

CURRENT TRENDS IN PUBLIC EXPENDITURE ON EDUCATION

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Abstract: *This article emphasizes the importance of investment in education, an old trend but current as it was before. The results recorded by Romania in the period 1990-2014 in the education sector and, consequently, the per capita income segment are highlighted and in terms of human development index.*

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INTRODUCTION

The main argument to justify the analysis of education from the perspective of economic theory was based on its direct economic effects. Although it is generally accepted that education effects extend beyond purely economic character, the most important effects of education are those that take the form of cash income.

Economics is a branch of education (research area) relatively young economics, marked a significant development in recent decades. Most economists have defined it through the analysis on the resources allocated to education, especially financial ones. Mainstream of economic research in education, neoclassical inspiration is based on human capital theory, created in the laboratories of the University of Chicago in the late 50s. Although the concept of human capital, "is known since Adam Smith (in his *Wealth of Nations* appreciated:,, a man whose training is more work and time spent must demonstrate a high level of skill and ability, can be so expensive but compared to any car performance ... ") being introduced in economic theory and other trade economists from the early eighteenth century, major works related to human capital and the economics of education is relatively recent.

Term "human capital" was used in the economic literature in 1961, article in *Human Capital Investment* of Nobel Laureate Theodore W. Schultz. Subsequently, many economists, the most prominent of which turned out to be Gary S. Becker (Nobel Prize winner), were outlined and based economic theory of human capital. Relationship education is integrated human capital specific research education economy in terms of investment in human capital. In parallel, we are witnessing the development of macroeconomic research aimed at integrating education inputs in production functions

used in the study of economic growth. Arguments are the fact that countries whose populations had high levels of education and training were the most productive in economic terms. Therefore, education can be conceptualized not only with respect to consumption, but rather as an investment.

The main driving force that can, where appropriate, foster or, conversely, inhibit the activity of training and / or vocational adjustment is the so-called investment in human capital. More broadly, it is the view of most authors, "... any activity designed to ensure an increase productive qualities of the human factor ...".

Since investment in labor specialization and improvement is similar to investment in physical capital in terms of production efficiency, skills acquired are called "human capital". Creating these skills requires an investment of time and money to be gained, and once acquired, they bring increased income to their owner for a period of time. Defined as investment in human capital includes not only expenditure made formal and retraining of the workforce, but also the costs allocated for health, the affected job search and, not least, the efforts of family, nature very different, made both before entering the formal education system and beyond.

In the narrow sense, human capital is produced primarily through formal education and training in the workplace, and the experience gained during the work.

By analogy with investment in physical capital, investment in human capital takes into account current expenditure on education made by a person, a family, an organization or even society as a whole, in anticipation of obtaining gains, not only in terms of professional performance, the ability and skill, but also in the possible additional revenue in the future.

Expenditures for social and cultural activities have an influence on the economy, on economic development as they contribute to the maintenance, restoration and development work capacity of individuals to training and raising their qualifications, the reproduction of labor.

CURRENT TRENDS IN PUBLIC EXPENDITURES ON EDUCATION. OLD NEW

Between spending on social and cultural activities and the country's economic development are inter-relationships: a developed country in economic terms will have large financial resources and will be able to turn a large part of it to finance these actions; in turn, shares of education, health, culture, social security will lead to the training and qualification of individuals to preserve the health of the population or its restoration, creating conditions conducive to the participation of labor productivity increased business development and social or will provide (or increase) income of disadvantaged persons.

Social-cultural actions are social services that create national income, thus proving a productive character (help social and economic development). For example, schools participating in the economic development of the number of qualified mid-level or higher, of different specialties that annually enter into activity, so it produces skilled labor. As the national economy of machinery, energy, consumer goods etc. are satisfied in the branches of material production as the economy demands skilled labor training education are met; so it provides a "production" of a special kind. It works on fixed capital under constant modernization and refurbishment and contributes to an increased

production, modern and competitive and increased income for both these workers and the economy.

Thus, in 1960, the UNESCO General Conference adopted a resolution in which, for the first time, education is treated not only as a social and cultural force, but as a factor of economic development. Sometime later, the World Bank decided in the General Assembly to agree to lend covering education, especially developing countries, to underdevelopment, utilizing appropriate their wealth, natural resources available and achieving economic and social progress.

