

Education for economic development

[Literature](#), [Russian Literature](#)



Education for Economic Development As a consultant of the king of Countristan, I would advise the king to invest in a development project that utilizes ideas of most if not all development theories. I would therefore advise the king to invest his 20 million dollars in the education sector of his country. This fund would be used mainly to build and equip schools of all levels, hire more skilled teachers and education personnel, fund academic research, finance development of high quality of teachers and lastly provide a framework of relating skills demanded in the economy and those supplied by the education system. There would be need for constant evaluation of the performance of education sector as whole in order to measure the returns to this investment of \$20 million.

The above investment would hand to hand with the necessities for development in most economic theories of development. According to Rostow's theory, savings and capital formation are vital elements to successful goals of economic development (Smith 96). For a country to move through all the stages of development, a substantial part of GDP must be channel to saving which are used for investment. This is in line with the investment in education since it will lead to the formation of capital inform of human capital and hence, economic development.

According to the Harrod Domar Model, the rate of economic development depends on two factors namely; savings (savings ratio) and productivity of investment (capital-output ratio). Investment in education will increase savings because education levels directly correlate with propensity to save. Skilled labor and human capital will lead to higher productivity of capital inputs. Therefore, an investment in the education sector will lead to positive

development according to the Harrod Domar Model (Hanushek 611).

Overviews of the Lewis model of economic growth can summarize development to be a function of structural change. This change involves people moving from rural to urban areas since their productivity in rural areas is zero but positive in urban areas (Smith 75). Education is one of the factors that lead to rural-urban migration since people seek high quality education in towns. Therefore, education facilitates transfer and empowerment of labor originating from nonproductive activities to productive ones in urban areas. The end result is higher output and incomes.

An investment in education is likely to reduce underdevelopment associated with dependency theory. Dependency theory argues that the unequal power in relationships between DC's and LDC's lead to underdevelopment. This is because DC's have developed capitalistic economics that is associated with more efficient output compared to that of LDC's (Hanushek 623). An investment in education will lead to development of highly efficient manpower and better utilization of technology. This grants LDC's increased comparative advantage which will reduce their dependence on DC's. This reduces reliance on external financing and hence a closed economy which is associated with economic development according to the Dependency theory.

Lastly, the balance growth model offers support for an investment in education. This theory argues that economic development happens when there is a simultaneous development of large industries which in turn create a market for each other (Lewis 28). Education industries development would supply demanded human capital and offer a market for inputs required in the

education system. This theory also suggests that skilled workers don not find work because employers fear they will move to rival firms. With a high level of human capital development, this is not likely the case because there will be not unskilled labor available as substitutes to skilled labor and hence economic development.

As discussed above, it is clear that economic development is strongly related to education levels. Majority of economic development theories either relate human capital development and growth. An investment in education is likely to bring about the greatest return to the king of Countristan. I would therefore highly recommend that the \$20 million be invested in the education sector.

Works Cited

Lewis F. Abbott. Theories of Industrial Modernization & Enterprise Development: A Review, ISR/Google Books, revised 2nd edition 2003,. ISBN 978-0-906321-26-3.[2]

Hanushek, Eric A., and Ludger Woessmann. " The role of cognitive skills in economic development." *Journal of Economic Literature*, 46, no. 3 (September): 607-668. 2008

Smith, Esther. " DoD Unveils Competitive Tool: Project Socrates Offers Valuable Analysis". *Washington Technology*. 1988-05-05.