

The Impact of Higher Education on Economic Growth

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Abstract

Human Capital Theory asserts that education can improve workers' productivity and thus bring them higher earnings. Screening Theory on the other hand, downplays the substantial economic benefits of education by arguing that credentials rather than greater productivity account for the higher income of more educated workers. Instead of focusing worker's performance, this paper examines the economic role played by higher education from another perspective. According to Averch, Druckers et al., higher education provides the basis for developing technology, while technology is the engine of economic growth in the theories of Solow, Schumpeter et al. This paper devises a model based on Solow's theory of economic growth to test the proposition that higher education brings economic growth via technology improvement. I combine two periods in the history of 22 economically advanced European and North American countries to form a pooled cross section-time series data, and utilize GLS to estimate the model and draw conclusions. The estimated coefficients converge in iterations, thereby confirming the proposition.