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CONTENTS

FIRM CHARACTERISTICS, CORRUPTION CONTROL AND MORAL HAZARD RELATED BEHAVIOUR: A CROSS-COUNTRY PERSPECTIVE FROM DEVELOPING ECONOMIES	137
OZLEM KUTLU FURTUNA	
ECONOMIC AND INSTITUTIONAL DETERMINANTS OF FDI INFLOWS TO EMERGING MARKETS: A COMPARATIVE ANALYSIS OF THE BRICS	164
PRIYA GUPTA	
ROMANIA'S GROWTH POLES POLICY AND THE EU FUNDING: RETROSPECTS AND PROSPECTS	210
DANIELA-LUMINITA CONSTANTIN LUIZA NICOLETA RADU	
DEMOGRAPHIC CHANGES AND ECONOMIC PERFORMANCE IN NIGERIA: AN EMPIRICAL INVESTIGATION	230
ANTHONY ORJI JONATHAN E. OGBUABOR DOMINIC U. NWANOSIKE ONYINYE I. ANTHONY-ORJI	
DYNAMICS AND DETERMINANTS OF ENERGY INTENSITY: EVIDENCE FROM PAKISTAN	249
AFIA MALIK	
DOES MARKET SELECTION MECHANISM MATTER IN PRESENCE OF OPPORTUNITY COSTS	276
ASMA RAIES MOHAMED BEN MIMOUN	
NON SLR INVESTMENTS BY INDIAN BANKS AN EMPIRAL STUDY OF PUBLIC AND PRIVATE SECTOR BANKS	289
KAMAL KISHORE	
A STUDY ON YOUTH'S ENTREPRENEURIAL SPIRIT IN ROMANIA	301
LAURA PATACHE	

THE CAUSAL RELATIONSHIP BETWEEN ECONOMIC GROWTH AND REMITTANCE IN MINT COUNTRIES: AN ARDL BOUNDS TESTING APPROACH TO COINTEGRATION	310
JAMIU ADETOLA ODUGBESAN HUSAM RJOUB	
STOCK MARKET VOLATILITY AND MEAN REVERSION OF BRICS BEFORE AND AFTER CRISIS	330
SIVA KIRAN GUPTHA.K PRABHAKAR RAO.R	
DOES INTERNATIONAL TRADE ALWAYS IMPACT SIGNIFICANTLY THE REAL GDP PER CAPITA?: A STUDY ON BIMSTEC COUNTRIES USING DYNAMIC PANEL DATA	355
DEBASIS NEOGI AMIT BIKRAM CHOWDHURY	
FINANCIAL INCLUSION AND MONETARY POLICY SHOCKS NEXUS IN NIGERIA: A NEW EMPIRICAL EVIDENCE	364
ONYINYE I. ANTHONY-ORJI ANTHONY ORJI JONATHAN E. OGBUABOR JAMES EMMANUEL ONOH	
PERSPECTIVES ON MEASURING THE QUALITY OF HIGHER EDUCATION SERVICIES	389
PÂRVU IULIANA SANDU CRISTINA	
ACCIDENTS RATES AND VEHICULAR BRANDS FOR SUSTAINABLE TRANSPORTATION IN NIGERIA: A CASE STUDY OF MINIBUSES CRASHES IN ONDO STATE	399
MOBOLAJI S. STEPHENS TIMOTHY MUSA WILFRED I. UKPERE	
APPROACHES FOR EFFICIENT QUALITY MANAGEMENT SYSTEM	419
CIOBĂNICĂ MIHAELA - LAVINIA	
AFRICAN CULTURAL VALUES A DISINCENTIVE FOR DEVELOPMENT: AN EXPLANDA	428
ETIM OKON FRANK	

QUALIFICATION STATUS OF SCHOOL TEACHERS IN INDIA- A STUDY OF THE STATE OF KERALA	443
MARY THOMAS K K A STEPHANSON	
MANAGEMENT ACCOUNTING: THE BOUNDARY BETWEEN TRADITIONAL AND MODERN	453
GUNI CLAUDIA NICOLETA	
CAUSES OF ACCIDENTS INVOLVING COMMERCIAL MINI BUSES IN ONDO STATE, NIGERIA	462
MOBOLAJI S. STEPHENS TIMOTHY MUSA	
THE IMPACT OF POLITICAL INSTABILITY AND CONFLICT ON HUMAN CAPITAL ACCUMULATION: MICRO AND MACRO PERSPECTIVE	483
DHAAR MEHAK MAJEED SAEED OWAIS MUSHTAQ	

