Contents

List of figur	res	VI
List of table	es	viii
Preface and	d acknowledgements	xi
	Chapter 1	
Problems in	n analyzing economic development	1
1.	Introduction	1
2.	Geographical and time scope of the study	3
3.	Factor accumulation and economic growth	4
4.	Economic development: a changing focus	6
	4.1 Introduction	6
	4.2 A classic view: GDP and physical capital	6
	4.3 Broadening the scope: other factors influencing economic development	8
5.	Theory before empirics: the new growth theories	11
	5.1 Introduction	11
	5.2 New growth theories	13
6.	Research questions	15
7.	Conclusion	16
	Chapter 2	
Literature o	on the relation between human capital and economic growth: definitions and problems	19
1.	Introduction	19
2.	An overview of human capital measures	19
	2.1 Broad measures of human capital in economic historical research	19
	2.2 Education Stock	21
	2.3 Pro and retrospective methods	23
	2.4 Combined approaches	25
3.	Human capital in growth regressions	27
	3.1 Introduction	27
	3.2 Theoretical use of human capital in growth regressions	26
	3.2.1 Exogenous growth: The augmented Solow-Swan model	27
	3.2.2 The new growth theories	29
	3.3 Empirical models	34
	3.4 Some results from the literature	36
	A definition of human capital	40
5.	Development of education institutions in human capital formation	42
	5.1 Introduction	42
	5.2 Changes in the effect of human capital on economic growth over time	42
_	5.3 Changes in the effect of human capital on economic growth among countries	44
6.	Conclusion	45
	Chapter 3	
Basic data	and measurement issues: standard proxy estimates of human capital	47
1.	Introduction	47

2.	. Enrolment data		47
	2.1	Definitions and sources	47
		Estimates of levels of enrolment	53
	2.3	Estimates of the Gross Enrolment Ratio	56
3.	. Attainment and a	verage years of education	59
4.	. Private and gove	rnment expenditure on education	67
5.	. Conclusion		74
		Chapter 4	
Convergin	g patterns? Educati	onal policies and development in an educational age	76
1.	. Introduction		76
2.	. General patterns	of educational development in the literature	77
	2.1	Introduction	77
	2.2	The rise of mass education	78
		The rise of secondary and higher education	79
3.	. The educational	structure in Indonesia	82
	3.1	The rise of a colonial education system	82
	3.2	Increasing enrolments	83
		3.2.1 Primary education	83
		3.2.2 The rise of secondary and higher education	86
	3.3	Social changes in the enrolment composition	91
		Who pays? Public and private expenditure on education	93
4.	. The educational		95
		The rise of a colonial education system	95
	4.2	Increasing enrolments	96
		4.2.1 Primary education	96
		4.2.2 The rise of secondary and higher education	99
		Social changes in the enrolment composition	102
		Who pays? Public and private expenditure on education	104
5.	-	an: Analyzing the growth of a modern education system	106
		The rise of the Japanese education system: the development of mass educat	
		The rise of secondary education	107
		The post-War period	109
		Social consequences of educational development	110
	5.5	Who pays? Public and private expenditure on education	111
6.	. Conclusion		112
	6.1	A comparison between India, Indonesia, and Japan	112
	6.2	The relationship between education and growth	115
	6.3	Some hypotheses on the relationship between educational development and	117
	6.1	economic growth Limitations	117
	0.4	Limitations	118
		Chapter 5	
New estim	ates of the formation	on and stock of human capital	119
1.	. Introduction		119

