

## CONCEPTUALIZING HUMAN CAPITAL AS A FREE-EXPLOITATION INSTRUMENT IN ECONOMIC DEVELOPMENT

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### ABSTRACT

Human capital with in the context of economic development means efforts to revitalize meaning of development which is more on developing economic capacity for human within the concept of *homo economicus*. It means that, the appropriate meaning of economic development is to replace the concept of human as an economic man who is free from exploitation. Economic development should be directed at human as potential resources which contribute to productivity. Therefore, within the context of economic development, the concept of *homo economicus* should be clearly defined as human who recognizes himself consciously as economic man and economic instrument as well. Consequently, it is necessary to create and develop economic values potentials to increase productivity. Process of human capital accumulation which consciously accomplished has placed human as subject in economic development. Facts of capitalism has reduced and minimized human as resources that run a risk of exploitation. The human dimension in economic development should be directed to the concept of *homo economicus* perceived as "human who is completely conscious" and a free-exploitation resources.

**Keywords:** *human capital, economic instrument, exploitation*

### 1. BACKGROUND

#### **Capitalism perspective and human dimension**

Attainment indicators for economic development could be well understood from various perspective. In capitalism perspective development means capital accumulation through economic growth strategy using foreign investment and industrialization. The foreign investment is inspired by success story of Marshall Plan in supporting development in West Europe and Japan. While the industrialization is focused on modern sector and capital-based orientation is experienced by the United Kingdom as the first industrial country (Kuncoro, 2003:8).

The importance of economic development focusing on human dimension is very reasonable. In the new age of economy human has become resources that can be managed and developed by economy into valuable economic goods. Therefore, this reason could be such a justification that human dimension should be considered in economic development.

In Indonesia the poor condition of human dimension in economic development could be shown as the following table.

**Table 1.1.**

Human Resources Indicators  
 for Development in Indonesia  
 in 1999

No.	Province	Value	Unit	Description
A	DKI Jakarta	36.41	%	Dependency Rate <i>(The percentage of non-productive population against productive one)</i>
	DI Yogyakarta	46.46		
	Bali	47.96		
	TOTAL	130.83		
	MEANS	43.61		
B	DKI Jakarta	71.1	%	Life Expectancy Rate <i>(The prediction of average life expectancy)</i>
	DI Yogyakarta	70.9		
	Bali	69.5		
	TOTAL	211.5		
	MEANS	70.5		
C	Bali	56.66	%	Employment Rate <i>(The percentage of employed population against total population)</i>
	Kalimantan Selatan	50.45		
	DI Yogyakarta	59.45		
	TOTAL	166.56		
	MEANS	55.52		

*Taken from Abdullah et al (2002)  
 Compiled by the writer*

From Table 1.1. above the writer has selected 3 (three) *human-based* indicators for economic development in Indonesia namely dependency rate, life expectancy rate, and employment rate. The worst/best for 3 (three) provinces have been selected to find the average values for each indicators. The dependency rate is not satisfied as the average for the three provinces is 43.61 which means that the percentage of non-productive population is relatively high (43.61%). The percentage of life expectancy is 70.5%. And, the percentage of employed population against total population is 55.52%. Eventhough the life expectancy rate seems to be high (70.5%) but it could be not too satisfied comparing to the "not-too-much satisfied" condition of employment rate (55.52%) and dependency rate (43.61%). The other critical question might be how the life expectancy rate could be well maintained if the rate of dependency and employment are in the minimal point. At this argument the importance of human dimension or aspect in economic development should be very considerable.

The perspective of economic development focusing on human dimension could be categorized into 2 (two) namely, **human as instrument** and **human as the target**.

### **Human as instrument**

The idea of **human as instrument** in economic development has brought the meaning of development as an effort to increase human capacity. However, the capacity has been oriented to the formation of **human as resources to increase production value and productivity**. The such opinion could be called as production centered development as stated by Tjokrowinoto in **Kuncoro (2000:168)**. The main point on production value and productivity has placed human as medium or instrument to maximize satisfaction and profit. (**Kuncoro, 2000:168**).

### **Human as target**

The idea of **human as target** or human-oriented in economic development could hopefully place human at his own dignity as the main actor or subject in development. Human is the owner of development. Therefore, development is a matter of medium or instrument to attain welfare for human.