Another aspect of the influence of education on economic development is the phenomenon "brain-drain" (brain drain). Many studies on this issue highlight the huge losses suffered by countries of specialists, higher skilled workers emigrate (representing losses as expenses incurred for their preparation and the benefits that would result from the activity that would be wrought in these countries) and impressive profits obtained immigrating countries. For example, the United States obtained in 1979 from immigrant professionals, revenues of 3.7 billion. Dollars in conditions not spend anything for their preparation.

Judged from this point of view, spending on social and cultural activities can be considered as a particular investment, called "investment in human resources." Their content is given by "all costs leading to increased mental and physical skills of individuals taken as productive agents or prospects".

In other words, investment in human resources comprises expenses incurred for individual growth and complex development of a person. Corresponding intellectual investment spending for education and training, made for the purpose of education, training and workforce skills. These charges are the advancement of the national income as financial resources for education is not consumed completely, but find themselves in another form, the high quality of training of members of society.

Unlike tangible, which is reflected in the components of fixed capital, intellectual investment improves the skills of persons enrolled in education, arming them with the skills and professional knowledge capable of providing high labor productivity.

Milton Friedman says: "professional and specialized education is a form of investment in human capital as an investment like machinery, buildings or other non-human capital. Its function is to increase the economic productivity of the human being. If you succeed, the individual is rewarded, in a society based on free enterprise, by obtaining a higher gain than would be achieved otherwise. "

In terms of temporary, tangible is achieved in a relatively short period (1-3-5 years), while the intellectual have the character of long-term investment, lasting 10-15 years or even more. Material investment result - Fixed capital - is subject to physical and moral wear now, after a period of time not too long, technically outdated. Intellectual investment long term effects practically during the active life of the investee and to scientific and technical progress, it can be corrected by using recycling knowledge, their systematic enrichment to the needs of the economy and the development of science and technology. In other words, education gives individuals the flexibility necessary to adapt to the new requirements of economic standing through retraining, specialization. Finally, unlike tangible economic effect of which is peremptory and relatively easy to determine

if the effects of intellectual investment outcomes are multiple, non-economic, social, human and are more difficult to quantify.

Assessment of the "investment in human resources" social-cultural spending is different, some authors consider that only one of them can be considered investments in human resources (those designed to achieve the material and technical basis of the action, capital expenditure and part of current expenditure) and others recognize the investment nature of all human resources action directed towards education, culture, health.

These issues are of particular importance when calculating efficiency as they affect sizing "effort." In the first case, are taken into account only expenditure on investment in social and cultural activities and some of the running costs (such as for education, current expenditure on technical education, economic, professional and a share of 25% -50% of current expenditure on education remaining.) In the second case, taking into account the whole volume of social and cultural costs, regardless of economic nature, considering that activity in these areas form, shape and adapt the human factor and its behavior in society, contributing to the growth of social labor productivity and national income growth.

Investments in human capital are considered as "allies" of the policies needed to ensure sustainable economic growth. They help mitigate the worst consequences of poverty: disease and malnutrition, and provides opportunities for individuals to improve their living conditions. The annual report World Bank for the year 2012 shows that investments in health, education, food, contribute to individual productivity and overall national economic growth. Certainly, combining their economic efficiency and contribute to reducing human suffering make investments in human capital a powerful weapon in the fight against poverty.

Nature of investment spending for education, health, culture and advertising their treatment in terms of efficiency resulting from their use. Social-cultural actions are, on the one hand, "consumer goods" that meet individual needs (eg, to learn is to eat, to satisfy your intellectual needs through direct certain knowledge they assimilate), on the other hand they have an important economic role, represented by the contribution of socio-cultural to increase national income.

The research of renowned authors in the field (G. Becker) tried to quantify the contribution of human capital to increase social welfare. It put out so that if in 1946, the UK human capital provides about half of the welfare of this country, in 1989 about 80% of the wealth of developed countries ensured on human capital contribution (Table 1).

