Recurrent Education: a Correction

Vladimir STOIKOV¹

O^N REWORKING a section of an article published in this *Review*² for a monograph entitled *The economics of recurrent education and training* prepared for the ILO, I came upon an inconsistency in the argument. However, correcting it only strengthens the argument.³

The particular values in the table on page 192 of my article were computed by specifying values for both PV (the present value of a particular recurrent education option) and K (the total cost of the alternative investment per annum). But since PV is a direct function of K, the computed values for the increasing differentials case are flawed. Given K, PV is given and could not have been assumed arbitrarily.

The table on page 192 should therefore have read, with the assumed parameters, as shown overleaf.

From a comparison of these results with the previously published ones for PV = 10,000, it appears that the difference between the two options (postponement and investing in older persons) is increased for the increasing differentials case, so that the previous conclusions are strengthened. That is "... human capital losses in a programme of postponement of even as little as ten years are very substantial compared to the capital value of the investment, whereas those in a programme of investment in older persons are small compared to either the capital value of the investment or the losses involved in a system of postponed higher education " (page 192). Incidentally, these conclusions remain unaffected by realistic variations of *i*, *r*, and K.⁴

¹ Professor of Industrial and Labor Relations, Cornell University.

² Vladimir Stoikov: "Recurrent education: some neglected economic issues", in *International Labour Review*, Aug.-Sep. 1973, pp. 187-208. I am grateful to the Editor for encouraging this correction.

³ After the inconsistency was corrected, I received a communication from K. Gannicott and J. R. Shannon (both from OECD, Paris) pointing the matter out to me.

⁴ The monograph referred to above presents the results of a sensitivity analysis on which this remark is based.

International Labour Review

Differentials	Postponement	Investing in older persons
	(k = 10)	
Constant differentials	6 514	962
Increasing differentials	8 954	-1 088
	(k =	= 20)
Constant differentials	9 025	3 457
Increasing differentials	13 101	1 210

LOSSES DUE TO SELECTED RECURRENT EDUCATION OPTIONS

Note: The figures in this table are based on the following assumptions, which approximate to an American college education:

 $\overline{Y} = Y = 4,000;$ r = .02;

 p = 40; n = 4;

 i = .10; $\overline{K} = K = 5,275.$

 Implied PV constant differential (r = .0) = 9,997.

 Implied PV increasing differential (r = .02) = 15,108.

Source: Calculated from expressions in the Appendix.