

**“From Humanism to Human Capital:
The Discourse of Liberal Education in the Global Age”**

**By
Jeff Freyman
Transylvania University**

Address presented to the Jno. E. Owens Conference “Human Capital and Global Business:
Implications for the Liberal Arts College” at Austin College (TX), March 3, 2011

Reports abound claiming nations no longer compete solely for control over natural resources and markets. Instead, countries today are battling to create an educated workforce to compete in meeting the rapidly changing labor demands of a volatile global economy. As a result, each nation will argue that a preeminent goal for their particular and varied philosophy toward education is to produce an educated labor force to compete in the swiftly moving global environment. What are the challenges for America’s system of higher education in light of this rapidly emerging competition to produce an educated workforce? What can we learn from other nations? How is the development of quality human capital related to fluid international trade? In particular, what are the challenges facing the Liberal Arts College in this regard? [From the Conference Thematic Statement]

1. Real Renaissance Men

In a well-known revisionist interpretation of the Italian Renaissance entitled *From Humanism to the Humanities*, Anthony Grafton and Lisa Jardine examine the discrepancy between the idealized accounts of humanistic education offered by Renaissance schools and their actual pedagogical practices. The authors distinguish between “humanism”, a worldview extolling the notion of *dignitas hominis* that served as the basis for an education in which “the individual acquired a general fitness for a human existence”, and “the humanities”, or the concrete curriculum in which students are instructed. Despite

overblown inspirational claims for a classical liberal education, Grafton and Jardine note the real drudgery of rote memorization in humanistic schools. Consider that of Guarino Guarini of Verona (1374-1460), a leading humanist teacher of the day. Under Guarino's instruction, they explain, "the pupil is not expected to develop original or independent ideas; he is not to express his own emotions, or to treat the topic in a fresh or striking manner". Not only were the skills of reading and writing in Latin much in demand for those seeking employment from members of the ruling class. The very pedestrian nature of Guarino's pedagogy promoted the personality traits of obedience and docility that rulers found attractive in their servants. Seen from this point of view, Grafton and Jardine conclude, "the general approval expressed for Guarino's kind of humanistic instruction by the Italian establishment has more to do with its appropriateness as a commodity than with its intrinsic intellectual merits. As long as humanist schools turned out such suitable potential servants of the state, they were prepared to endorse the enthusiastic claims of humanist idealists for their literary studies..." In identifying both the utility of a humanistic education for ruling elites and its masking of that role, Grafton and Jardine highlight the ideological function of the "hidden curriculum" of Renaissance education.

A similar dynamic is occurring today. Of course, the technical skills and attitudes required of contemporary servants of power and wealth are radically different from those of Guarino's day. IT is the new Latin. Today's professional and managerial employees of global businesses need to demonstrate technological capacities, leadership, creative thinking, teamwork and cultural sensitivities required by corporations as they operate in the new competitive realities of global and flexible production. Couched in the jargon of the discipline of Economics, such skills are known as "human capital".

What I want to talk with you about today is how this new academic discourse works in linking liberal education with globalization.

2. Old Wine in New Bottles

Discussions within the academy about the nature of liberal education have been quite contentious for a very long time. Academic discussions about the nature of globalization are of a more recent vintage, but they are no less contentious. Discussions that link the two subjects, liberal education and globalization, are more recent still. But here, curiously, there appears to be a solid, prevailing consensus. So solid, in fact, that it has become an article of faith. Grubbs and Lazerson have called it "The Educational Gospel".

Here is how they put it:

The Knowledge Revolution (or the Information Society, or the Communications Revolution, or the High-Tech Revolution) has changed the nature of work, shifting away from occupations rooted in industrial production to occupations associated with knowledge and information. This transformation has both increased the skills required for new occupations and updated the three R's, driving work skills in the direction of "higher-order" skills including communications skills, problem solving, and reasoning--the "skills of the twenty-first century." ... The pace of change means that individuals are likely to find their specific work skills becoming obsolete. They must keep up with advances in technology and expect to change their employment often as firms and industries compete globally, adopt new technologies and new forms of work organization, and individuals must be able to engage in "life-long" learning. And, because no country wants to lose out in the global marketplace, every country is under pressure to increase its commitments to its educational system. [From W. Norton Grubb and Marvin Lazerson, "Vocationalism in Higher Education: The Triumph of the Educational Gospel" *The Journal of Higher Education* 76:1 (January/February 2005):1-2]

