

## ABSTRACT

Using a growth accounting method based upon a Cobb-Douglas production function, we derive a reduced form equation which directly links growth in per capita income levels to rates of growth in factors of production. Estimation of this equation, however, requires estimates of physical and human capital stocks, because the use of investment to income ratios are inappropriate if capital-output ratios vary across countries and time. We construct estimates of physical and human capital accumulation rates. We then use this data in growth accounting estimation.

We find that human capital accumulation rates do not enter into per capita income growth once physical capital accumulation rates are correctly specified. However, human capital does contribute positively to physical capital accumulation rates, which measurably enter into growth. Similarly, domestic political instability is shown to affect growth indirectly, through its impact on physical capital accumulation, rather than directly entering into the growth accounting equation.