Why handle together?

- Health and education are investments made in the same individual.
- Greater health capital may raise the return on investment in education.
- Greater education capital may raise the return to investment in health.
- Improvements in technologies due to investment in education raise the return on lifesaving investment in health.
*Human Capital* is the term used for education, health and other human capacities that can raise productivity when increased.

Return on human capital is estimated by taking the present discount value of the increased income stream made possible by these investments and then comparing it with their direct and indirect costs.

$$\sum \frac{E_t - N_t}{(1+i)^t}$$
Private rate of return can be quite high.
Social rate of return is different and usually less than the private return? Why?
Do we have reliable estimates of rate of return on education or health in Turkey? WHY NOT?
ILO estimates reveal that some 120 million children in developing countries between the ages of 5 and 14 are working full time, with another 130 million working half time.

Why is child labor not banned? Who benefits and who loses from child labor?

Why is there a coordination failure?
FOUR MAIN APPROACHES TO CHILD LABOR POLICY

1. World Bank: Child labor as an expression of poverty, so fight against poverty
2. NGOs: Promote schooling, so give 'conditional cash transfer’ to the families that take children from work and send them to school
3. UNICEF: Child labor is inevitable, so protect the children against exploitation
4. ILO: Ban child labor
Why is female education important?

1. The rate of return on women’s education is higher than that on men’s in most developing countries.

2. Increasing women’s education not only increases their productivity but also results in greater labor force participation, later marriage, lower fertility, and greatly improved child health and nutrition.

3. Improved child health and nutrition and more educated mothers lead to multiplier effects on the quality of a country’s human resources for many generations to come.

4. Because women carry a disproportionate burden of the poverty and landlessness that permeates developing societies, any significant improvements in their role and status via education can have important impact on breaking the vicious circle of poverty and inadequate schooling.
Political Economy of Education

- The quantity of schooling is largely determined by political processes, often unrelated to economic criteria. i.e. give examples
- Demand comes due to private rate of return on education as well as due to societal norms.
- How do match supply and demand?
- What is the optimal level of education given that social returns deviate from private returns. i.e. see figure 8.5
Lorenz Curve for Education

As the average years of education goes up, education Gini declines.

What is the education Gini for Turkey? What do we expect in terms of gender differences?
Do you know Salih Neftci, just passed away yesterday.

As the Kremer’s O-ring theory suggests best minds tend to work and become more productive with other best minds.

The brightest scientists, engineers, academics and physicians educated in homeland leave for abroad and contribute to the further economic growth of the already affluent countries.

There is a perverse incentive system in terms of specialization.
Health system is "all the activities whose primary purpose is to promote, restore, or maintain health".

According to World Health Organization the efficiency of the health system is not solely determined by income. Morocco ranks at 29th whereas US ranks at 39th.

Effective health systems increase the life expectancy and hence the availability of human resources for economic progress.
Pros and cons of private health systems
What is the real cost of universal health coverage, as in Canada.
Has the health system improved in the last decade in Turkey?