustainable economic growth, its high rate is only possible when the indicators of job quality of a given economy reach a certain critical level. It is because when human capital increases the resource productivity, it halts the trend towards reducing marginal revenues from the physical capital, and may even generate increasing marginal revenues, producing externalities (Romer, 1986, pp. 1002–1037; Lucas, 1988, pp. 3–42). However, Azariadis and Drazen maintain that in practice, externalities arise only when the stock of human capital is relatively high in relation to the level of income per capita (1990, pp. 501–526).

The concept of human capital as a source of economic growth comes from the new neoclassical economics.¹ It glorifies the significance of knowledge, skills, health, vital energy, entrepreneurship and resourcefulness. The new theory of economic growth suggests that its stock is generated and multiplied in the complex accumulation process conditioned by the macroeconomic phenomena, economic strategies of governments. The accumulation takes place if the capital is internalized for individuals' purposes. The capital is generated as long as the intellectual and material inputs are transformed into the resources of health, motivation, skills and knowledge that create value for their owners, users and other participants of socioeconomic processes.

When it comes to the question as to what values human capital creates, the new theory of economic growth is content with the approach grounded in methodological and Anglo-Saxon liberalism. Yet, it does not constitute an adequate basis for evaluation of the effects that human capital has on individual and social development if a human is to be considered a multidimensional being functioning in interconnected spheres of body, spirit, knowledge, consumption, technology, economy, politics and society (cf. Horx, 2002, pp. 45–51).

¹ An extensive literature on this topic is cited in Woźniak (2005b). Cf. Woźniak, 2005a, pp. 80–92.

Bearing in mind the integral character of all the spheres of human existence, the author of this study is of the opinion that, in order to accurately assess the effects of human capital accumulation on economic development, a broad axiological perspective is needed, which would be unobstructed by excessive reductionism of human nature. Such reductionism deforming human nature seems to be characteristic of the concept that still prevails in the theories of the mainstream economics, namely *homo oeconomicus* and its moderate versions. At the same time, its theoretical standpoint derives from existential and methodological individualism, which is opposed to essentialist holism (cf. Nowak, 1991, p. 258). In addition, it is in this context that the considerations about the role of human capital in economic development are presented in this very article.

2. The axiological development and the development of human capital

Classical economics, from which theories of the mainstream economics originate, was created within the framework of the paradigm of modern science, in which concepts adapted to the descriptions of dynamic processes were not used for a holistic interpretation of various phenomena. Within this paradigm, the economists who are critical of reducing human nature to a quantifiable profit maximization, and those that undertake research into the economic phenomena and processes in connection with various aspects of human existence may be regarded as non-economists. The results of their research efforts are often believed not to meet the criteria of scientific cognition.

Nevertheless, if economics is to not lose touch with the growing complexity, diversity and variability of socioeconomic phenomena and processes, if it is to help avoid threats that business activity poses to nature and culture, and consequently also to humans, economists must undertake a challenging holistic research that fully respects the complexity of a human being. For these reasons, it seems advisable to a look at human capital from the axiological perspective. Such an approach requires approving of the thesis that values regulate human behaviour, and so, the criteria for the choice of *homo oeconomicus* have to be confronted with the entire complexity of a human being. Therefore, the need arises to determine the relationship between the valuation criteria specific to individual aspects of human existence.

Understanding the valuation of things, people, experiences and social phenomena is essential for taking effective actions in our increasingly complex world and figuring out the mechanism of human behaviour. Today, especially in economies founded on information and communication technologies, human activity is and will be of a progressively less tangible character and will be linked to our relations with others and the cost of work—work that will involve only simple and

repetitive technical movements to process the matter. Communication will prove increasingly significant and human resources will again play the central role. The world of mental facts, ignored by the research methodology that derives from natural sciences, obstructs the communication in the economy that is subject to rapid tertiarization. It brings about unresolvable conflicts over the intensifying processes of values that are shaped by various social environments and interpenetrate the world economy. The crisis at present is a moral and political one, provoked by the attempts of “reforms at any costs”—a legacy from the ideological theories when the biggest problem was the division of labour. The current socio-economic realities are different as the need for obedience is replaced by a need for trust, cooperation, and communication. Only the development of human capital creates a modern society connected in a network of interactions between the responsible individuals who have the skills of making independent choices. The responsibility has to be taught at the stage of formal education to minimize the costs of free choice. Thus, the freedom of choice devoid of rational thought that is instilled through the theories and ideologies that are inadequate to the needs of postmodernist society and are permeated with moral relativism, should not be confused with the freedom in satisfying own desires and in developing one's personality.