THE IMPACT OF POLITICAL INSTABILITY AND CONFLICT ON HUMAN CAPITAL ACCUMULATION: MICRO AND MACRO PERSPECTIVE

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Abstract

A lot of literature has developed in the process of explaining and defining human capital. Of late, literature has come and is still coming up with new developments each day pertaining to political conflict and instability both in political and economic contexts. The world has reached a stage where enough of physical capital has developed and the globe has entered an information age. It is a time when human capital reins the globe. A nation is measured in advancement levels in terms of its human capital formation and development. The modern day world is for the most part run by democratic setups. At the same time, political conflicts have been dotting the whole world. It is in the realization of all these facts and factors the current paper is written. The paper does a thorough literature review pertaining to the economic implications of political conflicts and instabilities in terms of human capital consequences. The paper goes on studying the micro and macro level impacts and incidences of human capital in general and in violent conflict situations in particular taking the case of education. The paper tries to connect the maximum important strands of literature in this direction to the best understanding and knowledge of the authors.

Keywords: Human Capital, Education, Conflict, Violence, Development.

1. HUMAN CAPITAL

Alfred Marshall once opined, "The most valuable of all capital is that invested in human beings". The word "human capital" we often use today was not part of our language some decades ago. In fact, the thinkers who popularized and brought it into the mainstream like Theodor Schultz and Gary Becker even hesitated to use it initially. Theodore Schultz noted in his American Economic Association presidential address in 1961, "many thought that free people were not to be equated with property and marketable assets"(Schultz, 1961). Gary Becker mentioned that he hesitated to use the title "human capital" for his book and had to

employ long subtitle to guard against criticism because people thought it treated them like slaves or machines (Becker, 2009). Now the case is reversed. Human capital has become the *lingua franca* in our literature. By human capital, we do not talk of physical or financial capital rather “the knowledge, skills, competencies and other attributes embodied in individuals or groups of individuals acquired during their life and used to produce goods, services or ideas in market circumstances”(OECD). Schooling, a computer training course, expenditures on medical care, and lectures on the virtues of punctuality and honesty are capital too in the sense that they improve health, raise earnings, or add to a person's appreciation of literature over much of his or her lifetime (Becker, 1994). These investments produce human capital.

2. HUMAN CAPITAL AT MICRO LEVEL

In the early 1960s, Schultz initiated what was to become the human capital revolution in economic thought. Led by Schultz (1961), Denison (1962), Becker (1964) and others, there was a renaissance for human capital in economics in the 1960s, from which emerged a debate on the role of education in development. There is a broad distinction between theories by which observable measures of human capital like schooling are directly useful to economic productivity (Becker 1964; Nelson and Phelps 1966). Mincer (1974) proposed that years of schooling could be used as a measure of human capital, claiming that the primary reason that children attend school is for labor market preparedness. Psacharopoulos and Patrinos (2004) analyze the wealth of evidence that emerged from applying the Mincerian approach to a variety of labor markets (G Psacharopoulos, 2004). Their review finds a 10% increase in earnings for an extra year of education at the mean of the distribution and finds a premium to female education (9.8% return to a year of female education versus 8.7% for male education). Psacharopoulos and Patrinos (2008) show that the returns on education are higher in low-income areas; labor market evidence for working males from the 1960s to the 1990s suggested that in developing countries, primary education provided the highest returns, with the marginal benefit from education diminishing in years of schooling. However, more recent evidence from the 1990s and 2000s (summarized by Colclough, Kingdon and Patrinos 2009) suggests that there has been a shift in the relative returns of different education levels, with post-primary returns rising above primary school returns in developing countries (C Colclough). For example, Behrman, Birdsall, and Szekely (2003) find that for a sample of 18 Latin American countries, returns to tertiary education increased greatly throughout the 1990s while returns to primary and secondary education fell. This could be interpreted as evidence that skill-biased technological change has increased demand for workers with higher education (lowering the relative wages of low-skilled workers), that expansion of primary education has saturated labor markets with workers with basic education (increasing the premium for workers with postprimary education), that the quality of primary education has declined (reducing the productivity gains associated with primary school completion) or some combination of these explanations.

