

THE ROLE OF HUMAN CAPITAL IN ECONOMIC DEVELOPMENT:  
EVIDENCE FROM AGGREGATE CROSS-COUNTRY AND REGIONAL U.S. DATA

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ABSTRACT

We use international cross-country and regional United States estimates of physical and human capital accumulation to run the growth accounting regressions implied by an aggregate production function based upon a Cobb-Douglas technology. Our results indicate that human capital either enters insignificantly in explaining per capita growth rates, or with the incorrect sign. We next entertain alternative roles for human capital in economic growth. We specify a growth model in which the Solow residual, or the growth rate of total factor productivity, depends on a nation's human capital stock. Tests of the specification implied by this model do indeed indicate a positive role for human capital. Finally, we find that a limited role in explaining growth exists for "ancillary variables," such as political instability and income distribution, once one has accounted for differences in rates of factor accumulation. However, we find that both human capital levels and these ancillary variables affect rates of physical capital accumulation.