The methodology of science has not established, so far, any indisputable criteria for valuating goals. Moreover, while in practice, it is done using the learning-by-doing method, economics is in need of subtle judgements that allow a comparison between the costs and benefits of a hierarchy of values. In the cloud of data smog regarding values and ideas and attempts to evaluate them in market categories, the man is manipulated, deprived of will and becomes a purchasing machine, a homeostatically adapting conformist and an opportunist.²

This technocratic point of view calls for the acknowledgment that not only the economic choice criteria constitute restrictions to effective action. Unfortunately, such a point of view means ignoring the long-term consequences of undertaken actions, ignoring the obvious fact that people assess things, social phenomena and mental experiences differently.³ Understanding of development and investing in human capital also involves the variety of evaluations.

Investing in human capital is undoubtedly a type of economic domain with positive axiological feedback since the process is directly connected with an increase in the range of options, enabling to explore one's own potential. Such does not happen by itself. The individuals should invest in self-knowledge and on get-

² Such an accusation was already made against the attempt to use the theory of evolution to describe and control social processes. Cf. von Bertalanffy, 1984, p. 245.

³ Depending on what things and events an individual values the most, psychology distinguishes the categories of people who hold: Dionysian values (consumption, comfort, comfortable life), Heracleian values (pursuit of power, fame and domination over others), Promethean values (pro-social and altruistic activities), Apollonian values (getting to know the world, creativity, development of science and art), Socratic values (getting to know and understanding oneself, developing own personality). Cf. Koziellecki, 1980, pp. 329–331.

ting to know their own personality to become a valuable person by becoming aware of their goals. Respecting the subjective approach to human capital requires respecting such diversity of evaluations. Only then, the investment in human capital makes sense for its bearer and contribute to the creation of knowledge that enables meaningful action.

What goes along with the postulated approach to human capital is the process of development understood as a process of intellectual modernization leading to a greater ability to discover, understand, experience and generate the material and spiritual values, and follows from humility and human dignity. Development understood in this way is perceived not only as a function of investment in all the aspects of human existence in which the subject of this development is a conscious and responsible person. The said approach goes against the concept of development promoted through globalization, which results in a commercialization of all aspects of human existence and moral relativism.

Globalization creates an unusually culturally and religiously diverse world that needs an unprecedented knowledge about other great religions—their major assumptions, customs, and customs and ethical standards. Such interreligious education could become an element of human capital, bringing mutual spiritual and intellectual benefits, which permit business executives a better understanding of various motivations and human needs.

The research on human capital must not overlook the knowledge and skills enabling the cooperation, which also involves investing in humans through the pedagogical-educational process and socialization. A belief structure shaped in this way governs economic activity, analogously to the “invisible hand of the market”. Then, human capital is also derived from moral values, without which the use of this resource in the cooperation process could bring about various difficulties and costs. The economists studying human capital are not commonly aware of these dependencies. This issue poses an even greater practical problem. It is manifested in, for example, the general collapse of the pedagogical and educational process, which is, among other things, associated with the revolutionary process of marketization. The process is too rapid, not properly secured with the set of laws, based on the universal deposit of positive axiological values and bears deep marks of barbaric capitalism and of the malfunctioning political arena. Market participants are ineffectively equipped with the universal deposit of positive axiological values that lead to the excess of human, social and moral capital necessary to build social trust. The human capital entails additional transaction costs related to the spread of opportunism (cf. Williamson, 1998), unfair competition, information asymmetry, rent seeking (Krueger, 1974, pp. 291–303), and crime, corruption, bribery, stealing and nepotism.

Similarly, to totalitarian systems, the barbaric capitalism necessitates ostentatious axiology packed with moral slogans of the lofty ideology of free choice and justice, meant to make people feel better and sooth the “religious conscience”

whose highest value is, however, “profit at any cost”, and especially to become exempt from punishment for camouflaged greed and actions unfavourable to stakeholders.

It should be assumed that there will always be a sufficient number of people for whom the highest value is the pursuit of self-interest, and economic rationality ensues from it. This pursuit can be a positive ethical value. Values that have to be grounded in an institutional order that respect values such as freedom, equality, justice, and social responsibility. Without such an order, the natural instinct of survival and development can lead to a motivational mechanism, which from axiological perspective, amounts to a barbaric capitalistic system.