There is also growing evidence that early childhood education yields high economic returns (Heckman, 2011). Based on longitudinal data from the High/Scope Perry randomized controlled experiment (Schweinhart, 2005), find that American children raised in poverty that completed a high-quality preschool program had significantly higher rates of employment in adulthood than individuals in the control group. Median annual income for the preschool group was also 36% higher at age 40. There is evidence of a growth premium to female education on top of higher earnings – 0.2% of GDP per year – in part due to the demographic dividend (lower total fertility rates) and better childcare associated with female education (J Gwartney, 2008). In nutshell, we can say education which is taken as a proxy of human capital has a tremendous impact on future earning of an individual at least in developing countries which are still to come to terms with backward bending supply curve. The returns to another year of schooling tend to decline as the average level of schooling rises in an economy. This demonstrates that schooling increases respond to price signals. Therefore, as demand for education increases and the supply follows, the price tends to fall (World Bank, 2104).

With regards to informal sector, there is emerging evidence that education increases informal sector productivity (e.g., De Brauw and Rozelle 2006 for rural China; NguetseTegoum 2009 for Cameroon; Arbex et al. 2010 for Brazil; and Yamasaki 2012 for South Africa), as well as ability to secure employment in the growing digital economy (Results for Development Institute 2013). There is also established literature (GJ Huffman, 2001) showing that schooling improves farm yields, particularly in settings where farmers are able to benefit from their education by accessing affordable agricultural technologies.

3. HUMAN CAPITAL AT MACRO LEVEL

Human capital consists of the accumulation of all prior investments in education, on-the-job training, health, migration, and other factors that increase individual productivity and, therefore, earnings. “To omit them in studying economic growth is like trying to explain Soviet ideology without Marx” (Schultz, 1961). At the macro level where the main motive is economic growth of an economy as a whole, economists have long debated the "Residual Factor" whose origin came from Solow's' (1956) neoclassical theoretical informed empirical studies. As physical capital, labor and technological change could not explain 87.5 % growth in per capita terms in growth accounting (Solow 1956) and was attributed to uncertain residual. Later this model was extended by Mankiw, Romer, and Weil (1992) to include human capital as other factor determining the growth rate. The rate of human capital accumulation was proxied by secondary school enrollment of working age group which explained 80% of cross country differences in per capita (NG Mankiw, 1992). They also found that for non-oil based economies, a 1% increase in their proxy measure raises GDP per working-age person by 0.66% which is highly statistically significant. Later Psacharopoulos and Arriagada (1986), Barro and Lee (1993) proposed average years of schooling as a proxy for

human capital. On the same line, Glaeser et al. (2004) estimate a 25–35% return for an additional year of schooling for the average worker, while Barro (2013) adds additional variables to the model (e.g., rule-of-law, trade openness, government spending) and estimates a lower return of 19%.

Moreover, returns to macroeconomic studies were three times higher as compared to micro studies which could be attributed to externalities which Romer (1988) took account of. As Arrow (1962) has earlier mentioned that Knowledge is a public good- nonrival and nonexcludable whose effect goes beyond the individual concerned. An individual is more productive when surrounded by highly skilled workers. Easterlin (1981) uses historical data (1830–1975) from 25 large countries to demonstrate a link between primary school enrolment and economic growth, noting that the spread of public schooling preceded economic take off in industrializing nations and that in many countries high growth was not followed by a surge in primary enrolment. However, commensurate economic growth has not clearly followed in many cases. This is not a case against human capital theory as such but rather the weak proxies that do not take into account things like quality of education. Rather than taking numbers of years of schooling as inputs one could measure education achievement as outcomes (Easterlin, 1981). Underscoring the importance of accounting for quality of education in human capital measures, Hanushek and Wössmann (2007) estimate a strong relationship between education achievement (an output of the education system) and economic growth using internationally comparable mathematics and science test scores (TIMSS and PISA) as a proxy for quality of education (EA Hanushek, 2007). Deficits in human capital are much more pronounced between high- and low-income countries when taking into account skills rather than years of schooling. In any case, there is important role played by education in accumulation of human capital on economic growth from Roman Empire (Saller 2008), industrial revolution (Becker et al 2009), Meiji Japan's rapid and widespread adoption of Western technology enabled educated workforce (World Bank 1991), protestant economic prosperity in the late 19th century due to high levels of literacy (Becker and Wössmann 2009), or increasing labour productivity and labour participation over the course of American history (Boustan et al. 2013) to East Asian economic miracles (Tilal 2002). Human capital has given shape to economies.

