

Education and economic development

One explanation for the changes evidenced in this “institutionalist” view of education can be found in the human-capital theory first popularized by American economist Theodore Schultz in “Investment in Human Capital,” his presidential address to the American Economic Association in 1960. According to this theory, education is not a form of consumption that represents a costly expenditure for government but instead serves as an investment that improves the economic worth of individuals (e.g., human capital) and thereby raises a country’s overall productivity and economic competitiveness. In other words, governments support education because it ultimately strengthens their countries.