

**Н. ПЛИСКЕВИЧ. Человеческий капитал  
в трансформирующейся России,  
М., Институт экономики РАН, 2012, 231 с.**

**N. PLISKEVICH. *Human Capital in Transforming Russia*,  
Moscow, Institute of Economics,  
RAS, 2012, 231 pp.**

In recent years, the problem of human capital has attracted the attention of Russian and foreign researchers. Human capital refers to society's main resource: people, without whom social and economic life is impossible. At the same time, there are different (and sometimes opposite) views on how to define, measure and assess human capital. There are also different views on how to maintain and build this capital, how to use it to the best advantage, and how to get people to take a real interest in increasing it.

These and other questions related to human capital in modern Russia are examined in depth and detail in a new book by Natalya Pliskevich (2012). She wrote it based on the results of years of research and reflection on the sociocultural aspects of Russian economic reforms and the transformation of Russian society. What is human capital in modern Russia and what role can it play in the modernization of the country and the solution of numerous problems? Before considering the answers to these questions, the author tries to find out whether the concept of "human capital" is a strictly scientific category or whether it is a kind of metaphor. If this concept is recognized as a metaphor, will this mean that a scientific study of such metaphors is deficient or altogether impossible? Moreover, can human capital be weighed and measured from every angle using various quantitative indicators or will there always be something that can only be considered based on so-called qualitative research methods? N. Pliskevich convincingly shows the limitations of a restricted approach to the concept of "human capital."

As a rule, quantitative methods of measuring human capital dominate in economic and sociological studies. Many authors have no doubt about the exhaustive completeness of their calculations and empirical measurements and regard qualitative approaches as useless "lyrics," evaluating human capital in terms of how the level of education and competence helps to occupy a certain position in

society. Moreover, some authors believe that human capital should generate profit because otherwise it is not capital.

N. Pliskevich argues against such views and shows that such a narrow approach to the assessment of human capital is unacceptable. Of course, she recognizes that quantitative studies are necessary for some concrete purposes, but their authors should understand that their interpretation of data obtained based on purely instrumental, quantitative characteristics (mainly indicators of educational level and assessments of the usefulness of knowledge and abilities, professional skills, etc.) is tentative and does not reflect all aspects of real life.

But even a broader approach, as proposed in the Human Development Index (which takes into account educational levels, GDP per capita and life expectancy), cannot be considered sufficient for an adequate assessment of reality. In this case, the analysis does not cover many aspects that are part of cultural capital and, in effect, constitute the basis of indicators that reflect the quality of human capital. Moreover, an indicator such as the literacy rate of the population can hardly play a key role in the postindustrial world (Russia, for example, occupies a respectable 10th place in the world in this indicator but cannot boast of high education standards). That is why quantitative methods can and must be supplemented with qualitative ones.

The author's interest in qualitative methods is perfectly justified, as well as her desire to interpret the concept of "human capital" as broadly as possible, because a restricted approach to human beings and their activities tends to distort rather than clarify the true state of affairs. Can one speak of the human dimension of the economy and human capital while ignoring important things such as cultural traditions or internal motivation? One cannot study this special type of capital without regard to the entire flow of events that affect socioeconomic behavior, the specific features of the current age, and the political context.

An assessment of human capital based on qualitative analysis can be more accurate even if this places such capital in the category of metaphor. "Such analysis can provide a more valid basis for the subsequent interpretation of the currently applied quantitative indicators and for the development of new ones."<sup>1</sup> Metaphoricity is not in conflict with economic analysis but makes it more comprehensive and multifaceted, more accurate and adequate to reality. For example, Deirdre McCloskey believes that each step in economic reasoning, even the reasoning in the framework of the official rhetoric, is metaphoric. As a result, metaphor plays a key role in economic thinking, however formal.<sup>2</sup> But the definition of the "human capital" concept in itself is also very vague. When speaking of human capital, Gary Becker mentions, among other things, a person's emotional involvement,<sup>3</sup> and Douglass C. North includes in it not only the stock of knowledge humans possess, but also the beliefs they hold and even the institutions they create on the basis of those beliefs.<sup>4</sup>

N. Pliskevich analyzes what happens to human capital in societies that have gone through or are going through revolutionary upheavals because such upheavals change the whole sociopolitical system, break the thread of tradition, disrupt the habitual way of life, and change the conditions of cultural and social

reproduction. All of this has a profound effect on human capital and its characteristics.

The author puts forward an interesting idea: in revolutionary times, a part of society's accumulated human capital is, so to speak, "conserved," and this applies not only to its obsolete types, but also to perfectly viable ones that are necessary in the new conditions. In times of revolutionary change, institutions that ensure the functioning of viable types of human capital are destroyed or disabled. Such a situation also has an extremely negative (and sometimes tragic) effect on many bearers of human capital required by society (compelling them to change the necessary profession they love) and on the society as a whole.

The ability of human capital to realize its accumulated potential in the new conditions will depend on whether society creates new institutions helping to unlock this potential or "enables" the old institutions that are necessary for this. In the modern world human capital is a "perishable good." And the higher its quality, the more sensitive it is to interruptions in the reproduction process and the faster it deteriorates. In other words, aptitudes, skills and abilities that are highly valued in one context may turn out to be useless in another context only a few years later, not to mention the fact that they are quickly lost without use.