3. What follows from the European programme of human capital development?

In 2000, in Lisbon, in response to the new challenges arising from globalization and the development of information and communication technologies, the EU signatories agreed to work towards a strategic goal. It consisted in creating the most competitive and dynamic knowledge-based economy of the world, capable of sustainable economic growth, with more and better jobs and greater social cohesion (*Strategia Lizbońska*, 2002, p. 13). The strategy was to make it possible to achieve the goal by 2010, using the priorities related to the development of human capital, and include:

- (1) creating an information society,
- (2) investing in human capital,
- (3) establishing a European research and innovation area,
- (4) stimulating entrepreneurship and creating conditions for the development of innovative companies, especially in the group of small and medium-sized enterprises,
- (5) developing an active employment policy,
- (6) improving the quality of work,
- (7) increasing employee mobility by opening up the European labour markets,
- (8) promoting social cohesion and modernizing social safety nets.

Thus far, the goals in the field of human capital development specified in the Lisbon Strategy, have only partially been implemented. The coordination that assumed the social activation and the engaging all the most important communities in the reform has failed. The new approach to education that encourage a steady and sustainable economic growth, competitiveness, acting against social exclusion and equalizing regional differences, seems to be a thing of the future,

impossible to achieve by 2010, as evidenced by the fact that the share of public expenditure on education expressed as a percentage of GDP has remained changed.⁴

The reforms for mobility in the European labour market turned out to be of little significance. Since economically weak countries of Central and Eastern Europe became member states, a new model of financing education based on the American one seems to be even harder to implement.

The question why in the last dozen years or so Europe is not keeping up with the growth of labour productivity in the US and why this gap is growing despite attempts to implement the program established in the Lisbon Strategy cannot be fully answered by concentrating on the issue of developing human capital through formal education. W.W. Lewis might be right claiming that the significance of the educational level of the workforce is overstated. In his opinion, a high level of education does not guarantee high productivity. Regardless of the level of formal education, employees can receive on-the-job training, which leads to improvements in productivity (cf. Lewis, 2005) and is always synchronized with the demand for a given type of qualification, being at the same time less expensive.

Higher minimum wages are also not an effective way to pursue desirable social goals. The system of tax deductions (e.g. for expenses related to investing in human capital) proves to be a better method in this respect. The ageing of the European workforce is another problem. It involves not only the growing costs of financing European social programs, but also the depreciation of human capital of its older bearers and the difficulties with modernizing this part of human capital so that it can function in the KBE sectors.

Many reforms necessary to raise productivity cannot be carried out due to the structural difficulties associated with the poor institutional order that puts politicians under pressure of civil disobedience, as it was the case in France in March 2006, or with the ease at which the political scene transforms into a particularistic market – the situation which currently occurs in Poland. The source of these problems is not only the lack of well-established institutions of society, but a lack of institutional limits to disregarding rights of others and institutions, and an efficient ways of communicating with the public that is not dependent on the interests of politicians and of business and allows people to make the right choices. The existence of markets and of a democratic political order are necessary but not sufficient conditions for the effective use of human capital towards a multidimensional individual and social development. Apart from a measurable social cost,⁵ the asymmetry between competitive forces of economic entities entails the creation of conditions in which morally reprehensible market behaviours become widespread,

⁴ Global employee mobility was estimated at only 1.2%. In academic circles, it reached solely 2%. Cf. *Choosing to grow*. (2003), p. 10.

⁵ The so-called Harberger's cost. Cf. Tullock, 1967, pp. 224–232.

e.g., unfair advertising, limiting consumer's freedom of choice and a creation of needs that are not elementary and promote the consumerist lifestyle, unfair distribution, and unfair competition.

According to the axiological standards of Anglo-Saxon liberalism, the EU introduces market distortions in their pursuits of social goals. Liberalism does not deprive the state of its right to help people in need. It does not oppose to following an active state policy for the development of human capital, taking care of the sick, or awarding young students with scholarships. These and other state regulatory measures that are implemented in order to increase the choice of individuals and achieve social goals should not, however, be introduced by means of the instruments that disturb the efficiency of markets and individuals' self-responsibility for own well-being. When the procedures of the rightful principle of subsidiarity become excessively bureaucratized, it is owing to a faulty instrumentation of its implementation that is inconsistent with the logic of markets operation. Such an inconsistency prompts rent seeking and actions against the common good.

