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BOOK REVIEW: John Tomer on Integrating Human Capital with Human Development

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A founding member, former president and executive director of the Society for the Advancement of Behavioral Economics (SABE), Professor John F. Tomer advances a new stereotype of economic actor on the stage of behavioral economics in his book entitled *Integrating Human Capital with Human Development: The Path to a More Productive and Humane Economy*. According to Tomer, the need for the emerging "smart person" (as he suggestively names it) stems from the need for a better economics, one that is more humane, optimistic, emphatic and caring for society's needs. Within the framework of behavioral economics, traditional extreme pictures of human actors no longer find their place: the classical economic man is far too rational and unrealistic, while the psychological economic man is far too irrational.

For these reasons, Tomer builds the case against the two stereotypes that characterize mainstream economics and psychological economics and elegantly dismisses them in order to make room for an improved economic actor. The smart person surpasses the shortcomings of the other two by gradually evolving during lifetime. While making crucial decisions, the smart person is endowed with pivotal capabilities. This person is aware that rationality is bounded and that emotions may impede sound decision-making. This person learns from previous errors and develops the capacity of avoiding prospective errors by investing in human capital. Finally, such an actor serves both individual and societal interests, and may strive to realize full potential, provided the environment (i.e., family, community, society) is favorable.

Integrating Human Capital with Human Development is a written evidence that, throughout his successful research career, Tomer has been adamant in his quest for expanding the traditional approach on human capital. In the book, he offers a comprehensive analysis of this concept, drawing well-founded arguments from his previously published work and from the studies of renowned behavioral economists, clinical neuroscientists, economists, psychiatrists and psychologists – such as Daniel Amen, Dan Ariely, Gerd Gigerenzer, Daniel Goleman, James Heckman, Daniel Kahneman, Daniel Levinson, George Loewenstein, Herbert Simon, to name a few. The content of the book is informative for social scientists, regular professionals and laypeople alike, as readers will find out by progressing through the wealth of theoretical precepts, empirical results, telling examples, perspectives and observations. The author uses an accessible and vivid writing style, a clear-cut wording combined with occasional witty remarks, all of which transform one's reading into a pleasant and engaging experience.

Across the ten chapters of the book, which is divided into five parts, the author takes a critical stand on the traditional concept of human capital and skillfully advocates the need and crucial importance of broadening the concept in order to secure higher economic well-being. In Tomer's view, standard human capital theory integrates only one dimension of human development: it considers educational and cognitive aspects, but ignores psychosocial and biological development or neurodevelopment. However, human development is a three-sided pyramid, all its dimensions are interdependent and count for individual and societal advancement. Namely, the educational and cognitive development dimension (the easiest to quantify) focuses on acquiring fundamental knowledge, discipline, skills and talents, and overall life direction. The psychosocial and biological development dimension constitutes a second side, and builds on six levels: basic brain development, early learning, physical needs satisfaction, emotional intelligence, strong interpersonal relationships, and higher-order human values. The third, neurodevelopment dimension, is considered to be the core of overall human development. It stresses the importance of a healthy brain evolution on the basis of positive life experiences, especially during infancy and early childhood. In turn, such experiences mitigate the likelihood of brain deficiencies and problems, foster creativity and enable efficient brain functioning.

Early in the book the reader finds out that putting an emphasis solely on education and training can yield sub-optimal results. To solve this theoretical shortcoming, the author proposes a new definition according to which human capital "refers to the mental, social and physical attributes that are produced, are embodied in humans, are not alienable and contribute to humans' capacities" (Tomer 2016, p. 8). On the grounds that human development and human capital are strongly connected, investing in cognitive and non-cognitive aspects of human capital within a favorable environment may trigger higher levels of human development and may assist individuals to even reach full potential during their life. Tomer also emphasizes that investments in individuals' non-cognitive development (i.e., personal, social, moral, motivational, patience) are particularly important because they significantly reduce the amount of stress people experience while transitioning from one developmental stage to another (e.g., early childhood to middle childhood; middle childhood to adolescence). In essence, these non-cognitive capabilities are indispensable tools that guide decision-making, prevent individuals from remaining stuck at lower levels of human development and support them in their evolution towards higher levels.

As expected from an enquiry that broadens the concept of human capital by considering non-cognitive features of learning, a large section of the book is dedicated to health-related aspects and socioeconomic problems deriving from low human capital levels. For instance, healthy brain development during early childhood is crucial for making better choices during adolescence and adulthood. Resulting human capital reserves (non-cognitive and cognitive skills) assist individuals in adapting to market conditions and constantly improving their capabilities. Conversely, adverse childhood experiences – manifested as different types of stress or trauma – impact on the normal functioning of the brain, generating physical and mental ailments in conjunction with counterproductive life choices. Moreover, such negative experiences are among the main factors causing variances in school performance and income inequality.

With respect to the relationship between human capital, education and income gaps, one cannot do otherwise than notice an ongoing "Matthew effect" across societies. That is, members of communities enjoying higher living standards are able to secure a favorable environment where children can properly develop both physically and mentally, acquire high levels of human capital, value health by making sound behavioral choices, evolve and become successful adults later in life.

A central issue tackled by the author when advocating the importance of human capital investments is the high incidence of chronic diseases (e.g., diabetes, hypertension, stroke, gallstones), also dubbed as "diseases of civilization". Among these, obesity and its causes are intensely debated. Through his socioeconomic model of obesity, Tomer draws attention to the fact that this ailment and others associated with it are mainly caused by ill-advised dietary and behavioral choices, which are triggered by a low human capital and by constant influences from the massive obesity infrastructure. In this context, the author prompts various concerted efforts that governments and societies could undertake for the long-run in order to mitigate severe social disparities. Amid the amalgam of motivations (self-interest vs. other-interest), low price competition, wide-spreading chronic diseases, well-being concerns and increasing socioeconomic problems, the solution offered by John F. Tomer is straightforward and brainy: consistent investments in human capital significantly enhance individual and social outcomes, foster high levels of human development and may release human societies from the vicious circle of their pervasive social dysfunctions.