What this doctrine offers is a sure-fire recipe for personal and national success. Its ingredients include the tropes of “higher-order skills”, “rapid and constant change”, “technology”, “flexibility”, “intensified competition”, “the challenges of the 21st century”. Stir in “global age”, sprinkle liberally with “excellence”, and prepare in a hot oven for a lifetime, or at least four years. With relatively minor changes in emphasis, this Educational Gospel is clearly reflected in our conference’s thematic statement. It tracks a much older argument, arising in the late 19th century, made by those (largely corporations and corporate-sponsored foundations) seeking to promote vocationalism for public secondary education. Beginning in the late 1960’s or so—roughly at the same time as the emergence of discussions of “globalization”—the discourse of “human capital” emerged. It is vocationalism’s current incarnation.

I could easily give many examples of this sort of talk. Most probably, so could you. The creed has become commonplace on our campuses. There is, of course, much that is true about this. But there is also much that is one-sided, myopic, and frankly ideological, about it as well. We need to do a little “critical thinking” about academe’s new discourse. Specifically, I would like to advance two propositions about it. First, it is awfully naïve. And second, it is awfully cynical.

3. Buying Into Human Capital

This discourse is naïve about human capital. It embraces the theory uncritically as an act of faith. It is ironic that as more economists have come to question that theory, non-economists have become its true believers. So what is wrong with the concept of “human capital”? Permit me to get technical for just a moment. Human capital theory posits that the

accumulation of job-relevant skills through education increases one's productivity (or output), which in turn increases one's earnings (or income). This causal chain (education-->productivity-->earnings) holds true both for individuals and for nations. So at both the individual and national levels of analysis, it makes sense to think about current spending on education as an investment which yields future increased returns.

This is a compelling argument. Consistent with the theory's predictions, empirical studies have consistently found that, for both individuals and nations, the level of one's education is highly correlated with one's income. But it's not a slam-dunk. As any social scientist worth her salt will tell you, correlation is not causation. It is theoretically possible for education to be correlated with income without being its cause, at least in the way proposed by human capital theorists. Let me briefly suggest a few problems with the theory.

First, there are a number of findings that are inconsistent with it. Here are a few. Despite the increase in education (and labor productivity) since the 1970s, real earnings for American workers have remained stagnant. Even before the theory was first proposed in the 1960's, the distribution of educational attainment was far more equal than the distribution of income. And as education has become more equally distributed, incomes have become more unequal. In addition, the growth rate of educational achievement in the U.S. has far exceeded the growth rate of either the national economy or labor productivity.

And there are other anomalies that shouldn't happen if the theory is right. Returns to investment in education are distorted by factors like gender, race, family background, economic sector of employment, self-employment status, or prestige of the educational institution attended. It also happens that the rate of return on educational investment

declines over one's life-cycle, and it even turns negative beyond a certain threshold of educational attainment. (Those of us in the audience with doctorates have firsthand experience in this perverse reality.) And then there is the "sheepskin effect", in which receiving a degree in itself is associated with a quantum leap in one's future earnings, even though the piece of paper probably doesn't increase one's skills-set *per se*. And let's not forget that, although education is correlated with higher incomes, the returns to human capital have been declining over time since the theory was first revealed.

Then there are the methodological problems. Estimates of the rate of return on educational investment vary wildly from one study to the next. And most use rather dodgy statistical techniques, such as trying to infer coefficients of return from single-equation models when they should be using simultaneous equations (don't ask), or when they employ cross-sectional data to make longitudinal inferences about causal processes.

There are also some worrisome gaps in the theory. As I said, it posits that education results in future earnings by increasing productivity, but there is little reliable or systematic statistical evidence that education is related to productivity, or that productivity is related to the income of individuals. Whenever the findings of studies go the wrong way for human capital theorists, they tend to try to save their model by offering *ad hoc* hypotheses about transaction costs, imperfect information, limited mobility, and so on. Such a move might be a good debating tactic, but it is not very good social science.

