

Education and Development: Moving Beyond Labour Productivity

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Abstract

This paper revisits the relationship between education and development. We argue that the role of education in the production process extends beyond the conventional labour productivity enhancement. Education also plays a complementary role in expanding one's horizon. In particular, education leads to more efficient processing of information. Better processing of information has many important implications for the optimal choices of an agent and are associated with pecuniary and non-pecuniary benefits which may not be directly captured by the conventional labour productivity measurements. In this paper we explore one such aspect, whereby education allows people to appreciate newer varieties of goods thereby expanding their consumption horizon. This suggests that education may enhance welfare of an agent, even if one ignores the productivity gains associated with skill formation. However when operating in conjunction with the productivity aspect of education, this may generate nonlinearities in educational investment resulting in poverty traps. Moreover, this aspect of education may play an important role in shaping the pattern of demand in the aggregate economy.

Speaker's Profile:

Prof. Mausumi Das is an Associate Professor at Delhi School of Economics. She has a M A and PhD in Economics from Jawaharlal Nehru University. Her areas of research interest include Growth and Development; Macroeconomics; Development Macroeconomics etc. Click here for the complete profile.

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