	2.	Data and measur	rement issues	119
	3.	A new method of estimating the human capital stock: using household surveys		
	4.	Bringing the hum	nan capital estimates back in time: a perpetual inventory method	131
	5.	Plausibility and a	development of human capital	141
		5.1	Introduction	141
		5.2	Subjective margins of error	143
		5.3	A comparison of human capital and its components	146
		5.4	Some comparisons with GDP and physical capital	148
	6.	Conclusion		152
			Chapter 6	
Is Lucas	rig	ht? On the role of	human capital in growth theory	154
	1.	Introduction		154
	2.	Human and physi	ical capital ratio	156
	3.	Marginal returns	to human capital accumulation	157
		3.1	Introduction	157
		3.2	The relation between the growth of human capital and time spent	
			on human capital formation	158
			Regression analyses	162
	4.	_	effects of human capital	167
			Introduction	167
	_		Unit-roots and cointegration	168
		Connecting level erage years of edi	and growth effects with constant marginal returns: the role of	171
	aı		Introduction	171
			Unit-root and a Mincer equation	171
			Connecting the use of 'average years of education' as a human capital	1/2
		3.3	proxy to constant marginal returns to human capital accumulation	175
	6.	Conclusion	, ,	176
			Chapter 7	
The cont	trib	ution of human cap	pital to growth: some estimates	179
	1.	Introduction		179
	2.	The model		181
		2.1	Introduction	181
		2.2	The imbalance effect	182
		2.3	A Koyck model	188
	3.	Regimes in huma	n capital and economic growth	189
		3.1	Breakpoints in the relation between human capital and growth	189
			Estimates	195
		3.3	An interpretation of the results	198
	4.	Imbalance effects	S	201
		4.1	The imbalance effect	201
		4.2	A test for the presence of imbalance effects	201
		43	Correcting GDP for human capital accumulation: a final extension	205

5. Some interpretations of the reasons behind economic development in Japan, India, and Indones.	ia 207
5.1 Introduction	207
5.2 A successful developer: Japan	208
5.3 Late-comers in economic development: India and Indonesia	210
6. Conclusion	214
Chapter 8	
A historical interpretation of the new growth theories: an overview	217
1. Introduction	217
2. The effect of data on the relationship between human capital and growth	218
3. The effect of changing human capital forming institutions on the relationship between human capital and growth	221
3.1 Introduction	221
3.2 The effect of educational development on economic growth	222
4. A simulation of cross-country growth divergence: Romerian versus Lucasian growth	223
5. Some suggestions for further research	230
5.1 Introduction	230
5.2 A fable of economic growth: some suggestions for further research	231
6. Some final remarks	234
Appendices	
A.1. Craftsmen and labourers' wages and price indices in Japan, India, and Indonesia, 1870-2000 A.2 Basic Statistics of India, Indonesia, and Japan, 1890-2000: GDP and Gross Fixed Non-Residential Capital Stock (1990 International USD); the Gross Fixed Non-Residential Capital Stock for Indonesia in current Rupiah, population, and persons employed.	243 243
A.3 Purchasing Power Parities 1913-1990	249
A.4. A method of estimating the national income of Indonesia using the expenditure approach,	
1890-2002.	251
A.4.1 Introduction	251
A.4.2 Estimation of the GDP for Indonesia using the expenditure approach: an overview	251
A.4.3 Household consumption expenditure	252
A.4.4 Government Consumption	256
A.4.5 Gross Capital Formation	257
A.4.6 Export and Import	258
A.5. Estimates of the Gross Enrolment Ratio per Ethnicity in Indonesia, 1890-1940.	261
A.5.1 Population	261
A.5.2 Enrolments	262
A.6. Enrolments per level of education and sex in Indonesia, India, and Japan 1880-2000	264
A.7. Attainment and average years of education in Indonesia, India, and Japan, 1890-2000	273
A.8. Public and private expenditure on education (current prices) per level of education in Japan Indonesia, and India, 1880-2000, in national currencies.	
A.9. Investment in human capital in Japan 1895-2002 in billion 1990 International USD,	285

A.10.	Investment in human capital in Indonesia 1890-2002 in billion 1990 International USD, converted at PPP	288
A.11.	Investment in human capital in India 1890-1999 in billion 1990 International USD, converted at PPP	291
A.12.	Stock of Human Capital in India, Indonesia, and Japan, 1890-2002 in billion 1990 International USD, converted at PPP	294
A.13.	A method of inserting human capital formation in GDP using the expenditure approach, 1890-2000.	297
	A.13.1 Introduction	297
	A.13.2 Inserting human capital formation in Indonesian GDP using the expenditure approach A.13.3 GDP figures including human capital formation for Japan, India, and	298
	Indonesia, 1890-2000 in 1990 Intl. USD.	302
A.14.	Correcting for the bias caused by using a dynamic model to estimate Lucasian growth (converting a dynamic model into a static model)	306
References		309
Summary - Sai	nenvatting	329