4. POLITICAL (IN) STABILITY AND ECONOMIC GROWTH

A whole strand of literature exists that deals with the political economy of growth. The literature with a number of empirical evidence and proofs shows that there exists a relationship between the form of government and the levels of economic growth. Adam Przeworski, Fernando Limongi and Salvador Giner in their book, 'Political Regimes and Economic Growth' see economic growth as a fundamental result of the political system. The books deal with the comparison of economic indicators and indices under democratic and dictator regimes, to begin with. Democracy comes with a number of positives but at the same time, the

processes take longer. One important aspect the books deals in relation to the discussion in hand is that there are a greater probability and chance of the development of political unrest and conflict under a democratic regime. This, in turn, diverts the state resources from productive uses to the maintenance of law and order. Therefore hampering the process of growth that over a number of lags leads to a declining trend in the related parameters of development(Przeworski A., 1995).

Focusing on the democratic form of government, the growth process is directly related to the levels of stability in the regime. The reason behind it is that the modern democratic governments are welfare states. Having such a nature of existence, it becomes the duty of the State to endeavor on all such tasks that contribute to the wellbeing of the citizens, especially the material wellbeing. Empirical evidence has shown that in a democratic setup political stability can be either a cause or a consequence of poor economic growth thus posing a question on the efficiency of the order of the day. Baum and Lake in their paper, 'The Political Economy of Growth: Democracy and Human Capital' argue that the democratic system stands at a double-edged sword. It increases the public welfare and at the same time decrease the grievances of the people who elect these regimes to power with the motive that their issues and needs are addressed and met(Lake, 2013).

All the literature in this direction leads to a general conclusion that the positive growth in an economy requires and results in a stable political system and at the same time political instability leads to a negative spell of growth. It forms the vicious circle of perpetual political conflict that ruins the economic condition as each subsequent cycle passes(Benhabib & Spiegel1994). Democracy thus ends up having an indirect impact on the economy as it influences and determines the levels of stability in the country. At the same time, the necessities like education and health care to be provided by the government. A stable government succeeds in the provision of all such facilities and thus paves way for the growth and better prospects of the human capital, this sovereign state is in possession and in charge of.

5. POLITICAL (IN) STABILITY AND HUMAN CAPITAL

Human capital¹ is the stock of productive skills, talents, health and expertise of the labor force, just as physical capital is the stock of plant, equipment, machines, and tools. Within each type of capital the performance, vintage and efficiency can vary. One of the preconditions for human capital formation is the existence of stable political conditions. Education being merit good as such depends mostly on government provisions especially for developing countries for initial development (Outreville, 1999). If government existence is itself questioned for legitimate and accountable reasons, and if the conditions are politically fragile, it deters the formation of human capital.

Defining political instability to fit it for the purpose of economic and econometric purpose is tough. In the same manner, Alesina and Perotti specify that

¹the calculations in Robert Gallman's chapter in Davis, Easterlin, Parker, et al. (1972) and those in Denison (1962)

to do so, we need to develop our own definitions of political instability in the wake of economic realization (Alberto Alesina). To understand the economic implication of political instability it can broadly be defined as the propensity to observe the changes in the order of the day or the government either on the constitutional front else on the non-constitutional front. This way it becomes possible to quantify the impact of conflict using specific indices and proxies. The numerical estimation carried forth by a number of analysts show that a higher propensity to executive changes leads to a higher chance of political instability.