The healing of the progress and of the economic development cannot consist in negating the intellectual potential of economics simply because it is driven by selfish motives. One should also be aware that altruism functions well within families and small groups, where the costs of the division of labour are still not growing that fast. It would be naive to assume that pure brotherly love or a sense of duty towards others is sufficient for the socioeconomic development and effectiveness. What is more important is to create such an institutional framework for *homo oeconomicus* that would motivate the bearers of human capital to be more conscious and responsible. Moreover, an interesting solution seems to an investment in the axiological development, a self-development in the spiritual sphere, which provides intellectual stimuli to activate mechanisms and motivations for creating the life based on values. Creating this type of intellectual basis for rational and morally relevant decisions would facilitate changes in the patterns of human behaviour in order to tame longings and desires for various negative axiological values, which promote a state of disharmony between cost-effectiveness and justice, self-responsibility of an individual and social responsibility of the state and business world.

4. Conclusions in the context of global processes

The theorists, experts and politicians addressing with economic issues have held that it is enough to apply a good theory and economic policy and the problems of poverty, impoverishment, and social exclusion will disappear, and an improved quality of life will evolve through the developments that brings economic prosperity. Unfortunately, the development strategies (cf. Piasecki, 2003, pp. 35–50; Czerny, 2005, pp. 45–51) used in the post-war period failed in a majority of the countries of the world. The development strategies pushed by Washington in

the early 1990s that were rooted in the gold standard of the Anglo-Saxon capitalism, and in the case of the post-communist countries—the gold standard of transformation failed to deliver the desired results (cf. Castells, 1986, pp. 297–342). It turned out that the costs and benefits of the development through globalization of neoliberal standards were asymmetrically distributed to advantage of the wealthiest countries and to disadvantage of the vast majority of the world's population. Consequently, the need arose to revise the Washington consensus.

In the post-Washington consensus, it is determined that the major problem is in the transition from the industrial to the information civilization. In the new world, in which the success of development rests in narrowing the gap in terms of physical and human capital, attention is needed in these six areas (Piasecki, 2003, pp. 62–72):

- (1) Encourage long-term domestic and foreign investments.
- (2) Develop a higher sensibility of the economy to market parameters.
- (3) Greater attention to cultural determinants and human capital.
- (4) Institutions responding unanimously to stimuli and the mechanisms of fast information flow and absorption.
- (5) Foster effective functioning of the markets through developing a broad understanding of the interrelatedness of the institutional systems overseeing the ownership rights, justice, banking, and chambers of commerce.
- (6) A market-friendly and proactive interventionist approach by the state where market failures may occur.

The requirements for a holistic economic development defined from the holistic perspective should recognize the interrelations between various spheres of human existence and the resulting consequences of the integration of the individuals and the social development. In terms of axiology, there is a slight shift towards the humanistic approach based on understanding the importance of various key factors in the national development. Factors such as, a recognition of the importance of information civilization, the cultural factors that enable harmonize and accelerate development, the effective competition secured through optimal institutional solutions, and the social education contributing to overcoming cultural barriers. Nevertheless, it remains a proposal for development through globalization and not sustainable development. It is not enough achieve an increase in market values; one should also strive for the objectives seeking respect for the natural environment, natural resources, cultural differences, people's emotional wellbeing, and dignity of each individual. Development should be consist in increasing a sense of social responsibility, improving people's self-concept that goes hand-in-hand with improved living conditions and a harmonious social life for the future generations. Such ought to be the goals of development.

In the light of the global threats to humanity and the aspirations of a modern man, who currently aims at building KBE, one should become aware of the confrontation between market axiology and the ethical standards that result from the inalienable dignity of a human being. Not only politicians and managers but other market participants as well need the ability to face this confrontation. This ability

should be taught not only in the formalized education process but, above all, it should be initiated by means of procedures that force individuals to take responsibility for their free choice, towards themselves and towards those on whom this choice has an impact. The development of human capital manifests itself through the development of a man, i.e. a growing ability to understand, experience, discover and create an increasingly complex reality. Only such a process of “intellectual modernization” can lead to a lasting, environmentally-friendly and favourable economic situation (cf. Lambert, 1999, p. 19).

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