

The Relationship between Educational Attainment and Growth at the sub-National Level

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Abstract

The literature on the determinants of economic growth is one which has garnered a lot of attention for a long time. Although various factors have been shown to matter, one factor which has received a lot of attention is the relationship between education and economic growth. Economic theory argues that labour, and the quality of labour, is a key component of the production function. Hence higher quality labour, or labour with higher levels of human capital, should imply higher productivity all things being equal. Consequently this should imply higher levels of economic growth. This theoretical notion has been tested by various authors with varying results. Some studies find positive relationships between various measures of human capital and economic activity, and growth while others find no relationship.

A tacit assumption in the majority of these studies is that relationship between education, economic activity and growth is homogenous across countries. This assumption is driven primarily by data constraints. A lot of the measures of education and economic activity are only available at the country level. This homogeneity may however not be the case in reality. For example Brock and Durlauf (2001) and Masanjala and Papageorgio (2008) show that the processes of economic growth in Sub-Saharan Africa differ from processes in other parts of the world. The implication is that the relationship between education, economic activity and growth between Africa and the rest of the World are different. Taking it a step further, it is also likely that these relationship within Africa are also different across countries.

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In this paper I test the idea of heterogeneity in the relationship between education, economic activity and growth across countries. I do this by constructing sub-national level estimates of human capital, economic activity and economic growth in Sub-Saharan Africa. This allows me to estimate within country relationships between education, economic activity and economic growth. I find that there is significant heterogeneity across countries in both the education - economic activity relationship, and the education - growth relationship.

Keywords: Education, human capital, economic growth

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