By the way, we aren't stuck with human capital theory. It's not the only game in town. Another theory also explains the association between education and income (at least at the individual level of analysis.) It's called the "screening hypothesis", and it goes something like this. There is indeed a "skills gap", but it's quite different from the one

identified by human capital theorists. Rather than a plethora of good jobs going unfilled because of a lack of necessary skills, the reality is precisely the opposite. The fact is that there are too few good jobs for the skill-level of the overqualified workforce. (One should not confuse the introduction of technology with upgrading the skills requirements of the workplace. Businesses introduce new technology in order to replace expensive, high-skilled labor. Many of the new jobs accompanying the new technology are actually lower-skilled than the high-skilled ones that the technology was intended to supplant.) This surplus forces many of them to take jobs further down the “jobs opportunity distribution”. That is, college graduates are forced to take jobs that were previously occupied by high school graduates. Potential employers use higher education credentials as a short-hand for an applicant’s employability, trainability, and perhaps presentability, rather than as a certificate of human capital necessary for a job which could be (as it previously had been) done by those with a high school diploma. So students need the college degree to stay at the head of the jobs queue in order to defend their market position, *not* because of any skills that they acquire while they are at school. The rising generation has to run harder in pursuit of higher and higher academic credentials just to stay in place. There is a sort of educational arms race and credentials inflation. Convincing them of the need to stock up on human capital is really a cruel hoax that is perpetrated on today’s young people. As Fred Hirsch once commented, “If everyone stands on tiptoe, no one sees better”. My point is that we can explain the phenomena without necessarily relying on “human capital”. Like Laplace’s view of God, we have no need of that hypothesis.

Nevertheless, the prophets of human capital continue to cling to the theory. They do so rather like the proverbial drunk who clings to the lamppost—more for the sake of

support than illumination. Whatever its validity, its widespread acceptance is very useful for a number of people. By encouraging people to go to school, it serves the interests of administrators of academic institutions facing declining enrollments. By identifying education as a form of personal investment, it also serves the interest of politicians bent on cutting funding for higher education and shifting its costs to students. Similarly, corporate managers can also shift the costs of job training to their prospective employees before hiring (and paying) them. In the words of one wit, what's going on is a "great training robbery".

I might add that the dramatic increase in student borrowing to finance human capital accumulation is a highly speculative strategy. Many college graduates are unable to find jobs sufficiently remunerative to enable them to service their personal debt. The rising specter of massive defaults on government-backed student loans might well trigger a financial crisis for the U.S. economy on a scale approaching the one recently experienced with the collapse of the housing market. So, far from contributing to America's economic revival, human capital investments might well result in a national economic disaster.

There are ideological aspects of the doctrine as well. Since the early 1970's, a number of conservatives have pushed for a greater emphasis on careerism in education as a means of constraining the autonomy of the academy and undermining student radicalism. (See, for instance, the efforts of Joseph P. Cosand, U.S. Assistant Commissioner of Education in the Nixon Administration). And more generally, the discourse of "human capital" is highly consistent with the market fundamentalism of neoliberalism, the right-wing perspective that arose during the Reagan and Thatcher years. The concept tends to conflate the interests of corporations with the interests of the nation. It also tends to mystify class

relations by suggesting that there are no objective differences between workers and owners of industry—both are the possessors of capital in one form or another.

Please do not misunderstand me. I am not suggesting that the human capital approach is not true, only that it is not the whole truth. Or at least, the scholarly jury is still out. Actually, my main argument with “human capital” thinking has little to do with its status as economic theory. My real problem is with its implications as pedagogical theory.

4. Selling Liberal Education Short

Which leads to my second proposition. If the new discourse is naïve about human capital, it is equally cynical about liberal education. Put simply: The mission of liberal arts colleges is liberal education; human capital development is not liberal education. Confusing the two is to conceptually stretch the meaning of “liberal education” in order to justify certain practices which are, in fact, contrary to the goals of liberal education. So what is liberal education? I have argued elsewhere

(<http://www.transy.edu/magazine/2009/fall/features/feature3.htm>)

that what makes education liberal is its distinctive purpose. Liberal education aims at the fullest development of a person as a human being. You would think that people don’t need much instruction in being human, but it’s actually harder than it looks. Thinking about liberal education in terms of “human capital” makes it harder still.

Let me give an example of what I mean. Addressing the Association of American Colleges and Universities at its 2005 annual meeting, its president Carol Geary Schneider emphasized the theme of change: the world is changing, she argued, and liberal education

must change with it. According to the AAC&U, one of the central realities of today's changing world is the declining position of the United States and its corporations in the global economy since the 1970s. American education's failure to train graduates possessing technological skills and workplace orientations needed by businesses has led to our declining international competitiveness. Related to this is the growing skepticism among the American public -- prospective students, their parents and taxpayers alike -- about the value of a broad and humanistic education relative to a specialized and vocational one. What connects these two challenges is the apparent need for education to better serve the objective of commercial competitiveness, both in terms of the nation's position in international markets and the student's individual position in the labor market.

