

## Preface

This book offers a selective treatment of growth theory as it applies to the link between human capital accumulation and long-run economic growth. While the existing theoretical and empirical literature has highlighted a number of economic/political/social determinants of the long-run rate of economic growth, we have chosen to focus on a single determinant, human capital, for two main reasons. First, a number of excellent general books on the theory and empirics of economic growth exist in the literature. Treatments of individual facets of the process of economic growth are quite rare. Human capital is a complex term that eschews a simple definition and measurement and is a concept that has been investigated from a variety of perspectives by social scientists. Our intention is not to review the diversity of approaches but to concentrate exclusively on the nexus between human capital and economic growth across a large cross section of countries at various stages of economic development. In this respect in empirical applications we utilize the most frequent measure of human capital in cross-country growth research, namely the quantity of formal education each adult member of a society possesses. Second, there is intuitive appeal to the proposition that human capital accumulation (frequently associated with increasing levels of education) ought to make a country richer in the long run. Such a proposition has obvious policy implications. Despite the elegant appeal of this proposition, theoretical and empirical verification has been difficult to establish. We review the main theories linking human capital accumulation and economic growth,

but the main thrust of this book is empirical evidence on this issue. We analyze and evaluate extant evidence and also contribute to the debate by providing a thorough investigation of the empirical link between human capital and economic growth using a comprehensive data set and the most recent econometric methods.

One of the main themes of our approach is that the relationship between human capital accumulation and economic growth may be characterized by the presence of thresholds that introduce nonlinear effects. The nonparametric econometric methods we use to explore nonlinearities in Chapter 9 borrow heavily from joint work with our colleagues Pantelis Kalaitzidakis and Theofanis Mamuneas, published in the *Journal of Applied Econometrics* (2006) and *Journal of Economic Growth* (2001).

The idea behind this book gestated in 2000 while we were both visiting faculty members at the Department of Economics of the University of Cyprus. Our stay there provided a stimulating academic environment in which to explore and develop the main themes behind this book. We would like to thank the members of the faculty and staff at the Department of Economics of the University of Cyprus for extending their warm hospitality during our stay. Stengos, in particular, would like to thank Pantelis Kalaitzidakis and Theofanis Mamuneas who helped him fix ideas about the process of economic growth and the measurement issues that arise in that context. Joanne Liang provided prompt and excellent research assistance throughout the writing of this book. Finally, we would like to thank our editor Margo Beth Crouppen and her assistant Jessica Walsh for encouragement and support during all phases of the preparation of this book.