Table 1 The contribution of human capital to GDP in developed countries

	Pre-industrial times to 1900		Industrial maturity period				Period of modern economics	
			1920-1929		1954-1960			
USA	-	-	73	27	81	19	83	17
Western Europe and other developed countries	54	46	70	30	75	24	80	20

Note: columns 2,4,6 and 8 is the contribution of human capital to GDP
columns 3,5,7 and 9 is the contribution of physical capital formation PIB
Source: Gary Becker – Human Capital, Publishing All, Bucharest, 1997, p.32

It should be noted that although it is considered that the transition to the knowledge economy was launched in the USA, this process is underway in several developed countries (Japan, Canada and several European countries developed). The illustrative example is Japan, which, in less than 50 years, has become one of the major forces in the global economy because of the special qualities of the human capital stock divided into a growing seriousness and commitment to work and the existence of a training system well developed.

A number of studies have shown that disparities between different countries in the world in terms of levels of development - quantified, usually by disparities in the GDP / capita - can be explained by differences in factor endowment and especially in human capital endowment. In this regard, some authors have found that the biggest factor endowment differences existing between countries lies in the large differences in educational capital per capita indicator. Thus, if the coefficients of variation obtained for GDP / capita and physical capital / capita are relatively close (1.21 and 1.24 respectively), human capital / worker coefficient of variation is higher (1.78). This is also highlighted by comparing extreme cases. The United States has a GDP / capita of over 30 times higher than India, differences in terms of physical capital stock is relatively close (in the USA it is 25 times higher). It should be noted also that there are big differences between the two countries in terms of human capital embedded in physical capital has been estimated at 44% in the USA compared to only 6% in India.

Conversely, if the stock of human capital, the differences are much larger (by 186 times). These results are confirmed by other studies even if the methodology was different. This was estimated coefficient of elasticity compared with the input to the output in human capital 0.472 (much higher than the corresponding physical potential that was 0.263).

This discrepancy in human capital endowment, coupled with a greater sensitivity to changes in the output of human capital compared to that recorded in relation to physical capital, highlights once again the great importance that education should give countries development.

In Romania, the effects of investment in human capital in the 90's and so far can be summarized with the help of human development index calculated by UNDP. HDI is a summary measure for assessing long-term progress in three basic dimensions of human: a long and healthy life, access to knowledge and a decent standard of living. As in the 2011 HDI segment "a long and healthy life" is measured by life expectancy. Access to knowledge is measured by: i) average years of schooling of the adult population; ii) the number of years of expected schooling for children of school age. Standard of living is measured by gross national income (GNI) per capita.

Table 2 shows the progress made by Romania in each of the HDI indicators. Between 1980 and 2012, life expectancy at birth in Romania increased by 4.6 years, mean years of schooling increased by 2.5 years and expected average years of schooling

increased by 3.1. Romania GNI per capita increased by about 41 percent between 1990 and 2012.

Table 2 Romania's HDI trends based on consistent time series data, new component indicators and new methodology

	Life expectancy at birth	Expected years of schooling	Mean years of schooling	GNI per capita (2005 PPP\$)	HDI value
1980	69,6	11,4	7,9		
1985	69,6	11,9	8,6		
1990	69,4	12,3	9	7,822	0.706
1995	69,4	11	9,5	7,158	0,694
2000	70,5	11,9	9,9	6,786	0.709
2005	72,4	13,6	10,1	9,280	0.756
2010	73,8	14,5	10,4	10,747	0.783
2011	74	14,5	10,4	10,889	0,784
2012	74,2	14,5	10,4	11,011	0.786

Source: UNDP - <http://hdr.undp.org/sites/default/files/Country-Profiles/ROU.pdf>, page 2

Thus, there is significant progress in the education sector. The average number of years of schooling increased by almost 4 years and the average life expectancy by almost five years. It also can be seen as income per capita increases consistent.

CONCLUSIONS

Tend to invest in education is not new though, remains a topic of interest at any time of the evolution and development of society. In Romania, there is a permanent concern for the education sector and macroeconomic results achieved are among the most notable. Fundamental problems that persist in our state are the same as in the 90s. The first is related to the exodus of young people educated in universities, secondary, post-secondary excellence by developed countries such as Spain, Italy, England etc. These countries, without even one Euro investments in youth education work will use the ability, creativity and intelligence of young educated Romans. The second problem, as serious and implications for government policy, consists of poor funding of the education system. Level of education funding promised by 6% of GDP remained a dream until the year 2014, nearly 25 years after the revolution of 1989.

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