

Comment on “A Model of Multi-  
dimensional Human Capital  
Investments: Specific vs. General  
Investments under Uncertainty” by T.  
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# Summary of the Paper

- General vs. Specific Human Capital Investments
  - Multi-dimensional talents
  - Heterogeneous agents
  - Uncertainty in the relative output price w/o insurance market
  - Choice of occupation that uses only one talent
  - Specific investment enhances only one talent strongly, while general investment enhances both talents moderately

# Main Results

- Those who have sufficiently high relative value of one talent make specific investment to enhance the advantageous talent even under uncertainty.
- Those who have the two talents with similar levels may make general investment or specific investment, depending on the degree of risk aversion. They may even invest in their disadvantageous talent.

# Contribution of this Paper

- Analyzed incentives for heterogeneous agents w/ multi-dimensional talents to make specific or general human capital investments
  - Previous studies focused on the cases of one-dimensional talent or ex ante identical agents.
- Examined the effects of the change in the degree of risk aversion on the choice of specific and general investments

# Question

- Are individual choices of specific vs. general investments socially efficient?
  - What is the socially efficient outcome?
  - A question on social efficiency of the outcome is provided in the introduction of the paper. However, it seems that an answer to that question is not given.

# Comment #1

- The results are interesting, but implications from these results would be important.
  - Do the results in this paper explain any economic phenomenon?
  - Can we obtain any policy implications?
- ⇒ Providing answers to those types of questions would improve further the quality of the paper.

## Comment #2

- Those who have the same *relative* value of talents make the same choice of investment
  - ⇒ The sense of “comparative advantage”
    - e.g., Person A w/  $(\theta, \tau)=(0.0003, 0.0001)$  and person B w/  $(\theta, \tau)=(0.9, 0.3)$  make the same choice.
  - ⇒ This means that persons with various *absolute* levels of musical talents go to the school of music!
    - It seems that this result is inconsistent with the real-world observations.
    - An implicit assumption of no cost of human capital investment may be the reason.

# Comment #3

- This paper relies on a lot of symmetries
  - Discussion on relaxing some of the assumptions will make the paper more interesting.
- Some of the symmetry assumptions are relatively easy to relax
  - e.g., Asymmetric uncertainty: Different probability for the two states
- On the other hand, relaxing the assumption of equal CPI will make the analysis very complicated
  - This paper assumes that  $C(p, 1)=C(1, p)$ . But, this assumption requires symmetric demands for the two goods, which is rather restrictive.