There is no denying that this is indeed an important function for education, even higher education. But is it *liberal* education? For the AAC&U, the answer is yes. Returning to Carol Schneider's 2005 address, "In the twentieth century [i.e. pre-globalization], well-intentioned proponents of liberal education placed great weight on learning for its own sake, separate and largely indifferent to the careers that students would eventually enter. . . . [W]e will take just the opposition position. . ." Presumably, among those well-intentioned but nevertheless misguided proponents of liberal education to which she was referring is Phi Beta Kappa. Consider, for example, the Society's statement:

A liberal education seeks to quicken the mind and spirit by encouraging the full development of human capacities. It is true that often a liberal education may have a definitive market value and may in a sense be considered vocational. It is true also that vocational programs sometimes contain liberal content. Nevertheless, the main lines of cleavage can, in practice, be seen. It is not difficult to distinguish between broad cultivation and technical

competence. [From *The Founding of New Chapters* (Washington, D.C.: The Phi Beta Kappa Society, 1990)]

The AAC&U seek to blur this distinction between humanistic and utilitarian education. One of its proponents has written of a “third way” in education, in which “higher education is evolving a new paradigm for undergraduate study that erodes the long-standing divide between liberal and professional education.” What the AAC&U proposes is that liberal education respond to business expectations and enrollment imperatives by redefining liberal education as vocational training. If corporations and prospective students want pre-professional training rather than liberal education, they say, why then let's just call the former by the latter and give them what they want.

One way of performing this conceptual legerdemain is to shift the goals of liberal education from *human development* to the *accumulation of human capital*. One's value as a human being is thereby conceptualized in terms of the worth of one's marginal contribution to production. The self is reduced to a set of certifiable competencies. Our schools are transformed into franchises of “Skills R Us”. We thereby commodify ourselves. I'm reminded of a cartoon I saw a few years ago of a young couple standing before a minister in a marriage ceremony. As they pledge their vows, they both share the same silent thought, “Hmm, I bet this will look great on my resumé”.

Liberal education comes to be identified with the acquisition of those competencies needed by knowledge workers in today's global, high-tech work environment. As another AAC&U-related author suggests, “Any ‘industrial-strength’ liberal education toolkit offers

the analysis, persuasive writing, argumentation, and presentation skills useful in diverse groups, but these must be ‘work-ready.’” It is instructive to compare the skills-set identified in the AAC&U literature with that identified by Robert Reich as appropriate for the new labor aristocracy of “symbolic analysts”, such as international bond traders, sought by today’s global corporations. This linkage is not coincidental of course. To assist in its skills-oriented redefinition of liberal education, the association contracted with Peter D. Hart Research Associates, Inc. to conduct surveys of employers’ views about what ought to constitute the content of liberal learning. Citigroup, it seems, suitably substitutes for Socrates. The “liberal” in this education is marked less by the breadth of one’s vision than by the range of skills that one acquires. This notion is taken to its (il)logical conclusion in Michael Unseem’s “Corporate Restructuring and Liberal Learning” (which appeared in the AAC&U publication *Liberal Education*), suggesting that the intellectual flexibility and breath offered by liberal education is all the more necessary in the era of globalization, given the occupational insecurity faced by employees of corporations in the turbulent global economy. That is, liberal education seeks to prepare our students for a lifetime of perpetual downsizing.

Once a liberal education is re-defined in terms of marketable skills, it's not terribly difficult to uncover the liberal kernel buried within any given technical or vocational subject. Consider the issue of the AAC&U publication *Peer Review* which was explicitly dedicated to “Liberal Education and the Entrepreneurial Spirit”. One of its contributors offers the thesis that liberal education not only contributes to the success of entrepreneurs, but that entrepreneurship is actually a liberal art in its own right. The cultivation of our

humanity is thereby reduced to the accumulation of *financial* (not just *human*) capital. Imagine the liberating implications of this. Instead of relying on such tedious traditional instruments like examinations or term papers to assess student performance, we professors could now merely calculate the total return on their investment portfolios. This gives a whole new meaning to the phrase “value added” in institutional assessment!