Political instability has a dual impact to define in the broadest terms. One is the micro level impact and another and obvious is the macro level impact. It affects the small variables on top of which are the human population and prospectus of attainments (TS Eicher, 2001). Thus diminishing the investments in the creation and making of the human capital. On the macro level, the impact is seen and measured on the aggregate output that itself is determined by the stock of human capital present as a summation in the economy as a whole.

Whenever the political instability gains ground the first impact is perceived and felt by the population of the place. People see the upcoming threat. By dint of experience and knowledge, it is globally known that once conflict or instability begins, no one knows nor can anyone predict its end. It has rather a higher probability to linger on and thus reverse the trend of development. The revival post-conflict is a long walk and takes a number of spells and lags to spin back in a motion that too with a number of policy interventions (Benhabib & Spiegel, The role of human capital in economic development evidence from aggregate cross-country data, 1994).

The conflict itself and its timely and changing manifestations pose a threat to economic development. In the modern era, the human capital stands at the corner of every developmental prospectus. Integrating the two, with the outbreak of the conflict people for one resist to begin new projects and proposals with investments and for next become active participants in the conflict activities (McMahon, 2000). All sorts of investments whether human or material are paused and the investing agents take time to see where the conflict goes, before involving any resources or means into production processes. Next, the people who otherwise are involved in productive activities begin and increasingly take part in the conflict related activities. The normal peace is disturbed and law and order on the state's front and confrontation on the population's front becomes the main areas of concern.

6. DEMOCRACY IN ECONOMIC PERSPECTIVE

To understand democracy in the context of economic analysis for one and the consideration of stability, McGuire et al in their paper, 'The Economics of Autocracy and Majority Rule...' differentiate some broader perspectives in this regards. This work along with many other describes two broad schools of thought here. On one extreme is the Compatible School while on the other extreme lies the Conflict school (Mc Guire, 1996).

The Compatible school sees democracy as an efficient mechanism and useful tool for the upholding of the economic integrity of a country. It claims that the basic property rights of individuals are upheld and proper mechanisms exist that keep all the violations at bay with proper punishments. The economic freedom is believed to be maximum in the democratic setup and thus it not only paves way for free markets but at the same time enhances efficiency(Ari Aisen, 2003). The investment levels both governmental and private rise and the economic process sees a boost. On the other hand, the Conflict school believes that it is important to put pressure on the democratic government and resist at the same time to make it an efficient mechanism of growth. Developmental traps that exist in an economy due to a number of reasons can be ended by the state intervention that is welfare oriented.

A democratic system has some predefined patterns of investment that each regime is expected to work out efficiently and rigorously. The welfare characteristic of democracy calls at it to maintain individual freedom in the capability approach sense (Sen, 1999). A successful democracy is one that succeeds in creating a huge human capital that is efficient and market-oriented. Once such a thing happens, each person develops to the best of his limits, capacities, and horizons. In this way, he becomes contributing to the whole society and economy and above all fulfills his own needs and desires. Over the course of time, the welfare agency of the government gets a reduced task to do. Its main focus shifts to education and health. And the country becomes abundant with a sophisticated and productive human capital.

All this reviewed and validated by the literature, the question arises about the stability of the democratic government. The government has to be stable and peaceful to remain in office and fulfill all the promises of growth and development that in the modern era begin with and culminate in the development of human capital. Maintaining peace and order and at the same time fulfilling the pre-requisites of a stable order, such a regime has the potential of spreading positive spillovers and contribute to the making of human capital. But any deviation from the said path leads to a conflict that doesn't know any predicted end and has impacts visible and affecting both the micro and macro level variables.

7. THE MICRO LEVEL IMPACT OF INSTABILITY ON HUMAN CAPITAL

Knowing that the impact of conflict and political instability goes on a long way to hamper the overall economic growth and development prospectus, in the modern age the impact is more aggrieved as the human population is impacted. The most important tool of growth in the current times is the human skill and know-how that we refer to as the human capital. There are a number of negative impacts conflict has on the population and its growth prospectus. The first casualty is welfare. The modern-day democratic governments are welfaristic in nature and work for the material wellbeing of individuals. Once instability hits, the government is left with no chance but to divert the resources from productive uses

to the maintenance of law and order. The welfare domains face a status quo and if the situation worsens, such tasks go on decreasing and the most important expenditures of health and education catch a back seat and human capital development stagnates.

