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THE IMPACT OF HIGHER EDUCATION TO ECONOMIC SITUATION

Education is widely accepted as one of the leading instrument for promoting economic development. But what level of education that contributes most to development: primary, secondary, or higher education? Knowledge-based competition within a globalizing economy is prompting a fresh consideration of the role of higher education in economic developmentand growth. Previously it was often viewed as an expensive and inefficient public service that largely benefited the wealthy and privileged. Now it is understood to make a necessary contribution, in concert with other factors, to the success of national efforts to boost productivity, competitiveness and economic growth. Viewed from this perspective, higher education ceases to contend with primary and secondary education for policy attention. Instead, it becomes an essential complement to educational efforts at other levels as well as tonational initiatives to boost innovation and performance across economic sectors. Recent evidence suggests higher education is a determinant as well as a result of income, and can produce public and private benefits. Higher education may create greater tax revenue, increase savings and investment, and lead to a more entrepreneurial and civic society. It can also improve a nation's health, contribute to reduced population growth, improve technology, and strengthen governance.

Higher education is an important form of investment in human capital development. In fact, it can be regarded as a high level or a specialized form of human capital, contribution of which to economic development is very significant. It is rightly regarded as the "engine of development in the new world economy". The contribution of higher education to development can be varied: it helps in the rapid industrialization of the economy, by providing manpower with professional, technical and managerial skills. In the present context of transformation of nations into knowledge economies and knowledge societies, higher education provides not just

educated workers, but knowledge workers to the growth of the economy. It creates attitudes, and makes possible attitudinal changes necessary for the socialization of the individuals and the modernizationand overall transformation of the societies. Fourthly and most importantly, higher education helps, through teaching and research in the creation, absorption and dissemination of knowledge. Higher education also helps in the formation of a strong nation-state and at the same time helps in globalization. Lastly, higher education allows people to enjoy an enhanced 'life of mind' offering the wider society both cultural and political benefits [1].

The impact of higher education to economic growth is presumed to occur through a number of distinct yet interacting functions. First, it is believed that higher education contributes to economic growth through the "production of knowledge" and that is largely takes place within the major universities through faculty members' and their advanced students' research and creative activities. Second, it is generally acknowledged that colleges and universities contribute to national growth through the "diffusion of knowledge", which may result from the external serve activities of their faculty, staff, and students. Finally, it is universally accepted that post-secondary institutions contribute to the "transmission of knowledge" through extensive and varied teaching activities. Economists have focused their attention on this latter set of activities as measured by enrollments, man-years of post-secondary education completed, number of graduates, graduation rates, expenditures, and changes in student earnings [4].

Individuals are interested in taking more schooling partly because they can earn more and get better jobs, on average, with more schooling. For many, more schooling can be a source of social mobility. Similarly, nation-states and regions are interested in raising the average level of schooling in their population because they think that doing so will improve productivity, increase economic growth, raise the quality of jobs in the economy, and reduce poverty and inequality. Some of the earliest work in the economics of education argued that a major effectof more education is to improve labor's capacity to produce. Because more highly educated workers are more literate and numerate. They should be easier to train to do more complex tasks. Further, they

should have better work habits, particularly a greater awareness of time and more internalized norms that would make them more dependable [5].

The benefits of higher education, both private and public, can be partitioned into pecuniary and non-pecuniary benefits [6].

Pecuniary returns are anything that improves the financial well-being of individuals and the public. These would include the increased tax receipts collected from educated citizens. In addition, this larger and deeper tax base would reduce the tax pressure on the lower-income members of society at the same time as reducing the number of people that would require support from all levels of government. A rather substantial pecuniary benefit of higher education that is almost universally ignored in economic research as well as the debate on higher education funding is called the "financial option" return of educational investments. Part of the monetary value of completing an education is that passing through various schooling thresholds provides one with the opportunity to obtain still more education. If students are unaware of this option value at the time of making their investment decisions (and this might be especially prevalent among students from disadvantaged families or families with lower average education levels), public subsidies can help avoid systematic underinvestment. Though it is easy to see why the option value is largest for more elementary levels of education, the changing technological and economic conditions of the twenty-first century are inflating the option value of a college education.

The non-pecuniary benefits of higher education are all of the nonmonetary benefits that accrue to individuals and society. The difficulty in attaching a dollar value to most of these types of benefits is likely responsible for the dearth of economic studies that focus on measuring the public returns to higher education and for the apparent understatement of the benefits in those studies that do exist. Other recognizable nonpecuniary benefits include promoting educational opportunity, promoting growth and economic productivity, supplying trained men and women to the economy, achieving specific social objectives such as income transfer or equalization, developing an educated citizenry, creating knowledge, and stimulating

learning. There is a growing literature in human ecology that finds that female and maternal education affects children's health, female mortality, female fertility, birth rates, and the "quality" of children [2].

Education may also increase productivity in nonmarket activities, such as home production; it may make parents into more efficient producers of children's human capital; and it may lead to more informed and effective consumption decisions. Other research shows that more educated individuals live longer—which itself has substantial economic value—and they report better health at any particular age. Finally, education is itself often a consumption good, which, in turn, enables the consumption and enjoyment of human capital goods such as information, literature, and ideas. All of these benefits of education are enjoyed directly by the educated person, so they are elements of "private" returns that people would be willing to pay for[3].

Nations with more educated labor forces are characterized by higher output per worker, but typically these nations also have more physical capital per worker. Exactly how education increases productivity, how important it is, and it what ways it is important are difficult question which economists have been unable to answer definitively. Controversy also surrounds the level of education that contributes most to growth; primary, secondary, orhigher education, although we will argue that the case for higher education as a key factor in economic development has grown stronger in recent years.

One of the clues that education does contribute to growth and how much it may contribute is that countries with higher levels of economic growth have labor forces with higher levels of formal schooling. Such a macroeconomic approach to the relation between education and economic growth emphasizes the correlation between the stock of human capital and theincrease in economic output per capita. This may just indicate that as individuals earn more income, they purchase more schooling for their children. In that case schooling would be primarily a consumption good, not an investment good.

However, economists have been able to show that, on average, countries that have sustained high levels of economic growth are also those who have higher levels of literacy and have invested steadily in raising the education of their labor force. With the shift to an information economy, globalization, and flexible organizations of production, economists have taken these arguments about humancapital in the production process a step farther. Theories of development now argue that developing nations have a better chance of catching up with the more advanced economies when they have a stock of labor who have the skills to develop new technologies themselves or to adopt and use foreign technology.

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