

# Contents

<i>List of Tables</i>	<i>xiii</i>
<i>List of Charts</i>	<i>xvii</i>
<i>Preface to the Third Edition</i>	<i>xix</i>
<i>Preface to the First Edition</i>	<i>xxi</i>
<b>I. INTRODUCTION TO THE SECOND EDITION</b>	<b>3</b>
<b>INTRODUCTION TO THE FIRST EDITION</b>	<b>11</b>
<b>II. HUMAN CAPITAL REVISITED</b>	<b>15</b>
1. Introduction	15
2. Education and Training	17
3. Human Capital and the Family	21
4. Human Capital and Economic Development	23
5. Conclusions	25
6. References	25
 <i>Part One: Theoretical Analysis</i>	
<b>III. INVESTMENT IN HUMAN CAPITAL: EFFECTS ON EARNINGS</b>	<b>29</b>
1. On-the-Job Training	30
<i>General Training</i>	33
<i>Specific Training</i>	40
2. Schooling	51
3. Other Knowledge	53
4. Productive Wage Increases	54
<b>IV. INVESTMENT IN HUMAN CAPITAL: RATES OF RETURN</b>	<b>59</b>
1. Relation between Earnings, Costs, and Rates of Return	59
Addendum: The Allocation of Time and Goods over Time	70
2. The Incentive to Invest	85
<i>Number of Periods</i>	85
<i>Wage Differentials and Secular Changes</i>	89

<i>Risk and Liquidity</i>	91
<i>Capital Markets and Knowledge</i>	92
3. Some Effects of Human Capital	95
<i>Examples</i>	95
<i>Ability and the Distribution of Earnings</i>	97
Addendum: Education and the Distribution of Earnings: A Statistical Formulation	102
Addendum: Human Capital and the Personal Distribution of Income: An Analytical Approach	108
<i>Supplement: Estimating the Effect of Family Background on     Earnings</i>	131

## *Part Two: Empirical Analysis*

<b>V. RATES OF RETURN FROM COLLEGE EDUCATION</b>	<b>161</b>
1. Money Rates of Return to White Male College Graduates	162
<i>Returns in 1939</i>	162
<i>Costs in 1939</i>	166
<i>Rates of Return in 1939</i>	168
<i>Rates of Return in 1949</i>	169
2. Some Conceptual Difficulties	171
<i>Correlation between "Ability" and Education</i>	171
<i>Correlation between Education and Other Human Capital</i>	181
3. Rates of Return to Other College Persons	183
<i>College Dropouts</i>	183
<i>Nonwhites</i>	186
<i>Women</i>	192
<i>Rural Persons</i>	194
4. Variation in Rates of Return	195
<b>VI. UNDERINVESTMENT IN COLLEGE EDUCATION?</b>	<b>205</b>
1. Private Money Gains	205
2. Social Productivity Gains	208
3. Private Real Rates	212
<b>VII. RATES OF RETURN FROM HIGH SCHOOL EDUCATION AND TRENDS OVER TIME</b>	<b>215</b>
1. The Rate of Return from High School Education	215
2. Trends in Rates of Return	219
<i>After 1939</i>	219
<i>Before 1939</i>	223

<b>VIII. AGE, EARNINGS, WEALTH, AND HUMAN CAPITAL</b>	<b>228</b>
1. Age-Earnings Profiles	230
2. Age-Wealth Profiles	237
<b>IX. SUMMARY AND CONCLUSIONS</b>	<b>245</b>
1. Summary	245
2. Future Research	248
3. Concluding Comments	251

### *Part Three: Economy-Wide Changes*

<b>INTRODUCTION</b>	<b>255</b>
<b>X. HUMAN CAPITAL AND THE RISE AND FALL OF FAMILIES, BY GARY S. BECKER AND NIGEL TOMES</b>	<b>257</b>
1. Introduction	257
2. Earnings and Human Capital	260
<i>Perfect Capital Markets</i>	260
<i>Imperfect Access to Capital</i>	266
3. Assets and Consumption	274
4. Fertility and Marriage	280
5. Empirical Studies	282
6. Summary and Discussion	290
References	294
<b>XI. THE DIVISION OF LABOR, COORDINATION COSTS, AND KNOWLEDGE, BY GARY S. BECKER AND KEVIN M. MURPHY</b>	<b>299</b>
1. Introduction	299
2. Division of Labor among Tasks	300
3. Coordination Costs	304
4. Knowledge and Specialization	306
5. Extent of the Market	309
6. The Growth in Specialization and Knowledge	311
7. The Division of Labor between Sectors:	
Teachers and Workers	314
8. Summary	318
Appendix	319
References	320
<b>XII. HUMAN CAPITAL, FERTILITY, AND ECONOMIC GROWTH, BY GARY S. BECKER, KEVIN M. MURPHY, AND ROBERT TAMURA</b>	<b>323</b>
1. Introduction	323
2. Basic Properties of the Model	325
3. Fertility and Growth	331

4. Comparative Advantage in the Production of Human Capital	337
5. Discussion	344
6. Concluding Remarks	347
References	348

## APPENDIXES

<b>A. SOURCES AND METHODS</b>	<b>351</b>
1. Incomes	351
<i>a. The Basic Data</i>	351
<i>b. Under- and Overreporting</i>	354
<i>c. Unemployment</i>	355
<i>d. Coverage in 1939</i>	357
<i>e. Taxes</i>	358
<i>f. Urban-Rural Distribution</i>	360
<i>g. Hours of Work</i>	360
2. Costs	361
<i>a. Earnings of Students</i>	361
<i>b. Direct Private Costs</i>	364
<i>c. Direct Social Costs</i>	367
<b>B. MATHEMATICAL DISCUSSION OF RELATION BETWEEN AGE, EARNINGS, AND WEALTH</b>	<b>370</b>
<b>AUTHOR INDEX</b>	<b>377</b>
<b>SUBJECT INDEX</b>	<b>381</b>