At the same time, investments that keep the economy fuelled for development retard and slow down. Once (productive) investment comes down, the collapses begin. Pessimism grows and no one is ready to invest. People fear the prevailing situation and hysteresis is set in motion. From entrepreneurs to workers, every person involved in the productive process sees a threat in the normal routine and the reversal development takes place. From the micro level enterprises, the negative impact flows and eventually, the impact is aggregated on a larger level and all the parameters of growth and human capital development face a setback.

The level of productivity comes down. As people stop investing and at the same time government expenditure is diverted, expenditures on health, education, and training come down. It goes on to deplete the human capital stock and the lot of unproductive and skill-less population tends to grow and accumulate over time. The frustration that grows in this lot of population acts as a fuel into the fire and the instability goes on increasing. All the factors impact one another in a cumulative manner and the vicious circle grows. Eventually leading to a longer cycle of skill-less population and exhausting the human capital in the possession of the country.

8. MICRO LEVEL INTERACTION OF CONFLICT WITH EDUCATION

Although still in the initial stages, there has been growing body of research attempting to estimate micro-level impact of conflict on both schooling and the labor market outcomes. During childhood, fairly minor shocks to educational access can lead to substantial and long term damaging effects on individual human capital accumulation (Ichino and Winter-Ebner 2004; Akbulut-Yuksel 2009; Leo`n 2012). Examining the effect of Uganda's civil conflict on combatants, Blattman & Annan (2007) examined the case of Uganda's civil war on combatants. They found out young men who were recruited by armed groups received less schooling, and were less likely to have a decent and skilled job, thereby, earning lower wages in the market. During the Cambodian genocide (1975-1978) in which urban, educated were more likely to have been killed, De Walque (2006) finds males of school age during the said period had less education than previous or subsequent cohorts. In other study, Akresh & de Walque (2008) study the impact of Rwandan genocide on schooling. In support of previous studies, a strong and negative impact was found. With children exposed to the civil war exhibiting an 18.3 percent decline in their average years of education and are 15% less likely to complete 3rd or 4th grade. The results were specifically stronger, negative for males, and non-poor. Shemyakina (2006) takes the case of Tajikistan. The author finds that those adolescent Tajik girls whose houses were destroyed during the armed conflict were less likely to obtain secondary education affecting their level of wages. Alderman,

Hoddinott and Kinsey (2006) also find similar negative results among Zimbabwean children affected by the civil war in the 1970s. Children complete less grades of schooling and/or started school later than those not affected by the conflict shocks. Swee (2009) studying Bosnia civil war finds individuals in cohorts affected by the civil war and residing in municipalities experiencing higher level of war intensity are less likely to complete secondary schooling.

The nature and intensity of armed conflict tend to vary across countries, groups, etc. Conflict also is gender biased. With the result, certain groups or gender has to suffer extreme consequences than others. One strand of the literature has found stronger negative effects of conflict on education of males (Akresh & de Walque 2008, de Walque 2006, Stewart et al. 2001) as they are most likely to join armed groups, therefore, to be affected more. While as there is other strand of literature who found females to be more vulnerable to conflict, and therefore, stronger impacts on education (Shemyakina 2006, Chamarbagwala and Morán 2008). Shemyakina (2006) finds females received less secondary education than male counterparts did. Chamarbagwala and Morán (2008) in an attempt to capture the effects of high intensity phase () of Guatemala civil war finds that females experienced 0.44 percent less schooling than non-exposed ones, i.e. 12 percent decline compared to average educational attainment. For older cohorts exposed to conflict, it was 0.64 percent (17 percent decline). In terms of grade completion, females were less likely to complete grades 4 to 12 as compared to grades 7 to 12 for men. Part of reason is that parents may withdraw them from schools over a fear of being sexually assaulted and harassed. The author further contends that less schooling for male may be because of joining active armed groups. For females, it the destruction of household property and economic resources that force them to be employed in household chorus and child rearing so that scarce resources are optimized. However, in Nepal women in conflict-affected areas experienced educational gains, thereby narrowing down gender inequality. This could be possibly because rebels' goal itself was to reduce inequality for women and other disadvantaged groups (Valente, 2011).

