physical and human capital to achieve desired ends.

Thomas Sowell argues that human capital is ultimately decisive for the economic performance of a nation or people. Throughout history men have seen the destruction of their physical wealth by war, persecution or natural catastrophe, but armed with substantial human capital they not only have survived but regained their former prosperity. It was human capital, not natural resources or luck, which enabled Germany and Japan to emerge from the rubble of World War II to become the economic powers they are today. The same is true of Chinese immigrants who left their homeland and arrived in new lands impoverished and uneducated. In these new lands they have frequently been victims of persecution and have often been excluded from occupations deemed desirable by the host country's majority. Yet almost everywhere, they have ended up achieving astonishing economic success.

Capital Deteriorates

"Visible physical capital—factories, power dams, oil refineries—is always in a process of deterioration," writes Sowell, "whether at a slower or a faster rate. Financial assets likewise are constantly being consumed in order to live. Wealth in both forms will have to be replaced, even in the normal course of events. What war or expropriation does is to speed up this process of wealth's exhaustion and its need for replenishing. But the real source of wealth in both normal and abnormal times is the *ability* to produce—human capital—not the inventory of goods, equipment, or paper assets in existence at a given time."[11]

The person or people possessed of substantial human capital is characterized by a strong future-orientation. That is, they are willing to delay present satisfaction in order to enable either themselves, their children, or someone else to enjoy greater satisfactions at some later time. The future-oriented father is concerned to develop his children's potentialities to the full, and toward this end he stresses the values of hard work, self-discipline, initiative, honesty and unselfishness.

Living in the Present

By contrast, the present-oriented person "lives from moment to moment . . . things happen *to* him, he does not *make* them happen. Impulse governs his behavior, either because he cannot discipline himself to sacrifice a present for a future satisfaction or because he has no sense of the future. He is therefore radically improvident: whatever he cannot consume immediately he considers valueless."[12]

Family life and the rearing of children are crucial arenas for human capitalization. "Human capital," writes Victor Fuchs in this context, "refers to the development in the child of a healthy body and mind, general and specific skills, and other qualities that will help determine how well the child will fare later in life. The development of these traits typically requires *investment* by parents and society—that is, an expenditure of resources when the child is young in the expectation of a return to the child, parents, and society when the child matures."[13]

Economic Progress

Economic achievement and progress, thus, depends largely on human aptitudes and attitudes, and upon the political, social and economic institutions and arrangements which derive therefrom. Alexis de Tocqueville, in his book *Journeys to England and Ireland* (1833) sums up in a powerful statement the transcendent importance of human capital for the life of nations and individuals. He writes, "Looking at the turn given to the human spirit in England by political life; seeing the Englishman, certain of the support of his laws, relying on himself and unaware of any obstacle except the limit of his own powers, acting without constraint; seeing him, inspired by the sense that he can do anything, look restlessly at what now is, always in search of the best; seeing him like that, I am in no hurry to inquire whether nature has scooped out ports for him, and given him coal and iron. The reason for his commercial prosperity is not there at all: it is in himself."

—FOOTNOTES—

[1]George Gilder, *Wealth and Poverty* (New York: Basic Books, 1981), p. 47.

[2]George Gilder, *National Review*, "The Disease of Government," December 31, 1980, p. 1569.

[3]Warren T. Brookes, *The Economy in Mind* (New York: Universe Books, 1982), p. 12.

[4]*Ibid.*

[5]George Gilder, *Wealth and Poverty*, p. 48.

[6]*Ibid.*, p. 49.

[7]James Dale Davidson, *The Squeeze* (New York: Summit Books, 1980), p. 41.

[8]*Ibid.*, p. 43.

[9]Milton and Rose Friedman, *Free to Choose* (New York and London: Harcourt Brace Jovanovich, 1980), p. 21.

[10]Michael Novak, *The Spirit of Democratic Capitalism* (New York: Simon and Schuster, 1982), pp. 102–103.

[11]Thomas Sowell, *The Economics and Politics of Race* (New York: William Morrow and Company, Inc., 1983), p. 249.

[12]Edward C. Banfield, *The Unheavenly City* (Boston: Little, Brown and Company, 1968, 1970), p. 53.

[13]Victor R. Fuchs, *How We Live* (Cambridge: Harvard University Press, 1983), p. 52.