Chapter 10
Human Capital as a Factor of Development of the Rural Economy

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ABSTRACT
The challenges of the post-industrial stage of development of society dictate the high quality requirements of human capital, which depends on both the level of economic development of the country as a whole and the state of the rural economy. In this chapter, the authors propose a methodological approach to the definition of the index of multiple-factor conditions for human capital development in rural areas. It reflects the vector of long-term development of human capital under the influence of an interlocking system of social, economic, demographic, environmental and institutional factors that manifest themselves at different levels of its formation. An open trend model building of influence multi-level factors system on the development of human capital in the rural economy of the region allows the authors to model the possible directions of human capital development on the basis of experimental calculations and use them in making management decisions by program-target method.

INTRODUCTION
Economic and socio-demographic transformation taking place at the moment, characterized by a qualitatively new stage in the development of social production factors and are accompanied by the transformation of human capital in the most important factor of the development of modern economy, society and civilization as a whole. Challenges of post-industrial stage of development of society dictate the high quality requirements of human capital, which depends on both the level of economic development of the country as a whole, and the state of the rural economy.

Territorial and industrial issues of formation, use and development of human capital have a special place in a market economy. On the one hand, stood apart range of tasks associated with
the formation of human capital, ensuring sustainable economic development of rural areas, as the increase of its qualities can solve numerous social and economic problems, accelerate the innovative development of the rural economy. On the other hand, there is a need to find new opportunities for the development of its individual elements, with the territorial and sectorial characteristics. Value of the theoretical and practical aspects of the formation and development of human capital increases also because in the agricultural sector has not yet implemented the most important task of providing comfortable social conditions are still not balanced the interests of employers, government and individual carriers of human capital within individual territorial entities.

The aim of this work is to study the factors and conditions for the formation of human capital in rural areas and justification of ways of its development.

**BACKGROUND**

Economic science at different stages of development has paid great attention to the problems of studying the place and role of man, his capabilities and needs, his economic position and productive opportunities. There is a direct connection between the term of human capital in economic categories such as human factors and resource, but human capital is more concise economic category, as evidenced by its genesis. The meaning of the “human capital” has evolved from the knowledge and human abilities to work. Long time there was prevailing view in science that human capital is a social only cost factor of the development requiring nonproductive investments in education and training (Klotchkov, 2004). When the formation of human capital theory has been still in the early stages, it played a special role in the process of social production. So William Petty emphasized the human component of the national wealth, appraising it higher than real. His followers, the founders of the British classical economists late XVIII – early XIX centuries, shared the idea of the value of man as an economic resource, but they did not find it possible to compare people with material factors of production.

Further development of Petty’s idea received from the author of “Moral senses theory” (1759) and “An Inquiry into the Nature and Causes of the Wealth of Nations” (1776) Adam Smith (1723 – 1790). Adam Smith developed the idea of not equated equality, when people have these nature differences, and from the viewpoint of the author this is not a disadvantage, while it is their advantage. The upbringing and education contribute to the special characteristics of each individual development. If a person is properly understood its purpose, then he starts to specialize in the area, which brings him more income because it has a comparative advantage (Smith, 2007; Smith, 1997).

Karl Marx in the 13th chapter of “Capital” says that the development of capitalism is changing the human condition: in the early “manufactory stage relatively simple tools were in addition to the skilled worker, in terms of machine production man as the bearer of simple labor becomes supplement to a complex machine (Marx, 2001). In terms of recognition unemployment rate as inevitable phenomenon there is a prevailing belief that people are needed, but they are not very rare and not very valuable resource. Improving the economy for a long period was firmly associated mainly with the invention of new machinery and materials, and not the self-improvement of the man.

Marxist political economy was another attempt to actualize the idea of man as the most important economic resource.

Karl Marx never considered man as human capital. His arguments about the “simplicity” of reduction of complex labor to simple confirm the fact that a qualified person is not some particularly important resource. But he rejected settled to his time understanding of capital as material and real values. In Marx’s concept of capital it is a “relation