## **PROBLEM FORMULATION**

How could we conceptualize human capital as a free-exploitation instrument in economic development?

## **2. THEORETICAL REVIEW**

### **Facts of Capitalism: Commodities and Money**

**Medema, et al (2003)** defined a **commodity** as an object outside us, a thing that by its properties satisfies human wants of some sort or another. The nature of such wants, whether, for instance, they spring from the stomach or from fancy; makes no difference.

Every **useful thing** may be looked at from the two points of view of quality and quantity. It is an assemblage of many properties, and may therefore be of use in various ways. To discover the various uses of things is the work of history. So also is the establishment of socially recognized standards of measure for the quantities of these useful objects. The diversity of these measures has its origin partly in the diverse nature of the objects to be measured, partly in convention.

The utility of a thing makes it a **use-value**. But this utility is not a thing of air. Being limited by the physical properties of the commodity; it has no existence apart from that commodity. A commodity; such as iron, corn, or a diamond, is therefore, so far as it is a material thing, a use-value, something useful. The use-values of commodities furnish the material for a special study, that of the commercial knowledge of commodities. Use-values become a reality only by **use of consumption**: they also constitute the substance of all wealth, whatever may be the **social form of that wealth**.

If we abstract from the material substance of the circulation of commodities, that is, from **the exchange of the various use-values**, and consider only the economic forms produced by this process of circulation, we find its final result to be **money**: this final product of the circulation of commodities is the first form in which **capital** appears. The first distinction we notice between money that is money only, and money that is capital, is nothing more than a difference in their form of circulation. The simplest form of the circulation of commodities is C-M-C, the transformation of **commodities** into **money**, and the change of the money back again into commodities; or selling in order to buy. But alongside of this form we find another specifically

different form: M-C-M, the transformation of money into commodities, and the change of commodities back again into money; or buying in order to sell. Money that circulates in the latter manner is thereby transformed into, becomes capital, and is already potentially capital.

#### **Facts of Capitalism: Human as Labour**

The capitalist buys labour-power in order to use it: and **labour-power in use** is labour itself. The purchaser of labour-power consumes it by setting the seller of it to work. By working, the latter becomes actually, what before he only was potentially, labour-power in action, a labourer. In order that his labour may re-appear in a commodity, he must, before all things, expend it on something useful, on something capable of satisfying a want of some sort. Hence, what the capitalist sets the labourer to produce, is a **particular use-value, a specific article**. The fact that the production of use-values, or goods, is carried on under the control of capitalist and on his behalf, does not alter the general character of that production. We shall, therefore, in the first place, have to consider the labour-process independently for the particular form it assumes under given social conditions. (Medema, et al. 2003:385-386)

**Labour** is, in the first place, a process in which both man and Nature participate, and in which man of his own accord starts, regulates, and controls the material re-actions between himself and Nature. He opposes himself to Nature as one of her own forces, setting in motion arms and legs, head and hands, the natural forces of his body, in order to appropriate Nature's productions in a form adapted to his own wants. By thus acting on the external world and changing it, he at the same time changes his own nature. He develops his slumbering powers and compels them to act in obedience to his sway.

At the end of every **labour-process**, we get result that already existed in the imagination of the labourer at its commencement. He not only effects a change of form in the material on which he works, but he also realises a purpose of his own that gives the law to his *modus operandi*, and to which he must subordinate his will.

The elementary factors of the labour-process are (1) the personal activity of man, that is, work itself, (2) the subject of that work, and (3) its instruments.

An **instrument of labour** is a thing, or a complex of things, which the labourer interposes between himself and the subject of his labour, and which serves as the conductor of his activity. He makes use of the mechanical, physical, and chemical properties of some substances in order to make other substances subservient to his aims.

In the labour-process, therefore, man's activity, with the help of the instruments of labour, effects an alteration, designed from the commencement, in the material worked upon. The process disappears in the product, the latter is a use-value. Nature's material adapted by a change of form to **the wants of man**. Labour has incorporated itself with its subject: the former is materialised, the latter transformed. (Medema, et al. 2003:387)

#### **Facts of exploitation**

According to **Marx on Pressman (2000:71)** exploitation has been a very possible fact that the labours should provide service or efforts for the reason that they have no capital and ability to earn a living for themselves by no other ways. By the day-to-day working, the labours create a value. They produce goods and machines which hopefully could be used to support producing

goods and even a large quantity of goods in the future. However, the labours do not get whole portion of values from the goods they produce. Some of the values are taken by their employers in the form of surplus values. Marx (see Pressman, 2000:72) also states that there are 3 (three) ways the exploitation and surplus could be made. First, the employer (or capitalist as stated by Marx) could overtime their working hours. Second, the employer could intensify their working capacity to produce more goods in certain period. This will be accomplished by tightly supervising and controlling the labours to prevent the "slowness" they are working on that will have impact to creating less productivity. Third, the capitalist will increase surplus value by lowering wages.

