

## Human Capital & Community Prosperity

Q. What do a rocket scientist, a photographer, and an insurance salesman have in common?

A. Specialized knowledge and skills called human capital.

Human capital is perhaps the single most important factor influencing economic growth and community prosperity. This special kind of capital comes from investments enhancing human potential.

The most common investment in human capital which increases future production is education. A person who studies hard to become a medical doctor is making an investment that increases future productive capabilities. Vocational education and informal learning can be thought of as human capital formation, too. A farm youngster who learns from a parent about care of livestock or planting a crop is investing in human capital. The instilling in children of good work habits is human capital formation.

Medical care that improves

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health and, thereby, increases the productivity of individuals and good nutrition that allows individuals to realize their full genetic potential also increase human capital. In short, any sacrifice of current desires in order to make human beings more productive in the future contributes to the stock of human capital.

As a rule, humans will not forego satisfying their immediate desires unless they can expect

a considerable reward. The expected returns have to be sufficient to bribe persons into deferring gratification and to induce them to run risks.

The greatest risks arise from changes in supply and demand. People can go to great expense to acquire skills only to find that the market no longer demands them or that the skills have become so plentiful that they no longer command much market return. Typing skills used to be scarce and in sufficient demand to command a good return on investment in learning to type, but today the demand is for computer word processing skills. To maintain a stock of human capital, some part of the returns must be set aside for continuing education and retooling of skills.

Generally, human beings will seek to use their human capital to maximize their returns by moving to where jobs are. The greater the amount of scarce human capital embodied in an individual, the more mobile that individual tends to be. High tech firms needing sophisticated, scarce human capital have found it's best to locate where such persons want to live.

What kind of places are these? Some people prefer places of urban sophistication like Boston, Washington or the San Francisco Bay area. But others want small

towns like Santa Fe, Chapel Hill or Oak Ridge. In general, being an hour's drive from an airport with good connections to the larger world is a must. So, too, are good schools that have proven they can prepare students for admission to top-flight universities and an environment where people are judged on their own merits, not their race or religion. Only if these conditions are met, are good climate with opportunities for outdoor recreation; access to good medical care and museums, concerts, and plays; a clean, neat community appearance; and efficient, corruption-free local governments locational pluses.

In the modern global economy, communities that have or can attract human capital will prosper; those that do not will experience a long painful decline into chronic poverty.

Some S.C. communities because of accident of location or other uncontrollable circumstances will not be able to make the transition to a human capital economy. But fortunately, most have reasonable access to airports and larger cities with vigorous cultural attractions. Major problems for South Carolina in attracting human capital and securing an economic future are unresolved racial tensions, poor schools, litter and general unattractive appearances, and inefficient and sometimes corrupt local governments. All of these problems can be remedied by committed local leaders.