

Accumulation of Human and Nonhuman Capital Revisited

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Paper Abstract:

In the 25 years since Jorgenson and Fraumeni (1989) published their first article on human capital, the U.S. National Income and Product Accounts (NIPA) and the SNA have changed significantly. The contribution of this paper is two-fold: Creation of a contemporary set of accounts which integrate human capital measures into the latest comprehensive revision of the U.S. national income accounts and an analysis of trends in human capital and national income account aggregates over the post-war period.

The proposed paper is a national income accounting paper with production and factor outlay, income, receipt and expenditure, capital accumulation, and wealth accounts. All of these accounts tied to the NIPA accounts, and supplemented with human capital estimates. A key feature of the human capital accounts is presentation of human capital estimates in current and constants prices. The time period covered is 1949-84 and 1998-2009.

We update the human capital national income accounts and examine trends in the aggregate time series. The results in the original Jorgenson and Fraumeni paper are for 1982 and the aggregate time series are from 1949-1984. Subsequent research by Christian (2012) developed modified Jorgenson-Fraumeni (J-F) human capital estimates from 1998 through 2009. Unfortunately there is a gap in coverage, but the task of filling in those missing years is formidable and unlikely to be undertaken by anyone. Nonetheless, a comparison of the aggregates and their trends between the earlier and later period will be informative. The accounting tables in this new paper will be for 2009, the latest base year for the NIPA accounts.

The Report by the Commission on the Measurement of Economic Performance and Social Progress (Stiglitz, Sen, and Fitoussi, 2009) noted human capital accounts as a desirable “beyond GDP” objective. Integrating human capital accounts with national accounts makes it easy to relate national income and human capital measures. For example, what is the magnitude of human capital investment compared to gross private domestic investment in GDP?

The authors will also attempt to provide some SNA-human capital accounts in an appendix.

References:

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