Malthus on Pressman (2000:45) describes profit as compensation that the capitalist should consequently have because of their efforts to produce goods. The labours who own equipment and machines could be more productive than those who have less "capital resources". By allowing these equipment and machines which are used in the production process, the capitalist has contributed to production and therefore **he deserves to be paid as much as his contribution**. This fact clearly describes that the capitalist has stronger bargaining power as he has authority to give access (to the labours) to use equipment and machines though the "capital resources" are owned by the labours. The potential thing related to exploitation is the authority that the capitalist could "wrongly" implemented.

#### Psychological Perspective

Maryadi in Skinner (1953), an expert of behavioral approach, said that human behavior constitutes from **learning process** toward social environment group where he lives as one of its constituent. Generally, the forming in behavior has principles of **reinforcement**. Behaviors are formed and maintained as they are reinforced by environment and the socially unaccepted behavior will be gradually disappeared.

The psychological approach is applied for the reason that meaning of development can not be separated from the role of human. Informal sector could be viewed as instrument for human to attain economic welfare through motivational hierarchy (Chaplin, 1981), human which get involved with economic activity as driven by his motives of need.

#### Psycho-economic Perspective

Reynard (1983:171) explained the human factor in development. Development is more than a growth, even if we restrict discussion to economic development: it involves all those **mental and social changes** that make a population better able to pursue its own **economic evolution**. But development and growth are closely linked in practice, so the demonstration that the **dynamism drive of the producers and of the consumers** each accounts for around one-third of all growth is sufficient to show that the human factor is dominant in economic development.

### 3. DISCUSSION

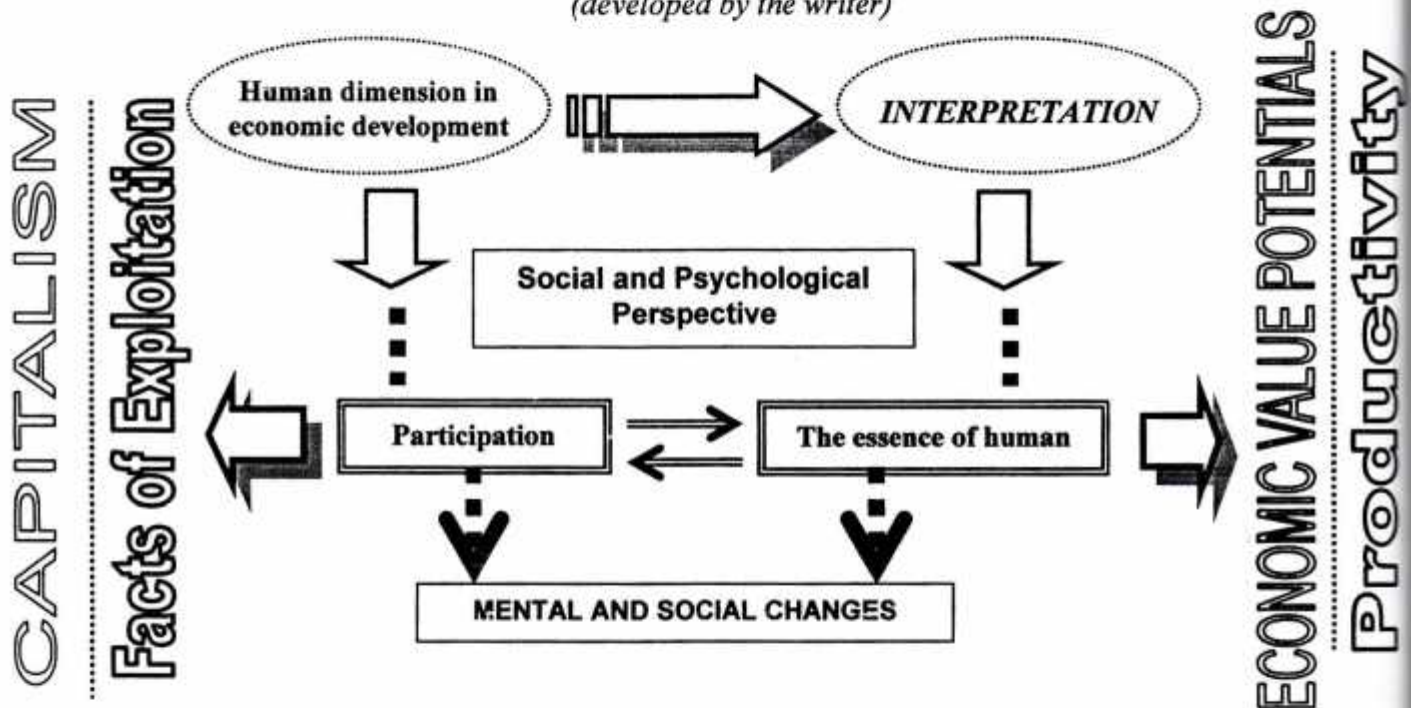
Some of the discussion are adapted from the previous article written by the writer entitled *"Human Dimension as An Alternative for Meaning Revitalization on Economic Development: Challenge for Informal Sector"*. The article was contributed for Seminar FORDES-ISEI Surabaya held on the 25<sup>th</sup> August 2007 at University of Surabaya (Ubaya). The writer discusses 3 (three)