5. SAPs in Academia

But that’s not all. The discourse of “human capital” is part of a broader transformation in the way we talk about, and think about, social life. More is at stake here than just the appropriate understanding of the meaning of liberal education. So, too, is the vitality of colleges and universities as institutions. I speak of the growing subsumption of the academy under the aegis of corporations and the ineluctable logic of profit-making. By the way, the same thing is happening in other non-profit institutions throughout civil society: in health care, churches, and arts and cultural organizations. My remaining comments perhaps apply more to the circumstances of research universities than to the small liberal arts colleges like yours and mine. After all, that’s where the real money is. But I think you will agree that similar processes *mutatis mutandis* can be observed at our schools as well. My own research on higher education reveals a tendency for liberal arts colleges to replicate the modalities of graduate institutions. Throughout the 20th century, colleges adopted the departmental structures and disciplinary orientations of graduate schools. And since the 1970s, liberal arts colleges have also been incorporating the business ethos prevailing at larger institutions. The notion that students are purchasers of human capital is part of that ethos.

Like nations exposed to global economic pressures, schools too are having structural adjustment policies (called SAPs, for short) imposed upon them by powerful forces from outside. Increasingly dependent on funding from corporations, institutions of liberal learning are implicitly adopting a mission of service to them. Colleges and universities produce the workers, consumers and ideational process goods for the information-based, high technology businesses of the global era. And they come to look more and more like the businesses they serve and upon which they depend. (This point is made forcefully in Jennifer Washburn's *University, Inc.: The Corporate Corruption of American Higher Education*. The growing similarities between universities and corporations competing in the global marketplace is also a central theme in Ben Wildavsky's *The Great Brain Drain*.) Administrators increasingly subscribe to a "corporate management model". Resource allocation is rationalized on the basis of market criteria. The worldview of commerce conquers all. Throughout the academy, there is a growing emphasis on productivity and the measurement of academic outcomes in terms of "value added". Student services are merchandized and subcontracted. Curricular and research agendas become driven by the pursuit of sources of funding from corporations or corporate-sponsored foundations. Schools aggressively pursue market niches and engage in "branding" exercises. They are marketed to prospective students, and those who matriculate are seen as customers whose level of consumer satisfaction dictates virtually everything. Admissions staff speak of "discount rates" and "yield", as if prospective students were junk bonds. A few years ago, a former dean at Transylvania expressed to me his fondness for the current ideas of then fashionable business gurus, like Total Quality

Management. It is increasingly common for top administrators at institutions of higher learning to adopt the title “President *and CEO*”. And on, and on.

A central feature of the corporate management model is achieving cost reductions through increased labor flexibility. Many of these changes in academe – such as the rise of contingent employment and the erosion of the tenure system – have been chronicled by Martin Finkelstein, who connects these “new models of academic work” to structural pressures arising within the “new economy” associated with globalization. The decades-long, postwar social contract between faculty and administrators covering aspects of faculty status (such as compensation or their role in institutional governance) is now under attack, held hostage to the vicissitudes of financial markets.

A related feature of the corporate management model is the culture of continuous assessment of outcomes through quantification. Measurability is necessary to calculating profitability, and is thus an inherent feature in the commodification of any human activity. Its logic is an expression of late capitalism's hegemonic ideology of technical and instrumental rationality that reduces human beings to the status of things. As all of us who have been involved in the re-accreditation process know, the culture of continuous assessment has become ever more imperative. This regime of assessment begs the questions: To whom should we be accountable? Whose criteria will be used in assessment? For what purpose?

While many of these reforms may be quite worthy, they are also useful for those seeking to weaken faculty incomes and the traditional faculty prerogatives of professional

autonomy, collegial self-governance and academic freedom. May I point out that the archetype of an information-based, technology-driven education, committed to the enhancement of student human capital in which instructors work in conditions of maximum flexibility and accountability, is offered by the University of Phoenix.

6. Back to the Future

Let's conclude by returning to where we began. Grafton and Jardine's book warns of humanism's derangement when the liberal arts are placed at the service of wealth and power. We should remember this when we address the question posed at the conclusion of this conference's thematic statement: "What are the challenges facing the Liberal Arts College...?" Here is my answer: Identifying human capital with the mission of liberal arts colleges is their most insidious challenge. I repeat: the mission of liberal arts colleges is liberal education. Liberal education is what makes the liberal arts college distinctive. It is, if you will forgive me, our market niche. Liberal education aims at our students' *discovery of their inner humanity*, not human capital. In the face of modernity's dehumanizing prospect, this enterprise is needed more now than ever. We live in a world where technological imperatives, the "creative destruction" by market forces, and the totalizing logic of instrumental rationality reduce human beings to the status of things. These processes should be resisted. Our schools, yours and mine, have a critical role to play in this enterprise. Liberal arts colleges can be of real service to our students and to our nation by *our recovery of our inner humanism*.