EDUCATION AND ECONOMIC GROWTH

Geraint Johnes
Adam Smith
‘In what way, therefore, has the policy of Europe contributed either to the first establishment, or to the present grandeur of the colonies of America? In one way, and in one way only, it has contributed a good deal. Magna virum mater (mighty mother of men)! It bred and formed the men who were capable of achieving such great actions, and of laying the foundation of so great an empire; and there is no other quarter of the world; of which the policy is capable of forming, or has ever actually, and in fact, formed such men. The colonies owe to the policy of Europe the education and great views of their active and enterprizing founders.’ (Wealth of Nations, ch. 7)
‘When any expensive machine is erected, the extraordinary work to be performed by it before it is worn out, it must be expected, will replace the capital laid out upon it, with at least the ordinary profits. A man educated at the expense of much labour and time to any of those employments which require extraordinary dexterity and skill, may be compared to one of those expensive machines. The work which he learns to perform, it must be expected, over and above the usual wages of common labour, will replace to him the whole expense of his education, with at least the ordinary profits of an equally valuable capital. It must do this too in a reasonable time, regard being had to the very uncertain duration of human life, in the same manner as to the more certain duration of the machine.’ (Wealth of Nations ch. 10)
Theodore Schultz
It is easier to catch up than it is to lead…

… but some countries can get into a virtuous spiral of growth and development, while others can get stuck into a vicious circle of stagnation
Figure 1: Relationship between growth and education
Figure 2 Relationship between growth and initial GDP
Figure 3 Relationship between growth and education quality

GDP growth (% 1980-2000 vs. Average score in international tests
Figure 4 Relationship between growth and the distribution of education
Figure 5 Relationship between growth and openness

Growth rate (%) 1990-2000

Sachs-Warner openness measure
Figure 6 Relationship between growth and growth in the economies of trading partners
Figure 7 Relationship between growth and political stability
‘democracy tends to have a positive effect on economic growth by inhibiting extra-constituitional political change and favouring constitutional political change. Democracy provides a stable political environment which reduces unconstitutional government change at the macro level; yet along with regime stability, democracy offers flexibility and the opportunity for substantial political change within the political system.’

‘the juxtaposition of macropolitical certainty and micropolitical adjustability may be regarded as the ultimate basis for sustainable economic growth and expansion’ (Feng, *Br.J.Pol.Sci*, 1997)