Contents

List of figures vi
List of tables viii
Preface and acknowledgements xi

Chapter 1
Problems in analyzing economic development 1
1. Introduction 1
2. Geographical and time scope of the study 3
3. Factor accumulation and economic growth 4
4. Economic development: a changing focus 6
  4.1 Introduction 6
  4.2 A classic view: GDP and physical capital 6
  4.3 Broadening the scope: other factors influencing economic development 8
5. Theory before empirics: the new growth theories 11
  5.1 Introduction 11
  5.2 New growth theories 13
6. Research questions 15
7. Conclusion 16

Chapter 2
Literature on the relation between human capital and economic growth: definitions and problems 19
1. Introduction 19
2. An overview of human capital measures 19
  2.1 Broad measures of human capital in economic historical research 19
  2.2 Education Stock 21
  2.3 Pro and retrospective methods 23
  2.4 Combined approaches 25
3. Human capital in growth regressions 27
  3.1 Introduction 27
  3.2 Theoretical use of human capital in growth regressions 26
    3.2.1 Exogenous growth: The augmented Solow-Swan model 27
    3.2.2 The new growth theories 29
  3.3 Empirical models 34
  3.4 Some results from the literature 36
4. A definition of human capital 40
5. Development of education institutions in human capital formation 42
  5.1 Introduction 42
  5.2 Changes in the effect of human capital on economic growth over time 42
  5.3 Changes in the effect of human capital on economic growth among countries 44
6. Conclusion 45

Chapter 3
Basic data and measurement issues: standard proxy estimates of human capital 47
1. Introduction 47
2. Data and measurement issues
3. A new method of estimating the human capital stock: using household surveys
4. Bringing the human capital estimates back in time: a perpetual inventory method
5. Plausibility and development of human capital
   5.1 Introduction
   5.2 Subjective margins of error
   5.3 A comparison of human capital and its components
   5.4 Some comparisons with GDP and physical capital
6. Conclusion

Chapter 6
Is Lucas right? On the role of human capital in growth theory
1. Introduction
2. Human and physical capital ratio
3. Marginal returns to human capital accumulation
   3.1 Introduction
   3.2 The relation between the growth of human capital and time spent on human capital formation
   3.3 Regression analyses
4. Level and growth effects of human capital
   4.1 Introduction
   4.2 Unit-roots and cointegration
5. Connecting level and growth effects with constant marginal returns: the role of ‘average years of education’
   5.1 Introduction
   5.2 Unit-root and a Mincer equation
   5.3 Connecting the use of ‘average years of education’ as a human capital proxy to constant marginal returns to human capital accumulation
6. Conclusion

Chapter 7
The contribution of human capital to growth: some estimates
1. Introduction
2. The model
   2.1 Introduction
   2.2 The imbalance effect
   2.3 A Koyck model
3. Regimes in human capital and economic growth
   3.1 Breakpoints in the relation between human capital and growth
   3.2 Estimates
   3.3 An interpretation of the results
4. Imbalance effects
   4.1 The imbalance effect
   4.2 A test for the presence of imbalance effects
   4.3 Correcting GDP for human capital accumulation: a final extension
5. Some interpretations of the reasons behind economic development in Japan, India, and Indonesia 207
   5.1 Introduction 207
   5.2 A successful developer: Japan 208
   5.3 Late-comers in economic development: India and Indonesia 210

6. Conclusion 214

Chapter 8
A historical interpretation of the new growth theories: an overview 217
   1. Introduction 217
   2. The effect of data on the relationship between human capital and growth 218
   3. The effect of changing human capital forming institutions on the relationship between human capital and growth 221
      3.1 Introduction 221
      3.2 The effect of educational development on economic growth 222
   4. A simulation of cross-country growth divergence: Romerian versus Lucasian growth 223
   5. Some suggestions for further research 230
      5.1 Introduction 230
      5.2 A fable of economic growth: some suggestions for further research 231
   6. Some final remarks 234

Appendices
A.1 Craftsmen and labourers’ wages and price indices in Japan, India, and Indonesia, 1870-2000 235
A.2 Basic Statistics of India, Indonesia, and Japan, 1890-2000: GDP and Gross Fixed Non-Residential Capital Stock (1990 International USD); the Gross Fixed Non-Residential Capital Stock for Indonesia in current Rupiah, population, and persons employed. 243
A.3 Purchasing Power Parities 1913-1990 249
A.4 A method of estimating the national income of Indonesia using the expenditure approach, 1890-2002. 251
   A.4.1 Introduction 251
   A.4.2 Estimation of the GDP for Indonesia using the expenditure approach: an overview 251
   A.4.3 Household consumption expenditure 252
   A.4.4 Government Consumption 256
   A.4.5 Gross Capital Formation 257
   A.4.6 Export and Import 258
A.5. Estimates of the Gross Enrolment Ratio per Ethnicity in Indonesia, 1890-1940. 261
   A.5.1 Population 261
   A.5.2 Enrolments 262
A.6. Enrolments per level of education and sex in Indonesia, India, and Japan 1880-2000 264
A.7. Attainment and average years of education in Indonesia, India, and Japan, 1890-2000 273
A.8. Public and private expenditure on education (current prices) per level of education in Japan, Indonesia, and India, 1880-2000, in national currencies. 276
A.10. Investment in human capital in Indonesia 1890-2002 in billion 1990 International USD, converted at PPP
A.11. Investment in human capital in India 1890-1999 in billion 1990 International USD, converted at PPP
A.12. Stock of Human Capital in India, Indonesia, and Japan, 1890-2002 in billion 1990 International USD, converted at PPP
   A.13.1 Introduction
   A.13.2 Inserting human capital formation in Indonesian GDP using the expenditure approach
   A.13.3 GDP figures including human capital formation for Japan, India, and Indonesia, 1890-2000 in 1990 Intl. USD.
A.14. Correcting for the bias caused by using a dynamic model to estimate Lucasian growth (converting a dynamic model into a static model)

References
Summary - Samenvatting