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If you've not got the skills then maybe it's the institutions? [1]

Written by **Tim Worstall** [2] | Saturday 12 October 2013

There's been much fussing about education and skills these past few days as a result of another information release showing that various countries have higher educational skills than others. And also that various countries have higher incomes than others. An example here [3]:

> The good news for Americans in a new international study of adult skills is that the U.S. ranks near the top in gross domestic product per capita, behind only Norway. The bad news is that Americans are so far behind in their skills that it?s hard to see how they can stay at the top for long. The figures are contained in a report by the Organization for Economic Cooperation & Development called OECD Skills Outlook 2013.

That's not quite the way that I would read it myself.

Think through this for a moment. Wealth, GDP, income, call it what you will, it's a function of two things, the endowment and the efficiency with which that endowment is used to produce the wealth, income, gilt and pelf. So, if we're got one nation full of dumb lardbutts which is still one of the richest in the world while we've others heaving with the highly educated and knowledgeable which are poorer then we've got to assume that the efficiency with which that endowment is exploited must be higher over there with the lardbutts. We could go to the PJ O'Rourke extreme at the other end of course and note Russia where chess is a spectator sport yet they're boiling stones for soup.

This is important: that education, that human capital, yes, it is indeed an addition to the endowment off which that GDP is created. But then so also are the various institutions through which it is exploited. So these figures do not quite show what everyone has been saying: that everyone had better get their education act together. Desirable though that is of course. For we are also able to note people with lots of that human capital which do not exploit it efficiently. To these countries we should be saying that you too need to get your act together: change those institutions.

And here's the thing. Just casting an eye along those whose income position is markedly higher than their human capital one, they do seem to be the places running some variant of that Anglo Saxon capitalism and free market racket. Perhaps those places do need to sort out their education: but the greater efficiency also shows that everyone else needs to sort out their institutions.

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[4] http://disqus.com/?ref_noscript
[5] http://disqus.com