rationales to conceptualize human capital as a free-exploitation instrument in economic development.

**Rationale-1** is focusing on the **inner mechanism** that has been successfully developed by human related to the participation in development as the essence of his existence as human.

Within this perspective the role of economic development is not just a matter of how to reach the growth but more on developing mental and social changes consciously to pursue economic evolution. Man can perform his role as a dynamic driver when he acts as producer or consumer.

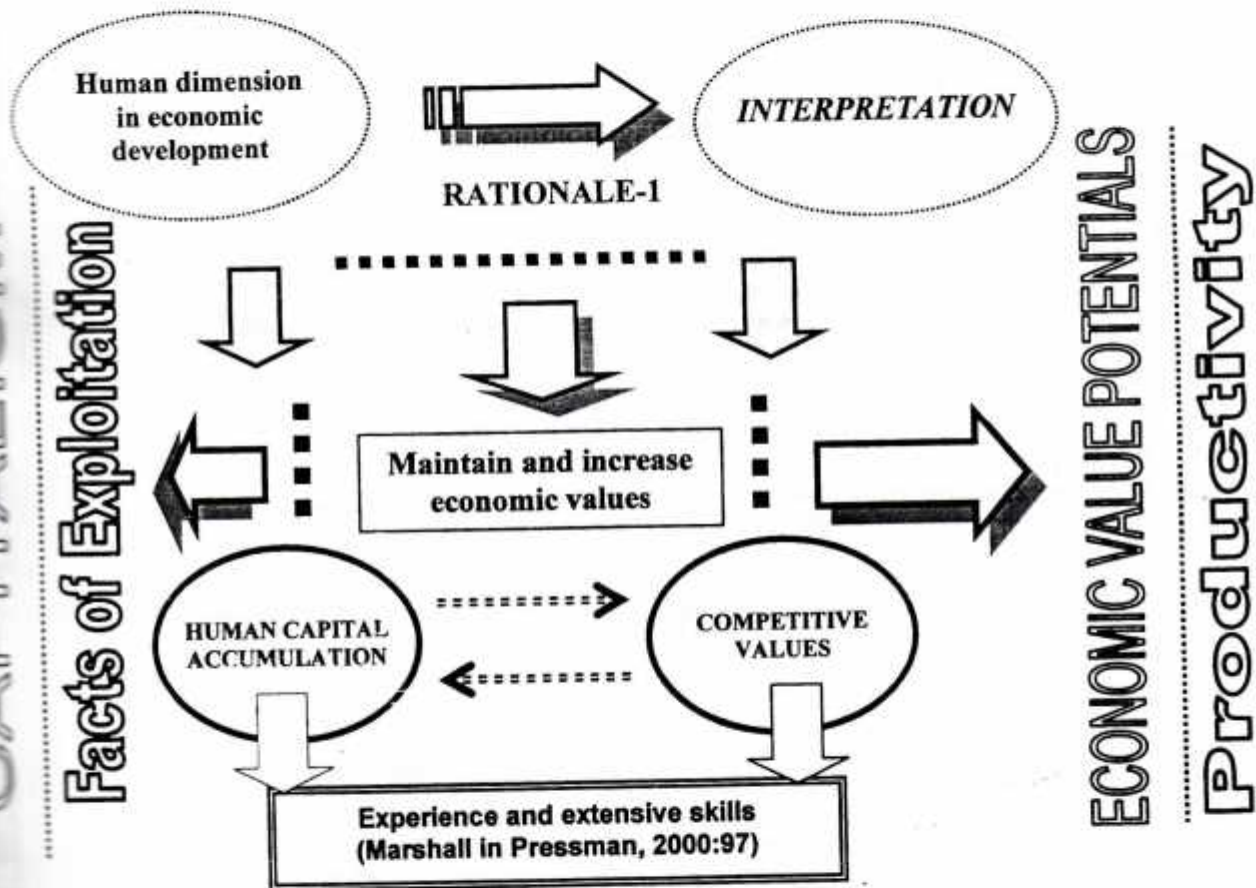
**Figure 3.1.**  
Rationale (1)  
Participation and The Essence of Human  
(developed by the writer)