The current situation with human capital in Russia should be assessed taking into account two factors. First, in the 20th century Russian history witnessed not one but two tectonic shifts: the revolution of 1917 and the collapse of the Soviet system in the 1990s. Today, the quality of the country's human capital is influenced by the consequences not only of the second, but also of the first shift. For example, according to the Russian Longitudinal Monitoring Survey conducted by the Higher School of Economics (RLMS—HSE) and designed to monitor the economic situation, education and healthcare in Russia, in 2010 only 1.4% of the population were fluent in foreign languages, and in the 20-29 age bracket the figure was 2%. In the group of executives, only 21% of respondents said they had some knowledge of foreign languages (at "tourist" or any other level).<sup>5</sup>

Second, the "power-property" system is still dominant in the country. The author uses this term, coined by Leonid S. Vasilyev and used by a number of other researchers such as Rustem M. Nureev and Anton B. Runov, although this phenomenon is also known under other names. Today we speak of the "natural state" (versus "open access orders") due to the popularity of the North—Wallis—Weingast concept. But in all cases this means that relations in society, primarily property relations, depend on one's position in the power hierarchy. The specifics of the situation with the formation and development of human capital cannot be understood outside this broader context. That is why the author builds her analysis based on the fact of domination of "power-property" relations in the society.

In Chapter Four, the author makes an interesting and detailed analysis of the Soviet period from these positions, and in Chapter Five, of the current situation. When analyzing the ability of modern Russian society to address the challenges of modernization, N. Pliskevich identifies various structural types of human cap-

ital. The leading role in modernization processes is played by elite human capital that drives innovation, but competent distributors of innovations are just as important. People without sufficient education have a significant influence on general modernization processes, which is why they and their children should be provided with adequate incentives to improve their human capital and so to raise their living standards. The author believes that unless this is done, the country's modernization may slow down.

When considering the formation of human capital in the current conditions, N. Pliskevich analyzes why the 20 years of the post-Soviet era have not produced the desired results, including in the economic sphere. She emphasizes that after the revolution of 1917, no matter how one views it, there was an explosion of the creative energy of the masses, and after the breakdown of the Soviet system in the 1990s there was only a short surge of activity and enthusiasm. In the author's view, one of the reasons for this is that the new institutionalization of the habitual "power-property" system blocked bottom-up initiatives and prevented the development of a civil society. In addition, the psychological discomfort associated with the rule of money has deepened in modern Russia so that the bearers of human capital spend their energy not on creative breakthroughs but on survival and on coping with psychological overstress.

In analyzing this problem, the author comes to the conclusion that the most important thing for the development of human capital is the system of values. On the one hand, in terms of general value preferences Russians fit quite well into the overall European picture. On the other hand, there are institutions in the country that act as a brake on modernization impulses and the development of human capital. These institutions are part of the "power-property" system dominant in the country. This system dictates to people a rational survival strategy involving specific social networks constructed based on a separation of administrative and natural rents. In such conditions, the individual seeks to increase the specific social capital created on the basis of these networks.

Human capital loses its priority, is suppressed by social capital, and often acquires purely formal features. Importance is now attached not to the quality of human capital but to its formal attributes and symbols (diplomas, etc.), a fact confirmed, among other things, by the campaign to expose mass plagiarism of dissertations.

The author suggests a way to stimulate broad strata of the population to raise the real and not the formal level of their human capital. According to the studies of Ronald F. Inglehart,<sup>6</sup> the role of survival values is high in all ex-communist countries, especially in Russia, which is why a review of priorities in payment for work—so as to put a higher value on work requiring higher levels of education—could spur the development of human capital. But so far the state's economic and social policy has pursued protective rather than modernization goals. Take the budget priorities of recent years: an increase in the share of expenditures on defense and industry (with a corresponding increase in the income of people employed in these areas regardless of their qualification level) and a decline in the share of expenditures on education, healthcare, science and culture

(the announced pay rises in these sectors, as practice shows, have turned out to be fictitious). At the same time, the income of government officials has been growing, which also orients people to join the appropriate social networks and to acquire social capital. In this situation, human capital turns out to be secondary.

N. Pliskevich draws a number of important conclusions. The level of development of human capital is “a mirror reflecting both positive and negative signals” sent to it by the socioeconomic environment. Successes in the transformation of this environment, especially in the efforts to achieve genuine postindustrial modernization, depend to a great extent on whether the state of human capital accumulated in a society is consistent with the tasks facing this society.<sup>7</sup> One can agree with the author of the book that many difficulties in building human capital are related to the still unresolved problem of the gap between the needs of the modern economy and the institutions of the “power-property” system that stand in its way. The prospects for the development of human capital in Russia and the country’s future depend on whether this problem is resolved in the short term.

---

#### NOTES

- <sup>1</sup> N. Pliskevich, *Human Capital in Transforming Russia*, Moscow, 2012, pp. 42-43 (in Russian).
- <sup>2</sup> D. N. McCloskey, *The Rhetoric of Economics*, University of Wisconsin Press, Wausau, 1985.
- <sup>3</sup> G. Becker, *The Economic Approach to Human Behavior*, University of Chicago Press, 1976; G. Becker, *Human Capital: A Theoretical and Empirical Analysis, with Special Reference to Education*, University of Chicago Press, 1993 (3rd ed.).
- <sup>4</sup> D. North, *Understanding the Process of Economic Change*, Princeton, 2005.
- <sup>5</sup> N. Pliskevich, op. cit., p. 69.
- <sup>6</sup> R. Inglehart, C. Welzel, *Modernization, Cultural Change and Democracy*, Cambridge, 2005.
- <sup>7</sup> N. Pliskevich, op. cit., p. 216.

**T. Koval**

*Translated by Irina Borisova*