Justino et al (2013) also finds a negative, long-term relation between wave of violence in 1999 and the peaks of 1970s and 1980s on primary school attendance and among boys' school completion rate in Timor Leste. At the same time, they found recovery for girls in post-conflict situation than among boys, suggesting tradeoff between education and economic survival, and resulting in boys taken out from schools into labor market. With respect to child labor, households in order to get out of poverty may replace dead, injured, or disabled adult workers with children. In addition, Rodriguez and Sanchez (2009) examine the violence in Columbia municipalities and find increased probability of school dropout and the presence of children in the labor market.

Justino (2011) points out three important patterns- small minor shocks have long-term effects on education and outcomes thereof; destruction wrought by conflict have affected secondary school heavily; and that the conflict has affected gender education differently. She also identifies different channels through which conflict affects education and consequent outcomes. Child soldiering for increasing

the number of combatants, and help them in services like cooking, carrying information and arms, and provide sexual services (USAID 2007, Blattman et al 2007, World Bank 2005, UNHCR 2002, Annan et al. 2009); household labour allocation decisions to replace dead, injured, disappeared (Akresh and de Walque 2009, Merrouche 2006, Shemyakina 2006 and Swee 2009, Rodriguez and Sanchez (2009); changes in returns to education across social groups and gender (Shemyakina 2006 and Chamarbagwala and Morán 2009); fear during violence (IRIN 2009, UNICEF); targeting of schools, teachers, students and staff (O'Malley 2007, 2010, Mulkeen 2007); and displacement and forced migration (UNHCR 1994: 38–39, Aguilar et al. 1998, UNHCR/OSCE, 2002). Thus, empirical literature at micro level clearly shows how violence can affect schooling negatively, and therefore, become an obstacle in the accumulation of human capital.

9. THE MACRO LEVEL IMPACT OF INSTABILITY ON HUMAN TY CAPITAL

On the wider front, because of political instability as an immediate reaction from the government, there comes a sudden and unanticipated policy change. It leads to sub-optimal macro policies. The economy, as a result, moves away from efficiency. This is followed by more frequent policy shifts leading to higher drifts from efficient levels. As a result, within some time of the outbreak of conflict (no matter the scale of the conflict), economic vulnerability is created. One negative consequence leads to another and the macro variables fall in line one after another (Dawe).

The GDP growth rate decreases as government spending are shifted from productive to unproductive uses. Once new investments in human and physical capital decrease and stop, the growth process reflects a slowdown. In the economy there begins an accumulation of people on whom investments are not made and human capital not generated thus a mass of unskilled, unemployed people grow. The creation of human capital, on the other hand, has to be a rigorous and continuous process (Timmer, 2000). The returns to such investments take more than a decade to start showing the results whether positive or negative whatever the variables in the equation are. Therefore, any pause that takes place in this smooth process shows up the aggregate result after a considerable lag and the impact is so huge that it becomes a macro level issue and concern.

To finance the increasing law and order costs, the government at times switches to increased taxation. An increase in taxation comes with a number of other problems. As an immediate impact the consumption of the people comes down, those living at the marginal level immediately fall below it, and the welfare government is challenged with an increasingly poor population. Consequently, as disposable income decreases, savings decrease and thus the private investment automatically get reduced. No new investments mean less productive consumption (C Peter Timmer, 2007). While the production stagnates or decreases, demand remains at its normal and the eventual result from such a combination is inflation. On the whole economy level yet another challenge comes in the form of

walking and then running inflation. And at one time, the government machinery can address only one big issue if it is to come up with a sustainable and durable solution to the problem. Having a battle of inflation to fight, the government machinery becomes unable to put the focus on the development of human capital and thus open ways for better and prospective development.

A longer run challenges that run across generations is the debt problem. When the domestic sources do not suffice or the government wishes to increase its anti-conflict expenditure, it switches to external debt. External debt has in many instances shown an actually boosting of the economy of the borrowing country and has set in acceleration and motion the said economy but only when the debt was raised for long run developmental projects (A Alesina, 1997). Once the foreign debt is raised for nonproductive and non-developmental purposes it becomes a long run problem. The upcoming generations have to pay the interest and the principal amount. This amount comes either from heavy taxation of the citizenry or from the government revenue thus leaving least for welfare tasks and developmental goals of the country. When the resources in the hands of the government shrink, the investments in human capital declines (D Craig, 2003). The less productive people are made to pay higher taxes, therefore, eradication almost all the possible ways of investing in and raising the human capital.