Participation in psychological context means a process to take part in certain activity (Chaplin in Kartini-Kartono, 2001:354). In Rationale-1 (see Figure 3.1.) human and participation in development are closely linked to the essence of human. In order to make his own economic evolution (Reynaud, 1983:171) economic development should refer to mental and social changes. Target of the economic development is how to attain mental and social changes. Therefore, the empowerment of human in economic development is relevant with the opportunity to provide learning environment that facilitate human to make **mental and social changes**. Participation in development means active process in maximizing economic capacity in order to develop economic values potentials. Participation could also be interpreted as an initiative that comes from the conscious effort to improve economic welfare. Without participation human could only place himself as a “meaningless” object of development.

Consequences for the facts of capitalism are still on the "safe track" eventhough human is considered as instrument, or in other word, **labourer** (see Medema, et al. 2003:385-386). However, those need to be well-interpreted as the meaning of instrument is too risky to have exploitation specifically referring to the "character of production" and capitalism in general. Active participation that directs human to find his essence could be accelerator to the importance of strengthening economic value potentials directed to productivity. By this description human could place himself as actor or subject in the development.

**Figure 3.2.**  
 Rationale (2)  
 Human Capital Accumulation and Competitive Values  
 (developed by the writer)

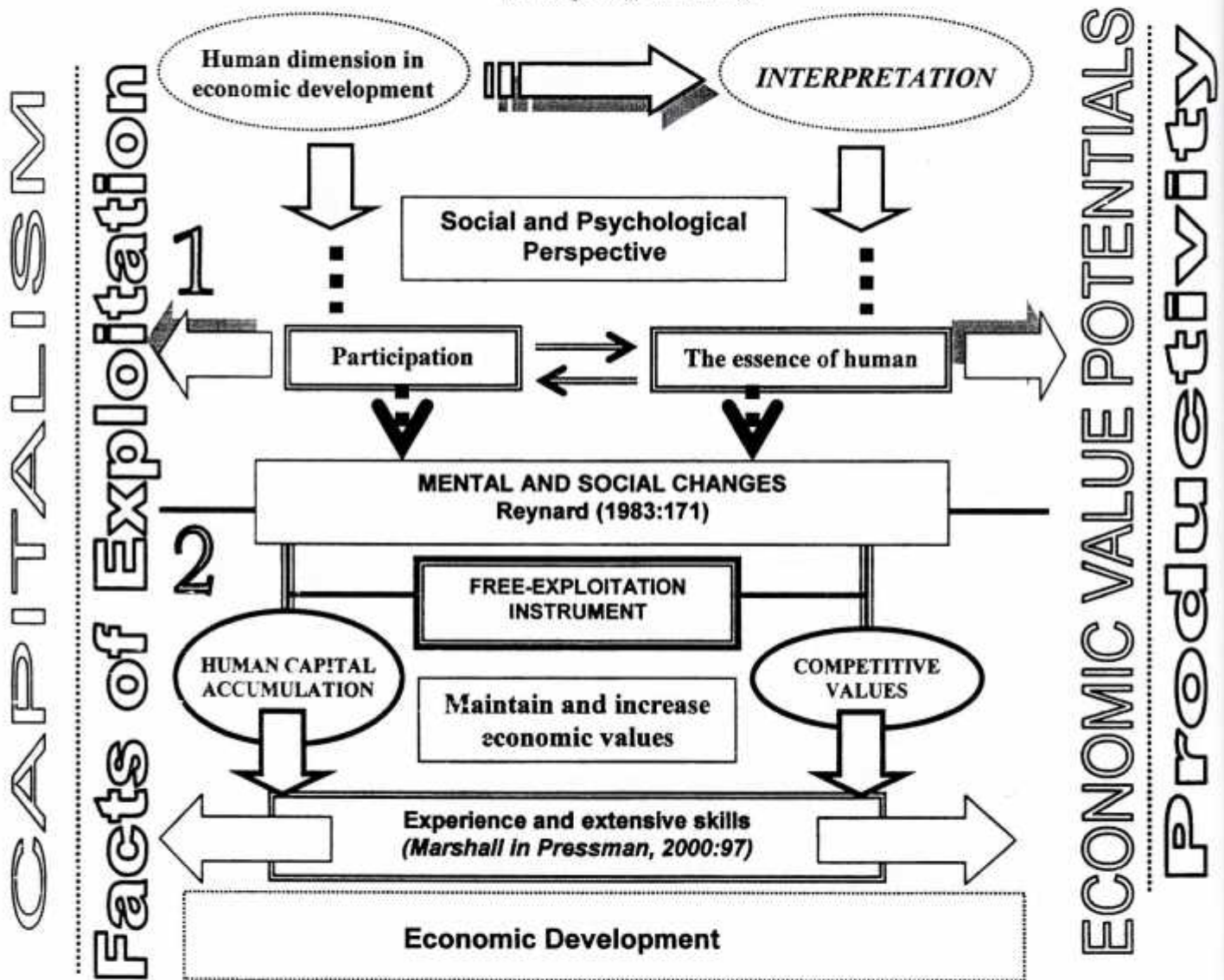


In Rationale-2 (see Figure 3.2.) the essence of human that has been consciously well perceived, as described in Rationale-1, builds a mechanism that facilitate human to maintain and increase economic values potentials. Maintaining and increasing economic values are such a powerful assets to access to the market and allocate productive resources.

Fact of capitalism which concerns on "too much" economic rationality has potential to exploit resources. Fact of capitalism resembles fact of exploitation. Human as one of potential resources could also be threatened by exploitation. However, human capital accumulation and competitive

values that are resulted from the revitalized or "new" meaning of development could safe human from exploitation.

**Figure 3.3.**  
 Rationale (3)  
 Combination of Rationale (1) and (2)  
 Conceptualizing Human Capital  
 as A Free-Exploitation Instrument in Economic Development  
*(developed by the writer)*



In Rationale-3 (see Figure 3.3.) human as an instrument within the context of economic development means focusing human as resources which have economic value potentials to create productivity. This productivity is very crucial as this could be an influential asset to prevent labour exploitation within the facts of capitalism. Human capital in this rationale can be



accumulated using the **inner mechanism** which will maintain and increase economic values to create competitive values. Finally, human capital accumulation and competitive values will form experience and extensive skills as stated by Marshall in Pressman (2000:97). When this mechanism successfully work out human can be safely placed as instrument which will be free from exploitation.

#### 4. CONCLUSION

Exploitation is a consequence of capitalism which could be prevented through the process of human capital accumulation oriented development. This will be directed to the creation of strong bargaining power in labour market. Economic development should involve human dimension which means developing and maximizing economic capacity into the "consciousness" as subject of development. The consciousness as subject in development also means the ability to consciously place himself as an instrument which should be responsible to create productivity through the development of economic values potentials. Therefore, the meaning of free-exploitation instrument in economic development could be interpreted as development which has orientation to refresh the human consciousness as subject of development as well as instrument. This will later motivate human to keep developing his economic capacity into productivity. The higher productivity could hopefully create strong bargaining power which drive to the free-exploitation area within the frame facts of capitalism. ©ign.heri.sw./2008

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