10. MACRO LEVEL INTERACTION OF CONFLICT WITH EDUCATION

Research at the country level supports the relationship that conflict leads to reduced educational outcomes. Cross-national analyses the impact of conflict and finds slow school access (Stewart, Huang, & Wang, 2001, Lai &Thyne, 2007; Shields & Paulson, 2015), which can diminish human capital stocks in the long-term. Omoeva, Hatch, and Moussa (2016) in a recent paper used comprehensive panel dataset including 100 countries covering over 50 years (1960to 2010) to study the impact of armed conflict on education and inequality, by comparing the pre- and post-conflict outcomes between similar country-year observations. They find that conflict lowers mean attainment by about 7.6 percent of a year of schooling, and increases inequality at the national level- the Gini coefficient increases by approximately 2 percent. Further, conflict lowers the gender parity ratio by 5 percent, and increases the educational inequality between wealth decile groups by 5.4 percent (measured by the between-group Gini coefficient). The authors further contend that ethnic conflict tend to be more devastating than non-ethnic ones. In highly fragile countries, the authors find that mean years of schooling are lower by 0.4 years, the gender gap is deteriorated by 13.5 percent, and the overall Gini coefficient rises by about 3 percent. Thus, further strengthens the argument that conflict adversely affects the education and inequality levels. There are also instances where at the aggregate level, average years of schooling rose as in Guatemala's 36-year civil war as also with Nepal. As Neo-classical theory of growth predicts, convergence over the long run via steady state growth rate path takes place. The destruction of capital is overcome by long run

investment. The population that suffered the maximum in Allied bombing of Japan, also tended to show fastest growth-rates post-war period (Davis and Weinstein 2002) and similar case for Germany (Brakman, Garrtesen and Shramm 2004). Chen, Loayza and Reynal-Querol (2008) also find similar results. Taking a case of 41 countries who experienced civil war between 1960 and 2003 they found out that once civil war ends, recovery in health, education, and economic performance, political development increases substantially.

This, however, does not refute the argument that conflict harms progress in education, and thereby, accumulation of human capital. At the macro level, there may be instances where effects of conflict are averaged out but it still contribute to emergence of vicious circle of poverty among specific or subnational groups (Justino 2009, 2010). Like the case of Guatemala where average year of schooling rose during civil war, however, educational gains were lower for rural Mayan youth, which is a relatively disadvantaged group in areas of high intensity conflict, increasing earlier disparities (Chamarbagwala&Morán, 2011). Conflict continue to impede human capital accumulation.

11. CONCLUSION

The paper reviews the major findings of thought that fall in the domain of human capital development in the presence of political conflict and instability. The concept of human capital began making progress with the innovative concept put forward by Garry Becker. The world order has been changing from always and will continue to change forever. The modern-day democratic government has been taking over the whole world. At the same time, the positives and negatives from the said form of government have been contemporary to the existence and growth of this form of government.

Political instability has been the dotted scene of the globe in the recent past. Democracy has at times failed to address the demands of the people and thus instability has surfaced. The beginning of conflicts and instability is an easy trap but coming out of it is very tough. Meanwhile, a number of other problems find root and the vicious circle keeps on growing.

Further, conflict negatively impact education and its outcomes both at the micro and macro level. It runs contrary to human capital accumulation theory. although, at macro level, numbers sometime paint the rosy picture, but conflict still continue to deplete human capital from some part of population or specific groups or gender.

The general result that has flown from all such instances is that development retards. Stagnation takes over and human capital development finds no scope to begin and grow. As a result economic development suffers and backwardness persists as a basic characteristic feature of the said country. In this wake, it is necessary that the aspirations of people be taken on board and source of instability and conflict resolved, and the democratic government that comes to power must stick to its promises. This way a nation actually succeeds in developing

a strong and productive human capital and endeavor on a journey of attainment and development.

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